

Memorandum

To : Ramon Hirsig
Executive Director

Date : September 2, 2008

From : 
Liz Houser, Deputy Director
Administration Department

Subject : **September 2008 Sacramento Board Meeting Administrative Agenda Materials**

Attached for your approval and submission to the Board are materials pertaining to the September 2008 Sacramento Board Meeting Administrative Agenda – Deputy Director's Report . This item and related materials will require action by the Board. The materials pertain to:

FY 2009-10 Draft Budget Change Proposals

- ✚ U.S. Customs Program
- ✚ Out-of-State Audit and Registration
- ✚ Environmental
- ✚ Natural Gas Public Purpose Programs Surcharge
- ✚ Flavored Malt Beverages
- ✚ Cigarette and Tobacco Products Licensing and
- ✚ Administrative.
- ✚ Tax Refund.
- ✚ Facilities - Headquarters

I may be reached at 916.445.4272, or by email: liz.houser@boe.ca.gov, should you have any questions.

LH:aw

Attachments

cc: Charlene Yount

I approve: _____



Ramon J. Hirsig,
Executive Director

Memorandum

To : Honorable Judy Chu, Ph.D., Chair
Honorable Betty T. Yee, Vice Chairwoman
Honorable Bill Leonard
Honorable Michelle Steel
Honorable John Chiang

Date : September 2, 2008

From : Ramon J. Hirsig
Executive Director



Subject : **September 2008 Sacramento Board Meeting**

Attached are materials in support of items submitted for the September 2008 Sacramento Board Meeting. The materials pertain to the Administrative Agenda - Deputy Director's Report, which will require action by the Board. This item and materials are summarized below.

FY 2009-10 Draft Budget Change Proposals

- ‡ U.S. Customs Program - \$815,000 (General, Reimbursements) to permanently establish 11.5 existing LT positions for support of the existing U.S. Customs Program which matches U.S. Customs records against BOE's registration records to determine whether California businesses and individuals have paid the appropriate use taxes. Approval will maintain \$9,200,000 in revenues (Benefit-to-cost ratio: 11.3 to 1).
- ‡ Out-of-State Audit and Registration Program - \$2,795,000 (General, Reimbursements) to permanently establish 23.0 new positions to address workload associated with out-of-state audits and with registration of out-of-state sellers with nexus in California. Approval will generate revenues of \$8,320,000 in FY 2009-10 (Benefit-to-cost ratio: 3.0 to 1), rising to \$10,960,000 in FY 2011-12 (Long-term benefit-to-cost ratio: 4.4 to 1).
- ‡ Environmental Stewardship - \$938,000 (Special, Reimbursements) to permanently establish 13.0 existing LT positions in order to maintain the collection of environmentally related taxes and fees for three programs: Environmental Fee, Electronic Waste Recycling Fee, and Underground Storage Tank Maintenance Fee. Approval will maintain combined annual revenues of \$11,300,000 for these programs (Benefit-to-cost ratio is 12 to 1).
- ‡ Natural Gas Public Purpose Programs Surcharge - \$257,000 (Special) to establish 2.0 new three-year limited term positions to meet previously unmet workload related to the identification, registration, audit, and verification of payments required from natural gas utilities and consumers of natural gas drawn directly from pipelines. Approval will increase revenues by an estimated \$4,400,000 (Benefit-to-cost ratio: 17.1 to 1 in FY 2009-10 and 20.3 to 1 in subsequent fiscal years).

- ✦ Flavored Malt Beverages - \$760,000 (General) in FY 2008-09 and \$1,171,000 in FY 2009-10 to permanently establish 5.5 new positions to address new workload resulting with the regulations adopted in April 2008 related to the determination that Flavored Malt Beverages meet the definition of a "distilled spirit" under the Alcoholic Beverage Tax Law. Approval will result in estimated revenues, in the absence of any reformulation of products by manufacturers, of \$28.7 million in FY 2008-09 and \$38.3 million in FY 2009-10 and ongoing (Benefit-to-cost ratio: 37.4 to 1 in FY 2008-09; 32.7 to 1 in FY 2009-10; and 51.4 to 1 in FY 2010-11 and ongoing).
- ✦ Cigarette and Tobacco Products Licensing and Enforcement - \$8,498,000 (General, Special) to (effective January 1, 2009) permanently establish 96.9 positions (3.5 new; 93.0 existing LT; 0.4 Temporary Help) to continue administration and enforcement of the Cigarette and Tobacco Products Licensing Act, offset the cost to administer the Licensing Program, and provide support for the State's use of an encrypted cigarette tax stamp. Approval will maintain annual revenues of \$144,570,000 (Benefit-to-cost ratio: 8.8 to 1 in FY 2009-10 and 9.3 to 1 in subsequent fiscal years).
- ✦ Administrative Appeals - \$1,608,000 (General, Special, Reimbursements) to permanently establish 11.0 new positions to process the increase in tax appeals managed by the Legal Affairs Division and the Board Proceedings Division as well as workload related to legislation and regulatory requirements. Approval of this proposal will accelerate the collection of revenues.
- ✦ Tax Refund Litigation - \$545,000 (General, Special, Reimbursements) to permanently establish 3.0 new positions to enable the Litigation Division to proactively manage a growing and increasingly complex tax refund litigation caseload. Failure to approve this proposal will endanger BOE's ability to effectively represent the State's interests in cases involving these tax refund cases and related claims against the State.
- ✦ Facilities - Headquarters - \$5,740,000 (General, Special, Reimbursements) to permanently establish 6.0 new positions to address space needs and on-going investigation, evaluation testing and repair related to BOE's Headquarters building.

Should you have any questions regarding these subjects, please feel free to contact Liz Houser, Deputy Director, Administration Department, at 916.445.4272. Ms. Houser may also be reached via e-mail: liz.houser@boe.ca.gov.

RJH:LH:aw

Attachments

cc: Mr. Steve Shea
Mr. Alan LoFaso
Ms. Barbara Alby
Mr. Erik Caldwell
Ms. Marcy Jo Mandel
Executive Team

Board of Equalization
 Summary -- FY 2009-10 Budget Change Proposals

BCP Title	FY 2009-10				Benefit to Cost Ratio
	Positions	Expenditures	Fund	Revenue	
<u>SALES AND USE TAX</u>					
U.S. Customs Program	11.5 \$	815,000	G,R	\$ 9,200,000	11.3:1
Out-of-State Audits and Registration	23.0 \$	2,795,000	G,R	\$ 8,320,000	3.0:1
<u>PROPERTY AND SPECIAL TAXES</u>					
Environmental Stewardship Program	13.0 \$	938,000	S,R	\$ 11,300,000	12.0:1
Natural Gas Public Purpose Programs Surcharge	2.0 \$	257,000	S	\$ 4,400,000	17.1:1
Flavored Malt Beverages	5.5 \$	1,171,000	G	\$ 38,300,000	32.7:1
Cigarette and Tobacco Enforcement	96.9 \$	8,498,000	G,S	\$ 74,390,000 *	8.8:1
<u>LEGAL/EXECUTIVE/ADMINISTRATION</u>					
Administrative Appeals	11.0 \$	1,608,000	G,S,R		
Tax Refund Litigation	3.0 \$	545,000	G,S,R		
Facilities - Headquarters	6.0 \$	5,740,000	G,S,R		
Grand Total	171.9 \$	\$ 22,367,000		\$ 145,910,000	6.5:1

* Reflects half-year revenue; full-year revenue = \$144,570,000

Fund
 G = General Fund
 S = Special Funds
 R = Reimbursements