EXECUTIVE BRIEF

STATE BOARD OF EQUALIZATION

Fiscal Year 2009-10

Environmental Stewardship Program

Environmental Fee Program Component

Background

This component of the proposal addresses the expansion of the Environmental Fee (EF) Program workload due to the enactment of Assembly Bill (AB) 1803 (Chapter 77, Statutes of 2006). The environmental fee has been in effect since 1989, but prior to the enactment of AB 1803, the fee only applied to certain corporations. AB 1803, amended in part, the California Health and Safety Code to expand the types of organizations subject to the environmental fee. The legislation was sponsored by the Department of Toxic Substances Control (DTSC) to flatten the environmental fee structure and make it more equitable; to ensure adequate funding of DTSC's obligation to protect the public health, safety and environment; and to fund remediation of contaminated sites.

Budget Change Proposal No. 12, AB 1803 (Fiscal Year (FY) 2007-08) – Expanded Workload for the Environmental Fee Program, authorized funds for 5.0 two-year limited-term positions and related resources for the Board of Equalization (BOE) to implement and administer the mandated provisions of AB 1803. Since FY 2006-07, the BOE has fully utilized the authorized staff and approved resources to ensure the effective and efficient implementation of the expanded EF Program. Based on actual workload data in FY 2007-08, the EF Program registered 6,738 non-corporate entities as a result of AB 1803, representing a 14.2 percent increase in the total number of registered feepayers for the EF Program, collected over $5.9 million in additional revenue, which includes fees reported on 5,633 tax return filings, fees collected on account receivable, $536,642 generated by the Associate Tax Auditor through training audits of corporate accounts, and achieved a benefit to cost ratio of 15 to 1 which is higher than the 13 to 1 estimated in BCP No.12.

Request

This proposal requests to continue 5.0 limited positions (4.0 compliance and 1.0 audit), due to sunset on June 30, 2009, on a permanent basis and $375,000 (reimbursement) to administer the ongoing increased workloads associated with the expansion of the EF program. There are no new start-up costs, facility costs, or hiring costs associated with this request, as the requested 5.0 positions are currently filled. With the addition of $5.9 million to the Toxic Substances Control Account (TSCA), the fiscal year benefit-to-cost ratio for these 5.0 positions is projected to be 15.7 to 1.

Current Need

Approval of this request for authorized staff and resources on a permanent basis would allow the BOE to continue to meet and/or exceed the additional audit and compliance workload requirements related to the mandated expansion of the program, its mission and goals toward providing the new fee payers with services that are consistent and equal with other BOE tax and fee programs, the Legislative intent for expanding the program, and will increase its efforts to comply and meet its contractual obligations to the DTSC in order to collect the environmental fee in accordance with the Hazardous Substances Tax Law.

Note: Separate Executive Briefs have been prepared for each of the components in this multi-component Budget Change Proposal.

EXECUTIVE BRIEF

Workload to be Addressed

The BOE, in cooperation with the DTSC, administers the EF Program. If the requested 5.0 positions are not authorized, the BOE would not be able to request reimbursement of AB 1803 costs through the Interagency Agreement with the DTSC.

As a result, the discretionary audit and compliance AB 1803 workloads would not be performed and staff from other special tax or general fund programs would have to be redirected to perform the mandated workload functions. The loss of discretionary functions performed by the auditor and compliance staff would also result in decreased revenues deposited into the TSCA each fiscal year, and the redirection of other audit and compliance staff to perform the mandated workloads may also result in decreased revenues being deposited into other special funds or the general fund as well.

In summary, without the requested positions, the BOE would not be able to efficiently and effectively maximize its efforts to meet the legislative intent for expanding the program, and may prevent the BOE from meeting its statutory obligations for collection of the environmental fee in accordance with the Hazardous Substances Tax Law.

Note: Separate Executive Briefs have been prepared for each of the components in this multi-component Budget Change Proposal.

EXECUTIVE BRIEF

STATE BOARD OF EQUALIZATION

Fiscal Year 2009-10

Environmental Stewardship Program

Ewaste Recycling Fee Program

Background

This proposal addresses the Legislature's intent to ensure that the cost of handling, recycling, and disposing of covered electronic devices is paid by consumers that directly purchase covered electronic devices, and not local governments or their service providers, state government, or other taxpayers. Electronic Waste (Ewaste) represents one of the fastest growing hazardous components of California's waste stream. To address this growing problem, Senate Bill (SB) 20 - Electronic Waste Recycling Act of 2003 (Chapter 526, Statutes of 2003) and SB 50 - Covered Electronic Waste Recycling Fee (Chapter 863, Statutes of 2004) were enacted.

The Board of Equalization (BOE) is mandated (PRC §42464.2) to collect the Ewaste fee from retailers and consumers of specified electronic devices. The BOE is required to deposit the fees into the Electronic Waste Recovery and Recycling Account for use by the California Integrated Waste Management Board (CIWMB) to maintain a comprehensive system for the recycling and disposal of covered electronic devices, along with providing incentives to design electronic devices that are deemed to be non-hazardous.

Continuation on a permanent basis of 6.0 positions (5.0 compliance positions and 1.0 audit position) will protect over $3.7 million fiscal year Ewaste fee revenue. The fiscal year benefit-to-cost ratio for these 6.0 positions is projected to be 8.6 to 1.

These 6.0 positions, along with the other 43.0 BOE positions allocated to the Ewaste Recycling Fee Program, have been necessary for the efficient and effective collection of the Ewaste fee, as reflected by the actual 22 to 1 benefit-to-cost ratio achieved for FY 2006-07, along with collection of over $79 million in Ewaste fee revenue, $9 million more than was originally projected, for FY 2006-07.

Request

This proposal requests $430,000 (Special Fund) and permanent establishment of 6.0 positions, due to sunset on June 30, 2009, to maintain an efficient and effective collection of the Ewaste fee. These 6.0 positions were originally approved in fiscal year (FY) 2005-06 Budget Change Proposal (BCP) No. 4 and were approved in FY 2007-08 BCP No. 6 for an additional two-year limited-term. There are no start-up costs or facility housing issues associated with these 6.0 continuing positions.

Current Need

The BOE needs these 6.0 positions to continue the efficient and effective collection of the Ewaste fee. In addition, continuation of these 6.0 positions will allow the BOE to improve the Ewaste fee program's registration, collection, and audit procedures.

Effective July 1, 2007, portable digital video disc (DVD) players were added to the list of Covered Electronic Devices (CED's) subject to the Ewaste fee. In addition, effective January 1,

2009, the Ewaste fee rates will increase to approximately twice as high as they currently are. In order to continue handling the additional workload associated with annual additions of items to the list of CED's and changes in Ewaste fee rates, the current staffing level (including the 6.0 requested positions) should not be reduced.

Workload to be Addressed

The loss of the 6.0 requested positions will adversely affect the ability of the BOE to continue its efficient and effective collection of the Ewaste fee. If the 6.0 requested positions are not approved, revenue will be reduced and mandatory workload will become backlogged. Without the continued efficient and effective collection of the Ewaste fee, the CIWMB will be hindered in its ability to administer, enforce, and promote California's Electronic Waste Recycling Program, as intended by the Legislature.

EXECUTIVE BRIEF

STATE BOARD OF EQUALIZATION

Fiscal Year 2009-10

Environmental Stewardship Program

Underground Storage Tank Maintenance Fee Component

Background

The Board of Equalization has administered the California Underground Storage Tank Maintenance Fee (UST) program jointly with the State Water Resources Control Board (SWRCB) since it's inception during Fiscal Year 1989-90. As stated in Health and Safety Code Section 25299.10, the original legislative declaration in establishing the program was "...to help ensure an efficient petroleum underground storage tank cleanup program that adequately protects public health and safety and the environment..."

Request

The Fuel Industry Section (FIS) of the Fuel Taxes Division is requesting $133,000 (Special Fund) and 2.0 permanent positions originally authorized as limited-term positions in FY 2007-08 BCP No. 8 – UST Maintenance Fee Program. The 2.0 positions will address the expanding registration investigation workload for the UST Program and produce an additional $1.7 million in revenue annually. A 12.8 to 1 benefit to cost ratio. The requested positions are revenue neutral because the Board's administration expenses are fully reimbursed by the UST Cleanup Fund. Since this proposal requests permanent establishment of positions previously authorized on a limited-term basis there is no additional impact on existing facilities.

Current Need

FIS is attempting to reduce the incidence of large, often petitioned, and contentious determinations being issued to fee payers who were unaware of their reporting and payment requirements under the provisions of the UST Law and reduce the number of unregistered, non-compliant UST owners. FIS seeks to implement a permanent registration investigation program to improve the accuracy and completeness of our registration records. Under this proposal, each newly registered Sales and Use Tax account, with business or account characteristic codes that indicate the potential presence of USTs, will be contacted to assure compliance with the provisions of the UST program. Additional ancillary benefits of the improved registration investigation program include, improved fee payer outreach, additional clean up funds available for distribution by SWRCB, and improved service to other regulatory agencies.

Workload to be Addressed

The improvements to the UST registration database are being implemented in response to administrative suggestion. This workload represents new ongoing efforts being performed by staff subsequent to, and not contemplated in the staff augmentations contained in BCP 8. If the positions requested in the Environmental Stewardship BCP are not approved, resources will be redirected from other vital compliance functions to address the registration workload. The functions most directly affected by redirection will be collections and return analysis. The UST program will experience an increase in accounts receivable balances and outstanding delinquent return periods if redirections are necessary. Redirections would also result in a reduction in clean up funds available to SWRCB for distribution, resulting in a reduction in the number of toxic waste sites remediated annually.

Note: Separate Executive Briefs have been prepared for each of the components in this multi-component Budget Change Proposal.

STATE BOARD OF EQUALIZATION
FISCAL YEAR 2009-10
PROPOSAL No. XX

TITLE OF PROPOSED CHANGE:

Environmental Stewardship Program

SUMMARY OF PROPOSED CHANGES:

This proposal requests to continue expiring limited-term positions as permanent to continue to administer the ongoing workload related to the expansion of the Environmental Fee Program, the Electronic Waste (Ewaste) Recycling Fee Program, and the Underground Storage Tank (UST) Maintenance Fee Program. Approval of this request allows the Board of Equalization to efficiently and effectively fulfill its legislative mandates to administer these environmental stewardship programs and protect the revenue streams that support critical environmental protection programs as described in the next section. This potential revenue stream represents an estimated $11.3 million in annual revenues beginning in fiscal year (FY) 2009-10 and ongoing for a 12 to 1 benefit-to-cost ratio.

This proposal requests $938,000 ($563,000 Special Funds and $375,000 Reimbursement) in FY 2009-10 and ongoing for the permanent establishment of 13.0 limited-term positions scheduled to sunset on June 30, 2009.

STATE BOARD OF EQUALIZATION

Fiscal Year 2009-10

Environmental Stewardship Program

A. Nature of Request

In this proposal, the State Board of Equalization (BOE) requests $938,000 ($563,000 Special Funds and $375,000 Reimbursement) in fiscal year (FY) 2009-10 and ongoing for the permanent establishment of 13.0 limited-term positions scheduled to sunset on June 30, 2009 to maintain the collection of environmentally related taxes and fees for three Special Taxes programs—the Environmental Fee Program, Electronic Waste (Ewaste) Recycling Fee Program, and Underground Storage Tank (UST) Maintenance Fee Program. Specifically, the request includes the programs and associated funding identified below:

1. Environmental Fee Program

$375,000 (Reimbursement) and 5.0 permanent positions previously authorized as limited-term in FY 2007-08 budget change proposal (BCP) No. 12 – Assembly Bill (AB) 1803 - Expanded Workload for Environmental Fee Program. The 5.0 positions will continue to administer the ongoing workload associated with expansion of the Environmental Fee Program and maintain the $5.9 million in additional revenue resulting from the expansion of the fee.

2. Ewaste Recycling Fee Program

$430,000 (Special Fund) and 6.0 permanent positions previously authorized as limited-term positions in FY 2005-06 BCP No. 4 – Covered Electronic Waste Recycling Fee and extended for an additional two years in FY 2007-08 BCP No. 6 – Ewaste Recycling Fee Workload Adjustment. The 6.0 positions will continue to meet the workload demands related to the collection of $3.7 million of the $150 million in estimated annual revenue to be generated by the Ewaste Recycling Fee Program in FY 2009-10.

3. UST Maintenance Fee Program

$133,000 (Special Fund) and 2.0 permanent positions originally authorized as limited-term positions in FY 2007-08 BCP No. 8 – UST Program. The 2.0 positions will address the expanding registration investigation workload for the UST Maintenance Fee Program and maintain $1.7 million in revenue annually.

Approval of this request allows the BOE to efficiently and effectively fulfill its legislative mandates to administer these environmental stewardship programs and protect the revenue streams that support critical environmental protection programs as described in the next section. This potential revenue stream represents an estimated $11.3 million in annual revenues beginning in FY 2009-10 and ongoing for a 12 to 1 benefit-to-cost ratio. Please see Exhibit I on page 15 for a breakdown of revenues by program.

B. Background/History

The BOE partners with several Departments within the California Environmental Protection Agency (CAL EPA) including the Department of Toxic Substances Control (DTSC), California Integrated Waste Management Board (CIWMB), and State Water Resources Control Board (SWRCB) to administer tax and fee programs and collect revenues that support various environmental stewardship programs and funds. The BOE partners with these agencies in the following program areas:

1. Environmental Fee Program

The BOE, in cooperation with the DTSC, administers the Environmental Fee Program in accordance with the Hazardous Substances Tax Law, Revenue and Taxation Code (R&TC) § 43001-43651, and California Health and Safety Code (H&SC) § 25173.6-25205.23. The BOE is required to collect the fee under R&TC § 43054 and has the authority to receive reimbursement for its costs under H&SC §25173.6(b) and § 25174(c).

The environmental fee has been in effect since 1989, but prior to the enactment of AB 1803 (Chapter 77, Statutes of 2006), the fee only applied to certain corporations. AB 1803 amended, in part, Section 25205.6 of the H&SC to define an "organization" as a corporation, limited liability company, limited partnership, limited liability partnership, general partnership and sole proprietorship. The legislation was sponsored by the DTSC to flatten the environmental fee structure and make it more equitable, to ensure adequate funding of DTSC's obligation to protect the public health, safety and environment and to fund remediation of contaminated sites. With the passage of AB 1803, beginning January 1, 2007, the environmental fee applies to most businesses and other organizations operating in California that employ 50 or more people each employed more than 500 hours during the calendar year. These businesses/organizations must now register with the BOE and file environmental fee returns. The environmental fee is an annual fee that is due and payable to the BOE on the last day of the second month following the end of the calendar year.

The BOE received approval for additional resources to implement the expansion of the Environmental Fee Program through BCP No. 12 (AB 1803 - Expanded Workload for Environmental Fee Program) in FY 2007-08. This BCP established 5.0 two-year limited-term positions, effective July 1, 2007 through June 30, 2009. The BOE requested these resources to ensure adequate staffing to handle the increased audit and compliance workloads associated with the expansion of the fee for an anticipated 6,600 new environmental fee accounts. The increased and ongoing workload includes the mailing of application packages, registering accounts, activating and updating fee payer registration information, performing account maintenance functions, closing accounts, reviewing and verifying yearly returns, performing audits, handling refunds and petitions, responding to fee payer inquiries, issuing billings and refunds, clearing delinquencies, issuing determinations, and collecting tax, interest and penalty on any unpaid amounts.

To implement and administer the provisions of AB 1803, the BOE received the following authority:

- $109,000 (Reimbursement) in FY 2006-07 to provide resources for the BOE to begin implementing new provisions of the law by identifying new accounts,

reprogramming the BOE's Integrated Revenue Information System (IRIS) database processes, and preparing publications and responses to fee payer inquiries.

- $483,000 (Reimbursement) in FY 2007-08 to establish 5.0 two-year, limited-term positions in the Environmental Fees Division (EFD) to handle workload created by an estimated 6,600 new environmental fee accounts resulting from AB 1803. This amount also includes additional resources for other BOE units to implement changes in processes associated with newly enacted legislation.

- $403,000 (Reimbursement) in FY 2008-09 to continue funding existing staff and additional resources needed to maintain processes associated with the additional accounts resulting from the expansion of the fee.

In BCP No. 12, the BOE estimated that the program, adjusted to comply with the new legislation, would generate an estimated annual increase of $5.3 million in environmental fee revenue with a benefit to cost ratio of 13 to 1. Since FY 2006-07, the BOE has fully utilized the authorized staff and approved resources to ensure the effective and efficient implementation and administration of the expanded Environmental Fee Program on an ongoing basis.

Based on actual workload data in FY 2007-08, the Environmental Fee Program:

- Registered 6,738 non-corporate entities as a result of AB 1803, representing a 14.2 percent increase in the total number of registered fee payers for the Environmental Fee Program.

- Collected $5.9 million in additional revenue as a result of AB 1803, which includes fees reported on 5,633 return filings, fees collected on accounts receivable, and $536,642 generated by the Associate Tax Auditor through training audits of corporate entities.

- Achieved a benefit to cost ratio of 15 to 1 which is higher than the 13 to 1 estimated in BCP No.12.

This request for authorized staff and resources on a permanent basis enables the BOE to meet the additional audit and compliance workload related to the mandated expansion of the program, provide the new fee payers with services that are consistent and equal with other BOE tax and fee programs, ensure compliance with the Legislative intent to expand the fee program, ensure that the BOE meets its statutory obligation to collect the environmental fee in accordance with the Hazardous Substances Tax Law, and deposit those funds in the Toxic Substances Control Account (TSCA) to ensure DTSC has the funding needed to successfully perform their responsibilities as environmental stewards.

As environmental stewardship partners with the DTSC, the revenues collected by the BOE provide funds used by DTSC, in part, to enforce the State's site cleanup laws, oversee hazardous substances release site investigations and cleanups, monitor long-term operations and maintenance activities at sites where the clean up process has been completed, explore and promote ways of preventing pollution, encourage reuse and recycling, and determine organizations subject to the fee.

2. Ewaste Recycling Fee Program

Electronic waste represents one of the fastest growing hazardous components of California's waste stream. Due to the presence of toxic lead, mercury, or other hazardous or potentially hazardous materials in electronic waste, this waste poses a particular threat to public health and the environment when improperly discarded.

To address this growing problem, Senate Bill (SB) 20 (Chapter 526, Statutes of 2003), effective July 1, 2004, established the Electronic Waste Recycling Act of 2003. This bill enacted a comprehensive and innovative system for the recycling and disposal of Covered Electronic Devices (CED's) and provides incentives to design CED's that do not contain hazardous materials. Additionally, SB 20 provided a funding source for payment of Ewaste collectors and recyclers to ensure the safe and environmentally sound disposal of CED's. By imposing a covered electronic waste recycling fee on consumers at the point of purchase, SB 20 placed the cost of handling, recycling, and disposing of covered electronic devices on the consumers that directly purchase CED's, and not on local governments or their service providers, state government, or other taxpayers.

Effective January 1, 2005, SB 50 - Covered Electronic Waste Recycling Fee (Chapter 863, Statutes of 2004) required consumers to pay a covered electronic waste recycling fee upon the purchase of specified or refurbished CED's. The BOE is required to collect this fee from the retailers and consumers and to deposit the fees into the Electronic Waste Recovery and Recycling Account (EWRRA). The CIWMB uses the funds to pay recyclers that handle electronic waste, educate the public on electronic waste disposal opportunities and provide incentives to design devices that do not contain hazardous materials. The DTSC is responsible for identifying electronic devices that contain hazardous substances and ensuring those devices are added to the list of CED's subject to the fee. DTSC must add any new devices to the list of CED's by December 31 of each calendar year. Any CEDs added to the list by December 31 are subject to the fee on July 1 of the following year.

As a result of SB 50, the BOE submitted BCP No. 4 - SB 50 Covered Electronic Waste Recycling Act requesting funding for staffing and other resources for FY 2004-05 and 2005-06 in October 2004. In April 2005, the BOE submitted Revised FY 2005-06 BCP No. 4 as a technical adjustment for a reduction in Budget Year (FY 2005-06) to reduce staffing and overall funding, as the actual workload data of registered retailers (the primary workload indicator) indicated that the projection in the BCP was overstated. The 6.0 limited-term positions, scheduled to expire June 30, 2009, were originally approved in FY 2005-06 BCP No. 4.

FY 2007-08 BCP No. 6 – Electronic Waste Recycling Fee Workload Adjustment requested another decrease in staffing to appropriately align the resources needed with the program needs. The 6.0 limited-term positions were reauthorized in BCP No. 6, as those positions have consistently and effectively handled workload associated with the collection of the Ewaste Fee since inception of the Ewaste Recycling Fee Program and are necessary resources to the continued success of the program.

As environmental stewardship partners with the CIWMB, the continuing revenues collected by the BOE will help the CIWMB to maintain a comprehensive system for the recycling and disposal of CED's. It also provides funding to offer incentives to design

electronic devices that are deemed to be non-hazardous and funds DTSC in the identification of electronic devices subject to the fee.

3. UST Maintenance Fee Program

The BOE has administered the UST program jointly with the SWRCB since it's inception in FY 1989-90. The fee is imposed on the owner of USTs and is calculated by multiplying the UST fee rate, currently $0.014, by the number of gallons of petroleum product placed into each UST. The fees collected under the UST Fee Program are deposited into the UST cleanup fund. Distributions from the fund are controlled by the SWRCB. Distribution applications are processed by the SWRCB and loans and grants are distributed from the fund to facilitate upgrades to UST and clean up of environmental damage caused by leaking USTs. Revenue collected for this program for FY 2006-07 was $250 million. Based on current revenue for July 1, 2007 to April 30, 2008, estimated revenue for FY 2007-08 is $251 million.

Originally established as an annual assessment, the fee has been collected on self–reported quarterly fee returns since 1991. Initially, registration information was provided by the SWRCB from their Statewide Environmental Evaluation and Planning System (SWEEPS) database. Unfortunately, the information in SWEEPS was highly unreliable, and the BOE has struggled to ensure proper and timely registration under this program ever since. Adding to the complexity of the registration issue is the fact that, by statute, the SWRCB delegates its responsibility for issuing tank operating permits to local permitting agencies. There are approximately one hundred of these agencies, ranging from county environmental health departments to city fire departments, which are authorized to issue operating permits on behalf of the SWRCB. These agencies use uniform forms provided by the SWRCB, but with varying degrees of attention to detail. In addition, these agencies are responsible for keeping the SWRCB's databases up to date, again with varying degrees of success. Therefore, the BOE does not use the SWRCB data. The BOE has maintained its own registration database for several years and has enhanced its accuracy by utilizing information obtained by the BOE Sales and Use Tax Department (SUTD).

This program has historically had higher rates of non-compliance than other tax/fee programs administered by the BOE. This is due in large part to the fact that the fee is imposed on the owner, rather than the operator, of the UST. Owners are more difficult to identify than operators of USTs, because owners are not always registered with the BOE as Sales and Use Tax registrants. (Note: an owner is someone who owns the real property and/or USTs whereas an operator is someone who operates the business and is registered with the BOE.) Because owners who are not also operators are not accurately identifiable in any statewide databases, BOE staff is unable to readily inform them of their responsibility to report and pay the UST fee. This has resulted in large volumes of registration investigations, late identification of owners subject to the fee, a higher than average delinquency rate, large delinquency assessments, and high volume of collection cases.

In FY 1999-2000, the BOE obtained a staff augmentation to address some of the ongoing registration issues. That year, BCP No. 9 – UST Workload provided 4.0 positions on a three-year limited-term basis to investigate complex registration issues and to process an increased petitions workload. Unfortunately, due to budgetary constraints and concerns over staff size reductions, the positions were allowed to expire

on June 30, 2002. However, prior to their expiration, these positions helped contribute to a 9.7 percent, or approximately $18 million, increase in revenue in FY 2001-02.

Even though the limited-term compliance positions expired, the need for additional compliance staff to handle the expanding registration workload remained. As real property/tank owners have become more knowledgeable about the fee program, they have restructured leases to legally shift the ownership of tanks to the operator during the term of the lease, thereby shifting the liability for the fee to the operator. Since operators change more frequently than property ownership, investigating tank ownership for fee purposes may result in the need to register a series of owner/operators for the same tanks. To attempt to meet this workload, 5.0 field auditing positions were internally redirected to compliance roles, which effectively eliminated the BOE's field audit presence for the UST Program. The remaining audit staff of 3.5 positions handles claims for refund, petition for re-determination, and assist in clearing fee payers with multiple period delinquencies by issuing audit assessments. Routine audits are rarely performed.

In FY 2005-06, BCP No. 3 authorized 1.0 limited-term position to augment the existing staff to address ongoing compliance workload. This position which was scheduled to expire on June 30, 2007, was approved for conversion to permanent status in FY 2007-08 BCP No. 8 – Underground Storage Tank Maintenance Fee Workload Increase. Also approved in this BCP were 5.5 new permanent positions and 2.0 two-year limited-term, Business Taxes Representative (BTR) positions. To date, the Fuel Industry Section (FIS) has made great strides in clearing the program backlog, is continuing to produce revenue in a time of declining fuel consumption, and is continuing to track progress toward quantitative goals outlined in FY 2007-08 BCP No. 8. These positions have been invaluable in addressing a backlog due to traditional understaffing in the program and providing fee payer services to an ever-expanding registration base. The FIS is currently half-way through the two-year limited-term work cycle for the two BTR positions approved in BCP 8 FY 2007-08. Due to budgetary delays, these positions were filled in October of 2007. As the limited-term staff members have become more experienced, their associated productivity has increased dramatically. During the period January 1, 2008 to March 31, 2008, three months into the BTR's training cycle, the FIS cleared 729 delinquent periods. During the period April 1, 2008 to June 30, 2008, six months into the BTR's training cycle, the FIS cleared 1,094 delinquent periods; a 50 percent quarter-to-quarter increase in delinquency resolution productivity. As of July 1, 2007 aged delinquencies, delinquencies over six-months old, represented 51.3 percent of the FIS inventory in the UST program. Currently, aged delinquencies represent 34.8 percent of the FIS inventory. This increased productivity is reducing the backlog of aged assignments and continuing to increase UST revenue in spite of a statewide decrease in fuel consumption.

In July 2006, when BCP 8 FY 2007-08 was authored, registration investigations were not a significant aspect of the backlog or FIS's compliance work, since sources of information for registration investigations were limited. In fact, of the 5,600 hours projected to address the backlogs in three work areas—delinquencies, collections, and registration investigations, the registration investigations only accounted for 800 hours or 14 percent of the projected 5,600 hours. The expanding registration investigation workload addressed in the current proposal was identified subsequent to, and was not accounted for in the augmentation granted by FY 2007-08 BCP No. 8 for reasons identified in Alternative 1, component 3 - UST Maintenance Fee Program component on pages 9 and 10 of 28.

As Environmental Stewardship partners with the SWRCB, the revenues collected by the BOE will help the SWRCB issue loans and grants to assist UST owners that are replacing or upgrading their UST systems or remediation of leaking UST sites.

C. State Level Considerations

As required by Budget Letter #08-07 (2009-10 Budget Preparation Guidelines), this proposal addresses the enacted provisions of AB 1803 (Chapter 77, Statutes of 2006), SB 50 (Chapter 863, Statutes of 2004), and the UST law on an ongoing basis.

This proposal further addresses 1) the DTSC's and Legislature's intent to reduce the erosion in the annual environmental fee revenue base, 2) the CIWMB's and Legislature's intent to ensure that any cost associated with the proper management of the covered electronic devices be paid by the consumers of the covered electronic devices at the point of purchase, and not paid by local governments, state government, or other taxpayers, and 3) the SWRCB's and Legislature's intent to prevent and repair contamination of California's soil and water table caused by leaking underground storage tanks.

These three environmental program components are consistent with the mission of the BOE to serve the public through fair, effective, and efficient tax administration, and its strategic plan goals and objectives to:

- Maximize Voluntary Compliance in BOE's Programs
- Improve the Efficiency of BOE's Tax and Fee Programs
- Improve the BOE's Organizational Efficiency

D. Justification/Analysis of All Feasible Alternatives

Alternative 1 - The BOE requests permanent funding for 13.0 limited-term positions scheduled to sunset on June 30, 2009, and $938,000 (Special Funds and Reimbursement) effective FY 2009-10, to maintain the collection of environmentally related taxes and fees for three Special Taxes programs—the Environmental Fee Program, Ewaste Recycling Fee Program, and UST Maintenance Fee Program.

Approval of these 13.0 permanent positions will meet the current needs of all three programs.

1. Environmental Fee Program

The EFD requests continuation of 5.0 limited-term positions on a permanent basis and $375,000 for FY 2009-10 and ongoing.
This alternative will provide the BOE with reimbursement authority to recover costs associated with the ongoing workloads resulting from the mandated provisions of AB 1803. The BOE will receive reimbursement through an interagency agreement with the DTSC for FY 2009-10 and ongoing.

With permanent funding for the 5.0 positions and overtime hours, as reflected in the summary table below, plus related resources identified in Exhibit II pages 16-22, the BOE can ensure ongoing effective and efficient administration of the increased Environmental

Fee program workload, as well as continue its effort to comply with the law. Approval of this proposal would also allow the BOE to continue to collect the environmental fee in accordance with the R&TC for deposit into the TSCA.

The expansion of the Environmental Fee Program to other types of business entities added approximately $5.9 million in additional environmental fee revenue to the TSCA through June 30, 2008.

The following summary outlines the total BOE Personal Services' resources requested in the Environmental Fees Program component. See Exhibit II pages 16-19 for Personal Services workload detail.

Division/Section/Unit	July 2009-June 2010 (Budget Year)		July 2010-June 2011 (BY plus one)	
	Positions	OT Hours.	Positions	OT Hours.
Environmental Fees Division:				
Compliance Section	4.0	321	4.0	321
Audit Section	1.0	114	1.0	114
Administrative Support Division				
Mail Services Unit	0	21	0	21
Cashiers Unit (temporary help hours)	0	114	0	114
Data Entry Unit	0	210	0	210
Customer Service and Publishing Division	0 0	118	0 0	118
Total	**5.0**	**898**	**5.0**	**898**

2. Ewaste Recycling Fee Program

The EFD requests continuation of 6.0 limited-term positions on a permanent basis and $430,000 for FY 2009-10 and ongoing. This alternative ensures the ongoing collection of $3.7 million in annual revenue without diverting resources from within the program to perform the mandatory workload associated with these positions, and the backlog of discretionary workload that would occur.

In December 2006, the DTSC added portable DVD players to the list of CED's subject to the Ewaste recycling fee as of July 1, 2007. The change has resulted in increased workload in the Ewaste program. It is anticipated that newly classified CED's will continue to be added annually, which will also result in additional program workload.

On June 17, 2008, the CIWMB approved an increase of the Ewaste recycling fee structure that is effective January 1, 2009. The new fee structure is expected to increase program revenue from $80 million to over $150 million annually. It is anticipated that this increase in revenue will also result in additional program workload.

The following summary outlines the total BOE Personal Services' resources requested in the Ewaste Recycling Fee Program component. See Exhibit III pages 23-26 for Personal Services workload detail.

Division/Section/Unit	July 2009-June 2010 (Budget Year)	July 2010-June 2011 (BY plus one)
	Positions	Positions
Environmental Fees Division:		
Compliance Section	5.0	5.0
Audit Section	1.0	1.0
Total	**6.0**	**6.0**

3. UST Maintenance Fee Program

The Fuel Taxes Division requests continuation of 2.0 limited-term positions on a permanent basis and $133,000 for FY 2009-10 and ongoing for its Fuel Industry Section (FIS). The UST Maintenance Fee Program component will result in $1.7 million annually in additional revenue. This revenue will be realized by registering previously unregistered fee payers.

Although there is an indirect tie to the registration investigations described in FY 2007-08 BCP No. 8, the current registration investigation workload identified for this proposal is new and expanded based on the following four distinct new demands on registration resources:

- At the request of the BOE Board Members, the FIS implemented an aggressive registration/compliance investigation program for FY 2007-08. Fee payers were/are appearing before the Board for petition hearings on large (well into six figures) determinations. The petitioners were largely unaware of the program or their potential liability for years prior to determinations being issued. The Board requested the FIS to improve registration procedures and outreach to address this problem.
- A change in claims processing procedures at the SWRCB has caused an increase in registration/compliance verification request workload. New requirements enacted by the SWRCB require a more detailed verification of compliance from the FIS.
- A divestiture of retail outlets by large petroleum suppliers has resulted in an on-going increase in registration workload. This includes the initial workload of registering the new owners and the ongoing workload of investigating and maintaining the registration of hundreds of new owners.
- All leads generated by the SUTD audit staff resulting from completed or field waived audits of retail fuel distribution outlets are individually assigned, investigated, and tracked to completion. Some of the petitioners appearing before the Board (referenced above) have already undergone SUTD audits in which their deficiencies under the UST law were not detected. Fee payers were receiving large UST determinations for periods that had previously been audited by the SUTD. As cited above, the Board requested the FIS to improve registration procedures and outreach.

The following is a summary of the total resources required. See Exhibit IV pages 27-28 for Personal Services workload and revenue detail:

Division/Section/Unit	July 2009-June 2010 (Budget Year)	July 2010-June 2011 (BY plus one)
	Positions	Positions
Fuel Taxes Division:		
Compliance Section	2.0	2.0
Total	**2.0**	**2.0**

Pros:

- Protects $11.3 million in revenue that fund environmental stewardship programs — $5.9 million from the Environmental Fee Program, $3.7 million from the Ewaste Recycling Fee Program, and $1.7 million from the UST Maintenance Fee Program.
- Funds the DTSC's efforts to identify and track hazardous waste, inspect hazardous waste cleanup sites, enforce the State's site cleanup laws, oversee hazardous substances release site investigations and cleanups, monitor long-term operations and maintenance activities at sites where the clean up process has been completed, explore and promote ways of preventing pollution, encourage reuse and recycling, and determine organizations subject to the fee.
- Funds the CIWMB's efforts to maintain a comprehensive system for the recycling and dispoal of covered electronic devices and incentives to promote the design of electronic devices that do not contain hazardous materials.
- Funds the SWRCB efforts to issue loans and grants to assist UST owners who are replacing or upgrading their UST systems or remediation of leaking UST sites, and to remediate abandoned UST sites.
- Ensures that the BOE will not have to divert funding and resources from the general fund or other special tax or fee programs.
- Maintains the staffing levels needed to effectively and efficiently administer the programs.
- Maintains the expertise of existing program staff.
- Adheres to administrative mandates regarding program registration.
- Increases voluntary compliance by providing the appropriate level of staffing to enforce program requirements and to perform education outreach functions.
- Minimizes competitive marketplace advantage for unregistered UST owners.
- Provides resources for timely and efficient fee payer and inter-agency service.
- Provides resources to ensure the collection of revenues for all three programs.

Con:

- Requires a permanent budget augmentation.

Alternative 2 - The BOE requests 13.0 limited-term positions, scheduled to sunset on June 30, 2009, for an additional three years and $938,000 (Special Funds and Reimbursement) effective FY 2009-10, to maintain the collection of environmentally related taxes and fees for three Special Taxes Programs—the Environmental Fee Program, Ewaste Recycling Fee Program, and UST Maintenance Fee Program.

Approval of these 13.0 limited-term positions will temporarily meet the current needs of all three programs.

Pros:

- Does not require allocation of permanent resources.
- Funds the DTSC's efforts to identify and track hazardous waste, inspect hazardous waste cleanup sites, enforce the State's site cleanup laws, oversee hazardous substances release site investigations and cleanups, monitor long-term operations and maintenance activities at sites where the clean up process has been completed, explore and promote ways of preventing pollution, encourage reuse and recycling, and determine organizations subject to the fee.
- Funds the CIWMB's efforts to maintain a comprehensive system for the recycling and dispoal of covered electronic devices, and incentives to promote the design of electronic devices that do not contain hazardous materials.
- Funds the SWRCB efforts to issue loans and grants to assist UST owners who are replacing or upgrading their UST systems or remediation of leaking UST sites, and to remediate abandoned UST sites.
- Temporarily protects $11.3 million in revenue that fund environmental stewardship programs — $5.9 million from the Environmental Fee Program, $3.7 million from the Ewaste Recycling Fee Program, and $1.7 million from the UST Maintenance Fee Program.
- Ensures that the BOE will not have to divert funding and resources from the general fund or other special tax or fee programs.
- Maintains the staffing levels needed to effectively and efficiently administer the programs.
- Maintains the expertise of existing program staff.
- Adheres to administrative mandates regarding program registration.
- Increases voluntary compliance by providing the appropriate level of staffing to enforce program requirements and to perform education outreach functions.
- Minimizes competitive marketplace advantage for unregistered UST owners.
- Provides resources for timely and efficient fee payer and inter-agency service.
- Provides resources to ensure the collection of revenues for all three programs.

Cons:

- Extends limited-term resources that are scheduled to expire on June 30, 2009 for three additional years.
- Creates employee recruitment and retention issues inherent with limited-term positions.
- Does not address long-term program needs.

E. Facility/Capital Outlay Consideration

Since this proposal requests permanent establishment of positions previously authorized on a limited-term basis there is no additional impact on existing facilities.

F. Outcomes and Accountability

The outcomes and accountability of the three components of the Environmental Stewardship BCP—Environmental Fee Program, Ewaste Recycling Fee Program, and the UST Maintenance Fee Program are addressed below:

1. Environmental Fee Program

This proposal augments the existing EFD audit and compliance return processing program elements to ensure compliance with the provisions of AB 1803. The revenue gain associated with audits will be measured by the number of additional audits that are completed. The number of assessments issued, as a result of the audits, will be calculated and compared to prior years to establish the actual gain in revenue. The compliance revenue associated with processing the returns, billing and collecting amounts due, and resolving delinquent accounts will be calculated and compared to prior years to establish actual revenue billings and collections. Statistical reports that provide detailed and summarized results are currently in place and reported to the BOE and DTSC management.

2. Ewaste Recycling Fee Program

This proposal augments the existing EFD audit and compliance return processing program elements to ensure compliance with the provisions of the Ewaste Recycling Fee Program. It allows the BOE to continue enforcing the provisions of the Electronic Waste Recycling Fee legislation. To assess the benefits to the program, the BOE will compare the number of accounts and costs of administration to the total assessments and revenue generated in the Ewaste Recycling Fee Program. Statistical reports that provide detailed and summarized results are currently in place and reported to the BOE and CIWMB management.

3. UST Maintenance Fee Program

This proposal augments the existing UST program. All new workload in this program can be quantitatively tracked and reported. The FIS has developed databases to track all registration investigations generated by the BOE TK-5 program, SUTD audit leads, SWRCB requests, and petroleum supplier retail outlet divestiture. New revenue generated by these investigations will be tracked within the BOE's IRIS/Lead Source revenue tracking system. Staff development and start up resource requirements will be minimal, allowing the BOE to realize increased revenue projections and registration database enhancements immediately.

G. Timetable

The BOE has the following implementation plan for the Special Taxes Programs - Environmental Stewardship BCP effective July 1, 2008:

FY 2009 – 2010 and Ongoing
1. **Environmental Fee Program**
• Permanently continue 5.0 positions effective July 1, 2009.
• Continue the identified program functions for compliance and audit staff.
• Monitor progress.
2. **Ewaste Recycling Fee Program**
• Permanently continue 6.0 positions effective July 1, 2009.
• Continue the identified program functions for compliance and audit staff.
• Monitor progress.
3. **Underground Storage Tank Fee Program**
• Permanently continue 2.0 positions effective July 1, 2009.
• Assign investigations and compliance assignments appropriate to staff availability and experience level.
• Establish measurable goals for completing investigations.
• Begin work on registration investigations.
• Track results.

H. Recommendation

Alternative 1 is recommended. This alternative authorizes funding for 13.0 permanent positions (currently limited-term positions due to sunset on June 30, 2009) and $938,000 in FY 2009-10 and ongoing. These resources enable the BOE to provide timely and efficient services to fee payers and regulatory agencies. Equally important, it enhances the BOE's ability to generate an estimated $11.3 million in annual revenues to fund a variety of environmental protection programs without increasing taxes. This additional revenue will yield an estimated benefit-to-cost ratio of 12 to 1.

I. Fiscal Detail

See attached "Fiscal Detail" schedules and exhibits for additional information.

Environmental Stewardship Revenue and Cost Summary

	FY 09/10	FY 10/11
1. Environmental Fee Program		
Positions	5.0	5.0
Anticipated Revenue	5,900,000	5,900,000
Expenditures	375,000	375,000
Benefit/Cost	15.7:1	15.7:1
2. Ewaste Recycling Fee Program		
Positions	6.0	6.0
Anticipated Revenues	3,700,000	3,700,000
Expenditures	430,000	430,000
Benefit/Cost	8.6:1	8.6:1
3. UST Maintenance Fee Program		
Positions	2.0	2.0
Anticipated Revenues	1,700,000	1,700,000
Expenditures	133,000	133,000
Benefit/Cost	12.8:1	12.8:1
Total All Efforts		
Positions	13.0	13.0
Anticipated Revenues	11,300,000	11,300,000
Expenditures	938,000	938,000
Benefit/Cost	12.0:1	12.0:1

Environmental Fees Division
(5.0 Positions: 1.0 Business Taxes Representative, 1.0 Tax Technician III, 1.0 Tax Technician II/I, 1.0 Office Assistant-Typing and 1.0 Associate Tax Auditor)

The continuation of 5.0 EFD positions identified in this request for resources, the related workload and overtime hours are identified below:

Business Taxes Representative

The continuation of the 1.0 Business Taxes Representative (BTR) position is required starting on July 1, 2009 in FY 2009-10 and ongoing to process the ongoing registration, billings, refunds, advisory service, and accounts receivable workloads associated with the addition of over 6,738 non-corporate fee payers into the Environmental Fee Program.

The chart below summarizes the workload hours required for the BTR position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Rep.					
	Registration/account maintenance/closeouts – research and account update processing	M	15.0	916	229
	Return review – problem returns inquiry	M	30.0	1,083	542
	Program advisory service – telephone and correspondence	M	6.0	3,174	317
	Billing inquiries including audit reconciliation	M	30.0	84	42
	Account receivable adjustments including Relief of Penalty requests	M	15.0	84	21
	Issue refunds	M	66.0	56	62
	Accounts receivable collection cases	M	100.0	316	527
	Accounts receivable – write offs	M	60.0	60	60
	Total Hours per year				**1,800**
	Total Positions Requested (1,800 hours per position)				**1.0**

Tax Technician III

The continuation of the 1.0 Tax Technician III (TT III) position is required starting on July 1, 2009 in FY 2009-10 and ongoing. The TT III researches sales and use tax and DTSC referrals for potential unregistered accounts, handles the more difficult registration and return analysis functions, prepares online billings for fees and penalties due, processes refunds of overpayments, and performs additional work on accounts receivable cases.

The chart below summarizes the workload hours required for the TT III position by fiscal year:

Tax Technician III

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Technician III					
	Registration – research SUTD/DTSC referrals	M	15.0	500	125
	Return review – problem returns	M	20.0	1,980	660
	Program telephone advisory service	M	20.0	925	308
	Issue return billings (late, NR, PR)	M	25.0	650	271
	Clear delinquencies (research, adjustments)	M	25.0	281	117
	Issue delinquency billings	M	25.0	281	117
	Account receivable adjustments	M	30.0	172	86
	Issue refunds	M	71.0	56	66
	Accounts receivable collection cases (small dollar)	M	30.0	100	50
	Total Hours per year				**1,800**
	Total Positions (1,800 hours per position)				**1.0**

Tax Technician II/I

The continuation of the 1.0 Tax Technician II/I (TT II/I) position is required starting on July 1, 2009 in FY 2009-10 and ongoing. The TT II/I registers accounts, performs account maintenance functions online, account close-out functions, and provides general customer telephone support. Without the Tax Technician II/I, the mandatory functions associated with position would require the redirection of other program staff to ensure the program requirements are met and discretionary workload would become backlogged or will no longer be done.

The chart below summarizes the workload hours required for the TT II/I position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Technician II/I					
	Registration processing	M	11.0	4,563	837
	Account maintenance	M	8.0	5,484	731
	Account close-outs	M	10.0	1,013	168
	Registration telephone advisory service	M	12.0	268	54
	Review/Comp yearly returns	M	6.0	100	10
	Total Hours per year				**1,800**
	Total Positions (1,800 hours per position)				**1.0**

Office Assistant-Typing

Continuation of the 1.0 Office Assistant (Typing) (OA) position is required starting on July 1, 2009 in FY 2009-10 and ongoing. The OA performs general office duties including receptionist functions, batching scanning and indexing returns and taxpayer correspondence and minor personnel related areas such as time reports, inventory, and track and maintain follow-ups. Without the OA, the mandatory functions associated with position would require the redirection of other program staff to ensure the program requirements are met and discretionary workload would become backlogged or will no longer be done.

The chart below summarizes the workload hours required for the OA position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Office Assistant (Typing)					
	Receptionist's duties (phones, supplies, etc.)	M	90.0	184	276
	Prepare, batch, scan, indexing docs/files	M	390.0	184	1,196
	Mail processing & distribution	M	120.0	88	176
	Administrative support (time reports, training, tracking)	M	480.0	19	152
	Total Hours per year				**1,800**
	Total Positions Requested (1,800 hours per position)				**1.0**

Associate Tax Auditor

Continuation of the 1.0 Associate Tax Auditor position is required on July 1, 2009 in FY 2009-10 and ongoing. The Associate Tax Auditor (ATA) conducts routine and complex audit examinations of environmental fee accounts. A working knowledge of different types of business organizations is essential, as the ATA routinely conducts audits, issues deficiency assessments, analyzes petitions and prepares correspondence.

The LT ATA began audits of environmental fee accounts in December 2007 and completed 33 training audits of corporate entities through June 30, 2008, resulting in additional revenue of $536,642. Ongoing revenue associated with the ATA position is conservatively estimated at $1 million per fiscal year. The audit functions related to AB 1803 will be fully implemented in 2008-09 fiscal year at the completion of one full reporting cycle.

The chart below summarizes the workload hours required for the ATA position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Associate Tax Auditor					
	Audits, routine and complex	H	14.0	79	1,106
	Audit – selection/screening process	H	8.0	40	320
	Audit petitions – analyze	H	2.0	15	30
	Audit petitions – summary and write-up	H	14.0	15	210
	Audit training	H	8.0	6	48
	Total Hours per year				**1,714**
	Total Positions Requested (1,600 hours per position)				**1.07**
	Total Positions Requested (rounded)				**1.00**
	Overtime Hours				**114**

Compliance Overtime Hours

Business Taxes Compliance Specialist

Continuation of overtime hours for the Business Taxes Compliance Specialist (BTCS) position starting on July 1, 2009 in FY 2009-10 and ongoing. The BTCS acts as a lead and provides support and oversight to the compliance staff associated with AB1803. The BTCS processes billings and performs account adjustments, reviews and approves refunds, and works on complex Accounts Receivable collection assignments and program outreach assignments.

The chart below summarizes the workload overtime hours required for the BTCS position per fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Miscellaneous OT Hours					
Compliance Specialist	Billings/account adjustments/refunds – review and approval, AR collection assignments - complex, program outreach	-	-	-	321
	Total Hours per year (1,800 hours per position)				**321**
	Overtime Hours				**321**

Environmental Fee Program Component 1
Technology Services Division
Contract Data

Technology Services Division Costs

The BOE is requesting a continuation of in funding in the amount of $3,000 annually in order to receive a download file semi-annually from the Employment Development Department (EDD) which is used to register business organizations in the Environmental Fee Program. The EDD provides this service to the BOE through an Interagency Agreement. The ongoing workload associated with processing the download file is minimal for the BOE's Technology Services Division and is achievable without the use of additional resources.

July 2009-June 2010 (Budget Year)

Annual On-Going EDD Contract Costs	75	$40 Hr.	$ 3,000
Total FY 2009-10			**$ 3,000**

July 2010-June 2011 (Budget Year plus one)

Annual On-Going EDD Contract Costs	75	$40 Hr.	$ 3,000
Total FY 2010-11			**$ 3,000**

Total Project Hours/Cost	**75**	**$40 Hr.**	**$ 3,000**

Environmental Fees Program Component 1 **EXHIBIT II**
Administrative Support Division **(Page 6 of 7)**
Personal Services and Other Resource Data

Administrative Support Division:

Processing and Facilities Management Section, Mail Services Unit impact: The Mail Services Unit is responsible for processing the outgoing and incoming mail. Additional postage will be required to cover the cost of the mailings.

Cashier Unit impact: The Cashier Unit will be required to open mail, batch return forms, and deposit payments. The additional workload will require temporary help hours at the Office Assistant level.

Data Entry Unit impact: The Data Entry Unit is responsible for entering all information from returns and accounts receivable documents, which is then transferred into the Integrated Revenue Information System (IRIS). The ongoing workload increase associated with the additional forms will require overtime hours at the Key Data Operator level.

	July 2009-June 2010 (Budget Year (BY))	July 2010-June 2011 (BY plus one)
OPERATING EXPENSE		
Mail Services Unit – Postage		
Returns (2 oz) 7,715 quantity	$ 4551.85	$4551.85
Del. Notices (2 oz) 1,240 quantity	$731.60	$731.60
Billing Notices (1 oz) 545 quantity	$228.90	$228.90
Total Postage	**$5,512.35**	**$5512.35**
Overtime		
Data Entry Unit		
Key Data Operator 210 hours	$4,452.00	$4,452.00
Mail Services Unit		
Mailing Machine Operator I 8 hours	$170.80	$170.80
Mailing Machine Operator II 8 hours	$202.08	$202.08
Office Assistant (General.) 5 hours	$98.65	$98.65
Total Overtime	**$4,923.53**	**$4,923.53**
Temporary Help		
Cashier Unit		
Office Assistant (General) 114 hours	$1,499.00	$1,499.00
(84 items per hour – 8,175 return, del and billing items = 97.3 hours)		
Total Temporary Help	**$1,499.00**	**$1,499.00**

Environmental Fees Program Component 1
Resources for Other BOE
Personal Services and Other Workload Data

Customer Service and Publishing Division:

The Information Center E-Publishing Section will be affected in the following ways:

1. Information Center: 670 additional calls each year.
2. Forms and Publications: Revision to Publication 90 and Publication 60; Revision to Business Taxes Law Guide and Law Publications.
3. Customer and Community Outreach Services: Translation of some existing publications.

Projected Information Center and E-Publishing Section costs related to this bill are summarized in the following charts.

July 2009-June 2010 (Budget Year)

Customer Service and Publishing Division	***Additional PYs (classification & number)***		***Temporary Help (classification & hours)***		***Overtime (classification & hours)***		***Other Costs in Dollars, (materials included)***	
INFORMATION SECTION	N/A		N/A		TT II	100	N/A	
E-PUBLISHING/ EDITORIAL SERVICES SECTION	N/A		N/A		AGPA ATSS SSA DCSIII	4 2 2 10	Publication 90, Environmental Fee	$50
Total					$2,346	**118**		**$50**

July 2010-June 2011 (Budget Year plus one)

Customer Service and Publishing Division	***Additional PYs (classification & number)***		***Temporary Help (classification & hours)***		***Overtime (classification & hours)***		***Other Costs in Dollars (materials included)***	
INFORMATION SECTION	N/A		N/A		TT II	100	N/A	
E-PUBLISHING/ EDITORIAL SERVICES SECTION	N/A		N/A		DCSII AGPA ATSS SSA	4 2 2 10	Publication 90, Environmental Fee	$50
Total					$2,346	**118**		**$50**

Ewaste Recycling Fee Program Component 2
Environmental Fees Division
Personal Services Workload Data

EXHIBIT III
(Page 1 of 4)

Environmental Fees Division
(6.0 Positions: 1.0 Business Taxes Specialist I, 3.0 Tax Technician III, 1.0 Tax Technician II, and 1.0 Office Assistant-Typing)

The continuation of 6.0 EFD positions in this request for resources and related workload are identified below:

1.0 Business Taxes Specialist I (Field Auditor) – 1.0 Continuing Position

This audit position conducts the more complex Ewaste fee audits of the larger fee payers, along with training other auditors and preparing and presenting audit-related training courses. Other duties conducted by the Business Taxes Specialist I (BTS I) include assisting other staff in analyzing accuracy of claims for refund, analysis of petitions for re-determination, analyzing legislation, acting as a liaison with other state agencies and miscellaneous audit planning.

If this BTS I audit position is allowed to expire on June 30, 2009, there will be an estimated $974,791 fiscal year audit revenue loss, and the other activities for this BTS I position will need to be allocated to other audit staff, additionally reducing fiscal year audit revenue achieved by that staff.

The chart below summarizes the workload hours required for the BTS I position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I					
	Audits – Complex	H	126	10	1,260
	Training Other Auditors	H	40	7	280
	Preparation of Training Courses.	H	24	7	168
	Other Duties as Required	H			92
	Total Hours per year				**1,800**
	Total Positions (1,800 hours per position)				**1.0**

3.0 Tax Technician III (Return Processing) – 3.0 Continuing Positions

These three Tax Technician III (TT III) positions are responsible for processing Ewaste fee returns; originating billings on computational errors found on the returns; preparing refunds of fee overpayments; processing bank error letters received from fee payers; initiating correspondence on incorrect reporting to fee payers; and analyzing returns, transmittal documents, and various reports for validity, completeness, accuracy, and compliance with the laws and regulations. Other duties include maintenance of accounts receivable, analyzing and processing unapplied credits, and assisting in special projects and assignments.

If these three TT III positions are allowed to expire on June 30, 2009, there will be an estimated $715,678 fiscal year return-processing revenue loss, and the other activities for these TT III positions will need to be allocated to other Ewaste compliance staff, reducing revenue and productivity in other parts of the Ewaste fee program..

The chart below summarizes the workload hours required for the three TT III positions by fiscal year.

Workload Detail

		Time Measure		On-going Activities	
Classification	**Activity**	**H = Hours M = Minutes**	**Time Per Occurrence**	**Occurrences Per Year**	**Total Hours**
Tax Technician III					
	Review/comp returns (quarterly & monthly)	M	2.5	42,774	1,782.3
	Program telephone advisory service	M	25	3,378	1,407.5
	Issue return billings (late, NR, PR)	M	10	1,470	245.0
	Clear and Issue delinquencies Billings	M	8	10,623	1,416.4
	Issue refunds	M	25	192	80.0
	Accounts Receivable Research and Documents Processing	M	30	396	198.0
	Other Duties as Required				270.8
	Total Hours per year				**5,400.0**
	Total Positions (1,800 hours per position)				**3.0**

1.0 Tax Technician II (Registration) – 1.0 Continuing Position

This Tax Technician II (TT II) position is responsible for the full range of registration duties for the Ewaste fee program, including advising fee payers and government agencies on registration, security, and filing requirements. The TT II contacts, by telephone, potential fee payers to determine if they need be registered under the Ewaste fee program. The TT II reviews the Ewaste Retailer reports sent to the BOE by registered Ewaste manufacturers. These Ewaste Retailer reports are used by the Tax Technician II to locate and register any fee payers selling Ewaste products that are not currently registered under the Ewaste fee program. In addition, the TT II position is responsible for account closeouts and account maintenance processes, along with other miscellaneous duties.

If this TT II position is allowed to expire on June 30, 2009, there will be an estimated $1,051,196 fiscal year registration revenue loss, and the other activities for this TT II position will need to be allocated to other Ewaste compliance staff, reducing revenue and productivity in other parts of the Ewaste fee program.

The chart below summarizes the workload hours required for the TT II position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Technician II					
	New registration processing/Activate account	M	15	528	132.0
	Account maintenance	M	15	2,805	701.3
	Account closeouts	M	15	300	75.0
	Registration telephone advisory service	M	30	1,576	788.0
	Other Duties as Required				103.7
	Total Hours per year				**1,800.0**
	Total Positions (1,800 hours per position)				**1.0**

1.0 Office Technician (Typing) – 1.0 Continuing Position

The Office Technician (OT) position performs the following types of duties: receptionist (phones, supplies, mail, etc.), administrative support (attendance, training, personnel, record coordinator), and line team support (registrations, returns, collections).

If this OT position is allowed to expire on June 30, 2009, then the majority of the OT's duties will need to be conducted by other Ewaste staff. It is conservatively estimated that fiscal year registration revenue will be reduced by at least $1,051,196, along with other revenue reductions in return processing and collection functions. Not approving continuation of this OT position will create a backlog of mandatory workloads throughout the Ewaste Recycling Fee Program.

The chart below summarizes the workload hours required for the OT position by fiscal year:

Workload Detail					
		Time Measure		On-going Activities	
Classification	Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Office Technician-Typing					
	Receptionist's duties (phones, supplies, mail, etc.)	M	5.0	6,000	500
	Administrative support (attendance, training, personnel, records coordinator, lead duties)	M	5.0	9,600	800
	Line team support (registration, return, collections)	M	5.0	6,000	500
	Total Hours per year				**1,800**
	Total Positions (1,800 hours per position)				**1.0**

Ewaste Recycling Fee Program Component 2
Environmental Fees Division
Personal Services Workload Data

Revenue Data
Electronic Waste and Recycling Fee

The following chart details the $3.7 million estimated revenue impact for the 6.0 Ewaste Positions:

Audit:	
Business Tax Specialist I (BTS I)	
Reported Revenue Largest 60 Ewaste Accounts For a Three Year Period	$283,153,860
BTS I Audit Assessment	.344%
Additional Revenue Scored by BTS I	$974,791
Compliance:	
Tax Technician III (TTIII)	
Average Revenue Generated by TTIII through Return Processing	$238,560
Number of TTII Positions Requested in BCP	3
Revenue Resulting through TTIII Workload	$715,680
Tax Technician II (TTII)	
Annual Revenue Generated by TTII through Registration of Accounts	$1,051,196
Number of Positions Requested	1
Revenue Resulting from TTII Workload	$1,051,196
Office Technician (OT)	
Annual Revenue Generated by TTII through Registration of Accounts	$1,051,196
Number of OT Positions Requested	1
Loss of Revenue due to redirection of Duties to cover OT Workload	$1,051,196
*Total Impact on Revenue for 6.0 Ewaste Positions	$3,792,863

*Revenue information takes into consideration the increase in the Ewaste fees effective January 1, 2009 and three year audit cycle.

Underground Storage Tank Maintenance Fee Program Component 3 **EXHIBIT IV**
Fuel Taxes Division **(Page 1 of 2)**
Personal Services Workload Data

Ongoing Workload – Compliance - Business Taxes Representative

The compliance staff requires augmentation of 2.0 positions at the Business Taxes Representative (BTR) level. These positions will address the continuing workload in return review, collections, and delinquencies, as well as addressing the expanding registration investigation workload. The assignments identified on the following chart detail the average workload currently experienced by the BTRs in FIS, as well as projected staffing needs.

BTR Work Function	Number of Items Annually	Hours Per Item	Total Hours	Positions Needed	Available Positions	Positions Requested
New Delinquencies	1,200	3	3,600			
New Collection Assignments - $2,500 to $100,000	780	2.5	1,950			
Return Review	500	1	500			
Ownership Investigations	2,062	3.125	6,443			
Total			**12,493**	**7**	**5**	**2**

Underground Storage Tank Maintenance Fee Program Component 3 **EXHIBIT IV**
Fuel Taxes Division **(Page 2 of 2)**
Personal Services Workload Data

The following chart details the registration investigation workload currently experienced by FIS. These statistics include both traditional compliance registration investigations and the newly enacted registration investigation programs addressed in this BCP.

BTR Registration Investigation Workload Statistics			
Function	**Assignments**	**Hours per Assignment**	**Total**
BOE TK 5* Investigations	900	2.25	2,025
SWCRB Registration Investigations	50	4	200
Supplier Sales Investigations	400	4	1,600
Compliance Registration Investigations	400	6	2,400
506 Field Waivers	40	2	80
506 Audit Completed Leads	272	0.5	136
Total	2,062		6,441
Average Hours Required per Registration Investigation Assignment			3.125

A BOE TK 5 is an extract letter that is sent to newly registered Sales and Use Tax accounts that likely have USTs at the business locations. The letter is an investigation process tool.

Revenue Data

The following chart details the $1.65 million estimated, ongoing revenue starting in FY 2009-10.

• Additional BTR registration investigation hours	3,560
• Additional investigations processed	1,140
• Estimated new registrations	114
• Average annual revenue from a new account	$14,422
• Estimated annual revenue from new registrations	**$1.65 million** (114 new accounts * $14,422)

This revenue estimate is conservatively based on the estimated current year revenues for newly registered UST accounts. In some cases, delinquent uncollected revenue will be captured from unreported fees for previous years, additionally increasing revenue. FIS estimates, based on experience and direct spreadsheet tracking, that 10 percent of investigations will result in new registrations. The "per location" revenue figure is based on projected program revenue and California Department Energy statistics regarding USTs.

BCP No.
DATE: August 19, 2009

STATE OF CALIFORNIA
BUDGET CHANGE PROPOSAL--FISCAL DETAIL
STATE OPERATIONS
FISCAL YEAR 2009-10
(Dollars in Thousands)

Title of Proposed Change: **Environmental Stewardship Program**

Program/Element/Component: **35 Hazardous Substances Tax Program, 66 E-Waste Recycling Fee Program, 58 Underground Storage Tank Fee Program**

	PERSONNEL YEARS					
	CY	BY	BY + 1	CY	BY	BY + 1
TOTAL SALARIES AND WAGES _a/		13.1	13.1		$584	$584
Salary Savings		-.7	-.7		-28	-28
NET TOTAL SALARIES AND WAGES		12.4	12.4		556	556
Staff Benefits_a/					198	198
Distributed Administration_b/					68	68
TOTAL PERSONAL SERVICES		12.4	12.4		$822	$822
OPERATING EXPENSE AND EQUIPMENT						
General Expense					$23	$23
Distributed Administration					17	17
Printing						
Communications						
Postage					6	6
Travel--In-State					7	7
Travel--Out-of -State					9	9
Training					9	9
Facilities Operations					42	42
Consulting & Professional Services: Interdepartmental					3	3
Consulting & Professional Services: External						
Department of Technology Services						
Data Processing						
Equipment						
Other Items of Expense: (Specify Below)						

_a/ See page 31 of 31 for itemized staff benefits and classification detail.

_b/ Represents Distributed Administration costs resulting from this BCP. The Distributed Administration costs for existing BOE programs will reflect a corresponding decrease which will be addressed in the Planning Estimate process.

		BCP No.		
		CY	BY	BY + 1
TOTAL OPERATING EXPENSE AND EQUIPMENT			$116	$116
TOTAL EXPENDITURES (State Operations)			$938	$938
Source of Funds				
General Fund	(0001)			
Special Funds:				
Breast Cancer Fund	(0004)			
State Emergency Telephone	(0022)			
Motor Vehicle Fuel Account	(0061)			
Occupational Lead Prevention Fund	(0070)			
Childhood Lead Poisoning Prev. Fund	(0080)			
Cig. and Tobacco Prod. Surtax Fund	(0230)			
Oil Spill Prevention and Admin. Fund	(0320)			
Integrated Waste Management	(0387)			
Underground Storage Tank Fund	(0439)		133	133
Energy Resources Programs Account	(0465)			
CA. Children and Families First Trust Fund	(0623)			
Federal Trust Fund	(0890)			
Timber Tax Fund	(0965)			
Gas Consumption Surcharge Fund	(3015)			
Water Rights Fund	(3058)			
Elec. Waste Recovery and Recycling Acct.	(3065)		430	430
Cig. and Tobacco Prod. Compliance Fund	(3067)			
Federal Funds				
Other Funds				
Reimbursements	(0995)		$375	$375
Net Total Augmentation (Source of Funds)			$938	$938

DETAIL OF STAFF BENEFITS AND PERSONAL SERVICES

Staff Benefits Detail:	CY	BY	BY + 1
		(Whole Dollars)	
OASDI		$42,534	$42,534
Health Insurance		62,829	62,829
Retirement		89,825	89,825
Workers' Compensation		216	216
Industrial Disability Leave		378	378
Non-Industrial Disability Leave		273	273
Unemployment Insurance		81	81
Other		1,394	1,394
TOTAL		$197,530	$197,530

Classification	Positions CY	Positions BY	Positions BY + 1	Salary Range _a/	Amount CY	Amount BY	Amount BY + 1
Property and Special Taxes							
Environmental Fees Division							
Business Taxes Representative		1.0	1.0	$42,384		$42,384	$42,384
Tax Technician III		1.0	1.0	39,036		39,036	39,036
Tax Technician II		1.0	1.0	34,908		34,908	34,908
Office Assistant - Typing		1.0	1.0	27,888		27,888	27,888
Associate Tax Auditor		1.0	1.0	64,164		64,164	64,164
Electronic Waste Division							
Business Taxes Specialist I		1.0	1.0	74,016		74,016	74,016
Office Technician I		1.0	1.0	35,532		35,532	35,532
Tax Technician II		1.0	1.0	34,908		34,908	34,908
Tax Technician III		3.0	3.0	39,036		117,108	117,108
Fuel Services Division							
Business Taxes Representative		2.0	2.0	42,384		84,768	84,768
Blanket Funds:							
Overtime (Various)		(.4)	(.4)			27,526	27,526
Temporary Help		.1	.1			1,499	1,499
TOTAL SALARIES AND WAGES		13.1	13.1			$583,737	$583,737

_a/ The salary is the mid-step of the salary range for the stated classification.