

Minimum High Level Management Staffing for a District Office

Working Title	Civil Service Classification	Salary Range		Mid-Salary Level	Yearly Salary
		Low	High		
Administrator	Business Tax Administrator III	7,792	9,292	8,542	102,504
Compliance Principal	Business Tax Administrator II	6,110	7,984	7,047	84,564
Audit Principal	Supervising Tax Auditor III	6,428	8,450	7,439	89,268
LAN Coordinator	Staff Information Systems Analyst (Specialist)	5,295	6,963	6,129	73,548
Executive Assistant	Executive Assistant	3,438	4,303	3,871	46,452
Technical Advisor	Business Taxes Specialist II	5,826	7,660	6,743	80,916
Total		34,889	44,652	39,771	477,252

Minimum High Level Management for a Branch Office

Working Title	Civil Service Classification	Salary Range		Mid-Salary Level	Yearly Salary
		Low	High		
Business Taxes Administrator And/Or	Business Taxes Administrator I	5,307	6,973	6,140	73,680
Supervising Tax Auditor I And/Or	Supervising Tax Auditor I	5,307	6,973	6,140	73,680
Supervising Tax Auditor II	Supervising Tax Auditor II	5,826	7,660	6,743	80,916
Total		5,307	6,973		

Salaries per <http://eboe/eboe3/career/salaries.pdf>

Principal to Supervisor Comparison by District

Equalization District	Office	Administrator	Compliance Principal	Compliance Supervisor	Audit Principal	Audit Supervisor
1	Fresno	1	1	3	1	3
	Sacramento	1	2	7	1	6
	Santa Clarita	1	1	3	1	1
	Rancho Cucamonga	1	1	3	1	1
	Subtotal District 1	4	5	16	4	11
2	San Francisco	1	1	4	1	4
	Oakland	1	1	4	1	6
	San Jose	1	1	5	1	4
	Santa Rosa	1	1	3	1	3
	Subtotal District 2	4	4	16	4	17
3	Norwalk	1	1	7	1	4
	Glendale	1	1	4	1	4
	West Covina	1	1	3	1	4
	Ventura	1	1	3	1	3
	Culver City	1	1	5	1	5
	Subtotal District 3	5	5	22	5	20
4	Irvine	1	2	8	1	8
	Riverside	1	1	5	1	5
	San Diego	1	1	8	1	4
	Subtotal District 4	3	4	21	3	17
In State Total		16	18	75	16	65

Comments	
*	The absolute minimum supervisor to principal ratio should be 3 to 1.
*	The large in-state offices and out of state, have 6-8 teams per principal. The Large team supervisor prepare their supervisors for future management due to the ability to perform higher level tasks.
*	Additional principals in large offices probably work as there can only be one true leader of a department.
*	Could Rancho Cucamonga and Santa Clarita be combined.

Summary of Staffing by Office

Office	Administrator	Compliance Principals	Compliance Supervisors	Compliance Staff	Audit Principals	Audit Supervisors	Audit Staff	Technical Advisor	Secretary	LAN Coordinator (1)	Total Staff	Comments
Culver City	1	1	5	45	1	5	46	1	1	0	106	
Fresno	1	1	3	35	1	2	21	1	1	1	67	Combined staff total of 94
<i>Fresno Branch - Bakersfield</i>	0	0	1	13	0	1	12	0	0	0	27	
Glendale	1	1	4	53	1	4	44	1	1	0	110	
Irvine	1	2	8	69	1	8	78	1	1	2	171	
Norwalk	1	1	7	63	1	4	44	1	1	0	123	
Oakland	1	1	4	50	1	6	44	1	1	3	112	
Rancho Cucamonga	1	1	3	48	1	1	16	0	1	1	73	Compliance team includes an ICAT team
Riverside	1	1	5	62	1	4	40	1	1	2	118	Combined staff total of 133
<i>Riverside Branch Rancho Mirage</i>	0	0	0	0	0	1	14	0	0	0	15	
Sacramento	1	1	7	66	1	4	46	1	1	2	130	Combined staff total of 153
<i>Sacramento Branch --Redding</i>	0	1	1	14	0	2	5	0	0	0	23	
San Diego	1	1	8	70	1	4	38	1	1	2	127	
San Francisco	1	1	4	31	1	4	38	1	1	1	83	
San Jose	1	1	5	60	1	4	49	1	1	2	125	Combined staff total 148
<i>San Jose Branch - Salinas</i>	0	0	1	12	0	1	9	0	0	0	23	
Santa Clarita	1	1	3	36	1	1	9	1	1	1	55	
Santa Rosa	1	1	3	25	1	3	29	1	1	1	66	Combined staff total of 78
<i>Santa Rosa Branch - Fairfield</i>	0	0	1	11	0	0	0	0	0	0	12	
Ventura	1	1	3	26	1	3	17	0	1	0	53	
West Covina	1	1	3	39	1	4	31	1	1	0	82	
Out of State	1	1	3	26	0	0	0	1	1	6	39	Combined staff total 264
Houston / Western States	0	0	0	0	1	6	52	0	0	0	59	
New York	0	0	0	0	1	9	74	0	0	0	84	
Chicago	0	0	0	0	1	8	74	0	0	0	83	
Total	17	19	82	854	19	89	830	15	17	24	1966	

(1) The Local Area Network (LAN) coordinators for 3rd District are housed in the district office but report to HQ. The PY's for these employees are not included in the PY's for the District Office.

Office Rents and Walk-in Taxpayer Visitors

Equalization District	Office	Rent	Office Visitors FY 2015 / 2016	Office Visitors FY 2014 / 2015	Reduced Vistor Traffic
1	Fresno	41,529	4,476	6,475	-30.87%
	<i>Fresno Branch --Bakersfield</i>	23,646	5,202	8,138	-36.08%
	Sacramento	44,871	6,882	10,008	-31.24%
	<i>Sacramento Branch --Redding</i>	7,934	2,050	2,714	-24.47%
	Santa Clarita	61,834	2,988	4,136	-27.76%
	Rancho Cucamonga	32,270	1,027	-	
	Subtotal District 1	212,084	22,625	31,471	-28.11%
2	San Francisco	101,775	1,676	2,809	-40.33%
	Oakland	96,233	3,400	5,846	-41.84%
	San Jose	39,363	5,055	7,522	-32.80%
	<i>San Jose Branch --Salinas</i>	16,863	1,648	3,438	-52.07%
	Santa Rosa	22,798	2,069	3,185	-35.04%
	<i>Santa Rosa Branch --Fairfield</i>	15,139	1,589	1,304	21.86%
Subtotal District 2	292,171	15,437	24,104	-35.96%	
3	Norwalk	70,209	15,004	22,905	-34.49%
	Glendale	87,685	7,131	10,929	-34.75%
	West Covina	46,692	12,183	17,873	-31.84%
	Ventura	24,015	2,541	3,095	-17.90%
	Culver City	92,576	7,076	10,594	-33.21%
	Subtotal District 3	321,177	43,935	65,396	-32.82%
4	Irvine	73,692	9,396	11,746	-20.01%
	Riverside	168,238	8,450	13,143	-35.71%
	<i>Riverside Branch Rancho Mirage</i>	9,901	1,464	2,263	-35.31%
	San Diego	78,786	5,898	9,404	-37.28%
	Subtotal District 4	330,617	25,208	36,556	-31.04%
In State Total		1,156,049	107,205	157,527	-31.94%

Note: There is a math error on David's walk-in counts for 4th district for FY 14/15. The total says 27,152 but this is too low.

Summary of Walk-in Taxpayer Visits for the last 6 Years

Fiscal Year	Total Walk IN
FY 10/11	282,390
FY 11/12	270,083
FY 12/13	179,533
FY 13/14	178,910
FY 14/15	157,527
FY 15/16	107,205
Total	1,175,648

With e-Services the amount of taxpayer's coming into our offices is declining at a fast pace.

Permit Counts as of December 2015

Equalization District	Office	Branch/Satellite	Number of Taxpayer Accounts Dec 2015
1	Fresno		32,584
	Bakersfield	Branch	14,797
	Sacramento		66,628
	Redding	Branch	19,038
	Santa Clarita		24,263
	Rancho Cucamonga		26,145
	<i>Subtotal</i>		183,455
2	San Francisco		43,862
	Oakland		56,866
	San Jose		61,798
	Salinas	Branch	19,074
	Santa Rosa		36,749
	Fairfield	Branch	17,542
<i>Subtotal</i>		235,891	
3	Norwalk		54,778
	Glendale		53,897
	West Covina		54,112
	Ventura		26,896
	Culver City		64,216
<i>Subtotal</i>		253,899	
4	Irvine		87,776
	Riverside		46,304
	Rancho Mirage	Branch	10,753
	San Diego		79,731
<i>Subtotal</i>		224,564	
O/S	Out of State Sacramento		15,277
	Chicago	Area Office	20,135
	New York	Area Office	15,735
	Houston	Area Office	5,478
<i>Subtotal</i>		56,625	
TOTAL			954,434

Memorandum

To: Mr. David Gau, Executive Director
State Board of Equalization

Date: June 10, 2016

From: Jerome E. Horton, Member
State Board of Equalization

**Re: Recommendation for Clarifying BOE's District Office Policy, Agenda Item P-1,
June 14, 2014**

Dear Mr. Gau,

As a result of information presented by staff over the past few months, Board discussions, and inquiries by legislators, it is important that the Board Members clarify and expand the current policy for establishing new or additional district offices. Changes in the way our customers do business and meet their tax obligations, as well as the success of our educational Outreach efforts, have significantly impacted the need for and location of district offices. Accordingly, I am proposing the following as recommended language for a revised BOE District Office Policy, for the Board's consideration under Agenda Item P-1 at the Board Meeting on June 14, 2016.

It has recently been determined that due to the expansion of online services, teleworking, and electronic communication, BOE's general trend is to reduce the number of district offices as appropriate and consistent with cost effectiveness, desired staffing ratios and controlling facility costs. The introduction of online services has significantly reduced visitors: a reduction of 33% from FY 2011-12 to FY 2013 -14. In addition, due to the wide use of alternate work schedules, virtual one-stop centers, collaboration with the other state and federal taxing agencies, an increase in the number of employees working remotely, our expansion of our "self-audit management program," and extensive consultation and outreach efforts, we expect this trend to continue. It was also determined in 2013-14 that the Board would establish new offices based in part on equalization district boundaries per the 2010 census and the redrawn election boundaries of Board of Equalization Members.

The Executive Director confirmed that the primary criteria used to determine the need for and locations of the new offices were:

- Cost-benefit;
- New permit registration and demographic growth;
- Proximity of alternate offices to provide services;
- Impact on revenue;
- Impact on customer service and recruitment; and
- Cost of relocating staff.

Starting in 2016, to ensure that maximum efficiency and cost effectiveness are achieved in any decision to open a new office, the following standards and policy considerations below must also be applied in addition to the above:

- Audit, compliance, operational, and workload needs;
- Justification as to why offices/space cannot be consolidated in the same footprint;
- Number of employees working remotely, costs of an office vs. costs of travel;
- Establishment and reconfiguration of certain offices into a “Resource Service Center” for taxpayers needing access to enhanced range of government services;
- Expansion of “self-audit management programs;”
- Alternative options for reducing size and costs of current offices;
- Consistency and continuity of business operations and career development; and
- Decisions based on regular written reports to all Members regarding the facilities master plan, assignment of taxpayer accounts to each field office, lease terms and other details – so all Members are fully informed.

In furtherance of this policy, individual Board Members should not have authority to make substantive changes in opening, closing, relocating, or transferring permittees to field offices apart from approval of the entire Board. The primary role of the Members in their districts is to work with the Chief of Field and Executive Director to assure consistency and continuity in BOE business operations and to oversee the field offices in the exercise the following duties and responsibilities:

- **Each Board Member is required to investigate the administration, enforcement, and operation within their district of all laws, the administration and enforcement of which are vested in the Board.** *Gov’t Code Sec. 15623.*

Members are authorized to investigate ongoing tax and fee audits, tax collection efforts, tax advice requests, refund claims, taxpayer education efforts, certain investigations, and ongoing operations within their respective districts. While Members do not dictate the outcomes, they are responsible to ensure that all activities are appropriate under the law and consistent with approved Board policy, procedure manuals, and programmatic systems. Members work through the ED to address inconsistencies and/or propose changes in policies, manuals, or systems.

- **Member may confer, in this State or elsewhere, with officers or employees of this State, its political subdivisions, other states, or the United States, or with such other persons as may be of assistance to the Board in its work.** *Gov’t Code sec. 15610.*

A Member may confer and also participate in influencing tax policy in meetings, conferences, legislative or congressional hearings, economic or business summits, etc.

- **Member may inspect the work of any local officers relating to assessment of property and the collection of taxes.** *Gov’t Code Sec. 15612.*

A Member may review the practices and procedures of county assessors in his/her district to ensure equity, uniformity, and consistency with the Board’s established property assessment standards.

- **Member may examine the records of all persons required to report to the Board or having knowledge of the affairs of those required to report.** Gov't Code sec. 15618.

A Member may review tax records, subject to the laws of taxpayer confidentiality, in preparation for an appeal or in addressing a taxpayer dispute reported to his/her office.

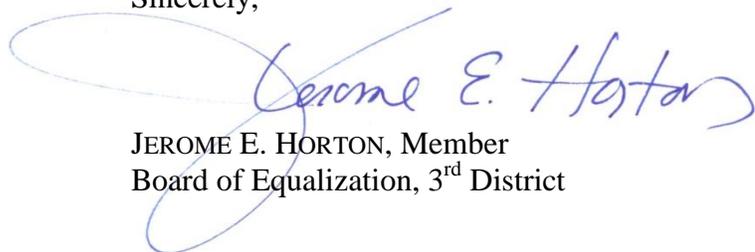
- **Member may investigate and/or assist the implementation of taxpayer education and information programs directed to newly registered taxpayers, identified taxpayers, or industry groups and Board audit and compliance staff.** Rev. & Tax Code sec. 5900-5911.

Within their district, each Member is responsible for ensuring that the administration and enforcement of tax laws is exercised properly with fairness and respect for taxpayers, with adequate published information to explain the taxpayers' rights and obligations. A Member may assist through outreach and/or speaking at taxpayer education events, interacting with the media and/or industry groups, participating in webinars, taxpayer conferences, telephone town-halls, etc.

- **Member may submit proposals for regulations or for legislation.** Rev. & Tax. Code sec. 251, 452, 672, 1254, 1603, 5781, 5840, 7051.

Legislative proposals for Board sponsorship may be submitted to the ED, or may be submitted directly to members of the Legislature.

Sincerely,



JEROME E. HORTON, Member
Board of Equalization, 3rd District

cc: Honorable Fiona Ma, CPA, Chair, California State Board of Equalization
Honorable Diane L. Harkey, Vice Chair, California State Board of Equalization
Honorable George Runner, Member, California State Board of Equalization
Honorable Betty Yee, California State Controller
Mr. Randy Ferris, Chief Counsel, California State Board of Equalization
Ms. Edna Murphy, Deputy Director, Administration Department, California State Board of Equalization



Memorandum

To: Honorable Fiona Ma, CPA, Chairwoman
Honorable Diane L. Harkey, Vice Chair
Honorable George Runner, First District
Honorable Jerome E. Horton, Third District
Honorable Betty T. Yee, State Controller

Date: June 3, 2016

From: David J. Gau 
Executive Director

Subject: **Field Office Locations**

As requested at the Board Meeting on May 25, 2016, a review was performed of the Board of Equalization (BOE) written policy and guidelines pertaining to field office locations. Staff located several documents which contained policies or other relevant information, each of which is described in this memo. In addition, a brief historical perspective of BOE's field offices was prepared, and is also included. I believe you will find this information helpful in understanding our prior and current practices, and can be used as the foundation for possibly crafting new policy.

Field Offices – Current & Historical Landscape

Field office staff performs a variety of functions, including registration, collections, audit, and cashiering. Such activities often involve staff visiting a taxpayer's location or a taxpayer visiting a field office. Consequently, BOE has field offices located throughout the state that are located in areas convenient to taxpayers. A list of district and branch offices by fiscal year, from FY 2010-11 through FY 2015-16 (as of March 31, 2016) is attached (Attachment 1). (See Attachment 2 for the district map).

Beginning in the 1990's the BOE significantly decreased its number of field offices. During Fiscal Year (FY) 1990-91, BOE had 57 field offices. These were reduced to 32 offices in FY 1995-96, and further reduced to 26 offices during FY 2005-06 and to 21 during FY 2010-11. This reduction mainly affected branch offices, as it was determined that it was not efficient or cost effective to continue to have small branch offices located near larger district offices.

More recently in 2014 and 2015, a new district office was established in Santa Clarita in March 2014 to administer accounts in Los Angeles County based on the redrawn Equalization District boundaries, and another new district office opened in Rancho Cucamonga. Additional information regarding redistricting is provided in the "Redistricting" section of this memo.

Changes to field office locations have been communicated to the Board Members in various ways, including updates by the Administration Department Deputy Director during Board Meetings, memoranda, and other verbal reports provided by BOE management to individual Board Members

Board of Equalization Administrative Manual (BEAM) Policies Related to Facility Leases – April 1995

BEAM 5200 (Attachment 3) provides guidance for the leasing of space. Three sections relate to the opening of field offices as described below.

BEAM 5202 provides that the Deputy Director of each BOE Department is responsible for approval of the space request of that Department; and that the Manager, Business Services Section, will coordinate all aspects of the leasing process with all affected parties.

BEAM 5215 provides guidance for evaluating existing leases. At the expiration of the firm term of an existing lease, the Manager, Business Services Section, will request an evaluation of the existing space from the appropriate deputy director's office. The evaluation should be based on current workload, staffing requirements, and other needs of the program and office. Projections of an office's future needs by a deputy director will help determine whether the current space is sufficient, additional space is needed, or a different space is needed.

BEAM 5218.1 provides eleven criteria for field office selection. For example, the section mentions that office space should be geographically located to maximize service to the taxpayers that it is designed to serve; and should also be located near public transportation and financial institutions. Please see this BEAM section for the entire criteria for field office selection.

Field Office Consolidation Report – April 2006

With respect to the branch office consolidation process that began in the 1990's, the Budget Act of 2005 required the BOE to provide a report to the Legislature on field office consolidations. The last report was provided to the Board Members and the Legislature in April 2006 (Attachment 4). The report addressed specific areas, as required by the Budget Act, including a description of the criteria used to close or consolidate BOE's field offices.

This report states that approximately 18 months prior to expiration of the lease for a particular field office,¹ the department will evaluate whether the office should remain at its current location or be relocated, expanded, or closed. As part of this process, several criteria are considered, including cost-benefit data, demographic criteria, and business criteria. These criteria are summarized below.

Cost-Benefit

- Revenue generated by the office
- Cost to relocate staff
- Cost for alternative facility to house staff
- Potential decrease in audit and collection revenue due to increased travel time
- Increased travel costs for audit and collection activities

Demographic Criteria

- High or low growth area
- Dense metropolitan or rural area
- Geographic proximity to other district offices (distance and travel time)
- Number, size, and type of taxpayers under the jurisdiction of the office
- Frequency and volume of taxpayer usage of the office

¹ This process primarily applies to offices located in non-state owned properties. Leases for state-owned properties are generally considered permanent since Government Code section 14682(c) requires BOE to pay rent on the space until the Department of General Services locates another tenant.

Business Criteria

- Whether the facility houses multiple BOE programs
- Changes in business processes that impact functions performed in the field office
- Operating budget impacts
- Impact of prior office closures
- Equalization District impact

The consideration of a field office's impact on an Equalization District within this criteria indicates that in 2006, field offices were located within the boundaries of each Equalization District, as field offices currently are located.

Last, the report states all final decisions regarding the consolidation or expansion of field offices were made with the authorization, consultation, and approval of the elected Board Member for the affected Equalization District.

Field Office of the Future – 2010

In 2010, the Sales and Use Tax Department (SUTD) initiated a project that focused on how BOE could use technology to modernize the public counters and lobby areas of the field offices. At the August 2010 Board Meeting, an informal issue paper was presented to the Board for discussion (Attachment 5). The project was prompted by the pending expansion of BOE's electronic services, including electronic registration and electronic payments. SUTD anticipated the expansion of these services would decrease the number taxpayer visits to the field offices.²

At the December 2010 Board Meeting, SUTD's Deputy Director provided the Board Members with an update on the project (Attachment 6). The report included both a short-term plan and long-term plan moving forward. The short-term plan included monitoring the change in workload resulting from the expanded electronic services as well as addressing the need to install self-service terminals ("kiosks") in the field offices. The long-term plan included compiling data by zip code (e.g., active seller's permits, audits data) which would assist in identifying potential future office locations that would best serve the needs of taxpayers.

Redistricting - 2011

On July 6, 2011, testimony was provided to the Redistricting Commission (Commission) to answer questions about impacts on the BOE relative to equalization district boundary lines. A report on this testimony was provided to the Board Members at the July 27, 2011, Board Meeting (Attachment 7).³ The report summarizes the testimony and states that the following information was provided to the Commission:

1. "In order to represent constituents and investigate tax administration matters under Government Code section 15623, district and field offices were established in each equalization district to administer over 26 tax and fee programs, as well as the enforcement of laws through audit and compliance programs...."
2. "Currently there are 21 offices "nested" within the four equalization districts which carry out operations and offer services to the types of businesses located within that region, such as registration, education, consultations, audit, collection, payment of tax liabilities and assistance with returns. It is through the district and field offices

² A decrease in visitors that was anticipated was realized. From FY 2011-12 to FY 2014-15, total field office visits decreased by 41%.

³ The transcript for the July 6, 2011, Redistricting Commission meeting may be found on the California Citizens Redistricting Commission website at http://wedrawthelines.ca.gov/downloads/transcripts/201107/transcripts_20110706_sacto.pdf. BOE testimony starts on page 95.

that the Board serves taxpayers throughout the state and addresses their needs by region...”

3. “...significant changes in equalization district boundaries would have a variety of administrative impacts and costs for the Board, due to the structure of our taxpayer services in specific regions, the location of employees, and the possible need to redirect or seek additional resources, including district or field offices...”

The BOE implemented a Redistricting Project in response to the boundaries redrawn by the Commission. This project was tied to the BOE’s *Strategic Management Plan 2010-15* and accomplishments were reported to the Board in 2014 and 2015 (Attachments 8 and 9).⁴

Staffing Model

BOE’s staffing resources and budget are finite. Therefore, when a new office is established or an increase/shift in workload impacts an office, existing resources must be redirected from other areas. With such limited resources, it is critical to have a tool to allocate existing personnel resources based on priority workload. Accordingly, in 1998 the BOE developed a staffing allocation model that weighs the highest priority workload and allocates field office staff based on this priority. The model has been modified and refined over the years, most recently in 2013.

The current model contains a few essential “fixed” staff necessary to operate the office such as managers, clerical and technology experts. The model also contains other “fixed” staff dedicated to a specific program, such as the Statewide Compliance and Outreach Program (SCOP). The remaining audit and compliance staff are considered “variable” and allocated by the highest priority workload. The criteria for allocating compliance staff is based on office permit count, delinquent accounts, and accounts receivable. The complexity of the compliance cases helps determine the classification level of staff. The criteria for allocating audit staff is based on the audit candidacy file (accounts eligible for audit), and the staff classification is determined by level of difficulty. The model allocates supervisors based on staffing allocation and classification.

When accounts are identified to an office, the staffing model is used to determine the classification and number of staff necessary to best service these accounts based on existing resources. The model prioritizes the workload statewide and staff is allocated to the offices based on this prioritization. So while the staffing model doesn’t specify where an office should be located, it does efficiently allocate the staffing resources based on established and weighted priorities.

Facility Master Plan

This Administrative Support Division document is for internal, budget tracking, and is used to identify funding for various facility related projects such as new offices, relocations, expansions, repairs, and modifications.

Publication 40, Introducing the State Board of Equalization

In November 2014, the Executive Office provided each Board Member with publication 406, *Introducing the State Board of Equalization*, also referred to as the Board Member Transition Binder. The publication provides detailed information regarding the BOE’s organizational structure and responsibilities, current items of interest, constitutional and statutory authorities, board meeting and rulemaking processes, and other resource information.

⁴ Redistricting also mentioned in the [2014-15 Annual Report](#), page 1.

This publication also included a section titled, "Equalization Districts and Field Offices" which contains a summary of leased facilities, as well as a section identifying the criteria to consider before establishing a field office (Attachment 10), specifically:

- Board's long-range strategic direction for the field (technology, new ways of providing services).
- Number of permits, and/or taxpayers and number of visitors.
- Proximity to taxpayers and other offices.
- Geographic location of field offices for audit coverage, as well as compliance and taxpayer services.
- Functions to be performed and services to be provided in the offices (e.g., customer service, audit only, and compliance only)
- Facility and staffing costs, including travel costs for staff working in the field.

This section also states that, historically, district offices support roughly 40,000 or more permits while branch offices support roughly 25,000 or fewer permits. District offices typically comprise 70 or more staff, including 40 or more professional staff. This staffing level is based on criteria established by California Department of Human Resources (CalHR) to accommodate the appropriate level manager to run a district office.

Lastly, the publication mentions that "consideration should be given to treating the establishment of a field office similar to contracts over \$1 million, where Board approval is required."

Next Steps

I anticipate a proposed updated policy could be presented to you for discussion and potential approval at the September 2016 Board Meeting. After the Board adopts a policy for opening and closing field offices, the proposed Facility Management Plan will be presented to you for discussion and potential approval as soon as practical. The proposed policy and the Facility Management Plan will incorporate 2016-17 budget language that addresses BOE facilities.⁵

Please let me know if you have any questions

Attachments 1-10

DJG:ma

cc: Ms. Genevieve Jopanda
Mr. Russell Lowery
Mr. Sean Wallentine
Ms. Kari Hammond
Ms. Yvette Stowers

⁵ On June 2, 2016, the Budget Conference Committee recommended the following in reference to BOE facilities: "3. Supplemental Reporting Language relating to a strategic plan for the agency that addresses reducing physical office space and utilization of electronic and web based access. 4. Budget Bill Language to develop a plan to specify that as leases expire, Board members will be relocated into one state-owned space. Additional language requiring DOF approval of new, expanded, or relocated BOE offices statewide."

Attachment 1

Attachment 1 - District and Branch Office Data

Equalization District	Office	Branch/Satellite	Current SQ Feet	CURRENT MONTHLY RENT	Number of Taxpayer Accounts Dec 2015	FY 2015-16 YTD				FY 2014-15				FY 2013-14				FY 2012-13				FY 2011-12				FY 2010-11			
						Total Personnel Years (PYs)	Audit PYs	Revenue PYs Vacancy Rate for District	Office Visitors *	Total Personnel Years (PYs)	Audit PYs	Revenue PYs Vacancy Rate for District	Office Visitors	Total Personnel Years (PYs)	Audit PYs	Revenue PYs Vacancy Rate for District	Office Visitors	Total Personnel Years (PYs)	Audit PYs	Revenue PYs Vacancy Rate for District	Office Visitors	Total Personnel Years (PYs)	Audit PYs	Revenue PYs Vacancy Rate for District	Office Visitors	Total Personnel Years (PYs)	Audit PYs	Revenue PYs Vacancy Rate for District	Office Visitors
1	Fresno		13,418	41,529	32,584	66.8	20	11.8%	4,476	74.8	20	7.1%	6,475	60.8	19	21.0%	7,388	64.8	15	18.8%	7,528	64.8	17	12.534	42.8	15	11.516		
	Bakersfield	Branch	8,182	23,646	14,797	24	8		5,202	25	9		8,138	19	8		9,293	19	8		3,712	19	5	6,480	20	5	6,017		
	Sacramento		22,384	44,871	66,628	124.7	36.5	7.9%	6,882	133.9	34.5	9.0%	10,006	128.7	33.5	12.4%	10,804	144.7	28	17.7%	11,262	122.3	33	6.2%	18,305	141.3	35	12.5%	20,446
	Redding	Branch	4,556	7,934	19,038	23	6		2,050	24	6		2,714	20	3	8.6%	2,884	20	3		2,945	20	8	3,690	21	6	6,303		
	Santa Clarita		22,005	61,834	24,263	50	13	7.5%	2,988	52	11	7.1%	4,138	0	0		825												
	Rancho Cucamonga		14,015	32,270	26,145	65	10	20.4%	1,027	2	0		-																
	Subtotal		84,560	212,084	183,455	353.5	93.5	11.1%	22,625	311.7	80.5	8.1%	31,471	228.5	63.5	14.6%	31,194	248.5	54	18.1%	25,447	226.1	63	6.2%	41,009	225.1	61	12.5%	44,282
2	San Francisco		21,466	101,775	43,862	86	39.5	18.5%	1,676	86	38	12.7%	2,809	92.5	37.5	8.3%	3,768	92.5	39.5	10.0%	4,137	93	40.5	1.3%	7,580	94	42	2.6%	8,274
	Oakland		20,148	96,233	56,866	113	45	11.6%	3,400	116	41	6.3%	5,846	118.5	44.5	5.1%	6,282	124.5	42.5	15.7%	6,228	122	45.5	1.9%	10,965	120	44	11.8%	12,948
	San Jose		20,966	39,363	61,798	120	47	8.9%	5,055	126	55	4.7%	7,522	147	59	5.3%	8,749	152	63	6.4%	9,411	153	64	4.9%	13,215	150	65	5.4%	13,355
	Salinas	Branch	8,266	16,863	19,074	23	9		1,648	24	10		3,438	16	4		2,818	16	4		2,540	16	4		4,284	21	7	4,812	
	Santa Rosa		12,143	22,798	36,749	55	16	11.1%	2,069	56	16	9.4%	3,185	48	16	6.8%	4,052	52	12	10.2%	4,378	49	13	9.6%	6,323	49	11	5.9%	6,687
	Fairfield	Branch	6,190	15,139	17,542	24	11		1,589	22	10		1,304	13	9		1,136	13	5		740	13	4		2,174	12	4	2,422	
	Subtotal		89,179	292,171	235,891	421	167.5	11.9%	15,437	430	170	7.5%	24,104	435	170	6.1%	26,805	450	166	10.2%	26,694	446	171	4.0%	44,541	446	173	6.6%	48,498
3	Norwalk		28,836	70,209	54,778	118.5	40	12.9%	15,004	122.5	41	3.9%	22,905	125.5	40.5	2.0%	25,188	129	43	9.5%	28,462	126	43	2.8%	38,675	125	42	7.5%	39,007
	Glendale		32,833	87,685	53,897	109.9	42.5	16.9%	7,131	108.9	42.5	11.0%	10,929	108.9	41	21.8%	14,345	116.9	41	10.9%	17,846	112.9	45	7.2%	25,894	111.9	44	2.1%	26,935
	West Covina		19,257	46,692	54,112	81.5	27.5	14.4%	12,183	83.5	29.5	7.2%	17,873	79.5	30.5	4.3%	15,692	80.5	30.5	8.8%	16,208	81	29.5	3.0%	22,092	80	30.5	3.0%	22,877
	Ventura		12,978	24,015	26,896	56.5	18	10.6%	2,541	62.5	19	7.8%	3,095	55.5	22	11.3%	3,187	60.5	18	11.4%	3,475	53.5	18	1.5%	5,591	52.5	14	6.6%	5,608
	Culver City		32,000	92,576	64,216	111	50	6.3%	7,076	120	51	4.9%	10,594	131	52	5.8%	19,237	136.5	52.5	2.6%	13,801	136.5	53.5	5.9%	23,543	134.5	50.5	5.2%	23,739
	Subtotal		125,904	321,177	253,899	477.4	178	12.3%	43,935	497.4	183	6.7%	65,396	500.4	186	8.8%	77,649	523.4	185	8.0%	79,792	509.9	189	4.4%	115,795	503.9	181	4.9%	118,166
4	Irvine		36,774	73,692	87,776	166	71.8	15.0%	9,396	167.8	71.8	9.2%	11,746	176	73	10.3%	15,464	191	73	10.7%	18,455	188	82	8.6%	23,964	188.5	82.5	12.3%	24,710
	Riverside		29,339	168,238	46,304	123.8	38.8	10.4%	8,450	133.8	42.8	5.5%	13,143	137.8	43.8	4.7%	14,601	143.8	49	8.3%	15,701	140.8	47.8	6.0%	21,446	137.3	45.8	6.9%	21,308
	Rancho Mirage	Branch	3,147	9,901	10,753	15	7		1,464	15	7		2,263	13	6		2,368	13	6		2,418	13	5		3,313	13	5	3,913	
	San Diego		25,728	78,786	79,731	121.05	36	10.7%	5,896	128.05	37	6.4%	9,404	126.05	41.5	13.4%	10,829	132.05	43.5	8.4%	11,028	133.05	44.5	5.2%	20,015	98.05	32.5	12.3%	13,349
	San Marcos	Branch																											
	Subtotal		94,988	330,617	224,564	425.85	153.6	12.3%	25,206	444.65	158.6	7.2%	27,152	452.85	164.3	9.3%	43,262	479.85	171.5	9.2%	47,600	474.85	179.3	6.8%	68,738	470.85	177.8	10.6%	71,444
O/S	Out of State Sacramento		10,690	21,428	15,277	66.5	25	15.0%	-	66.5	24	7.6%	-	62.5	23	2.0%	-	65.5	22	15.8%	-	63.5	23	5.9%	-	65.5	24	12.7%	-
	Chicago	Area Office	15,525	57,587	20,135	84	68	2.9%	-	84	68	0.0%	-	88	68	8.6%	-	90	72	2.7%	-	95	74	6.4%	-	95	79	7.4%	-
	New York	Area Office	8,224	69,890	15,735	85.9	67	5.7%	-	89.9	71	2.7%	-	91.9	72	0.0%	-	94.9	73	0.0%	-	94.9	76	1.3%	-	94.9	76	7.6%	-
	Houston	Area Office	7,050	23,510	5,478	28	23	13.0%	-	25	20	0.0%	-	16	16	0.0%	-	21	17	23.1%	-	18	18	5.6%	-	18	15	0.0%	-
	Subtotal		172,415	56,625	264.4	183	7.8%	-	264.4	183	2.8%	-	258.4	179	3.3%	-	271.4	184	6.0%	-	271.4	191	4.4%	-	273.4	194	7.1%	-	
SUBTOTAL			1,328,464	954,434	1942.15	775.6	11.6%	107,203	1948.15	775.1	6.6%	148,123	1875.15	762.8	8.4%	178,910	1973.15	760.5	9.0%	179,533	1928.25	793.3	5.0%	270,083	1919.25	786.8	7.8%	282,390	

Additional Office Space-These locations have no to minimal foot traffic. The Santa Ana office is no longer occupied by BOE staff, yet BOE is required to continuing paying for the space until a new tenant is found.

	Stockton	3,860	7,247
	El Segundo	4,378	12,894
	El Centro	1,081	1,730
	Santa Ana	18,505	34,743
SUBTOTAL			56,613

TOTAL			1,385,078
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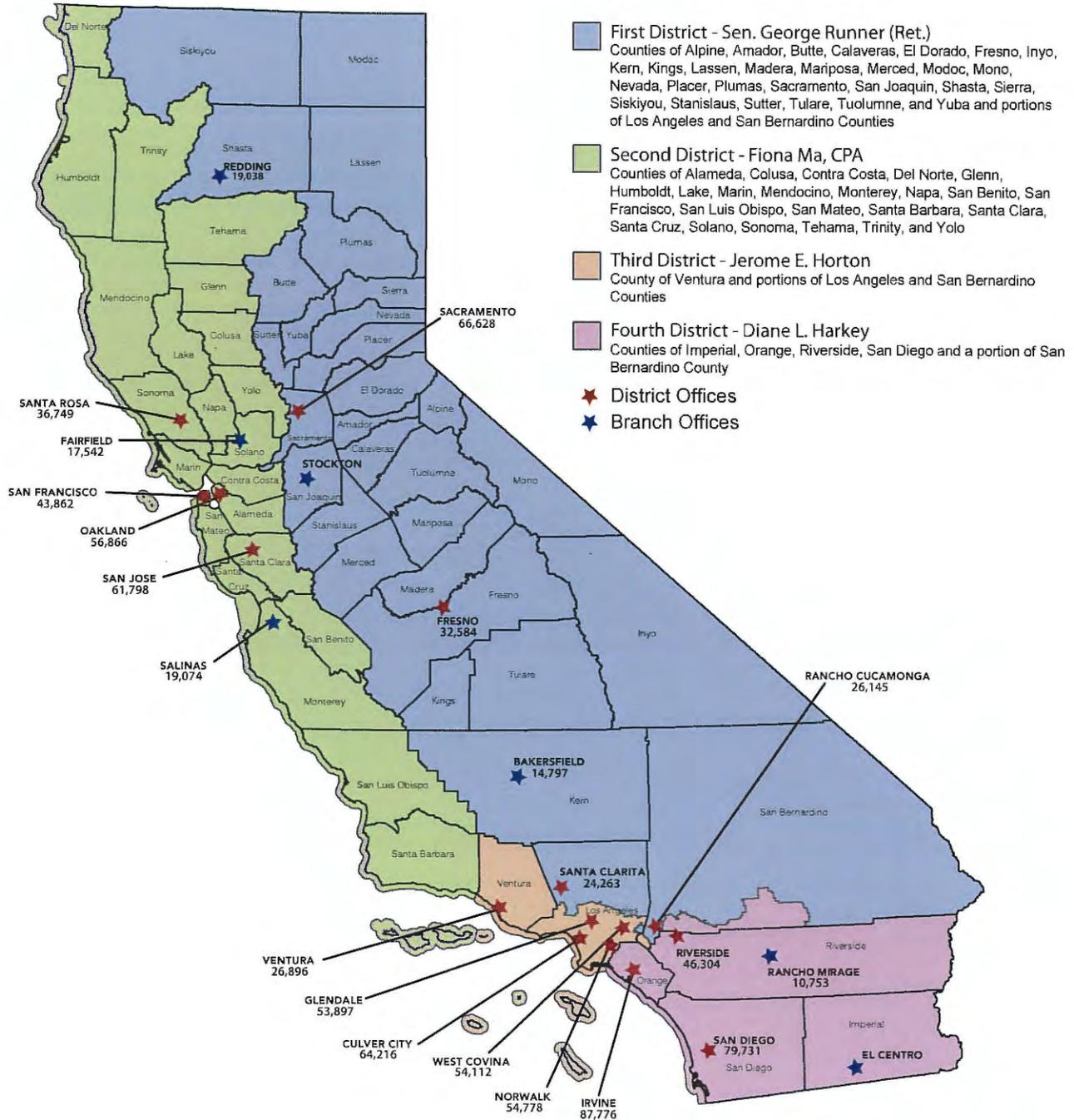
State owned facilities are highlighted in yellow.

* Through March 31st, 2016

California Board of Equalization

Equalization Districts & Offices 2016

Equalization Districts



[Return to Table of Contents](#)

LEASING OF SPACE 5200

AUTHORITY 5201

Statutes governing the responsibilities of the Department of General Services (DGS) and the Board of Equalization (BOE), concerning leasing of facilities, may be found in Government Code Sections 11005.3, 13070, 14677 and 15621, State Administrative Manual (SAM) Sections 1400–1448, and Management Memo 93-25.

RESPONSIBILITY 5202

The Deputy Director of each BOE Department is responsible for approval of the space request of that Department.

The fiscal responsibility for the BOE's leasing program is vested in the Deputy Director, Administration.

The Manager, Business Services Section, will coordinate all aspects of the leasing process with all affected parties. This, generally, includes the Board Members, Executive Director, Deputy Directors, Chief of Field Operations, District and Branch Office Administrators, Property Taxes Administrators and the Office of Real Estate and Design Services (OREDS). The Business Services Section is also responsible for preparing a variety of management reports, needs assessments, and cost projections.

For space action related activities in special facility design/consolidation project areas, the responsibilities for coordination of all the above outlined project aspects lie solely with the Manager, Facilities Consolidation and Planning Office.

POLICY OF THE BOARD OF EQUALIZATION 5209

The policy and practice of the BOE is to conform to State policy and guidelines regarding the acquisition of leased office space (SAM Sections 1400–1448).

POLICIES OF THE DEPARTMENT OF GENERAL SERVICES 5210

The BOE's leasing procedures must conform to certain policies and procedures established by the DGS. All BOE leases are prepared in the name of the "Director of the Department of General Services" for execution by that department. DGS has approval/disapproval authority.

The OREDS, Department of General Services, is the State's full service real estate organization which offers real estate and design expertise to provide well-planned, economical, good quality, environmentally suitable quarters to effectively house a client agency. (SAM Sections 1400–1448). OREDS is responsible for evaluating the agency's review of sites and making a final determination on which sites will be considered.

OREDS is available to consult with agencies with regard to:

- search area justification
- appropriate size and definition of search area
- market conditions in terms of price and availability of space

STATE BOARD OF EQUALIZATION ADMINISTRATIVE MANUAL
PART IV — GENERAL SERVICES

Return to Table of Contents

POLICIES OF THE DEPARTMENT OF GENERAL SERVICES (cont. 1)

5210

The Office of Building and Grounds (OBG), Department of General Services, is responsible for operation and maintenance of all state-owned buildings. Any change in space assignment or alterations to state-owned buildings must be coordinated through the OBG. OBG is available to consult with agencies with regard to:

- availability of state-owned space
- alterations to state-owned space

EVALUATING EXISTING LEASES

5215

At the expiration of the firm term of an existing lease, the Manager, Business Services Section, will request an evaluation of the existing space based on current workload, staffing requirements, and other needs of the program and office from the appropriate Deputy Director's office. BOE offices in state-owned space will be evaluated periodically. Projections of an office's future needs by a Deputy Director and/or designee will help determine whether the current space's lease should be renewed or if different space should be requested for the office. Factors to be included in the evaluation include cost, code compliance, etc.

1. Determination that current office space is satisfactory and that current square footage is sufficient.

The Business Services Section will prepare a Space Action Request, Form STD.9, (see Exhibit A) to renew the existing lease at current location with no expansion. This type of project may require some alterations, repairs and/or upgrading to bring the space in line with current BOE needs and statutory requirements.

2. Determination that current space is satisfactory but additional square footage is needed

The Business Services Section will prepare a Space Action Request, Form STD.9, to renew the existing lease at current location but to expand the square footage (if space is available). This type of project may require alterations, repairs and/or upgrading to bring the space in line with current BOE needs and statutory requirements.

3. Determination that different space is needed

The Business Services Section will prepare a Space Action Request, Form STD.9, requesting relocation of the office. The Form STD. 9 is also used to process any other request for real estate services from the DGS, OREDS (leased facilities) or OBG (state-owned buildings).

SPACE ACTION REQUEST, FORM STD.9

5216

Requests for work to be performed by the DGS, OREDS, or OBG must be submitted on a Space Action Request, Form STD.9. The Business Services Section is responsible for preparing the form, obtaining the appropriate clearances, approval signatures and for submitting the form to the OREDS.

A Form, STD. 9 is prepared for lease renewals, new or additional office space, warehouse space, modular workstations and/or acoustical screen systems. Each Space Action Request must include

**STATE BOARD OF EQUALIZATION ADMINISTRATIVE MANUAL
PART IV — GENERAL SERVICES**

Return to Table of Contents

SPACE ACTION REQUEST, FORM STD.9 (cont. 1)

5216

justification and the information needed to assess staffing and equipment space requirements in conjunction with office functions performed. Information regarding staffing exceeding 10 employees, and any special requirements are submitted on a Space Planning Data Sheet, OREDS Form 4083 (See Exhibit B), as an attachment to the Form STD.9. BOE program staff provide input for the OREDS Form 4083.

The Deputy Director, Administration, is responsible for allocating funds for office space projects. If funding is available, the Deputy Director has the funds encumbered and approves the Form STD.9.

The OREDS receives the Space Action Request Form and processes it through their administrative system, evaluating the request, issuing an Assignment Letter and project number, and specifying the Planner and Real Estate Officer assigned to the project, as well as the estimated hours of the OREDS time that will be charged to the BOE.

All space action request will be reviewed critically by OREDS with regard to location, space requirements and future growth assumptions, associated costs, and compliance with Federal and State laws, statutes, and codes.

Acceptance of the Space Action Request by the OREDS DOES NOT constitute their final approval of the requested action. The OREDS provides general estimates of elapsed time required to complete projects: 1) a lease renewal, no expansion, approximately four to six months; 2) a lease renewal with expansion and alterations, approximately 10 to 12 months; and 3) a relocation, approximately 12 to 18 months.

A Form STD. 9 will require Department of Finance (DOF) approval if any one of the following conditions exists:

1. Rental costs (excluding one time costs) as determined by OREDS are estimated to exceed \$300,000 in any year of the "firm" term of a lease. Lease renewals are exempt unless a 10 percent or greater space increase or budget augmentation is required. For purposes of cost estimation, OREDS will estimate rental costs given the level of completeness of space programming information available.
2. The requesting agency will require a budget augmentation for any year within the firm term of the proposed lease. (In this respect, one time costs including moving, equipment, furniture, telephones and data processing related costs, etc., must be considered.
3. Additional review and approval of DOF prior to execution of the lease will be required if "costs" will exceed the level established initially by OREDS.

For all space actions that require DOF approval, the BOE will also prepare an OREDS 10, Estimate of Occupancy Costs, to submit with the STD. 9.

LEASE NEGOTIATION - OREDS

5217

The DGS, OREDS will be the sole contact with a potential lessor or agent. An OREDS Real Estate Officer performs all negotiations and related work required for lease transactions. Any contact by BOE employees with building owners or brokers is not in the best interest of the State and could jeopardize the negotiation process. Contacts by building owners, brokers, and agent should be referred to OREDS.

**STATE BOARD OF EQUALIZATION ADMINISTRATIVE MANUAL
PART IV — GENERAL SERVICES**

Return to Table of Contents

SITE SEARCH AREA

5218

The BOE is responsible for establishing the geographic site search area. The OREDS recommends that agencies define a geographical area large enough to allow for competitive bidding in the market place while serving the program needs of the agency.

Identification of a site search area for a state office includes the following requirements:

- Acceptable geographic boundaries for a site search area must be large enough to maximize competition between possible sites. OREDS will reject a site search area that has too few buildings from which to make a selection. OREDS generally will accept a minimum of three to five buildings.
- The site search area boundaries must be outlined on a map of the geographic area with recognizable streets, freeways, highways, and/or roads. The direction (South, North, East, and West) must be clearly indicated. A narrative description should also be included.

The site search area must be contiguous.

Advertisement and bidding for office space is the responsibility of OREDS. The general requirements are:

- Mandatory advertising is required for any facility with a projected estimated rent of \$2,000 or more per month.
- Mandatory advertising and public bid is required for any facility with a projected estimated rent of \$25,000 or more per month.

The ad will be placed in local newspapers and the State Contracts Register. A courtesy copy is sent to the agency.

The OREDS Real Estate Officer and the Space Planner assigned to the BOE's projects canvass the identified geographical site search area and select those buildings for inspection that meet the BOE's identified needs. BOE staff from the office to be relocated and a representative from the Business Services Section will accompany the OREDS staff when inspecting available buildings and/or sites.

Upon completion of the site search process, the Business Services Section staff confers with the appropriate BOE staff and obtains agreement upon the sites that will meet the BOE's needs. A list of all acceptable sites reviewed is prepared in priority order and submitted to the OREDS along with reasons, required justifications and supporting documentation.

BOE FIELD OFFICE SELECTION CRITERIA

5218.1

BOE criteria for selection of BOE field offices include the following:

1. Office space should have sufficient square footage to accommodate the size of the "program" as submitted by BOE on OREDS Form 4083 (see Section 5216). SAM and BOE space allocation standards and special requirements are used in establishing the program size.
2. Office space is to conform to BOE program needs, standards, and funding capability.
3. Office space is to have good street visibility with easy access.

**STATE BOARD OF EQUALIZATION ADMINISTRATIVE MANUAL
PART IV — GENERAL SERVICES**

Return to Table of Contents

BOE FIELD OFFICE SELECTION CRITERIA (cont.)

5218.1

4. Office space should be located on the second floor or higher to enhance the security of the BOE office. This policy is specified in the BOE Security Requirements.
5. Office space should be geographically located to maximize service to the taxpayers that it is designed to serve.
6. Office space should be located in a business district (retail and/or warehouse space is not appropriate).
7. Office space should be located convenient to banking institutions.
8. Office space should be located convenient to a United States Postal Service facility.
9. Parking for State automobiles and public parking should be available (including handicapped parking).
10. Office space should be located near public transportation.
11. If more than one Board Office is located in a geographic area, they should be located in the same facility, if it is physically possible.

LEASE NEGOTIATIONS

5219

Lease negotiations will be conducted by the OREDS after: 1) a site is agreed upon, and 2) a satisfactory floor plan is prepared, reviewed and approved by the program unit and the Business Services Section. An OREDS Leasing Officer is responsible for all negotiations and proceeds with the negotiating process with the prospective lessor and/or their agent.

The BOE, through its Manager, Business Services Section, will maintain liaison with the Leasing Officer and affected BOE staff during the negotiation period. Managers are apprised of the progress and successes/problems during the lease negotiations.

Upon completion of negotiations, the OREDS prepares the Lease Negotiation Summary Report, Form 6, describing the steps taken, proposals received and proposals recommended by the OREDS for acceptance. The original and one copy of the Form 6 are transmitted to the BOE for review. The Manager, Business Services Section, verifies and evaluates the terms indicated on the Form 6, reconciles any problems and makes a recommendation to the Budget Officer and the Deputy Director, Administration, for their approval. The Budget Officer verifies proper funding and the Deputy Director, Administration, is the BOE's authorized agent to sign the Form 6. An approved copy of the Form 6 is returned to the OREDS which authorizes them to complete the lease.

Upon receipt of the approved Form 6 by the OREDS, the Leasing Officer will prepare a lease agreement, obtaining the Lessor's signature and the signature of the agent of the Director, DGS. The OREDS then transmits one copy of the fully executed lease agreement to the BOE. The Business Services Section prepares a Lease Data Sheet and distributes copies of the lease agreement along with the Lease Data Sheet to the appropriate BOE staff.

STATE BOARD OF EQUALIZATION ADMINISTRATIVE MANUAL
PART IV — GENERAL SERVICES

Return to Table of Contents

TERMS AND CONDITIONS OF LEASE **5220**

In general, the OREDS attempts to negotiate a lease with either no firm term or the shortest firm term that is negotiable to maintain the greatest flexibility to the State. State leases also generally include a clause that provides the State with the right to cancel at any time with proper notification, after the firm term of the lease has expired. Long term leases may be allowed to specialty projects, or in geographic areas where appropriate space is scarce. Major alterations will normally require a five-year amortization period and build-to-suit type projects will require a ten-year amortization period.

STANDARD FORM FOR LEASES **5221**

All leases for BOE occupancy will be prepared on a Standard Form for Leases, OREDS Form 1, and Lease Addendum, OREDS Form 1A, if applicable.

ASSISTANCE WITH LEASE MANAGEMENT/FACILITY PROBLEMS **5225**

If a unit encounters difficulties in getting service in a leased facility; i.e., poor maintenance, temperature problems, poor janitorial service, etc., the following steps should be taken:

1. The designated building coordinator in the leased facility should contact the lessor and/or property management for that facility and apprise them of the problem.
2. If the lessor is not available, or if the problem is not satisfactorily resolved after an initial contact, call the Manager, Business Services Section, for assistance. The Business Services Section will assist the designated building coordinator in obtaining service. An incident log of facility problems should be kept by the coordinator to provide documentation of problems. This log is often vital in expediting the resolution of facility problems.
3. If the lessor/property management is unresponsive, the Manager, Business Services Section, will inform the OREDS to have the situation corrected. The DGS is the only State agency authorized to: a) withhold rent, b) threaten to withhold rent, or c) make repairs at lessor's expense.

Memorandum

Attachment 4

To : Honorable John Chiang, Chair
Honorable Claude Parrish, Vice Chairman
Ms. Betty T. Yee, Acting Member First District
Honorable Bill Leonard, Member Second District
Honorable Steve Westly, State Controller

Date: April 3, 2006

From : Mr. Ramon J. Hirsig
Executive Director



Subject : **Report on Field Office Consolidations**

Provision 2 of Item 0860-001-0001 (Budget Act of 2005) requires the Board to provide a report on Field Office Consolidations to the Chair of the Fiscal Committee in each house of the Legislature and the Chair of the Joint Legislative Budget Committee. The report will be provided on April 3, 2006. A courtesy copy of the report is attached for your information.

Please let me know if you have any questions or concerns.

RJH:als

Attachment: Report on Field Office Consolidations

cc: Ms. Kristine Cazadd (MIC 82)
Mr. David J. Gau (MIC 63)
Ms. Randie L. Henry (MIC 43)
Ms. Karen Johnson (MIC 69)
Ms. Margaret S. Shedd (MIC 66)
Mr. Jeffrey L. McGuire (MIC 92)



California State
BOARD OF EQUALIZATION

Report Requirement from the Budget Act of 2005

FIELD OFFICE CONSOLIDATIONS

April 2006

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

REPORT REQUIREMENTS

Provision 2 of Item 0860-001-0001 of the Budget Act of 2005 requires that the Board of Equalization (BOE) provide the following information on its field offices:

- Actual closure or consolidation information for Torrance, Stockton, Eureka and New York Offices.
- Comprehensive description of the decision criteria used to close or consolidate those field offices.
- Estimated impact on all BOE-collected tax revenues from field office consolidations or closures.
- Procedures for ongoing evaluation of field office performance and potential for consolidation and closures.
- Department's strategic plan for district office facilities as it relates to growth in electronic filing and processing.

BACKGROUND

This report provides background information on field office operations as a frame of reference for addressing the specific information requested above.

Field offices perform a variety of registration, collection, and audit functions that require field visits to taxpayer business locations, as well as taxpayer visits to BOE field offices. Approximately 450,000 taxpayers took advantage of services offered in BOE field offices during the fiscal year ending June 30, 2005. These field offices offer a substantial cost-benefit to the State by reduced staff travel related to audit and compliance functions (i.e., revenue) and provide greater services required by taxpayers.

The BOE performs four core functions to administer the sales and use tax program as indicated in its annual budget. These functions include registration, return processing, collection, and audit. As part of these core functions, the BOE performs customer service such as taxpayer education and outreach, telephone and written tax advice, return preparation assistance, etc. Of the four core functions, three (registration, collection and audit) are performed almost exclusively through 24 in-state and four out-of-state field offices of the Sales and Use Tax Department (SUTD). As of July 31, 2005, the field offices are comprised of 58 percent audit staff, 27 percent collection staff and 15 percent registration and customer service staff. In addition to SUTD staff, some of these offices also house staff that administers other BOE tax and fee programs (e.g., Investigations, Property Tax and Fuels).

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

The BOE has been very proactive in implementing new technologies and business processes. We have employed the use of e-filing, a toll free number and teleworking technologies. We have increased operational efficiencies where feasible by centralizing specific functions. For example, in February 2006, we relocated 14 Bankruptcy Specialists positions from various district offices to our headquarters office to ensure consistency in applying the new bankruptcy laws and to take advantage of the availability of electronically filed bankruptcy information. Additionally, we have centralized several collection functions and established a toll-free information center in Sacramento. The BOE continues to focus on streamlining and maintaining maximum operational efficiencies.

Frequently, the BOE is compared to the Franchise Tax Board (FTB) with respect to field office operations. However, there are important differences between the two agencies' taxpayer bases.

- | <u>BOE</u> | <u>FTB</u> |
|--|-------------------|
| • One-time registration with on-going account maintenance | • No registration |
| • Required notification when no longer operating business or change of ownership | • Not required |
| • Monthly, quarterly and annual filings | • Annual Filing |

The FTB requires individual taxpayers to file returns annually; however they are not required to register. Certain types of business entities (corporations, LLCs, partnerships, etc.) register with Secretary of State (SOS) who in turn provides that information to the FTB. Individuals and businesses are only required to file with the FTB once per year, and SOS registration only occurs one time and remains in the system until they leave California.

Unlike the FTB, taxpayers must register directly with the BOE before they can legally operate in this state to sell tangible personal property. The BOE offers mail-in registration; however due to the diversity and time constraints of business owners in California, many small businesses still prefer to register in person at a BOE field office. Approximately 300,000 accounts open or close per year and require registration, close out maintenance, education and/or general tax assistance.

FUNCTIONS OF BOE FIELD OFFICES

Field offices both statewide and out-of-state serve a variety of functions. Their presence is to ensure businesses register, file, and remit the taxes established by the Legislature. These offices also help foster a positive business climate in California and increase voluntary compliance.

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

Registration and Taxpayer Services

Field offices provide convenient and cost-effective account registration and maintenance, cashiering, return preparation assistance, and the handling of exemption requests along with providing general taxpayer assistance. For example, some BOE taxpayers operate businesses dealing in cash and prefer to pay their taxes due in cash. The field cashiering function received, processed and locally deposited over \$600 million for the sales and use tax program and another \$9 million for other BOE programs (e.g., excise taxes and fees) for the fiscal year ending June 30, 2004.

The BOE has centralized many of its taxpayer services; however, smaller retailers still benefit greatly from the hands-on assistance provided by the field offices in completing various BOE forms such as registration, applications or tax returns. Of the approximate 900,000 California businesses registered with the BOE during fiscal year ending June 30, 2005, approximately 121,000 closed and another 175,000 new business opened resulting in 296,000 registration and close out transactions in conjunction with other account maintenance, education and/or general tax assistance. Although the BOE has also centralized the function of responding to both verbal and written tax application questions, it is not uncommon for local businesses to go into their district office with applicable paperwork seeking immediate assistance.

Field office compliance and audit staff also provide local businesses with sales and use tax education by speaking at local events, attending local Small Business Fairs, and providing on-site Basic Sales and Use Tax Classes and Sales and Use Tax Return Preparation Classes.

Audit Program

The SUTD maintains an active audit program to ensure that taxpayers comply with the tax laws while paying no more and no less than required by law. The SUTD conducts two types of audits: desk audits and field audits. The desk audit, which is performed centrally from Sacramento, involves the questioning and billing of specific tax return errors including calculation, deduction and payment errors on individual returns. Field audits include a complete audit/review of a taxpayer's business records generally over a three-year period to verify total sales reported, appropriateness of deductions claimed, and the allocation of local taxes and use taxes due. To perform these audits, staff must travel to the business location or the location of the books and records (both in state and out-of-state). In addition, district audit staff investigates tax complaints and leads received for businesses located in their area.

Audit staff located in the BOE field offices are responsible for auditing selected eligible accounts within their jurisdiction. District audit staff provides the SUTD headquarters with the local knowledge of businesses and tax issues occurring in their area. The audit program assists in assessing and refunding taxes paid by businesses based on the audit findings. The program also provides taxpayer education so that proper reporting of taxes will occur on future returns. Field offices help the BOE to minimize travel time and travel costs while maximizing audit field time

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

for generating revenue, which improves the efficiency of the audit program. A centralized audit staff would be less efficient.

Collection Program

The SUTD maximizes revenues due to the state through an active collection program that ensures amounts due under the revenue and taxation laws administered by the BOE are pursued. While a majority of the standard collection procedures are performed from the field offices, collection also requires field visits to certain businesses. A visit to a business location generally helps determine the most cost effective and least intrusive collection tool (e.g., installation of a keeper, a one time till tap, a seize and sell, etc.). While the BOE has centralized a portion of its collection activities, the more sensitive collection cases frequently require face-to-face meetings in a field office or at the taxpayer's business. In addition to field collection activities, staff also performs other compliance activities while in the field such as ensuring taxpayers are properly registered (i.e., investigating complaints) and remitting taxes due.

Other Departments Located in Field Offices

The BOE also has 46 Investigation Division staff located in eight field offices conducting Cigarette and Tobacco license inspections and criminal investigations of all business tax programs under the BOE's authority. The BOE also has nine Property Appraisers located in a field office.

ACTUAL CLOSURE OR CONSOLIDATION INFORMATION FOR TORRANCE, STOCKTON, EUREKA AND NEW YORK OFFICES

The following details the estimated one-time cost savings, the estimated annual cost savings, the revenue generated and the number of employees relocated for affected offices.

District Office	Date Closed	Estimated One Time Costs	Estimated Annual Cost Savings		Revenue Generated FYE 6/30/04	Employees Relocated to Other Offices
			FYE 6/30/05	FYE 6/30/06		
Torrance	9/14/04	\$74,000	\$411,500	\$611,225	\$26.3M	75
Eureka	7/15/05	\$2,349	\$0	\$32,717	\$9.1M	0
Stockton	⁽¹⁾	\$9,701	\$0	\$0	\$14.3M	3
New York	⁽²⁾	\$2.4M	n/a	n/a	\$102.9M	77 ⁽³⁾

(1) Stockton is a state-owned facility. Until the space is filled with another tenant, BOE is required to pay monthly rent of \$7,218. A potential cost savings if DGS is able to sublease to a tenant would be \$96,218 (\$86,618 yearly rent and \$9,600 in telecommunications).

(2) A reduction of space considered. Building is in a fixed lease with a landlord not willing to allow a space reduction or sublease.

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

(3) 77 employees would be affected.

See Exhibit I for more details on the costs associated with these affected offices.

COMPREHENSIVE DESCRIPTION OF THE DECISION CRITERIA USED TO CLOSE OR CONSOLIDATE THOSE FIELD OFFICES

The BOE considers a number of criteria when determining whether to close, consolidate or reduce space in field offices. Below is BOE's evaluation criteria considered before a decision is rendered.

- Expiring leases
- Potential cost/benefit of closure, consolidation or space reduction
- New permit registration and demographic growth
- Proximity of alternate offices to provide services
- Impact on revenue, customer service and recruitment
- Cost of relocating existing staff

Final approval of any office closure or consolidation rests with the Board. For additional details, see *Procedures for Ongoing Evaluation of Field Office Performance and Potential for Consolidation and Closures* below.

ESTIMATED IMPACT ON ALL BOE-COLLECTED TAX REVENUES FROM FIELD OFFICE CONSOLIDATIONS OR CLOSURES

The BOE believes that previous field office consolidations and closures have led to substantial efficiencies while causing a minimal detrimental effect on the taxpayer through reduced or less convenient taxpayer services. No staff reductions have occurred as a result of office consolidations or closures. Therefore, there has been no negative impact on revenue based on previous office consolidations and resulting closures. Future office consolidations or closures may have a negative affect on revenue, taxpayer services or staff recruitment and retention. Accordingly, a thorough evaluation is required before a change is recommended to the Board.

PROCEDURES FOR ONGOING EVALUATION OF FIELD OFFICE PERFORMANCE AND POTENTIAL FOR CONSOLIDATION AND CLOSURES

The BOE has a well established agency process that evaluates a number of critical operational factors when considering an office consolidations or closure.

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

Step 1 - When a facility lease is within 18 months of expiration, BOE's Facilities Management Division (FMD) notifies SUTD and the affected Board Member of the lease expiration date. FMD identifies the lease term, renewal costs and type of facility in which the office is located. If the facility is state-owned, the lease is permanent unless a replacement tenant can be located. Currently, seven district offices are located in state-owned facilities. Please refer to Exhibit II which provides facility information for each of the field offices.

Step 2 - The SUTD then considers the cost-benefit, demographics and the business process criteria in evaluating the potential for closure, consolidation or expansion of a field office.

Cost-benefit:

- Revenue generated by the office.
- Cost to relocate staff.
- Cost for alternative facility to house staff. Presently, BOE does not have excess capacity in its field offices or in headquarters to accommodate additional staff. As a result, any relocation of staff would require expansion of existing facilities or opening of new facilities.
- Potential decrease in audit and collection revenue due to increased travel time.
- Increased travel costs for audit and collection activities.

Demographic criteria:

- High or low growth area.
- Dense metropolitan or rural area.
- Geographic proximity to other district offices (absolute distance and travel time).
- Number, size and type of taxpayers under the jurisdiction of the office.
- Frequency and volume of taxpayer usage of the office.

Business criteria:

- Whether the facility houses multiple BOE programs.
- Changes in business processes that impact functions performed in the field office (e.g., centralized call center, expansion of Internet services, etc.).
- Operating budget impacts (cuts or expansion in staffing levels, etc.).
- Impact of prior office closures.
- Equalization District impact.

Step 3 – All final decisions on the consolidation or expansion of field offices are made with the authorization, consultation and approval of the elected Board Members.

**State Board of Equalization
 Report to the Chair of the Joint Legislative Budget Committee
 Field Office Consolidations Report
 Sales and Use Tax Program**

DEPARTMENT'S STRATEGIC PLAN FOR DISTRICT OFFICE FACILITIES AS IT RELATES TO GROWTH IN ELECTRONIC FILING AND PROCESSING

As indicated above, the BOE's current process for evaluating field office expansion, consolidation or closure includes the impact of changes in business processes. The BOE is in the process of implementing and developing its E-Services plan which includes additional e-filing services and other future internet-based services.

The BOE implemented the first portion of its free e-filing for single location taxpayers (now available to approximately 700,000 permit holders) on September 26, 2005. The e-filing portion of BOE's E-Services Plan was implemented using internal resources to increase customer service and BOE efficiency with minimal revenue impact at this phase in the plan. For calendar year 2005, the number of single-entity electronic filers subdivided by the closest field office is listed below.

Office	District Code	Number of e-filers
Norwalk	AA	374
Torrance	AB	101
Van Nuys	AC	545
West Covina	AP	496
Ventura	AR	535
Culver City	AS	715
San Francisco	BH	651
Oakland	CH	786
Santa Ana	EA	1,209
Riverside	EH	1,107
San Diego	FH	1,113
San Jose	GH	999
Santa Rosa	JH	551
Sacramento	KH	1,257
Out-of-State	OH	140
Total		10,579

The BOE currently plans to expand e-filing to all other Sales and Use Tax and Special Tax accounts by the year 2008 using internal resources. It is important to note that while e-filing will potentially impact BOE's return processing function, this function is performed solely in headquarters. As such, implementation and expansion of e-filing is anticipated to have a less direct impact on field office operations. The BOE will continue to monitor any potential affect on district offices by:

- Tracking e-filers by closest district office and

**State Board of Equalization
Report to the Chair of the Joint Legislative Budget Committee
Field Office Consolidations Report
Sales and Use Tax Program**

- Monitoring taxpayer usage of field offices pre and post e-filing implementation

District offices may be more directly affected by future e-service phases that will most likely allow taxpayers to perform the following internet-based services (beyond e-filing) on the internet: registration, the filing of petitions and claims for refund, checking the status of account balances and performing account maintenance. The BOE is currently refining its vision for future phases of e-services along with associated costs and revenue benefits. Implementation of these functions is projected for 2008 and beyond. The BOE's plan to assess the field office impact will include:

- The current district office evaluation process
- Identifying potential workload impacts
- Tracking taxpayers usage of new electronic services, and
- Adjusting and retraining staff

Overall, BOE follows a sound, prudent process in evaluating field office operations as it relates to consolidations, closures, and expansions.

CLOSURE OR CONSOLIDATION INFORMATION

	TORRANCE	EUREKA	STOCKTON	NEW YORK
ESTIMATED ONE-TIME COSTS				
Lease buy out:	\$ -	\$ -	N/A	\$ 2,351,186.76
Telecommunications:	\$ 4,000.00	\$ -	\$ -	
Movers: (equipment & files):	\$ 18,500.00	\$ 1,067.56	\$ 2,200.00	
Disassemble, Reassemble and Remove Modular Systems Furniture:	\$ 40,000.00	\$ -	\$ -	
Millwork (at destination):	\$ 3,000.00	\$ -	\$ -	
Printing/Mailing Special Notices:	\$ 8,500.00	\$ 1,281.74	\$ 7,501.00	
TOTAL ONE-TIME COSTS	\$ 74,000.00	\$ 2,349.30	\$ 9,701.00	\$ 2,351,186.76
ESTIMATED ON-GOING COST SAVINGS				
Rent:	\$475,100.00	\$ 30,085.00	\$ (86,618.40)	
Data:	\$2,800.00	\$ 1,000.00	\$ -	
Telecommunications:	\$7,600.00	\$ 1,632.00	\$ 8,000.00	
TOTAL ESTIMATED ANNUAL COST SAVINGS:	\$485,500.00	\$ 32,717.00	\$ (78,618.40)	
TOTAL FIRST YEAR ESTIMATED COST SAVINGS NET OF COSTS:	\$411,500.00		\$ (88,319.40)	
TOTAL ESTIMATED FULL YEAR COST SAVINGS:	\$611,225.00	\$ 32,717.00	\$ (77,018.40)	
Employees were relocated to another BOE office:	75	0	2	
Obtained employment at another agency or separated from State:		1	1	
Employee retired:		1		
Employees that would be affected:				77
TOTAL AFFECTED EMPLOYEES:	75	2	3	77
TORRANCE				
The office was closed on 9/14/04. Estimated costs and savings for Fiscal Year 2004/05. Full year cost savings for Fiscal Year 2005/06. The amortized tenant improvement costs of \$350,200 will effect the rent cost at the destination office.				
EUREKA				
The office was closed on 7/15/05. Estimated costs and savings are for Fiscal Year 2005/06. Rent savings is for June 2005 through April 2006.				
STOCKTON				
Audit staff is still housed at this facility. There is no lease buy out provision on state owned facilities. Until the space is backfilled with another tenant, we are required to pay rent on the space at a monthly cost of \$ 7,218.20. A potential cost savings if DGS is able to sublease to a tenant would be \$96,218 (\$86,618 yearly				
NEW YORK				
There is no soft term lease buy out provision. We would be required to pay rent on the space through the end of the firm term of the lease (12/31/08) at monthly cost of \$60,286.84. The lessor was not willing to negotiate a space reduction plan. Considering the types of business permits held, the travel time involved if the office was relocated and the productivity of the audit staff, the BOE plans to maintain a New York office.				

FACILITY INFORMATION

OFFICE	DIST CODE	ADDRESS	CITY/STATE	SQ FEET	CURRENT RENT	COUNTY	EQ #	SENATE	ASSEMBLY
STATE FACILITIES									
Oakland TSC (1)	CH	1515 Clay Street, Ste. 303	Oakland, CA 94612	20,142	\$61,654.36	Alameda	1	Don Perata (D)	Wilma Chen (D)
Riverside (1)	EH	3737 Main St., 9th, 10th, & 11th Flrs	Riverside, CA 92501	33,945	\$84,572.74	Riverside	3	Robert Dutton (R)	John Benoit (R)
San Diego (1)	FH	1350 Front Street, Rm 5047	San Diego, CA 92101	18,824	\$34,808.88	San Diego	3	Christine Kehoe (D)	Lori Saldana (D)
San Jose (1)	GH	100 Paseo De San Antonio	San Jose, CA 95113	20,966	\$39,206.42	Santa Clara	1	Elaine Alquist (D)	Joe Coto (D)
Santa Ana	EA	28 Civic Center Plaza, 1st & 2nd Flrs	Santa Ana, CA 92712	19,875	\$37,166.25	Orange	3	Joseph Dunn (D)	Tom Umberg (D)
Santa Rosa TSC	JH	50 D Street, Rm 230	Santa Rosa, CA 95402	12,143	\$22,707.41	Sonoma	1	Wesley Chesbro (D)	Noreen Evans (D)
Stockton TSC	KHE	31 East Channel Street, Rm 264	Stockton, CA 95201	3,860	\$7,216.20	San Joaquin	2	Michael Machado (D)	Barbara Matthews (D)
MULTIPLE BOARD PROGRAMS									
Culver City (2)	AS	5901 Green Valley Circle, Ste. 200	Culver City, CA 90230	32,000	\$66,879.15	Los Angeles	4	Kevin Murray (D)	Karen Bass (D)
Fresno BT	ARF	5070 North Sixth Street, Ste. 110	Fresno, CA 93710	14,470	\$22,021.10	Fresno	2	Charles Poochigian (R)	Michael Villines (R)
Norwalk BT/PT	AA	12440 E Imperial Hwy, Ste. 100	Norwalk, CA 90650	34,666	\$63,919.70	Los Angeles	4	Martha Escutia (D)	Rudy Bermudez (D)
Van Nuys	AC	15350 Sherman Way	Van Nuys, CA 91406	22,410	\$52,328.76	Los Angeles	4	Richard Alarcon (D)	Lloyd Levine (D)
Kearny Mesa Satellite	FHC	9225 Clairemont Mesa Boulevard	San Diego, CA 92123	72	\$0.00	San Diego	3	Lori Saldana (D)	Christine Kehoe (D)
HIGH GROWTH AREA									
El Centro Satellite TSC	FHA	1550 Main Street	El Centro, CA 92243	122	\$150.06	Imperial	3	Denise Ducheny (D)	Bonnie Garcia (R)
Laguna Hills	EAA	23141 Moulton Parkway, Ste. 100	Laguna Hills, CA 92653	10,022	\$28,725.76	Orange	3	Dick Ackerman (R)	Mini Waters (R)
Rancho Mirage	EHC	42-700 Bob Hope Dr., Ste. 301 /303	Rancho Mirage, CA 92270	1,548	\$2,774.00	Riverside	3	Jim Battin (R)	John Benoit (R)
Suisun City	JHF	333 Sunset Avenue, Ste. 330	Suisun City, CA 94585	3,052	\$5,779.38	Solano	1	Mike Machado (D)	Lois Wolk (D)
GEOGRAPHIC PROXIMITY									
Bakersfield TSC (3)	ARH	1800 30th St., Ste. 370, 380, & 390	Bakersfield, CA 93301	14,822	\$24,456.30	Kern	2	Roy Ashburn (R)	Kevin McCarthy (R)
Redding BT/TT	KHM	2881 Churn Creek Road, Ste. B	Redding, CA 96002	4,556	\$7,262.36	Shasta	2	Sam Aarstad (R)	Doug LaMalfa (R)
Salinas	GHC	111 East Navajo Drive, Ste. 100	Salinas, CA 93906	5,051	\$7,829.00	Monterey	1	Jeffrey Denham (R)	Simon Salinas (D)
San Marcos	FHB	334 Via Vera Cruz, Ste. 107	San Marcos, CA 92069	6,800	\$9,566.82	San Diego	3	Bill Morrow (R)	Mark Wyland (R)
Ventura TSC	AR	4820 McGrath Street, Ste. 260	Ventura, CA 93003	15,939	\$24,093.95	Ventura	2	Tom McClintock (R)	Pedro Nava (D)
DENSE METROPOLITAN AREA									
Long Beach	EAB	100 West Broadway, Ste. 305	Long Beach, CA 90802	1,612	\$5,932.00	Los Angeles	3	Alan Lowenthal (D)	Betty Karnette (D)
San Francisco TSC	BH	121 Spear Street, Ste. 460	San Francisco, CA 94105	22,079	\$89,928.02	San Francisco	1	Carol Migden (D)	Mark Leno (D)
West Covina	AP	1521 W Cameron Ave., Ste. 200/300	West Covina, CA 91790	19,357	\$37,951.04	Los Angeles	4	Gloria Romero (D)	Ed Chavez (D)
OUT-OF-STATE									
Sacramento KH/OH TSC	KH	3321 Power Inn Road, Ste. 130/210	Sacramento, CA 95826	27,405	\$51,040.93	Sacramento	2	Deborah Ortiz (D)	Alan Nakanishi (R)
Chicago	OHA	120 North LaSalle, 16th Floor	Chicago, IL 60602	10,346	\$30,167.21	Cook			
Houston	OHC	1155 Dairy Ashford, Ste. 550	Houston, TX 77079	5,935	\$8,542.74	Harris			
New York	OHB	205 East 42nd Street	New York, NY 10017	14,997	\$60,286.84	New York			

FOOTNOTES

(1) - Also houses multiple Board programs.

(2) - Board meeting location

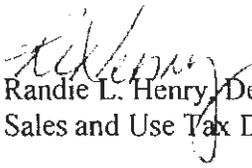
(3) - EDD & FTB are subleasing square footage from BOE. EDD is subleasing 2,389.49 square feet & FTB is subleasing 2,922 square feet.

TSC-Taxpayer Service Center

M e m o r a n d u m

To : Mr. Ramon J. Hirsig
Executive Director

Date: August 9, 2010

From :  Deputy Director
Sales and Use Tax Department

Subject : **Board Meeting, August 24-25, 2010**
Item P3- Sales and Use Tax Department's Deputy Director Report
Informal Discussion Paper on the Field Office of the Future

At the August 24-25, 2010 Board Meeting, I will be sharing information on options for how our field offices may look and function in the future.

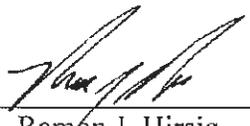
Please place this item on the August 25, 2010 Board Meeting agenda under P3.1.

RLH:tf

Attachment: Informal Discussion Paper

cc: Ms. Diane Olson (MIC 80)

Approved: _____


Ramon J. Hirsig
Executive Director

- For Information
- For Discussion
- For Decision Making

BOARD OF EQUALIZATION
INFORMAL ISSUE PAPER

Field Office of the Future

Issue

The Board of Equalization (BOE) must evaluate how to update the current design, structure and processes performed in our field offices in order to provide services to the public in the most efficient and cost-effective manner possible.

The BOE's plan to replace its tax legacy systems, add more eServices, organize along more functional lines, and improve its business processes will significantly change its method of interaction with the public. To effectively administer taxes into the future, the BOE must embrace the fact that its customers are becoming more accustomed to, and prefer to, perform business activities electronically. Therefore, BOE must consider changing our field office structure.

Background

The BOE's field office look, functionality and footprint have remained virtually unchanged for decades. There are 21 BOE Sales and Use Tax district and branch offices with public service counters located throughout the state for which the BOE pays over \$10 million annually in lease costs. The range of monthly lease cost per square foot is \$1.42 to \$4.53. Additionally, there is one in-state and three out-of-state offices that service taxpayers who keep their books and records located outside of California. These four offices do not have public counters since their primary function is auditing. This paper focuses only on the 21 offices located in California that have public counters. A list of all our in-state field offices and their associated lease terms is included in Attachment A.

The public counters in BOE offices currently allow the general public to interact with BOE employees one-on-one for services including, but not limited to, registering for seller's permits, filing tax returns, filing returns electronically using a Self Service Terminal (SST), applying for exemptions from use tax, making payments on outstanding liabilities, and answering sales and use tax questions. In addition to the public counter function, these offices also house back-office functions including collections, audits, processing payments received, clearing return delinquencies, updating taxpayer records, and other administrative matters.

Some BOE offices have interview windows where one-on-one interaction between the public and BOE staff occur. In other offices, one-on-one interaction occurs in areas near the front counter. There are also secure areas in offices with public windows where cashiering staff receive and process incoming payments (cashier windows). In addition to the lobby with interview and cashier windows, most offices have several meeting

rooms for audit conferences, collection matters, etc. Staff performing the back-office functions are generally located in another part of the office away from the public counters.

In contrast to the 21 BOE public counter offices, the Franchise Tax Board has only six public counter offices located in the state. In addition to the public counter, these offices also house other staff, such as a limited number of collectors.

Focus Groups

BOE will be implementing eRegistration, ePayments, and other eServices that have traditionally been performed via walk-in or mail-in transactions that will change how taxpayers do business with us. In addition, the BOE Consolidated Revenue Opportunity System (CROS) project is embarking on a plan to improve business program efficiencies through the replacement of its legacy tax information systems.

During the past year, a core group of BOE staff, comprised of field and headquarter members, was formed to recommend changes to current business processes due to the upcoming technology improvements. This group, called the "Life After eReg Core Group", identified common complaints regarding the current registration processes by listening to both BOE staff and members of the public. The group developed some high level recommendations for process changes to reduce or eliminate common complaints in the processes. These recommendations were focused on making the BOE more responsive to its customers' needs while becoming more efficient. In addition, the core group participated in seven focus groups with BOE staff and supervisors. Participants of each focus group were encouraged to provide their input on both the new eReg system as well as upcoming technology changes. Staff and taxpayers were also shown a mock-up of the upcoming eRegistration system, and the reaction was overwhelmingly positive. See Attachment B for a list of the BOE focus group participants.

As a result of the focus groups, staff recommended regionalizing or centralizing the back office functions, such as registration follow-up work and escrow processing to increase efficiency.

Discussion of the Issue

The BOE's plan to replace its tax legacy systems, add more eServices, organize along more functional lines, and improve its business processes will significantly change its method of interaction with the public. To effectively administer taxes into the future, the BOE must embrace the fact that its customers are becoming more accustomed to, and prefer to, perform business activities electronically. Currently, BOE's customers can file returns on-line for some tax and fee programs. Soon they will be able to register for tax and fee programs and make payments on outstanding liabilities online, which will streamline customers' interaction with the BOE and eliminate the need for BOE staff to input confidential registration and banking information. As more services become available online, customers will not have to use their valuable time to visit a BOE office in person.

Online web-based services will provide real-time transactions and eliminate multiple steps in the current manual process. For example, on a current mail-in application for the seller's permit, the taxpayer must call BOE to mail or FAX the application form or go to the BOE website and download the paper application form. Upon receipt of the application form, the taxpayer must manually fill out the form by hand and mail it to a BOE field office. Staff in the field office receive applications and review them for completeness and make follow-up calls or send letters for missing or incomplete information. Once all the necessary information is obtained, field staff input the application information into the system and generate (print) a seller's permit and welcome letter. The

permit and welcome letter are then mailed to the taxpayer along with applicable forms, notices and publications. Currently, the mail-in process takes up to eight working days from receipt of an application. At the end of the registration process, the hardcopy application is sent to Sacramento to be filed in the taxpayers' central file.

For taxpayers that need other BOE permits or licenses, they must complete separate applications for each and send them to the appropriate tax or fee program staff in BOE headquarters for processing. Under BOE's new eReg system, the taxpayer will go online and input their application information only once for all tax and fee programs. The system will validate information in real-time and issue a seller's permit (printable by the taxpayer) at the end of the process along with an electronic welcome letter and links to all the necessary forms, notices and publications applicable to their business. In addition to issuing a seller's permit, the eReg system will also issue permits and licenses (some immediately, some within a few days) for all necessary tax and fee programs administered by BOE.

Not only will this revolutionize the way BOE issues permits and licenses, this process will minimize errors in keying information and minimize chances of confidential taxpayer information being misplaced or exposed, while passing through multiple hands during the manual application process. Additionally, a number of taxpayers informally surveyed indicated they would use the new online eReg system (whether from an SST or from their own home or office). As a result, the implementation of eRegistration will significantly impact and streamline the current front office (public counter) registration process.

As noted above, taxpayers currently register with the BOE either by visiting an office or by mailing an application to the BOE. Many of those that visit a BOE office find they can simply drop off a completed application and receive their permit in eight business days or less, and they choose to do so rather than waiting in the office for their permit application to be processed. Over the past six years, the percentage of sales and use tax registrations processed through the mail has almost doubled, indicating that customers increasingly prefer to interact with the BOE via some means other than in-person. Additionally, staff in the BOE's Taxpayer Information Section have consistently reported a high number of requests from the public for additional eServices.

As additional eServices are provided that will allow tax and fee payers to self-manage their accounts, the volume of customers visiting BOE offices will continue to decline. As a result, the BOE must be proactive in planning for this change and begin redesigning field offices to meet these changing needs, reduce costs, provide efficiencies and improve customer service. Along with the direct impact on face-to-face (public counter) operations, the BOE needs to evaluate how best to house and where to locate back-office field functions (audit, collections, etc.).

Separating Public Counter and Back Office Functions

The BOE may be able to lower costs per square foot by changing the existing offices and separating the public counter from the back-office functions. Offices that house a public service counter would be located in the same or general areas that current offices exist. Every effort will be made to locate these offices in areas where the public can best access the office given considerations such as availability of parking, access to public transit, and location relative to population centers. These offices would also be equipped with SSTs that allow the public to perform functions such as apply for a permit or use tax exemption without requiring one-on-one in-person support from BOE staff. BOE staff will still be available to assist taxpayers, but the SSTs will allow staff to assist more taxpayers at one time, freeing staff for other critical workloads of each office. The back-office functions could then be located where the lease rate per square foot would likely be less than the public counter office, saving the BOE valuable funds.

The Life After eReg Core Group and the staff focus groups identified functions related to the registration process that can be centralized or regionalized to achieve administrative efficiencies and better customer service. Recently, the Property and Special Taxes Department underwent a reorganization based on work functions rather than tax programs. This was done to achieve greater administrative efficiencies and provide better customer service. Below is the list of registration related functions that these groups determined were best suited to centralization or regionalization:

- Escrow processing
- Security processing
- Registration follow-up
- Account maintenance
- Use tax exemption processing

Additionally, the following back-office functions can be considered for centralization or regionalization:

- Various collection activities
- Audit reviews
- Discharge from accountability (write-off) approvals
- Dual determination investigations
- Field audits

Centralizing or regionalizing these functions into non-public counter locations would allow the BOE to reduce the overall size of the public counter offices, thereby reducing lease costs. This will also increase consistency of the back-office work performed on the above functions because staff performing the work would be co-located in the regionalized or centralized locations. This concept allows staff to concentrate on their specific functions without being pulled to perform other duties. This concept also allows staff to gain expertise on their specific functions that, when coupled with regular rotations to other functions to gain additional expertise, can help them prepare for promotional opportunities.

Any effective centralization or regionalization implementation plan will require the Department of General Services (DGS) to negotiate leases so that the BOE has the ability to scale down the size of the office as positions are transitioned to central or regional locations. As the plan to transition to the office of the future evolves, the goal will be to review each office on a case by case basis to determine the best footprint for that office, minimize the impact on staff by working closely with the Service Employees International Union (SEIU) and provide career counseling and job re-training.

The Suisun City branch office is one of the first field offices that will provide the BOE with an opportunity to develop a new field office model that takes advantage of new business processes and upcoming technology. The process to develop a new office model, along with identification of needs for the purpose of selecting the optimum location, for the Suisun City office will allow the BOE to consider centralizing or regionalizing certain registration-related and back-office functions in a way that achieves greater efficiencies and better customer service. See Attachment C for a proposed action plan related to the Suisun City branch office.

Fundamental Guidelines

In planning for the office of the future, the BOE must keep the following in mind:

1. There will continue to be a need to interact personally with taxpayers to perform some functions.
2. Public offices will need to be located in areas convenient to the public (available parking, close to public transportation, etc.).
3. Public offices must be flexible to adjust to new technology and customer needs.
4. Business processes must continually be improved as changes occur from improved technologies and the needs of the customers.
5. SEIU will be consulted and kept informed of plans to change current office structures to ensure the needs of employees are taken into consideration.
6. Position classifications and staffing levels must be analyzed to ensure classification and staffing levels are appropriate and meet the changing job requirements.
7. Career opportunity training will be provided to staff as appropriate.
8. All offices must be equipped with required safety features.

Recommendation

The BOE should take advantage of new business processes and upcoming technology by changing the look and feel of existing offices when leases are up for renewal. The BOE will take into consideration, on a case-by-case basis, where public offices will be located and which back-office functions could be centralized or regionalized. Every attempt will be made to minimize the impact on staff by relocating as many vacant or newly created positions to the new locations, including the associated workload for the positions. As stated in the fundamental guidelines, each office will take into consideration taxpayer needs, BOE staff, reduction of costs to the state, and increased efficiencies.

Critical Time Frames

Implementation of any part of this recommendation will be contingent upon upcoming office lease renewals and will need to be set far enough in the future to fully consider all aspects of the transition, including budgetary implications.

Preparation

Prepared by: Tim Fairchild

Sales and Use Tax Department, Tax Policy Division
324-2877

Current as of: August 6, 2010

Attachment A - Public Office Lease Information

EQ DISTRICT	OFFICE	DIST CODE	ADDRESS	STATE OWNED BLDG	FIRM TERM EXPIRATION¹	LEASE EXPIRATION
1	Oakland	CH	1515 Clay Street, Ste. 303	Y	N/A	N/A
1	Salinas	GHC	111 East Navajo Drive, Ste. 100	N	8/31/2009	8/31/2013
1	San Francisco	BH	121 Spear Street, Ste. 460	N	7/31/2010	7/31/2012
1	San Jose	GH	100 Paseo De San Antonio	Y	N/A	N/A
1	Santa Rosa	JH	50 D Street, Rm 230	Y	N/A	N/A
1	Suisun City	JHF	333 Sunset Avenue, Ste. 330	N	8/31/2010	8/31/2014
2	Bakersfield	ARH	1800 30th St., Ste. 370/380/390	N	3/31/2006	3/31/2008
2	Fresno	KHO	8050 North Palm Ave., Ste. 205	N	9/30/2012	9/30/2018
2	Redding	KHM	2881 Churn Creek Road, Ste. B	N	5/30/2006	4/30/2011
2	Sacramento	KH/OH	3321 Power Inn Road, Ste. 130/210	N	6/30/2008	6/30/2018
2	Ventura	AR	4820 McGrath Street, Ste. 260	N	7/31/2011	7/31/2015
3	El Centro	FHA	1550 Main Street	N	N/A	10/31/2010
3	Irvine	EA	16715 Von Karman Ave., Ste. 200	N	1/31/2013	7/31/2016
3	Rancho Mirage	EHC	35-900 Bob Hope Dr., Ste. 270/280	N	7/31/2010	7/31/2014
3	Riverside	EH	3737 Main St., 9, 10, & 11th Flrs	Y	N/A	N/A
3	San Diego	FH	1350 Front Street, Rm 5047	Y	N/A	N/A
3	San Marcos	FHB	334 Via Vera Cruz, Ste. 107	N	4/30/2010	4/30/2014
4	Culver City	AS	5901 Green Valley Cir., Ste. 200	N	11/30/2013	11/30/2017
4	Norwalk	AA	12440 E Imperial Hwy, Ste. 100	N	4/30/2009	10/31/2012
4	Van Nuys	AC	15350 Sherman Way	N	11/30/2009	11/30/2010
4	West Covina	AP	1521 W Cameron Ave., Ste. 200/300	N	4/30/2014	4/30/2018

¹ After the firm term expiration date, the lease will continue with the option of cancelling upon a 30 to 90 day notice.

Attachment B - Life After eReg Focus Group Attendees

Office	Attendee	Office	Attendee	Office	Attendee
AA	Michelle Creencia	EA	Aria Hosseinian	LRAU	Ken Silva
AA	Dina Hay	EH	Elena Yuasa	OH	Peggy Evans
AA	Elena Kleinsasser	EH	Rose Dorado	OH	Bruce Barkley
AA	Marissa Orozco	EH	Tanya Valdez	PSTD	Lisa Gonzalez
AA	Leticia Luna	EH	Plato Vassiliou	PSTD	Diane Crockett
AC	Susan DeJesus	eServices	Lyn Koch	PSTD	Linda Stefani
AC	Nicol Kimura	eServices	Anna Martin	PSTD	Sergio Calatayud
AP	Shelia Montooth	eServices	Ruby Tanaka	PSTD	Michele Reyes
AP	Lori Salles	eServices	Connie Rodriguez	PSTD	Maria Minggia
AP	Connie Lopez	eServices	Lupe Angulo	PSTD	Kevin Cathy
AR	Kevin Hartnett	eServices	Jennifer Yagi	PSTD	Sherry Mateo
AR	Rosemary Noriega	FH	Rebecca Valdez	PSTD	Elwyn Jones
AR	Deanna Lorenzana	FH	Lucy Villafana	PSTD	Maggi Baum
ARH	Julie Johansen	FH	Jim Briers	PSTD	Nichole Torres
AS	Aris Sabado	FHB	Linda Luna	PSTD	Amphay Lakhamsene
AS	Jaime Pacheco	FHB	Kara Evans	PSTD	Dan Tokutomi
BH	Glenn Lee	GH	Jamie Perron	PSTD	Ken Lawson
BH	Simar Kaur	GH	Trang Duong	PSTD	Mercy Milan
BH	Rollie Vergara	GH	Dina Almario	PSTD	Mel Chan
BH	Ruth Arceo	GH	Linda Alter	PSTD	Carolyn Hoffman
BH	Helen Weaver	GHC	Luana McBride	PSTD	Tammi Uchida
BH	Homam Rady	GHC	Maria Perez-Vargas	PSTD	Lisa Sherrod
BTCT	Kim Rios	JH	Catherine Nissen	PSTD	Jane Burgoon
BTCT	Dave Rosenthal	JH	Lisa Yuan	PSTD	Lynne Bowling
BTCT	Geoff Lyle	JH	Craig James	PSTD	Mitchell Cari
CCS	Eva Delgado	JHF	Ashley Taylor	PSTD	Louise Bertoni
CH	Neelam Godhwani	JHF	Daphaney Stanford	PSTD	Kevin Anderson
CH	Sunny Huang	KH	Juanita Saucedo	PSTD	Carol Reisinger
CH	Darryl Leong	KH	Georgeanna Gallagher	PSTD	Hal Lovell
CH	Nancy Adams	KH	Terri Davidson	TIS	Chip Lim
CPU	Rosie Escobar	KH	Dwayne Sims	TIS	Leonard Singh
CUTS	Jose Aguirre	KH	David Jimenez	TIS	Thor Dunn
CUTS	Yvette Krenzler	KH	Jay Bolds	TOE	Diana Pena
CUTS	Karen Berlin	KHM	Carol DeArton	TOE	Lori Mayoya
CUTS	Sherri Quint	KHM	Merlene Gora	TOE	Jason Parker
EA	Lynda Fehrenkamp	KHO	Tina Banks	TPD	Jeff McGuire
EA	Maywood Wong	KHO	Barbara Wilson	TPD	Susanne Buehler
EA	Barbara Roshanaee	LRAU	Belen Sigua	TPD	Bill Hain
				TPD	Tim Fairchild

Attachment C - Suisun City Office Proposed Action Plan

- Moderate the process to downsize the Suisun City office. (*Process has already been moderated and the need to further moderate or expedite the process will be evaluated on an ongoing basis.*)
- Remain in current location and allow office lease to go into the 'soft term' until late 2011/early 2012. (*Lease firm term expires August 31, 2010, after which the office lease will revert to the soft term, pending a future decision on location/needs.*)
- Give consideration to employee suggestions and feedback submitted on May 7, 2010. (*Completed; however, additional suggestions/feedback will be evaluated on an ongoing basis.*)
- Attempt to achieve 'downsizing' of the office through attrition. For example, achieve through retirements, promotions, and other transfers. (*Will be achieved/monitored on an ongoing basis.*)
- In conjunction with District Administrator (DA) and Branch Office Supervisor (BOS), consider the filling of resulting vacancies on a case-by-case basis. (*Will be monitored on an ongoing basis.*)
- Meet with SEIU to discuss proposed action plan and timeline. (*Completed on July 27, 2010; however, future meetings with SEIU will be scheduled as needed.*)
- Meet with office staff and invite SEIU to participate. (*Completed on August 3, 2010; however, future meetings will be scheduled as needed.*)
- Offer office staff and supervisor the opportunity to receive personalized, individualized career counseling services. (*Completed on August 3, 2010; scheduling of staff career counseling services is in process.*)
- Analyze office/district work functions, workload and staffing to consider transferring work (e.g. to district office, regional location), especially as more vacancies occur. (*Will be monitored/decided on an ongoing basis.*)
- Determine what the future 'footprint' for the Suisun City office should look like based on the direction given by the Board at the August 2010 Board Meeting, as well as by working with the DA and BOS, office staff, and SEIU. Give thoughtful consideration to future BOE, taxpayer and employee needs. (*Goal is to formalize the footprint by December 2010.*)
- In early 2011, through the Business Services Section (BSS) and Department of General Services (DGS), begin the process to find space that meets the proposed office footprint. (*January - March 2011.*)
- Continue to work with the DA and BOS, office staff, SEIU (as needed) and BSS/DGS through the process in a positive and considerate manner. (*Will be monitored on an ongoing basis.*)
- Move to new office location in early 2012. (*Goal is to move in January/February 2012.*)

State of California

Memorandum

To : Ms. Kristine Cazadd
Interim Executive Director

Date: November 30, 2010

From : Jeffrey L. McGuire, Deputy Director
Sales and Use Tax Department



Subject : **Board Meeting, December 14-15, 2010**
Item P3- Sales and Use Tax Department's Deputy Director Report
Field Office of the Future Update

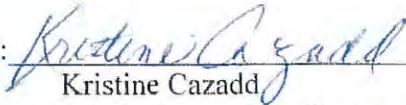
At the December 14-15, 2010 Board Meeting, I will be providing an update on the Field Office of the Future project and a more focused approach on the impacts of e-Registration and e-Payments.

Please place this item on the December 15, 2010 Board Meeting agenda under P3.2.

JLM:tf

Attachment

cc: Ms. Diane Olson (MIC 80)

Approved: 

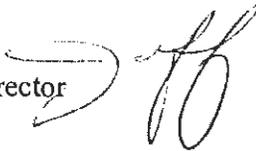
Kristine Cazadd
Interim Executive Director

Memorandum

To : Honorable Betty T. Yee, Chairwoman
Honorable Jerome E. Horton, Vice Chair
Ms. Barbara Alby, Acting Board Member
Honorable Michelle Steel
Honorable John Chiang

Date: November 30, 2010

From : Mr. Jeffrey L. McGuire, Deputy Director
Sales and Use Tax Department



Subject : **Field Office of the Future Update**

I would like to provide you with an update on the Field Office of the Future. In this project, we are focusing on ways the agency can use technology to modernize the public counter and lobby areas of each office to make them more efficient, while continuing to provide excellent service to the tax and fee payers needing assistance. We expect this to be a long term endeavor with changes phased in as office leases expire over the next several years, with our initial efforts focusing on changes needed to accommodate the upcoming implementation of Internet based registration (eRegistration) and payments (ePayments) projects.

Short-Term Plan

When the eRegistration and ePayments projects are fully implemented in February 2012, taxpayers will be able to conduct much of their business with the Board of Equalization (BOE) via the Internet. Taxpayers will be able to make payments for their existing liabilities and be able to register for all permits/licenses online. Because of this, we expect the number of taxpayers who visit a field office to conduct business with the BOE will diminish over time. These new eServices, as well as the functional reorganization, will inherently change how we interact with taxpayers, prompting both process changes and potential physical layout changes to our field offices. To adequately facilitate these changes, over the next three years we will assess the impact of the new eServices on the number of taxpayers we expect to visit our offices, as well as the type of services these visitors will seek.

The development of new business processes are critical to the successful implementation of the new eServices. We will continue to work with managers and staff from our field offices and the Property and Special Taxes Department to develop these new business processes, which we expect to roll out in conjunction with eRegistration and ePayments. Once implemented, we will evaluate the impact eServices and business process changes have on staff and workload and make adjustments accordingly. Because the new eServices will include all tax and fee programs administered by the BOE, we plan to train public counter staff to ensure in-person assistance is available for all tax and fee programs. Even though

many of the business processes will be automated, there will still be workload from assignments generated by the new processes being implemented. We will work with staff and the union to ensure the needs of all are addressed.

Additionally, as part of the ePayments implementation, we intend to test the viability of a "no-cash" environment in some offices. Since money orders are readily available for purchase, and those taxpayers who conduct business only in cash are very familiar with converting cash to money orders as payment to vendors and other businesses, we will use this opportunity to evaluate how conducive taxpayers are to this concept. We will use the results of this pilot to evaluate whether expansion to all of our offices statewide should be explored. A no-cash environment is not only the business trend of the future, but increases safety of both taxpayers and staff.

To complement the new eServices, we need to provide more permanent technology solutions in our offices' lobbies for those taxpayers who do visit our offices for assistance. As such, we plan to install self-service terminals (PC/Kiosks) that taxpayers can readily access and utilize to make payments and/or register. The new eRegistration system available on the PC/Kiosks will be also be used by staff to register new taxpayers as it will replace the registration function in IRIS.

The addition of PC/Kiosks will likely require the remodeling of some office lobbies. In some offices, the lobby may require expansion, but we will attempt to make changes that fit within the existing confines of the current office layouts to avoid having to incur additional lease costs. Because the effect on visitor traffic is difficult to predict, we will implement changes that are scalable and that can vary from office to office, depending on need and the ability to make physical changes to each office. Any recommended physical changes will have to be negotiated when the leases are renewed.

Additionally, staff will research the public counter functions of state agencies both in California and other states, as well as non-governmental businesses to determine services offered, impact to customers, and overall best practices with respect to transitioning from an office-based customer service system to an online, self-service system. This information will be utilized for planning and implementing changes.

Long-Term Plan

Data is currently being compiled to analyze, by zip code, the concentration of open and active seller's permits and the concentration of audits performed over the past three years. This data will assist in identifying potential future office locations to best serve the needs of our taxpayers. In making recommendations on new office locations, we will consider staff needs, availability of parking, and transportation options for office visitors. As leases expire, we will continue to work closely with you, staff, and the union in determining new office locations and design.

We will continually evaluate the effects of expanded e-services, other technology changes, the implementation of CROS, the functional reorganization, and changes to business processes on staff workload as well as the needs of our tax and fee payers. These impacts

will allow us to identify changes needed in the design of our offices, business processes and staffing needs. The next few years promise to be dynamic and exciting as we work to implement current and emerging technologies that will make our agency a frontrunner in services offered to the public. Please let me know if you have any questions regarding the direction we are heading.

JLM:tf:sb

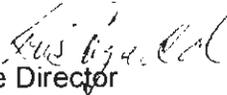
cc: Mr. Alan LoFaso (MIC 71)
Ms. Regina Evans
Ms. Mai Harvill (MIC 78)
Mr. Louis Barnett (MIC 77)
Ms. Marcy Jo Mandel
Ms. Kristine Cazadd (MIC 73)
Mr. David Gau (MIC 63)

M e m o r a n d u m

Attachment 7

To : Honorable Jerome E. Horton, Chairman
Honorable Michelle Steel, Vice Chair
Honorable Betty T. Yee, First District
Senator George Runner, Second District
Honorable John Chiang, State Controller

Date : July 19, 2011

From : Kristine Cazadd 
Interim Executive Director

Subject : **July 27, 2011 Board Meeting**
Item P1-2, Executive Director's Report
Report to Board Members: Testimony at Redistricting Commission on July 6, 2011.

The Chair of the California Citizens Redistricting Commission requested the Board of Equalization to present testimony at the Commission's meeting on Wednesday July 6, 2011, at the University of the Pacific McGeorge School of Law, to explain the Board's mission and operations and to respond to questions about impacts on the BOE relative to equalization district boundary lines. Acting Chief Counsel Randy Ferris, Deputy Director of Sales & Use Tax Jeff McGuire, and Interim Executive Director Kristine Cazadd appeared before the Commission and distributed the attached documents and presented the following information:

(1) In order to represent constituents and investigate tax administration matters under Government Code section 15623, district and field offices were established in each equalization district to administer over 26 tax and fee programs, as well as the enforcement of laws through audit and compliance programs. Government Code section 15623 provides that each Member of the Board, elected by voters of an Equalization District, "shall investigate the administration, enforcement, and operation within the district from which he/she is elected of all laws, the administration and enforcement of which are vested in the Board." Each elected Board Member is required to administer their duties within their districts by ensuring the proper enforcement of tax laws.

(2) Currently there are 21 offices "nested" within the four equalization districts which carry out operations and offer services to the types of businesses located within that region, such as registration, education, consultations, audit, collection, payment of tax liabilities and assistance with returns. It is through the district and field offices that the Board serves taxpayers throughout the state and addresses their needs by region. Each of the four Equalization Districts represents distinct types of businesses to a large extent based on geography.

(3) A Statewide District Office Map (attached) was distributed to each of the Commissioners with an explanation of how significant changes in equalization district boundaries would have a variety of administrative impacts and costs for the Board, due to the structure of our taxpayer services in specific regions, the location of employees, and the possible need to redirect or seek additional resources, including district or field offices. There were numerous questions from Commission members.

The testimony lasted about 40 minutes. The current draft map of the Board of Equalization Districts is available on the Citizens Redistricting Commission's website at <http://wedrawthelines.ca.gov/maps-sboe-1st-draft.html>.

KEC:ls

Attachments: Statewide District Office Map
Publication 21G

cc: Ms. Regina Evans
Mr. Louis Barnett
Mr. Alan LoFaso
Mr. Sean Wallentine
Ms. Marcy Jo Mandel

California State Board Of Equalization

Administrative Districts



PUBLICATION 21G ■ LDA
JANUARY 2011

THE CALIFORNIA
STATE BOARD OF
EQUALIZATION



BOARD OF EQUALIZATION

BETTY T. YEE, First District
SEN. GEORGE RUNNER (RET.), Second District
MICHELLE STEEL, Third District
JEROME E. HORTON, Fourth District
JOHN CHIANG, State Controller



KRISTINE CAZADD, Interim Executive Director

For more than 100 years, the State Board of Equalization (BOE) has administered taxes for the State of California. Today, the agency administers the collection of 29 taxes and fees, which in fiscal year 2008-09 resulted in \$48.4 billion in revenue for California's state and local governments. More than one million businesses in nearly every field of commercial activity are registered with the BOE. The taxes they pay support schools, hospitals, police, roads, and a host of other essential services.

Members of the Board of Equalization

The BOE is directed by a five-Member elected Board. Four Members are elected directly from legislatively-defined districts within the state and serve four-year terms. The fifth Member, the State Controller, is elected at large. The Board's mission is to serve the public through fair, effective, and efficient tax administration.

The Board acts in a quasi-judicial capacity as the appellate body for appeals from various business tax assessments, Franchise Tax Board actions, and public utility assessments. In its administrative capacity, the Board issues rules and regulations. It also establishes the values of utilities for tax purposes, sets the tax rate under various tax laws, and oversees the assessment practices of the state's 58 county assessors.

Tax Programs

The tax programs administered by the BOE are concentrated in three general areas—sales and use taxes, property taxes, and special taxes and fees.

Sales and Use Tax

Retail sales of tangible personal property in California are, in general, subject to a 8.25 percent sales tax. The use tax, a complement to the sales tax, applies at the same rate for purchases for use in California. Voters in various localities have approved the creation of one or more special tax districts (each funded by transactions taxes ranging from one-tenth to one percent). This added tax is used for mass transit programs, streets and roads, and other governmental services. In fiscal year 2008-09, the BOE collected a total of approximately \$39.9 billion in sales taxes, which includes \$26.5 billion for the state, \$9.8 billion for cities and counties, and \$3.6 billion for special districts.

Property Taxes

Property taxes, which make up the major source of revenue for California's 58 counties, accounted for \$49.8 billion in revenue in fiscal year 2008-09. Although the BOE does not assess local properties, it does oversee the assessment standards and practices of each county assessor. The BOE, however, does directly assess properties belonging to over 400 privately-owned public utilities. In turn, those assessed values are used by counties to collect local property taxes. Two tax programs, the timber yield tax and the private railroad car tax, are directly administered by the Board.

Special Taxes and Fees

The BOE is the sole administrative agency for the following special tax programs: Cigarette and Tobacco Products Tax, Cigarette and Tobacco Products Licensing Program, Diesel Fuel Tax, Use Fuel Tax, and Interstate User Tax. The BOE is one of several agencies charged with administration of the following special tax

and fee programs: Energy Resources Surcharge, Emergency Telephone Users Surcharge, Alcoholic Beverage Tax, Insurance Tax, Marine Invasive Species Fee, Childhood Lead Poisoning Prevention Fee, Occupational Lead Poisoning Prevention Fee, Hazardous Substances Tax, Integrated Waste Management Fee, Motor Vehicle Fuel Tax, Natural Gas Surcharge, Oil Spill Response, Prevention and Administration Fee, Underground Storage Tank Maintenance Fee, California Tire Fee, Water Rights Fee, and Electronic Waste Recycling Fee. Revenues collected for all special taxes programs totalled \$7.7 billion in 2008-09.

Services for Taxpayers

The BOE prides itself on being a leader in providing service-oriented programs and efficient tax administration (spending 86 cents in administrative costs for each \$100 in revenue). The BOE has developed many services that are designed to help taxpayers understand and comply with tax laws and to ensure that they are treated fairly and courteously. Some BOE services include:

Internet

Information about the BOE and its tax programs, forms and publications, tax news, and events is available on the Internet. The BOE's home page address is www.boe.ca.gov.

Taxpayer Information Section

Customer service representatives are available to answer general tax questions. Call 800-400-7115 (TTY: 711), Monday-Friday, 8:00 a.m. to 5:00 p.m., Pacific time, excluding state holidays. Documents may also be ordered 24 hours a day, via our faxback service or through voice mail message.



BETTY T. YEE
San Francisco
First District



MICHELLE STEEL
Rolling Hills Estates
Third District



JEROME E. HORTON
Los Angeles
Fourth District



SEN. GEORGE RUNNER (Ret.)
Lancaster
Second District



JOHN CHIANG
State Controller

Public Hearings

The Members of the Board are committed to protecting the rights, privacy, and property of taxpayers. As a result, they schedule yearly public hearings, which provide taxpayers an opportunity to express their ideas, concerns, and recommendations about programs and laws administered by the BOE. Board Members are interested in suggestions that will help taxpayers better understand California tax laws.

Taxpayers' Rights Advocate

The Board has appointed a Taxpayers' Rights Advocate to help resolve taxpayers' problems fairly and equitably. Reporting directly to the Executive Director, the Taxpayers' Rights Advocate can investigate complaints and delay certain BOE actions until an investigation is completed. The telephone number of the Taxpayers' Rights Advocate is 916-324-2798, toll-free 888-324-2798.

Equalization Districts

District One

Counties of: Alameda, Colusa, Contra Costa, Del Norte, Humboldt, Lake, Marin, Mendocino, Monterey, Napa, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Barbara (57.04 percent), Santa Clara, Santa Cruz, Solano, Sonoma, Trinity, Yolo

District Two

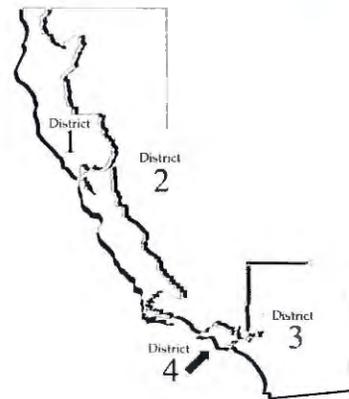
Counties of: Alpine, Amador, Butte, Calaveras, El Dorado, Fresno, Glenn, Inyo, Kern, Kings, Lassen, Los Angeles (8.98 percent), Madera, Mariposa, Merced, Modoc, Mono, Nevada, Placer, Plumas, Sacramento, San Bernardino (45.97 percent), San Joaquin, Santa Barbara (42.96 percent), Shasta, Sierra, Siskiyou, Stanislaus, Sutter, Tehama, Tulare, Tuolumne, Ventura, Yuba

District Three

Counties of: Imperial, Los Angeles (2.06 percent), Orange, Riverside, San Bernardino (54.03 percent), and San Diego

District Four

County of Los Angeles (88.96 percent)





Memorandum

To: Honorable Jerome E. Horton, Chairman
Honorable Michelle Steel, Vice Chair
Honorable Betty T. Yee, First District
Senator George Runner, Second District
Honorable John Chiang, State Controller

Date: September 12, 2014

From: Cynthia Bridges 
Executive Director

Subject: **Board of Equalization – Accomplishments Report for Fiscal Year (FY) 2013-14**

We are pleased to report the Board of Equalization's (BOE) accomplishments for FY 2013-14 presented in the context of the BOE's *Strategic Plan 2010-15*. Consistent with BOE's mission to serve the public through fair, effective, and efficient tax administration, these accomplishments enhance operational efficiency and effectiveness in order to better serve taxpayers, the public, and BOE employees, as well as safeguard taxpayer rights. The BOE's accomplishments as they relate to the Strategic Plan are summarized below.

Goal 1 – Improve the Taxpayer Experience

- **Check 21 Implemented.** The BOE implemented electronic transfer of check data and images directly to BOE's eight partner banks, eliminating the need to send paper checks. Since Check 21's implementation in September 2013, 1.5 million checks were deposited, totaling \$1.9 billion. The new system catapults the BOE into 21st century check processing standards, provides more effective check storage and retrieval, and facilitates research on payments made by taxpayers.
- **Online License Renewals.** Online license renewal functionality is now available for cigarette and tobacco retailers, distributors, wholesalers, manufacturers, and importers, and International Fuel Tax Agreement motor carriers. In the four months since its implementation, over 4,400 licenses were renewed electronically.
- **Online Installment Payment Agreements (IPA).** The BOE expanded its online services to provide taxpayers with outstanding liabilities the ability to request a payment plan online. Taxpayers' requests for a payment plan meeting set guidelines are automatically approved. Requests not meeting the auto-approval criteria are referred to collection staff for follow up. From December 2013 to June 2014, more than 10,000 IPA requests were received electronically, allowing staff more time to focus on other debt collections.
- **New Geospatial Information System (GIS) Tax Rate Lookup Tool.** The BOE, in conjunction with the California Technology Agency, utilized GIS data to create a new tax rate lookup tool available to the public on the BOE website. This tool allows taxpayers to enter an address and receive the correct sales and use tax rate.
- **Mobile Apps 1.2 — Use Tax Payments.** The Mobile Application was extended to include the ability to make use tax payments. This functionality is part of the eRegistration process available on the Mobile Apps for iPhone and Android devices.

- **Open Data Portal Launched.** Created with taxpayers and the general public in mind, the Open Data Portal webpage provides efficient, centralized access to BOE's publically available data in easy-to-use formats. The new web page provides public access to selected agency data in the form of customizable options for viewing in multiple charts and tables. There were 2,852 visits to the Open Data Portal page during the initial three months of its existence.
- **BOE Website Redesign.** The BOE website was redesigned with a new look for the home page and a more user friendly site layout for enhanced taxpayer experience. The new design was based on user surveys and taxpayer input.
- **Live Web Broadcasts.** Board meetings are now also streamed live on mobile devices via the BOE's YouTube channel for the public's convenience.
- **Customer Service Center (CSC) Efficiencies.**
 - **Increase in Calls Handled.** The CSC, with the help of the Return Analysis Unit answered 625,235 calls in FY 2013-14. This was a 4.8% increase in calls from the previous year without an increase in average call length. The CSC was able to handle the increased calls while maintaining the target average wait time of 90 seconds.
 - **Decrease in Abandoned Calls.** While the total number of calls increased for FY 2013-14, the CSC experienced a 49.5% decrease in abandoned calls compared to the prior year. This resulted in approximately 29,000 additional callers receiving assistance with their tax issues. The lowered abandoned call rate can be directly attributed to CSC's employees' dedication, a comprehensive training program for Customer Service Representatives, and management's efficiency in handling CSC's staffing needs.
- **Security Deposit Refunds.** In consideration of the challenges facing small businesses in California, on December 17, 2013, the BOE voted to end security deposit requirements for many businesses. Existing accounts in good standing had their security deposits released and new taxpayers are no longer required to post a security deposit at the time of registration. The BOE released security deposits on more than 9,500 accounts, totaling over \$95 million.
- **Tax Appeals Assistance Program Expanded.** The free legal assistance provided to qualified business taxes appellants was expanded to assist individuals with appeals related to dual determinations. 86 taxpayers were contacted and 23 accepted the offer for assistance.
- **New Publication Provided with Collection Notices.** Publication 54A, *Behind on Your Payment? What You Need to Know*, is now provided to taxpayers as an insert with collection notices that formerly only referred the recipient to the BOE website for the more detailed publication 54, *Tax Collection Procedures*. The new publication summarizes collection procedures and outlines taxpayer rights.
- **BOE Efforts to Improve the Taxpayer Experience Recognized.** During this reporting period, the following BOE projects were recognized for their achievements:
 - **Financial Institutions Record Match (FIRM) Project:** *2013 Best IT Collaboration among Organizations - Project Excellence Award - Center for Digital Government*
 - **eRegistration System:** *2013 Digital Government Achievement - Government to Business Award - Center for Digital Government*
 - **Electronic Services Expansion Project (ESEP):** *2013 State IT Recognition Award - Government to Business Category - National Association of State Chief Information Officers (NASCIO)*
 - **BOE.CA.GOV Re-engineered Website:** *2013 First Place Award for Excellence - California Association of Public Information Officials (CAPIO); 2014 Internet Communications Silver Award - State Information Officers Council*
 - **"What Makes It Possible" Video:** *State Information Officers Council Honorable Mention Award.* Released concurrently with the redesigned website, this introductory video explains what the BOE is, what it does, and what it offers.

- **Medi-Cal Managed Care Tax Program.** The BOE implemented this new program for the collection of sales tax imposed on Medi-Cal Managed Care plans. New return forms were created and extensive testing was done to ensure a smooth implementation. Returns and payments processed for Managed Care accounts totaled \$388 million in the initial filings.
- **First Phase of Redistricting Project Completed.** BOE implemented phase 1 of the Redistricting Project, in response to the redrawn boundaries by the California Citizens Redistricting Commission. The first phase included the opening of a new office in Santa Clarita. The Technology Services Division (TSD) redistributed 206,168 taxpayer accounts to the new Santa Clarita office. The new boundaries for the BOE districts are effective January 1, 2015.
- **Field Office Moves and Enhancements.** The BOE opened a new field office in Santa Clarita and relocated the Salinas branch office. Both offices offer taxpayers easy freeway access and improved customer service lobbies with self-service kiosks. TSD set up the local area and wireless networks and moved a total of 90 workstations, along with printer set-ups, and provided on-site support, minimizing staff down-time. Also, the BOE expanded the Oakland, San Francisco, and Irvine district offices, and installed security equipment upgrades in 25% of the field offices.

Goal 2: Maximize Voluntary Compliance

- **Automated Calls Using Proactive Outreach Manager (POM).** More than 150,000 automated calls were made to taxpayers with a recent history of late return filings, reminding them of the approaching due dates to file returns. Compared to the control group, taxpayers receiving these reminder calls were 8% more likely to file their returns on time.
- **Improvements in Delinquency/Revocation Process.** This process, which complements electronic filing, provides for more timely notices to taxpayers who are delinquent in filing their returns. Previously, due to the time necessary to process paper returns, delinquent accounts were sent a delinquency notice 40 days after the return due date. With expedited return processing as a result of e-filed returns, the first delinquency notice is now sent via email to the taxpayer 14 days after the return due date. The overall process that begins with notification of delinquency and ends with revocation of a permit has now been shortened from 175 days to 100 days.
- **New Industry Specific Webpages Added.** As the BOE moves toward more online services, industry specific webpages were created for 17 specific industries to provide businesses within these industries with more focused information to help them voluntarily comply.
- **Property Tax Guidance.** In order to continue to provide education and outreach to county assessors and other interested parties, Property Tax staff issued guidance via Letters to Assessors on the following issues: *Effective Administrative Practices – Assessment Appeals Process*, *Evaluating Embedded Software Studies for State-Assessed Property*, *Property Tax Rulemaking by the State Board of Equalization*, and *Effective Administrative Practices – Disabled Veterans' Exemption*. The Board also adopted and authorized publication of Assessors' Handbook Section 410, *Assessment of Newly Constructed Property*.
- **Sales Suppression and Detection Techniques Symposium.** The BOE hosted a symposium on sales suppression in Pasadena. Participants included representatives from 24 different states, Canada, IRS, FTB, and EDD. The symposium offered a forum for government tax agencies to convene regarding the "point-of-sale" study. The two-day event featured prominent keynote speakers and a mix of general sessions and breakout sessions.
- **Use Tax Video Series.** Four short videos were created to explain use tax and the importance of use tax to the state of California. Featured on our BOE website, news releases, and shown at outreach events, these videos have been watched more than 7,600 times. The video series has earned two prestigious awards: *State Information Officers Council Gold Award* & *CAPIO Award of Distinction*.

- **Use Tax Media Campaign.** The BOE strategically sent seasonal news releases and social media posts about use tax that resulted in \$102,000 worth of media coverage.
- **Telephone Town Halls.** Board members and staff can now answer questions and educate taxpayers about BOE programs and benefits via live teleconference on specific industry topics. This allows the members and BOE subject matter experts to reach out to stakeholders in a convenient way.
- **News Conferences.** The BOE coordinated five news conferences regarding tax evasion, excise tax on gasoline, challenges affecting the BOE building, and new regulations affecting mobile food trucks.
- **Taxpayer Education Materials.** To educate the taxpayers on their responsibilities in the reporting and payment of taxes, and their rights in dealing with the BOE, the Forms and Publications Section created:
 - 160 eblasts
 - 15 newsletters
 - 32 new publications
 - 90 revised publications
 - 202 new forms
 - 330 form updates
 - 16 special notices

The Graphic Design Team accounted for:

- 990 new projects
- 653 completed job requests
- 305 additional Outreach jobs, such as invitations, programs, and other event materials.

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

- **Career Advancement Program.** The Workforce Planning Section, Sales and Use Tax Department and Property and Special Taxes Department partnered together in the creation and implementation of the BOE's Career Advancement Program (CAP). CAP allows employees designated in the Associate Tax Auditor and Business Taxes Specialist I classifications the ability to gain a working knowledge of functions in multiple areas of the Sales and Use Tax Department and Property and Special Taxes Department through a twelve-month rotational program. A total of 8 employees completed the program and attended the first ever CAP Graduation Celebration held on May 28, 2014.
- **Mentoring Program.** The BOE's Mentoring Program was implemented as a way to invest in a skilled, motivated and diverse workforce. It has created a learning partnership between mentors and mentees for the purpose of enhancing skill sets and fostering professional growth and development. At the conclusion of its first year, a total of 116 employees completed the program and 84 of them attended the first ever Mentoring Program Graduation Celebration on May 21, 2014.
- **Professional Development Days Organized.** Professional Development Days were organized for Equalization Districts 1, 2, 4 and in Sacramento for headquarters employees. These events provided staff the opportunity to interact with one another, gain valuable career-related training and obtain valuable insights from renowned speakers.
- **Recruiting and Hiring Pilot Program.** The BOE initiated a hiring and recruitment pilot program in an effort to create a more robust recruitment process. The program focuses on the specific recruiting and hiring needs of the departments in order to fill vacancies with the best candidates. Periodic hiring gives BOE the opportunity to initiate a significant hiring effort at specific times during the year, instead of sporadic hiring and interviews throughout the entire year. 90 entry level positions were filled under this program.
- **Student Assistant and Limited-Term Supervisor Program.** The BOE initiated a new internship/student assistant program to enhance the recruitment process. This program focuses on attracting highly qualified interns/student assistants and offers them knowledge and work experience in

entry level positions. The program also focuses on attracting limited-term supervisors to manage the work of interns and student assistants. 34 positions were filled under this program.

- **College Courses Offered Onsite.** In keeping with the BOE upward mobility program for staff development, the Human Resources Division offered an onsite Financial Accounting 301 college course in Sacramento and in Norwalk. Over 113 employees enrolled in the classes to enhance their qualifications for advancement to professional positions.
- **Information Technology Infrastructure Library (ITIL) Training.** 75 TSD employees (approximately 30% of TSD staff) completed the ITIL certification training course. ITIL is a proven methodology that creates improved customer satisfaction and relationships as well as better reliability and quality of services provided by IT organizations.
- **Disability Advisory Committee Receives Recognition.** In recognition of its strong support for BOE's hiring, promotion, disability awareness and fair treatment of persons with disabilities, the Disability Advisory Committee (DAC) was selected as the recipient of the 2014 DAC of the Year Award, given by the Association of California State Employees with Disabilities (ACSED). ACSED and the Statewide Disability Advisory Council (SDAC) have teamed up for the past four years to honor the top three DACs in State Government.
- **Online Junior Property Appraiser Exam.** The Junior Property Appraiser online exam was placed in service October 2013 to assist in recruitment of entry level positions in Property Tax.
- **Take 5 Training Videos.** Short online training videos lasting about 5 minutes each were created for a variety of topics to assist staff in performing daily duties or specialized work related tasks.
- **Online CPA Continuing Professional Education.** The BOE has made available to CPAs online training that qualifies toward their continuing professional education requirement.

Goal 4 - Enhance Operational Effectiveness

- **4 Disciplines of Execution (4DX).** The BOE implemented Franklin Covey's "4 Disciplines of Execution" to help achieve audit and compliance Wildly Important Goals (WIGs) in the field offices. The field offices fully implemented 4DX in January 2014. As a result, the Sales and Use Tax Department reduced its accounts receivable by 9.9%, and hours per audit by 6.4%.
- **BOE Risk Assessment Site.** The TSD created the Risk Assessment site in partnership with the Internal Audit Division. The SharePoint site was developed as a resource and collaboration tool as well as data repository for BOE Risk Assessment information. The site enables BOE management and staff to actively participate in the BOE Risk Assessment effort to identify risks associated with the agency's key processes and key process objectives, as well as the related monitoring and mitigating controls.
- **Southern California Appeals and Settlement Unit.** Through its Southern California Appeals and Settlement Unit, the BOE exceeded its estimated accelerated assessed revenues by resolving appeals, settling cases and educating taxpayers on their reporting and compliance requirements. Due to these efforts, assessed revenues of over \$85 million were accelerated.
- **Revenue Allocation Examination.** Conducted an examination of sales and use tax revenue allocation processes. This detailed review resulted in accounting adjustments to fund allocation reports.
- **Underground Economy Collaborative Highlights.**
 - As a member of the newly established Tax Recovery and Criminal Enforcement (TRaCE) Task Force, the BOE participated in one of the largest multi-departmental search warrants in its history. The search warrants were executed on 16 locations throughout the state by over 100 law enforcement personnel from seven different state and federal agencies. The search warrants

initially involved eight corporations with 43 licensed business locations with many criminal violations related to BOE, DOI, EDD and FTB. As a result of the search warrants, the BOE identified 23 additional unlicensed locations. The success of this effort is an example of the commitment the members of the TRaCE Task Force have made to investigate, prosecute, and recover revenue lost to the underground economy.

- The BOE continues to encourage and facilitate collaboration with both the private and public sectors to combat the underground economy, which gives an unfair, illegal advantage to those who fail to comply with California's tax and labor laws. For example, the BOE conducted a joint sweep with the Los Angeles Police Department and the Federal Bureau of Investigation of an area known as Santee Alley in the Los Angeles fashion district. Complaints of unlicensed vendors and adverse financial impact to the area's licensed business owners initiated this joint inspection of 120 vendors, resulting in 69 vendors identified as illegally operating without a seller's permit.
- **Information Technology (IT) Procurement Processing Efficiencies.** The Acquisitions Branch and TSD worked together to develop internal efficiencies for IT purchase order processing. A solution was developed which reduced the IT procurement processing time by 23% (13% higher than our goal).
- **Digital Petition Pilot Program.** The new digital petitions process was implemented in the Special Taxes Audit and Carrier Division that allows staff to scan, search, and view appeal case file documents. The digital petition process has created a more efficient work flow for staff to efficiently work a case file from beginning to end, and it has allowed other units to view digital appeal case documents without having to request hard copy files.
- **Digital BOE – Document Conversion.** The BOE converted and stored 12 million taxpayer files in digital format in FY 2013-14, completing the Taxpayer Records Imaging Project. Since the project's implementation in April 2012 as part of the Digital BOE Initiative to improve internal efficiency by converting paper documents to electronic formats, the BOE has converted more than 32 million taxpayer files.
- **Learning Management System.** In keeping with BOE's philosophy of maintaining a culture of excellence, the Training and Employee Development Section (TED) released the Learning Management System (LMS), effective September 16, 2013. The LMS is accessible to all employees on eBOE. The system allows employees to view training calendars, register for classes and review personal training transcripts. New to this system is the requirement that supervisors approve or deny all training requests submitted by their employees. Additionally, numerous reports will be available as data is added to the program.
- **Property Tax Self-Study Training Sessions.** The BOE implemented five new Property Tax self-study sessions in its continued effort to promote assessment uniformity: *Overview of California Property Tax, Processing Applications for County Appeals, Restricted Historical Property, Newly Constructed Property, and Advanced Appraisal*. During FY 2013-14, 958 students used the self-study sessions.
- **BOE Efforts for Contracting with Small Businesses Recognized.** BOE's Acquisitions Branch achieved high honors at the 14th Annual State Agency Recognition Awards (SARA) 2013, receiving the following awards:
 - *Secretary's Special Achievement Award.*
 - *Most Notable Improvement for Disabled Veteran Business Enterprise (DVBE) Contracting for a Large Agency, for a 400% increase in contracting and procurements with the DVBE community.*
 - *Silver Award - Advocate of the Year for outstanding leadership and achievement in Small Business (SB)/DVBE advocacy and contracting.*
- **Awards for Publication Design.** The BOE earned the following 2013 *State Information Officers Council* awards:
 - *Gold Award for the External Affairs Department Accomplishment Report*

- *Silver Award for the FY 2012-13 BOE Annual Report*
 - *Silver Award for the BOE Recruitment Campaign Poster*
- **Additional Information Security Systems.** The Information Security Office implemented Intrusion Detection/Intrusion Protection System (IDS/IPS), and a comprehensive Security Incident Event Monitoring system as required by the Internal Revenue Service.
 - **Operations Recovery Center Established.** The BOE established an Operations Recovery Center in Irvine to deploy technology resources as part of the business resumption plan.
 - **Digital BOE - Enterprise Content Management (ECM) Migration and Upgrade.** The ECM Migration and Upgrade project upgraded the infrastructure and imaging technology software used by the BOE to convert paper documents to an electronic format to make the imaging process more efficient.
 - **Exchange 2010.** The Exchange 2010 project upgraded all of the BOE Exchange software from Exchange 2007 to curtail security vulnerabilities and provide the BOE end-users and system administrators with a vendor-supported, stable system, with additional functionality, and added reliability.
 - **Automated Collection Management System (ACMS) Server Refresh.** In May 2014, BOE completed the ACMS server refresh project. In collaboration with the California Department of Technology Services, the BOE completed the following: (1) migrated the ACMS production hardware to new hardware at Department of Technology Services Gold Camp facility; (2) migrated the ACMS development/test environment from the Gold Camp to the Vacaville facility; and (3) conducted disaster recovery exercises on the development/test environment in Vacaville.
 - **BOE Systems Upgraded.** All Windows XP systems from BOE's network were replaced, ensuring a continued high level of system security, support, and reliability. This milestone was achieved through the deployment of over 600 PCs and laptops.
 - **Incompatible Windows 7 Apps.** This project resulted from the Windows 7/Office 2010 deployment in June 2013. TSD worked with each Department to address ten applications that were incompatible with Windows 7. The incompatible applications were replaced, upgraded, or removed from the BOE network infrastructure. This ensured the BOE was not using unsupported software and maintained compliance with the Microsoft Enterprise Licensing Agreement.
 - **Service Request Processing.** TSD's Service Desk has closed 9,445 service requests, reducing the business impact of hardware and software failures experienced by BOE staff. This represents a 5% decrease over the previous year's closed service requests.
 - **Network Improvements.** Network bandwidth was increased with the installation of upgraded circuits in the Culver City, Fairfield, and Irvine field offices. At headquarters, the storage area network and backup storage system's capacities were increased to meet future data file storage demands and ensure a more effective disaster recovery process.
 - **Internal Property Tax Website.** Property Tax staff developed a SharePoint site in order to provide Property Tax staff with a one stop resource to assist in training new employees and provide procedures, tools, and links to other sites to assist all staff in their duties. Also included is a separate web page with information to assist managers and supervisors.

cc: Mr. Mike Gipson
Ms. Shellie Hughes
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Mr. Sean Wallentine
Ms. Marcy Jo Mandel
Mr. David Gau
Mr. Randy Ferris
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Ms. Brenda Fleming
Ms. Edna Murphy



Memorandum

To: Honorable Jerome E. Horton, Chairman
Senator George Runner (Ret.), First District
Honorable Fiona Ma, CPA, Second District
Honorable Diane L. Harkey, Fourth District
Honorable Betty T. Yee, State Controller

Date: October 20, 2015

From: 
Cynthia Bridges
Executive Director

Subject: **Board of Equalization – Accomplishments Report for Fiscal Year (FY) 2014-15**

We are pleased to report the Board of Equalization's (BOE) accomplishments for FY 2014-15 presented in the context of the BOE's Strategic Plan 2010-15. Consistent with BOE's mission to serve the public through fair, effective, and efficient tax administration, these accomplishments enhance operational efficiency and effectiveness in order to better serve customers, the public, and BOE employees, as well as safeguard taxpayer rights. The BOE's accomplishments as they relate to the Strategic Plan are summarized below.

Goal 1 - Improve the Taxpayer Experience

Avaya Phone System Expansion. The Special Taxes and Fees Department's Collection Section was integrated with the Avaya phone system. The Avaya system serves as a hub for incoming calls, routing tax and fee payers to the assigned representative and provides a specific queue for the BOE's Fire Prevention Fee program, so that collection-related inquiries can be promptly handled. This change allows staff to provide improved customer service and address account liabilities in a more efficient manner.

Automated License Renewal. The BOE successfully implemented phase II of the Automated License Renewal (ALR) project. Phase II allows online renewal and replacement of Use Fuel flat rate decals by taxpayers registered under the Flat Rate Fuel Tax and International Fuel Tax Agreement (IFTA) programs. Over 18,600 IFTA taxpayers and 200 Use Fuel Flat Rate taxpayers have been processed through the new ALR system to renew their licenses for 2015. In addition, the system allowed 5,785 IFTA taxpayers to electronically request additional decals for new vehicles added to their fleets.

Phase II of Redistricting Project Completed. Pursuant to California Citizens Redistricting Commission's redrawing of the equalization district boundaries, the BOE completed reallocation of taxpayer accounts both within and across equalization and administrative districts. Among the prominent changes:

- The Van Nuys district office moved to Glendale
- 479,010 Taxpayer accounts redistributed in Los Angeles and San Bernardino counties
- 237,618 Accounts moved from the Sacramento district to the Santa Rosa district and from the Ventura district to the San Jose district

New Web Based IFTA Processing System. The BOE joined the six-state IFTA Processing Consortium (IPC), allowing it to use and share the cost of the new web-based IPC system. The system allows IFTA carriers the capability to view their account information, file returns, and pay taxes online. An interface between the IPC system and the BOE's Integrated Revenue Information System (IRIS) allows the transfer of billing, finance, and refund data from the IPC system and tracking of appealed audit cases for IFTA accounts. The IPC system allowed IFTA taxpayers to file and pay over 61,300 IFTA tax returns electronically and has issued over 18,600 billings that can be easily paid online. IFTA applies only to fuel taxes.

Open BOE Data Portal Enhancements. The Open Data Portal on BOE's website was updated to include the current Annual Report, expanded historical data for taxable sales by county, and separate data-sets for gasoline and jet fuel sales. Also, new interactive features were added to create customized views and downloadable formats for the convenience of researchers and other interested parties. The Open BOE Data Portal won the 2015 Best of California Award for Best Application Serving the Public.

Property Tax Guidance to County Assessors and Taxpayers. New webpages were created on BOE's website to provide information to county assessors and taxpayers regarding BOE's Assessment Practices Survey program and the property tax provisions for solar properties. In addition, the BOE adopted a revised assessment appeal application for use in all 58 counties. This form is used by approximately 150,000 California taxpayers annually to appeal the assessed values of their properties, and can be filed electronically.

Field Office Move and Enhancements. The BOE relocated the Van Nuys district office to Glendale and offers taxpayers an improved customer service lobby with self-service kiosks. Additionally, security equipment upgrades were performed in 50 percent of field offices statewide for access control, surveillance, and intrusion prevention systems.

Frequently Asked Questions (FAQs) for Special Taxes and Fees Programs. Fourteen FAQs pages relating to Special Taxes and Fee Programs were added to the BOE website. The FAQs were standardized to include general information for each tax or fee program, including registration, reporting, and payments.

Goal 2 - Maximize Voluntary Compliance

Outreach Events and Educational Materials. The BOE held various outreach events to educate its customers about their tax and fee obligations, with the purpose of maximizing voluntary compliance. The following events were held throughout the state during FY 2014-15:

- 81 Basic Sales and Use Tax Classes
- 23 Translated Basis Sales and Use Tax Classes
- 15 Tax Return Preparation Classes
- 73 Electronic Return Filing Classes (online)
- 40 Small Business Tax Seminars
- 12 Nonprofit and Exempt Organization Seminars
- 10 Volunteer Income Tax Assistance (VITA) Events
- 11 Cigarette and Tobacco Retailer Classes
- 12 Telephone Town Halls and Webinars

In addition, the following educational materials and forms were created and distributed to the taxpayers or posted on BOE's website:

- 191 eBlasts
- 11 Newsletters
- 61 New publications
- 301 Revised publications
- 90 New forms
- 715 Form updates
- 29 Special notices

Taxpayer Educational Videos. The BOE produced educational videos for the benefit of taxpayers to inform them about taxpayer rights, appeals hearings, online services, registration, returns, payments, open data portal, and how to offer feedback during their interactions with the BOE. These videos are streamed on KBOE monitors in field offices or are available on BOE's website.

Business Taxes Outreach Campaigns. The BOE ran educational media campaigns for use tax, manufacturing exemption, and tax refunds to qualified itinerant vendors. The "12 Days of Use Tax" social media campaign won the State Information Officers Council (SIOC) silver award. A well-publicized tobacco contraband news conference was aired over television networks.

Property Tax Education and Outreach. BOE's Property Tax Department issued guidance via Letters to Assessors on the following issues: Property Tax Exemption—Space Flight Property; Assessment of Possessory Interests in Retirement Systems Property; New Construction—Portion of a Property; Effective Administrative Practices—Mining Properties; Effective Administrative Practices—Welfare Exemption; and Welfare Exemption Low-Income Housing Partial Exemption. The BOE also adopted and authorized publication of Assessors' Handbook Section 506, Property Tax Audits and Audit Program. In addition, staff presented at 10 nonprofit seminars and workshops and educated the nonprofit sector about the various property tax exemptions administered at the state and local level. The presentations emphasized the administration of the welfare exemption (e.g., eligibility, filing requirements and the county assessors' role).

Tax Recovery and Criminal Enforcement (TRaCE) Website and Online Reporting of Crimes. As a member of the TRaCE Task Force, the BOE launched the new TRaCE website which provides general information about the TRaCE program. The website now features the "Report a Crime Online" tool, also available on mobile devices, leading to a central intake system for reporting crimes related to tax evasion, labor fraud, piracy, counterfeiting, and human trafficking. The central intake system went live in late December 2014 with triaging capability in March 2015. BOE received 179 complaints through the central intake system resulting in 9 complaints triaged to outside agencies, 53 search warrants served, and 12 arrests.

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

Continuing Recruitment Efforts. BOE continued its statewide outreach to develop and bring knowledgeable assistance and advice to people interested in a career in state service. Multiple job fairs and conferences were sponsored by our Board Members, where BOE's human resources personnel and program staff were present to offer information and advice. Two videos were created to assist in recruitment efforts – one for prospective new employees, and one for promoting to supervisory classifications at the BOE. The Human Resources Division's Examination and Recruitment Section participated in the State Civil Service Improvement Project and submitted a

proposal to increase inter-agency collaboration on conducting examinations for service-wide classifications.

Employee Training and Development. To ensure quality service to the public by developing the skills and abilities of BOE employees, and to facilitate upward mobility of staff into professional classifications, the Human Resources Division, Employee Services Branch offered various services and employee development programs throughout the year. The following are highlights of the services provided and employee development efforts:

- Offered 85 Professional Development courses
- Organized 11 Leadership Academy classes
- Offered 34 Desktop Application classes
- Arranged three Accounting and Business Law college credit courses (onsite)
- Visited eight field offices to assist employees with job applications, resumes, cover letters, and carried out mock interviews
- Facilitated 79 mentoring relationships
- Organized two professional development days for field office staff
- Piloted the administration of written exams on weekdays (instead of the standard Saturday administration)

The above were in addition to the specialized professional training provided by the Business Taxes and Fee programs.

Goal 4 - Enhance Operational Effectiveness

System Changes to Implement New Legislation. System changes relating to BOE's online registration, electronic returns, payments, and other automated process systems were successfully implemented in response to changes in tax and fee programs mandated by new legislation. The following statutory changes required modifications to BOE systems:

- Expansion of Oil Spill Prevention and Administration Fee (SB 861)
- Natural Gas Tax Rate Changes (AB 1907)
- Managed Audit Program Expansion (AB 2009)
- Modification to the Lumber Assessment Fee Threshold (AB 2031)
- Fire Prevention Fee Penalty Modification (AB 2048)

Centralized Revenue Opportunity System (CROS) Project. The CROS project is working to create a single technology solution that will replace our legacy systems. When completed, CROS will improve the efficiency of BOE operations and enhance the taxpayer experience. The CROS team has:

- Cleansed more than 25 million data records in the existing database
- Documented hundreds of interfaces, over 15,000 business rules, 13,809 data quality rules, and inventoried over a 100 systems and more than 5,000 reports and forms

- Created a data dictionary documenting 20,914 data elements and pre-converted more than a billion records
- Published web-based dashboards to convey progress and project health
- Strengthened the subject matter expertise in preparation for implementation

Final Proposals from the bidders for the project have been received. According to our plan the CROS project implementation date is summer of 2016.

Special Taxes and Fees Intranet Website Redesign. Special Taxes and Fees Department (STFD) unveiled a revised and upgraded intranet website containing links to program information for all STFD-administered programs, forms, publications, educational materials, STFD division and branch functions, contact information, and a SharePoint site. The site is directly linked from eBOE, so all BOE employees with internet access can easily download extensive, detailed information regarding the Department.

Automated Claim Payment Process. The BOE implemented the automation of the BOE's refund claim payment process for the Fire Fee and the Diesel Fuel Tax programs. Automating BOE's claim payment process increased efficiency and resulted in a shorter cycle time on claim for refund payments to BOE customers. It is now possible for the State Controller's Office to issue a refund within three days of submission, compared to three weeks under the manual process.

Digital BOE: Electronic Liens (eLiens) Phase III Implemented. The BOE completed the latest phase of the eLien project. Eight new counties were added to the eLien system. The eLien system enables electronic exchange of information between the BOE and County Recorder's offices for the purpose of filing, extension, and release of liens. Electronic lien recording and release leads to a more efficient business process, saving paper, staff time, and improved customer service.

Wide-Area Network (WAN) Upgrade. The BOE implemented enterprise network routing hardware and higher capacity network circuits at headquarters, the BOE Technology Recovery site, and in 38 remote sites. The WAN upgrades provide high availability, and increased capacity, which results in better performance of enterprise applications such as the Automated Compliance Management System (ACMS), Integrated Revenue Information System (IRIS), Outlook, and the internet for staff in field locations.

Contracting and Purchasing. The BOE expanded CAL-Card use agency-wide enabling staff to make point of sale purchases, implemented electronic contract and purchase requests to reduce the use of paper and speed the approval process, and upgraded existing systems to mirror the Financial Information System for California (FI\$Cal). All this while handling an unprecedented 4,200 requests for \$35 million in BOE acquisitions, and maintaining exemplary small business and disabled veteran business enterprise contracting, purchasing, and advocacy.

Workplace Security Enhancements. The BOE implemented security improvements in the areas of building and work-place access, threat response, and operations, enabling or improving compliance with Internal Revenue Service (IRS) tax information security standards through procedural and structural adjustments in offices, including replacement of the visitor badge process with IRS compliant self-expiring badges.

Board Meeting Web Broadcast Improvements. Board meeting broadcasts were supplemented with new broadcast equipment, improved on-screen graphics designed to enhance the viewers' experience, and more reliable data connections in the Sacramento and Culver City control rooms. In addition, new video monitors were installed in the Culver City Board Member quiet rooms, the Board Proceedings staff room, and the lobby area conference room.

New Travel Guide for BOE Employees. The new edition of the travel guide for employees contains current travel-related State rules, regulations, and individual bargaining unit provisions in a consolidated document. Input from program areas and district offices was incorporated to increase the usefulness of the new guide for BOE travelers.

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Criteria for Opening or Establishing Field Offices

Criteria for Opening or Establishing Field Offices

In a 1997 report to the Board Members, it was determined that BOE's trend was to no longer maintain small branch offices reasonably close to the district offices because it was not efficient and cost effective with regard to desired staffing ratios and facility costs. This resulted in a wave of branch office closures.

Over the past few years, the introduction of online services has significantly reduced visitors in our field offices (a reduction of 33% from FY 11/12 to FY 13/14). We expect this trend to continue, but at a much slower rate. Based on existing visitor traffic and strategic planning, we will continue operating field offices to serve taxpayers and house BOE audit and compliance staff.

Criteria to consider before establishing field offices include:

- Board's long-range strategic direction for the field (technology, new ways of providing services).
- Number of permits, and/or taxpayers and number of visitors.
- Proximity to taxpayers and other offices.
- Geographic location of field offices for audit coverage, as well as compliance and taxpayer services.
- Functions to be performed and services to be provided in the offices (e.g., customer service, audit only, and compliance only).
- Facility and staffing costs, including travel costs for staff working in the field.

Historically, district offices have supported roughly 40,000 or more permits and branch offices supported roughly 25,000 or less permits. District offices are typically comprised of 70 or more total staff (audit and compliance), including 40 or more professional staff. This is based on criteria established by California Department of Human Resources (CalHR) to accommodate the appropriate level manager to run a district office.

Resources at the BOE are finite and limited by our budget. When we incur additional expenditures, resources must be redirected from other areas within the BOE. Establishing field offices can incur significant costs, sometimes upward of \$1 million or more to operate. With the total cost nearing \$1 million or more and the impact on agency resources, consideration should be given to treating the establishment of a field office similar to contracts over \$1 million, where Board approval is required.