

**BOE FY 2014-15 BUDGET CONCEPTS OVERVIEW**

(as of 05-21-2013 - in 000's)

Budget Items	2014-15						2015-16						
	Budget Concepts	Pos.	Cost			Revenue	Benefit/ Cost Ratio	Pos.	Cost			Revenue	Benefit/ Cost Ratio
			GF	Other	Total				GF	Other	Total		
<b>Tax Gap II and Lumber Products Assessment</b>													
<p>This is a proposal to convert a total of 11.5 positions (5.5 two-year limited term positions in the Tax Gap II Outreach Program, and 6.0 two-year limited term positions in Lumber Fee Assessment) to permanent positions and add an additional 4.0 permanent positions in Technology Service Division for the Lumber Fee Assessment. These 2-year limited term positions through the Tax Gap II and Lumber Fee Assessment Budget Change Proposals will expire in June 2014. Continuation of the Tax Gap II Outreach positions will allow the BOE to continue educating taxpayers about the use tax throughout the state. The BOE is also requesting to continue 6.0 Lumber Fee Assessment positions to provide high quality services to the feepayers that are required to register, collect, report, pay the additional fee, as well as to assist with the increase in communications between the feepayers and the BOE. In addition, the BOE is requesting 4.0 new positions to provide ongoing technology maintenance and support for this program.</p>	15.5	\$1,357	\$689	\$2,046	TBD	N/A	15.5	\$1,303	\$661	\$1,964	TBD	N/A	
<b>Southern California Appeals and Settlement Unit</b>													
<p>This proposal requests permanent establishment of 22.0 expiring limited term positions and 4.0 new positions for the Southern California Appeals and Settlement Unit. The So Cal Unit has successfully met and exceeded its estimated accelerated revenues since inception and continues to meet the increased and consistent taxpayer demand for administrative Appeals and Settlement services that accelerate the resolution of disputed tax liabilities and accelerate the associated revenue to the General Fund, as well as local jurisdictions and special taxing districts. This unit accelerates approximately \$92 million in revenue annually.</p>	26.0	\$4,332	\$0	\$4,332	\$92,000 <b>b</b>	21:1	26.0	\$4,240	\$0	\$4,240	\$92,000	21.7:1	
<b>Fire Prevention Fee</b>													
<p>This proposal requests permanent funding in various Departments within the BOE for the continuation of the Fire Prevention Fee (FPF) positions. The BOE received 56.5 two-year limited term positions during the FY 2012-13 Budget Process that are set to expire on June 30, 2014, to address workload associated with ABx1 29 State Responsibility Area (SRA) Fire Prevention Fee. ABx1 29 created a substantial workload the BOE cannot absorb. These positions are responsible for registering and maintaining feepayer accounts, issuing billings, processing payments, performing collection actions, issuing refunds, processing petitions, providing feepayer advisory services, and performing program support functions on behalf of the Department of Forestry and Fire Protection. Permanently funding these requested resources will allow the BOE to continue to perform mandated workload, provide high quality service to approximately 800,000 feepayers, and protect special fund revenue. Furthermore, the BOE will be evaluating the need for additional resources.</p>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	
<b>Valuation Factors Studies for County-Assessed Properties</b>													
<p>This proposal requests funding for County-Assessed Property Division (CAPD) to establish and permanently fund 2.0 positions to conduct studies to update the valuation factors for non-production computer equipment, semiconductor manufacturing equipment, biopharmaceutical industry equipment, and fixtures previously adopted by the Board. Commencing with lien date January 1, 2015, values determined by use of these factors will no longer be rebuttably presumed the full cash value of that property unless the BOE conducts a review. It is essential that the BOE respond to changing environments and be proactive in conducting valuation studies to arrive at accurate factors to ensure equitable treatment and fairness to taxpayers in the assessment of personal property and fixtures and to promote assessment uniformity.</p>	2.0	\$351	\$0	\$351	N/A	N/A	2.0	\$318	\$0	\$318	N/A	N/A	

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<p><b>Intrusion Detection/Prevention System - Information Security</b></p> <p>This request is to fund 3.0 positions needed to maintain the Intrusion Detection/Intrusion Prevention System (IDS/IPS) and monitor output from the logs and alerts. 2.0 positions will be located in the Technology Services Department and 1.0 position will be located in the Information Security Office. The Board of Equalization (BOE) receives Federal Tax Information (FTI) from the Internal Revenue Service (IRS) which aids in the collection of over \$3 to \$5 million annually. The majority of FTI resides in Automated Compliance Management System (ACMS) which is housed at the OTech Data Center. In-house, the BOE has smaller amounts of FTI, which along with other data, is used to generate audit selection. In an IRS Safeguards Review Audit conducted in January of 2011, there were findings requiring the BOE to have additional devices and services in place to protect FTI on our internal network. Non-compliance to these findings would result in possible termination of the BOE's access to FTI and would put \$3 to \$5 million at risk.</p>	3.0	\$473	\$0	\$473	\$3,000 - \$5,000 <sup>a</sup>	N/A	3.0	\$421	\$0	\$421	\$3,000 - \$5,000	N/A	
<p><b>Headquarters Consolidation</b></p> <p>This proposal will fulfill the BOE's mission to serve the public through fair, effective, and efficient tax administration by consolidating and expanding facilities for efficient and effective business operations. Funding is requested to relocate the BOE Headquarters (HQ) and annex facilities into a consolidated location. The BOE has outgrown the 450 N Street building, resulting in the need for four annex locations, which impacts revenue generation. Since all five HQ locations are near capacity, this will impact the BOE's ability to add staff to address legislative mandates for revenue collection and enforcement efforts. It is necessary to consolidate the BOE's current offices into a single location that is scalable for growth and allows for the most efficient and effective business operations. The Department of General Services estimates costs of \$500,000 for site search development and feasibility analyses in FY 2014-15; no costs for FY 2015-16 as this is part of the construction phase. The BOE estimates \$1,450,000 in one time moving costs in FY 2016-17.</p>	0.0	\$253	\$247	\$500	N/A	N/A	0.0	\$0	\$0	\$0	\$0	N/A	
<p><b>CROS Project (Phase II) - Placeholder</b></p> <p>This is a placeholder for a 2014-15 Spring Finance Letter (SFL) or May Revise proposal to request funding and staffing resources for the CROS Project, Phase II. This second phase will fund (a) the services of the selected System Integrator (Vendor) that will be responsible for the design, development, testing, and operational implementation of the final CROS solution; and (b) the BOE staff and resources to monitor and liaison with the Vendor. The second phase costs cannot be determined until the Vendor's work plan (including deliverables) are finalized and approved in the Contract Award process. The BOE does not have sufficient information to go forward with a standard Budget Change Proposal to be submitted to Department of Finance in September 2013. Therefore, the CROS Project requests approval of a 2014-15 SFL (or later) placeholder.</p>	0.0	TBD	TBD	TBD	TBD	N/A	0.0	TBD	TBD	TBD	TBD	N/A	
<b>TOTALS</b>	<b>46.5</b>	<b>\$6,766</b>	<b>\$936</b>	<b>\$7,702</b>	<b>\$185,800 - 187,800</b>		<b>46.5</b>	<b>\$6,282</b>	<b>\$661</b>	<b>\$6,943</b>	<b>\$92,000</b>		

<sup>a</sup> Expect to lose \$3-5 million annually if we lose access to FTI

<sup>b</sup> Accelerated revenue