

# Memorandum

To : Ramon J. Hirsig, Executive Director  
Executive Office

Date : January 23, 2009

  
From : Liz Houser, Deputy Director  
Administration Department

Subject : **February 2009 Sacramento Board Meeting Agenda**

The Administration Department requests the following item(s) be placed on the Board's February 3, 2009 Sacramento meeting calendar under "P. Other Administrative Matters".

P. Other Administrative Matters

P3. Deputy Director's Report

c. Administration..... Ms. Liz Houser

**1. Facilities Update**

- On-going projects at 450 N Street

**2. Budget Update – 2008/09 and 2009/10**

- Spring Finance Letters+
- Update status of the Governor's Budget
- Update on Governor's Executive Order S-16-08 State Employee Furlough

LH:lk

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

I approve:   
\_\_\_\_\_  
Ramon J. Hirsig,  
Executive Director

**Fiscal Year 2009-10**

**Return Process Efficiencies Project**

- This proposal takes a comprehensive approach to improve efficiencies in BOE's return processes and ultimately generate cost savings.
- This proposal requests funding to provide Employment Development Department (EDD) the resources to develop the capacity to process payment vouchers and checks filed by BOE taxpayers. The actual processing of the payment vouchers will begin in fiscal year (FY) 2010-11.
- This proposal also requests funding for BOE to develop a Change Management Plan and a Communication Plan, augment the Information Security Office in order to protect the integrity of BOE taxpayer data, redesign BOE's downloadable forms to mitigate the use of non-standard return and payment documents, and provide resources for BOE's Taxpayer Information Section to handle increased call volume related to the redesigned forms.
- BOE estimates that savings from this effort will be realized in FY 2012-13.

The following is a breakdown of the position request by component:

| <b>Component</b>                                 | <b>New Positions<br/>FY<br/>2009-10</b> | <b>New Positions<br/>FY<br/>2010-11</b>           |
|--|---|---|
| Interagency Agreement with EDD                   |   |   |
| BOE Software/Hardware required to support I/A    |   |   |
| Change Management Plan                           | 1.5 3-year limited term (LT)            |   |
| Information Security Office Upgrade              | 1.0 permanent                           |   |
| Redesign BOE Downloadable Forms                  |   |   |
| Resources for BOE's Taxpayer Information Section | 2.0 permanent effective April 1, 2010   | 9.0 equivalent 2-year permanent intermittent (PI) |
| <b>Total</b>                                     | <b>4.5 Positions (2.8 PYs)</b>          | <b>9.0 Positions (8.6 PYs)</b>                    |

The following is a breakdown of the cost per component:

| <b>Component</b>  | <b>FY<br/>2009-10</b> | <b>FY<br/>2010-11</b> | <b>FY<br/>2011-12</b> | <b>FY 2012-13<br/>and Ongoing</b> |
|---|-----------------------|-----------------------|-----------------------|-----------------------------------|
| Processing at EDD – includes Interagency Agreement & BOE Software/Hardware required for workflow and retrieval. | \$1,436,000           | \$1,373,000           | \$1,373,000           | \$1,373,000                       |
| Change Management Plan  | \$325,000             | \$285,000             | \$285,000             | \$18,000                          |
| Information Security Office Upgrade   | \$145,000             | \$122,000             | \$122,000             | \$122,000                         |
| Redesign BOE Downloadable Forms   | \$373,000             | 8,000                 | 8,000                 | 8,000                             |
| Resources for BOE's Taxpayer Information Section  | \$233,000             | \$884,000             | \$699,000             | \$184,000                         |
| <b>Total</b>  | <b>\$2,512,000</b>    | <b>\$2,672,000</b>    | <b>\$2,487,000</b>    | <b>\$1,705,000</b>                |

**DRAFT**

**STATE OF CALIFORNIA  
BUDGET CHANGE PROPOSAL - COVER SHEET  
FOR FISCAL YEAR 2009-10**  
DF-46 (WORD Version)(REV 07/06)  
*Please report dollars in thousands.*

**Department of Finance  
915 L Street  
Sacramento, CA 95814  
IMS Mail Code: A-15**

|                         |                |                   |   |
|-------------------------|----------------|-------------------|---|
| FL # X                  | PRIORITY NO. X | ORG. CODE<br>0860 | DEPARTMENT<br> State Board of Equalization |
| PROGRAM<br>All Programs | ELEMENT        | COMPONENT         |   |

**TITLE OF PROPOSED CHANGE  
RETURN PROCESS EFFICIENCIES**

**SUMMARY OF PROPOSED CHANGES**

Board of Equalization (BOE) requests \$2,512,000 (\$1,468,000 General Fund, \$259,000 Special Funds, and \$785,000 Reimbursements) and 4.5 new positions [3.0 permanent, 1.5 3-year limited term (LT)] (2.8 PYs) in fiscal year (FY) 2009-10, \$2,672,000 (\$1,417,000 General Fund and \$1,255,000 Reimbursements) and 9.0 new temporary help positions (2-year permanent intermittent (PI) positions) in FY 2010-11 to:

- Provide Employment Development Department (EDD) the resources to develop the capacity to process payment vouchers and checks filed by Board of Equalization (BOE) taxpayers. The actual processing of the payment vouchers would begin in Fiscal Year (FY) 2010-11.
- Develop and implement a change management plan for BOE employees as BOE continues to transition to a paperless environment.
- Develop and implement a communication plan.
- Address data confidentiality and integrity issues inherent in transferring confidential taxpayer data between state agencies.
- Redesign BOE's web-based downloadable forms for use in lieu of non-standard return and payment documents (white mail). The redesigned forms would provide additional detailed information enabling more efficient processing of BOE paper-based returns and schedules.
- Fund resources for BOE's Taxpayer Information Section to assist taxpayers with inquiries regarding redesigned web-based downloadable forms.

|  |                                     |  |
|--|-------------------------------------|--|
| REQUIRES LEGISLATION<br><br><input type="checkbox"/> YES<br><input checked="" type="checkbox"/> NO | CODE SECTION(S) TO BE AMENDED/ADDED | BUDGET IMPACT—PROVIDE LIST AND MARK IF APPLICABLE<br><input checked="" type="checkbox"/> ONE-TIME COST <input checked="" type="checkbox"/> FUTURE SAVINGS<br><input checked="" type="checkbox"/> FULL-YEAR COSTS <input type="checkbox"/> REVENUE<br><br><input type="checkbox"/> FACILITIES/CAPITAL COSTS |
|--|-------------------------------------|--|

|  |                |  |                |
|--|----------------|--|----------------|
| PREPARED BY<br>Manager, Budget Change Unit     | DATE<br>2/X/09 | REVIEWED BY<br>Manager, Budget Section | DATE<br>2/X/09 |
| REVIEWED BY<br>Deputy Director, Administration | DATE<br>2/X/09 | DIRECTOR<br>Executive Director         | DATE<br>2/X/09 |

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES  OR NO   
IF YES, DEPARTMENT CHIEF INFORMATION OFFICER SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

FOR IT REQUESTS, SPECIFY THE DATE SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE DEPARTMENT OF FINANCE.

DATE \_\_\_\_\_ PROJECT # \_\_\_\_\_ FSR  OR SPR

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL?

YES       NO      ATTACH COMMENTS OF AFFECTED DEPARTMENT, SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

**DEPARTMENT OF FINANCE ANALYST USE  
(ADDITIONAL REVIEW)**

CAPITAL OUTLAY  OTROS  FSCU  OSAE  CALSTARS

DATE SUBMITTED TO THE LEGISLATURE: \_\_\_\_\_

PPBA: \_\_\_\_\_

**STATE BOARD OF EQUALIZATION**

**Sales and Use Tax Program  
Special Taxes Programs**

**RETURN PROCESS EFFICIENCIES**

**Fiscal Year 2009-10**

**A. Nature of Request**

Board of Equalization (BOE) requests \$2,512,000 (\$1,468,000 General Fund, \$259,000 Special Funds, and \$785,000 Reimbursements) and 4.5 new positions [3.0 permanent, 1.5 3-year limited term (LT)] (2.8 PYs) in fiscal year (FY) 2009-10, \$2,672,000 (\$1,417,000 General Fund and \$1,255,000 Reimbursements) and 9.0 new temporary help positions (2-year permanent intermittent (PI) positions) in FY 2010-11 to:

- Provide Employment Development Department (EDD) the resources to develop the capacity to process payment vouchers and checks filed by Board of Equalization (BOE) taxpayers. The actual processing of the payment vouchers would begin in Fiscal Year (FY) 2010-11.
- Develop and implement a change management plan for BOE employees as BOE continues to transition to a paperless environment.
- Develop and implement a communication plan.
- Address data confidentiality and integrity issues inherent in transferring confidential taxpayer data between state agencies.
- Redesign BOE's web-based downloadable forms for use in lieu of non-standard return and payment documents (white mail). The redesigned forms would provide additional detailed information enabling more efficient processing of BOE paper-based returns and schedules.
- Fund resources for BOE's Taxpayer Information Section to assist taxpayers with inquiries regarding redesigned web-based downloadable forms.

These components are driven by the need to increase efficiencies in return and payment processing.

**Rationale for Creating a Partnership**

BOE is currently conducting an aggressive campaign to transition taxpayers to electronic filing of tax returns. Based on the experience of the Franchise Tax Board (FTB) and EDD, BOE could expect to achieve an overall electronic filing rate of 60 to 70 percent. Therefore, 30 plus percent of taxpayers would continue to file paper returns. Based on current registration levels, this is approximately 1.2 million paper returns annually.

Although BOE provides taxpayers with different payment method options such as electronic fund transfer (EFT), credit cards, and e-checks (options that are also available from EDD and FTB), paper check payments would continue after the implementation of e-filing. BOE's largest taxpayers, which account for over 80 percent of BOE's overall revenues, are required to pay their payments through EFT. However, many of the remaining taxpayers, including those who e-file returns, still choose to mail in their payments. Currently, payments by check total over \$7 billion annually. Approximately \$2 billion of this total is

generated from taxpayers who e-file. Anecdotal evidence and preliminary FY 2008-09 data suggest that payments by check would increase, since BOE taxpayers appear to prefer paying by paper check during times of economic downturn to increase the float time on their tax payments.

Currently, BOE takes an average of four days to deposit checks received through the mail. For some special funds, BOE may take up to ten days to deposit the checks. Although these timeframes are within the State mandate to deposit checks within ten days of receipt, they compare poorly to the other State tax agencies that have state of the art processing equipment. EDD and FTB report that they would deposit checks within one day of receipt through the use of best practices, sophisticated mailroom equipment, and scanning and imaging technologies. (During its annual peak processing period in April, FTB reports that there are occasions when checks may not be deposited the same day as they are received.) BOE's slower process has the effect of delaying the deposit of tax payments into the General Fund and other special funds, and also delays the allocation of tax revenues to cities, counties, and special tax districts.

According to a recent Sales and Use Tax (SUT) study, BOE's current state of return processing, using existing equipment, systems, and processes have reached their maximum capacity. This means BOE has limited ability to achieve additional efficiencies without investment in more sophisticated tax return and check processing equipment. Over the last 15 years, both FTB and EDD have achieved significant efficiencies in their processing of paper-based tax returns and schedules. For example, by implementing advanced mailroom and scanning and imaging technologies, EDD was able to reduce the number of positions it used to process paper-based employer tax returns. (However, according to EDD, this savings was only achieved as a result of a detailed change management plan and cooperation from labor.) BOE believes that it could achieve proportional cost savings and efficiencies if it too could leverage the use of advanced technologies and sophisticated mail-handling equipment to process paper-based tax returns and payments. Since both EDD and FTB have the ability to expand their existing infrastructure to process additional documents, and given the State's long term budget crisis, it is not fiscally prudent for BOE to build its own infrastructure when such technologies exist and can be expanded elsewhere.

BOE faces other processing difficulties. BOE, along with EDD and FTB, receives large quantities of white mail. White mail does not have coded envelopes and forms; and therefore requires manual processing. For many different reasons, all of the State's tax agencies are experiencing increases in white mail. In recent studies, BOE has found that its white mail has been increasing every year. In 2007, BOE's white mail increased from 14 percent to 20 percent of all mail received. Over 30 percent of BOE's white mail is directly related to the use of BOE's web-based downloadable forms. BOE's planned redesign of web-based downloadable forms would partly mitigate the increase in white mail by creating a "smart form" that would provide tax program, period code, and other information used to sort the return to facilitate mainstream processing. By providing this information on the web-based downloadable forms, BOE could use its equipment to quickly handle the incoming mail.

Because of the above factors (which are unlikely to be self-correcting and are likely to increase over time), BOE is seeking the means to improve efficiencies in processing paper returns and payments. Since BOE collects about one-third of the State's General Fund revenues as well as revenues for several special funds, it is important that BOE process return and fee payments as efficiently as possible. To assist with the State's current budget problems, it is imperative that BOE:

- Save costs by automating its manual and paper-based processes,
- Increase interest earnings for the State by accelerating the deposit of tax revenues into state accounts, and
- Improve taxpayer services to encourage voluntary compliance.

BOE's proposed solution is also the first step in resolving a long-standing criticism of redundancy in State government. For well over 20 years, the different branches of State government have studied the various tax collection functions performed by BOE, EDD, and FTB. These studies have all concluded that there is substantive duplication of administrative functions among the three agencies and that efficiencies could be achieved through some level of consolidation. Given that capacities can be expanded at FTB and EDD, it is in the State's best interest for BOE to consider either transferring or consolidating some of its return processing functions with one of the other tax agencies. This would allow the State to avoid duplicate expenditures for similar mailroom equipment and computer systems and reduce BOE's paper-based processing of tax returns and payments from four days to one day. In addition, BOE would be able to adopt some of its partner's best practices for processing tax returns and payments since both agencies would be utilizing the same infrastructure.

This consolidation process, however, would not be instantaneous. Both EDD and FTB took several years to transition from manual processing of their returns to more automated methods. In fact, both agencies are still transitioning some of their programs to these technologies. It is very important to the State that BOE and its partner consolidate the processes in a thoughtful and careful manner. If the transition is poorly implemented, the State could experience a significant disruption in the processing of tax payments and documents.

An incremental change in critical functions is standard procedure for BOE. When implementing a new process for its tax programs, BOE typically uses a phased approach. The experience gained in the initial phase is used to adjust and improve subsequent phases. This model helps BOE determine the full impact of proposed process changes and is particularly well suited to this proposal, since consolidation of tax operations of this magnitude has never been attempted before.

After reviewing the relative merits of both EDD and FTB, BOE with EDD proposes to implement the consolidation over multiple fiscal years based on lessons learned from the previous years. This request is the first phase of a longer term return processing consolidation plan. In addition to infrastructure development, this initial phase would enable BOE to develop:

- Timeframes and implementation dates for consolidation of remaining paper-based return processing, and
- Estimates of future savings, accelerated revenues, and increased interest earnings.

At this time, definitive projections as to how much additional savings, accelerated revenues, and interest earnings the State would receive in a full return processing consolidation effort are not available. However, it is clear that if BOE continues with the status quo, the State would receive **no** savings, there would be **no** accelerated revenues, and additional interest earnings would **not** occur. Given the long term nature of the State's current fiscal crisis, BOE must begin to address its return processing issues now and into the future. It is the responsibility of every State agency to look for ways to reduce costs. In order to realize

future cost savings, it is critical that BOE be allowed to move forward without delay or hesitation.

**Details of Budget Year Proposal**

***Transferring Payment Vouchers and Checks to EDD:***

BOE is requesting \$500,000 in FY 2009-10 to reimburse EDD for the development of the capacity to process payment vouchers and checks filed by BOE taxpayers. BOE is requesting \$1,100,000 in FY 2010-11 and ongoing to reimburse EDD for processing the payment vouchers of BOE's taxpayers. EDD may also submit a request to increase its reimbursement authority by this amount. This component also requests resources to enhance BOE's information workflow and retrieval capacity.

Due to the one-time costs and several month development efforts, BOE does not anticipate realizing potential cost savings, potential increases in accelerated revenues or potential interest earnings related to the efficiencies of EDD processing payment vouchers and checks filed by BOE taxpayers until FY 2012-13. Additional efficiencies may be realized in BOE's back-end processing through utilizing efficiencies and best practices employed at EDD. For example, digitizing BOE documents would allow multiple BOE staff access to return and payment documents at the same time and would contribute to faster resolution of problems or errors.

***Developing a Change Management Plan:***

BOE is aware that the success of major organizational changes is greatly enhanced by the adoption of a proactive change management plan. Accordingly, BOE conferred with EDD on the development and implementation of the change management plan used to achieve efficiencies when EDD automated processing of paper returns. According to EDD, the key to success was the development of a change management plan. EDD's change management plan consisted of (1) an analysis of new required workload tasks, (2) a survey of staff employment interests, (3) a framework for an employee career center, and (4) a staff communication plan for upcoming changes.

Based on EDD's model, BOE requests \$325,000 in FY 2009-10 and \$285,000 in FY 2010-11 and FY 2011-12, for 1.5 3-year LT positions and overtime resources to develop and implement a change management plan at BOE. An interagency agreement with the California State University at Sacramento (CSUS) would be established to begin the development and implementation of a change management plan to facilitate the organizational changes resulting from the transfer of return processing from BOE to EDD. BOE expects that cost savings will ultimately come from personnel savings. Employees who process and store paper returns would be most impacted by the proposed transfer. BOE is committed to ensuring these employees are voluntarily transitioned into new positions. The following chart shows the detail of the staff requested:

|                             | <u>FY 2009-10</u> | <u>FY 2010-11</u> | <u>FY 2011-12</u> |
|-----------------------------|-------------------|-------------------|-------------------|
|                             | Positions         | Positions         | Positions         |
| Labor Relations Analyst     | 0.5               | 0.5               | 0.5               |
| Associate Personnel Analyst | 1.0               | 1.0               | 1.0               |
|                             |                   |                   |                   |
| Total Positions/Resources   | 1.5               | 1.5               | 1.5               |

Please see Exhibit I on pages 15-16 for workload detail.

Working with CSUS, BOE would use a three-phase change management process to develop a support program for its employees as BOE transitions to its partnership with EDD. The plan would ensure that BOE continue providing timely and efficient services to constituent groups and help its employees adapt to the changing job requirements of a paperless return operation.

Phase I would develop and initiate implementation of a change management and communication plan at BOE. This change management plan would establish a framework for working with employees and bargaining unions to make the necessary changes to allow BOE to operate effectively. Steps to be taken include the following:

- Survey of BOE employees to better understand the nature and degree to which the change management plan would be needed to support the transition.
- Development of a framework for establishing a Career Resource Center (CRC) for BOE employees to assist them in better determining what job skills they would need and how they would obtain those skills. The CRC would also incorporate a training/retraining component, and provide advice on what positions to seek within BOE, EDD, or other state agencies.
- Development of a communication plan to maintain open lines of communication with BOE employees about the changes that would be taking place.

The final two phases of the change management plan are dependent on the completion of Phase I and would be proposed in future budget requests. Currently, it is envisioned that Phase II would allow BOE to continue to implement the change management and communication plans which will be started in FY 2009-10 and begin to transition employees to the paperless operating process. Specific activities in this phase include opening the CRC, implementation of the communication plan, and follow-up on employee progress. Phase III would continue the change management and communication plans by assisting the remaining BOE staff determine their future career paths.

***Ensuring Data Security:***

The Information Security Office requests \$145,000 in FY 2009-10 and \$122,000 in FY 2010-11 and ongoing to establish 1.0 permanent position to focus on project consulting, security requirements testing, and developing security policies and procedures. Continuing hours would focus on ongoing risk management, incident response, oversight, and compliance monitoring. Existing resources cannot address the volume of ongoing workload related to the magnitude of this proposed change. The following chart shows the detail of the staff requested:

|   | FY 2009-2010 | FY 2010-11<br>and Ongoing |
|---|--------------|---------------------------|
|   | Positions    | Positions                 |
| Senior Information Systems Analyst (Specialist) | 1.0          | 1.0                       |
| Total Positions/Resources                       | 1.0          | 1.0                       |

Please see Exhibit II on page 17 for workload detail.

Although the proposed solution involves collaborative work with EDD, BOE can not abdicate its responsibility as data owner to fully and effectively protect taxpayer information. In many ways, an EDD/BOE partnership of this nature would add complexity in the planning and implementation of effective information security. Differing infrastructure and competing

policies would require additional work efforts to reach an agreed upon security posture that would meet the needs of each department and the State of California at large.

Given there is no such thing as 100 percent security, it is imperative that information security controls, user security training, security testing, and system certification and accreditation be included to keep the risk of compromise or unauthorized disclosure to an acceptable level. The position requested in FY 2009-10 would ensure risks, as described herein, are considered, measured, mitigated, and tracked, not only during design, development, testing and implementation, but also throughout the life cycle phase of "maintenance and operations".

***Addressing BOE's White Mail:***

As noted above, BOE is experiencing an increase in its white mail, which takes longer to process than regular mail. BOE has found that an increasing portion of its current white mail is the result of its existing web-based downloadable forms. For this reason, BOE requests \$339,000 in FY 2009-10 for resources to develop web-based downloadable forms containing taxpayer filing information in batch and bar codes and \$7,200 ongoing for maintenance of the required software. This change would speed up the processing of mailed-in returns using BOE processes and equipment. Due to the fact that 30 to 40 percent of taxpayers will not or cannot utilize e-services, paper returns will continue to be filed. Accordingly, it is imperative that BOE implement some immediate improvements to its current web-based downloadable returns to accelerate the manual process of these paper returns. It is anticipated that implementation of the new web-based downloadable forms will begin June 1, 2010.

***Addressing Taxpayer Inquires:***

If BOE's web-based downloadable forms are changed to require the taxpayer to input their account number and a log in code prior to printing a return or prepayment form, an increasing number of taxpayers will be calling for assistance. If a log in code is not provided, the taxpayer will not be able to print a return or prepayment form from BOE's website thus increasing the call volume in BOE's Taxpayer Information Section. This will take place during the same period when the Electronic Transition Plan is encouraging electronic filing and shutting off 3,500,000 paper returns and prepayment forms each year.

Once taxpayers become aware of a new or changed form, the volume of incoming calls to BOE's Taxpayer Information Section begins to increase immediately. It is estimated that BOE's Taxpayer Information Section will receive an additional 140,000 calls a year from taxpayers requesting a copy of a paper return/prepayment form or assistance with obtaining the account number and log in code so they may print the return/prepayment form from BOE's website. After two full years of implementation, it is anticipated that the call volume will drop to about 35,000 additional calls per year.

The Taxpayer Information Section is requesting \$233,000 for 2.0 new permanent positions starting April 1, 2010 (0.5 PYs), overtime funding, and related resources in FY 2009-10, and \$884,000 for 9.0 2-year PI positions, overtime funding and related resources in FY 2010-11 to process the increased workload resulting from the change in BOE's web-based downloadable forms. The following chart shows the detail of the staff requested:

|                                  | FY 2009-2010 | FY 2010-11/<br>FY 2011/12 | FY 2012-13<br>And Ongoing |
|----------------------------------|--------------|---------------------------|---------------------------|
|                                  | Positions    | Positions                 | Positions                 |
| Tax Technician II (Permanent)    | 2.0          | 2.0                       | 2.0                       |
| Tax Technician II (2-year PI)    |              | 9.0                       |                           |
| <b>Total Positions/Resources</b> | <b>2.0</b>   | <b>11.0</b>               | <b>2.0</b>                |

Please see Exhibit III on pages 18-19 for workload detail and detail of overtime funding request.

**B. Background/History**

BOE administers over 20 tax programs, including sales and use tax; various alcohol, cigarette and tobacco products taxes, and fuel excise taxes; various environmental fees; and state assessed property taxes. In keeping with its mission statement and strategic plan goals, BOE must be innovative and proactive in its approach to tax administration. One element of this goal is the automation of labor-intensive manual processes to reduce processing, storage and retrieval costs, and increase revenues while improving service to taxpayers.

BOE is pursuing automation through implementing web-based electronic reporting and payment (e-filing). However, e-filing will not completely replace manual tax return and payment processes. All of the State's tax agencies have found that 30 to 40 percent of taxpayers either will not or cannot use e-services options. At these rates, BOE estimates that approximately 300,000 taxpayers from all of its various tax programs will not use e-service options and will annually file over 1.2 million paper-based returns.

In 1998, the previous administration and the Legislature approved and funded a feasibility study report for BOE to implement return processing technologies similar to that being implemented at EDD and FTB. That project was to be funded primarily through position savings without additional budget augmentations. However, the project was cancelled due to a number of factors and BOE subsequently decided to concentrate its resources on the implementation of e-filing. Accordingly, BOE never implemented automated processing technologies for its manual mailroom, cashiering, and key entry functions. In fact, many of BOE's current manual return processes are over 30 years old.

**C. State Level Considerations**

This proposal is consistent with the Governor's California Performance Review and the proposed FY 2009-10 Budget, which seeks to enhance the efficiency of State government by eliminating redundancies. BOE's proposal is consistent with the Governor's proposed Budget because it would automate the current inefficient manual processes by tapping into existing State technology assets. Transferring BOE return processing functions to EDD would enable the State to ultimately realize a net decrease in operating costs.

This proposal also conforms to the consolidation initiative proposed by the State Chief Information Officer and supported by the Governor. By transferring some of BOE's return processes to EDD, BOE would avoid duplicating existing technology infrastructure through the use of EDD's expanded capacity to process returns and schedules. This would avoid spending tens of millions of General Fund dollars on duplicative systems and equipment.

In addition to these considerations, this proposal provides a longer term opportunity for all three state tax agencies to partner in the creation of a common or shared processing center. Currently, each state tax agency has its own processes and infrastructure supporting its revenue document processing operations. By partnering and leveraging technologies, equipment, and infrastructure, the tax agencies could begin to realize some of the benefits proposed in past independent studies. BOE believes this initial partnership with EDD could eventually grow to include FTB in a three-way tax partnering arrangement providing infrastructure benefits to all three agencies.

In addition, BOE's Strategic Plan for 2007-2011 addresses vital issues, such as maximizing voluntary compliance in BOE's programs, improving the efficiency of BOE's tax and fee programs, and creating an expanded and responsive infrastructure. Changes in technology have created challenges, opportunities and expectations that must be addressed. Greater automation offers opportunities to improve BOE's effectiveness and efficiency in providing quality services and is consistent with the goals of the organization.

The BOE Strategic Plan 2007-2011 issues/strategies addressed by this proposal are:

**Goal 2 – Improve the Efficiency of BOE's Tax and Fee Programs**

- Objective 1 – Create an environment that encourages innovative and creative ideas for changing and streamlining our business processes without diminishing the quality of our services or products.
- Objective 5 – Continually assess changes in the business environment and evaluate and modify processes and services to ensure that customer expectations and needs are met or exceeded.
- Objective 6 – Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.

**Goal 4 – Create an Expanded and Responsive Infrastructure**

- Objective 1 – Create a stable yet flexible state-of-the-art technology infrastructure using industry best practices and respond timely, effectively, and efficiently to new tax and fee programs and changes to existing programs.

**Goal 5 – Foster a Skilled, Motivated, and Diverse Workforce**

- Objective 2 – Enhance current internal communications, improve information sharing, and use team work to promote a cohesive, unified organization.
- Objective 3 – Ensure the essential information, tools, and equipment needed by employees to perform efficiently and successfully are provided on a timely basis.

**D. Justification and Analysis of All Feasible Alternatives**

BOE reviewed four alternatives for improving the processing of paper-based returns and payment. These alternatives are described below.

**Alternative 1 –**

- Enter into an interagency agreement with EDD to develop the capacity to process payment vouchers and checks filed by BOE taxpayers and begin processing these documents in FY 2010-11.

- Design and implement a change management plan to provide support for BOE staff displaced by the partnership with EDD.
- Develop and implement a communication plan.
- Provide sufficient staff to ensure the confidentiality and privacy of BOE's data.
- Redesign BOE web-based downloadable forms to include additional taxpayer information in batch and bar codes.
- Provide resources for BOE's Taxpayer Information Section to address increased call workload resulting from redesigned web-based downloadable forms.

The estimated cost for this alternative is \$2.5 million in FY 2009-10, \$2.7 million in FY 2010-11, \$2.5 million in FY 2011-12 and \$1.7 million in FY 2012-13 and ongoing. EDD's costs provide for the personnel and vendor costs to prepare the mail opening, scanning, and remittance equipment to accommodate the payment vouchers and checks. BOE's payment vouchers and checks will be processed separately from EDD's workloads to ensure data integrity of both BOE's and EDD's documents and dollars. This would ensure that any problems in EDD's other programs, such as employer tax and unemployment insurance, would not negatively impact EDD's commitment to processing BOE's returns. BOE and EDD estimate that it would take several months to develop and implement the automation changes necessary for the BOE/EDD interagency agreement.

**Pros:**

This alternative:

- Utilizes existing infrastructure of EDD to improve efficiencies of payment processing at BOE.
- Benefits from the lower on-going expense for processing payment vouchers and checks filed by BOE taxpayers compared to other alternatives.
- Is consistent with the Administration's strategic directions and past independent studies.
- Utilizes the State's best practices for mitigating transition impacts to existing staff.

**Cons:**

This alternative:

- Requires a General Fund appropriation and additional State resources.
- May require EDD to increase its reimbursement authority and positions.
- Requires additional personal services resources at BOE.
- Anticipates an increase in taxpayer call volumes.

**Alternative 2 –**

- Enter into an interagency agreement with FTB to develop the capacity to process payment vouchers and checks filed by BOE taxpayers and begin processing these documents in FY 2010-11.
- Design and implement a change management plan to provide support for BOE staff displaced by the partnership with FTB.
- Develop and implement a communication plan.
- Provide sufficient staff to ensure the confidentiality and privacy of BOE's data.
- Redesign BOE web-based downloadable forms to include additional taxpayer information in batch and bar codes.
- Provide resources for BOE's Taxpayer Information Section to address increased call workload resulting from redesigned web-based downloadable forms.

Although this alternative would provide the same functionality as Alternative 1, there are some differences between an EDD and a FTB partnership. Specifically, due to high volumes in April, FTB cannot guarantee one day deposits all year around. In addition, FTB's scanning and imaging equipment is not as sophisticated as EDD's so FTB would have to use more data entry staff to correct problems with handwritten returns. (Many of BOE's returns are handwritten.) Also, FTB and BOE would have to develop a fund reconciliation process since BOE's returns would be processed through FTB's existing automation system. This alternative has a similar development schedule as Alternative 1.

**Pros:**

This alternative:

- Utilizes existing infrastructure of FTB to improve efficiencies at BOE.
- Is consistent with the Administration's strategic directions and past independent studies.
- Utilizes the State's best practices for mitigating transition impacts to existing staff.

**Cons:**

This alternative:

- Requires more resources and positions to implement than Alternative 1.
- Requires a General Fund appropriation and additional State resources.
- May require FTB to increase its reimbursement authority and positions.
- Requires additional personal services resources at BOE.
- Anticipates an increase in taxpayer call volumes.

**Alternative 3 –**

- Contract with a third party contractor to process payment vouchers and checks filed by BOE taxpayers and begin processing these documents in FY 2010-11.
- Design and implement a change management plan to provide support for BOE staff displaced by the new operating process.
- Develop and implement a communication plan.
- Provide sufficient staff to ensure the confidentiality and privacy of BOE's data.
- Redesign BOE web-based downloadable forms to include additional taxpayer information in batch and bar codes.
- Provide resources for BOE's Taxpayer Information Section to address increased call workload resulting from redesigned web-based downloadable forms.

**Pros:**

This alternative:

- Would enable BOE to leverage the contractor's existing expertise and infrastructure.
- Avoids the cost of in-house development.
- Utilizes the State's best practices for mitigating transition impacts to existing staff.

**Cons:**

This alternative:

- Is prohibited by provisions of the State Constitution and Government Code section 19130.
- Raises issues of a non-government entity having access to confidential information.
- Does not leverage existing infrastructure.

**Alternative 4 -**

- Develop and purchase in-house scanning and imaging infrastructure.

- Design and implement a change management plan to provide support for BOE staff displaced by the new operating process.
- Develop and implement a communication plan.
- Provide sufficient staff to ensure the confidentiality and privacy of BOE's data.
- Redesign BOE web-based downloadable forms to include additional taxpayer information in batch and bar codes.
- Provide resources for BOE's Taxpayer Information Section to address increased call workload resulting from redesigned web-based downloadable forms.

**Pros:**

This alternative:

- Would enable BOE to design, install, and purchase its own infrastructure and equipment that is compatible with its current systems.
- Would allow BOE to better control its information security.

**Cons:**

This alternative:

- Would take about 18 months to 2 years to develop and install the new automation systems and equipment.
- Would likely cost several millions of General Fund dollars to implement.
- Is contrary to the Governor's initiatives of consolidating like functions between state agencies.
- Would delay cost savings, accelerated revenues, and potential interest earnings longer than Alternative 1.
- Is inconsistent with the Administration's strategic directions and past independent studies.

### **E. Facility/Capital Outlay Considerations**

The BOE is currently completing a "restacking plan" for BOE's Headquarter building. This plan will allow BOE to address current optimum occupancy issues, align program functions/activities, identify additional offsite lease space, and address growth.

### **F. Outcomes and Accountability**

This project addresses the tax returns processing deficiencies created by the use of batched paper documents, manual key entry, use of paper documents to allocate funds to local entities, and to respond to taxpayer questions and concerns. The effectiveness of this project would be measured by the number of documents processed and the cost savings related to automated processing or payment vouchers and redesigned web-based downloadable forms.

### **G. Timetables**

Details concerning the development and automation of payment processing functions as well as the redesign of web-based downloadable forms can be found in the Feasibility Study Report (FSR) and Exhibit IV on page 20.

**Administration Division: Human Resources Division**

| July 2009 to June 2010  | July 2010 to June 2011                        |
|---|---|
| Establish interagency agreement with CSUS.                              | Begin Phase II of the Change Management Plan. |
| Develop and implement Phase I of the Change Management Plan.            | Continue communication plan.                  |
| Survey BOE Employees.   |   |
| Develop a Framework for Establishing a Career Center for BOE Employees. |   |
| Develop and Implement a Communication Plan.                             |   |
| Hire new personnel effective July 1, 2009.                              |   |
| Train new personnel.  |   |

**Administration Division: Information Security Office**

| July 2009 to June 2010  | July 2010 +   |
|---|---|
| Hire new personnel effective July 1, 2009.  | Monitor systems and subsystems associated with imaging, scanning and storing of BOE's mission critical information. |
| Train new personnel.  | Incident Response.  |
| Work with EDD in Development of Infrastructure.                                       | Update policies and procedures regarding the transfer of data to EDD for processing.                                |
| Develop policies and procedures regarding the transfer of data to EDD for processing. | Deliver online and in-person Information Security training that is unique to this solution.                         |
|   | Risk Management Efforts.  |
|   | Administrative Tasks.   |

**External Affairs Division: Taxpayer Information Section**

| February 2010 to June 2010  | July 2010 to June 2011  |
|---|---|
| Hire new personnel effective February 1, 2010.  | Hire new personnel effective July 1, 2010.  |
| Train new personnel.  | Train new personnel.  |
| Answer taxpayer phone inquiries and processing work generated from phone calls for additional 35,000 calls. | Answer taxpayer phone inquiries and processing work generated from phone calls for additional 140,000 calls annually. |
| Provide Input during development of web-based downloadable forms.   |   |
| Training remote agents.   |   |
| Hardware Installation.  |   |

**H. Recommendation**

Alternative 1 is recommended because it has the lowest on-going cost, would be implemented in the shortest timeframe, is consistent with the Administration's strategic directions and past independent studies, anticipates expected taxpayer call volumes, and utilizes the State's best practices for mitigating transition impacts to existing staff.

**I. Fiscal Detail**

See attached "Fiscal Detail" schedules.

DRAFT

**Change Management Plan Workload Detail**

Labor Relations Analyst

The establishment of 0.5 Labor Relations Analyst (three-year limited-term) position is requested to handle new and ongoing workloads related to the Change Management Plan in the Return Processing Automation Project. The Labor Relations Analyst will act as the liaison with bargaining unions and the Department of Personnel Administration (DPA), address bargaining union and employee concerns and complaints, answer labor relations questions, counsel employees at the CRC where visits will not be limited, and plan and coordinate Employee Information Forums and meetings.

| Workload Detail                |  |                          |                        |                         |                |
|--------------------------------|--|--------------------------|------------------------|-------------------------|----------------|
|                                | Activity   | Time Measure             |                        | Ongoing Activities      |                |
|                                |  | H = Hours<br>M = Minutes | Time Per<br>Occurrence | Occurrences<br>Per Year | Total<br>Hours |
| <b>Labor Relations Analyst</b> |  |                          |                        |                         |                |
|                                | Employee Information Forums (small/large group discussions related to the Return Processing Automation Project). | H                        | 24                     | 8                       | 192            |
|                                | Assisting with the CRC Counseling.   | H                        | 2                      | 200                     | 400            |
|                                | Liaison with the Employee Bargaining Unions (meetings to discuss transitional job placement).                    | H                        | 2                      | 24                      | 48             |
|                                | Administrative Detail (correspondence, misc telephone calls, and emails).  | H                        | 1                      | 300                     | 300            |
|                                | <b>Total Hours per year</b>  |                          |                        |                         | <b>940</b>     |
|                                | <b>Position based on 1,800 hours</b>   |                          |                        |                         | <b>0.5</b>     |

Associate Personnel Analyst (APA)

The establishment of 1.0 Associate Personnel Analyst (APA) (three-year limited-term) position is requested to handle new and ongoing workloads related to the Change Management Plan in the Return Processing Automation Project. The APA will be the contract manager with CSUS, ensure all phases of the interagency agreement are communicated and implemented timely. The APA will also counsel employees in the CRC to ensure that BOE employees are provided with appropriate information that explains what the Electronic Transition Plan to a paperless operating process means, why it is important, how it will be done, how it impacts or does not impact staff and job requirements, how BOE will be helping its employees to make the transition (e.g., lateral transfers, training and development (T&D) assignments, training opportunities), and when the changes will occur. The APA will provide counseling services during the CRC's core hours from 10:00 a.m. to 2:00 p.m. The APA will also work closely with managers and supervisors to identify workplace needs, provide internal ongoing agency job placement, develop employee profiles for job placement, staff development, and training programs. The APA will serve as the

liaison to the Training Office regarding training opportunities, upward mobility, job fairs with other agencies for opportunities to explore potential job prospects, assist with questions and resumes, and facilitate Employee Information Forums. The APA will also be the liaison with EDD to facilitate the potential placement of BOE employees. The APA will train CSUS students and provide guidance and direction.

| Workload Detail                      |  |                          |                        |                         |                |
|--------------------------------------|--|--------------------------|------------------------|-------------------------|----------------|
|                                      | Activity   | Time Measure             |                        | Ongoing Activities      |                |
|                                      |  | H = Hours<br>M = Minutes | Time Per<br>Occurrence | Occurrences<br>Per Year | Total<br>Hours |
| <b>Associate Personnel Analyst I</b> |  |                          |                        |                         |                |
|                                      | Career and Resource Center (career counseling for transitioned employees).   | H                        | 2                      | 300                     | 600            |
|                                      | Transitioned employees identifying vacancies, reviewing applications and resumes, filling vacancies to ensure job person/job/skill matches). | H                        | 3                      | 200                     | 600            |
|                                      | Job Fairs and coordination with similar agencies (e.g., FTB, EDD).   | H                        | 12                     | 24                      | 288            |
|                                      | Training provided to employees identified to be transitioned to the new system processes.  |                          | 2                      | 100                     | 200            |
|                                      | Administrative Detail (correspondence, misc telephone calls, emails, liaison to EDD, and student training).                                  | H                        | 1                      | 300                     | 300            |
|                                      | <b>Total Hours per year</b>  |                          |                        |                         | <b>1,988</b>   |
|                                      | <b>Position based on 1,800 hours</b>   |                          |                        |                         | <b>1.0</b>     |

Overtime Requirements:

Ongoing overtime of 500 hours is needed for the Personnel Specialist classification. The Personnel Specialists maintain all necessary personnel, payroll, and benefit documentation. Some of their duties include: appoint employees, maintain the position rosters; prepare documents to abolish/establish/reclassify positions; prepare and/or review documents necessary to update and maintain the automated leave accounting system; request and maintain certification lists; and respond to questions and requests or information from employees. Process a variety of documents to effect appointments, promotions, transfers, separations.

**Information Security Office Workload**

Although the proposed solution describes collaborative work with EDD and FTB, the BOE may not abdicate its responsibility as data owner to fully and effectively protect taxpayer information, wherever it may reside. In many ways, an EDD/BOE partnership of this nature can add complexity in the planning and implementation of effective information security. Differing infrastructure and competing policies will require additional meetings to reach an agreed upon security posture that will meet the needs of each department and the State of California at large.

The requested position will focus one-time hours on project consulting, security requirements testing, and developing security policies and procedures. Continuing hours will focus on ongoing risk management, incident response, oversight, and compliance monitoring.

| Workload Detail   |                                      |                     |                      |              |  |
|---|--------------------------------------|---------------------|----------------------|--------------|--|
| Activity  | Time Measure                         |                     | Ongoing Activities   |              |  |
|   | H = Hours<br>M = Minutes             | Time Per Occurrence | Occurrences Per Year | Total Hours  |  |
| <b>Senior Information Systems Analyst (Specialist)</b>  |                                      |                     |                      |              |  |
| <b>Monitoring</b> - near real time monitoring of all systems and sub-systems associated with scanning, imaging, and storing of BOE's mission critical information. Monitoring will ensure the confidentiality, integrity, and availability (CIA) of the applicable systems. Monitoring of the proper use of information stored at BOE will use existing tools and techniques. If information is stored outside of BOE the Sr. ISA will use tools and methods available from that agency.  | H                                    | 3                   | 261                  | 783          |  |
| <b>Incident Response</b> - Inevitably, there will be Information Security incidents requiring a well tested and effective response. Many times the alert will be the result of a false-positive, nevertheless, the BOE will be required to respond, activate contingencies, and manage the incident until successfully resolved. Even false-positives will require a post-incident debriefing to determine root cause and engage in process improvement. Incident response procedures will be tested and validated at least twice a year.   | H                                    | 4                   | 48                   | 192          |  |
| <b>Policy</b> - The Information Security Office, as BOE's custodian of security-related policy, will need to manage the update to policy while developing new procedures that support the policy.   | H                                    | 10                  | 8                    | 80           |  |
| <b>Training</b> - Deliver online and in-person Information Security training that is unique to this solution. This training will be delivered to both technical and business users of this proposal. The training will be delivered at least twice a year and will augment BOE general Information Security awareness training. Information Security requires the most recent information in a rapidly changing threat landscape, therefore the training material will be subjected to major revisions at least annually.   | H                                    | 12                  | 2                    | 24           |  |
| <b>Risk Management</b> - The proposed solution will require significant additional work as part of BOE's existing Risk Management Program. Whereas, physical security controls for paper-based tax processing is handled by other units in BOE, once the information is digitized, security oversight becomes the responsibility of the BOE Information Security Office. Risk Management is a perpetual activity and to meet the minimum SAM Section 5305 requirements will require attention each and every month. The work effort documented here is only for this proposed solution. | H                                    | 20                  | 12                   | 240          |  |
| <b>Administrative</b> - In addition to specific solution related activities listed above, the resource will need to perform baseline work related to working in a team and office environment.  | H                                    | 40                  | 12                   | 480          |  |
|   | <b>Total Hours per year</b>          |                     |                      | <b>1,799</b> |  |
|   | <b>Position based on 1,800 hours</b> |                     |                      | <b>1.0</b>   |  |

**Taxpayer Information Section Workload Detail**

Part of the Return Processing Efficiencies Project is changing BOE's web-based downloadable forms to require the taxpayer to input their account number and log in code prior to printing a return or prepayment form. If no account number or log in code is provided, the taxpayer will not be able to print a return or prepayment from the BOE's website. This will take place during the same period when the Electronic Transition Plan is encouraging electronic filing and shutting off 3,500,000 paper returns and prepayment forms each year. As taxpayers become aware of the newly designed forms, the volume of incoming calls to the Taxpayer Information Section will increase immediately. It is anticipated that there will be an additional 140,000 calls received each year from taxpayers requesting a copy of a paper return/prepayment or assistance with obtaining the account number and log in code so they may print the return/prepayment from the BOE website. After two years, it is anticipated that the call volume will drop to 35,000 additional calls each year.

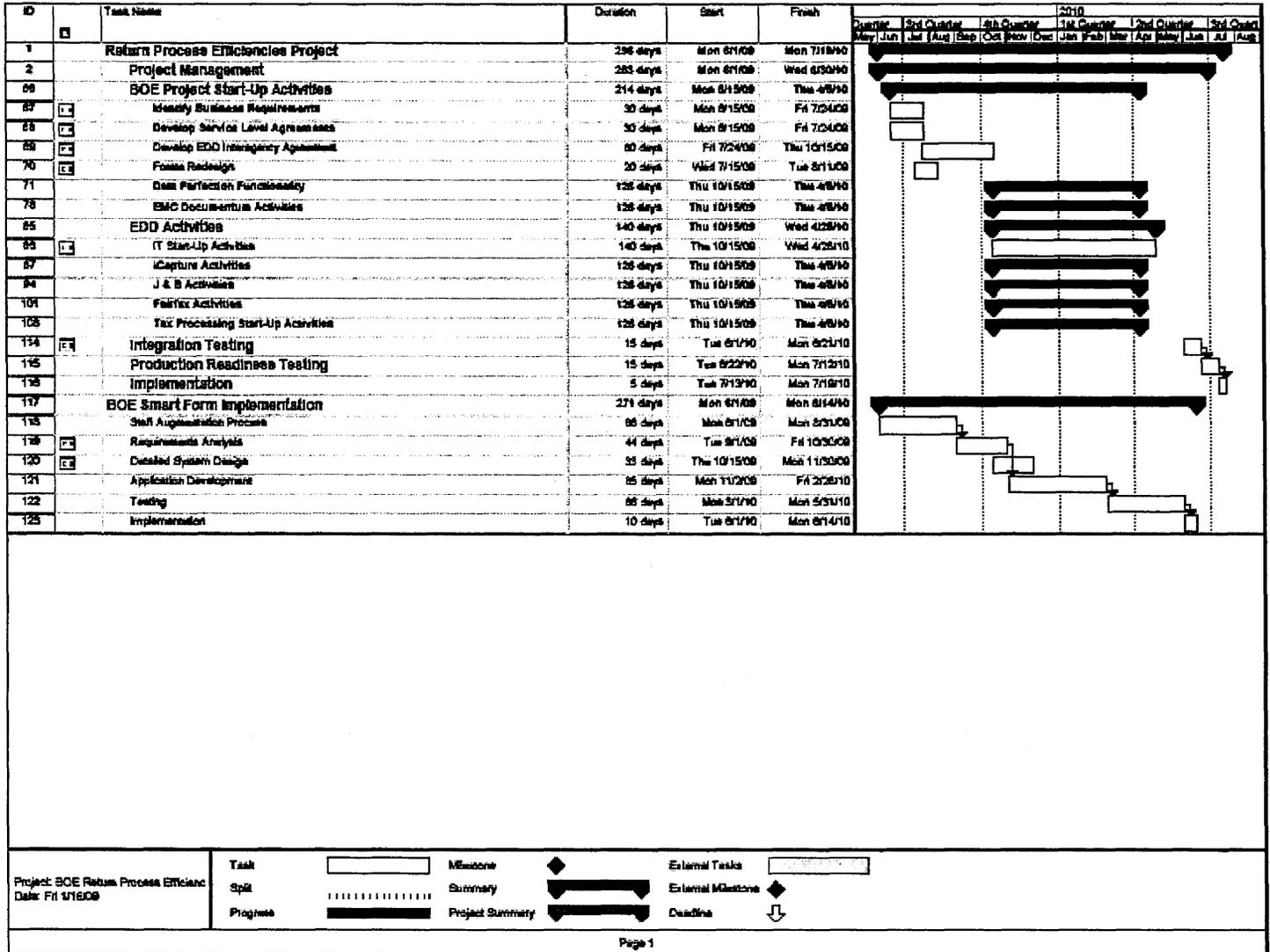
**Position Requirements**

| <b>Return Processing Efficiency Project</b>                                       |                     |                   |                          |              |                            |               |                    |              |
|---|---------------------|-------------------|--------------------------|--------------|----------------------------|---------------|--------------------|--------------|
| <b>TAX TECHNICIAN II</b>  |                     |                   |                          |              |                            |               |                    |              |
| <b>Workload Detail</b>  |                     |                   |                          |              |                            |               |                    |              |
| <b>Activity</b>   | <b>Time Measure</b> |                   | <b>2009-10 (Partial)</b> |              | <b>2010-11 / 2011-2012</b> |               | <b>Ongoing</b>     |              |
|   | <b>M = Minutes</b>  | <b>Occurrence</b> | <b>Occurrences</b>       | <b>Total</b> | <b>Occurrences</b>         | <b>Total</b>  | <b>Occurrences</b> | <b>Total</b> |
|   |                     | <b>Time Per</b>   | <b>Per Year</b>          | <b>Hours</b> | <b>Per Year</b>            | <b>Hours</b>  | <b>Per Year</b>    | <b>Hours</b> |
| Answering taxpayer phone inquiries and processing work generated from phone calls | M                   | 9                 | 35,000                   | 5,250        | 140,000                    | 21,000        | 35,000             | 5,250        |
| <b>Total hours per year</b>   |                     |                   |                          | <u>5,250</u> |                            | <u>21,000</u> |                    | <u>5,250</u> |
| <b>Position based on 1,800 hours per year</b>                                     |                     |                   |                          | 2.9          |                            | 11.7          |                    | 2.9          |

Overtime Requirements

| Return Processing Efficiency Project |                                    |              |            |             |           |             |          |             |          |
|--------------------------------------|------------------------------------|--------------|------------|-------------|-----------|-------------|----------|-------------|----------|
| Overtime Workload Detail             |                                    |              |            |             |           |             |          |             |          |
|                                      |                                    | Time Measure |            | 2009-10     |           | 2010-11     |          | Ongoing     |          |
| Classification                       | Activity                           | H = Hours    | Time Per   | Occurrences | Total     | Occurrences | Total    | Occurrences | Total    |
|                                      |                                    | M = Minutes  | Occurrence | Per Year    | Hours     | Per Year    | Hours    | Per Year    | Hours    |
| BTCS                                 | Provide input during development   | H            | 3          | 4           | 12        |             |          |             |          |
|                                      | Develop Training Material          | H            | 3          | 3           | 9         |             |          |             |          |
|                                      | Train the Trainers                 | H            | 1          | 2           | 2         |             |          |             |          |
|                                      | Monitor/Evaluate Staff             | M            | 15         | 12          | 4         | 12          | 4        | 6           | 2        |
| <b>Total BTCS hours per year</b>     |                                    |              |            |             | <b>27</b> |             | <b>4</b> |             | <b>2</b> |
| BTR                                  | Training Call Center Staff         | M            | 15         | 12          | 3         | 4           | 1        | 4           | 1        |
|                                      | Training New Staff                 | M            | 15         | 4           | 1         | 4           | 1        | 4           | 1        |
|                                      | Training for Remote Agents         | M            | 15         | 24          | 6         | 24          | 6        | 24          | 6        |
| <b>Total BTR hours per year</b>      |                                    |              |            |             | <b>10</b> |             | <b>8</b> |             | <b>8</b> |
| AGPA                                 | Update Electronic Reference        | H            | 2          | 2           | 4         | 1           | 2        |             |          |
|                                      | Assist with Training Staff         | M            | 15         | 4           | 1         | 4           | 1        | 4           | 1        |
|                                      | Assist with Training Remote Agents | M            | 15         | 4           | 1         | 4           | 1        | 4           | 1        |
| <b>Total AGPA hours per year</b>     |                                    |              |            |             | <b>6</b>  |             | <b>4</b> |             | <b>2</b> |
| SSS I                                | Hardware Installation              | H            | 20         | 1           | 20        |             |          | 0.0         | 0.0      |
| <b>Total SSS hours per year</b>      |                                    |              |            |             | <b>20</b> |             | <b>0</b> |             | <b>0</b> |

Automated Payment Process & Web-Based Downloadable Forms Timeline



FL No.  
 DATE: February 4, 2009

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

**Title of Proposed Change:** RETURN PROCESS EFFICIENCIES

**Program/Element/Component:** All Programs

|   | PERSONNEL YEARS |     |        | CY | BY    | BY + 1 |
|---|-----------------|-----|--------|----|-------|--------|
|   | CY              | BY  | BY + 1 |    |       |        |
| <b>TOTAL SALARIES AND WAGES</b> <i>_a/</i>            |                 | 3.0 | 13.5   |    | \$232 | \$545  |
| Salary Savings  |                 | -2  | -7     |    | -9    | -25    |
| <b>NET TOTAL SALARIES AND WAGES</b>                   |                 | 2.8 | 12.8   |    | 223   | 520    |
| Staff Benefits <i>_a/</i>                             |                 |     |        |    | 66    | 179    |
| Distributed Administration <i>_b/</i>                 |                 |     |        |    | 183   | 194    |
| <b>TOTAL PERSONAL SERVICES</b>                        |                 | 2.8 | 12.8   |    | \$472 | \$893  |
| <b>OPERATING EXPENSE AND EQUIPMENT</b>                |                 |     |        |    |       |        |
| General Expense                                       |                 |     |        |    | \$54  | \$105  |
| Distributed Administration                            |                 |     |        |    | 46    | 49     |
| Printing  |                 |     |        |    |       |        |
| Communications  |                 |     |        |    | 60    | 14     |
| Postage   |                 |     |        |    |       |        |
| Travel--In-State                                      |                 |     |        |    | 3     | 3      |
| Travel--Out-of -State                                 |                 |     |        |    |       |        |
| Training  |                 |     |        |    | 7     | 13     |
| Facilities Operations                                 |                 |     |        |    | 99    | 235    |
| Consulting & Professional Services: Interdepartmental |                 |     |        |    | 600   | 1,200  |
| Consulting & Professional Services: External          |                 |     |        |    | 502   |        |
| Department of Technology Services                     |                 |     |        |    |       |        |
| Data Processing                                       |                 |     |        |    | 669   | 160    |
| Equipment   |                 |     |        |    |       |        |
| Other Items of Expense: (Specify Below)               |                 |     |        |    |       |        |

*\_a/* See page 23 of 24 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.

|  | <u>CY</u> | <u>BY</u> | <u>FL No.</u><br><u>BY + 1</u> |
|--|-----------|-----------|--------------------------------|
| <b>TOTAL OPERATING EXPENSE AND EQUIPMENT</b> |           | \$2,040   | \$1,779                        |
| <b>TOTAL EXPENDITURES (State Operations)</b> |           | \$2,512   | \$2,672                        |

**Source of Funds**

|   |        |                |                |
|---|--------|----------------|----------------|
| General Fund                                    | (0001) | \$1,468        | \$1,417        |
| Special Funds:                                  |        |                |                |
| Breast Cancer Fund                              | (0004) | 2              |                |
| State Emergency Telephone                       | (0022) | 4              |                |
| Motor Vehicle Fuel Account                      | (0061) | 98             |                |
| Occupational Lead Prevention Fund               | (0070) | 4              |                |
| Childhood Lead Poisoning Prev. Fund             | (0080) | 2              |                |
| Cig. and Tobacco Prod. Surtax Fund              | (0230) | 32             |                |
| Oil Spill Prevention and Admin. Fund            | (0320) | 2              |                |
| Integrated Waste Management                     | (0387) | 2              |                |
| Underground Storage Tank Fund                   | (0439) | 15             |                |
| Energy Resources Programs Account               | (0465) | 2              |                |
| CA. Children and Families First Trust Fund      | (0623) | 55             |                |
| Federal Trust Fund                              | (0890) |                |                |
| Timber Tax Fund                                 | (0965) | 10             |                |
| Gas Consumption Surcharge Fund                  | (3015) | 2              |                |
| Water Rights Fund                               | (3058) | 2              |                |
| Elec. Waste Recovery and Recycling Acct.        | (3065) | 21             |                |
| Cig. and Tobacco Prod. Compliance Fund          | (3067) | 6              |                |
| Federal Funds                                   |        |                |                |
| Other Funds                                     |        |                |                |
| Reimbursements                                  | (0995) | \$785          | \$1,255        |
| <b>Net Total Augmentation (Source of Funds)</b> |        | <b>\$2,512</b> | <b>\$2,672</b> |

**DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES**

| Staff Benefits Detail:          | CY                     | BY              | BY + 1           |
|---------------------------------|------------------------|-----------------|------------------|
|                                 | <i>(Whole Dollars)</i> |                 |                  |
| OASDI                           |                        | \$17,060        | \$39,780         |
| Health Insurance                |                        | 19,743          | 56,388           |
| Retirement                      |                        | 28,226          | 80,616           |
| Workers' Compensation           |                        | 68              | 194              |
| Industrial Disability Leave     |                        | 119             | 339              |
| Non-Industrial Disability Leave |                        | 86              | 245              |
| Unemployment Insurance          |                        | 25              | 73               |
| Other                           |                        | 438             | 1,251            |
| <b>TOTAL</b>                    |                        | <b>\$65,765</b> | <b>\$178,886</b> |

| Classification                    | Positions |            |             | Salary Range <i>_a/</i> | Amount |                  |                  |
|-----------------------------------|-----------|------------|-------------|-------------------------|--------|------------------|------------------|
|                                   | CY        | BY         | BY + 1      |                         | CY     | BY               | BY + 1           |
| Administration Department         |           |            |             |                         |        |                  |                  |
| Human Resources Division          |           |            |             |                         |        |                  |                  |
| Labor Relations Analyst           |           | .5         | .5          | \$58,224 <i>_d/</i>     |        | \$29,112         | \$29,112         |
| Associate Personnel Specialist    |           | 1.0        | 1.0         | 58,200 <i>_d/</i>       |        | 58,200           | 58,200           |
| Information Security Office       |           |            |             |                         |        |                  |                  |
| Staff Info Systems Analyst (Spec) |           | 1.0        | 1.0         | 70,356 <i>_b/</i>       |        | 70,356           | 70,356           |
| Taxpayer Information Section      |           |            |             |                         |        |                  |                  |
| Tax Technician II                 |           | .5         | 2.0         | 34,908 <i>_c/</i>       |        | 17,454           | 69,816           |
| Blanket Funds:                    |           |            |             |                         |        |                  |                  |
| Overtime (Various)                |           | (1.2)      | (1.0)       |                         |        | 56,937           | 45,703           |
| Temporary Help                    |           |            | 9.0         | <i>_e/</i>              |        |                  | 271,836          |
| <b>TOTAL SALARIES AND WAGES</b>   |           | <b>3.0</b> | <b>13.5</b> |                         |        | <b>\$232,059</b> | <b>\$545,023</b> |

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

*\_b/* Permanent positions effective July 1, 2009.

*\_c/* 2.0 permanent positions effective February 1, 2010.

*\_d/* 3-year LT positions effective July 1, 2009.

*\_e/* 2-year PI positions effective July 1, 2010.

**SUPPLEMENTAL INFORMATION**  
 Dollars in Thousands

|   | <u>Current<br/>Year</u> | <u>Budget<br/>Year</u> | <u>Budget<br/>Year + One</u> |
|---|-------------------------|------------------------|------------------------------|
| <b>Proposed Equipment:</b>                                  |                         |                        |                              |
| N/A   |                         |                        |                              |
| Total   |                         |                        |                              |
| <b>Proposed Contracts:</b>                                  |                         |                        |                              |
| Interagency Agreement EDD                                   |                         | 500,000                | 1,100,000                    |
| Interagency Agreement CSUS, University Enterprises          |                         | 100,000                | 100,000                      |
| Smart-Forms Development                                     |                         | 303,000                |                              |
| EMC (workflow and retrieval services)                       |                         | 193,800                |                              |
| Communications Installation                                 |                         | 5,000                  |                              |
| Professional Voice Recordings                               |                         | 100                    | 100                          |
| Total   |                         | <u>\$1,101,900</u>     | <u>\$1,200,100</u>           |
| <b>One-Time Costs:</b>                                      |                         |                        |                              |
| General Expenses  |                         | 45,200                 | 79,800                       |
| Communications (includes hardware)                          |                         | 54,300                 | 6,700                        |
| Facility Relocation Expenses                                |                         | 42,000                 | 75,600                       |
| Data Processing (includes hardware, software, and licenses) |                         | 592,000                | 5,500                        |
| Total   |                         | <u>\$733,500</u>       | <u>\$167,600</u>             |
| <b>Future Savings:</b>                                      |                         |                        |                              |
| N/A   |                         |                        |                              |
| Total   |                         |                        |                              |
| <b>Full-Year Cost Adjustments:</b>                          |                         |                        |                              |
| N/A   |                         |                        |                              |
| Total   |                         |                        |                              |

## Fiscal Year 2009-10

### New Special Taxing Jurisdictions

- This proposal requests funding to ensure that BOE has sufficient resources to effectively administer the increased workload. Without the resources, the increased number of Special Taxing Jurisdictions (STJs) implemented throughout the state will negatively impact General Fund revenue generated by BOE in the amount of \$5.5 million annually.
- By statute (Revenue and Taxation Code (RTC) §7272 and 7273), the STJs are required to contract with the BOE for administration of district taxes for which they are charged a fee that reimburses BOE its costs.
- The reimbursement to BOE is based on a formula provided in RTC §7273. However, the reimbursement formula does not automatically, from a budget perspective, provide expenditure authorization needed to cover the costs generated by the increased workload resulting from establishment of new STJs by voters.
- In FY 2004-05, Board approved Sales and Use Tax Program workload model to calculate the costs associated with new STJs implemented on and after July 2005. Based on this model, all SUT positions are funded from both General Fund and Reimbursements, including those from STJs.
- Positions directly involved in Local and Transaction tax functions have a higher percentage of costs allocated from Reimbursements than from General Fund.
- Since FY 2005-06, the last budget augmentation for STJs, there have been an additional 52 STJs approved by the voters. This increased workload has strained BOE resources to a breaking point.
- The estimated revenue generated by the 53 new STJs is \$679.8 million which is distributed to those respective STJs.

The following is a summary of the fiscal information:

| <u>Description</u>                  | <u>FY 2009-10</u>        | <u>FY 2010-11<br/>and Ongoing</u> |
|-------------------------------------|--------------------------|-----------------------------------|
| Total Number of Permanent Positions | 22.5 (New)<br>(21.4 PYs) | 22.5 (New)<br>(21.4 PYs)          |
| Total Cost of Proposal              | \$2,306,000              | \$1,931,000                       |
| Fund Source:                        |                          |                                   |
| General Fund                        | \$570,000                | \$476,000                         |
| Reimbursements                      | \$1,736,000              | \$1,455,000                       |
| Revenue:                            |                          |                                   |
| General Fund                        | \$5,500,000              | \$5,500,000                       |
| STJs (Reimbursements)               | \$679,800,000            | \$679,800,000                     |

**DRAFT**

**STATE OF CALIFORNIA  
BUDGET CHANGE PROPOSAL - COVER SHEET  
FOR FISCAL YEAR 2009-10**

**Department of Finance  
915 L Street  
Sacramento, CA 95814  
IMS Mail Code: A-15**

**DF-46 (WORD Version)(REV 07/06)**

*Please report dollars in thousands.*

|                                 |  |                   |   |
|---------------------------------|--|-------------------|---|
| FL # X                          | PRIORITY NO.   | ORG. CODE<br>0860 | DEPARTMENT<br> State Board of Equalization |
| PROGRAM<br>30 Sales and Use Tax | ELEMENT<br>30.20 Processing Tax<br>Returns/30.30 Auditing<br>Accounts/30.40 Collecting<br>Taxes Receivable | COMPONENT         |   |

**TITLE OF PROPOSED CHANGE: New Special Taxing Jurisdictions**

**SUMMARY OF PROPOSED CHANGES**

This proposal requests \$2,306,000 (\$570,000 General Fund and \$1,736,000 Reimbursements) in FY 2009-10 and \$1,931,000 (\$476,000 General Fund and \$1,455,000 Reimbursements) in FY 2010-11 and ongoing to permanently establish 22.5 positions to ensure that BOE has sufficient resources to effectively and efficiently administer the increased workload to protect General Fund revenues. If no augmentation is provided, the increased number of Special Taxing Jurisdictions implemented throughout the state will negatively impact General Fund revenue generated by the BOE in the amount of \$5.5 million annually.

|  |                                     |  |
|--|-------------------------------------|--|
| REQUIRES LEGISLATION<br><br><input type="checkbox"/> YES<br><input checked="" type="checkbox"/> NO | CODE SECTION(S) TO BE AMENDED/ADDED | BUDGET IMPACT—PROVIDE LIST AND MARK IF APPLICABLE<br><input checked="" type="checkbox"/> ONE-TIME COST <input type="checkbox"/> FUTURE SAVINGS<br><input checked="" type="checkbox"/> FULL-YEAR COSTS <input checked="" type="checkbox"/> REVENUE<br><br><input type="checkbox"/> FACILITIES/CAPITAL COSTS |
|--|-------------------------------------|--|

|  |                 |  |                 |
|--|-----------------|--|-----------------|
| PREPARED BY<br>Manager, Budget Change Unit     | DATE<br>2/XX/09 | REVIEWED BY<br>Manager, Budget Section | DATE<br>2/XX/09 |
| REVIEWED BY<br>Deputy Director, Administration | DATE<br>2/XX/09 | DIRECTOR<br>Executive Director         | DATE<br>2/XX/09 |

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES  OR NO   
IF YES, DEPARTMENT CHIEF INFORMATION OFFICER SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

FOR IT REQUESTS, SPECIFY THE DATE SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE DEPARTMENT OF FINANCE.

DATE \_\_\_\_\_ PROJECT # \_\_\_\_\_ FSR  OR SPR

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL? N/A  
 YES     NO    ATTACH COMMENTS OF AFFECTED DEPARTMENT, SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

**DEPARTMENT OF FINANCE ANALYST USE  
(ADDITIONAL REVIEW)**

CAPITAL OUTLAY  OTROS  FSCU  OSAE  CALSTARS

DATE SUBMITTED TO THE LEGISLATURE: \_\_\_\_\_ PPBA: \_\_\_\_\_

**STATE BOARD OF EQUALIZATION**

**Sales and Use Tax Program**

**New Special Taxing Jurisdictions  
Fiscal Year 2009-2010**

**A. Nature of Request**

The continued increase in the number of Special Taxing Jurisdictions (STJs) throughout the state will negatively impact General Fund revenue generated by the Board of Equalization (BOE) in the amount \$5.5 million annually if additional resources are not provided.

By law, the STJs are required to contract with the BOE for administration of district taxes. The STJs are charged fees by the BOE for administering their tax programs in accordance with Revenue and Taxation Code sections 7272, *Preparation Charges* and 7273, *Charges for Administering the Taxes*. In turn, the BOE has a statutory and contractual obligation to provide accurate administration of the district taxes. The reimbursement provided to the BOE for the cost to administer the STJs is based on a formula provided in section 7273. When additional STJs are approved, the formula dictates an increase in reimbursements to the BOE. Section 7273 also provides a formula to determine how the Sales and Use Tax (SUT) Program elements will be funded. This formula identifies 4 SUT Program elements and establishes a percentage to be used to allocate funding from the General Fund and reimbursements, including STJs. The percentages are not fixed and will fluctuate based on actual revenue. The most current percentages are shown below.

| <u>SUT Program Element</u> | <u>General Fund</u> | <u>Reimbursements</u> |
|----------------------------|---------------------|-----------------------|
| Registration               | 73%                 | 27%                   |
| Returns                    | 47%                 | 53%                   |
| Audit                      | 69%                 | 31%                   |
| Collection                 | 73%                 | 27%                   |

All the program elements include funding from both the General Fund and reimbursements. This is due to the fact that all taxpayers are registered and file returns based on all the taxing jurisdictions, including STJs, in which they will operate. All of SUT taxpayers must report taxes for state and local taxing jurisdictions. A significant number of taxpayers must also report for one or multiple STJs, some may report for all 115 STJs (See Exhibit 6).

However, the formulas do not automatically provide for additional resources to meet the increased workload associated with the new STJs. To add resources, the BOE must request an augmentation to its budget.

In FY 2004-05, BOE staff created a SUT Program workload costing model which identifies workloads associated with new STJs (see Exhibit 2). The Board approved the use of the workload costing model to predict the workload and costs associated with new STJs implemented on and after July 1, 2005. Positions directly involved in Local and Transaction Tax functions could include workload from each program element but would have a higher percentage of costs allocated from reimbursements than from the General Fund. An increase in resources to administer the increasing STJs workload is required to meet our obligations to the STJs and protect the General Fund revenue.

Effective July 1, 2009, the Board of Equalization (BOE) will be required to administer “district taxes” for 115 Special Taxing Jurisdictions (STJs). In Fiscal Year (FY) 2005-06, BOE received a budget augmentation for resources to administer a total of 63 STJs. Since that time an additional 52 local jurisdictions that have approved STJ’s, 16 of which will begin by July 1, 2009. Three STJs expired during this timeframe, but the

with each STJ has pushed BOE resources required to administer these programs to a breaking point. Without additional funding to administer the 115 STJs, BOE will be forced to redirect revenue generating staff from other areas to meet its statutory and contractual obligations to the STJs, thereby putting General Fund revenues at risk.

This proposal requests \$2,306,000 (\$570,000 General Fund and \$1,736,000 Reimbursements) in FY 2009-10 and \$1,931,000 (\$476,000 General Fund and \$1,455,000 Reimbursements) in FY 2010-11 and ongoing to permanently establish 22.5 positions to ensure that BOE has sufficient resources to effectively and efficiently administer the increased workload to protect General Fund revenues. If no augmentation is provided, the increased number of STJs implemented throughout the state will negatively impact General Fund revenue generated by the BOE in the amount of \$5.5 million annually.

### **General Fund Impact**

To protect current and future General Fund revenues, the BOE is requesting 14 new positions in its Local Revenue and Allocation Unit and 8.5 positions to be allocated to its field offices. The General Fund revenue impact is shown below for each area if the BOE is forced to redirect positions to meet the STJ requirements.

#### **Local Revenue and Allocation Unit – 14 PYs**

The average General fund revenue from field auditor = \$247,000.

Total annual General Fund loss (14 x \$247,000) = \$3.5 million.

**Field Offices** (See Exhibit 4) – 8.5 PYs = \$2.0 million.

## **B. Background/History**

In 1969, the Legislature enacted the Transactions and Use Tax Law (§7251 et. seq.). Under this law, voters can approve special taxes that qualify as ballot measures. These taxes are imposed as additional sales taxes within the boundaries of specified geographic areas, districts, or “jurisdictions” or as hereinafter referred to as “STJs.” Generally, an STJ has the same boundaries as a city or county. The tax rate for STJs currently varies from 0.10 percent to 1.0 percent (cities and counties can have multiple STJs) and is in addition to the existing 7.25% statewide sales tax program.

The purpose of the additional voter-approved taxes in these 52 STJs is to fund critical local health, safety, infrastructure, and education. The problem BOE faces is the increased accumulation of STJ workload, and it is causing backlogs which result in BOE being unable to provide an acceptable level of service to the STJs.

By law, the STJs are required to contract with BOE for administration of district taxes. The STJs are charged fees by BOE for administering their tax programs in accordance with Revenue and Taxation Code §7273, *Charges for Administering the Taxes*. In turn, the BOE has a statutory and contractual obligation to provide accurate administration of the district taxes. Revenue and Taxation Code §7270, *Required Contract with the Board*, states, in relevant part, as follows:

*(a) Prior to the operative date of any ordinance imposing a transactions and use tax pursuant to this part, the district shall contract with the board to perform all functions incident to the administration and operation of the ordinance. If the district has not contracted with the board prior to the operative date of its ordinance, it shall nevertheless so contract and, in that case, the operative date shall be the first day of the first calendar quarter following the execution of the contract.*

*(b) The contract shall contain a provision that the district shall reimburse the board for and hold the board harmless from any and all costs, losses, or refunds of any kind whatsoever.*

All SUT taxpayers are registered and file returns based on all the taxing jurisdictions, including STJs, in which they will operate. All of SUT taxpayers must report taxes for state and local taxing jurisdictions. A significant number of SUT taxpayers must also report for one or multiple STJs, some may report for all 115 STJs. The 52 new STJs generate additional workload due to the additional complexity of the tax return. This increased workload occurs during critical timeframes and jeopardizes timely payments to the STJs. As a result of adding 52 lines to the tax return, workload will be impacted in the following ways:

- Taxpayers will make more posting errors, such as entering the tax amount on the wrong line. This requires a follow-up investigation by Local Revenue Allocation Unit (LRAU) staff as well as on-line adjustments to correct these errors and issue notifications, where applicable.
- Taxpayers will require additional assistance to resolve questions regarding completion and/or correction of returns and schedules due to the increased complexity.
- BOE staff will require more time to complete field audits, resulting in fewer audits completed with a loss to the General Fund in foregone audit revenue.
- BOE staff will require more time to process the increase in the number of petitions and appeals filed by local jurisdictions disputing distribution amounts.
- BOE staff will require more time to process billings and collect underreported district taxes.

Currently, staff identifies assignments involving redistribution of STJ taxes based on thresholds ranging from \$100 to \$2,000, depending on the size of the STJ. This results in inequities in the dollar level of assignments for large, medium, and small STJs. A STJ having a majority of smaller taxpayers will receive a disproportionate level of service for the administrative fees paid.

This proposal will also protect \$5.5 million in General Fund revenue from loss.

Without the requested resources, BOE must redirect staff at an estimated cost of over \$3.5 million (14.0 positions x \$247,000/year) in lost revenues to the state General Fund due to unbilled audits and uncollected billings. Many returns will not be reviewed by LRAU staff because of increased thresholds and increased backlogs which will lead many STJs not to get their fair share of revenue.

As noted, the returns that would not be reviewed/audited due to increases in threshold levels generally have a greater impact on the smaller and medium sized STJs. This results in a higher ratio of errors for these STJs. Staff should be working assignments for the smaller STJs in an effort to provide the services commensurate with their administrative fees. Because of the disproportionate levels of compliance action which are accentuated by the threshold increases, taxpayers would not be provided with fair and consistent administration of the Transactions and Use Tax Laws and regulations. This is contrary to the BOE's stated goal to "Interpret and apply tax and fee laws correctly, consistently and fairly."

Increasing the number of STJs results in more complex Sales and Use Tax Returns. The increased complexity causes field audit and compliance staff expend more time working with taxpayers to complete or audit these returns. The additional time spent related to the new STJS takes time away from normal audit and collection work negatively impacting General Fund revenue. Without additional resources to the field staff, the estimated loss to the General Fund would be approximately \$2 million.

**C. State Level Considerations**

**Strategic Plan Conformity:**

This proposal is consistent with the BOE’s mission to serve the public through fair, effective, and efficient tax administration. Specifically, this proposal allows the BOE to:

- Protect the revenue base of the SUT program.
- Respond quickly and effectively to new tax and fee programs and changes in existing programs.
- Be fair and objective in our treatment of all taxpayers and consistent in our administration of the law.
- Be persistent in promoting and encouraging voluntary compliance with the tax laws.
- Provide services and work products of the highest quality.
- Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.

As previously noted, BOE is mandated to administer the STJ taxes. Therefore, resources are being requested to ensure revenues generated by the new STJs are collected and distributed appropriately without redirecting other revenue generating positions from General Fund supporting operations.

**D. Justification and Analysis of All Feasible Alternatives**

**Alternative 1 – Provide permanent funding to implement and administer the new STJs.**

The cost of this alternative is \$2,306,000 for 22.5 positions, the majority of which will be from reimbursed funds. The new district taxes are expected to generate approximately \$679.8 million in revenue per fiscal year for their STJs for which BOE has a statutory and contractual obligation to administer. Under this alternative, BOE requests augmentation to successfully and effectively implement and administer the new STJs. This proposal will also protect \$5.5 million in General Fund revenue from loss.

The resources will allow BOE to continue to provide high quality service to taxpayers while protecting each STJ’s revenue base. Registration of taxpayers and processing of tax returns and payments are directly related to BOE’s Strategic Plan, goals, *Maximize Voluntary Compliance in BOE’s Programs* and *Improve the Efficiency of BOE’s Tax and Fee Programs*. Voluntary compliance is an essential element of effective tax administration because it is the most cost effective means of collecting taxes. This is consistent with BOE’s commitment to improve taxpayer knowledge of the legal requirements for doing business in the State of California.

The following table summarizes BOE resources required to implement and administer the new STJs. Alternatives 2 will result in a reduction of General Fund revenues as revenue producing field staff is redirected to administer district taxes, which would be necessary to continue providing an acceptable level of service to the STJs.

**Summary of Total Personal Services Request:**

| <u>Division/Section/Unit/Position</u>        | <u>Positions</u> | <u>Overtime Hours</u> |
|--|------------------|-----------------------|
| Local Revenue Allocation Unit (Exhibit 2 &3) |                  |                       |
| Tax Technician III                           | 5.0              | 540                   |
| Tax Auditor                                  | 2.5              | 320                   |
| Associate Tax Auditor                        | 5.5              |                       |
| Business Taxes Specialist I                  | 1.0              |                       |



- Could result in increased traffic, delays or abandon of developing infrastructure for public transportation, increased demand for repairs to public transportation.
- Could result in a reduction in staffing, less frequency of transportation routes, delays for public arriving at their destination, increase in traffic, etc.
- Could result in a reduction in hours/days for public libraries limiting public access.
- Could result in reduction in the use of mass transit and favors the use of private automobiles.

**E. Facility/Capital Outlay Considerations**

BOE is currently completing a “Restacking Consistency Plan” for BOE’s Headquarter building. This plan will allow BOE to address current optimum occupancy issues, align program functions/activities, identify additional offsite lease space, and to allow for growth. However, for the field office staff, there appears to be sufficient space to accommodate the new staff. If any additional facility issues arise, it will be resolved by reconfiguration of office space and use of “hoteling” of audit staff as needed.

**F. Outcomes and Accountability**

This proposal will enable BOE to carry out its statutory mandate to timely collect and distribute revenues to the newly approved STJs. Staff will ensure district taxes are accurately distributed to the new STJs in compliance with the Transaction and Use Tax Law, the local jurisdictions Ordinance and the Contract for Administration. The revenue associated with the audits, compliance assessments and re-distributions will be reported to the STJs quarterly and is subject to their review and audit verification by external Certified Public Accountants.

The number of district tax investigations assigned and completed is documented in managerial reports and STJs are notified of the results. Dispute resolution procedures allow STJs to appeal staff decisions, including a Board Member hearing, if necessary.

Quarterly reviews of assignments and their status are conducted by management personnel to ensure a focused and consistent effort. Revenue distributions to STJs are compared quarterly to prior periods to identify fluctuations and, when appropriate, are assigned to staff for possible re-assessments and/or re-distributions. In addition, BOE will compare prior audits against those completed beginning July 1, 2009. Statistical reports will be furnished to BOE management, STJs and/or their consultants identifying revenue detail and summarized results for each of the 52 new STJs.

**G. Timetable**

The BOE proposes that the recommended alternative be effective July 1, 2009. Prescreening and non-commitment interviews of potential candidates will begin prior to the fiscal year in order to gain the immediate benefit of the increased staff with the approval of the new funding. Training of new staff will begin immediately until each reaches fully trained journey level status.

The chart below provides a projected timeline to implement this proposal:

| July 2009 – June 2010  | July 2010 – June 2011   |
|--|---|
| <ul style="list-style-type: none"> <li>• Get infrastructure in place (PC’s, phones, printers, cubicles, etc) for staff.</li> <li>• Hire personnel effective July 1, 2009.</li> <li>• Train newly hired staff.</li> </ul> | <ul style="list-style-type: none"> <li>• Continue integration of permanent staff.</li> <li>• Ensure staff is receiving adequate training and exposure to move challenging assignments as they gain experience.</li> </ul> |

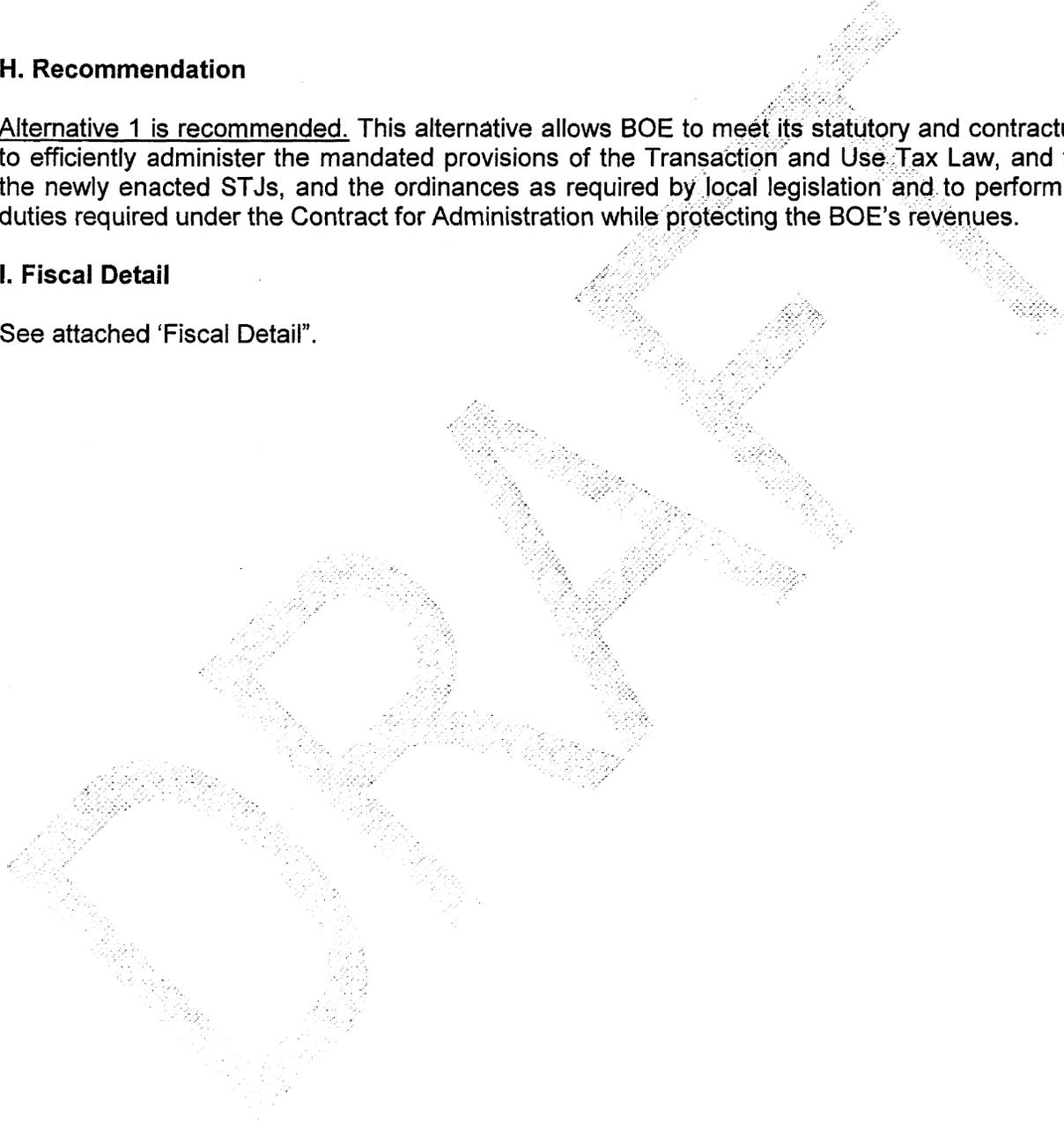
|   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Begin integration of newly hired staff with existing staff and training workload and issue probationary reports.</li><li>• Assign workload commensurate with staff level and experience, and continue performance review process.</li></ul> | <ul style="list-style-type: none"><li>• Monitor progress and issue reviews on performance results.</li></ul> |
|---|--|

**H. Recommendation**

Alternative 1 is recommended. This alternative allows BOE to meet its statutory and contractual obligation to efficiently administer the mandated provisions of the Transaction and Use Tax Law, and to administer the newly enacted STJs, and the ordinances as required by local legislation and to perform the fiduciary duties required under the Contract for Administration while protecting the BOE's revenues.

**I. Fiscal Detail**

See attached 'Fiscal Detail'.



## The New STJs

|   | <u>Tax<br/>Rate</u> | <u>Estimated<br/>Revenue</u><br>(\$millions) |
|---|---------------------|--|
| <b>Effective October 1, 2005</b>  |                     |  |
| 1. City of Ukiah Transactions and Use Tax                               | 0.50%               | \$1.8  |
| <b>Effective April 1, 2006</b>  |                     |  |
| 2. City of Scotts Valley Transactions and Use Tax                       | 0.50%               | 0.8  |
| 3. City of Dinuba Police & Fire Transactions and Use Tax                | 0.75%               | 1.3  |
| 4. City of San Rafael Transactions and Use Tax                          | 0.50%               | 7.0  |
| 5. City of Salinas Transactions and Use Tax                             | 0.50%               | 9.5  |
| 6. City of Merced Transactions and Use Tax                              | 0.50%               | 5.3  |
| 7. City of Porterville Public Safety Transactions and Use Tax           | 0.50%               | 2.1  |
| 8. City of Tulare Transactions and Use Tax                              | 0.50%               | 2.7  |
| <b>Effective July 1, 2006</b>   |                     |  |
| 9. City of Laguna Beach Transactions and Use Tax                        | 0.50%               | 2.0  |
| <b>Effective October 1, 2006</b>  |                     |  |
| 10. City of National City Transactions and Use Tax                      | 0.50%               | 13.1   |
| <b>Effective April 1, 2007</b>  |                     |  |
| 11. City of Williams Transactions and Use Tax                           | 0.50%               | 0.2  |
| 12. City of Pinole Transactions and Use Tax                             | 0.50%               | 1.2  |
| 13. City of Inglewood Vital City Services Transactions and Use Tax      | 0.50%               | 3.7  |
| 14. City of Del Rey Oaks Transactions and Use Tax                       | 1.00%               | 0.2  |
| 15. City of Nevada City Street Improvement Transactions and Use Tax     | 0.50%               | 0.5  |
| 16. City of Manteca Public Safety Transactions and Use Tax              | 0.50%               | 2.7  |
| 17. City of Arroyo Grande Transactions and Use Tax                      | 0.50%               | 1.2  |
| 18. City of San Luis Obispo Essential Services Transactions and Use Tax | 0.50%               | 4.5  |
| 19. City of Grover Beach Transactions and Use Tax                       | 0.50%               | 0.4  |
| 20. City of Morro Bay Transactions and Use Tax                          | 0.50%               | 0.5  |
| 21. City of Watsonville Transactions and Use Tax                        | 0.25%               | 1.1  |
| 22. City of San Bernardino Transactions and Use Tax                     | 0.25%               | 5.6  |
| 23. City of Vista Transactions and Use Tax                              | 0.50%               | 4.6  |
| 24. Tulare County Transportation Authority                              | 0.50%               | 16.8   |
| <b>Effective April 1, 2008</b>  |                     |  |
| 25. City of Selma Transactions and Use Tax                              | 0.50%               | 1.8  |
| 26. City of Delano Transactions and Use Tax                             | 1.00%               | 3.2  |
| 27. City of Hollister Transactions and Use Tax                          | 1.00%               | 3.6  |
| 28. City of Ceres Transactions and Use Tax                              | 0.50%               | 2.3  |

|  | <u>Tax</u><br><u>Rate</u> | <u>Estimated</u><br><u>Revenue</u><br>(\$millions) |
|--|---------------------------|--|
| <b>Effective July 1, 2008</b>  |                           |  |
| 29. City of El Cerrito Street Improvements Transactions and Use Tax    | 0.50%                     | 1.6  |
| 30. City of Reedley Public Safety Transactions and Use Tax             | 0.50%                     | 0.7  |
| 31. City of Sanger Public Safety Transactions and Use Tax              | 0.75%                     | 1.3  |
| 32. City of Seaside Transactions and Use Tax                           | 1.00%                     | 3.2  |
| <b>Effective October 1, 2008</b>                                       |                           |  |
| 33. City of South Gate Transactions and Use Tax                        | 1.00%                     | 6.8  |
| 34. City of Mammoth Lakes Parks, Recreation and Trails Trans & Use Tax | 0.50%                     | 1.0  |
| 35. City of Pacific Grove Transactions and Use Tax                     | 1.00%                     | 1.4  |
| 36. City of Pismo Beach Transactions and Use Tax                       | 0.50%                     | 1.1  |
| <b>Approved in November 2008 Election</b>                              |                           |  |
| 37. City of Port Hueneme Transactions and Use Tax                      | 0.50%                     | 0.4  |
| 38. City of Trinidad Transactions and Use Tax                          | 0.75%                     | 0.1  |
| 39. City of Arcata Transactions and Use Tax                            | 0.75%                     | 1.0  |
| 40. City of Campbell Transactions and Use Tax                          | 0.25%                     | 2.3  |
| 41. City of El Cajon Transactions and Use Tax                          | 0.50%                     | 10.2   |
| 42. City of El Monte Transactions and Use Tax                          | 0.50%                     | 4.3  |
| 43. City of Eureka Transactions and Use Tax                            | 0.25%                     | 2.0  |
| 44. City of Arvin Transactions and Use Tax                             | 1.00%                     | 0.7  |
| 45. City of Galt Transactions and Use Tax                              | 0.50%                     | 0.7  |
| 46. City of La Habra Transactions and Use Tax                          | 0.50%                     | 4.5  |
| 47. City of La Mesa Transactions and Use Tax                           | 0.75%                     | 6.8  |
| 48. City of Oxnard Transactions and Use Tax                            | 0.50%                     | 9.9  |
| 49. Amador County Transactions and Use Tax                             | 0.50%                     | 2.0  |
| 50. Sonoma/Marin County Transactions and Use Tax                       | 0.25%                     | 28.4   |
| 51. Los Angeles County Transactions and Use Tax                        | 0.50%                     | 487.5  |
| 52. Pico Rivera Transactions and Use Tax                               | 1.00%                     | 2.2  |
| <b>Total</b>   |                           | <b><u>\$679.8</u></b>                              |

**STJ WORKLOAD MODEL**

The STJ workload model was requested and supported by Board Members and is used to determine the resources needed to administer new STJs. Based on the number of permits, each new STJ is classified into one of five groups (Very Small, Small, Medium, Large, Very Large). This data is then applied to the workload standards in each organizational area to determine the resources needed to accommodate the new STJs. The model was not designed to calculate STJs larger than 200,000 permits therefore these calculations are made on a district by district basis since there are so few. Listed below are the BOE's organizational areas impacted by the new STJs and the resources needed as indicated by the model.

**Local Revenue Allocation Unit (LRAU)**

LRAU staff provides the primary assistance for new STJs with the administration of the SUT Program by providing:

- Revenue projection and collection information by account (advances, amounts reported, statements, differences with local tax analysis, etc.)
- Basis for fluctuations in STJ distributions by industry type or account
- Necessary corrections of taxpayer errors in reporting
- Billing for unreported or understated taxes, and
- Appeals process for STJs to dispute any discrepancies

*Return Processing, Pre Unload*

Staff is required to process the Schedule A on returns that previously did not require one. A significant portion of this work is ongoing as certain taxpayers often ignore new districts when they file their own, computer generated, tax returns. Tax preparer turnover adds to the problem as does the sheer complexity of completing return schedules with multiple new districts. Included in this element is:

- Processing the schedules
- Identifying out-of-balance errors
- Identifying incorrectly completed and missing schedules
- Evaluating revenues and making corrections prior to distribution to ensure accuracy of district tax distributions

The issue is further complicated by the short, one-month timeframe to process returns and distribute revenues accurately and timely.

*Identification of Reporting Errors, Post Unload*

This element requires LRAU staff to work additional unresolved errors, those not detected initially due to the limited time frame during return processing and "Arbitrary" returns from return processing. LRAU can identify errors consisting of transposition errors between multiple districts, failure to report district taxes for sales locations (district taxes do not tie with local taxes where applicable) and under reporting.

In the initial start up of a district, more errors occur due to:

- The large number of new districts
- Confusion for many taxpayers, especially out-of-state sellers, and
- The complexity of the added city districts limiting the tax rate increase to a portion of a county

**EXHIBIT 2**  
**Page 2 of 3**

|   |                              |                              |                  |
|---|------------------------------|------------------------------|------------------|
| Tax Auditor (File Review)                                     | 885,927 entries <sup>1</sup> | 4,730,680 (entries per PY) = | 0.2 PY           |
| Tax Auditor (Taxpayer Contact)                                | 885,927 entries/             | 4,730,680 (entries per PY) = | 0.2 PY           |
| Tax Auditor (Processing Returns)                              | 885,927 entries/             | 2,365,340 (entries per PY) = | 0.4 PY           |
| Tax Auditor (Adjustment / Approval)                           | 885,927 entries/             | 3,153,786 (entries per PY) = | 0.3 PY           |
| Tax Auditor (Notifications)                                   | 885,927 entries/             | 4,730,680 (entries per PY) = | 0.2 PY           |
| Tax Auditor (Associated Functions)                            | 885,927 entries/             | 4,730,680 (entries per PY) = | 0.2 PY           |
|   |                              | <b>Rounded Total</b>         | <b>1.5 PY</b>    |
| Tax Auditor (Start Up and On Going Transitional) /b           |                              |                              | 1.2 PY           |
|   |                              | <b>Total</b>                 | <b>2.7 PY</b>    |
| <b>Total Tax Auditor Required</b>                             |                              |                              | <b>2.5 PY</b>    |
| <b>Overtime Hours (Balance of 0.2 PYs)</b>                    |                              |                              | <b>320 Hours</b> |
| Associate Tax Auditor (File Review)                           | 885,927 entries/             | 2,365,340 (entries per PY) = | 0.4 PY           |
| Associate Tax Auditor (Taxpayer Contact)                      | 885,927 entries/             | 2,365,340 (entries per PY) = | 0.4 PY           |
| Associate Tax Auditor (Processing Returns)                    | 885,927 entries/             | 1,182,670 (entries per PY) = | 0.7 PY           |
| Associate Tax Auditor (Adjustment / Approval)                 | 885,927 entries/             | 1,576,893 (entries per PY) = | 0.6 PY           |
| Associate Tax Auditor (Notifications)                         | 885,927 entries/             | 2,365,340 (entries per PY) = | 0.4 PY           |
| Associate Tax Auditor (Associated Functions)                  | 885,927 entries/             | 2,365,340 (entries per PY) = | 0.4 PY           |
|   |                              | <b>Rounded Total</b>         | <b>2.9 PY</b>    |
| Associate Tax Auditor (Start Up and On Going Transitional) /b |                              |                              | 2.6 PY           |
|   |                              | <b>Total</b>                 | <b>5.5 PY</b>    |
| <b>Total Associate Tax Auditor Required</b>                   |                              |                              | <b>5.5 PY</b>    |
| Tax Technician III (Iris System Check)                        | 885,927 entries/             | 1,337,151 (entries per PY) = | 0.7 PY           |
| Tax Technician III (Processing Returns)                       | 885,927 entries/             | 668,576 (entries per PY) =   | 1.3 PY           |
| Tax Technician III (Edits questioned Dist)                    | 885,927 entries/             | 1,337,151 (entries per PY) = | 0.7 PY           |
|   |                              | <b>Rounded Total</b>         | <b>2.7 PY</b>    |
| Tax Technician III (Backlog and ongoing)                      |                              |                              | 1.0 PY           |
| Tax Technician III (Start Up and On Going Transitional) /b    |                              |                              | 1.6 PY           |
|   |                              | <b>Total</b>                 | <b>5.3 PY</b>    |
| <b>Total Tax Technician III Required</b>                      |                              |                              | <b>5.0 PY</b>    |
| <b>Overtime Hours (Balance of 0.3 PYs)</b>                    |                              |                              | <b>540 Hours</b> |
| Business Taxes Specialist I (Advance Process) /a              |                              |                              | 1.0 PY           |
|   |                              | <b>Rounded Total</b>         | <b>1.0 PY</b>    |

1. "Entries" refers to line entries on Schedule A Computation Schedule for District Tax

a/ The increase in the number of new districts (52) that have already been approved by the voters, resulted in (96) active jurisdictions and (18) terminated jurisdictions still receiving payments which will require a position devoted to preparing and making advances as well as responding to districts budgeting questions. In order to prepare and maintain the schedule of advance payments for active and discontinued districts as required by law and complete the analysis of distributions, the Local Revenue Allocation Unit is requesting a Business Taxes Specialist I position. The current Advance Desk staffing level is a Business Taxes Specialist I for the 746 jurisdictions, of which 114 are STJs that take other staff members (Associate Tax Auditors) time to assist in the projection of the advance estimates, resulting in workload backlogs to the Associate Tax Auditors.

Prior to the second quarter of 2005, the Local Revenue Allocation Unit was responsible for administration of 40 STJs. Between the 2<sup>nd</sup> Qtr 2005 and the 4<sup>th</sup> Qtr 2008, 73 new STJs have been added. In addition, 12 districts were discontinued. However, because we are required by law to provide advances to discontinued STJs that can last up to ten years after the district tax is discontinued the advance workload is impacted. The discontinued district's advance workload stems from returns filed late, amended returns and audit activities. The number of discontinued districts (12) will continue to grow due to the project oriented nature of many of these districts, however, advance estimates become more challenging since there are no comparable prior like periods to use as a guide due to the declining nature of the revenues and each districts revenue profile is different.

b/ The design of the model was limited to districts with a maximum size of 200,000 permits. In order to obtain data for the Los Angeles District, with its approximately 350,000 permits, an extension of the model using the actual number of permits was necessary. Using the extended version of the model generated the following estimates of the positions required by the Local Revenue Allocation Unit

**STJ WORKLOAD MODEL  
Extension for Los Angeles County District**

The design of the model was limited to districts with a maximum size of 200,000 permits. In order to obtain data for the Los Angeles District, with its approximately 350,000 permits, an extension of the model using the actual number of permits was necessary. Using the extended version of the model generated the following estimates of the positions required by the Local Revenue Allocation Unit:

|                        |               |
|------------------------|---------------|
| Tax Technician III     | 1.6 PY        |
| Tax Auditor            | 1.2 PY        |
| Associated Tax Auditor | 2.6 PY        |
| <b>Total</b>           | <b>5.4 PY</b> |

The permanent positions are for district tax workload (start-up and ongoing) other than return processing. In the periods since 2<sup>nd</sup> Qtr 2005, there has been a sharp increase in the number of districts imposing a transactions and use tax. Many of these district taxes are enacted to provide funding for repayment of bond measures for the subject projects. As the projects are completed and the bonds repaid, districts are discontinued or replaced by new districts for new projects. During the construction of the model, no consideration was given to the on going workload associated with tracking of payments and transitioning from one district to another. In many cases these transitions result in misallocation and under reporting of district and local tax in the same manner that they do during the start up phase. Due to the continuous cycle of start up and shut down, the workload associated with these functions has been ongoing. The model was initially designed in part for workload associated with district tax shortages identified with over the counter sales and redistribution investigations. Subsequent analysis and experience has disclosed a significant increase in the workload identified with out-of-state sellers reporting to countywide pools where district taxes were under reported.

The Local Revenue Allocation Unit has experienced additional workload as the result of duties that were not accounted for in the construction of the STJ Workload Model

|  |                    |                              |                              |
|--|--------------------|------------------------------|------------------------------|
| Tax Auditor (File Review)                        | 1,091,739 entries/ | 4,730,680 (entries per PY) = | 0.2 PY                       |
| Tax Auditor (Taxpayer Contact)                   | 1,091,739 entries/ | 4,730,680 (entries per PY) = | 0.2 PY                       |
| Tax Auditor (Processing Returns)                 | 1,091,739 entries/ | 2,365,340 (entries per PY) = | 0.5 PY                       |
| Tax Auditor (Adjustment / Approval)              | 1,091,739 entries/ | 3,153,786 (entries per PY) = | 0.4 PY                       |
| Tax Auditor (Notifications)                      | 1,091,739 entries/ | 4,730,680 (entries per PY) = | 0.2 PY                       |
| Tax Auditor (Associated Functions)               | 1,091,739 entries/ | 4,730,680 (entries per PY) = | 0.2 PY                       |
|  |                    | <b>24,441,846</b>            | <b>Rounded Total 1.7 PY</b>  |
| Less: Tax Auditor (Processing Returns)/a         | 1,091,739 entries/ | 2,365,340 (entries per FY) = | 0.5 PY                       |
|  |                    | <b>22,076,506</b>            | <b>Adjusted Total 1.2 PY</b> |
| Associate Tax Auditor (File Review)              | 1,091,739 entries/ | 2,365,340 (entries per PY) = | 0.5 PY                       |
| Associate Tax Auditor (Taxpayer Contact)         | 1,091,739 entries/ | 2,365,340 (entries per PY) = | 0.5 PY                       |
| Associate Tax Auditor (Processing Returns)       | 1,091,739 entries/ | 1,182,670 (entries per PY) = | 0.9 PY                       |
| Associate Tax Auditor (Adjustment / Approval)    | 1,091,739 entries/ | 1,576,893 (entries per PY) = | 0.6 PY                       |
| Associate Tax Auditor (Notifications)            | 1,091,739 entries/ | 2,365,340 (entries per PY) = | 0.5 PY                       |
| Associate Tax Auditor (Associated Functions)     | 1,091,739 entries/ | 2,365,340 (entries per PY) = | 0.5 PY                       |
|  |                    | <b>12,220,923</b>            | <b>Rounded Total 3.5 PY</b>  |
| Less: Assoc. Tax Auditor (Processing Returns) a/ | 1,091,739 entries/ | 1,182,670 (entries per PY) = | .9 PY                        |
|  |                    | <b>11,038,253</b>            | <b>Adjusted Total 2.6 PY</b> |
| Tax Technician III (Iris System Check)           | 1,091,739 entries/ | 1,337,151 (entries per PY) = | 0.8 PY                       |
| Tax Technician III (Processing Returns)          | 1,091,739 entries/ | 668,576 (entries per PY) =   | 1.7 PY                       |
| Tax Technician III (Edits questioned Dist)       | 1,091,739 entries/ | 1,337,151 (entries per PY) = | 0.8 PY                       |
|  |                    | <b>3,342,878</b>             | <b>Rounded Total 3.3 PY</b>  |
| Less: Tax Technician III (Processing Returns)/a  | 1,091,739 entries/ | 668,576 (entries per PY) =   | 1.7 PY                       |
|  |                    | <b>2,674,302</b>             | <b>Adjusted Total 1.6 PY</b> |

a/ Return Processing duties were not included in the estimate as the Local Revenue Allocation Unit is currently responsible for processing entries for two existing special tax jurisdictions for Los Angeles County and the additional district will not result in significant increases in workload for the return processing function.

**Field Offices Audit Program**

BOE maintains an effective audit program to ensure taxpayers report neither more nor less tax than required by law. The program audits nearly one percent of active accounts each year. There are a total of 27 field offices, four of which are out-of-state field offices.

**STJ WORKLOAD MODEL**

There are currently 87 STJs in existence which encompass more than 88% of all taxable sales in the state. Additional audit time is necessary to conduct verification of the tax reported and additional time is required for the allocation of understated taxes. Historical data indicates that on average, an audit involving an STJ increases the time to perform the audit by 5%.

|                                |                  |                            |               |
|--------------------------------|------------------|----------------------------|---------------|
| Tax Auditor (File Review)      | 885,927 entries/ | 294,264 (entries per PY) = | 3.0 PY        |
| Tax Auditor (Taxpayer Contact) | 885,927 entries/ | 588,528 (entries per PY) = | 1.5 PY        |
|                                |                  | <b>Rounded Total</b>       | <b>4.5 PY</b> |

**Field Offices Compliance Activities**

BOE's compliance staff ensures sellers properly comply with permit requirements, they assist taxpayers in interpreting tax laws and regulations, they provide classroom instruction for taxpayers that are newly registered under the SUT Program and they provide individual assistance in the correct preparation of tax returns. Compliance staff is also engaged in collection activities on billed amounts related to underpaid district taxes as well as billing amounts related to delinquent accounts resulting from returns not filed. The compliance workload increases with respect to taxpayer advisory services and return assistance as a result of the new STJs.

*Taxpayer Advisory Services*

Compliance staff encounters an increase in the volume of written and telephone inquiries from taxpayers seeking assistance on the application of the new district taxes.

*Return Assistance*

Compliance staff encounters an increase in the number of taxpayers requiring assistance in the preparation of their tax return. A study showed that simple tax returns take compliance staff an average of 1.5 to 2.5 minutes to prepare; moderately difficult tax returns take compliance staff an average of 3.5 to 5.5 minutes to prepare; and highly complex tax returns (e.g., tax returns with multiple taxing jurisdictions), take compliance staff an average of 6 to 13 minutes to prepare. Each additional transit district tax increases the time necessary to prepare a return.

|   |                  |                            |               |
|---|------------------|----------------------------|---------------|
| Business Tax Rep (Activities within STJ)  | 885,927 entries/ | 345,095 (entries per PY) = | 2.6 PY        |
| Business Tax Rep (Activities outside STJ) | 885,927 entries/ | 690,190 (entries per PY) = | 1.4 PY        |
|   |                  | <b>Rounded Total</b>       | <b>4.0 PY</b> |

STJ WORKLOAD MODEL

Revenue

| Classification   | Number of positions | Marginal Revenue | Total Revenue Per FY | Estimated General Fund Portion (63%) |
|------------------|---------------------|------------------|----------------------|--------------------------------------|
| In-state ATA     | 3.5                 | 246,000          | \$ 861,000           | \$ 542,430                           |
| Out-of-state ATA | 1                   | 271,000          | \$ 271,000           | \$ 170,730                           |
| BTR              | 4                   | 477,184          | \$1,908,736          | \$ 1,202,504                         |
| <b>Total</b>     |                     |                  | <b>\$3,040,736</b>   | <b>\$ 1,915,664</b>                  |

Costs

| Classification   | Number of positions | Estimated Cost per Classification | Total Cost Per FY | Estimated General Fund Portion (63%) |
|------------------|---------------------|-----------------------------------|-------------------|--------------------------------------|
| In-state ATA     | 3.5                 | 112,857                           | \$ 395,000        | \$ 248,850                           |
| Out-of-state ATA | 1                   | 127,000                           | \$ 127,000        | \$ 80,010                            |
| BTR              | 4                   | 75,000                            | \$ 300,000        | \$ 189,000                           |
| <b>Total</b>     |                     |                                   | <b>\$ 822,000</b> | <b>\$ 517,860</b>                    |

Benefit to Cost

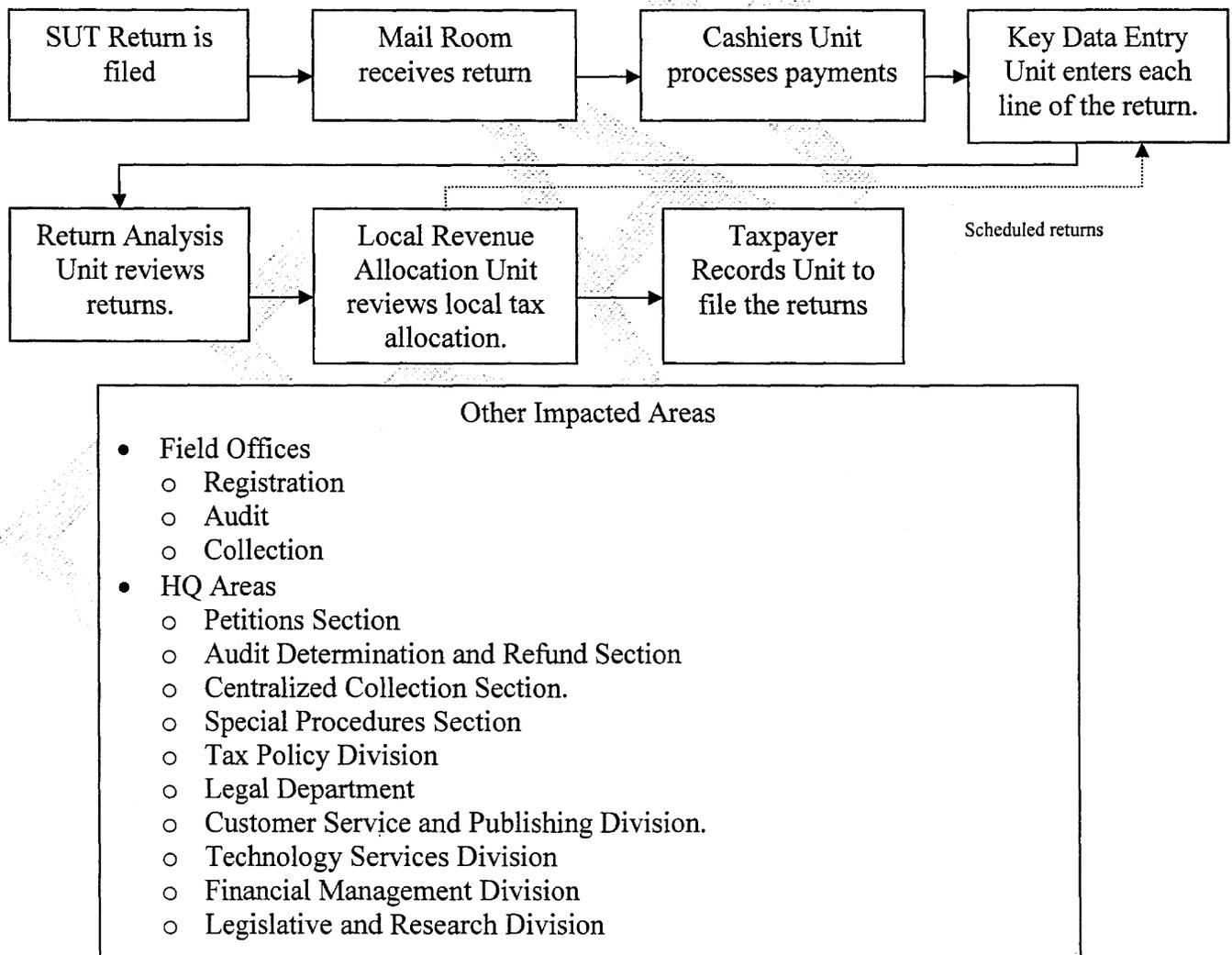
3.70

3.70

EXHIBIT 6

SUT taxpayers file one return that includes reported amounts for state, local and STJ taxes. A significant number of taxpayers report taxes for one or multiple STJs, some may report for all 115 STJs. Increasing the number of STJs results in more complex Sales and Use Tax Returns. The increased complexity causes more time spent processing returns and completing field work associated with these taxpayers. The increased number of STJs results in additional workload, but taxpayers and BOE staff must also monitor the difference of start and expiration dates for each STJ. The additional time spend related to the new STJS takes time away from normal audit and collection work negatively impacting General Fund revenue. The following examples show the complexities of the SUT returns and field workload resulting in the increased workload. Example 1 is a copy of BOE’s current Schedule A2, *Computation Schedule For District Tax*. This return is currently being revised to add the new STJs beginning in 2009. Example 2 is from an actual audit report showing the allocation of the district tax. As you will note, the tax adjustment must be reviewed for each STJ and the appropriate allocation be made to each impacted jurisdiction. In this case the auditor made adjustments for 85 STJs.

The following flow chart provides a high level overview of the return process and a list of other BOE areas impacted by STJs.



**DRAFT**  
**Example 1**

BOE-531-AE2 (51) REV. 3 (10-08)

STATE OF CALIFORNIA  
BOARD OF EQUALIZATION

**SCHEDULE AE2 - COMPUTATION SCHEDULE FOR DISTRICT TAX - Long Form**

|                         |                  |  |
|-------------------------|------------------|--|
| <b>DUE ON OR BEFORE</b> |                  |  |
| [ FORD ]                | TOWN ACCOUNT NO. |  |

|       |   |    |  |     |
|-------|---|----|--|-----|
| A1    | ENTER amount from line 9 on the front of your <i>Consumer Use Tax Return</i>                                      | \$ |  | .00 |
| A2/A3 | ENTER purchases of tangible personal property on which district use tax does not apply <b>000</b>                 | -  |  | .00 |
| A4    | SUBTRACT line A2/A3 from line A1<br><i>(Allocate this amount to the correct district tax areas in column A5.)</i> | \$ |  | .00 |

**PLEASE READ THE INSTRUCTIONS ON PAGE 5 BEFORE COMPLETING THIS SCHEDULE**

| DISTRICT TAX AREAS                 | A5<br>ALLOCATE LINE A4 TO<br>CORRECT DISTRICT(S) | A6/A7<br>ADD (+) /<br>DEDUCT (-)<br>ADJUSTMENTS | A8<br>TAXABLE AMOUNT<br>A5 plus/minus A6/A7 | A9<br>TAX<br>RATE | A10<br>DISTRICT TAX DUE<br>Multiply A8 by A9 |
|------------------------------------|--|---|---|-------------------|--|
| <b>ALAMEDA CO.</b>                 | <b>087</b>                                       |   |   | <b>.015</b>       | \$ <b>.00</b>                                |
| <b>COLUSA CO.</b>                  |  |   |   |                   |  |
| City of Williams (Eff. 4-1-07)     | <b>139</b>                                       |   |   | <b>.005</b>       | <b>.00</b>                                   |
| <b>CONTRA COSTA CO.</b>            | <b>025</b>                                       |   |   | <b>.01</b>        | <b>.00</b>                                   |
| City of Richmond                   | <b>086</b>                                       |   |   | <b>.015</b>       | <b>.00</b>                                   |
| City of Pinole (Eff. 4-1-07)       | <b>141</b>                                       |   |   | <b>.015</b>       | <b>.00</b>                                   |
| City of El Cerrito (Eff. 7-1-08)   | <b>175</b>                                       |   |   | <b>.015</b>       | <b>.00</b>                                   |
| <b>EL DORADO CO.</b>               |  |   |   |                   |  |
| City of Placerville                | <b>070</b>                                       |   |   | <b>.0025</b>      | <b>.00</b>                                   |
| City of So. Lake Tahoe             | <b>097</b>                                       |   |   | <b>.005</b>       | <b>.00</b>                                   |
| <b>FRESNO CO.</b>                  | <b>099</b>                                       |   |   | <b>.00725</b>     | <b>.00</b>                                   |
| City of Clovis (Expired 9-30-08)   | <b>100</b>                                       | Discontinued                                    |   | <b>.01025</b>     | <b>.00</b>                                   |
| City of Selma (Eff. 4-1-08)        | <b>169</b>                                       |   |   | <b>.01225</b>     | <b>.00</b>                                   |
| City of Reedley (Eff. 7-1-08)      | <b>177</b>                                       |   |   | <b>.01225</b>     | <b>.00</b>                                   |
| City of Sanger (Eff. 7-1-08)       | <b>179</b>                                       |   |   | <b>.01475</b>     | <b>.00</b>                                   |
| <b>HUMBOLDT CO.</b>                |  |   |   |                   |  |
| City of Trinidad                   | <b>092</b>                                       |   |   | <b>.01</b>        | <b>.00</b>                                   |
| <b>IMPERIAL CO.</b>                | <b>029</b>                                       |   |   | <b>.005</b>       | <b>.00</b>                                   |
| City of Calexico (Expired 3-31-06) | <b>046</b>                                       | Discontinued                                    |   | <b>.01</b>        | <b>.00</b>                                   |
| <b>INYO CO.</b>                    | <b>014</b>                                       |   |   | <b>.005</b>       | <b>.00</b>                                   |
| <b>KERN COUNTY</b>                 |  |   |   |                   |  |
| City of Delano (Eff. 4-1-08)       | <b>170</b>                                       |   |   | <b>.01</b>        | <b>.00</b>                                   |
| <b>LAKE CO.</b>                    |  |   |   |                   |  |
| City of Clearlake                  | <b>058</b>                                       |   |   | <b>.005</b>       | <b>.00</b>                                   |
| City of Lakeport                   | <b>101</b>                                       |   |   | <b>.005</b>       | <b>.00</b>                                   |
| <b>LOS ANGELES CO.</b>             | <b>036</b>                                       |   |   | <b>.01</b>        | <b>.00</b>                                   |
| City of Avalon                     | <b>078</b>                                       |   |   | <b>.015</b>       | <b>.00</b>                                   |
| City of Inglewood (Eff. 4-1-07)    | <b>143</b>                                       |   |   | <b>.015</b>       | <b>.00</b>                                   |
| City of South Gate (Eff. 10-1-08)  | <b>182</b>                                       |   |   | <b>.02</b>        | <b>.00</b>                                   |

|  |    |     |
|--|----|-----|
| SUBTOTAL A11a. <i>(Add amounts in column A10 on this page. Enter the total here and on line A11a below.)</i> | \$ | .00 |
|--|----|-----|

*Continued on page 2*

|            |  |    |  |     |
|------------|--|----|--|-----|
| A11a       | SUBTOTAL DISTRICT TAX <i>(Page 1, enter the total from line A11a above.)</i>   | \$ |  | .00 |
| A11b       | SUBTOTAL DISTRICT TAX <i>(Page 2, enter the total from line A11b on page 2.)</i>   |    |  | .00 |
| A11c       | SUBTOTAL DISTRICT TAX <i>(Page 3, enter the total from line A11c on page 3.)</i>   |    |  | .00 |
| A11d       | SUBTOTAL DISTRICT TAX <i>(Page 4, enter the total from line A11d on page 4.)</i>   |    |  | .00 |
| <b>A11</b> | <b>TOTAL DISTRICT TAX</b> <i>(Add lines A11a, A11b, A11c, and A11d. Enter here and on line 11 on the front of your Consumer Use Tax Return.)</i> | \$ |  | .00 |

**DRAFT**  
**Example 1**

BOE-531-AE2 (S2) REV. 3 (10-08)

**SCHEDULE AE2 - COMPUTATION SCHEDULE FOR DISTRICT TAX - Long Form**

|                |                  |
|----------------|------------------|
| ACCOUNT NUMBER | REPORTING PERIOD |
|----------------|------------------|

| DISTRICT TAX AREAS                   | A5<br>ALLOCATE LINE A4 TO<br>CORRECT DISTRICT(S) | A6/A7<br>ADD (+) / DEDUCT (-)<br>ADJUSTMENTS | A8<br>TAXABLE AMOUNT<br>A5 plus/minus A6/A7 | A9<br>TAX<br>RATE | A10<br>DISTRICT TAX DUE<br>Multiply A8 by A9 |
|--------------------------------------|--|--|---|-------------------|--|
| <b>MADERA CO.</b> (Eff. 4-1-07)      | <b>144</b>                                       |  |   | .005              | \$ .00                                       |
| <b>MADERA CO.</b> (Expired 9-30-05)  | <b>034</b>                                       | Discontinued                                 |   | .005              | .00  |
| <b>MARIN CO.</b>                     | <b>102</b>                                       |  |   | .005              | .00  |
| City of San Rafael                   | <b>126</b>                                       |  |   | .01               | .00  |
| <b>MARIPOSA CO.</b>                  | <b>103</b>                                       |  |   | .005              | .00  |
| <b>MENDOCINO CO.</b>                 |  |  |   |                   |  |
| City of Wilks                        | <b>084</b>                                       |  |   | .005              | .00  |
| City of Point Arena                  | <b>085</b>                                       |  |   | .005              | .00  |
| City of Fort Bragg                   | <b>094</b>                                       |  |   | .005              | .00  |
| City of Ukiah                        | <b>122</b>                                       |  |   | .005              | .00  |
| <b>MERCED CO.</b>                    |  |  |   |                   |  |
| City of Los Banos                    | <b>104</b>                                       |  |   | .005              | .00  |
| City of Merced                       | <b>127</b>                                       |  |   | .005              | .00  |
| <b>MONO CO.</b>                      |  |  |   |                   |  |
| City of Mammoth Lakes (Eff. 10-1-08) | <b>183</b>                                       |  |   | .005              | .00  |
| <b>MONTEREY CO.</b>                  |  |  |   |                   |  |
| City of Sand City                    | <b>105</b>                                       |  |   | .005              | .00  |
| City of Salinas                      | <b>128</b>                                       |  |   | .005              | .00  |
| City of Del Rey Oaks (Eff. 4-1-07)   | <b>145</b>                                       |  |   | .01               | .00  |
| City of Seaside (Eff. 7-1-08)        | <b>180</b>                                       |  |   | .01               | .00  |
| City of Pacific Grove (Eff. 10-1-08) | <b>184</b>                                       |  |   | .01               | .00  |
| <b>NAPA CO.</b>                      | <b>065</b>                                       |  |   | .005              | .00  |
| <b>NEVADA CO.</b>                    | <b>067</b>                                       |  |   | .00125            | .00  |
| Town of Truckee                      | <b>069</b>                                       |  |   | .00825            | .00  |
| City of Nevada City (Eff. 4-1-07)    | <b>147</b>                                       |  |   | .00825            | .00  |
| <b>ORANGE CO.</b>                    |  |  |   |                   |  |
| City of Laguna Beach (Eff. 7-1-06)   | <b>135</b>                                       |  |   | .01               | .00  |
| <b>RIVERSIDE CO.</b>                 | <b>026</b>                                       |  |   | .005              | .00  |
| <b>SACRAMENTO CO.</b>                | <b>023</b>                                       |  |   | .005              | .00  |
| <b>SAN BENITO CO.</b>                |  |  |   |                   |  |
| City of San Juan Bautista            | <b>106</b>                                       |  |   | .0075             | .00  |
| City of Hollister (Eff. 4-1-08)      | <b>171</b>                                       |  |   | .01               | .00  |

|  |        |
|--|--------|
| SUBTOTAL A10b (Add amounts in column A10 on this page. Enter the total here AND on the A11b on page 1 of Sched Use AE2.) | \$ .00 |
|--|--------|

**DRAFT**  
**Example 1**

BOE-531-AEZ (53) REV. 3 (10-06)

**SCHEDULE AE2 - COMPUTATION SCHEDULE FOR DISTRICT TAX - Long Form**

| ACCOUNT NUMBER   |  | REPORTING PERIOD                             |   |                   |  |
|--|--|--|---|-------------------|--|
| DISTRICT TAX AREAS   | A5<br>ALLOCATE LINE A4 TO<br>CORRECT DISTRICT(S) | A6/A7<br>ADD (+) / DEDUCT (-)<br>ADJUSTMENTS | A8<br>TAXABLE AMOUNT<br>A5 plus/minus A6/A7 | A9<br>TAX<br>RATE | A10<br>DISTRICT TAX DUE<br>Multiply A8 by A9 |
| <b>SAN BERNARDINO CO.</b>  | <b>031</b>                                       |  |   | .005              | \$ .00                                       |
| City of Montclair  | 108  |  |   | .0075             | .00  |
| City of San Bernardino (Eff. 4-1-07)   | 149  |  |   | .0075             | .00  |
| <b>SAN DIEGO CO.</b>   | <b>013</b>                                       |  |   | .005              | .00  |
| City of El Cajon   | 110  |  |   | .01               | .00  |
| City of National City (Eff. 10-1-06)   | 137  |  |   | .015              | .00  |
| City of Vista (Eff. 4-1-07)  | 151  |  |   | .01               | .00  |
| <b>SAN FRANCISCO CO.</b>   | <b>052</b>                                       |  |   | .0125             | .00  |
| <b>SAN JOAQUIN CO.</b>   | <b>038</b>                                       |  |   | .005              | .00  |
| City of Stockton   | 112  |  |   | .0075             | .00  |
| City of Manteca (Eff. 4-1-07)  | 153  |  |   | .01               | .00  |
| <b>SAN LUIS OBISPO CO.</b>   |  |  |   |                   |  |
| City of Arroyo Grande (Eff. 4-1-07)  | 154  |  |   | .005              | .00  |
| City of Grover Beach (Eff. 4-1-07)   | 155  |  |   | .005              | .00  |
| City of Morro Bay (Eff. 4-1-07)  | 156  |  |   | .005              | .00  |
| City of San Luis Obispo (Eff. 4-1-07)  | 157  |  |   | .005              | .00  |
| City of Pismo Beach (Eff. 10-1-08)   | 185  |  |   | .005              | .00  |
| <b>SAN MATEO CO.</b>   | <b>019</b>                                       |  |   | .01               | .00  |
| <b>SANTA BARBARA CO.</b>   | <b>030</b>                                       |  |   | .005              | .00  |
| <b>SANTA CLARA CO.</b>   | <b>124</b>                                       |  |   | .01               | .00  |
| <b>SANTA CLARA CO. (Expired 3-31-06)</b>   | <b>064</b>                                       | Discontinued                                 |   | .01               | .00  |
| <b>SANTA CRUZ CO.</b>  | <b>062</b>                                       |  |   | .0075             | .00  |
| City of Capitola   | 114  |  |   | .01               | .00  |
| City of Scotts Valley  | 130  |  |   | .0125             | .00  |
| City of Santa Cruz (Eff. 4-1-07)   | 158  |  |   | .0125             | .00  |
| City of Santa Cruz (Expired 3-31-07)   | 090  | Discontinued                                 |   | .01               | .00  |
| City of Watsonville (Eff. 4-1-07)  | 161  |  |   | .01               | .00  |
| <b>SUBTOTAL A11C</b> (Add amounts in column A10 on this page. Enter the total here <b>A10</b> on line A11C on page 1 of Schedule AE2.) |  |  |   | \$                | .00  |

*Continued on page 4*

**DRAFT**  
**Example 1**

BOE-531-AE2 (54) REV. 3 (10-08)

**SCHEDULE AE2 - COMPUTATION SCHEDULE FOR DISTRICT TAX - Long Form**

|                |                  |
|----------------|------------------|
| ACCOUNT NUMBER | REPORTING PERIOD |
|----------------|------------------|

| DISTRICT TAX AREAS  | A5<br>ALLOCATE LINE A4 TO<br>CORRECT DISTRICT(S) | A6/A7<br>ADD (+) / DEDUCT (-)<br>ADJUSTMENTS | A8<br>TAXABLE AMOUNT<br>A5 plus/minus A6/A7 | A9<br>TAX<br>RATE | A10<br>DISTRICT TAX DUE<br>Multiply A8 by A9 |
|---|--|--|---|-------------------|--|
| <b>SOLANO CO.</b>   | <b>066</b>                                       |  |   | <b>.00125</b>     | \$ <b>.00</b>                                |
| <b>SONOMA CO.</b>   | <b>116</b>                                       |  |   | <b>.006</b>       | <b>.00</b>                                   |
| City of Sebastopol  | <b>118</b>                                       |  |   | <b>.0075</b>      | <b>.00</b>                                   |
| City of Santa Rosa  | <b>120</b>                                       |  |   | <b>.0075</b>      | <b>.00</b>                                   |
| <b>STANISLAUS CO.</b>   | <b>059</b>                                       |  |   | <b>.00125</b>     | <b>.00</b>                                   |
| City of Ceres (Eff. 4-1-08)   | <b>173</b>                                       |  |   | <b>.00625</b>     | <b>.00</b>                                   |
| <b>TULARE CO. (Eff. 4-1-07)</b>   | <b>162</b>                                       |  |   | <b>.006</b>       | <b>.00</b>                                   |
| City of Visalia   | <b>163</b>                                       |  |   | <b>.0075</b>      | <b>.00</b>                                   |
| City of Farmersville  | <b>164</b>                                       |  |   | <b>.01</b>        | <b>.00</b>                                   |
| City of Dinuba  | <b>165</b>                                       |  |   | <b>.0125</b>      | <b>.00</b>                                   |
| City of Porterville   | <b>166</b>                                       |  |   | <b>.01</b>        | <b>.00</b>                                   |
| City of Tulare  | <b>167</b>                                       |  |   | <b>.01</b>        | <b>.00</b>                                   |
| <b>TUOLUMNE CO.</b>   |  |  |   |                   |  |
| City of Sonora  | <b>093</b>                                       |  |   | <b>.005</b>       | <b>.00</b>                                   |
| <b>YOLO CO.</b>   |  |  |   |                   |  |
| City of West Sacramento   | <b>081</b>                                       |  |   | <b>.005</b>       | <b>.00</b>                                   |
| City of Davis   | <b>088</b>                                       |  |   | <b>.005</b>       | <b>.00</b>                                   |
| City of Woodland (Eff. 10-1-06)   | <b>138</b>                                       |  |   | <b>.005</b>       | <b>.00</b>                                   |
| City of Woodland (Expired 6-30-06)  | <b>075</b>                                       | Discontinued                                 |   | <b>.005</b>       | <b>.00</b>                                   |
| <b>SUBTOTAL A10d (Add amounts in column A10 on this page. Enter the total here AND on line A10d on page 1 of Schedule AE2.)</b> |  |  |   |                   | \$ <b>.00</b>                                |

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**Example 2**

1/13/19  
Page: 1



**State Board of Equalization - Sales and Use Tax Department**

**FIELD BILLING ORDER**

|                          |  |                                    |
|--------------------------|--|------------------------------------|
| <b>Account No:</b>       | <b>Case Id:</b>                              | A Local Tax Audit or was completed |
| <b>File Name:</b>        | <b>Lead Auditor:</b>                         |                                    |
| <b>Owner:</b>            | <b>Supervisor:</b>                           |                                    |
| <b>Owner Type:</b>       | <b>City or District:</b>                     |                                    |
| <b>Business Address:</b> | <b>Final Payment Date:</b> December 15, 2008 |                                    |
| <b>Mailing Address:</b>  | <b>Business Name:</b> 72                     |                                    |
|                          | <b>Account Status:</b> Active                |                                    |
|                          | <b>Local Area Code:</b>                      |                                    |

**LIABILITY (OR CREDIT) DISCLOSED BY EXAMINATION OF TAXPAYER'S RECORDS**

|   |                             |            |              |
|---|-----------------------------|------------|--------------|
| <b>Examination Period:</b> 1/01/07 to 6/30/08 | <b>Interest to:</b> 2/28/09 |            |              |
| <b>Total Disclosed by Examination:</b>        | \$181,329.88                | \$9,145.50 | \$190,475.38 |
| <b>Balance as of 2/28/09:</b>                 | \$181,329.88                | \$9,145.50 | \$190,475.38 |

**TAXABLE MEASURE DISCLOSED BY EXAMINATION OF TAXPAYER'S RECORDS**

|   | State, Local<br>County and SUT | Total District     |
|---|--------------------------------|--------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-protection basis.         | -194,774                       | -304.14            |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-protection basis.   | -1,988,047                     | -3,115.18          |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | -63,576                        | -63.57             |
| 4 Credit for conditional-sale rentals taxed in error not credited on protection basis per 12A-1 & 12B-1-actual. | -24,584                        | -24.00             |
|   | <b>\$-2,270,981</b>            | <b>\$-3,506.91</b> |

"HS"

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Example 2



State Board of Equalization - Sales and Use Tax Department

1/12/09  
Page: 7

FIELD BILLING ORDER

Account No:  
Case Id:

DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION

|   | ACHC<br>(District)  | ACTI<br>(District)  | JMHC<br>(District) | ARCF<br>(District) | BART<br>(District) |
|---|---------------------|---------------------|--------------------|--------------------|--------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -7,198              | -7,198              | -8                 | -162               | -7,150             |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000 11/1/07 to 6/30/08-projection basis.   | -74,871             | -74,871             | -28                | -1,692             | -74,871            |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                   | 0                   | 0                  | 0                  | 0                  |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                   | 0                   | 0                  | 0                  | 0                  |
|   | <u>\$-82,069</u>    | <u>\$-82,069</u>    | <u>\$-36</u>       | <u>\$-1,854</u>    | <u>\$-82,069</u>   |
|   | BARTC<br>(District) | BARTS<br>(District) | CCPS<br>(District) | CC1A<br>(District) | CCF<br>(District)  |
| 1 Credit for conditional sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08 projection basis.         | -4,883              | -4,888              | -375               | -4,383             | -3                 |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -46,816             | -47,000             | -6,553             | -43,216            | -43                |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                   | 0                   | 0                  | 0                  | 0                  |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                   | 0                   | 0                  | 0                  | 0                  |
|   | <u>\$-51,699</u>    | <u>\$-51,976</u>    | <u>\$-6,928</u>    | <u>\$-51,599</u>   | <u>\$-46</u>       |
|   | CFST<br>(District)  | CRFS<br>(District)  | DAS<br>(District)  | ELMO<br>(District) | DNE<br>(District)  |
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -292                | -13                 | -65                | -2                 | 2                  |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -3,290              | -46                 | 386                | 0                  | -10                |
| 3 Credit for conditional sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                   | 0                   | 0                  | 0                  | 0                  |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                   | 0                   | 0                  | 0                  | 0                  |
|   | <u>\$-3,582</u>     | <u>\$-59</u>        | <u>\$-321</u>      | <u>\$-7</u>        | <u>\$-8</u>        |

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Example 2

1/12/09  
Page 3



State Board of Equalization - Sales and Use Tax Department

FIELD BILLING ORDER

Account No:  
Case Id.

DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION

|   | BEPS<br>(District) | FCPI<br>(District) | FCIA<br>(District) | FCZA<br>(District) | SRB<br>(District) |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -1,535             | -2,882             | -2,882             | -2,882             | -3                |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -16,222            | -31,403            | -31,403            | -31,403            | -32               |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                  | 0                 |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                  | -2,679             | -2,679             | -2,679             | 0                 |
|   | <b>\$-17,757</b>   | <b>\$-36,964</b>   | <b>\$-36,964</b>   | <b>\$-36,964</b>   | <b>0-35</b>       |

|   | HST<br>(District) | ICND<br>(District) | IMTA<br>(District) | IMRO<br>(District) | ISD<br>(District) |
|---|-------------------|--------------------|--------------------|--------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -69               | -5,697             | -1,050             | -52                | -66,97            |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -251              | -65,841            | -11,187            | -562               | -378,44           |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                 | 0                  | 0                  | 0                  | 0                 |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                 | 0                  | 0                  | 0                  | -2,24             |
|   | <b>\$-320</b>     | <b>\$-71,538</b>   | <b>\$-12,237</b>   | <b>\$-612</b>      | <b>\$-437,65</b>  |

|   | LSTC<br>(District) | LRPS<br>(District) | LGBH<br>(District) | MTD<br>(District) | MRB<br>(District) |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -56,874            | -255               | 4,588              | 375               | 5                 |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -578,453           | -1,795             | -58,476            | 4,948             | 66                |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                 | 0                 |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | -2,249             | 0                  | 0                  | 0                 | 0                 |
|   | <b>\$-637,576</b>  | <b>\$-2,050</b>    | <b>\$-53,888</b>   | <b>\$-4,123</b>   | <b>\$-72</b>      |

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Example 2



State Board of Equalization - Sales and Use Tax Department

1/12/19  
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FIELD BILLING ORDER

Account No:  
Caseid:

DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION

|   | <u>HR01</u><br><u>(District)</u> | <u>KT0R</u><br><u>(District)</u> | <u>HTP2</u><br><u>(District)</u> | <u>HTP1</u><br><u>(District)</u> | <u>HTP3</u><br><u>(District)</u> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| 1 Credit for conditional sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08 projection basis.         | -159                             | 1,296                            | -595                             | -702                             | -1,057                           |
| 2 Credit for conditional sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08 projection basis.   | -5,081                           | -16,972                          | 5,087                            | -6,850                           | -11,950                          |
| 3 Credit for conditional sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                                | 0                                | 0                                | 0                                | 0                                |
| 4 Credit for conditional sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                                | 0                                | 0                                | 0                                | 0                                |
|   | <u>\$-5,240</u>                  | <u>\$-15,676</u>                 | <u>\$ 4,492</u>                  | <u>\$-7,550</u>                  | <u>\$-12,957</u>                 |
|   | <u>NVFL</u><br><u>(District)</u> | <u>NVSI</u><br><u>(District)</u> | <u>DCIA</u><br><u>(District)</u> | <u>PLPS</u><br><u>(District)</u> | <u>PKLI</u><br><u>(District)</u> |
| 1 Credit for conditional sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -750                             | -69                              | -17,735                          | -89                              | -54                              |
| 2 Credit for conditional sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -7,493                           | -748                             | -169,120                         | -853                             | -6,994                           |
| 3 Credit for conditional sale rentals taxed in error-70,000 & over-1/1/07 to 6/31/08-actual.                    | 0                                | 0                                | -63,764                          | 0                                | 0                                |
| 4 Credit for conditional sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                                | 0                                | 0                                | 0                                | 0                                |
|   | <u>\$-8,243</u>                  | <u>\$-817</u>                    | <u>\$-247,949</u>                | <u>\$-957</u>                    | <u>\$-7,554</u>                  |
|   | <u>PTVL</u><br><u>(District)</u> | <u>RLTC</u><br><u>(District)</u> | <u>RTFI</u><br><u>(District)</u> | <u>RAGT</u><br><u>(District)</u> | <u>RTA</u><br><u>(District)</u>  |
| 1 Credit for conditional sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -185                             | 13,034                           | -1,275                           | -1,454                           | -2,09                            |
| 2 Credit for conditional sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -1,837                           | 135,014                          | -17,586                          | -15,314                          | 21,17                            |
| 3 Credit for conditional sale rentals taxed in error 70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                                | 0                                | 0                                | 0                                | 0                                |
| 4 Credit for conditional sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                                | 0                                | 0                                | 0                                | 0                                |
|   | <u>\$-1,922</u>                  | <u>\$-148,556</u>                | <u>\$-18,861</u>                 | <u>\$-16,768</u>                 | <u>\$-23,08</u>                  |

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**Example 2**

1/12/11  
Page 4



**State Board of Equalization - Sales and Use Tax Department**

**FIELD BILLING ORDER**

Account No:  
CaseId:

**DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION**

|   | SRES<br>(District) | SBRN<br>(District) | SEET<br>(District) | SCVT<br>(District) | SOS<br>(District) |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -7,025             | -1,463             | -9,411             | -1,769             | 1.83              |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -79,020            | -15,503            | -93,523            | -17,232            | -18.25            |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                  |                   |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1 actual. | 0                  | 0                  | -18,884            | 0                  |                   |
|   | <u>\$-86,045</u>   | <u>\$-21,566</u>   | <u>\$-126,218</u>  | <u>\$-19,001</u>   | <u>\$-20.65</u>   |

|   | SCVT<br>(District) | SOTC<br>(District) | SEBG<br>(District) | SPPF<br>(District) | SPT<br>(District) |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -9,411             | -12,457            | -137               | -4,688             | 4.88              |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -98,523            | -114,584           | -1,518             | -47,088            | -47.93            |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                  |                   |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1 actual. | -18,884            | 0                  | 0                  | 0                  |                   |
|   | <u>\$-126,818</u>  | <u>\$-130,843</u>  | <u>\$-1,455</u>    | <u>\$-51,976</u>   | <u>\$-51.97</u>   |

|   | SJBG<br>(District) | SJTA<br>(District) | SJMA<br>(District) | SLKE<br>(District) | SLI<br>(District) |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -34                | -2,244             | -2                 | -1,168             | -25               |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -364               | -22,367            | -6                 | -12,245            | -3.95             |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                  |                   |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1 actual. | 0                  | 0                  | 0                  | 0                  |                   |
|   | <u>\$-398</u>      | <u>\$-24,611</u>   | <u>\$-8</u>        | <u>\$-13,413</u>   | <u>\$-3.91</u>    |

DRAFT  
Example 2



State Board of Equalization - Sales and Use Tax Department

1/1/2015  
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**FIELD BILLING ORDER**

Account No:  
Case Id:

**DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION**

|   | SIFI<br>(District) | SLTG<br>(District) | DMCT<br>(District) | SMIA<br>(District) | SNT<br>(District) |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000 1/1/07 to 6/30/08-projection basis.         | -996               | -66                | -4,355             | -4,355             | -1,000            |
| 2 Credit for conditional-sale rentals taxed in error-10,001 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -9,751             | -459               | -44,227            | -44,227            | -18,25            |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | -2,822             | 0                  | 0                  | 0                  | 0                 |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                  | 0                  | 0                  | 0                  | 0                 |
|   | <u>\$-13,575</u>   | <u>\$-525</u>      | <u>\$-48,582</u>   | <u>\$-48,582</u>   | <u>\$-20,05</u>   |
|   | SPFS<br>(District) | SPFW<br>(District) | SPFS<br>(District) | STAI<br>(District) | STC<br>(District) |
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -1,267             | -111               | -1,237             | -5,575             | -2,95             |
| 2 Credit for conditional-sale rentals taxed in error 10,000 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -12,251            | -1,315             | -13,779            | -55,298            | -31,30            |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                  | 0                 |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                  | 0                  | 0                  | 0                  | 0                 |
|   | <u>\$-13,518</u>   | <u>\$-1,426</u>    | <u>\$-15,016</u>   | <u>\$-60,871</u>   | <u>\$-34,34</u>   |
|   | STCZ<br>(District) | DMGT<br>(District) | DMGT<br>(District) | SEPL<br>(District) | TAM<br>(District) |
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/07 to 6/30/08-projection basis.         | -670               | -161               | -117               | -1,769             | -1,26             |
| 2 Credit for conditional-sale rentals taxed in error-10,001 to LT 70,000-11/1/07 to 6/30/08-projection basis.   | -6,029             | -1,399             | -1,128             | -17,252            | -12,34            |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/07 to 6/30/08-actual.                    | 0                  | 0                  | 0                  | 0                  | 0                 |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                  | 0                  | 0                  | 0                  | 0                 |
|   | <u>\$-6,699</u>    | <u>\$-1,560</u>    | <u>\$-1,245</u>    | <u>\$-17,001</u>   | <u>\$-13,57</u>   |

**DRAFT**  
**Example 2**



**State Board of Equalization - Sales and Use Tax Department**

1/27/79  
Page 7

**FIELD BILLING ORDER**

Account No.  
Caseid:

**DETAILED ANALYSIS OF TAXABLE MEASURE BY JURISDICTION**

|   | TOTA<br>(District) | TIRE<br>(District) | TERR<br>(District) | URGI<br>(District) | WPI<br>(District)     |
|---|--------------------|--------------------|--------------------|--------------------|-----------------------|
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/67 to 6/30/68-projection basis.         | -1,206             | -436               | -322               |                    | -81                   |
| 2 Credit for conditional sale rentals taxed in error-10,000 to LT 70,000-11/1/67 to 6/30/68-projection basis.   | -10,937            | -3,604             | -6,292             | -37                | -7,51                 |
| 3 Credit for conditional sale rentals taxed in error-70,000 & over-1/1/67 to 6/30/68-actual.                    | 0                  | 0                  | 0                  | 0                  | 0                     |
| 4 Credit for conditional sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                  | 0                  | 0                  | 0                  | 0                     |
|   | <u>\$-11,743</u>   | <u>\$-4,040</u>    | <u>\$-6,614</u>    | <u>\$-37</u>       | <u>\$-7,51</u>        |
|   | VSTA<br>(District) | WNS<br>(District)  | WMT<br>(District)  | WSTU<br>(District) | WTW<br>(District)     |
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/67 to 6/30/68-projection basis.         | -2,852             | -138               | -179               | -208               | -24                   |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/67 to 6/30/68-projection basis.   | -33,041            | -1,612             | -1,808             | -2,248             | -2,54                 |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/67 to 6/30/68-actual.                    | 0                  | 0                  | 0                  | 0                  | 0                     |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. | 0                  | 0                  | 0                  | 0                  | 0                     |
|   | <u>\$-35,893</u>   | <u>\$-1,750</u>    | <u>\$-1,987</u>    | <u>\$-2,456</u>    | <u>\$-2,54</u>        |
|   |                    |                    |                    |                    | <u>Total District</u> |
| 1 Credit for conditional-sale rentals taxed in error-1 to LT 10,000-1/1/67 to 6/30/68 projection basis.         |                    |                    |                    |                    | -304,14               |
| 2 Credit for conditional-sale rentals taxed in error-10,000 to LT 70,000-11/1/67 to 6/30/68-projection basis.   |                    |                    |                    |                    | -3,115,19             |
| 3 Credit for conditional-sale rentals taxed in error-70,000 & over-1/1/67 to 6/30/68-actual.                    |                    |                    |                    |                    | -43,57                |
| 4 Credit for conditional-sale rentals taxed in error not credited on projection basis per 12A-1 & 12B-1-actual. |                    |                    |                    |                    | -55,30                |
|   |                    |                    |                    |                    | <u>\$-3,518,20</u>    |

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

**Title of Proposed Change:** NEW SPECIAL TAXING JURISDICTIONS

**Program/Element/Component:** 30 Sales and Use Tax/30.20 Processing Tax Returns/  
 30.30 Auditing Accounts/30.40 Collecting Taxes Receivable

|   | PERSONNEL YEARS |      |        | CY | BY      | BY + 1  |
|---|-----------------|------|--------|----|---------|---------|
|   | CY              | BY   | BY + 1 |    |         |         |
| <b>TOTAL SALARIES AND WAGES</b> <i>_a/</i>            |                 | 22.5 | 22.5   |    | \$1,232 | \$1,232 |
| Salary Savings  |                 | -1.1 | -1.1   |    | -60     | -60     |
| <b>NET TOTAL SALARIES AND WAGES</b>                   |                 | 21.4 | 21.4   |    | 1,172   | 1,172   |
| Staff Benefits <i>_a/</i>                             |                 |      |        |    | 426     | 426     |
| <b>TOTAL PERSONAL SERVICES</b>                        |                 | 21.4 | 21.4   |    | \$1,598 | \$1,598 |
| <b>OPERATING EXPENSE AND EQUIPMENT</b>                |                 |      |        |    |         |         |
| General Expense                                       |                 |      |        |    | \$270   | \$43    |
| Printing  |                 |      |        |    |         |         |
| Communications  |                 |      |        |    | 19      | 12      |
| Postage   |                 |      |        |    |         |         |
| Travel--In-State                                      |                 |      |        |    | 18      | 18      |
| Travel--Out-of -State                                 |                 |      |        |    | 17      | 17      |
| Training  |                 |      |        |    | 17      | 17      |
| Facilities Operations                                 |                 |      |        |    | 352     | 226     |
| Consulting & Professional Services: Interdepartmental |                 |      |        |    |         |         |
| Consulting & Professional Services: External          |                 |      |        |    |         |         |
| Department of Technology Services                     |                 |      |        |    |         |         |
| Data Processing                                       |                 |      |        |    | 15      |         |
| Equipment   |                 |      |        |    |         |         |
| Other Items of Expense: (Specify Below)               |                 |      |        |    |         |         |

*\_a/* See page 30 of 31 for itemized staff benefits and classification detail.

|  | <u>FL No. X</u> |                |                |
|--|-----------------|----------------|----------------|
|  | <u>CY</u>       | <u>BY</u>      | <u>BY + 1</u>  |
| <b>TOTAL OPERATING EXPENSE AND EQUIPMENT</b> |                 | <b>\$708</b>   | <b>\$333</b>   |
| <b>TOTAL EXPENDITURES (State Operations)</b> |                 | <b>\$2,306</b> | <b>\$1,931</b> |

**Source of Funds**

|  |        |                |                |
|--|--------|----------------|----------------|
| General Fund                               | (0001) | \$570          | \$476          |
| 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) | \$1,736        | \$1,455        |
| Net Total Augmentation (Source of Funds)   |        | <b>\$2,306</b> | <b>\$1,931</b> |

**DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES**

| Staff Benefits Detail:          | CY              | BY               | BY + 1           |
|---------------------------------|-----------------|------------------|------------------|
|                                 | (Whole Dollars) |                  |                  |
| OASDI                           |                 | \$89,658         | \$89,658         |
| Health Insurance                |                 | 136,201          | 136,201          |
| Retirement                      |                 | 194,722          | 194,722          |
| Workers' Compensation           |                 | 467              | 467              |
| Industrial Disability Leave     |                 | 819              | 819              |
| Non-Industrial Disability Leave |                 | 592              | 592              |
| Unemployment Insurance          |                 | 175              | 175              |
| Other                           |                 | 3,021            | 3,021            |
| <b>TOTAL</b>                    |                 | <b>\$425,655</b> | <b>\$425,655</b> |

| Classification                          | Positions |             |             | Salary Range <sub>a/</sub> | Amount |                    |                    |
|---|-----------|-------------|-------------|----------------------------|--------|--------------------|--------------------|
|   | CY        | BY          | BY + 1      |                            | CY     | BY                 | BY + 1             |
| Sales and Use Tax:                      |           |             |             |                            |        |                    |                    |
| Local Revenue Allocation: <sub>b/</sub> |           |             |             |                            |        |                    |                    |
| Assoc. Tax Auditor                      |           | 5.5         | 5.5         | \$64,164                   |        | \$352,902          | \$352,902          |
| Bus. Taxes Spec. I                      |           | 1.0         | 1.0         | 74,016                     |        | 74,016             | 74,016             |
| Tax Auditor                             |           | 2.5         | 2.5         | 48,408                     |        | 121,020            | 121,020            |
| Tax Technician III                      |           | 5.0         | 5.0         | 39,036                     |        | 195,180            | 195,180            |
| Field Operations:                       |           |             |             |                            |        |                    |                    |
| Bus. Taxes Representative               |           | 4.0         | 4.0         | 42,384                     |        | 169,536            | 169,536            |
| Assoc. Tax Auditor                      |           | 3.5         | 3.5         | 64,164                     |        | 224,574            | 224,574            |
| Assoc. Tax Auditor (out-of-state)       |           | 1.0         | 1.0         | 68,316 <sub>c/</sub>       |        | 68,316             | 68,316             |
| Blanket Funds:                          |           |             |             |                            |        |                    |                    |
| Overtime (Various)                      |           | (.5)        | (.5)        |                            |        | 26,372             | 26,372             |
| Temporary Help                          |           |             |             |                            |        |                    |                    |
| <b>TOTAL SALARIES AND WAGES</b>         |           | <b>22.5</b> | <b>22.5</b> |                            |        | <b>\$1,231,916</b> | <b>\$1,231,916</b> |

<sub>a/</sub> The salary is the mid-step of the salary range for the stated classification.

<sub>b/</sub> Permanent positions effective July 1, 2009.

<sub>c/</sub> Reflects pay differential.

**SUPPLEMENTAL INFORMATION**  
 Dollars in Thousands

|                                    | <u>Current<br/>Year</u> | <u>Budget<br/>Year</u> | <u>Budget<br/>Year + One</u> |
|------------------------------------|-------------------------|------------------------|------------------------------|
| <b>Proposed Equipment:</b>         |                         |                        |                              |
| N/A                                |                         |                        |                              |
| <b>Total</b>                       |                         |                        |                              |
| <b>Proposed Contracts:</b>         |                         |                        |                              |
| N/A                                |                         |                        |                              |
| <b>Total</b>                       |                         |                        |                              |
| <b>One-Time Costs:</b>             |                         |                        |                              |
| General Expense                    |                         | \$227                  |                              |
| Communications                     |                         | 7                      |                              |
| Facilities Operations              |                         | 126                    |                              |
| Data Processing                    |                         | 15                     |                              |
| <b>Total</b>                       |                         | <b>\$375</b>           |                              |
| <b>Future Savings:</b>             |                         |                        |                              |
| N/A                                |                         |                        |                              |
| <b>Total</b>                       |                         |                        |                              |
| <b>Full-Year Cost Adjustments:</b> |                         |                        |                              |
| N/A                                |                         |                        |                              |
| <b>Total</b>                       |                         |                        |                              |