

BOE FY 2012/13 BUDGET CONCEPTS OVERVIEW
(as of 5/12/2011 - in 000's)

Budget Items	2012/13				2013/14				Benefit/ Cost Ratio						
	Pos.	Cost GF	Cost Other	Total	Revenues GF	Revenues Other	Total	Pos.		Cost General	Cost Other	Total	Revenues General	Revenues Other	Total
Budget Concepts															
Headquarters Facility Consolidation This proposal requests funding to relocate BOE Headquarters (HQ) and annex facilities into a consolidated location. The BOE has outgrown the 450 N Street building, resulting in the need for four annex locations, which impacts our operations. The BOE's HQ needs a new facility to consolidate our current offices into a single location that is scalable for growth and allows for the most efficient and effective business operations.	0.0	\$263	\$237	\$500	N/A	N/A	N/A	0.0	\$0	\$0	\$0	N/A	N/A	N/A	N/A
Permanent Establishment Natural Gas Public Purpose Programs Surcharge This proposal requests funding in staffing and program costs for the Natural Gas Surcharge Program, which will ensure efficient and effective administration of the program, and will properly enforce its statutory requirements and the legislative mandates of AB 1002. Requests funding to make 2.0 current staff permanent.	2.0	\$0.0	\$203	\$203	\$0	\$14,077	\$14,077	2.0	\$0.00	\$203	\$203	\$0	\$14,077	\$14,077	69:1
Total	2.0	\$263	\$440	\$703	\$0	\$14,077	\$14,077	2.0	\$0	\$203	\$203	\$0	\$14,077	\$14,077	-

REQUEST FOR CONCEPTUAL APPROVAL**Fiscal Year [2012-2013]**

TITLE OF PROPOSAL

Headquarters Facility Consolidation

DIVISION PRIORITY NUMBER

1

PROGRAM IMPACTED

Headquarters and Annex Locations

SUMMARY OF REQUEST *(including impact if request denied)*

The overarching reasons for this proposal will fulfill the BOE mission to serve the public through fair, effective, and efficient tax administration by consolidating and expanding facilities for efficient and effective business operations. This proposal requests funding to relocate BOE Headquarters (HQ) and annex facilities into a consolidated location. The BOE has outgrown the 450 N Street building resulting in the need for four annex locations, which impacts our operations. Since all five HQ locations are near capacity, this will impact the BOE's ability to add staff to address legislative mandates for revenue collection and enforcement efforts. The BOE's HQ needs a new facility to consolidate our current offices into a single location that is scalable for growth and allows for the most efficient and effective business operations. The Department of General Services estimates costs of \$250,000 to \$500,000 for site search development and feasibility analyses. The BOE anticipates \$500,000 of this site search development and feasibility analyses will be expended in FY 2012/13; no costs for FY 2013/14 as this is part of the construction phase. For FY 2014/15 the BOE estimates costs between \$7.05 – 16.05 million depending on the completion of construction and the phased move in schedule. See Attachment A.

BACKGROUND/HISTORY

The 450 N Street building was designed to house 2,200 employees. The BOE's HQ operation currently requires office space for approximately 2,900 employees. As a result, the BOE has been forced to move approximately one-fourth of the HQ operations to four different annex locations throughout the greater Sacramento area. The BOE HQ average 3-year annual growth trend is 56 PYs per year. If this growth continues, the BOE will exceed the design capacity of the 450 N Street facility and four annex locations by FY 2012/13. In addition to the inability to accommodate PY growth, operating the BOE HQ out of five locations has increased the BOE operational costs to support additional infrastructures, information technology, and telecommunications.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

The BOE collected \$48.4 billion dollars in FY 08/09, approximately one-third of the State's revenue. Approval of the requested funding will provide employees with a functional work environment in order to operate more efficiently and effectively in meeting the BOE's core business activities of collecting the State's revenues. Consolidation of the 450 N Street building and annex locations will allow the BOE to generate and process revenue more efficiently, protect the health and safety of employees, eliminate inefficiencies associated with managing operations across multiple annex locations, and accommodate future short-term and long-term growth. This will ensure the BOE's ability to meet future directives by the Legislature to generate much needed revenue for the State.

JUSTIFICATION *(including link to Strategic Plan)*

This proposal is consistent with the BOE Strategic Plan:

Goal 3: Invest in a Skilled, Motivated and Diverse Workforce

Goal 4: Enhance Operational Effectiveness

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR 12/13)

New funding Continuation Redirection

COST
\$500,000 2012/13

REVENUE *(if applicable)*
\$ N/A

POSITIONS *(if applicable)*
N/A

COST SAVINGS *(if applicable)*
\$ N/A

PREPARED AND APPROVED

PREPARED BY

Ashleigh Jennings

DIVISION CHIEF APPROVAL

Christine Demes

AUTHOR'S TELEPHONE NUMBER

(916) 445-4452

DATE

5-4-2011

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*


Headquarters Facility Consolidation Cost Estimates

FY 12/13	FY 13/14	FY 14/15
<ul style="list-style-type: none"> • Site Search development and feasibility analyses. 	<ul style="list-style-type: none"> • Start construction 	<ul style="list-style-type: none"> • Initiate Moves \$1,450,000
<ul style="list-style-type: none"> • Submit Form 10 to DGS/DOF for approval 		<ul style="list-style-type: none"> • Estimated rent increase \$5.6 - 14.6 million
<ul style="list-style-type: none"> • Submit JLBC Notification 		
<ul style="list-style-type: none"> • DGS negotiates for lease and construction start 		
\$500,000		\$7,050,000 - \$16,050,000 _a/

_a/ For FY 2014/15 the BOE estimates costs between \$7.05 – 16.05 million depending on the completion of construction and the phased move in schedule.

Fiscal Year 2012-13

TITLE OF PROPOSAL

Permanent Establishment Natural Gas Public Purpose Programs Surcharge

DIVISION PRIORITY NUMBER

STFD - 1

PROGRAM IMPACTED

75: Natural Gas Surcharge Program

SUMMARY OF REQUEST (including impact if request denied)

The purpose of this proposal is to fulfill the BOE's mission to serve the public through fair, effective, and efficient tax administration by providing permanent staff support necessary to administer the Natural Gas Surcharge Program, which provides funds that are used by the State Energy Resource Conservation and Development Commission to fund low-income assistance programs and cost effective energy efficiency and conservation activities and public interest research and development.

This request is to establish permanent funding of \$203,000 for the Special Taxes and Fees Division (STFD) to continue on a permanent basis 2.0 limited-term positions, 1.0 Business Taxes Specialist I and 1.0 Tax Technician III, that will expire on June 30, 2012. Denial of this request would inhibit the Board of Equalization (BOE) from meeting the statutory mandates of Public Utilities Code Section 893 and would adversely impact the amount deposited into the Gas Consumption Surcharge Fund. The fiscal year (FY) 2009/10 addition of these 2.0 limited-term positions resulted in a 3% increase in taxable natural gas units (Therms) being reported and/or identified by audit. The revenue increase, net of rate changes, for FY 2008/09 to FY 2009/10 was approximately \$14 million, resulting in a 69 to 1 benefit to cost ratio. This increase in revenue is expected to continue if this proposal is approved.

BACKGROUND/HISTORY

Budget Change Proposal (BCP) No. 11 (FY 2009/10), Natural Gas Public Purpose Programs Surcharge, authorized the establishment and funding for these 2.0 limited-term positions and related resources for the administration, collection, and audit activities associated with the Natural Gas Surcharge Program. The Natural Gas Surcharge Law, Article 10 (commencing with section 890) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, imposes a surcharge on all natural gas consumed in this state for the funding of public purpose programs. Public purpose programs fund low-income rate assistance, weatherization, energy efficiency, conservation and public interest research programs. The BOE is responsible for the administration and collection of surcharges collected by public utility gas corporations, as defined in subdivision (b) of section 891, and from consumers who purchase natural gas from interstate pipelines, as defined in subdivision (c) of section 891.

STATE LEVEL CONSIDERATIONS (including impact to other departments)

This proposal would continue, on a permanent basis, funding for the 1.0 Business Taxes Specialist I and 1.0 Tax Technician III positions to administer program specific activities of auditing program registrants, identification, education and registration of consumers of natural gas, and return processing. The BOE administers the surcharge program which provides funds that are used by the State Energy Resource Conservation and Development Commission to fund low-income assistance programs and cost effective energy efficiency and conservation activities and public interest research and development. If this proposal is approved, the costs of the proposal will be funded by the Gas Consumption Surcharge Fund (Special Fund) and would not impact to the General Fund.

JUSTIFICATION (including link to Strategic Plan)

This request is consistent with the mission of the BOE which is to serve the public through fair, effective, and efficient fee administration, and its strategic plan goals and objectives to: Maximize Voluntary Compliance in BOE's Programs, Improve the Efficiency of BOE's Tax and Fee Programs, and Improve the BOE's Organizational Efficiency. Under Public Utilities Code Section 895(c), the BOE receives direct reimbursement from the Gas Consumption Surcharge Fund for BOE's costs to administer this program. With the approval of these 2.0 limited-term positions on a permanent basis, the BOE can ensure efficient and effective administration of the Natural Gas Surcharge Program, properly enforce its statutory requirements and the legislative mandates of Assembly Bill 1002 (Chapter 932, Statutes of 2000). The approval of permanent funding for these 2.0 limited-term positions does not increase the current levels of staffing for this program. Failure to approve this proposal will result in costs that BOE will not be able to absorb.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR 2012-13)

New funding Continuation Redirection

COST \$ 203,000	REVENUE (if applicable) \$ 14,077,000
POSITIONS (if applicable) 2.0	COST SAVINGS (if applicable) \$

PREPARED AND APPROVED

PREPARED BY Barry Ivy	DIVISION CHIEF APPROVAL Lynn Bartolo
AUTHOR'S TELEPHONE NUMBER (916) 322-2061	DATE 4-27-2011

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR (signature)

