

**STATE BOARD OF EQUALIZATION
FISCAL YEAR 2011-12
BUDGET CHANGE PROPOSAL No. XX**

TITLE OF PROPOSED CHANGE:

Permanent Establishment of the Statewide Compliance and Outreach Program

SUMMARY OF PROPOSED CHANGES:

Based on the success of the Board of Equalization's (BOE) pilot Statewide Compliance and Outreach Program (SCOP), this proposal will generate an estimated \$61.9 million (M) in ongoing sales and use tax revenue by identifying and registering entities who are actively engaged in business in California and selling tangible personal property without a seller's permit. The permanent establishment of SCOP will continue addressing the existing tax gap (the difference between sales and use tax revenue due under existing laws and the actual amount reported and paid). Under this proposal to permanently establish SCOP, the BOE will continue to focus efforts to enforce existing laws by identifying industries that have a history of non-compliance issues. Through the enhanced outreach component, this program is essential in the BOE's efforts to fully serve the needs of business owners and perform the necessary registration, audit, compliance, and enforcement functions.

Based on the lessons learned from the SCOP pilot, this proposal requests the conversion of 147.0 existing limited-term positions to permanent and \$14.2M (\$10.2M General Fund and \$4.0M Reimbursements) in FY 2011-12 and \$14.1M ongoing (\$10.2M General Fund and \$3.9M Reimbursements) beginning FY 2012-13 to permanently establish the Statewide Compliance and Outreach Program (SCOP). Thus, the estimated ongoing revenue of \$61.9M generated annually by SCOP results in a benefit-to-cost ratio of 4.4 to 1.

Permanently establishing the SCOP will continue the success of the program by providing resources to better educate the public about the legal requirements of obtaining a permit, providing information regarding the reporting and payment of taxes, providing for follow up with businesses registered with this program to ensure ongoing compliance, reducing the number of businesses operating with revoked seller's permits, and enhancing the awareness of the consequences of tax evasion. Permanent funding will also allow the BOE to continue dedicating resources to identify problem industries and focus on education, outreach, and compliance efforts on a permanent basis. In addition, this program will recover lost tax revenue and will benefit California businesses properly reporting tax by providing an opportunity to compete on a level playing field.

**State Board of Equalization
Sales and Use Tax Program
PERMANENT ESTABLISHMENT OF THE
STATEWIDE COMPLIANCE AND OUTREACH PROGRAM
Fiscal Year 2011-12**

A. Nature of Request

Based on the success of the Board of Equalization's (BOE) pilot Statewide Compliance and Outreach Program (SCOP), this proposal will generate an estimated \$61.9 million (M) in ongoing sales and use tax revenue by identifying and registering entities who are actively engaged in business in California and selling tangible personal property without a seller's permit. The permanent establishment of SCOP will continue addressing the existing tax gap (the difference between sales and use tax revenue due under existing laws and the actual amount reported and paid). Under this proposal to permanently establish SCOP, the BOE will continue to focus efforts to enforce existing laws by identifying industries that have a history of non-compliance issues. Through the enhanced outreach component, this program is essential in the BOE's efforts to fully serve the needs of business owners and perform the necessary registration, audit, compliance, and enforcement functions.

Based on the lessons learned from the SCOP pilot, this proposal requests the conversion of 147.0 existing limited-term positions to permanent and \$14.2M (\$10.2M General Fund and \$4.0M Reimbursements) in FY 2011-12 and \$14.1M (\$10.2M General Fund and \$3.9M Reimbursements) ongoing beginning FY 2012-13 to permanently establish the SCOP. This proposal requests the redirection and reclassification of 16.0 positions from the Legal Department's Investigations Division (ID) to the Sales and Use Tax Department (SUTD). In addition, the Administration Department's Accounting Section as well as the Executive Department's Internal Security and Audit Division are reducing their request by 0.5 positions each, totaling 1.0 position. (Exhibit I, pages 13-37, provides a detailed description of the functions and workload of the requested positions). Thus, the estimated ongoing revenue of \$61.9 million generated annually by SCOP results in a benefit-to-cost ratio of 4.4 to 1.

Permanently establishing the SCOP will allow BOE to continue the success of the program by providing resources to better educate the public about the legal requirements of obtaining a permit, providing information regarding the reporting and payment of taxes, providing for follow up with businesses registered with this program to ensure ongoing compliance, reducing the number of businesses operating with revoked seller's permits, and enhancing the awareness of the consequences of tax evasion. Permanent funding will also allow the BOE to continue dedicating resources to identify problem industries and focus on education, outreach, and compliance efforts on a permanent basis. This program will recover lost tax revenue and will benefit California businesses properly reporting tax by providing an opportunity to compete on a level playing field.

B. Background/History

The SCOP was approved in FY 2008-09 under BCP No. 3, "Stadewide Compliance and Outreach Program" as a three year pilot. As a result, 148.0 limited-term positions and funding was provided to address a component of the tax gap by identifying and registering entities actively engaged in business in California whom are selling tangible personal property without a seller's permit. The SCOP established seven teams throughout California in the following cities: Oakland, Sacramento, San Jose, Van Nuys, Norwalk, Irvine and Riverside. Each team was staffed with one Business Taxes Administrator I (BTAI), one Business Taxes Specialist I (BTSI), eight Business Taxes Compliance Specialist (BTCS), one Tax Technician III (TTIII) and one Office Technician (OT). In addition, Associate Tax Auditor (ATA) positions were assigned to all 13 BOE district offices.

However, due to a delayed budget enactment, which delayed implementation, the hiring in phases of SCOP specialists and the training required, the SCOP was not able to become fully functional until FY 2009-10. As a result, the program was only able to generate \$19.1 million in revenue during the initial FY 2008-09. In FY 2009-10, the SCOP generated \$55.5 million in revenue. Based on the data collected during the pilot, the permanent establishment of SCOP is expected to provide the State with an estimated \$61.9 million in ongoing revenue. Hence, the foregoing amounts are less than originally estimated. The direct result is from a combination of higher than anticipated travel time and the average per inspection time being higher than originally projected, thus, the number of SCOP visits and benefit to cost ratios have been revised. The smaller data sample used in the original BCP to project the number of SCOP inspections and revenue was not confirmed by the data collected during the pilot as the original estimate did not capture all aspects of the program.

As of June 30, 2010, the SCOP visits have identified a non-compliance rate of approximately 3.6 percent (Exhibit II, page 38). Although the non-compliance rate is identified as 3.6 percent, only 2.3 percent of SCOP permit/license checks represent new sales and use tax accounts. The remaining 1.3 percent represents unpermitted sub locations on existing sales and use tax accounts. Thus, the potential annual number of unpermitted business accounts in California is estimated to be over 21,400 (Exhibit III, pages 39-40). This estimate is calculated by extrapolating 2.3 percent of the total number of current active registered accounts (909,110). Using an estimated annual sales tax recovery of \$4,267 per new account (Exhibit III, pages 39-40), results in a potential of over \$91 million in lost annual sales tax revenue, or potential future revenues related unpermitted businesses only.

In addition, the SCOP has visited over 146,800 retail businesses and conducted an additional 3,400 in-office permit/license checks throughout California. These permit/license checks have resulted in identifying 3,388 businesses operating without a valid seller's permit, 37,850 taxpayer information registration updates, and 1,219 audit referrals. SCOP records indicate that 94.7 percent of the businesses identified by SCOP as operating without seller's permits have voluntarily obtained seller's permits.

By performing permit/license checks, voluntary compliance has increased and this segment of the tax gap is being addressed. The SCOP is focused primarily on identifying businesses without valid seller's permits that are conducting transactions subject to sales or use tax. However, this program also provides industry specific education through a variety of media outreach and partnerships with industry associations, local governments, and other governmental agencies.

The SCOP efforts are enforcing existing laws, increasing the state's revenue stream without increasing taxes, and ensuring all businesses are properly registered. In addition, SCOP has actively shared data with other BOE programs by providing them with quarterly reports detailing businesses visited by the SCOP that may also be required to hold other BOE tax and fee permits. This facilitates a single point of contact for taxpayers.

In addition to identifying businesses making sales of tangible personal property without holding a valid seller's permit, the SCOP provides the cities and counties canvassed with referrals concerning businesses operating within their jurisdictions without a valid city/county business license. The municipalities have benefited from this joint effort and have increased compliance in their communities as well.

With the implementation of the SCOP pilot, the ID became responsible for all prosecutions under Revenue and Taxation Code section 6071, including those previously handled by SUTD district offices. When district staff efforts to obtain taxpayer compliance are unsuccessful, the ID initiates its established streamlined citation and prosecution process with District and City Attorney offices. The ability of the ID investigators to issue criminal citations for violations of section 6071 is a key advantage of the division's involvement in SCOP. ID's enforcement either results in immediate taxpayer compliance, issuance of a criminal citation and subsequent prosecution, and/or the close-out of a business that has operated as part of the underground economy, on average, 446 days without a permit, filing or remitting taxes due to the BOE.

Based on statistics from the SCOP's pilot period (July 2008 to March 2010), the ID found that of the revocations referred, approximately 6.7 percent reinstated prior to the initial field visit by ID, 25.6 percent came into voluntary compliance after contact by ID, 26.8 percent closed out after ID contact, and 40.9 percent were issued criminal citations.

While historical data reflects a 3.5 percent referral rate of aged revoked accounts to the ID (see Exhibit IV, Pages 41-43), SUTD indicates that between 1 and 5 percent of the aged revocations over 180 days may be eligible for referral to the ID. Using these percentages, the ID will assume a 2.5 percent annual rate of referral for purposes of this proposal.

With this relatively high percentage of close-outs after ID contact (26.8 percent), the ID proposes to conduct a more in-depth examination of referrals that subsequently close out. It has been the ID's experience that closing out an account is often done to evade payment of taxes. For example, some taxpayers close out their account and continue to operate "underground" without a valid seller's permit thereby evading the payment of tax. Other taxpayers close out their BOE account, subsequently open a new account under a different owner name, such as a relative, but continue to operate under the same management—again evading payment of tax owed from the prior account and committing tax evasion on the newly established account.

The ID will focus on the most egregious of these closed-out referrals based on the greatest amount of tax due. The SCOP pilot figures indicate the average amount due for the most egregious revoked accounts that close out after being referred to the ID is approximately \$93,000. While this group of criminal complaints will require more extensive investigative work, it is estimated that at least a 40 percent collection rate could be realized.

As the SCOP matures and the SUTD's enhanced compliance program takes effect, it is anticipated the number of new revocations may decrease. Since the implementation of the SCOP, the BOE revocation data shows the number of new revocations per year has dropped by approximately 10 percent. Should new revocations continue to decline, the ID will evaluate several options to enhance its investigation and the SCOP enforcement efforts.

Based on lessons learned from the pilot, resources needs were reevaluated. This proposal requests conversion of 147.0 of the original 148.0 positions to permanent. Resources are also being redirected to areas of greater need. In this proposal the SUTD is requesting that 16.0 positions be permanently redirected from the Legal Department and reclassified to the SUTD. The Administration Department's Accounting Section as well as the Executive Department's Internal Security and Audit Division are reducing their request by 0.5 positions each (1.0 position total). Finally, the External Affairs Department is redirecting 2.0 positions from the Communications Office to the Customer Service and Publishing Division. A detailed chart showing the original vs. current request for positions can be found on page 10.

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C. State Level Considerations

This proposal addresses the Legislature's intent to reduce the \$1.5 billion tax gap and is consistent with the BOE's strategic plan. Specifically, this proposal conforms to four of the five BOE Strategic Plan Goals:

Maximize Voluntary Compliance in BOE's Programs

Through continued field presence, the BOE will continue the outreach programs in educating California's diverse taxpayer base, and provide them with the information and materials they need to comply with their legal responsibilities. Additionally, this program provides an opportunity to gather information on areas of non-compliance which can be analyzed to develop approaches (such as enhanced partnerships with other governmental agencies) to address areas of concern.

Improve the Efficiency of BOE's Tax and Fee Programs

Through a visible presence in the business community, the BOE will continue enhancing communications with our external customers to allow prompt and accurate responses to their issues and questions, and improve existing feedback methods to ensure their concerns are heard and addressed. Feedback from business owners enables the BOE to continually assess changes in the business environment to evaluate and modify processes and services to ensure that taxpayer expectations and needs are met or exceeded.

Improve the BOE's Organizational Efficiency

This program promotes cooperative working relationships with district staff, other departments within the BOE, and other agencies and stakeholder organizations, through the sharing and analysis of data and resources, as appropriate. The business model for this program promotes a collaborative voluntary compliance and enforcement effort within the district field offices in SUTD, the ID, and other BOE departments. SCOP will provide opportunities for the exchange of value added data between the FTB and local taxing jurisdictions.

Create an Expanded and Responsive Infrastructure

In conjunction with the Federal/State Steering Committee on Bridging the Tax Gap, the BOE is working to expand our external partnerships with the Franchise Tax Board (FTB), the Employment Development Department (EDD), Economic Employment Enforcement Coalition (EEEC), and other local taxing jurisdictions. The goal of this partnership is to explore, use, and share best practices that capitalize on the development and implementation of successful data exchange models and applications.

This experience demonstrates an opportunity for BOE to collaborate with local municipalities as data sharing enables mutual efficiencies and revenue benefits. The collaboration between the BOE and other state departments or task forces, such as FTB, EDD and EEEEC, has identified potential revenue opportunities for these departments and the BOE.

D. Justification

The BOE estimates that businesses selling tangible personal property without a seller's permit cost California millions annually in lost sales tax. Permanently establishing the statewide program will accomplish the following:

- Increase sales tax revenue by an estimated \$61.9M annually with a benefit-to-cost ratio of 4.4 to 1.
- Encourage greater voluntary compliance in the sales and use tax program, as well as other BOE programs requiring permits and/or licenses through focused taxpayer education and awareness.
- Benefit existing businesses by ensuring businesses selling tangible personal property file sales tax returns and accurately pay sales and use tax due under the existing laws.
- Enhance data sharing and communication among BOE programs and facilitate a single point of contact for taxpayers.
- Coordinate with city and local governments, EDD, and FTB to share information.
- Participate with the EEEEC comprised of the following departments: EDD, State Contractors Licensing Board, and Department of Industrial Relations.
- Create public awareness, through education and outreach, of the consequences of tax evasion and improve voluntary compliance through an increase in businesses selling tangible personal property in California with a valid seller's permit.
- Issue criminal citations to business owners that continue to operate their businesses without a valid seller's permit despite repeated attempts to bring them into voluntary compliance.
- Increase BOE data integrity through registration updates obtained from permit/license checks.

Approval of this proposal will allow the BOE's SUTD to continue to proactively address this segment of the growing tax gap. In addition, the SCOP will continue to generate new state revenue, enhance overall voluntary tax compliance and level the playing field for businesses with valid seller's permits. This program also provides a broader voluntary compliance effect that is achieved by having a visible field presence. Denial of this proposal will result in continued revenue loss for the state and allow the tax gap to increase by indirectly promoting additional growth of the underground economy and criminal activity.

A statewide program is essential in the BOE's efforts to fully serve the needs of business owners, identify unregistered businesses selling tangible personal property; voluntarily register these businesses, issue billings; and conduct audit functions. After notification of their legal responsibility to obtain a permit and remit the taxes due, when voluntary compliance can not be achieved, this program provides for the pursuit of criminal complaints against unlawful and uncooperative business owners.

The permanent establishment of the SCOP is critical in the BOE's ability to collect additional sales and use tax revenues to further address this segment of the tax gap in a timely manner without increasing taxes. These resources will also ensure businesses selling tangible personal property are properly registered and reporting sales and use tax as well as other BOE taxes and fees. In addition, the SCOP specialists will ensure that businesses visited are also in possession of a valid city/county business license if one is required in their jurisdiction.

As of June, 2010, the SCOP pilot program has covered roughly 21 percent of the registered businesses in the state, leaving approximately 79 percent of registered businesses to be visited. Also, with an estimated 20 percent turnover rate of new businesses each year, the amount of activity needed to support an ongoing workload for a permanent program is expected to continue.

As previously mentioned, the SCOP is projected to generate \$61.9 million in ongoing revenue. Although the revenue generated is less than originally projected, the additional time spent per inspection has resulted in higher revenue per inspection than anticipated. Furthermore, a permanent program allows continued communications with California's diverse taxpayer base and provides the information needed to comply with their tax and fee responsibilities. In addition, BOE will leverage its assets with other governmental agencies, including joint efforts with EEEEC to address the underground economy by bringing taxpayers into compliance.

With a benefit-to-cost ratio of 4.4 to 1, the SCOP provides the resources needed to continue our efforts in addressing the underground economy. In addition, the program also provides a broader voluntary compliance effect that is achieved by having a visible field presence.

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E. Analysis of All Feasible Alternatives

The following proposed alternatives provide the BOE with the necessary resources for the SCOP to permanently address the areas of registration, compliance, audit, enforcement, and legal.

Alternative 1 – Fund a permanent SCOP with 147.0 positions and the associated funding. The estimated cost to implement this alternative is \$14.2M in FY 2011-12 and \$14.1M annually thereafter.

This alternative requests the conversion of 147.0 limited-term positions to permanent. Exhibit I (pages 13-37) provides a detailed description of the functions and workload of the requested positions.

Based on the lessons learned from the SCOP pilot, resources are being redirected to areas of greater need. In this proposal the SUTD is requesting that 16.0 positions be permanently redirected from the Legal Department and reclassified to the SUTD. The Administration Department's Accounting Section as well as the Executive Department's Internal Security and Audit Division are reducing their request by 0.5 positions each (1.0 position total). Finally, the External Affairs Department is redirecting 2.0 positions from the Communications Office to the Customer Service and Publishing Division.

The lessons learned include the following:

- Average time per permit/license check is higher than projected, which is a direct result of a higher than anticipated travel time to areas being visited and longer than anticipated inspection times;
- SCOP found that additional research and follow up work was needed to complete permit/license checks;
- All of the implementation workload such as outreach, creation and translation of publications, and media releases about the program are workload that is no longer required. However, workload has shifted to the BOE Call Center with an increase in calls related to SCOP visits.
- The number of permit/license checks with account maintenance issues was 48 percent higher than anticipated, which adds additional time to each inspection;
- The number of businesses operating without a permit was lower than anticipated in the original estimate;
- The number of existing businesses with underreporting issues was higher than projected. The SCOP found that 3.9 percent of the permit/license checks have underreporting issues.

E. Analysis of All Feasible Alternatives (continuation)

The following table summarizes the requested personnel years:

CLASSIFICATION	EXISTING LIMITED-TERM POSITIONS	REDUCTIONS	PROPOSED PERMANENT POSITIONS
Sales and Use Tax Department:			
Field Operations Divisions:			
Business Taxes Administrator I	7.0	-	7.0
Business Taxes Specialist I	9.0	+2.0	11.0
Business Taxes Comp. Specialist	56.0	-	56.0
Supervising Tax Auditor I	2.0	+1.0	3.0
Associate Tax Auditor	16.0	+13.0	29.0
Office Technician (Typing)	7.0	-	7.0
Tax Tech. III	7.0	-	7.0
Tax Policy Division:			
Business Taxes Specialist I	1.0	-	1.0
Legal Department:			
Tax and Fee Programs Division			
Tax Counsel III	1.0	-	1.0
Investigations Division			
Business Taxes Administrator II	2.0	-1.0	1.0
Business Taxes Specialist I (Investigators)	23.0	-13.0	10.0
Business Taxes Specialist I (Referral Assignment Control)	1.0	-	1.0
Tax Technician III	2.0	-1.0	1.0
Associate Tax Auditor	1.0	-1.0	-
Executive Department:			
Technology Services Department:			
Staff Information Systems Analyst (Spec.)	1.0	-	1.0
Associate Info. Systems Analyst (Spec.)	1.0	-	1.0
Internal Security and Audit Division:			
Business Taxes Specialist II	1.0	-	1.0
Office Technician (G)	0.5	-0.5	-
Administration Department:			
Financial Management Division- Accounting Section:			
Accountant Trainee	1.5	-0.5	1.0
Human Resources Division:			
Associate Personnel Analyst	1.0	-	1.0
Personnel Specialist	1.0	-	1.0
Administrative Support Division:			
Associate Info. Systems Analyst (Spec.)	1.0	-	1.0
Associate Business Management Analyst	1.0	-	1.0
Associate Govt. Program Analyst	2.0	-	2.0
External Affairs Department:			
Communications Office:			
Assistant Tax Services Specialist	2.0	-2.0	-
Customer Service & Publishing Division:			
Tax Technician II	-	+2.0	2.0
TOTAL POSITIONS	148.0	-1.0	147.0

E. Analysis of All Feasible Alternatives (continuation)**Pros:**

- Generates an estimated \$61.9M in sales and use tax revenue annually which results in a benefit-to-cost ratio of 4.4 to 1 from the more than 101,600 business permit/license checks performed each year.
- Increases the number of permitted businesses operating in California by over 2,300 per year.
- Creates a level playing field for California businesses.
- Identifies and deters tax avoidance, tax evasion and criminal activities.
- Encourages voluntary tax compliance reporting within all BOE tax programs.
- Increases taxpayer education and awareness.
- Enhances the reliability of information contained in BOE's taxpayer database through information obtained from business permit/license checks.
- Provides resources to address a segment of the tax gap.

Cons:

- Requires a permanent increase in funding by \$14.2M (\$10.2M General Fund and \$4.0M Reimbursements) in FY 2011-12 and \$14.1M (\$10.2M General Fund and \$3.9M Reimbursements) annually thereafter.

Alternative 2 – Continue the SCOP pilot with 147.0 positions and the necessary funding for an additional three FYs to accumulate additional data to determine if establishing a permanent program is appropriate. The estimated fund sources are as stated in Alternative 1, totaling \$14.2M in FY 2011-12 and \$14.1M in the remaining two years.

This alternative allows for the continuation of the above 147.0 limited-term positions and associated funding for an additional three-year term. As a result, the SCOP will redirect resources to areas of greater need to continue to accumulate data in the following three years to further support the on-going benefit of the program.

Pros:

- Allows BOE to gather more data to analyze.
- Generates an estimated \$61.9M in revenue for an additional three years from the more than 101,600 business permit/license checks performed each year, with a benefit-to-cost ratio of 4.4 to 1.
- Increase the number of permitted businesses operating in California by over 2,300 per year.
- Creates a level playing field for California businesses.
- Identifies and deters tax avoidance, tax evasion and criminal activities.
- Encourages voluntary tax compliance reporting within all BOE tax programs.
- Increases taxpayer education and awareness.
- Enhances the reliability of information contained in BOE's taxpayer database through information obtained from business permit/license checks.

- Provides resources to address a segment of the tax gap.

Cons:

- Requires continued funding of \$14.2M (10.2M General Fund and \$4.0M Reimbursements) in FY 2011-12 and \$14.1M (\$10.2M General Fund and \$3.9M Reimbursements) for the remaining two years.
- Meets workload needs temporarily when workload indicators support on-going need.
- Hinders ability to recruit, hire, train and maintain quality staff because of limited-term assignment.

F. Outcomes and Accountability

This proposal addresses the non-reporting and underreporting sales tax portion of the tax gap. The outcome of the increased staffing will be measured by increases in permitted businesses, revenue generated by new registrations, audit leads gathered during permit/license checks, and investigations of revoked accounts. The data collected for these activities will be captured for revenue estimation and reporting.

G. Timetable

The BOE requests permanent establishment of the positions beginning July 1, 2011.

July 2011 – June 2012	July 2012 –On-going
<ul style="list-style-type: none"> • Permanently establish the existing 130.0 three year- limited-term positions should we have a timely enacted budget. • Continue education and outreach efforts. • Hire, train and phase-in 18.0 redirected permanent positions. • Continue identifying industries that have non-compliance issues to focus education and outreach efforts. • Conduct permit/license checks. • Increase registration of permitted businesses selling Tangible Personal Property in California. • Conduct audits based on leads found during permit/license checks. • Continue investigating complaints of persons operating without a permit. • Issue misdemeanor citations to persons that continue to knowingly operate without a permit. 	<ul style="list-style-type: none"> • Continue education and outreach efforts. • Conduct permit/license checks. • Continue to identify industries that have non-compliance issues. • Increase registration of permitted businesses selling Tangible Personal Property in California. • Conduct audits based on leads found during permit/license checks. • Continue investigating complaints of persons operating without a permit. • Issue misdemeanor citations to persons that continue to knowingly operate without a permit.

H. Recommendation

Alternative 1 is recommended.

This alternative would convert 147.0 limited-term positions to permanent and provide the necessary resources to permanently address a segment of the tax gap. By permanently establishing the SCOP, a significant number of businesses that are actively engaged in business in California without a seller's permit will continue to be identified. As a result, existing business owners will continue to be made aware of their responsibilities and the consequences of tax evasion, and voluntary tax compliance will continue to be enhanced. With the estimated 20 percent turnover rate of new businesses each year, the permanent establishment of the SCOP is critical in order to continue addressing the ongoing workload.

This proposal requires staff to continue working together in the exchange of data between district field offices, ID, other BOE departments and other agencies such as EDD, FTB, EEEEC, as well as local municipalities; thereby, fostering improved communication and cooperative working relationships. Fostering these working relationships will continue streamlining the agency's efforts by eliminating duplication of taxpayer contacts. The rotational and promotional opportunities for staff will also enrich the BOE's succession planning efforts.

In addition, the SCOP will continue encouraging voluntary compliance of the state tax laws that the BOE currently administers, capturing tax revenue lost due to unpermitted businesses without increasing taxes, decreasing the continuation of tax avoidance, discouraging the growth of criminal activities in the underground economy, and benefiting compliant businesses by creating a level playing field.

Permanently establishing the SCOP will result in a potential revenue gain of approximately \$61.9M per year to California (Exhibit III, pages 39-40).

I. Fiscal Detail

See attached "Fiscal Detail" schedules.

EXHIBIT I
Position Description and Workload Justification
For Recommended Alternative 1

(Exhibit I, Page 1 of 24)

SALES AND USE TAX DEPARTMENT (SUTD)

Field Operations Divisions

The SUTD Field Operations Divisions' function is to plan, organize, direct, and control all administrative activities and the Sales and Use Tax registration, collection and audit functions of the district field offices nationwide.

7.0 Business Taxes Administrator I (Field Supervisor) – Continued Positions

Field Supervisors are classified at the Business Taxes Administrator I (BTA I) level. These positions directly supervise the staff in the field in their efforts to enhance compliance for the SUTD. Supervisor responsibilities include independently making decisions from remote locations to assist staff with permit/license checks, reviewing and approving audit referrals, providing other day to day administration direction to staff, track and approve referrals to the Investigations Division, and coordinate the efforts with district and headquarters management. Other duties include providing guidelines, addressing personnel issues, prepare monthly activity reports, conduct staff meeting, assists in the development of procedures and other management and supervisory functions as needed.

The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Field Supervisors (BTA I)	Directly supervise employees, which includes coordinating efforts with management, field discussions, resolving complex program issues.	M			7,900
	Review and approve audit & ID referrals prior to submission.	H	0.5	2,177	1,089
	Provide information regarding issued leads to District and Headquarters management and state and local agencies.	H	1	72	72
	Review and approve time reports and expense claims.	H	0.5	924	462
	Conduct personnel evaluations.	H	6	77	462
	Prepare and discuss monthly activity reports with administration; conduct monthly staff meetings.	H	16	12	192
	Assist in development of policy and procedures and annual budget.	M			2,520
	Total Field Supervisor Hours				12,697
	Total BTA I Positions Requested (1,800 Hours/Position)				7.1

(Exhibit I, Page 2 of 24)**2.0 Business Taxes Specialist I (Policy and Procedure Staff) – Continued Positions**

The program requires staff at the Business Taxes Specialist I (BTS I) level to accommodate the workload, including coordinating the ongoing efforts of the statewide teams to maintain consistency, tracking the work performed and revenue generated by the SUTD permit/license check and audit staff, developing and distributing policies and procedures, developing new forms or modifying existing forms for the program, preparing reports for management and control agencies, working on special projects that impact this program, draft notices and letters, develop and coordinate outreach mailings to identified industries, update manuals, and create PowerPoint presentations for speaking engagements, obtain Integrated Revenue Information System (IRIS) data extracts from static IRIS data downloads of permitted accounts; provide statistical data/information to supervisory and management staff as needed.

The table below provides the workload related to these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Policy and Procedure (BTS I)	Coordinate the efforts between teams, divisions and other departments to maintain consistency	M			800
	Track, analyze and report revenue	M			800
	Data review for accuracy and consistency	M			600
	Develop and distribute policy and procedures	M			300
	Develop or modify forms and letters	M			100
	Special Projects and other duties	M			400
	Write reports and letters	M			400
	Develop and coordinate mailings	M			100
	Update manuals	M			100
	Create Powerpoint presentations	M			100
	Total BTS I Hours	M			3,700
	Total BTS I Positions Requested (1,800 Hours Per Position)				2.1

9.0 Business Taxes Specialist I (Field Teams) – 7.0 Continued Positions and 2.0 Redirected Positions

The Business Taxes Specialist (BTS) review potential underreporting leads (BOE-1164), prepare and approve referrals to audit staff, analyze special project data for appropriate action, process Field Billing Orders (FBO's), train staff, conduct follow up field calls, work with district offices to maximize the use of resources, coordinate activities with local municipalities and code enforcement, prepare referrals to the ID, and speak at outreach engagements.

(Exhibit I, Page 3 of 24)

Based on the data collected during the SCOP pilot, the number of potential audit referrals that requires a review by the Business Taxes Specialist is higher than anticipated. The SCOP pilot has found that 8.78 percent of all permit/license checks generate a potential underreporting lead (BOE-1164). In addition, 44 percent of all BOE-1164's reviewed result in viable underreporting leads and 9.2 percent of viable BOE-1164's result in a SCOP FBO processed by the field BTS.

An available inventory of 3,453 potential underreporting leads was generated during FY 2009-10. With the SCOP expected to improve efficiency and decrease the average time per inspection, the projected on-going underreporting leads are expected to increase accordingly.

- 101,600 projected permit/license checks per year
- 8,920 projected on-going BOE-1164's generated per year (101,600 x 8.78%)
 - 8,920 potential leads – 1,784 (20 percent projected on-going inventory) = 7,136 leads in inventory
 - 7,136 x 0.42 hr to review = 2,997 hrs/yr
- 7,136 leads worked x 44% viable BOE- 1164's = 3,140 projected 1164's worked
 - 3,140 x 3 hrs to work = 9,420 hrs/yr
- 3,140 projected BOE-1164's worked x 9.2% SCOP FBO's = 288 SCOP FBO's
 - 288 x 8 hrs = 2,304 hrs/yr

To assist with the increase in underreporting leads, two additional lead positions are being redirected to the field teams.

The table below provides the workload for these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
BTS I	Review 1164's	H	.42	7,136	2,997
	Prepare and approve audit referrals	H	3.0	3,140	9,420
	Process FBOs	H	8.0	288	2,304
	Training staff	M			350
	Conduct follow field calls	M			700
	Coordinate activities	M			175
	Identify industries that require focused outreach	M			350
	Prepare ID referrals	M			175
	Outreach engagements	M			175
	Total BTS Hours				16,646
	Total BTS Positions Requested (1,800* Hours Per Position)				9.2

*- The 1,800 PY hours differs from the 1,600 hours used in the FY 08-09 BCP. 1,600 hours were used in the prior BCP since it was assumed the BTS I workload would be similar to that of an ID Investigator. The SCOP pilot found that the workload for these positions is similar to that of an SUTD BTS I, which is calculated at 1,800 PY hours.

(Exhibit I, Page 4 of 24)**56.0 Business Taxes Compliance Specialist (Field Teams) – 56.0 Continued Positions**

Staff conducting the permit/license checks are classified at the Business Taxes Compliance Specialist (BTCS) level within the SUTD due to the nature, complexity, and independence required to perform their duties. These positions are located in selected District Offices throughout the state. SCOP specialists independently coordinate and conduct sales and use tax permit/license checks to identify sellers without a seller's permit.

The SCOP teams select areas to canvass based on zip codes and SCOP specialists conduct door-to-door visits to all non-residential businesses based on each zip code. These types of visits are considered general permit/license checks. In addition to general permit/license checks, SCOP specialists also conduct focused permit/license checks such as canvassing a special event (i.e., fairs, swap meets, and shows), investigating leads obtained from EDD, FTB, local municipalities as part of the AB990 program or BOE's ID of potential businesses operating without a seller's permit.

As SUTD implemented the SCOP pilot, it was determined that additional follow-up work and research was needed to complete some of the permit/license checks. Currently, SCOP specialists spend 40 percent of their time performing additional research and follow ups on their field permit/license checks and conducting in-office focused permit/license checks. SCOP specialists spend the remaining 60 percent of their time conducting permit/license checks in the field.

The field permit/license check time is split as follows: 80 percent of the permit/license check time is spent conducting general permit/license checks and 20 percent of the permit/license check time conducting focused permit/license checks.

Based on the data collected during the pilot, SCOP specialists have averaged 27 minutes (2.2/hour) to complete a general permit/license check of a business and 56 minutes (1.1/hour) to complete focused permit/license checks. However, with implementation and training obstacles behind, SCOP is expected to improve efficiency and decrease the average time per inspection as follows: 25 minutes (2.4/hour) to complete a general permit/license check and 50 minutes (1.2/hour) to complete a focused permit/license check.

- On-going permit/license checks
 - Additional Research & Follow up: $1400 \text{ hrs/yr} \times 40\% \times 56 \text{ specialist} = 31,360 \text{ hrs/yr}$
 - Permit/license checks: $1400 \text{ hrs/yr} \times 60\% \times 56 \text{ specialist} = 47,040 \text{ hrs/yr}$
 - General permit/license checks: $47,040 \text{ hrs/yr} \times 80\% = 37,632 \text{ hrs/yr}$
 - $37,632 \text{ hrs/yr} \times 2.4 \text{ permit/license checks/hour} = 90,317 \text{ checks/yr}$
 - Focused permit/license checks: $47,040 \text{ hrs/yr} \times 20\% = 9,408 \text{ hrs/yr}$
 - $9,408 \text{ hrs/yr} \times 1.2 \text{ permit/license checks/hour} = 11,289 \text{ checks/yr}$
 - Total approximately annual permit/license checks = 101,600

(Exhibit I, Page 5 of 24)

The table below provides the workload related to these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
BTCS	Additional Research / Follow up on Permit/License Checks	M			31,360
	General Permit/License Checks	H	25 min	90,300	37,625 a/
	Focused Permit/License Checks	H	50 min	11,300	9,416 b/
	Total BTCS Hours				78,401
	Total BTCS Positions Requested (1,400* Hours Per Position)				56.0

_a/ 25 minutes x 90,300 (Occurrences per Year) = 2,257,500 minutes/60 minutes per hour = 37,625 hours.

_b/ 50 minutes x 11,300 (Occurrences per Year) = 565,000 minutes/60 minutes per hour = 9,416 hours.

*- The 1,400 PY hours differs from the 1,600 hours used in the FY 08-09 BCP. The prior BCP used 1,600 hours since it was assumed the BTCS workload would be similar to that of an ID Investigator. The SCOP pilot found that the travel time associated with these positions is similar to that of an SUTD Auditor, which is calculated at 1,400 PY hours.

3.0 Supervising Tax Auditor I (District Field Audit Staff) - 2.0 Continued Positions and 1.0 Redirected Position

Audit Supervisors are classified at the Supervising Tax Auditor I (STA I) level within the SUTD due to the type and classification of positions supervised. These positions directly supervise auditors in district offices, in their efforts to ensure taxpayers are reporting the correct amount of tax due. Typical supervisor responsibilities include providing technical and administrative direction to staff who conduct audits, prepare audit reports, and conduct specialized audit procedures and techniques. Responsibilities include explaining audit findings to taxpayers or their representatives. The supervisor is involved in the appeal process related to audits or field billing orders including petitions for redetermination and hearings. Other duties include ensuring established policies and procedures are followed, providing guidelines, addressing personnel issues, and other management and supervisory functions as needed. One additional Supervising Tax Auditor position is being redirected to SUTD based on the increased supervisory work associated with the additional 13.0 Associate Tax Auditor positions.

The table on the next page provides the workload related to these positions.

(Exhibit I, Page 6 of 24)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M = Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Audit Supervisors (STA I)					
	Directly supervise audit employees, including report preparation, field discussions, problem resolution, monthly activity reports.	M			2,700
	Confers with taxpayers and their representatives	M			270
	Prepares for and attends conferences and hearings	M			270
	Review and approve time reports, expense claims.	M			300
	Coordinate hiring, training and conduct personnel evaluations.	M			810
	Review audit reports and correspondence	M			810
	Monitor, input, and retrieve information from various data sources	M			390
	Total Field Supervisor Hours				5,550
	Total STA I Positions Requested (1,800 Hours/Position)				3.1

29.0 Associate Tax Auditor (District Field Audit Staff) – 16.0 Continued Positions and 13.0 Redirected Positions

Associate Tax Auditors (ATA) are utilized to conduct audits, prepare audit reports, and conduct specialized audit procedures and techniques related to the activities of this program. Responsibilities include determining the appropriate test or statistical sampling methodology, preparing working papers to support audit findings, issuing billings as needed when adequate books and records are not made available and explaining audit findings to taxpayers or their representatives. The auditor may be involved in the appeal process related to audits or field billing orders including petitions for redetermination and hearings. The table below provides the workload related to these positions.

Based on the data collected during the SCOP pilot, the number of potential audit referrals from SCOP is higher than originally anticipated. Of all the underreporting leads reviewed, 17.5 percent result in an audit referral.

An available inventory of 240 audit leads was generated during FY 2009-10. With SCOP expected to improve efficiency and decrease the average time per inspection, the projected on-going audit leads are expected to increase accordingly.

- 101,600 projected permit/license checks per year
- 7,136 projected leads reviewed by SCOP BTS I's
- 1,249 projected on-going audit leads per year (7,136 x 17.5%)
- 910 projected audits per year (1,249 projected leads – 25 percent expected inventory)
- 910 audits per year x 45 hr/audit = 40,437 audit hours

(Exhibit I, Page 7 of 24)

To assist with the increasing audit work, thirteen additional positions are being redirected to the districts.

The table below provides the workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
ATA	Conduct general audits and prepare audit reports	H	45	728	32,760
	Conduct focused audits and prepare audit reports	H	45	182	8,190
	Total ATA Hours				40,950
	Total ATA Positions Requested (1,400 Hours Per Position)				29.3

7.0 Office Technician (District Field Support) – Continued Positions

The Office Technicians (OT) perform typical clerical revenue supporting functions related to the program. These clerical functions include filing, copying, answering phones, attendance coordination, maintaining personnel files, preparing miscellaneous recurring reports, and receiving and distributing mail.

The table below provides the workload related to this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		M=Measure	Time Per Occurrence	Occurrences Per Year	Total Hours
Support - OT	Provide administrative support for employees	M			12,600
	Total Hours				12,600
	Total OT Positions Requested (1,800 Hours/Position)				7.0

7.0 Tax Technician III (Field Team Registration Staff) - Continued Positions

Sales and Use Tax, Tax Technician (TT III) staff are in selected District Offices located throughout the state due to the need to exercise a high degree of judgment and initiative and be responsible for complex registration and technical duties. TT III staff support program field staff by: performing the initial follow ups by phone to taxpayers, registering unlicensed sales and use tax businesses identified by field staff; applying security requirements per department policy; performing account maintenance, performing address clean up for mailings prior to visits, maintaining tracking spreadsheets and performing license close-out duties as needed for the sales and use tax program.

(Exhibit I, Page 8 of 24)

The table below provides the workload related to these positions.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
TT III	Handling Taxpayer/ Fee Payer Inquiries and Initial Phone Follow Ups	H	0.25	12,000	3,000
	Register Affected Businesses	H	1	2,200	2,200
	Maintaining Accounts	H	0.17	28,000	4,760
	Closing Accounts	H	0.17	2,520	428
	Mailing Address clean up, tracking spreadsheets maintenance	M			1,200
	Review/Analyze Returns & Schedules	H	0.5	2,520	1,260
	Total Tax Tech. III Hours				12,848
	Tax Tech III. Positions Requested (1,800 Hours/Position)				7.1

Tax Policy Division (TPD)

The Compliance and Technology Section in the SUTD TPD is responsible for maintaining and troubleshooting system issues and prioritizing and coordinating mainframe/desktop enhancements or fixes.

1.0 Business Taxes Specialist I (Data Analysis and Administration) – Continued Position

The Business Taxes Specialist I (BTS I) is responsible for researching and evaluating highly technical, complex and sensitive audit and compliance program activities including data matching and maintaining the critical database for SCOP; consulting with Technology Services Division (TSD), external shareholders and BOE management to resolve complex and unique program activity issues such as developing the data for SCOP reports requested by management; researching industry specific data as requested by program management; assisting with first level support for computer, network and connectivity problems that occur and coordinating with TSD to resolve the problems that cannot be resolved at the initial level; and coordinating system enhancements with TSD.

The table below provides the workload related to this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
BTS I	Research, Data Analysis and Report Preparation	H	5.0	240	1,200
	Troubleshoot Problems and provide User Support	H	0.5	1,000	500
	Coordinate with TSD	H	0.5	200	100
	Total BTS I Hours				1,800
	Total BTS I Positions Requested (1,800 Hours Per Position)				1.0

(Exhibit I, Page 9 of 24)LEGAL DEPARTMENT

The FY 2008-09, Budget Change Proposal (BCP) No. 3, "Statewide Compliance and Outreach Program", authorized 30.0 positions in the Legal Department for enforcement and prosecution of noncompliant entities under Revenue and Taxation Code section 6071. This proposal requests 14.0 of the existing 30.0 limited-term positions be converted to permanent positions, as indicated in the table below.

Note: The reduced number of positions requested in this BCP by ID is due to fewer referrals for operating without a sellers permit and aged revocation referrals sent to ID from SUTD than anticipated.

POSTION REDUCTIONS			
CLASSIFICATION	EXISTING LIMITED-TERM POSITIONS	REDUCTIONS	PROPOSED PERMANENT POSITIONS
Tax and Fee Programs Division:			
Tax Counsel III	1.0	-	1.0
Investigations Division:			
Business Taxes Administrator II	2.0	-1.0	1.0
Business Taxes Specialist I (Investigators)	23.0	-13.0	10.0
Business Taxes Specialist I (Referral Assignment Control)	1.0		1.0
Tax Technician III	2.0	-1.0	1.0
Associate Tax Auditor	1.0	-1.0	-
TOTAL POSITIONS	30.0	-16.0	14.0

Tax and Fee Programs Division**1.0 Tax Counsel III (Legal Counsel) – Continued Position**

Legal Counsel is classified at the Tax Counsel III level within the Tax and Fee Programs Division of the Legal Department at BOE Headquarters to ensure the legality of cases prepared by Investigations Division and provides counsel for cases that proceed to criminal trial. Additionally, Legal Counsel assists in the appeals and petitions process, frames issues of the law and fact, drafts issue papers, regulations, and legislation, issues legal opinions, and advises BOE staff on matters relating to permit/license checks.

The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Tax Counsel III	Review Policies & Procedures	H	10	20	200
	Produce Legal Opinions	H	20	20	400
	Review/Prepare Appeals Cases	H	10	50	500
	Review/Prepare Litigation Cases	H	10	20	200
	Review Settlement/OIC Cases	H	20	25	500
	Total Tax Counsel III Hours				1,800
	Total Tax Counsel III Positions Requested (1,800 Hours Per Position)				1.0

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Investigations Division (ID)

The ID is responsible for administering the BOE's criminal investigations program. The division plans, organizes, directs, and controls all criminal investigative activities for the tax programs administered by the BOE. The division formulates plans and recommends approval of policies and procedures relating to the operations of the division, as well as reviews and evaluates program effectiveness and operational efficiency.

The ID is responsible for conducting criminal investigations primarily in the Sales and Use Tax, Cigarette and Tobacco Products Tax, and Fuel Tax programs. Since the passage of the Cigarette & Tobacco Products Licensing Act of 2003, the ID has four (4) crews, in eight (8) locations statewide, conducting Cigarette and Tobacco Products inspections, and two (2) crews, one location each in Northern and Southern California, conducting investigations. With the implementation of the SCOP BCP No. 3, ID added four (4) teams with two locations each in Northern and Southern California, to conduct investigations of business owners that continue to operate without a seller's permit or with a revoked seller's permit despite repeated attempts to bring them into voluntary compliance. Because fewer referrals were sent by SUTD to ID than originally projected, ID will be closing two locations in response to the staffing reductions identified in this proposal. Remaining staff will continue to conduct investigations, issue criminal citations and prosecute noncompliant business owners.

1.0 Business Taxes Administrator II (Field Supervisor) – Continued Position

The Field Supervisor is classified at the Business Taxes Administrator II (BTA II) level within the ID of the Legal Department due to the type and classification of positions supervised. This position directly supervises investigators in BOE Headquarters and field offices, in an effort to enhance compliance for all programs administered by BOE. Typical supervisory responsibilities include providing day-to-day direction to staff who will investigate persons selling tangible personal property without a valid seller's permit, investigate criminal tax evasion, present cases to various district attorneys, testify in court, approve citations issued during an investigation, track and coordinate audit referrals, and approve final resolution of cases resulting from issued citations. Other duties include establishing and maintaining policies and procedures, providing guidelines, addressing personnel issues, and other management and supervisory functions as needed. The field Supervisor will continue to have Limited Peace Officer status.

(Exhibit I, Page 11 of 24)

The table below provides the estimated workload for this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Field Supervisor (BTA II)	Discuss and approve misdemeanor citations with field investigators.	H	1	300	300
	Review citation packages (cites, investigative notes and reports) prior to submission to prosecutors.	H	5	123	615
	Provide information regarding issued citations to cited individuals, District Attorney staff, Legal and Board administration.	H	4	123	492
	Assist in coordinating statewide fraud prosecution efforts with other agencies.	H	2	40	80
	Oversee preparation of criminal complaints in cooperation with state and local law enforcement agencies.	H	2	40	80
	Review and approve time reports, expense claims, equipment use reports and field billing order requests.	H	16	12	192
	Coordinate and conduct training.	H	80	1	80
	Conduct personnel evaluations.	H	8	12	96
	Prepare and discuss monthly activity reports with administration; conduct monthly investigator staff meetings.	H	16	6	96
	Assist in development of policy and procedures, annual budget.	H	16	2	32
	Total BTA II Hours				2,063
	Total BTA II Positions (1,800 Hours per Position)				1.2

10.0 Business Taxes Specialist I (Investigators) – Continued Positions

Investigators will continue to work the existing inventory of aged sales and use tax revoked accounts referred to ID by SUTD. Based on historical revoked account referrals from SUTD, ID anticipates only obtaining approximately 300 referrals per year.

The SCOP pilot results show that 26.8 percent of all revoked accounts referred to ID subsequently close out. In an effort to increase collection from these referred accounts, ID will further pursue its investigation and criminal prosecution by focusing on the most egregious accounts owing \$93,000 or greater. These accounts will require more extensive investigative efforts which may include surveillance, search warrants, subpoenas, additional district attorney meetings and court time during the prosecution phase.

Investigators will continue to issue criminal citations to individuals that refuse to obtain a seller's permit or fail to reinstate their revoked seller's permit and continue to knowingly operate a business without a valid seller's permit. In order to issue criminal citations, these positions require Limited Peace Officer status. Investigators will issue criminal citations as appropriate, monitor issued citations as they progress through the legal process, appear as needed in court

(Exhibit I, Page 12 of 24)

proceedings, prepare citation reports, conduct field observations, assist in identifying interrelated fraud schemes, and coordinate investigation efforts with other government agencies. Investigators are expected to work with limited supervision, analyze data and situations accurately, draw sound conclusions, take effective action, interpret and apply compliance and audit procedures objectively, examine a variety of records to secure and verify information concerning suspect violations, and obtain the cooperation of local, state and federal law enforcement.

Ongoing SUTD permit checks will identify additional businesses that continue to operate without valid seller's permits. These noncompliant businesses will be referred to ID for citation. However, based on SCOP program referral history, these referrals are nominal and therefore absorbable in the revoked account referrals workload identified for ID in this BCP.

The table below provides the workload related to these positions.

Workload Detail					
Classification	Time Measure Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Investigators (BTS I)	Conduct Complaint Investigation	H	16	300	4,800
	- Citations	H	80	40	3,200
	- Close-Outs	H	4	123	492
	Complete Misdemeanor Citation (41%)	H	5	123	615
	Pre-Trial Conferences with DA	H	16	40	640
	- Citations	H	6	30	180
	- Close-Outs	H	60	40	2,400
	Attend and Participate in Trials on Close Outs (10%)	H	7	300	2,100
	- Citations	H	40	40	1,600
	- Close-Outs				
	Total BTS I Hours:				16,027
	Total BTS I Positions (1,520* Hours Per Position)				10.5

*- Peace Officer Standards and Training (POST) requires completion of PC 832 for all personnel exercising powers of arrest, search and seizure. Additionally, POST recommends 80 hours of annual law enforcement related training to reinforce and expand upon the basic training provided under PC 832. Since Investigators will be required to enforce all tax laws of the BOE, it is anticipated that an additional 80 hours of additional training will be required to refresh ID employees, as well as update employees on changes related to applicable tax and enforcement laws. Accordingly, ID investigator positions are calculated using 1520 hours per PY.

1.0 Business Taxes Specialist I (Referral Assignment Control) – Continued Position

The Referral Assignment Control staff receives the SCOP referrals from SUTD. This position will initially review the requests for citation and prosecution to ensure all the requirements under Operations Memo No. 1156 have been met. Based on referral information, staff will recommend acceptance or denial of the request. Staff will verify revocation and legal status of accounts in IRIS, secure all pre-prosecution package materials, order necessary legal documents, and open complaints on each accepted referral. Staff will log and track each assignment and follow up in order to document the outcome.

(Exhibit I, Page 13 of 24)

The table below provides the workload related to this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Referral Assignment Control (BTS I)	Review requests for citation and prosecution	H	2	300	600
	Verify account status	H	.51	300	150
	ACMS verification	H	.5	300	150
	Order Legal Documents	H	.5	300	150
	Secure and verify pre-prosecution documents	H	1	300	300
	Create complaints	H	.5	300	150
	Track assignments	H	1.5	300	450
	Total BTS I Hours				1,950
	Total BTS I Positions (1,800 Hours Per Position)				1.08

1.0 Tax Technician III (Field Support Personnel) – Continued Position

The ID Field Support Personnel is classified at the Tax Technician III (TT III) level within the ID of the Legal Department at BOE Headquarters due to the difficult and complex technical duties that will be required to support and advise the ID field staff. The TT III will be used as office-based support to ID inspectors and investigators while in the field. The TT III will run searches and queries of the BOE's database system for current taxpayer and business information. This position will independently query database information on suspects operating without a valid seller's permit, review and evaluate query results, draw accurate and sound conclusions, and advise investigators of other pertinent internal and external information available. The TT III will also screen each business location under investigation for suspended or revoked licenses, the status of other licenses, etc., and perform account maintenance functions and updates as a result of more accurate information gathered from inspections and/or investigations. The table below provides the estimated workload for this position.

The table on the next page provides the workload related to this position.

(Exhibit I, Page 14 of 24)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
TT III					
	Screen and process web tax evasion complaints	H	.5	360	180
	Input and track tax evasion complaints	H	.25	1,000	250
	Send investigative referrals to other BOE departments and outside agencies	H	.25	950	238
	Prepare complaint referrals	H	1	817	817
	Query & Verify Account Details	H	0.25	720	180
	Maintain Accounts	H	0.25	550	138
	Generate database reports	H	1	40	40
	Total Tax Tech. III Hours				1,843
	Total Tax Tech. III Positions (1,800 Hours Per Position)				1.02

EXECUTIVE DEPARTMENT**Technology Services Department (TSD)**

TSD is responsible for the computer systems and technology infrastructure that support the BOE tax and administrative programs. To support the 147.0 positions, TSD will need to continue the Staff Information Systems Analyst (SISA) position and the Associate Information Systems Analyst (AISA) to support the personnel, hardware and software for the program. The tables below provide the estimated workload for these positions.

1.0 Staff Information Systems Analyst (TSD Support Staff) – Continued Position

The current SISA position is needed to support network connectivity, network hardware and operating systems, server and applications software, routers, gateways, personal computers and peripherals operating in a multi-platform/protocol network environment, associated with the program. Currently, this program relies heavily on 56 complex tablet PCs for conducting permit/license checks activities. Tablet PCs are as of yet anything but mainstream devices. The level of support is intensified by remote connectivity, remote connectivity, modified operating systems, and ensuring the highest level of security is used because of the mobile nature of these system.

Support is particularly intense for remote connectivity. BOE has opted to remotely connect the Tablet PCs with BOE systems through the use of an internal air-card which functions similar to a cell phone. This capability enables staff to access data on a real time basis from remote locations, such as a taxpayer's business premises. While the air-card provides more range and flexibility than a standard wireless connection, it is also less stable. Accordingly, TSD staff is required to spend a significantly greater amount of time to ensure adequate connectivity and security for equipment using an air-card than for equipment using wireless connections. In addition to providing direct support services, the SISA acts as a lead for 1.0 AISA (see next page).

The table on the next page provides the workload related to this position.

(Exhibit I, Page 15 of 24)

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence		Total Hours
IT Support Services (SISA)	Troubleshoot Problems/User Support and Training	H	Variable		900
	Maintain Encryption, VPN, Tunnelguard and other Security	H	Variable		250
	Build, Test and Maintain Computer Images	H	Variable		250
	Coordinate with Investigations Div	H	Variable		100
	Special Projects, Documentation	H	Variable		100
	Travel to Remote Offices	H	Variable		100
	Lead Functions	H	Variable		100
	Total SISA Hours				1,800
	Total SISA Positions Requested (1,800 Hours Per Position)				1.0

1.0 Associate Information Systems Analyst (TSD Support Staff) – Continued Position

This position provides day-to-day real time direct support for the both headquarters based and field based SCOP staff. In addition to assisting the Staff ISA in supporting the 56 tablet PCs for the BOE staff in the field, this position support another 90 staff supporting the work of the program, which use the standard compliment of technical equipment and require support from the technology services division.

The table below provides the workload related to this position.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence		Total Hours
IT Support Services (AISA)	Troubleshoot Problems/User Support and Training	H	Variable		1,100
	Maintain Encryption, VPN, Tunnelguard and other Security	H	Variable		250
	Build, Test and Maintain Computer Images	H	Variable		250
	Special Projects, Documentation	H	Variable		100
	Travel to Remote Offices	H	Variable		100
	Total AISA Hours				1,800
	Total AISA Positions Requested (1,800 Hours per Position)				1.0

(Exhibit I, Page 16 of 24)

Internal Security and Audit Division (ISAD)

ISAD is responsible for the internal auditing program, conducting internal administrative investigations involving BOE employees, maintaining the BOE Physical Security program, and is responsible for agency Continuity of Operations, Continuity of Government (COOP/COG) and the Business Resumption program along with several publications including Publications, Incident Management, Bribery, Ethics and the Workplace Violence Prevention.

1.0 Business Taxes Specialist II – Continued Position

ISAD requires internal audit, investigations, physical security staff at the level of a BTS II to conduct performance, compliance, and/or fiscal audits of the program and prepare audit reports and follow up on findings and recommendations to ensure corrective action has been taken; investigate increased employee and taxpayer threat incidents, reports of lost, stolen, or damaged BOE equipment, and complaints and allegations involving BOE employees. The table below provides the workload related to this position.

The table below provides the workload related to this position.

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
BTS II	Conduct audits and prepare audit reports	H	270	5	1,350
	Investigate employee and taxpayer threats; reports of lost, stolen or destroyed equipment; complaints/allegations (includes travel to district offices, court hearings, etc.)	H	16	23	368
	Conduct physical security reviews	H	90	1	90
	Total BTS II Hours				1,808
	Total BTS II positions requested (1,800 hours per position)				1.0

(Exhibit I, Page 17 of 24)

ADMINISTRATION DEPARTMENT**Financial Management Division - Accounting Section**

The Accounting Section is responsible for processing salary warrants and salary advances for all BOE employees and for processing and maintaining the accounting records for travel advances and travel expense reimbursements for all BOE employees who travel on State business. The Accounting Section is committed to providing quality customer service to all BOE employees and ensuring that payment of employee expenses are completed accurately and timely. Based on the experience of the SCOP pilot, the amount of claims actually processed was significantly less than originally anticipated.

1.0 Accountant Trainee – Continued Positions

The Accountant Trainee provides support to BOE employees in the area of salary warrant processing and travel support and reimbursement, including CalATERS expense reimbursements, travel advances, manual travel expense claims, and rental car and airlines expenses.

The table below provides the workload related to these positions.

Workload Detail					
Classification	Activity	Time Measures		On-going Activities	
		H=Hours	Time per Occurrence	Occurrences per Year	Total Hours
Accountant Trainee	Process Salary Warrants/ Salary Advances	H	.50	1,764 _a/	882
	Process Travel Advances/ Travel checks	H	.50	768 _b/	384
	Process CalATERS claims	H	.50	768 _b/	384
	Process RC/Air expenses	H	.25	768 _b/	192
	Total Accountant Trainee Hours				1,842
	Total Accountant Trainee Positions Requested (1,800 Hours Per Position)				1.02

_a/ 147 employees, one warrant each month, 147 x12 (months) =1,764 times per year.

_b/ Number of claims submitted each month is reflective of the pilot experience; an overall average of 64 (the Business Taxes Compliance Specialists work in teams and on average have submitted one claim per team per month).

Human Resources Division (HRD)

The HRD is responsible for maintaining personnel administrative duties for all BOE employees.

1.0 Associate Personnel Analyst (Organizational Services Section/Examination and Recruitment Section) – Continued Position. The Associate Personnel Analyst position is vital as the BOE faces the challenge of attracting and retaining a well-qualified workforce while competing with the private sector for talent. Duties are as follows:

- Examination Processing: job analysis, examination development, internet examination maintenance, examination administration, and examination appeals.
- Hiring: VPOS announcements, BOE-628 review, position allocation determinations, and liaison activity with DPA.

(Exhibit I, Page 18 of 24)

- Employee Performance activities include: consultation to and preparation of probationary reports, counseling and corrective memorandums, adverse actions, and interpreting statewide personnel management policies.
- Management/Employee Consultation: consultation on organization structure, preliminary review of employee issues related to performance, medical issues, and FMLA entitlement, correspondence to employees, management, and control agencies; training, telephone calls, and emails.

The table below provides the workload related to the Associate Personnel Analyst.

WORKLOAD DETAIL			
Activity	Time Measure Hours	Occurrences Per Year*	Total Hours
Exam Processing	2	110	220
Recruitment/Hiring	5.75	97	558
Employee Performance	2.25	49	110
Management/Employee Consultation	19	59	1,121
	Total APA Hours		2,009
	Total APA Positions Requested (1,800 Hours Per Position)		1.11

*Based on historical data, 75% of the employees will take promotional exams; 66% will be promoted/transferred; 33% will have performance issues; and 40% will require management/employee consultation.

1.0 Personnel Specialist (Personnel Transactions Section) – Continued Position.

Personnel Specialist position maintains all necessary personnel, payroll, and benefit documentation. Duties are as follows:

- Hiring/Appointment Process: certification appointment process, verification of the minimum qualifications prior to appointment, salary determinations, position control activities, and appointments.
- Attendance/Pay and Benefits: all payroll activities (regular and miscellaneous), benefit administration, maintaining leave balance information, timekeeping, and disability claims administration.
- Administrative Detail: correspondence to employees, control agencies, and other jurisdictions; employment verification, subpoena documentation, retroactivity reports, accounts receivable, MIRS reports, service awards, EDD claims, and security monitoring.
- Employee contact: emails; telephone calls, and personal contact.

(Exhibit I, Page 19 of 24)

The table below provides the workload related to the Personnel Specialist.

WORKLOAD DETAIL			
Activity	Time Measure Hours*	Occurrences Per Year**	Total Hours
Hiring/Appointment Process	.43	97*	42
Attendance/Pay and Benefits	.26	1,764**	459
Administrative Detail (Reports, Training, Correspondence)	.21	1,764**	370
Employee Contact Time	.60	1,764**	1,058
	Total PS Hours		1,929
	Total PS Positions Requested (1,800 Hours Per Position)		1.07

* Based on historical data, 66% of the employees will be promoted/transferred.

**147 employees, personnel/payroll/benefit documentation each month, 147 x 12 (months) = 1,764 Total Hours

Administrative Support Division (ASD)

The ASD is the Change Agent for the BOE and staff is committed to providing support for the needs and expectations of the BOE. The ASD is responsible for administering the business management activities and programs which include Building and Businesses Operations Support, Business Services, Contracts and Procurement (Acquisition Program), and Publishing, Printing, and Supply Warehousing. The mission of the ASD is to provide a high level of customer service through the delivery of services in areas of leasing, property acquisitions and dispositions; building management and maintenance; administration of incoming and outgoing mail services; administration of the acquisition program for the purchase of necessary goods and services, administration of the telecommunications program; and printing, publishing, graphics; emergency preparedness, and other related administrative services. The ASD staff has a critical role in providing for the physical work environment for all BOE employees. Existing staffing levels do not allow ASD to complete the workload necessary to provide for the physical work environment under this new program. In order to support these needs ASD requires the addition of 1.0 Associate Information Systems Analyst, 1.0 Associate Business Management Analyst, and 2.0 Associate Governmental Program Analysts.

1.0 Associate Information Systems Analyst (AISA); Space & Telecommunications Planning Section – Continued Position

Voice Telecommunications activities include, but are not limited to, project planning for voice requirements at each property, project cabling, relocation, cost planning, cellular, voice, Centex Management Services, installation, field office relocations and other related on-going business management activities to meet the changes in employee assignments and the increase of employees hired within BOE. The telecommunications staff has been tasked with meeting the changes of the telecommunications industry as BOE moves toward more information technology based equipment and services i.e. Voice over Internet Protocol (VoIP). Develop strategies to implement new digital telecommunications systems and enhanced opportunities for VoIP. Modernize and develop standards of practice that encompass the wide and varied services in telecommunications.

The table on the next page provides the estimated workload for this position.

(Exhibit I, Page 20 of 24)

Workload Detail				
Classification: AISA (Specialist)	Time Measure			
	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Provide user support and troubleshooting for telecommunication devices and system upgrades.	H	1.9	264_a/	502
Perform routine services and support for moves and feature changes for telecom landline systems, cabling changes, wiring punch downs.	H	4	22_b/	88
Update in house data bases. Update AT&T and Verizon data bases.		3	22_b/	66
In-State travel to annexes and field offices to provide end user support, wiring changes and maintain systems	H	22	11_b2/	242
Requisition telecommunications components and services for employee churn and turnover.	H	16	7_c/	112
Perform telecommunications needs assessments, analyze and adjust rate plans. Analyze telecommunications invoices and resolve disputes.	H	1	22_d/	22
Install upgrades and provide user training on BlackBerry wireless devices		136	1_e/	136
Refresh, upgrade and deploy wireless devices		136	.50_f/	68
Ongoing technical support	H	136	4	544
Total Hours per year				1,780
Position based on 1,800 hours				0.99

_a/ estimated 1 hr per day per 73 employees at 264 calendar days (147 – 11 support PYs = 136)

(136 / 73 ees = 1.9) = 1.9 X 264 = 502

_b/ averaged 650 requests per year per 4000 employees = multiplier 0.162 per PY x 136 = 22 request per year

_b2/ averaged 22 requests per year x 50% of staff located in field offices = 11

_c/ averaged employee churn/ turnover, and RA = 5% x 136 = 7

_d/ estimated 1 hour per 136 employees to review both wireless and landline invoices on a monthly basis.

_e/ annual software upgrades and user training. 136 devices x 1 hour per user = 136

_f/ bi-annual equipment upgrade/refresh per wireless contract. 136 devices x .5 = 68

1.0 Associate Business Management Analyst (ABMA); Space & Telecommunications Planning Section – Continued Position

Space planning and allocation activities include, but are not limited to, project management, space planning and design, modular furniture configuration and design, project coordination which includes alterations, renovation, and change or configure space for employees hired and other on-going business management activities at district offices or within BOE headquarters building. Meet the space planning, on-going business management activities of a district office or headquarters office, leasing demands and coordinate those activities through the control agencies at both the state and local level i.e. Department of General Services, State Fire Marshal, local building departments, where required Department of Finance and other control jurisdictions.

The table on the next page provides the estimated workload for this position.

(Exhibit I, Page 21 of 24)

Workload Detail				
Classification: ABMA	Time Measure			
	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year	Total Hours
Respond to service requests, generate work orders, coordinate activities with DGS, property managers, lessors and board staff on day to day facility issues.	H	1.9	264 <u>a/</u>	502
Perform routine facilities modifications such as modular furniture reconfigurations and reasonable accommodation requests.	H	8	22 <u>b/</u>	176
Perform space needs assessments, analyze special program requirements, and perform design services using CADD.	H	12	22 <u>b/</u>	264
In-State travel to annexes and field offices to work with contractors performing modular furniture and facility work	H	22	11 <u>b2/</u>	242
Requisition office furnishings and modular work station components for employee churn and turnover and reasonable accommodations.	H	16	7 <u>c/</u>	112
Respond to annex locations for tenant service requests not administered by landlord.	H	10	25 X 2 <u>d/</u>	500
Total Hours per year				1,796
Position based on 1,800 hours				1.0

a/ estimated 1 hr per day per 73 employees at 264 calendar days (147 - 11 support PYs = 136)
 $(136 / 73 \text{ ees} = 1.9) = 1.9 \times 264 = 502$

b/ averaged 650 requests per year per 4000 employees = multiplier 0.162 per PY x 136 = 22 request per year

b2/ averaged 22 requests per year x 50% of staff located in field offices = 11

c/ averaged employee churn/ turnover, and RA = 5% x 136 = 7

d/ estimated occurrences per year for each annex; 2 annex locations.

1.0 Associate Governmental Program Analyst (AGPA); Contract Section - Continued Position

Contract Analysts are AGPA's within the Administration Department, Acquisitions Branch, Contract's Section. The position processes requests for the acquisition of critical services supporting the revenue generating efforts of the SCOP. The AGPA's process various requests including contracts for the purpose of maintaining facilities and equipment, system support, managing the flow and allocation of revenue, providing armed and unarmed security assistance, partnering with state and local government.

The table on the next page provides the estimated workload for the Contract Analyst.

(Exhibit I, Page 22 of 24)

Workload Detail				
Classification: AGPA	Time Measure			
Activity	H= Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Work with program customers, budgets, accounting, vendors, legal department and control agencies to review, prepare and process new and renewal service contract requests	H	41	44	1804
Work with program customers, budgets, accounting, vendors, legal department and control agencies to review, prepare and process contract amendments	H	18	9	162
Prepare and process Time and Material requests as a temporary or one-time solution to address unforeseen repairs or business needs	H	3	39	117
Work with program and local government staff to prepare and process City/County/MOUs that allow for the interaction of tax administration between the BOE and the local government	H	5	8	40
Collect, maintain, and provide vendor, delegation, and purchase data to be included in mandated <i>quarterly</i> reporting to control agencies	H	2	4	8
Collect, maintain, and provide vendor, delegation, and purchase data to be included in mandated <i>annual</i> reporting to control agencies	H	2	1	2
Mandatory Training*	H	8	7	56
Total				2,189
Position based on 1,800 hours				1.22

* Attending critical job related training provided by CALPCA and DGS as well as BOE mandatory training.

1.0 Associate Governmental Program Analyst (AGPA); Procurement Section - Continued Position

Procurement Analysts are within the Administration Department, Acquisitions Branch, Procurement Section. The analyst prepares acquisitions for goods and services which include, but are not limited to, the procurement of goods, non-IT and IT, commodities and equipment purchasing, and business printing. The analyst also administers the small purchase bank card program.

The table on the next page provides the estimated workload for the Procurement Analyst.

(Exhibit I, Page 23 of 24)

Workload Detail				
Classification: AGPA	Time Measure			
Activity	H = Hours M = Minutes	Time Per Occurrence	Occurrences Per Year*	Total Hours
Work with program property coordinators, budget coordinators, vendors and control agencies to prepare and process requisition documents to result in the acquisition of goods supporting critical services.	H	4.85	320	1552
Prepare and process requests to amend purchase orders.	H	2.25	40	90
Prepare, process, and coordinate requisitions, decaling, receiving, and surveying of multi-functional equipment, telecommunication devices, printers, software licenses, and associated continuous product purchases through the equipments life cycle.	H	5	18	90
Collect, maintain, and provide vendor, delegation, and purchase data to be included in mandated annual reporting to control agencies.	H	1	80	80
Mandated Training	H	8	7	56
Total Hours	H			1,868
Position based on 1,800 hours				1.03

Based on historical data.

EXTERNAL AFFAIRS DEPARTMENT**Customer Services and Publishing Division****2.0 Tax Technician II; Taxpayer Information Section – 2.0 Redirected Positions**

Originally the External Affairs Department (EAD) requested 2 Assistant Tax Services Specialist (ATSS) positions be allocated to the Communications Office for SCOP. We are requesting that these positions be redirected to the Taxpayer Information Section as Tax Technician II (TT II) positions. This request is due to a shift in workload as Outreach efforts for SCOP have been completed and the workload has shifted to the BOE call center with an increase in calls related to SCOP. The positions will be utilized to answer public inquires related to the mailing of approximately 100,000 letters and SCOP visits to selected areas though out the state. In addition, staff will also be utilized to answer calls concerning the processing of account maintenance changes related to SCOP.

The table on the next page provides the estimated workload for these positions.

(Exhibit I, Page 24 of 24)

Workload Detail			
Activity	Work Involved	Occurrences	Total Hours
Answer calls from the public regarding Statewide Compliance and Outreach Program (SCOP)	Providing public with responses to their inquiries concerning the SCOP	Anticipate 20,000 calls	2,667
Non-call work associated with calls regarding SCOP	Completing account maintenance and taxpayer fulfillment activities	Anticipate 5,000 calls	833
Training	Development, Preparation and Review	3 Days	24
Training	Providing Refresher/New Employee Training	15 Sessions	230
Total Tax Technician II Hours			3,754
Total Tax Technician II Positions Requested (1,800 Hours per Positions)			2.08

Note: Hours for calls and training are based on the BOE Call Center historical data/experiences.

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EXHIBIT II
PERMANENT ESTABLISHMENT OF THE
STATEWIDE COMPLIANCE AND OUTREACH PROGRAM
ACTIVITY STATUS REPORT
JULY 1, 2008 THROUGH JUNE 31, 2010

(Exhibit II, Page 1 of 1)

	Total	
Number of Permit/License Checks	146,831	
Number of Unpermitted Businesses	3,388	2.3%
Number of Unpermitted Sub Locations	1,870	1.3%
Non-compliance rate		<hr/> <hr/> 3.6%
Number of 220i Forms, Account Maintenance		23,975
Number of 1164 Forms, Audit Lead Referrals		1,219

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**EXHIBIT III
REVENUE ANALYSIS**

(Exhibit III, Page 1 of 2)

There are approximately 909,110 valid full time sales tax accounts in California, per BOE records. SCOP visits indicate that approximately 97.7 percent of inspected businesses have valid permits; 2.3 percent of inspected businesses have closed-out or non-existent permits.

Utilizing the above numbers:

930,512 = 100 percent of operating businesses in California (909,110 / 97.7%)

909,110 = 97.7 percent of CA businesses that have valid seller's permits (BOE Records)

21,402 = 2.3 percent CA businesses operating without a seller's permit (930,512 – 909,110)

SCOP has determined that businesses found to be operating without a valid seller's permit that have now received a permit have or will report on average **\$4,267** sales tax per year. This \$4,267 average sales tax per year is based on obtaining sales tax liability amounts from taxpayers that obtained permits after being inspected.

Total potential annual tax recovery from new accounts = 21,402 (unpermitted) x \$4,267 = \$91,322,334

- Projected on-going permit/license checks
 - 101,600 permit/license checks X 2.3% = 2,337 unpermitted businesses
 - 2,337 unpermitted businesses X \$4,267 = \$9,971,979 permit/license check revenue

SCOP data indicates that approximately 1.23 percent of all permit/license checks will be selected for audit. SCOP audits in FY 2009-10 averaged 44.43 hours per audit. SCOP audits from general permit/license checks averaged \$39,966 in revenue per audit, but do not include the current BOE's average cancellation factor (9.13%¹). With this adjustment, the average revenue per audit resulting from a general permit/license check is **\$36,344**.

SCOP audits from focused permit/license checks in FY 2009-10 averaged \$122,530 in revenue per audit. This does not include the current BOE's average cancellation factor (9.13%¹). With this adjustment, the average revenue per audit resulting from a focused permit/license check is **\$111,294**. The tables on the next page summarize the projected annual on-going revenue for the statewide program.

- Total on-going audit revenue resulting from the program is \$46,713,940 (\$26,458,432 + \$20,255,508).
 - 728 projected audits from general permit/license checks
 - 728 audits x \$36,344 = \$26,458,432
 - 182 projected audits from focused permit/license checks
 - 182 audits x \$111,294 = \$20,255,508

¹ The BOE's average audit cancellation factor for the period ending 2009-10 is 13.70%. The SCOP revenue for FY 2009-10 used to estimate future on-going revenue already contains adjustments for audits completed in FY 2008-09. The cancellation factor was adjusted accordingly.

(Exhibit III, Page 2 of 2)

SCOP data indicates that 1.18 percent of accounts visited will have a misunderstanding of the sales and use tax law and will result in the filing of amended returns. The average amended return revenue per account is **\$4,406**.

- Total on-going revenue resulting from amended returns is \$5,291,606.
 - 1,201 accounts with amended returns (101,600 projected permit/license checks x 1.18%)
 - 1,201 x \$4,406 = \$5,291,606

**Projected Annual Revenue from the
Statewide Compliance and Outreach Program**

Total Permit/License Checks Per Year	Unpermitted (2.3% of Total Permit/License Checks)	Tax Recovery	Total Tax Revenue
101,600	2,337	\$4,267	\$9,971,979

	Total Annual Audits	Tax Revenue per Audit	Total Audit Revenue
General	728	\$36,344	\$26,458,432
Focused	182	\$111,294	\$20,255,508
Total Audits	910		\$46,713,940

	Total Accounts with Amended Returns Per Year	Tax Revenue per Accounts	Total Tax Revenue
	1,201	\$4,406	\$5,291,606

Total Annual Projected Revenue per Year		\$61,977,525
--	--	---------------------

Revenue Estimates

Revenue estimates are based on historical data from revenue generated under the SCOP pilot during FY 2009-10. The historical revenue contains a mixture of tax at the base tax rate and with the temporary one (1) percent sales and use tax increase set to sunset on June 30, 2011. BOE assumed in projecting revenue that some transactions would be subject to the base tax rate and some subject to the temporary tax increase since transactions are processed at different times depending on the circumstances resulting in a mixture of tax rates. This mixture would affect revenue numbers over the next few years. While fewer and fewer transactions will be subject to the higher tax rate in future years, this drop in revenue will be offset by an improved economy, fully trained staff, and improved efficiency in inspection times.

EXHIBIT IV
PERMANENT ESTABLISHMENT OF THE
STATEWIDE COMPLIANCE AND OUTREACH PROGRAM
INVESTIGATIONS DIVISION REVOKED ACCOUNTS HISTORICAL DATA

(Exhibit IV, Page 1 of 3)

The table below illustrates the number of referrals received relative to the number of aged revocations over 180 days old in inventory. A snapshot of statistical information was pulled together in the table below to determine the overall referral rate of aged revoked accounts. The revocation and referral data, provided, was obtained from the BOE's Research Team and SCOP historical data, respectively. The table shows the number of Sales and Use Tax "Master Permits", inventory number of "Total Revocations", inventory number of "Revocations > 180 Days", and the number of referrals received by each BOE district office and is summarized by each Board Member's district: First, Second, Third, and Fourth District.

The BOE uses the Automated Compliance Management System (ACMS) to document and control all collection assignments. The Sales and Use Tax "Master Permits", shown in this table for reference only, is based upon the Annual Permit Report and revocation figures are from the BOE's ACMS. Revocations over 180 days old are aged based upon the revocation date. Using these statistics, the referral rate, which is a percentage of referrals received to the number of revocations greater than 180 days old, was calculated by district and overall. Since the overall average aged revocation referral rate is 3.5 percent, it reasonably supports the 2.5 percent annual rate of referral used in this BCP.

First District

	BH San Francisco	CH Oakland	GH San Jose	GHC Salinas	GH District Total	JH Santa Rosa	JHF Suisun City	JH District Total	First District Totals
Master Permits	38,924	51,505	55,926	17,340	73,266	34,009	14,068	48,077	211,772
Total Revocations	116	716	606	219	825	995	46	1,041	2,698
Revocation > 180 Days	89	148	512	188	700	700	10	710	1,647
Total Amount Received in ID	2	112	35	2	37	2	0	2	153
% of revo received by ID to the amount >180 days	2.25%	75.68%	6.84%	1.06%	5.29%	0.29%	0.00%	0.28%	9.29%

(Exhibit IV, Page 2 of 3)

Second District

	AR Ventura	ARH Bakersfield	AR District Total	KH Sacramento	KHM Redding	KHO Fresno	KH District Total	Second District Totals
Master Permits	29,418	13,900	43,318	77,069	15,322	26,633	119,024	162,342
Total Revocations	4	65	69	2408	52	1637	4,097	4,166
Revocation > 180 Days	1	57	58	1808	22	1191	3,021	3,079
Total Amount Received in ID	0	0	-	9	1	0	10	10
% of revo received by ID to the amount >180 days	0.00%	0.00%	0.00%	0.50%	4.55%	0.00%	0.33%	0.32%

Third District

	EA Irvine	EH Riverside	EHC Rancho Mirage	EH District Total	FH San Diego	FHB San Marcos	FH District Total	Third District Total
Master Permits	81,993	60,290	10,259	70,549	46,368	26,572	72,940	225,482
Total Revocations	1840	23	11	34	540	3	543	2,417
Revocation > 180 Days	0	2	4	6	537	3	540	546
Total Amount Received in ID	5	1	3	4	3	0	3	12
% of revo received by ID to the amount >180 days	-	50.00%	75.00%	66.67%	0.56%	0.00%	0.56%	2.20%

(Exhibit IV, Page 3 of 3)

Fourth District

	AA Norwalk	AC Van Nuys	AP West Covina	AS Culver City	Fourth District Totals
Master Permits	55,305	43,828	43,294	78,344	220,771
Total Revocations	2257	232	412	1,930	4,831
Revocation > 180 Days	1259	54	125	1,678	3,116
Total Amount Received in ID	14	21	25	5	65
% of revo received by ID to the amount >180 days	1.11%	38.89%	20.00%	0.30%	2.09%

Total Amount of Revocations	14,112
Total Amount of Revocation > 180 Days	8,388
Average Aged Revocation Referral Rate to ID	3.5%

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STATE OF CALIFORNIA
 BUDGET CHANGE PROPOSAL--FISCAL DETAIL
 STATE OPERATIONS
 FISCAL YEAR 2011-12
 (Dollars in Thousands)

Title of Proposed Change: Permanent Establishment of the Statewide Compliance and Outreach Program (SCOP)
Program/Element/Component: _____

	PERSONNEL YEARS			CY 2010-11	BY 2011-12	BY + 1 2012-13
	CY	BY	BY + 1			
	2010-11	2011-12	2012-13			
TOTAL SALARIES AND WAGES _a/						
Salary Savings		147.0	147.0		\$9,008	\$9,000
		-7.4	-7.4		-450	-450
NET TOTAL SALARIES AND WAGES		139.6	139.6		8,558	8,550
Staff Benefits _a/					3,269	3,268
TOTAL PERSONAL SERVICES		139.6	139.6		\$11,827	\$11,818
OPERATING EXPENSE AND EQUIPMENT						
General Expense					\$384	\$366
Printing					70	70
Communications					90	88
Postage					39	39
Travel--In-State					774	774
Travel--Out-of -State						
Training					118	118
Facilities Operations					527	527
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External						
Department of Technology Services					304	304
Data Processing					24	19
Equipment						
Other Items of Expense: (Specify Below)						
TOTAL OPERATING EXPENSE AND EQUIPMENT					\$2,330	\$2,305
TOTAL EXPENDITURES (State Operations)		139.6	139.6		\$14,157	\$14,123

_a/ See page 42 of 42 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.

		CY 2010-11	BY 2011-12	BY + 1 2012-13
<u>Source of Funds</u>				
General Fund	(0001)		\$10,190	\$10,166
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)			
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)			
Cig. and Tobacco Prod. Compliance Fund	(3067)			
Federal Funds				
Other Funds				
Reimbursements	(0995)		\$3,963	\$3,953
Net Total Augmentation (Source of Funds)			\$14,153	\$14,119

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Staff Benefits Detail:				CY	BY	BY + 1
				2010-11	2011-12	2012-13
				<i>(Whole Dollars)</i>		
OASDI					\$689,112	\$688,500
Health Insurance					1,191,254	1,191,323
Retirement					1,333,730	1,333,806
Workers' Compensation					5,397	5,397
Industrial Disability Leave					7,735	7,736
Non-Industrial Disability Leave					6,926	6,926
Unemployment Insurance					4,497	4,498
Other					30,222	30,224
TOTAL					\$3,268,873	\$3,268,410

Classification	Positions			Salary Range	Amount		
	CY 20010-11	BY 2011-12	BY + 1 2012-13		CY 20010-11	BY 2011-12	BY + 1 2012-13
Executive Department							
<u>Internal Security and Audit Division</u>							
Business Taxes Specialist II		1.0	1.0	\$76,116	\$76,116	\$76,116	
Technology Services Department							
Staff Info Sys Analyst (Spec)		1.0	1.0	\$69,192	\$69,192	\$69,192	
Assoc Info Sys Analyst (Spec)		1.0	1.0	\$63,096	\$63,096	\$63,096	
Legal Department							
<u>Tax & Fee Prog Division</u>							
Tax Counsel III		1.0	1.0	\$102,960	\$102,960	\$102,960	
<u>Investigation Division</u>							
Bus Taxes Admin II		1.0	1.0	\$79,548	\$79,548	\$79,548	
Bus Taxes Spec I		11.0	11.0	\$70,824	\$779,064	\$779,064	
Tax Tech III		1.0	1.0	\$39,240	\$39,240	\$39,240	
Sales and Use Tax Department							
Bus Taxes Spec I		12.0	12.0	\$70,824	\$849,888	\$849,888	
Bus Taxes Admin I		7.0	7.0	\$69,312	\$485,184	\$485,184	
Supervising Tax Auditor I		3.0	3.0	\$69,312	\$207,936	\$207,936	
Associate Tax Auditor		29.0	29.0	\$63,096	\$1,829,784	\$1,829,784	
Bus Taxes Compliance Spec		56.0	56.0	\$61,416	\$3,439,296	\$3,439,296	
Tax Tech III		7.0	7.0	\$39,240	\$274,680	\$274,680	
Office Tech (T)		7.0	7.0	\$35,700	\$249,900	\$249,900	
Administration Department							
<u>Financial Management Division</u>							
Accountant Trainee		1.0	1.0	\$41,952	\$41,952	\$41,952	
<u>Human Resources Division</u>							
Assoc Personnel Analyst		1.0	1.0	\$58,488	\$58,488	\$58,488	
Personnel Specialist		1.0	1.0	\$40,020	\$40,020	\$40,020	
<u>Administrative Support Division</u>							
Assoc Info Sys Analyst (Spec)		1.0	1.0	\$63,096	\$63,096	\$63,096	
Assoc Bus Management Analyst		1.0	1.0	\$58,488	\$58,488	\$58,488	
Associate Gov Prog Analyst		2.0	2.0	\$58,488	\$116,976	\$116,976	
<u>External Affairs Department</u>							
Tax Tech II		2.0	2.0	\$35,088	\$70,176	\$70,176	
Blanket Funds:							
Overtime (Various)					13,330	4,813	
Temporary Help							
TOTAL SALARIES AND WAGES		147.0	147.0		\$9,008,410	\$8,999,893	