

Memorandum

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

Date : August 8, 2007

From : Ramon J. Hirsig
Executive Director



Subject : **E-Services FSR for Fiscal Year 2008-2010**

A Feasibility Study Report (FSR) is a staff proposal required by the Department of Finance (DOF) for an Information Technology (IT) project that, as a general rule, is over \$1 million. The FSR supports a Budget Change Proposal (BCP) requesting the necessary funds and positions to implement the proposed IT project. Without support of the FSR by the DOF, a subsequent BCP is not likely to gain approval and be placed in the Governor's Budget Proposal in January.

Staff typically prepares the proposed FSR and submits it to DOF weeks prior to the deadline for BCP submissions, as required by the DOF. The FSR staff proposal typically raises questions from DOF that are answered by BOE staff while the BCP is being developed and reviewed. There is a current, ongoing exchange of information between BOE staff and DOF regarding the e-services FSR.

On July 19, 2007, I provided you with a copy of the Electronic Services Expansion Project Feasibility Study Report (FSR), which was delivered to the DOF on July 16, 2007. That document was subsequently revised on July 27, 2007, in response to questions by DOF, copy attached. Once the FSR is finalized, you will be provided with a copy.

The Budget Change Proposal requesting the necessary funding for the project will be presented for your approval under Item P3 c. 2 of this Board Agenda.

The purpose of this oral report is to provide you with the latest status of our FSR and respond to any questions you might have regarding the process.

RJH:ag

Attachment

Item P
Sub-item P1.a
8/14/2007

STATE BOARD OF EQUALIZATION

FEASIBILITY STUDY REPORT

ELECTRONIC SERVICES (E-SERVICES)
EXPANSION PROJECT
0860-XX-XXX

Prepared by
Electronic Services Team

July 2007

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- ATTACHMENT A – COST SAVINGS AND REVENUE PROJECTIONS
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- ATTACHMENT E – WORKLOAD ANALYSIS
- ATTACHMENT F – CALCULATION OF FUND SPLIT

Information Technology Project

Feasibility Study Report

Executive Approval Transmittal



Department Name

Board of Equalization

Project Title (maximum of 75 characters)

Electronic Services (E-Services) Expansion Project

Project Acronym

E-Services Expansion

Department Priority

High

Agency Priority

1

APPROVAL SIGNATURES

I certify that the FSR was prepared in accordance with State Administrative Manual Sections 4920-4930.1 and that the proposed project is consistent with our information technology strategy as expressed in our current Information Management Strategic Plan. I have reviewed and agree with the information in the attached Feasibility Study Report.

Acting Chief Information Officer

Date Signed

Printed name: Frank Werry

Acting Budget Officer

Date Signed

Printed name: Steven Mercer

Department Director

Date Signed

Printed name: Randie L. Henry

Agency Secretary

Date Signed

Printed name: Ramon J. Hirsig

E-Services Expansion Project
Feasibility Study Report

2.0 Project Summary Package

1.	Submittal Date	July 16, 2007																																
		FSR	SPR	PSP Only	Other:																													
2.	Type of Document	X																																
	Project Number	0860-XX-XXX																																
3.	Project Title	Electronic Services (E-Services) Expansion Project			Estimated Project Dates																													
	Project Acronym	E-Services Expansion			Start	End																												
					7/1/08	6/30/10																												
4.	Submitting Department	Board of Equalization																																
5.	Reporting Agency	N/A																																
6.	Project Objectives			8.	Major Milestones																													
	This proposal will help the BOE address strategic issues, such as creating efficient and cost effective programs while reducing processing costs and increasing revenues.				Estimated Complete Date																													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Key Deliverables Phases 1 – 6</th> <th style="width: 30%;">Estimated Completion Date</th> </tr> </thead> <tbody> <tr> <td>Project Charter, Design Document, WBS</td> <td style="text-align: center;">7/31/08 – 4/07/10</td> </tr> <tr> <td>Final Schedule, Software Requirements</td> <td style="text-align: center;">8/15/08 – 4/21/10</td> </tr> <tr> <td>Software Design Description</td> <td style="text-align: center;">8/31/08 – 4/30/10</td> </tr> <tr> <td>Construction</td> <td style="text-align: center;">11/30/08 – 5/31/10</td> </tr> <tr> <td>Test Plans, Scripts, User Acceptance, System Implementation</td> <td style="text-align: center;">12/31/08 – 6/30/10</td> </tr> </tbody> </table>			Key Deliverables Phases 1 – 6	Estimated Completion Date	Project Charter, Design Document, WBS	7/31/08 – 4/07/10	Final Schedule, Software Requirements	8/15/08 – 4/21/10	Software Design Description	8/31/08 – 4/30/10	Construction	11/30/08 – 5/31/10	Test Plans, Scripts, User Acceptance, System Implementation	12/31/08 – 6/30/10		<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">Project Initiation</td> <td style="width: 20%; text-align: center;">7/15/08</td> </tr> <tr> <td>Phase 1 - E-filing for Fuel Distributors/Retailer Returns</td> <td style="text-align: center;">12/31/08</td> </tr> <tr> <td>Phase 2 - Internet Registration</td> <td style="text-align: center;">6/30/09</td> </tr> <tr> <td>Phase 3 - E-filing for E-Waste, Underground Storage Tank, and Tire Fee Returns</td> <td style="text-align: center;">9/30/09</td> </tr> <tr> <td>Phase 4 – On-line Extension, Relief of Penalty/Interest, and Declaration of Timely Mailing Requests</td> <td style="text-align: center;">12/31/09</td> </tr> <tr> <td>Phase 5 – On-line Requests for Installment Payment Agreements</td> <td style="text-align: center;">3/31/10</td> </tr> <tr> <td>Phase 6 –Cigarette Manufacturer/Distributor Returns and Schedules</td> <td style="text-align: center;">6/30/10</td> </tr> <tr> <td>Post Implementation Evaluation Report</td> <td style="text-align: center;">12/31/11</td> </tr> </tbody> </table>		Project Initiation	7/15/08	Phase 1 - E-filing for Fuel Distributors/Retailer Returns	12/31/08	Phase 2 - Internet Registration	6/30/09	Phase 3 - E-filing for E-Waste, Underground Storage Tank, and Tire Fee Returns	9/30/09	Phase 4 – On-line Extension, Relief of Penalty/Interest, and Declaration of Timely Mailing Requests	12/31/09	Phase 5 – On-line Requests for Installment Payment Agreements	3/31/10	Phase 6 –Cigarette Manufacturer/Distributor Returns and Schedules	6/30/10	Post Implementation Evaluation Report	12/31/11
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7.	Proposed Solution:																																	
	The proposed solution recommends the purchase of a software product and related consulting and integration services, combined with the internal and external resources necessary to expand BOE's electronic filing (e-filing) and other electronic services (e-services). The project will 1) expand the current e-filing system to allow for fuel retailer/distributor, cigarette manufacturer/distributor, electronic waste fee, underground storage tank maintenance fee, and California tire fee accounts, 2) create an Internet registration system for all tax and fee programs, 3) provide for on-line processing of extension, relief of penalty/interest and declaration of timely mailing requests, 4) provide for on-line requests for installment payment agreements.																																	

E-Services Expansion Project
Feasibility Study Report

Project #	0860-XX-XXX
Doc. Type	FSR

Executive Contacts								
	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
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Acting CIO	Frank	Werry	916	324-3415		916	327-3483	Frank.Werry@boe.ca.gov
Project Sponsor	Randie	Henry	916	445-1441		916	322-7175	Randie.Henry@boe.ca.gov

Direct Contacts								
	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
Doc. prepared by	E-services Team		916	323-6347		916	322-4530	Michelle.Maciel@boe.ca.gov
Primary contact	Dan	Levy	916	445-5543		916	322-4530	Dan.Levy@boe.ca.gov
Project Manager	Dan	Levy	916	445-5543		916	322-4530	Dan.Levy@boe.ca.gov

E-Services Expansion Project
Feasibility Study Report

What is the date of your current Operational Recovery Plan (ORP)?	Date	4/15/06
What is the date of your current Agency Information Management Strategy (AIMS)?	Date	2003*
For the proposed project, provide the page reference in your current AIMS and/or strategic business plan.	Doc.	Information Management Strategy (AIMS)
	Page #	18

Project #	0860-XX-XXX
Doc. Type	FSR

		Yes	No
Is the project reportable to control agencies?		X	
If YES, CHECK all that apply:			
a)	The project involves a budget action.	X	
b)	A new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation.		
c)	The estimated total development and acquisition cost exceeds the departmental cost threshold and the project does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM 4989 – 4989.3).	X	
d)	The project meets a condition previously imposed by Finance.		

*The current Agency Information Management Strategy is under revision.

E-Services Expansion Project
Feasibility Study Report

Budget Augmentation Required?														
Yes	x	If YES, indicate fiscal year(s) and associated amount:												
		2008/09	FY	2009/10	FY	2010/11	FY	2011/12	FY	2012/13	FY	2013/14	TOTAL	
		\$ 4,484,632		\$ 4,224,486		\$ 1,925,884		\$ 1,851,364		\$ 1,851,364		\$ 1,851,364	\$ 16,189,094	

PROJECT COSTS

1.	Fiscal Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
2.	One-Time Cost	\$ 5,441,581	\$ 4,160,520	\$ 91,609	\$ 0	\$ 0	\$ 0	\$ 9,693,710
3.	Continuing Costs	\$ 448,392	\$ 1,160,996	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 9,014,844
4.	TOTAL PROJECT BUDGET	\$ 5,889,973	\$ 5,321,516	\$ 1,942,973	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 18,708,554

SOURCES OF FUNDING

5.	General Fund	\$ 1,667,836	\$ 1,571,087	\$ 716,235	\$ 688,522	\$ 688,522	\$ 688,522	\$ 6,020,724
6.	Internal Redirection	\$ 1,405,341	\$ 1,097,030	\$ 17,089	\$	\$		\$ 2,519,460
7.	Reimbursements	\$ 1,111,292	\$ 1,046,828	\$ 477,234	\$ 458,768	\$ 458,768	\$ 458,768	\$ 4,011,658
8.	Federal Funds	\$						
9.	Special Funds	\$ 1,705,504	\$ 1,606,571	\$ 732,415	\$ 704,074	\$ 704,074	\$ 704,074	\$ 6,156,712
10.	Grant Funds	\$						
11.	Other Funds	\$						
12.	PROJECT BUDGET	\$ 5,889,973	\$ 5,321,516	\$ 1,942,973	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 18,708,554

PROJECT FINANCIAL BENEFITS

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
13.	Cost Savings/Avoidances <u>a/</u>	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
14.	Revenue Increase <u>a/</u>	\$ -0-	\$ 6,664,530	\$ 16,252,670	\$ 17,038,070	\$ 17,869,670	\$ 18,793,670	\$ 76,618,610

Note: The totals in Item 4 and Item 12 must have the same cost estimate.

a/ Assumes cost savings of \$15,452,299 will be redirected to revenue positions generating total increased revenue of \$76,618,610. See Attachment A for detail.

E-Services Expansion Project
Feasibility Study Report

Vendor Cost for FSR Development (if applicable)	\$ -0-
Vendor Name	N/A

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VENDOR PROJECT BUDGET

1.	Fiscal Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	TOTAL
2.	Vendor Budget	\$ 3,096,720	\$ 2,591,370					\$ 5,688,090
3.	Independent Oversight Budget	\$ 54,000	\$ 54,000	\$ 9,000				\$ 117,000
4.	IV&V Budget							
5.	Other Budget (Project Management)	\$ 393,120	\$ 393,120	\$ 65,520				\$ 851,760
6.	TOTAL VENDOR BUDGET	\$ 3,543,840	\$ 3,038,490	\$ 74,520				\$ 6,656,850

-----**(Applies to SPR only)**-----

PRIMARY VENDOR HISTORY SPECIFIC TO THIS PROJECT

7.	Primary Vendor	
8.	Contract Start Date	
9.	Contract End Date (projected)	
10.	Amount	\$

PRIMARY VENDOR CONTACTS

	Vendor	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
11.									
12.									
13.									

Project #	0860-XX -XXX
Doc. Type	FSR

RISK ASSESSMENT

	Yes	No
Has a Risk Management Plan been developed for this project?	X	

General Comment(s)

The E-Services Expansion Project schedule contains a project risk phase. The main deliverable from this phase is the Risk Management Plan in accordance with the BOE Project Management Methodology (PMM).

The project manager will have primary day-to-day responsibility for managing risks and will conduct a risk analysis for the project. Risks will be analyzed, classified and prioritized to reflect probability of occurrence and impact. The project manager will be responsible for tracking risks, determining status relative to risk triggers and implement risk responses as necessary. Identified risks will be escalated to the appropriate levels as necessary in order to properly mitigate the risks. An update on the condition of these risks will be included in the on-going status reports to management.

3.0 Business Case

3.1 Business Program Background

The Board of Equalization (BOE) is one of California's oldest administrative agencies. Established by a constitutional amendment in 1879, the BOE was charged with the responsibility for ensuring that county property tax assessment practices were equal and uniform throughout the state. This function gave the agency its name, but does not accurately represent the responsibilities of the BOE. Due to a decrease in property tax revenue, the sales tax was created in 1933, followed by the imposition of use tax in 1935. Today, sales and use tax is the largest component of the BOE's revenue.

The BOE consists of four elected members, each representing an Equalization District, and the State Controller, an ex-officio member representing the state at large. The BOE has an Executive Director who in turn directs the work of the more than 4,000 employees who carry out the BOE's mission, goals, and directives. The Executive Director directs the activities of the staff in the Sales and Use Tax (SUTD), Property and Special Taxes (PSTD), Legal, and Administration Departments, and five direct report Divisions.

The BOE administers 27 different tax and fee programs, which provide nearly 36 percent of the State's annual revenue. These taxes and fees generated \$52.98 billion in revenue during Fiscal Year (FY) 2005-06¹. Revenues collected by the BOE benefit programs that support public safety, transportation, housing, health and social services, and natural resources management. More than one million businesses are registered with the agency.

In addition, the BOE also acts as the appellate body for franchise and personal income tax appeals, and it plays a significant role in the assessment and administration of property taxes.

The mission of the BOE is to serve the public through fair, effective, and efficient tax administration. The agency's goals are:

- Goal 1: Maximize Voluntary Compliance in BOE's Programs
- Goal 2: Improve the Efficiency of BOE's Tax and Fee Programs
- Goal 3: Improve the BOE's Organizational Efficiency
- Goal 4: Create an Expanded and Responsive Infrastructure
- Goal 5: Foster a Skilled, Motivated, and Diverse Workforce

To carry out the mission and goals of the agency, BOE employs staff in its Sacramento Headquarters, 28 Sales and Use Tax district offices, three Property Tax field offices, and three out-of-state offices (New York, Chicago, and Houston). Out-of-state staff serve taxpayers that conduct business in California, but maintain their main offices and records outside the State.

¹ State Board of Equalization, 2005-06 Annual Report

Description of the Departments within BOE

Administration Department

The Administration Department is responsible for performing the administrative service functions that ensure BOE fulfills its primary responsibility for administering its tax and fee programs. Tax return processing functions are provided for the sales and use tax and special taxes and fee programs. In addition, personnel, financial management, space planning, lease management, supply, reproduction, and reception services are performed.

Property and Special Taxes Department

The Property and Special Taxes Department (PSTD) oversees the assessment standards and practices of the State's 58 county assessors, who are charged with assessing most property. In addition, BOE directly assesses the property of privately owned public utilities, enabling counties to use those values to collect local property tax. BOE directly administers and collects the timber yield tax and private railroad car tax.

The department also administers 24 tax and fee programs, which include fuel taxes, excise taxes, and environmental fees. The department also ensures that tax and fee payers properly comply with permit/license requirements, assists in interpreting tax laws and regulations, and provides classroom instruction and individual assistance in the correct preparation of tax returns. With the exception of insurance and cigarette tax receipts, special tax program revenues are used to finance specific State services from highway construction to hazardous waste cleanup. Several special tax programs are administered in cooperation with other State agencies. The department generated \$8.68 billion in revenue during FY 2005-06.

Sales and Use Tax Department

The Sales and Use Tax Department (SUTD) is responsible for the sales and use tax imposed on retailers for the privilege of selling tangible personal property in California and applies to all retail transactions except those specifically exempted by law. The department also ensures that taxpayers properly comply with permit requirements, assists in interpreting tax laws and regulations, and provides classroom instruction and individual assistance in the correct preparation of tax returns. California's business tax laws are based on a system of self-assessment. BOE assists in and encourages voluntary cooperation from taxpayers in filing their tax returns. The department generated \$44.3 billion in revenue during FY 2005-06.

3.2 Business Problem or Opportunity

The BOE is dedicated to leadership in the field of tax administration and taxpayer services and is committed to reducing processing costs, increasing revenue, improving services and increasing productivity. With over one million registered tax and fee payers for all tax and fee programs that file over three and a half million tax returns and payments annually, the current manual tax return process does not adequately support this commitment.

In keeping with the mission statement and strategic plan goals, the BOE must be innovative and proactive in its approach to the future. With this in mind, the BOE must continue to automate labor-intensive manual processes, reduce processing and storage and retrieval costs, and offer alternative filing methods while improving service to taxpayers.

To meet agency and taxpayer needs in a timely, effective, and efficient manner, the BOE must move away from the current paper-based manual system and focus on development of new on-line services that capitalize on proven technology. As a result, the BOE is committed to providing an accessible, adaptable and customer-focused environment to tax and fee payers through e-services. This commitment to e-services is evidenced by the following five year plan:

- ***Year one (Implemented in FY 2005-06 and prior)***
 - Electronic Funds Transfer (EFT) Payment
 - Credit Card Payment for Sales and Use Tax Returns and Prepayment Forms
 - Electronic Filing for Single Location Sales and Use Tax Accounts
 - Electronic Filing for Single Location Sales and Use Tax Accounts (EZ Returns)
 - Electronic Filing for Motor Fuel Accounts
 - On-line Seller's Permit Verification
 - On-line Cigarette Tax Stamp Ordering
 - On-line Interest Calculator

- ***Year two (Implemented in FY 2006-07)***
 - Electronic Filing for Single Location Prepayment Sales and Use Tax Accounts
 - Quarterly Returns
 - Quarterly Prepayment Forms
 - Credit Card Payments for Accounts Receivables (all tax and fee programs)
 - Credit Card Payments for Electronic Filing
 - Credit Card Payments for Special Taxes Returns

- ***Year three (Planned implementation in FY 2007-08)***
 - Electronic Filing for Multiple Location Sales and Use Tax Accounts
 - Electronic Filing of No Remittance and Partial Remittance Sales and Use Tax Returns and Prepayment Forms (Payment by Check)
 - Electronic Filing for Mandatory EFT Sales and Use Tax Accounts
 - Pre-population of Previously Paid Prepayment Amounts on Quarterly Prepayment Electronically Filed Returns
 - Automation of Prepayment Delinquency Notices
 - EFT for Installment Payment Agreements

- ***Years four and five (Proposed implementation in FY 2008-10)***
 - Electronic Filing for Fuel Retailers
 - Electronic Filing for Fuel Distributors
 - Electronic Filing for selected Special Taxes Programs (Underground Storage Tank Maintenance Fee, Electronic Waste Recycling Fee, California Tire Fee, and Cigarette and Tobacco Products Tax)
 - On-line Registration for all Tax and Fee Programs
 - On-line Requests for Extensions, Relief from Penalty/Interest and Declaration of Timely Mailing
 - On-line Requests for Installment Payment Agreements

The development of the additional e-services components identified in this proposal (years four and five of the BOE's e-services plan) will provide the foundation that will allow tax and fee payers to do business with the BOE electronically 24x7x365. This proposal is also consistent with the State's policy regarding e-Government – to use technology to make government smarter, faster and more cost-efficient; to provide direct services to citizens via the Internet; to streamline government operations and facilitate program delivery, thereby supporting a customer focused and citizen-centered government. The BOE embraces this concept and seeks to continue to move forward with the development of additional e-services that will ultimately enhance customer service and create the efficiencies that are inherent in doing business electronically, such as the following:

E-filing for Fuel Retailers and Distributors

Fuel retailers are required to file a slightly different sales and use tax return than other retailers because they are required to prepay a portion of the sales tax when they purchase fuel from distributors (rather than reporting and paying tax on the accumulated sales for a reporting period). The fuel retailers then claim a credit for the amount of sales tax prepaid to the distributors using a schedule that must be included with their return filing. Fuel distributors collect the prepaid amount from fuel retailers and report it to the BOE on a monthly basis. The fuel distributors return includes a schedule where sales made to each individual fuel retailer and the amount of prepaid tax collected are reported.

To ensure that the proper amount of prepaid sales tax has been remitted by distributors and that the proper amount of prepaid sales tax credit has been claimed by retailers, the retailer and distributor returns are reconciled and any material differences that are found are billed. Currently Tax Technicians in the Return Analysis Unit, Gas Team spend over 50% of their time manually reviewing and following up on information from incomplete returns since the information on retailer and distributor returns must be verified and complete before an automated Integrated Revenue Information System (IRIS) reconciliation report can be run to identify possible inaccuracies in reporting. The reconciliation report is not always run because of the time spent trying to correct the errors in reporting by distributors and retailers. As a result of this manual error correction process and staffing limitations, the Gas Team staff are only able to analyze reconciliation reports for approximately 25% of the eligible accounts. The inability to work 100% of the eligible accounts within the statute of limitations leaves a solid source of revenue left unbilled.

Edits that can be built in to the e-file system will prevent most of the common taxpayer errors and will reduce the follow-up time needed to correct them. Receiving the returns and schedules electronically will allow the RAU to run the reconciliation reports on a timely basis and identify potential revenue that is due to the State.

Internet Registration for All Tax and Fee Programs

The BOE administers 27 different tax and fee programs and each program handles their own registration, leading to duplication of efforts for staff and inconvenience for the tax or fee payer because they may be required to fill out a paper application for each program for which they need to register. For example, a gas station that has a mini-mart would be required to complete registration applications for sales and use tax, fuel tax, and cigarette and tobacco licensing programs. This creates a bureaucratic, cumbersome and confusing process for the taxpayer who needs to register with the BOE.

The ability to support the revenue stream and collect over \$50 billion in revenue annually is dependent on BOE's ability to timely register businesses with the appropriate permits and licenses. Currently, BOE registers over 200,000 new individuals and businesses each year with the majority registering for sellers' permits. Tax and fee payers currently can register in person (walk-in) at BOE district offices throughout the State or by mail.

However, over the past decade, due to budget reductions and cost saving efforts, BOE has closed numerous district offices throughout the State. While mail-in registration may be more convenient for taxpayers, especially those in communities without district offices, processing mailed-in applications (due to errors and incomplete/missing information) requires significantly more staff processing time than walk-in applications.

Internet registration will enhance customer service by providing on-line help, required-fields and smart edits, as well as the customization of applications based on the tax or fee payer's response to patterned questions about their business. All of these features will improve customer service by reducing the lag time involved with mail-in registration (permits/licenses will be printed out after completion of Internet registration process) and reducing the number of customers waiting at district offices. This same process (Internet screens) can be used by district office staff that process walk-in registrations, thus creating efficiencies by no longer having to correct errors and obtain missing information from taxpayers.

On-line Processing of Requests for Extension, Relief of Penalty/Interest, and Declaration of Timely Mailing

The current methods used for processing the extension, relief from penalty/interest and declaration of timely mailing (DTM) requests are labor intensive and inefficient, thus creating delays in processing due to workload, resource availability, and numerous levels of review/approval. An on-line system for processing tax and fee payers' requests for extensions, relief from penalty/interest and declaration of timely mailing, will reduce processing delays driven by the current paper processing requirements, provide a more convenient method to submit requests, reduce errors and incomplete submissions, and will provide an instant electronic acknowledgement of the submission. With all the pertinent information captured at the time of submission, the review process will be automated for most requests and streamlined for those that require a more extensive review process, thus reducing staff time and processing costs.

On-line Requests for Installment Payment Agreements

An installment payment agreement (IPA) requires a tax or fee payer to make periodic payments until the liability is fully paid. Currently, tax or fee payers who want to enter into an IPA must contact the BOE collector assigned to their account and supply financial statements verifying their inability to pay the liability owed. The only payment methods currently available for tax and fee payers to make IPA payments is cash or check; however, during FY 2007-08, BOE will be implementing Electronic Funds Transfer (EFT) for IPAs. The BOE will have the funds transferred through Automated Clearing House (ACH) debit method from the tax or fee payer's bank account to the BOE bank account. Having the ability to accept EFT payments from tax and fee payers with IPAs will increase the level of service BOE provides by making it easier for tax and fee payers to make payments and remain in compliance with the terms of their agreements.

In addition, several other revenue agencies allow taxpayers to request IPAs via the Internet. Franchise Tax Board (FTB) has accepted Internet IPA requests since 2002 and the Internal Revenue Service (IRS) since July 2006. Taxpayers requesting an IPA on-line with FTB must provide basic information such as name and address, proposed payment terms, and the banking information necessary to make IPA payments by EFT should their request be approved. IPA requests meeting specific criteria are approved automatically. All others are reviewed by FTB staff.

If tax and fee payers were able to request an IPA via the Internet, it would allow BOE to offer the same service as other revenue agencies, free up collection staff to generate additional revenue to the State, and improve the overall efficiency of compliance efforts.

E-filing for Selected Special Taxes Returns

With approximately 89% of all sales and use tax accounts currently eligible to e-file, the BOE can create additional efficiencies and cost savings by adding special taxes program returns into the e-filing program. However, since the PSTD administers 24 different tax and fee programs, the following special taxes programs were selected to be added to the e-filing program first because of their close connection to the sales and use tax program and/or requirement to hold a seller's permit:

- California Tire Fee
- Electronic Waste (e-waste) Recycling Fee
- Underground Storage Tank Maintenance Fee
- Cigarette Distributors/Manufacturers

Much of the same information/documentation needed to file a sales and use tax return is also needed to file the special taxes returns referenced above. Expanding the e-filing program to include these returns will provide tax and fee payers the convenience of e-filing all their required returns in lieu of having the opportunity to e-file a sales and use tax return, but still having to use paper filing for all other filing obligations.

Additionally, the Excise Taxes Division currently relies upon manual procedures to match cigarette transactions between sellers and purchasers through the use of schedules and reports provided by taxpayers. Adding this schedule processing functionality into IRIS will create efficiencies and cost savings by automating the matching of seller and purchaser transactions. Currently, only a limited number of accounts can be screened and processed through a detailed review due to time and staffing constraints.

By leveraging the automated process, staff time can be used to review report listings that cross-reference all accounts and ensure screening efficiency of accounts not previously reviewed in manual procedures. This results in 1,914 hours per year (based on a two year average) to be utilized in the follow up/audit process, which given a two-year average audit revenue per audit hour of \$915 yields the following benefits:

Number of Audit Hours Available	1914
Average Audit Revenue per Audit Hour (reduced by 10% for due to diminishing returns per audit)	\$915 per hour
Potential Yearly Benefit	= \$1,751,310

3.3 Business Objectives

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

Attachment A, Cost Savings/Revenue Projection identifies the estimated cost savings and increase in revenue the BOE expects from implementation of the elements contained in this proposal. With adoption of the proposed alternative, a potential of \$76.6 million could be achieved should the cost savings be redirected to revenue generating positions (e.g., tax collectors and/or auditors); however, should the proposed alternative not be adopted, approximately \$15.4 million in cost savings and \$14.2 million in revenue will be achieved over the life of this project.

By meeting the following objectives, the BOE will ensure that the project is successful:

- 1. Reduce Tax Return and Registration Processing Costs (see Attachment A)**
 - Providing more on-line services to tax and fee payers will allow the BOE to move away from manual paper processing; thereby reducing overall processing costs from by \$365,475 through FY 2013-14.
 - Development of an Internet registration process will reduce the number of registration forms processed by 40% and reduce mailing and printing costs by \$1.34 per registration packet by the second year after implementation (mail-in registrations will all use on-line functionality).

- 2. Increase Revenue (see Attachment A)**
 - Providing e-filing of returns for fuel retailers and distributors will allow BOE staff to run reconciliation reports sooner and identify liabilities on a more timely basis resulting in a increase in revenue of \$1.2 million annually.
 - Providing e-filing of returns for cigarette manufacturers and distributors will allow the BOE to run reconciliation reports quicker and obtain audit leads resulting in an increase in audit revenues of \$1.7 million annually.

- 3. Create Efficient Processes**
 - By taking advantage of the functionality in IRIS, on-line registration will allow tax and fee payers to enter business/personal information only one time for all permits/licenses required by the BOE. The average processing time for a walk-in registration will be reduced from 34 minutes to 23 minutes after implementation. The processing time for a mail-in registration will be reduced from an average of six days to one day (provided the tax or fee payer inputs all the required information).
 - On-line processing of requests for relief from penalty and interest, declaration of timely mailing, and extensions will require less staff time and allow for faster and more efficient processing (95% processed automatically in one business day) by taking advantage of built-in business rules and edits.
 - The reduction in errors from on-line filing and registration will allow BOE staff to pursue other revenue generating activities because less follow-up (e.g., correspondence and billings) will be required.

- Providing e-filing of returns for fuel retailers and distributors will reduce taxpayer errors and allow staff to reconcile approximately 35% more eligible accounts upon implementation.
- 4. *Improve Taxpayer Services***
- Expand the e-filing program to allow sales and use tax fuel retailers and distributors and tax and selected fee payers (e-waste, tire recycling, underground storage tank, cigarette distributors/manufacturers) to file and pay electronically. E-filing allows for faster processing, improved accuracy and improved data availability; thus facilitating better customer service.
 - Create an on-line registration system to allow tax and fee payers to obtain all required permits/licenses immediately via one application process. This system will also save an office visit for those taxpayers that require immediate service.
 - Create an on-line system that will allow tax and fee payers to submit requests for relief from penalty and interest, declaration of timely mailing, and extensions.
- 5. *Improve Compliance Tools***
- By leveraging the BOE's corporate database, IRIS, create an on-line registration system for all tax and fee payers. This system will provide the necessary information to the user that will enable them to register for all the applicable permit/licenses based upon their type of business; thereby, increasing compliance.
 - Develop an on-line system that will allow all eligible tax and fee payers to request an Installment Payment Agreement (IPA) and set-up automatic payments via Electronic Funds Transfer (EFT) - Automated Clearinghouse Debit.
- 6. *Reduce Tax Rate and Return/Form Errors***
- Interactive on-line systems (with built-in edits and error messages) for filing and registration will reduce errors caused by tax and fee payers that use incorrect tax rates, non-standard forms, and provide incomplete information by 90%.
- 7. *Manage Workload Growth with Limited Resources***
- Implementation of the proposed solution will help the BOE meet its Strategic Plan objectives while automating labor intensive manual processes currently in place (e.g., mail, cashiering, data entry, billing, and registration).
- 8. *Reduce Paper***
- Implementation of the proposed solution will allow the BOE to reduce costs for storage, printing and mailing paper returns, applications, correspondence and other forms involved in tax return processing, account registration, and other compliance functions.
- 9. *Improve Data Availability/Timeliness***
- The on-line functionality provided by the proposed solution will allow BOE tax and fee program staff to have access to tax return data more rapidly which will help expedite revenue allocation to the cities, counties, and special taxing jurisdictions.
- 10. *Improve Data Accuracy***
- Interactive on-line systems for filing and registration will improve the accuracy (by using on-line edits, error messages and automatic mathematical computations) of tax return data and registration form information from taxpayers and reduce key entry errors by BOE staff by 90%.

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

Goal 1- Maximize Voluntary Compliance in BOE's Programs

Objective 2 – Develop creative tools and marketing and outreach programs to educate California's diverse taxpayer base and provide them with the information and materials they need to comply with their legal responsibilities.

Objective 4 – Explore new cost-effective technology-based delivery methods that offer self-service options available 24/7, and provide easier, more convenient access to information.

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

Objective 1 – Create an environment that encourages innovative and creative ideas for changing and streamlining our business processes without diminishing the quality of our services or products.

Objective 5 – Continually assess changes in the business environment and evaluate and modify processes and services to ensure that customer expectations and needs are met or exceeded.

Objective 6 – Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.

Goal 4 – Create an Expanded and Responsive Infrastructure

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

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

Objective 2 – Enhance current internal communications, improve information sharing, and use team work to promote a cohesive, unified organization.

Objective 3 – Ensure the essential information, tools, and equipment needed by employees to perform efficiently and successfully are provided on a timely basis.

3.4 Business Functional Requirements

To achieve the business objectives, the BOE must develop a system that will provide:

- Free e-filing, e-client, and account validation to fuel retailers/distributors, cigarette distributors/manufacturers, e-waste, underground storage tank, and California tire fee accounts. A confirmation number must be provided upon successful payment and or return filing.
- Functionality for tax and fee payers to register for permits/licenses on-line and print out necessary documents (license/permits and/or security requests).
- Functionality for tax and fee payers to request relief of penalty and interest, declaration of timely mailing, and extensions on-line and receive e-mail notification of approval or denial.
- Functionality for tax and fee payers to request to enter into an IPAs and set-up automatic payments via EFT – Automated Clearinghouse Debit and receive e-mail notification of acknowledgement and/or acceptance. The transaction must also be recorded in the BOE's Automated Collection Management System (ACMS).

4.0 Baseline Analysis

4.1 Current Method

This section will discuss the current business processes associated with the elements included in this proposal. Where appropriate, processes are combined regardless of department or tax program and those that are distinctly different are broken out separately.

4.1.1 Tax Return Processing

Sales and Use Tax Return Processing

Currently, the BOE offers taxpayers options when filing and paying amounts owed with their sales and use tax returns. These options include 1) free e-filing through the BOE's e-filing system, BOE-file, 2) fee based e-filing through third party vendors, and 3) traditional paper filing.

E-filing Program

The e-filing program for sales and use tax was launched in January 2001. This program allowed less complex, single location taxpayers to file their sales and use tax returns electronically over the Internet through service providers known as Electronic Return Originators (ERO). The EROs charge a fee to taxpayers choosing to file and remit their sales and use tax return electronically. This fee is for the services provided and is not set by or shared with the BOE.

The functionality of the e-filing program is performed in real time via the Internet using XML as the data interchange format. The taxpayer registers with an ERO to electronically file their return. As part of the process, the ERO sends a message in real time to the BOE via the Internet. The BOE uses existing components within the Integrated Revenue Information System (IRIS) to validate whether the taxpayer is eligible to file a tax return and to determine the current open filing period. The BOE then transmits, in real time via the Internet, an XML document containing the information on the taxpayer eligibility and filing period to the ERO. If the taxpayer is currently not eligible to e-file, the reason for ineligibility is also transmitted in this XML document.

The taxpayer, if eligible, is then able to complete the tax return on-line within the web browser interface. Data entered by the taxpayer is edited for errors and calculated fields are automatically provided, eliminating many of the errors inherent in paper filing. In addition to entering tax return information, the taxpayer enters banking information for the direct debit payment of taxes owed. The taxpayer has the option to enter a future payment date up until and including the tax due date. The information is then transmitted in real time directly to the BOE in an XML document. It is validated and stored directly into IRIS for processing and a confirmation number is transmitted in real time to the taxpayer, within their current browser session. If the taxpayer has requested a future date for the payment, it is held (warehoused) until that date for actual processing of the payment and tax return.

Building upon the existing e-filing system, in September 2005, BOE implemented its free e-filing system (BOE-file) for approximately 700,000 single location sales and use sales and use tax accounts (long form). Taxpayers that met the eligibility criteria were able to

e-file and pay their liability in the same transaction. This included taxpayers on a monthly, quarterly, fiscal year and calendar year reporting basis.

In July 2006, BOE implemented e-filing for single location sales and use tax accounts that file an EZ return form. This enhancement provided a more streamlined e-file option for those taxpayers that do not need to complete all the fields that are present on the long form version.

As of May 2007, the BOE implemented additional enhancements that allow single location sales and use taxpayers on a quarterly prepayment basis to e-file their quarterly prepayment returns and monthly prepayment forms, as well as the option for e-filers to pay via credit card, using the BOE's credit card processor. At this point, approximately 89% of sales and use tax accounts are eligible to e-file.

During fiscal year 2007/08, the BOE will be implementing new functionality which will allow taxpayers with multiple locations or those who are mandated to pay their taxes through electronic fund transfers to e-file. Additionally, taxpayers will have the option of e-filing and making payment by check (e-filing with no-remittance or a partial remittance). Lastly, functionality will be added to pre-populate previously paid prepayment amounts on quarterly prepayment sales and use tax e-filed returns.

Since the first implementation of e-filing in 2001, participation has slowly increased with significant increases since the addition of BOE's free e-file option in 2005. Approximately 2.5% of the eligible tax returns and forms are currently e-filed. This rate of participation is consistent with other states' findings as reported in a May 2004 Federation of Tax Administrators (FTA) survey (responses received from Alabama, Florida, Massachusetts, Minnesota, Missouri, Oklahoma, Tennessee, Texas and Wisconsin) regarding electronic mandates disclosed the following:

- Mandates were established for sales tax accounts at a certain threshold level (generally at a high level, 5% - 15% of accounts).
- Minnesota, Alabama, and Oklahoma have universal mandates that apply to most taxpayers.
- Six states imposed a mandate by specific legislation, three under a general grant of authority.
- States with voluntary e-filing programs noted that fewer than 5% of their taxpayers participated.
- States generally offer taxpayers a variety of e-filing options:
 - Web-based programs operated by the state (used for simple returns)
 - State provided software
 - Approved private vendor software (used for more complex returns)
- Issues noted from the states:
 - Lack of access to Internet and computing resources
 - E-filing is not easier for some taxpayers – shifts workload from the state to the taxpayer.
 - States indicated that extensive outreach and customer support are necessary especially when implementing a mandate.
 - States should include a system that allows taxpayers to e-file without paying a service provider or for software.

E-Services Expansion Project
Feasibility Study Report

There have been noticeable increases in participation with the addition of BOE-file (free e-filing) in September 2005 and with each enhancement to the program since:

Fiscal year	# of Returns E-filed	Sales and Use Tax E-Filing Program Enhancement	Date Implemented
2002/2003	3,747	ERO fee-based*	01/2001
2003/2004	8,063	ERO fee-based*	01/2001
2004/2005	16,622	ERO fee-based*	01/2001
2005/2006	34,447	Free e-filing (BOE-file)*	09/2005
2006/2007	50,500	EZ Return	07/2006
		Prepayment Forms	04/2007
		Quarterly Prepayment Returns	05/2007
		Credit Card Payment Option	05/2007

*Program included e-filing (long form version) for single location sales and use tax accounts.

In an effort to increase participation, the BOE has implemented the following pilot projects:

➤ **Combined Registration Process (Seller's Permit and E-Client)**

Individuals selling tangible personal property in California must register for a seller's permit with the BOE. A combined registration pilot project was implemented beginning in May 2007. Under the pilot, district office staff are registering taxpayer's as e-clients (to e-file) at the same time they register for a seller's permit. Training materials were developed to guide district staff through the new combined registration process and to assist taxpayers with the e-filing process.

In May 2007, the West Covina district office was the first district office selected to participate in the pilot, and the Oakland office followed in July 2007. As a result of the pilot, the West Covina office registered 13% of newly registered sales and use tax accounts as e-clients in the first month, May 2007 and 15% in the second month, June 2007. The Oakland district office results are currently pending.

This combined registration process is scheduled to be implemented statewide in September/October 2007.

➤ **Discontinue Sending Paper Tax Returns**

Paper tax returns are sent to sales and use taxpayers that report either on a monthly, quarterly, fiscal yearly or calendar yearly basis whether or not they e-file (unless the taxpayer has elected to no longer receive paper returns). The BOE implemented a pilot project, "Toss the Paper" to discontinue sending paper returns to certain taxpayer groups to determine the readiness and willingness of taxpayers to e-file and discontinue receipt of a paper return.. Three groups (monthly, fiscal yearly and quarterly accounts) of 1,000 taxpayers each eligible to e-file were randomly selected to participate in the pilot.

The first group selected to participate were the monthly sales and use tax accounts (for the May 2007 reporting period). In an effort to properly evaluate the best method for outreach, 250 of the pilot group received a postcard prior to receiving their invitation, advising them to watch their mail for upcoming information on e-filing. This was followed by invitations to e-file in lieu of a paper return along with a BOE-file User's Guide. An additional 250 participants were called by BOE Information Center staff after receiving their invitation/guide to answer any questions or assist taxpayers with the e-filing

process. The remaining 500 were a control group which only received the invitation and user's guide.

The results of the first pilot group (May 2007 monthly returns) are as follows:

Contact Method	# of Taxpayers	Continue with No Paper	% of Total	Registered and E-filed	% of Total
Postcard	250	186	74.4%	57	22.8%
Letter/User Guide	500	388	77.6%	145	29.0%
Call	250	139	55.6%	74	29.6%
Total	1,000	713	71.3%	276	27.6%

The BOE is encouraged by the 27% participation rate from this initial pilot group which helps make the goal of achieving an overall 25% e-filing participation rate achievable.

Paper Return Filing

The traditional paper filing of returns is also available for taxpayers that choose not to file electronically. The paper return process is comprised of several units that manually process sales and use tax, property taxes, special taxes and fees, and consumer use tax returns in sequential order. Attachment B illustrates the flow of the paper returns. The following areas are involved in the paper filing process for all tax and fee programs:

- Mail Services Unit
- Cashier Unit
- Data Entry Unit
- Production Services and Support Unit

After processing is completed in the Production Services and Support Unit, returns from property taxes, special taxes and fees, and consumer use tax programs, are sent to the applicable department for further processing (this process will be detailed later in the 4.1 Current Method narrative).

The following areas process sales and use tax returns only. Additionally, these processing areas review the sales and use tax e-filed information stored directly in IRIS for accuracy and completeness.

- Return Analysis Unit
 - Verification Teams
 - Compliance Teams
- Local Revenue Allocation Unit
 - Registration and Security Control
- Taxpayer Records Unit

The following narratives describe the manual functions performed in each of the return processing areas.

Mail Services Unit

The Mail Services Unit is responsible for all BOE outgoing and incoming mail. The unit receives tax returns from two sources: the U.S. Postal Service and the BOE's field offices.

Mail received in BOE-provided envelopes is sorted using the zip code plus four digits, which identifies the type of return by tax program. These presorted returns are top cut and placed in mail trays for delivery to the Cashier Unit. All other mail received in non-BOE-provided envelopes is manually opened and the contents checked to determine its destination.

Cashier Unit

The Cashier Unit staff manually opens all of the presorted mail received from the MSU. Opened returns are batched by return type and the amount of money received for each return is verified with the amount due. Batch numbers are assigned, checks endorsed, and batches totaled to ensure the dollar amounts on the checks and returns match. The checks are then encoded and prepared for daily deposit. The returns are perforated with the batch number and are sent on to the Data Entry Unit for keying.

Data Entry Unit

The Data Entry Unit is responsible for entering the information (data) from all returns and revenue documents that will be transmitted to IRIS. Batches of returns/documents are received daily from the Cashier Unit. Key Data Operators key the information using the i-Capture PC-based data entry system.

Once all the information is keyed from tax returns and revenue documents, the data files are electronically transmitted to the Department of Technology Services (DTS), Gold Camp to be loaded into IRIS. Before loading to the database, the keyed information is subject to edit and load steps that identify numerous error conditions. Once IRIS accepts the information, a batch transmittal is printed and Production Services and Support Unit staff places it on top of the corresponding batch of returns. The batch transmittal identifies errors that resulted from edit rules in IRIS. The sales and use tax batches are then routed to the Return Analysis Unit, Verification Teams. All other batches are routed to the applicable department for further processing.

The entire monthly data capture cycle must be completed in a compressed amount of time to meet the scheduled date when the local tax allocation to the cities and counties throughout the state is usually performed. Other significant dates must also be met, such as the dates when the citation and revocation notices are generated.

Production Services and Support Unit

The unit is responsible for the printing of all returns and sales and use tax/special taxes batches that result from production batch jobs. The returns are sent to the Mail Services Unit to be mailed to tax and fee payers, while the batches are routed for

additional processing. All production batch jobs associated with tax return processing, are conducted and successful completion is ensured. Appropriate staff is notified if an abend occurs. Additionally, the unit receives all batch reports and matches this output with the return batches.

NOTE: The following areas process sales and use tax returns only. At this point, the Return Analysis Unit Compliance Teams reviews the e-filing information stored directly in IRIS, as well as, the returns filed using the traditional paper method.

Return Analysis Unit

Verification Teams – review all sales and use tax returns. Batches of returns from the Production Services and Support Unit are received in the section. Batches of “clean returns” (returns without errors) and prepayment forms are sent to the Taxpayer Records Unit (TRU) for microfilming.

The remaining batches are reviewed with the batch transmittal that lists the IRIS-identified errors. The return information is pulled up for viewing on a personal computer linked to IRIS and is compared with the paper document. Verification staff is able to correct returns with obvious taxpayer errors (transpositions, etc.) or data entry errors on-line. Staff can also issue simple on-line billings for items such as a late payment or return, a non-remittance return or a partially paid return. Any corrections made are noted on the document. The remaining returns with more complex errors or questionable items that cannot be corrected by Verification staff are routed to other units for problem resolution. The batch integrity of the documents end at this point with the exception of scheduled return batches. Corrected returns requiring no further actions are routed to TRU for filing in the taxpayer’s master folder.

Compliance Teams – reviews/examines sales tax returns filed either electronically or by the traditional paper method in order to investigate discrepancies, generate billings and make adjustments, or take other necessary actions. Paper returns and e-filing transmittals that are received from the Verification Teams are manually sorted and distributed to each team. Each team is comprised of two groups. These groups perform the following functions:

- **Billing and Adjustment Group** – responsible for issuing billings for dishonored checks, underpayments due to non-remittance, partial remittance, and late returns. Staff is also responsible for adjusting the taxpayer’s account based on correspondence, amended returns, bank error letters, extensions, and declarations of timely mailing. This group also generates refunds of overpayments of penalty and interest. The billings, adjustments, and refunds are all done on-line using a personal computer linked to IRIS. Returns with additional problems, or those that cannot be handled by the Billing and Adjustment Group staff are routed to the Analysis Group or another unit for resolution.
- **Analysis Group** – responsible for reviewing/analyzing returns for the validity of deductions claimed and for accuracy and completeness of information provided on the return forms. Discrepancies are handled by contact with taxpayers by telephone or letter. Information received from taxpayers can result in an issuance of determinations, further correspondence, or amended returns. Staff also answer questions regarding the application of tax laws; make recommendations on taxpayer

requests for relief from penalty; guide taxpayers in making credit card and electronic funds transfer (EFT) payments; electronic filing of return forms; and assist taxpayers with tax return preparation.

Local Revenue Allocation Unit

The Local Revenue Allocation Unit is responsible for the timely and accurate allocation of the local and district taxes to local taxing jurisdictions. To accomplish this, processing of all scheduled returns must be completed within a short timeframe and the necessary information must be sent to the State Controller's Office for payment. LRAS reviews approximately 61,000 scheduled returns (multiple location accounts) each quarter. This review includes obtaining missing schedules, contacting taxpayers concerning missing or illegible entries, and correcting taxpayer errors. Also, the tax area codes that identify the specific taxing jurisdiction where monies should be allocated are checked for accuracy.

In addition, the Registration and Security Control Group reviews and initiates action to make changes to the taxpayer's registration record or refers the action to the appropriate district office for resolution.

Taxpayer Records Unit

The unit is the custodian of each master file for sales and use taxpayers. Once a taxpayer has registered with the BOE, a master file folder is created to house all documents pertaining to that account. Files are established and maintained by account number (seller's permit number) and filed by terminal digit (last two numbers of the account number) in an open-shelf filing system. In addition, staff in the TRU microfilm documents for the majority of departments within the BOE and is responsible for the retrieval of that information.

Property and Special Taxes Return Processing

E-filing Program

The Motor Fuels e-filing program is designed to receive, analyze, cross-check and report on the transaction detail received as part of the motor fuel tax returns and reports filed monthly by licensed motor vehicle fuel and diesel fuel suppliers and petroleum terminal operators. The program began in 2002 using an Electronic Data Interchange (EDI) format. While the EDI format works well for larger companies, it is very technical and not user friendly enough for smaller companies without information technology staff. In 2004, the BOE added a simple flat file format and developed a free e-filing system that makes it easier for small and mid-sized companies to participate in the program. This enhancement doubled the number of participants in the voluntary program. Current participants in the program, and their representative percentage of participation compared to total registrants by type are: 78 terminal operators (89%); 48 suppliers of motor vehicle fuel (40%), and 53 suppliers of diesel fuel: (28%).

E-filing is necessary for motor fuels because of the nature of the returns and reports the BOE receives. Annual motor vehicle fuel and diesel fuel excise tax revenues amount to almost \$3.5 billion. Since the risk of evasion is high due to the amount of tax imposed on motor fuels, reporting requirements include reporting the transaction detail for each load of fuel that is removed from a refinery or terminal. Approximately 500,000 terminal disbursements occur each month in California. These transactions need to be reported

by both the terminal operator and the licensed supplier (taxpayer) resulting in approximately 1 million transactions reported to the BOE each month. Due to the vast quantity of transactions, it would not be feasible for the BOE to key this information manually. E-filing provides the BOE with the ability to operate a program that allows the cross-checking of reports to ensure that all transactions are reported and to identify and resolve erroneous reporting and potential evasion issues.

Upon receipt of the e-filed data, the filing is first validated for proper formatting and syntax. Once the file is accepted, the return and the transaction detail is analyzed using an extensive edit routine that provides the staff with edit reports on this fuel data. Staff uses these reports to work with filers to correct erroneous filings which may include missing data, data in the wrong format, math errors, and product misclassification.

Staff also has the ability to query the system to compare one party's reporting to another party's reporting to ensure that transactions reported by them are in agreement. This cross-checking feature allows staff to ensure that the report of a terminal disbursement reported by the terminal operator is also properly reported by the licensed supplier and that tax has been remitted to the state on the transaction. Discrepancies are investigated and the returns are either corrected or the taxpayers are billed for taxes due. This cross checking is the heart of the system as it provides the controls needed to track the fuel as it moves through the process.

Approximately 11.8 million transactions were reported electronically in 2006 which accounts for over 95% of all transactions reported and approximately 90% of the total reported motor fuel tax due.

Paper Return Filing

PSTD returns, specifically the underground storage tank maintenance fee, electronic waste recycling fee and California tire fee are processed similar to SUTD returns and flow through the same up-front processing areas (Mail, Cashier, Data Entry and Production Services and Support Units). However, once the return and revenue information is transferred in IRIS, the return batches are sent to the specific PSTD program area for further processing. Batches are then separated into clean and dirty returns. The batches of "clean returns" (returns without errors) and prepayments forms are sent to be filed or scanned.

The "dirty return" batches (returns with noticeable errors) are sent to each division's Tax Technicians for initial review (e.g., correcting obvious taxpayer errors and issuing of simple billings for late payment/return, no-remittance return or a partially paid return). Returns with more complex errors are routed to compliance teams (consisting of Tax Representatives and Tax Compliance Specialists) in the appropriate PSTD division for review.

Compliance teams review the "dirty returns" to resolve discrepancies, generate billings, and make adjustments or take any other necessary action. In addition, Compliance Teams are responsible for the validity of the deductions claimed, and the accuracy and completeness of information provided on the return forms. Discrepancies are handled by contact with tax and fee payers by telephone or written correspondence which can result in an issuance of determination billings, further correspondence or amended returns.

The cigarette distributors tax report and supporting schedules are processed through the same up-front processing areas (Mail, Cashier, Data Entry and Production Services and

Support Units) as referenced above with the exception that only the face of the report is key entered by the Data Entry Unit and loaded into IRIS. The report and schedules are then forwarded to Excise Taxes Division staff to process. The report is processed in the same manner as referenced above.

Since the cigarette schedules are not currently key entered or loaded into IRIS, staff must manually reconcile the schedules with the cigarette distributors tax report. Copies of the report schedules are made and distributed to the State receiving the shipment of un-taxed cigarettes, and the Bureau of Alcohol, Tobacco and Firearms. In addition, staff manually inputs the report schedules into an Access database and compiles a report as required by the State's Master Settlement Agreement. This report is then forwarded to the California Attorney General's Office.

Staff manually reconciles the information from the cigarette distributors tax report and associated schedules with the information received from the cigarette manufacturers tax return of taxable distributions (cigarettes shipped into in California). Excise Taxes Division audit staff manually reviews the data as part of the audit selection process to identify deficiencies, credits and or reporting discrepancies.

4.1.2 Permit/License Registration

Sales and Use Tax Seller's Permit Registration

Registration applications are received by mail, facsimile, and in person. Registration staff in district offices enter the information contained in the application in IRIS. Based upon the information on the application, registration staff also determines the reporting basis, tax area code, and any security deposits required. Guidelines are used by staff to assign the reporting basis. The tax area code is assigned to each new account based upon the business location(s), which allow for the proper funding allocation. A security deposit may be required depending on the type of account or if it is deemed necessary based on pre-set criteria. Once the applicant is registered, BOE staff either mails or hands to the registrant an information packet consisting of the permit and other pamphlets/publications applicable to their business.

Walk-in registration involves taxpayers applying for and receiving a seller's permit in person at a district office or branch office. Mail-in registration, as the name implies, consists of the processing of applications received by mail. On average, 43 minutes (as noted below) was required to register a taxpayer. Walk-in registrations require significantly less time than those received and handled through the mail-in process. Additional staff time is required to review mail-in applications to follow-up on incomplete information or errors on the application. District office staff generally contacts the applicant by telephone to resolve these preparation errors or to obtain any additional information required. However, if they are unable to contact the applicant by telephone, the application is mailed back with instructions on how to fill out the application completely and outlining any additional information needed. The current process does not allow staff the option to input partial information into the IRIS system: therefore; the registration process is stalled until a completed application is returned and the registration process can resume.

The following table shows the total sales and use registrations and average processing times:

Registration Type	# of Registrations Annually	Ave. Minutes per Registration
Walk-in	98,400	34
Mail-in	65,600	63
Total	164,000	

As mentioned earlier, new sellers' permits can only be obtained in person at one of BOE's field offices or through the mail. The average wait time in a district office is 11 minutes before a taxpayer is assisted, while the average response time for a mail-in registration applicant to have their permit issued is five to eight business days.

Property and Special Taxes Registration

Currently, the PSTD registers tax and fee payers through two different processes 1) a tax or fee payer can initiate registration by submitting an application or 2) PSTD staff issues an account based on information received from an internal or external source. The two processes are described below:

An applicant can currently contact the BOE in person, by telephone, or by mail to request a registration application. In addition, the majority of the PSTD registration forms are available via the internet – giving tax and fee payers the ability to download and print a registration application. Registration applications can be submitted in person or by mail; however, the majority of PSTD registration applications are processed by mail.

Once the applicant submits a completed application and any additional documentation required, PSTD staff reviews the submitted application and enters the necessary account information based on the program requirements in IRIS. Staff determines the reporting basis, and security requirements based on pre-set business rules. Once the registration is complete, staff provides a registration packet to the tax or fee payer. The registration packet includes a copy of the permit/license, security documents (if required), and any forms and publications related to the type of account being registered.

Some PSTD accounts require a licensing fee and/or decal fee to be remitted with the registration application. These fees need to be paid in full prior to the account and/or decals (if applicable) being issued.

2) The PSTD registers accounts from internal sources (information generated by newly registered sales and use tax accounts) and from external sources (reports or referrals from other State/Federal agencies). PSTD staff reviews the information provided and initiates contact with the potential applicant to determine if a permit/license should be issued. Once an account is registered, a registration packet, billing or letter is mailed out to the new registrant explaining the responsibilities of reporting, filing and paying the tax and/or fee. The following table shows the total registrations and average processing times.

Registration Type	# of Registrations Annually	Ave. Minutes per Registration
Walk-in	600	41
Mail-in	29,955	34
Total	30,555	

4.1.3 Requests for Extension, Relief of Penalty/Interest, and Declaration of Timely Mailing

Tax and fee payers may request a one month extension to file and/or pay amounts due. In addition, if a tax or fee payer believes that a penalty and/or interest has been assessed against them due to error, delay or circumstances beyond their control, they may request relief/abatement in the following ways:

1. Request for an Extension to File and/or Pay

For good cause, the BOE may grant a one month extension to file returns or pay amounts due. Any request for an extension must be filed with the BOE within or prior to the period for which the extension may be granted. The request must be in writing and must state the reason for the request. Tax and fee payers can download the form from the BOE's website or call the BOE to obtain a form by fax or mail.

If an extension is granted, the tax or fee payer must pay the tax and interest due as prescribed by law. The tax must be paid within the extension period in order to avoid a delinquency penalty. If the tax is not paid within the extension period, staff may be required to bill and/or adjust the tax or fee payers accounts receivable liability.

The requests are reviewed and processed by Tax Technicians and/or Tax Representatives (depending upon tax program). Staff reviews the reason for the extension request and updates various IRIS screens accordingly. If the request is granted prior to the due date, a follow-up is needed to bill interest or penalty amounts due. Certain extension requests may require special handling. For example, if the extension is requested prior to the due date of the return filing, notification in regards to the BOE's decision is mailed; however, if the request is received only a few days prior to the end of the one month extension period, the requestor is contacted by telephone and a letter faxed and mailed to them informing them of the due date that the tax amount must be paid in order to avoid penalty charges.

Extension requests on average require 3.5 hours of staff time to process. During FY 2005-06, 4,653 requests were processed.

2. Requests For Relief From Penalty/Interest

The BOE reviews and may grant a tax or fee payer's request for relief from penalty, and/or interest, if it was determined that the tax or fee payer's failure to file a timely return, make a timely payment, and/or make a payment by Electronic Funds Transfer (EFT) was due to reasonable cause and circumstances beyond the person's control. Currently, tax and fee payers must submit a written request signed under penalty of perjury to obtain relief from penalty and/or interest charges. Requests can be faxed or mailed to the BOE.

Once a written request is received, a Tax Representative reviews the information to determine if all the elements are included in order to make a recommendation if the request should be granted or denied. The review process further requires the Tax Representative to complete a worksheet to document the account information and then

enter the request in IRIS. Staff determines the existence of extenuating circumstances through the analysis of the request for relief; examination of the tax or fee payer's filing and payment history, review of prior requests for relief, review of changes to the tax or fee payer's reporting basis or required payment method, or responsiveness of the tax or fee payer in addressing the return filing or payment issue. The results of the analysis will determine if additional information is required or in a recommendation to grant or deny the request. Depending upon the dollar amount of the request, multiple levels of review may be required, which can include Business Taxes Compliance Specialists, Team Supervisors, Section Supervisors, and/or Division/Department Managers. Requests over \$50,000 require action by the Board Members.

After the last reviewer has signed off on the request, it is returned to the originating Tax Representative to complete the processing. The Tax Representative must then update the account by modifying various IRIS screens that capture the history of the request. An adjusted statement must be sent (if liability has been billed) or a billing issued for any amounts due. A letter must also be created and sent to the tax or fee payer informing them of the BOE's decision on the request.

Requests for relief of penalty and/or interest take an average of 4.8 hours to process depending on the complexity of the case. During the FY 2005-06, 10,368 requests were processed and of those, approximately 96% were granted.

3. *Declarations of Timely Mailing*

If a return form/and or remittance is placed in the mail on or before the tax due date, but is not received by the BOE timely, a tax or fee payer (or the person who mailed the return/payment) may, under penalty of perjury, file a declaration of timely mailing (DTM). The declaration must state that the original return and/or payment for the period in question was properly addressed, delivered timely to a United States Postal Service facility or other mail delivery service vendor and mailed with sufficient postage.

DTM requests are processed by Tax Technicians and are reviewed to ensure that the request was signed under penalty of perjury and contains sufficient proof that the original return/payment was mailed timely (i.e., was properly addressed and delivered timely to a United States Postal Service facility or mail delivery service vendor and mailed with sufficient postage). If all the criteria is present and correct, the DTM is approved by updating the effective date of the return/payment in IRIS and adjusting the tax or fee payer's billing accordingly. If sufficient proof was not submitted that the return/payment was submitted timely, the DTM is denied. A letter is prepared and mailed to tax or fee payer informing them of the BOE's decision.

DTM requests take an average of 2.5 hours to process. During FY 2005-06, 9,818 requests were processed.

4.1.4 *Installment Payment Agreements (IPAs)*

Tax or fee liabilities usually arise as the result of returns being filed without payment in full or as a result of an audit of a tax or fee payer's business which reveals unreported amounts. The total outstanding accounts receivable for all BOE tax and fee programs is approximately \$1 billion. In cases where a tax or fee payer is unable to remit payment in full, an IPA may be an option until the liability is paid in full. The Revenue and Taxation Code provides that BOE may, at its discretion, enter into a written IPA with a tax or fee payer.

There are two types of IPAs available to BOE tax or fee payers:

1. The Streamlined Installment Payment Agreement (SIPA) is for tax and fee payers who owe liabilities between \$500 and \$5,000. An active account must pay all self declared liabilities in equal installments within one year. A closed out account or an active account with only an audit liability may pay in equal installments over a three year period. If a tax or fee payer qualifies for a SIPA, they are not required to provide any financial documentation to support the agreement.
2. Tax and fee payers who do not qualify for a SIPA may enter into a standard IPA to pay outstanding liabilities. Tax or fee payers are required to provide documentation to demonstrate the inability to pay the liability in full. A complete financial statement, including bank statements (both personal and business), income tax returns, accounts receivable listings (including names, addresses, telephone numbers and amounts owed), income and expense (or profit and loss) statements, balance sheets, and cash flow statements may be required. The IPA is reviewed on a yearly basis and financial information may need to be re-submitted. Upon review of the updated financial information, the BOE may request an increase in the installment amount.

Information obtained from ACMS indicates that approximately 7,500 IPAs are established annually. As stated above, an IPA requires a tax or fee payer to make periodic payments until its liability is satisfied. The details regarding the terms of an IPA are recorded in ACMS. By doing so, a payment reminder notice is automatically generated by ACMS several days prior to the due date of each installment payment. Such notices are used as "payment coupons" and returned to BOE along with the required payment. A total of \$30 million in IPA payments are received by BOE each year.

In June 2007, the BOE initiated a project to allow automated EFT payments for IPAs. Upon authorization by a tax or fee payer, BOE will automatically debit the tax or fee payer's bank account for payments required by the IPA. Accepting EFT payments from tax and fee payers with IPAs will increase the level of service BOE provides by making it easier for tax and fee payers to make timely, periodic payments necessary to remain in compliance with the terms of their IPAs. Additionally, requiring taxpayers to remit EFT payments for IPAs will enhance BOE's compliance activities since the percentage of tax and fee payers that default on IPAs is expected to decrease significantly. Implementation of the project is scheduled for mid-2008.

4.1.5 Error Correction/Reconciliation Process for Fuel Distributors and Fuel Retailers

Fuel distributor returns are manually batched (in the Cashier Unit) into two types credit and debit. Credit batches include returns that result in a credit balance (refund) while debit batches include returns that result in zero or amount due balances. Tax Technicians record the batches in a log book and prescreen/prepare the returns/schedules for data entry (e.g., computational errors and questionable entries are corrected) and then the batches are forwarded to the Data Entry Unit. Key Data Operators then manually key information from the returns and the data is loaded into IRIS. The debit batches are returned to the RAU and the credit batches are forwarded to the Refund Section for the processing of refunds. RAU records the batches received in a log book and attaches any applicable IRIS reports to the returns. The returns are forwarded to the Gas Team for review or sent to file if no errors exist.

Gas Team Tax Technicians review the errors on the return/schedules which is extremely time consuming. The schedules may contain closed out or invalid account numbers that require staff to manually obtain valid account numbers and names from IRIS or are incomplete or missing scheduled information. The pre-paid sales tax rate changes each April and therefore, has the most rate difference errors. Schedules that did not load properly to IRIS or those that need further clarification require written correspondence or a telephone call to request the missing information.

Fuel retailer returns (with schedule G) are separated into two batches (in the Cashier Unit), returns that include local tax schedules and non local tax schedule returns and are sent to the Data Entry Unit for keying (only the information from the return is keyed initially). After the return information is loaded to IRIS, the batches are sent to the Return Analysis Unit, Verification Team to be verified (e.g., obvious taxpayer and keying errors are corrected). After the returns are verified, the batches of returns are forwarded to Local Revenue Allocation Unit and the Return Analysis Unit, Gas Team for processing as follows:

- Local Revenue Allocation Unit staff review the schedules for inaccuracies to minimize the mis-allocation of local tax. Once corrected, the batches are returned to the Data Entry Unit for the keying of the data from the schedules. Once keyed, the information is loaded to IRIS and the batches are sent to the Return Analysis Unit, Gas Team.
- Those with no local tax schedules, but with schedule G are sent to the Gas Team. Tax Technicians log the batches into a log book. Then, the returns are reviewed and compared to the pre-payment of sales tax credit claimed on schedule G to ensure that the amounts reported are the same. Preparation of form errors (e.g., incorrect entries) are corrected on the schedule G at this point to ensure that the proper information from the schedule is key entered. A calculator tape summing all the pre-payment credits for each batch of returns is generated and the batches are returned to the Data Entry Unit for the keying of the schedule G information.

After the schedule G information is loaded into IRIS, batches are returned to the Gas Team and are logged back in the log book. The batch transmittals generated from IRIS, are reviewed and edits related to the pre-payment credit are written on the return. Tax Technicians review the Schedule G and if the pre-payment credit taken on the return cannot be validated with the information reported on the schedule, or the account is not identified as a fuel retailer, a letter is sent requesting clarification and supporting documentation. Tax Representatives review invoices that are received in response to these inquiries in an attempt to validate the pre-payment credit. If the discrepancies are not resolved, a pre-payment credit may be disallowed and billed. Some billings require approval by a Business Taxes Compliance Specialist and/or Team Supervisor.

Once the fuel distributor and retailer returns are corrected, an automated IRIS reconciliation report is run to compare the amount of prepayment of sales tax collected and reported by distributors and the amounts claimed by fuel retailers. Business Taxes Representatives are responsible for reviewing/analyzing the reconciliation report to determine if the distributor and retailer records agree over a three year period. If they do not, staff reviews IRIS screens to see if the issue has been resolved. If IRIS shows a missing filing or no credit at all, the distributor's account is reviewed to see if the amount missing was credited to some other retailer.

If a discrepancy cannot be reconciled, the taxpayer is contacted by letter or telephone call and may be asked to provide copies of invoices. If no response is obtained, staff is required to follow-up with the taxpayer.

4.2 Technical Environment

4.2.1 Existing Infrastructure

The BOE utilizes MVS mainframe database systems located at the Department of Technology Services (DTS), Gold Campus for the processing of tax information. The primary database system is the Integrated Revenue Information System (IRIS) which currently contains sales and use tax and special taxes information.

IRIS was developed using Object Oriented principles and concepts, utilizing the NATURAL programming language and storing information within an ADABAS Database Management System. Generally, screen interface logic is separate from data access and business rule logic and processing is done using common and reusable components.

The following matrix details the software used to support BOE computer systems.

Mainframe Software	
Function	Software
Operating System	Z/OS 1.7 IBM
Application Development	NATURAL, COBOL
Database	ADABAS
Middleware	EntireX
Protocol	TCP/IP, TN 3270, SVC
Security	RACF, Natural Security, BSY Security
Mid-Tier Software	
Function	Software
Operating System	Windows 2003 Server
Application Development	Java, C++, XML
Database	Tamino, SQL 2005, A
Middleware	EntireX
Protocol	TCP/IP
Reporting Tool	Crystal Reports
Security	SSL, Dual Firewalls, Logins
PC/Network Software	
Function	Software
Operating System	Novell NetWare, version 6.5
	Windows 2000/2003
	HP Openview
Connection	Attachmate
	SNA Gateway
Protocol	IPX /SPX TCP/IP
Virus Protection	Symantec Anti-Virus, version 9.5; Antigen, version 8.0 (Windows/Exchange server)
Electronic Mail	MS Exchange 2003
PC Software	
Function	Software
Operating System	Windows XP
Word Processing	Office Suite 2003
Electronic Mail	Outlook 2003
Flowcharting/Diagramming	Visio
Project Tracking	MS Project 2003

The E-Services environment was developed using Object Oriented principles and concepts, utilizing the Java programming language. Taxpayer entered data is stored within a Tamino Database Management System located on a dedicated secured Tamino server. Screen interface logic is separate from data access. Business rule logic and processing is done using common and reusable components. Generally, all business rules are retrieved from IRIS.

The production web interface with IRIS resides on multiple web and application servers at DTS. The web servers can be accessed by the Internet community. The production application servers reside behind the DTS firewall, which can only be accessed by the production web servers. The application server then accesses IRIS through a secured interface.

The test web and application servers also reside at DTS and interface with the IRIS test environment. BOE uses the test web and application servers for training and testing. These servers are also used by our third-party ERO's for certification and testing of the e-filing application. The development and test web and application servers reside internally at BOE and can not be accessed by other than BOE staff.

For security reasons, all web pages in this element of the interface design are deployed to the BOE secured website. This enables all interactions to be encrypted and have secure login capabilities. Mid-tier security is periodically validated and tested by security consultants.

5.0 Proposed Solution

5.1 Solution Description

The BOE proposes to purchase a third-party software product and related consulting services to expedite the development and deployment of the increased e-filing and e-services options included in this proposal. Using the software product, web pages will be generated in conjunction with BOE's web development strategy (every form, schedule or screen is produced individually and presented to the tax and fee payer to enter their information).

Currently, the BOE uses a web-based interface to display and capture taxpayer data which is then translated into XML (data exchange format) for storage. BOE uses several XML technology based products to store and transmit data collected from taxpayers and ERO's. The method of transferring and validating data using the software product will be XML and will allow the BOE to leverage data and processing technologies already available within the current technological architecture. The new functionality developed with the software product will seamlessly connect with BOE applications using XML and not require additional steps currently needed to translate data collected from taxpayers (software has XML conversion capabilities built in).

In addition, BOE proposes leveraging the existing e-filing and mainframe (IRIS) system by using multiple California Multiple Award Schedule (CMAS) contractors (analysts, programmers and testers), each under a separate contract, to either make the necessary modifications to support the new functionality or to backfill behind BOE technology staff who will do the actual modifications to the system.

The proposed solution will provide the following functionality:

Internet Registration

Implementation of Internet registration for all tax and fee programs will allow the BOE to serve the public in a more efficient manner. By taking advantage of the functionality in IRIS, Internet registration will allow tax and fee payers to enter business/personal information only one time for all permits/licenses required by the BOE.

The proposed system will be designed as an interview style questionnaire with logic built in that will lead an applicant to the proper permits/licenses that they need. The system will be comprised of two paths. The first path will be for those who are not sure what permit and/or license they need, if any. The second path will be for those who know exactly what permit and/or license they need. The nature of many of the special tax programs requires that they hold a seller's permit. Based on the responses to the patterned questions, the system will ask for the appropriate special tax program information. At the end of the process the applicant will be able to print the applicable permit and/or license locally. The system will also provide links to other pertinent information (e.g., regulations, publications) for their account(s).

On-line Requests Extensions, Relief of Penalty/Interest, Declaration of Timely Mailing

Since these requests are evaluated based on a pre-determined criteria, the processes involved are perfect candidates for automation, thus creating efficiencies and cost savings. An on-line system will allow tax and fee payers to select an option and enter the reporting period to be considered for relief. The review criteria for the requests, will be built into the system based upon pre-determined edits that will eliminate (in most cases) the manual process that staff currently performs. In addition, the criteria entered will be crossed referenced with the account information existing in IRIS. Parameters will be set to determine if the request should be automatically granted or denied. For those requests where the information falls outside the set parameters, the system will route those for staff review. For those requests that require staff analysis, a review screen will be available displaying all the account information that is entered by the tax or fee payer, thus reducing the amount of time for the manual review process. The reviewer will have the capability to modify or enter information and make a recommendation for the approver. The system will be able to update the IRIS history and account screens and send a new billing statement and/or letter.

While the BOE will actively promote the use of the on-line system, requests that are received through fax, mail or in person, BOE staff will have access to the same entry screen to input the requestor's information that will then trigger the automated review.

E-filing for Fuel Retailers and Distributors

This proposal will expand the current e-filing system to allow fuel retailer and distributor returns to be e-filed which will facilitate the processing and reconciliation of these returns. It will eliminate the manual processing of payments, batching, keying and verification. The e-file system will provide edits, based on business rules, to ensure that the taxpayer completes the necessary information required on the return and accompanying schedules. Additional edits will also eliminate computational errors, thus expediting the review process. The e-filing system will automatically route information to Tax Technicians for review, when required. E-filed credit returns will automatically be forwarded to the Refund Section allowing the processing of refunds directly from the information loaded into IRIS system. This will create an efficient and cost saving

process that will bypass the routing back and forth between departments that is required with the processing of paper returns.

The Tax Technician will be able to refer to information from verification staff that will identify items that require review. Returns that have no items to be reviewed will be automatically billed. Since the e-file system requires the taxpayer to enter valid account numbers on the schedules it will allow more time for staff to investigate the closed out accounts and address any discrepancies by phone or written correspondence.

On-line Requests for IPAs

This proposal will create the ability for tax and fee payers to request an IPA via the BOE's website. The tax or fee payer will have an option to select an un-paid liability owed on their account and propose payment terms (e.g., payment amount, number of payments, payment frequency). As a requirement for requesting an IPA via the Internet, tax and fee payers will provide bank account information necessary for the BOE to establish EFT payments should their IPA request be approved.

If the IPA terms proposed by the tax or fee payer meet the BOE's criteria for a "streamlined installment payment agreement" (SIPA), the request will be approved automatically and will not require staff review. An installment payment agreement and all other necessary forms or letters will automatically be generated and mailed to the tax or fee payer. Additionally, payments required by the IPA will automatically be made by EFT using the information provided by the tax or fee payer at the time the IPA was requested.

IPA requests which do not meet BOE's SIPA requirements and which cannot be approved automatically will be routed to a specific ACMS work list and reviewed by staff. Such requests will be handled similar to IPA requests currently received.

E-filing for Selected Special Taxes Returns

The proposed solution will expand the current e-filing system to allow the following special taxes returns:

- Underground Storage Tank Maintenance Fee
- Electronic Waste Recycling Fee
- California Tire Fee
- Cigarette Distributors Tax Report and supporting schedules:
 - Schedule A - Distributors Record of Cigarettes Received
 - Schedule C - Out-of-State Sales of Cigarettes Report
 - Schedule F - Cigarette Schedule
- Cigarette Manufacturers

The e-file system will provide edits based on business rules to guide the tax/fee payer to complete the return/report with all required information. Computational errors will be eliminated. Once the return/report is filed then staff will only review returns/reports with edits as set by business rules. Returns with edits will trigger an electronic assignment for designated staff to review and resolve, if necessary. Returns that have no items to be reviewed and that require billings such as non-remittance and/or partial remittance will be designated to be automatically billed or assigned electronically to staff for review and possible billing.

Specifically, the automation of the Cigarette Distributors Report and schedules will capture the information needed to reconcile distributions between the Cigarette Manufacturer and Distributors. Thus, providing better and more accurate information to be used during the audit selection and process.

Other Considerations

1. Technical Platform

BOE staff currently utilizes and maintains all components of the proposed solution in IRIS and the mid-tier platform. The solution adheres to the existing BOE enterprise information technology architectural standards and as such, no changes will be required to the technology platform.

In addition, information security and confidentiality are of primary importance in executing this project. BOE's technology platform meets existing internal audit standards, and provides regular system and data backup procedures. BOE's information and security standards as well as ongoing backup and recovery procedures are well understood by BOE technical support staff.

2. Information Security

This project will utilize existing security infrastructure and as part of its security evaluation utilizing a qualified 'white hat hacker', the TSD and the ISO will request that a risk assessment be made to ensure that modifications to the E-File system do not adversely impact security.

3. Development Approach

BOE proposes to use the same strategy for this project that was employed on the Revenue Database Consolidation (RDC) Project (#0860-079). BOE will use multiple contractors to either make the necessary modifications to support the new system, or to backfill for BOE technology staff who will do the actual modifications to the system. This strategy proved to be highly successful with the RDC Project, with all project deliverables completed on time, under budget, and at a very high quality.

The BOE utilizes an Application Life Cycle (ALC) that encompasses Business Analysis/Conceptual Design, Business Analysis/Logical Design, Physical Design, Construction, Unit Testing, Release/Integration Testing, System Testing, and Acceptance Testing. The BOE has successfully developed and implemented systems using the ALC coupled with its project management methodology.

4. On-going Maintenance

The BOE utilizes a Maintenance ALC and a ticket/problem reporting and assignment system. Mid-tier maintenance tickets are expected to increase as a result of the increased functionality and complexity of the elements added in this proposal. The proposal also provides for the staff necessary to continually test the more complex components including the additional return schedules.

5. Confidentiality

Any contract with private vendors will contain the standard terms and conditions of the State Model Contract, which requires contractors to protect the confidentiality of data and information made available to the contractor by the BOE. BOE employee project team members, contractor project team members and vendor representatives are required to sign Form BOE-894, *Confidentiality Certification*, and to follow existing agency confidentiality policy.

6. Consistency with Overall Strategies

The proposed solution is consistent with BOE's strategies of:

- Exploring new cost-effective technology-based delivery methods that offer self-service options available 24/7.
- Providing easier, more convenient access to information.
- Identifying and implementing new approaches to traditional audit, collection, and return processing functions that ensure compliance with the legal requirements.
- Providing convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.
- Promoting cooperative working relationships with other agencies, stakeholder organizations, and programs with the BOE, by sharing data and resources, as appropriate, to ensure the efficient use of time and resources.
- Evaluating current processes, tools, and procedures and, through an effective change management process, updating and modifying those that are no longer effective.
- Creating a stable yet flexible state-of-the-art technology infrastructure using industry best practices.
- Responding timely, effectively, and efficiently to changes needed in existing programs or those required by legislative mandate.
- Evaluating the agency's external and internal environments and introducing new or enhanced technology as changing customer needs and expectations are identified.

7. Technology Development Costs

One-time development costs are \$5,441,581 in FY 2008-09, \$4,160,520 in FY 2009-10 and \$91,609 in FY 2010-11. Continuing costs are \$448,392 in FY 2008-09, \$1,160,996 in FY 2009-10 and \$1,851,364 in FY 2010-11 and ongoing.

The BOE administers 27 different tax and fee programs, all of which require a return, schedules and/or form along with a remittance document. Many of the tax programs require supporting schedules which provide more details concerning the calculations or specifics about the transactions that make up the key reportable numbers on the return/form. After performing a detailed analysis, the BOE has determined that the use of a software product, which uses a set of protocols and formats (which are industry standard), is critical to the development of an expedited means of creating e-file options for these documents.

8. Technology Resource Needs

The proposed solution will add functionality and services requiring additional hardware, software, and technology staff. In terms of hardware, additional servers will be required to handle the increased e-services transaction volume. In terms of software, additional application functionality will be developed and a software product will be added to the BOE technology infrastructure, all of which requires development and on-going maintenance support. An additional 12.5 personnel years (PYs) are needed to plan, develop and maintain the additional functionality being added to IRIS and to support the additional servers and software product being added to the technology infrastructure. This additional workload is not absorbable by the existing technology resource baseline. See Attachment E for detailed workload analysis.

9. Impact on Existing System

The six new servers (two production web servers and two production application servers, one production server to host the software product and one test server to host the software product in BOE's dedicated test environment) are needed to accommodate the anticipated increase in the number of e-filing, Internet registration and other e-services transactions. The current production environment utilizes three web servers and three application servers to accommodate up to 100,000 transactions during peak periods (the four calendar quarters). In FY 2007-08, the BOE will be adding four additional servers (two web servers and two application servers) to handle the additional transaction volume associated with the functionality that will be implemented with the E-Filing Infrastructure Project.

Based on the proposed solution, it is anticipated that approximately 605,000 transactions could be requested per year. In addition, there will be e-services accessed throughout the year, rather than on peak periods each quarter. Assuming a 25% participation rate, approximately 151,000 taxpayer transactions per quarter can be expected. The majority of taxpayers e-file during the final five days of the quarter (approximately 36,000 per day or 1,500 per hour with an expected filing time of 20 minutes), while other requests for e-services are expected to be spread throughout the year.

During our initial implementation of E-Filing, it was determined (with assistance from a seasoned vendor) that each pair of servers (one web and one application) could handle approximately 15 to 20 web interactions per second. The BOE has load testing software which helps to determine server needs as new e-services are implemented. Based upon the estimated number of web interactions calculated above, it was determined that five additional servers (two web and two application servers, and one additional server needed to host the software solution) would be needed to handle the additional load associated with this project. One additional server is needed to host the software product in BOE's test environment.

10. Business Resource Needs

Three (3) PYs are needed in the business program areas to facilitate identifying e-services business needs, requirements and enhancements to the e-services programs, and legislative impacts (such as changes to special taxing districts) to the program area. There is also a new workload associated with respect to outreach and education since an average of 25% of sales and use tax accounts turnover every year. The current paper process does not require any particular education effort for these businesses beyond pamphlets or brochures provided based on type of business. See Attachment E for detailed workload analysis.

In the previously mentioned 2004 FTA survey, various States' indicated that extensive outreach efforts are necessary. The Washington State Department of Revenue e-filing program began in 1998 with small increases in participation each year. They attributed a significant increase in their e-filing participation in 2005 to a marketing campaign aimed at taxpayers. The same year, they added MasterCard and Visa to the American Express and Discover cards they already accepted for e-filed returns. In 2006, they experienced another significant increase in e-filed returns with the continuation of the same marketing campaign.

Accordingly, the BOE has developed an Outreach plan that will promote existing and proposed e-services. Outreach efforts include both internal and external components.

Our research, including the FTA survey mentioned earlier, indicates that outreach and education are key to a successful e-filing program. Key components of the plan are:

Internal Outreach

This component is aimed at educating and informing our greatest assets – BOE staff. Employee buy-in is critical to increasing participation in all the e-services programs. The plan focuses on three key areas:

- **District E-Services Contact** – Employees from each district office will be solicited to become E-Services Contacts. These contacts will be the liaison between the district and the E-Services Business Team to ensure that accurate and timely e-services information flows in and out of BOE district offices. Each district office contact will:
 - Promote e-services and ensure it is a priority for office staff as they assist tax and fee payers.
 - Conduct training for office staff.
 - Speak at events promoting e-services at seminars and other events.

- **Communication** – A variety of printed and electronic methods of communication will be used to publicize and promote e-services through various methods, such as:
 - The e-services logos will be highly visible by including them on all forms of communication including letters, memorandums, business cards and e-mail messages.
 - An e-services section will be added to the BOE's Intranet to keep staff informed of updates and enhancements.
 - The Executive Director's Viewpoint articles on the BOE's Intranet will also promote e-services.
 - Articles will regularly be included in the employee newsletter.

- **Education** – E-services education is critical to maintaining a knowledgeable and effective staff and will include the following:
 - Separate components focusing on all the BOE's e-services programs will be added to compliance and audit training classes.
 - A quick reference handbook will be created for employees to use as they assist tax and fee payers by telephone and in person.

External Outreach

This component targets tax and fee payers directly with a separate component focused on tax professionals (California Society of Enrolled Agents, Tax Practitioners, Certified Public Accountants, Software Developers, and Bookkeepers). The BOE external outreach plan focuses on the following areas:

- **Communication** – We use a variety of communication methods to inform taxpayers about e-services and to promote the benefits of e-filing, such as:
 - E-services logo and website address included on all printed materials, including the updates of all publications/pamphlets.
 - Promotional flyers included with mailed returns and other correspondence.
 - Overprinted messages on envelopes regarding e-services programs.
 - Invitations to participate in e-services events such as e-filing focus groups, and the "Toss the Paper" campaign.
 - Eye-catching e-services posters in BOE district offices.
 - A BOE-file tagline on all written communication including e-mail.
 - E-services articles in each issue of tax and fee payer newsletters.

- E-mail reminders sent to taxpayers who have “turned off” their paper returns that includes an electronic link to newsletters.
 - Electronic survey soliciting feedback from taxpayers who use BOE-file.
 - Print advertisements in business periodicals and newspapers.
- **Education/Speaking Engagements** – Knowledgeable staff will be available to promote e-services by providing information and answering questions for taxpayers. Incentive items displaying our logo and website address will also be incorporated into these events.
- Events hosted by BOE
 - Small Business Fairs
 - Seminars for nonprofit business
 - Basic Sales and Use Tax Classes throughout the state
 - Events BOE participates in
 - Chambers of Commerce
 - California State Fair
 - Government Technology Conference
 - Joint Federal and State E-file/E-Services Workshops geared toward tax professionals.
- **Web Services/On-line Access Materials** – Through use of printed materials taxpayers are directed to our website where they can find a wide variety of information available to them, including:
- BOE-file tutorials and streaming videos which will be produced to promote e-filing and ensure that the process is easy for all taxpayers.
 - Tax Information Bulletins on our website featuring articles promoting the benefits of e-filing and other e-services.
- **Primary Market Research** – Focus groups were conducted in three locations this year to gain valuable input from the end users. Specifics of the sessions are listed below:
- Invitations sent to registered taxpayers served as a promotion of e-filing even if they were unable to participate in the event.
 - Valuable feedback was gained regarding the registration process and the actual completion of the return both through taxpayer comments as they went through the process and a survey completed as they left the event.
 - Important knowledge was gained about how the taxpayers interacted with various screens through staff observations.
 - Overall, the feedback was positive with constructive suggestions regarding e-services expansion. Most of the focus group participants registered to e-file their own accounts as a direct result of their participation in the focus groups.
 - BOE will host focus groups of tax professionals to obtain feedback on current and proposed e-filing functionality and to promote the use and benefits of e-filing.

Focus groups will continue to be conducted with taxpayers as our e-services grow and change. Additional focus groups will continue to be conducted with taxpayers as our e-services grow and change.

11. Benefits

The proposed solution will benefit tax and fee payers and their representatives by providing additional reliable and convenient electronic services. This expansion will allow the BOE to offer free e-filing to a group of tax and fee payers that file complex

returns, provide Internet registration and the capabilities for tax and fee payers to request IPAs relief from as well as request relief This project will benefit tax and fee payers by providing more interaction with the BOE electronically, thereby creating a more efficient and cost effective way to deliver government services.

A cost savings model will be applied (based upon e-filing participation levels) to the tax return processing areas that will be impacted by a reduction in paper return filings. Any cost savings that result could be redirected to revenue generating positions (e.g., tax auditors and collectors), future electronic services projects, and support positions (e.g., customer service representatives).

Benefits of e-filing for BOE include reducing the number of computational errors and directly loading the returns into the IRIS system. The reduction in errors will assist BOE by reducing the time currently necessary to check returns for accuracy and the resulting time needed to return paperwork for corrections, re-filing and rechecking. Tax payments will be more accurate upon initial receipt, thereby ensuring that timely, accurate distributions to local and state funds are made. The time needed for BOE staff to enter the paper data into its system and the subsequent need for error checking and correction activities created by the taxpayer and key data entry efforts, will be reduced. Costs for printing, mailing, paper file storage, etc. will also be reduced.

Savings achieved through these efficiencies is dependent upon the level of tax and fee payer participation. As long as e-filing and other e-services are voluntary and there are businesses that choose to file returns on paper, it will be necessary to maintain the core system to process the returns.

12. Sources of Funding

The E-Services Expansion Project will expand E-services within the Sales and Use Tax program and the Property and Special Taxes Division. The total six year project cost, FY 2008-09 through FY 2013-14, is estimated at \$18,708,554. This total cost includes \$2,519,460 from an internal redirection and a budget augmentation request of \$16,189,094 over six years. The project is funded 37.19% from the General Fund, 38.03% from Special Funds and 24.78% from Reimbursements. See Attachment F for details of the calculation.

5.2 Rationale for Selection

BOE has determined that the use of a software product, which uses a set of protocols and formats which are industry standard, is critical to the development of an expedited means of creating e-file and e-services options for this proposal as well as in years subsequent to this project.

The proposed solution was selected based on the following:

- Tax or fee payer entered data will not require translation to XML before loading to the mainframe
- Existing electronic documents can be leveraged for page creation allowing for faster development
- Sophisticated print functionality is built-in that provides the user with various options to print input and confirmation of transaction.
- Tax and fee payers can print a copy of a completed return/schedule/form for their own records

- Consistent with BOE's current and future vision for e-services:
 - Faster processing of tax and fee payer data
 - Expands the taxpayer base eligible to e-file and use e-services
 - Faster and more accurate allocation of state and local taxes
 - More accurate tax and fee payer data
 - Provides program savings dependent upon the participation rate (e.g. lower printing and mailing costs of returns, reduce computational errors resulting in less exceptions handled by staff, less paper handling)
 - Enhances customer service relationships
 - Implements the BOE E-Services strategy by building on its existing technology architecture thereby minimizing development time and training needs
- Responds to tax and fee payers, Board Members, and business program requests for additional electronic services

5.3 Other Alternatives Considered

Alternative 1 - Expand E-Services using a database driven methodology to generate the proposed solution elements

The web pages in the e-filing system will be generated using database tables in conjunction with BOE's current web development strategy. Initial development of the infrastructure needed to use the database component that will drive the page creation (page generation infrastructure) is significant, but adding web pages to the system will be less resource intensive. This is a more advanced method of developing web pages that will allow economies of scale in the expansion of e-services.

BOE proposes leveraging the existing e-filing and mainframe (IRIS) system by using multiple CMAS contractors (analysts, programmers and testers), each under a separate contract, to either make the necessary modifications to support the new functionality or to backfill behind Technology Services Division (TSD) employees who will do the actual modifications to the system. Due to the volume of these requests, preset criteria has been established to provide guidelines and uniformity to facilitate the processing of these requests.

Pros of Alternative 1:

- Less expertise required for development of new web pages using new infrastructure
- Faster development of new web pages
- Integrates into the BOE's overall technology infrastructure

Cons of Alternative 1

- Page generation infrastructure development costs are high
- Development of and maintenance to the page generation infrastructure requires advanced skill sets
- Programming changes require a more thorough system and regression test
- Sophisticated print functionality would have to be developed
- Requires XML translation development

Alternative 2 - Expand E-Services using BOE's current web development method of creating a dedicated web page for each form/schedule for the proposed solution elements.

In this method, every form, schedule or screen is produced individually, using the current web-based interface to display and capture tax and fee payer data. BOE uses several XML technology based products to store and transmit data collected from tax and fee payers and ERO's. The data is not captured in XML format and additional processing is required to translate data into XML for storage.

Again, BOE proposes leveraging the existing e-filing and mainframe (IRIS) system by using multiple CMAS contractors (analysts, programmers and testers), each under a separate contract, to either make the necessary modifications to support the new functionality or to backfill behind BOE technology staff who will do the actual modifications to the system. Due to the volume of these requests, preset criteria has been established to provide guidelines and uniformity to facilitate the processing of these requests.

Pros of Alternative 2:

- Requires less experienced programmers for initial development and subsequent maintenance efforts
- Changes to individual web pages require a reduced system test effort
- Integrates with existing BOE infrastructure
- Edits to a single page or screen are very simple

Cons of Alternative 2:

- Requires additional programming resources for initial development and subsequent maintenance due to the length of time necessary to develop each web page
- Extends timeline for development for each form/schedule
- Changes to forms/schedules are more time consuming
- Sophisticated print functionality would have to be developed
- Requires XML translation development

6.0 Project Management Plan

6.1 Project Manager Qualifications

The Project Manager must have a thorough understanding of project management methodologies, including system quality assurance and change management, to ensure that systems fully meet business requirements and are implemented on schedule and in the most cost-effective manner. Further, the Project Manager must possess in depth knowledge and experience pertaining to risk management and mitigation strategies.

Project Manager Experience

- Certified Project Management Professional (PMP)
- Six years working on small to medium projects
- Project Manager on the Data Entry Replacement Project
- 13 years as a BOE auditor
- Bachelor of Science (B.S.) in Accountancy

6.2 Project Management Methodology (PMM)

BOE adheres to the Department of Finance (DOF) project management oversight and reporting framework, and the Statewide Information Management Manual project management methodology. BOE's PMM supports the ALC, which involves the following structured phases:

- Project Initiation – During this phase, business problems and/or opportunities are identified, and project objectives are defined, along with supporting functional requirements. Upon assessing various alternatives in terms of benefits and costs, the most appropriate alternative is selected. A preliminary project work plan is then developed in support of the proposed alternative's implementation. The Feasibility Study Report represents the primary deliverable of the Project Initiation phase.
- Conceptual Design – During this phase, the project scope is confirmed in terms of its high level functional components and supporting data requirements. External interfaces are identified from which the list of project stakeholders is derived. Additionally, a project charter is developed.
- Logical Design – During this phase, functional and system requirements are defined. Deliverables are produced describing the logical business processes, the underlying business rules, the data entities used by those processes and the relationships involving those entities. Hardware and software requirements are defined and prototypes are developed as appropriate.
- Physical Design – During this phase, physical requirements are defined. Deliverables are produced describing the physical attributes, software structure, interfaces and detailed design for the requirements described in the logical design deliverables. The physical design specifications created will be used in the Construction phase.
- Construction – During this phase, program modules are constructed based on the approved physical design specifications. Once developers have completed coding, they are responsible for writing and executing unit test plans to ensure that the program modules function according to the physical design specifications.
- Release/Integration Test – During this phase, knowledgeable technical resources outside the development team independently test the interaction of modules within each functional component of the application. Additional test plans are developed and executed to specifically test the integration points between modules, or objects, comprising those functions.
- System Test – During this phase, the system is tested from the business process perspective. Business-knowledgeable resources prepare and execute test plans to exercise the entire system as the users would exercise in production. Additionally, a performance test is conducted in conjunction with the business-oriented system test to ensure that the system meets BOE performance standards.
- Training/User Acceptance – During this phase, training material is developed, training programs prepared and the actual training of staff is conducted. Additionally, business staff, with assistance from the project team, develops and executes the user acceptance plan. Typically, user acceptance includes some level of production simulation.

- Implementation – During this phase, all actions necessary to transition the application from the development environment into the production environment are planned and executed. These activities include post-implementation validation to confirm that the production system is running according to requirements.

6.3 Project Organization

The proposed organizational chart for the E-Services Expansion Project, Attachment C is similar to that used successfully during prior BOE projects. Contractor staff will be assigned to develop the applications or backfill behind BOE staff redirected to the project effort as needed. Project team members will be selected based on their program/information technology knowledge and prior experience on projects, such as:

- Integrated Revenue Information System
- Revenue Database Consolidation
- Data Entry System Replacement
- In-house E-Filing
- Return Processing Automation

6.4 Project Priorities

Project Priorities		
Schedule	Scope	Resources
Improved	Accepted	Constrained

As with all projects, management of the E-Services Expansion Project requires a balancing of resources, schedule and scope. Project stakeholders agree that future project management decisions should adhere to the following priorities as the need arises (assumes no conflicting legislative mandates):

Schedule (Improved): The schedule is most flexible, depending on availability of technical and business staff resources.

Scope (Accepted): The project may have some flexibility in implementing minor adjustments to project scope, while achieving the stated primary project objective and without impacting resources.

Resources (Constrained): Project resources are fixed based on the funding available.

6.5 Project Plan

6.5.1 Project Scope

The scope of the E-Services Expansion Project includes:

- Electronic Filing for Fuel Retailers
- Electronic Filing for Fuel Distributors
- Electronic Filing for selected Special Taxes Programs (Underground Storage Tank Maintenance Fee, Electronic Waste Recycling Fee, California Tire Fee, and Cigarette and Tobacco Products Tax)
- On-line Registration for all Tax and Fee Programs

- On-line Requests for Extensions, Relief from Penalty/Interest and Declaration of Timely Mailing
- On-line Requests for Installment Payment Agreements

6.5.2 Project Assumptions

The assumptions made for the E-Services Expansion Project are:

- Approval of the project by control agencies, the Legislature and the Governor.
- The staffing and fiscal resources required for this project will be available timely.
- There will be no conflicting legislative mandates.
- Successful implementation of the FY 2007-08 E-filing Infrastructure Project.
- Tax and fee payers will have access to the Internet.
- Benefits achieved will be redirected to other revenue generating activities within the BOE.

6.5.3 Project Phasing

Project Phase	Phase Deliverable
Project Planning/Initiation	Project Charter, Work Plan, Project Plans
Phases 1 - 6	
Conceptual Design	Scope, Business Requirements, Project Charter
Logical Design	Software Requirements Specification
Physical Design	Software Design Description
Construction	Code Development, Specifications Updated
System Testing	Test Plan(s)
User Acceptance	User Acceptance Test Plan
Training	Training Plan and Training Materials
Implementation	Live System
Stabilization	Stabilize System
Post Implementation	Post Implementation Evaluation Report

6.5.4 Project Roles and Responsibilities

ROLES AND RESPONSIBILITIES	
Participants	Roles and Responsibilities
Steering Committee	<ul style="list-style-type: none"> • Provides high-level project approvals and enterprise direction for the project and/or Project Manager
Executive Project Sponsor	<ul style="list-style-type: none"> • Provides vision, guidance, and direction to the project team • Resolves project conflicts to ensure project success. • Elevates issues to the Steering Committee
Chief Information Officer (CIO)	<ul style="list-style-type: none"> • Approves project management strategy relative to the BOE priorities and project management methodology • Communicates with the Project Manager and the DOF on project related issues • Reviews weekly project status reports provided by the IPOC • Reviews the quarterly Independent Project Oversight Reports (IPOR) provided by the IPOC and updates the Executive Director, Project Sponsor and Project Manager
Independent Project Oversight Consultant (IPOC)	<ul style="list-style-type: none"> • Monitors, evaluates and reports on project planning, tracking, risk management and communications • Participates in Steering Committee meetings to provide updates on project status, risks, metrics, and overall assessment of milestones; and to recommend continuation or modification of project plan • Attends project team meetings to track project status, risks, metrics, and overall assessment of milestones • Validates project plans and updates • Identifies issues, problems and potential unsuccessful project activities • Provides weekly project status reports to the BOE Executive Sponsor
Project Manager	<ul style="list-style-type: none"> • Manages overall scope, schedule, and budget of project • Ensures the quality of all project deliverables • Provides detailed project direction • Manages risks and Risk Log • Tracks schedule and milestone completion • Maintains staff technical proficiency and productivity, and recommends training where required • Implements the enterprise change management process to manage change control for the project • Provides all required status reports and maintains report documentation • Tracks and reports on expenditures

E-Services Expansion Project
Feasibility Study Report

Business Sponsor	<ul style="list-style-type: none"> • Manages all business project activities • Resolves business issues to move project forward • Provides status reports on resolved or unresolved business issues
Technology Sponsor	<ul style="list-style-type: none"> • Resolves technical issues to move project forward • Reviews all technical project documentation • Approves technical project documentation
Technical Project Manager	<ul style="list-style-type: none"> • Manages all technical project activities • Develops and implements technical project policies and procedures using the ALC. • Provides status reports on technology implementation to the Project Manager • Acts as liaison between technical staff, Project Manager, and stakeholders
Technical E-Services Project Team	<ul style="list-style-type: none"> • Participates in developing and documenting business requirements in the JAD sessions • Participates in testing activities • Developing/coding applications
Business E-Services Project Team	<ul style="list-style-type: none"> • Participates in developing and documenting business requirements in the JAD sessions • Participates in testing activities • Developing/coding applications

E-Services Expansion Project
Feasibility Study Report

Participants	Roles and Responsibilities
Business Project Manager	<ul style="list-style-type: none"> • Manages all Business project activities • Develops and implements project policies and procedures for the program • Provides status reports on implementation • Approves project documentation • Acts as liaison between program staff, Project Manager, and stakeholders • Creates, approves, facilitate test plans and training plans
Business Resources	<ul style="list-style-type: none"> • Establishes project scope to meet business needs • Participates in the Joint Application Development (JAD) sessions to develop business requirements • Participates in testing activities • Supports Project and Business Project Manager • Assists with coordination of project meetings • Assists with project documentation
Information Security Officer (ISO)	<ul style="list-style-type: none"> • Ensures that state security policies and best practices regarding information security practices are not adversely affected. These include: <ol style="list-style-type: none"> 1. access controls to prevent unauthorized disclosure of taxpayer information including identification, authentication, and authorization; 2. operations management to ensure appropriate auditing and monitoring, and 3. personnel security to ensure the individuals authorized to access the system have the appropriate clearances.
Human Resources Division	<ul style="list-style-type: none"> • Employee/employer issues
Labor Relations Officer	<ul style="list-style-type: none"> • Liaison with union representatives

6.5.5 Project Schedule

The Target Start and Completion Dates for the individual phases below reflect the earliest start date and the latest completion date to accommodate all project phases.

PROJECT SCHEDULE		
Phase	Estimated Start Date	Estimated Completion Date
Project Initiation-All Phases	7/1/08	7/15/08
Software Installation	8/1/08	8/15/08
Phase 1 - E-filing for Fuel Distributors/Retailer Returns		
Conceptual Design	7/16/08	7/31/08
Logical Design	8/1/08	8/15/08
Physical Design	8/16/08	8/31/08
Construction	9/1/08	11/30/08
Testing/Training/Implementation	12/1/08	12/31/08
Phase 2 - Internet Registration		
Conceptual Design	1/1/09	1/15/09
Logical Design	1/16/09	1/31/09
Physical Design	2/14/09	2/28/09
Construction	3/1/09	5/30/09
Testing/Training/Implementation	6/1/09	6/30/09
Phase 3 - E-filing for E-Waste, Underground Storage Tank, and Tire Fee Returns		
Conceptual Design	7/1/09	7/7/09
Logical Design	7/8/09	7/21/09
Physical Design	7/22/09	7/31/09
Construction	8/1/09	8/30/09
Testing/Training/Implementation	9/1/09	9/30/09
Phase 4 – On-line Extension, Relief of Penalty/Interest, and Declaration of Timely Mailing Requests		
Conceptual Design	10/1/09	10/7/09
Logical Design	10/8/09	10/21/09
Physical Design	10/22/09	10/31/09
Construction	11/1/09	11/30/09
Testing/Training/Implementation	12/1/09	12/31/09
Phase 5 – On-line Requests for Installment Payment Agreements		
Conceptual Design	1/1/10	1/7/10
Logical Design	1/8/10	1/21/10
Physical Design	1/22/10	1/31/10
Construction	2/1/10	2/28/10
Testing/Training/Implementation	3/1/10	3/31/10
Phase 6 –Cigarette Manufacturer and Distributor Returns and Schedules		
Conceptual Design	4/1/10	4/7/10
Logical Design	4/8/10	4/21/10
Physical Design	4/22/10	4/30/10
Construction	5/1/10	5/31/10
Testing/Training/Implementation	6/1/10	6/30/10
PIER	7/31/11	12/31/11

6.6 Project Monitoring

The Business Project Manager and Technical Project Manager, under the direction of the Project Manager, will perform project monitoring. In addition, the technical lead and project manager will provide weekly project status reports to the executive sponsor. Project team meetings will be held weekly during key implementation periods, and otherwise on an “as needed” basis. Meeting minutes will be prepared and distributed via email to all team members. On-going project monitoring will be conducted as follows:

1. Project planning and status meetings will be held involving the project team, including the TSD management at the section manager level and above.
2. Project schedule reports, including major project activities initiated or completed, will be provided to BOE executive management.

6.7 Project Quality

The BOE remains committed to project quality to ensure that all project deliverables fully meet business needs in the most cost-effective manner. The BOE has established a systematic approach to ensure adherence to software standards and procedures for all information technology projects. Through the quality assurance section of TSD, existing standards and procedures will be enhanced and new standards and procedures will be developed to ensure that quality is incorporated into all aspects of information management technology projects and programs. These standards and procedures will provide repeatable processes for the preparation and execution of all information technology projects. As part of its system development life cycle, the BOE Application Life Cycle (ALC) incorporates on-going project quality assurance through the following activities:

1. Project team coaching and mentoring for all projects ALC phase activities.
2. Project team training on Joint Application Design (JAD) sessions to ensure the documentation and acceptance of business requirements.
3. Project team training on issue and risk identification and tracking to ensure communication with all project team members, business partners and project stakeholders.
4. Project quality assurance reviews project processes to ensure project metrics are captured and reported to all project team members, business partners and project stakeholders.
5. Project quality assurance reviews project processes to ensure customer service levels are acceptable to the business.
6. Performance testing will be conducted to ensure acceptable system performance.
7. System testing will be performed to verify that the entire system meets the specified requirements.
8. System security will be evaluated to ensure that it meets the project requirements.
9. User acceptance testing will be performed to ensure that the system meets the users' needs.
10. Project processes will be reviewed for conformance with BOE technology standards and methodology.
11. Formal Peer Reviews for all project deliverables, including business, user, system requirements, design walkthroughs, data definitions, and unit, system, and user acceptance test criteria.

12. Lessons learned will be conducted at the end of the project and/or project phases to identify successes and areas needing improvement.

6.8 Change Management

The BOE remains committed to following established project change management processes to manage change throughout the duration of the project. The BOE has established a systematic approach to ensure adherence to change management procedures which address all project phases and deliverables of the system development life cycle, including production maintenance. The change management processes will be scaled to meet the scope, duration and resources of this project. The BOE change management processes incorporate on-going project change management through the following activities:

- Project issues for all items that can affect the scope, schedule, or budget of the project will be tracked, managed, and reported to all project team members, business partners and project stakeholders.
- Project risks for all items that can affect the scope, schedule, or budget of the project will be tracked, managed, and reported to all project team members, business partners and project stakeholders.
- Change management processes for all items that can affect the scope, schedule, or budget consist of the following:
 - Submission and receipt of change requests
 - Logging and review of change requests
 - Analysis of the change requests, including impacts to project scope, schedule, budget, and resources
 - Approval and disapproval of change requests
 - Implementation and closure of approved change requests
 - Maintenance of outstanding change requests

6.9 Authorization Required

Approval of this FSR is required by the Department of Finance and the Legislature.

7.0 Risk Management Plan

The project manager will have day-to-day responsibility for tracking, reporting and managing the risks.

7.1 Risk Analysis – Identification, Analysis and Prioritization

The business and technical project managers are responsible for the identification, analysis and prioritization of project risks. Risks will be classified and prioritized to reflect the probability of occurrence and impact. The project manager and technical lead will determine at what level of risk they will manage and document this in the Risk Management Worksheet.

7.2 Risk Tracking and Control

Risk tracking and control will be exercised throughout the life of the project. The business and technical project managers with input from the project manager as

needed, will be responsible to track risks, determine status relative to risk triggers, and take action to implement the risk responses provided for in the plan. The project manager will maintain the Risk Tracking System based upon input from the business and technical managers.

7.3 Risk Escalation

Any identified risks will be escalated to the project manager, executive sponsor, and/or steering committee based on the impact to the project.

7.4 Risk Management Worksheet

Refer to Attachment D, *Risk Management Worksheet* for a breakdown of risks and potential impacts. Rankings included in the table were derived using the DOF IT Project Oversight Framework.

8.0 ECONOMIC ANALYSIS WORKSHEETS (EAWs)

8.1 Existing System/Baseline Cost Worksheet

8.2 Proposed Alternative – Software Product Method

8.3 Other Alternatives Considered

8.3.1 Alternative 1 – Database Driven Method

8.3.2 Alternative 2 – Current Development Method

8.4 Economic Analysis Summary

8.5 Project Funding Plan

8.1 EXISTING SYSTEM/BASELINE COST WORKSHEET

All costs to be shown in whole (unrounded) dollars.

Department: Board of Equalization

Project: E-Services 2008-10

Date Prepared: 7/23/06

	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		TOTAL	
	PYs	Amts	PYs	Amts										
Continuing Information														
Technology Costs														
Staff (salaries & benefits) <u>a/</u>	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	153.0	15,016,590
Hardware Lease/Maintenance		165,000		165,000		165,000		165,000		165,000		165,000		990,000
Software Maintenance/Licenses														0
Contract Services														0
Data Center Services		400,000		400,000		400,000		400,000		400,000		400,000		2,400,000
Agency Facilities														0
Other		219,753		219,753		219,753		219,753		219,753		219,753		1,318,518
Total IT Costs	25.5	3,287,518	153.0	19,725,108										
Continuing Program Costs:														
Staff <u>b/</u>	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	4852.8	255,614,538
Other		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		50,948,304
Total Program Costs	808.8	51,093,807	4852.8	306,562,842										
TOTAL EXISTING SYSTEM COSTS	834.3	54,381,325	5005.8	326,287,950										

a/ Includes existing technology staff for E-filing and ACMS.

b/ Includes all registration staff, 10% of collection staff, and return support functions for E-filing infrastructure.

E-Services Expansion Project Feasibility Study Report

8.2 PROPOSED ALTERNATIVE Software Product Method

Date Prepared: 7/23/06

Department: Board of Equalization
Project: E-Services 2008-10

All Costs Should be shown in whole (unrounded) dollars.

	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		TOTAL	
	PYs	Amts	PYs	Amts										
One-Time IT Project Costs														
Staff (Salaries & Benefits)	14.9	1,405,341	11.6	1,097,030	0.2	17,089	0.0	0	0.0	0	0.0	0	26.7	2,519,460
Hardware Purchase		5,000		0		0		0		0		0		5,000
Software Purchase/License		459,900		0		0		0		0		0		459,900
Telecommunications		0		0		0		0		0		0		0
Contract Services														
Software Customization		3,096,720		2,591,370		0		0		0		0		5,688,090
Project Management		393,120		393,120		65,520		0		0		0		851,760
Project Oversight		54,000		54,000		9,000		0		0		0		117,000
IV&V Services		0		0		0		0		0		0		0
Other Contract Services		0		0		0		0		0		0		0
TOTAL Contract Services		3,543,840		3,038,490		74,520		0		0		0		6,656,850
Data Center Services		27,500		25,000		0		0		0		0		52,500
Agency Facilities		0		0		0		0		0		0		0
Other		0		0		0		0		0		0		0
Total One-time IT Costs	14.9	5,441,581	11.6	4,160,520	0.2	91,609	0.0	0	0.0	0	0.0	0	26.7	9,693,710
Continuing IT Project Costs														
Staff (Salaries & Benefits) a/	2.9	279,492	7.6	730,996	14.7	1,401,164	14.7	1,401,164	14.7	1,401,164	14.7	1,401,164	69.3	6,615,144
Hardware Lease/Maintenance		100,000		100,000		100,000		100,000		100,000		100,000		600,000
Software Maintenance/Licenses		0		64,600		64,600		64,600		64,600		64,600		323,000
Telecommunications		1,600		4,800		8,100		8,100		8,100		8,100		38,800
Contract Services		0		0		0		0		0		0		0
Data Center Services		58,800		235,200		235,200		235,200		235,200		235,200		1,234,800
Agency Facilities		8,500		25,400		42,300		42,300		42,300		42,300		203,100
Other		0		0		0		0		0		0		0
Total Continuing IT Costs	2.9	448,392	7.6	1,160,996	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	69.3	9,014,844
Total Project Costs	17.7	5,889,973	19.2	5,321,516	14.9	1,942,973	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	96.0	18,708,554
Continuing Existing Costs														
Information Technology Staff	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	153.0	15,016,590
Other IT Costs		784,753		784,753		784,753		784,753		784,753		784,753		4,708,518
Total Continuing Existing IT Costs	25.5	3,287,518	153.0	19,725,108										
Program Staff	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	4852.8	255,614,538
Other Program Costs		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		50,948,304
Total Continuing Existing Program Costs	808.8	51,093,807	4852.8	306,562,842										
Total Continuing Existing Costs	834.3	54,381,325	5005.8	326,287,950										
TOTAL ALTERNATIVE COSTS	852.0	60,271,298	853.5	59,702,841	849.2	56,324,298	849.0	56,232,689	849.0	56,232,689	849.0	56,232,689	5101.8	344,996,504
INCREASED REVENUES b/		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		76,618,610

a/ Includes 3.0 SUTD positions in FY 2008-09 and ongoing; 5 TSD Positions beginning in FY 2009-10 & ongoing and 7.5 TSD Positions in FY 2010-11 and ongoing.

b/ Assumes redirection of cost savings

E-Services Expansion Project Feasibility Study Report

8.3.1 ALTERNATIVE #1 Database Driven Method

Date Prepared: 7/23/06

Department: Board of Equalization
Project: E-Services 2008-10

All Costs Should be shown in whole (unrounded) dollars.

	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		TOTAL	
	PYs	Amts	PYs	Amts										
One-Time IT Project Costs														
Staff (Salaries & Benefits)	14.9	1,405,341	11.6	1,097,030	0.2	17,089	0.0	0	0.0	0	0.0	0	26.7	2,519,460
Hardware Purchase		5,000		0		0		0		0		0		5,000
Software Purchase/License		50,000		0		0		0		0		0		50,000
Telecommunications		0		0		0		0		0		0		0
Contract Services														
Software Customization		3,096,720		2,591,370		0		0		0		0		5,688,090
Project Management		393,120		393,120		65,520		0		0		0		851,760
Project Oversight		54,000		54,000		9,000		0		0		0		117,000
IV&V Services		0		0		0		0		0		0		0
Other Contract Services		0		0		0		0		0		0		0
TOTAL Contract Services		3,543,840		3,038,490		74,520		0		0		0		6,656,850
Data Center Services		27,500		25,000		0		0		0		0		52,500
Agency Facilities		0		0		0		0		0		0		0
Other		0		0		0		0		0		0		0
Total One-time IT Costs	14.9	5,031,681	11.6	4,160,520	0.2	91,609	0.0	0	0.0	0	0.0	0	26.7	9,283,810
Continuing IT Project Costs														
Staff (Salaries & Benefits) a/	2.9	279,492	7.6	730,996	14.7	1,401,164	14.7	1,401,164	14.7	1,401,164	14.7	1,401,164	69.3	6,615,144
Hardware Lease/Maintenance		100,000		100,000		100,000		100,000		100,000		100,000		600,000
Software Maintenance/Licenses		0		0		0		0		0		0		0
Telecommunications		1,600		4,800		8,100		8,100		8,100		8,100		38,800
Contract Services		0		0		0		0		0		0		0
Data Center Services		58,800		117,600		117,600		117,600		117,600		117,600		646,800
Agency Facilities		8,500		25,400		42,300		42,300		42,300		42,300		203,100
Other		0		0		0		0		0		0		0
Total Continuing IT Costs	2.9	448,392	7.6	978,796	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	69.3	8,103,844
Total Project Costs	17.7	5,480,073	19.2	5,139,316	14.9	1,760,773	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	95.9	17,387,654
Continuing Existing Costs														
Information Technology Staff	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	153.0	15,016,590
Other IT Costs		784,753		784,753		784,753		784,753		784,753		784,753		4,708,518
Total Continuing Existing IT Costs	25.5	3,287,518	153.0	19,725,108										
Continuing Existing Program Costs														
Program Staff	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	4852.8	255,614,538
Other Program Costs		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		50,948,304
Total Continuing Existing Program Costs	808.8	51,093,807	4852.8	306,562,842										
Total Continuing Existing Costs	834.3	54,381,325	5005.8	326,287,950										
TOTAL ALTERNATIVE COSTS	852.0	59,861,398	853.5	59,520,641	849.2	56,142,098	849.0	56,050,489	849.0	56,050,489	849.0	56,050,489	5101.7	343,675,604
INCREASED REVENUES b/		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		76,618,610

a/ Includes 3.0 SUTD positions in FY 2008-09 and ongoing; 5 TSD Positions beginning in FY 2009-10 & ongoing and 7.5 TSD Positions in FY 2010-11 and ongoing.

b/ Assumes redirection of cost savings

E-Services Expansion Project Feasibility Study Report

8.3.2 ALTERNATIVE #2 Current Development Method

Date Prepared: 7/23/06

Department: Board of Equalization
Project: E-Services 2008-10

All Costs Should be shown in whole (unrounded) dollars.

	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		TOTAL	
	PYs	Amts	PYs	Amts										
One-Time IT Project Costs														
Staff (Salaries & Benefits)	14.9	1,405,341	10.4	1,107,593	0.2	17,089	0.0	0	0.0	0	0.0	0	25.4	2,530,023
Hardware Purchase		5,000		0		0		0		0		0		5,000
Software Purchase/License		50,000		0		0		0		0		0		50,000
Telecommunications		0		0		0		0		0		0		0
Contract Services														
Software Customization		3,096,720		2,623,860		0		0		0		0		5,720,580
Project Management		393,120		393,120		65,520		0		0		0		851,760
Project Oversight		54,000		54,000		9,000		0		0		0		117,000
IV&V Services		0		0		0		0		0		0		0
Other Contract Services		0		0		0		0		0		0		0
TOTAL Contract Services		3,543,840		3,070,980		74,520		0		0		0		6,689,340
Data Center Services		27,500		25,000		0		0		0		0		52,500
Agency Facilities		0		0		0		0		0		0		0
Other		0		0		0		0		0		0		0
Total One-time IT Costs	14.9	5,031,681	10.4	4,203,573	0.2	91,609	0.0	0	0.0	0	0.0	0	25.4	9,326,863
Continuing IT Project Costs														
Staff (Salaries & Benefits) ^{a/}	2.9	279,492	7.6	730,996	14.7	1,401,164	14.7	1,401,164	14.7	1,401,164	14.7	1,401,164	69.3	6,615,144
Hardware Lease/Maintenance		100,000		100,000		100,000		100,000		100,000		100,000		600,000
Software Maintenance/Licenses		0		0		0		0		0		0		0
Telecommunications		1,600		4,800		8,100		8,100		8,100		8,100		38,800
Contract Services		0		0		0		0		0		0		0
Data Center Services		58,800		117,600		117,600		117,600		117,600		117,600		646,800
Agency Facilities		8,500		25,400		42,300		42,300		42,300		42,300		203,100
Other		0		0		0		0		0		0		0
Total Continuing IT Costs	2.9	448,392	7.6	978,796	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	69.3	8,103,844
Total Project Costs	17.7	5,480,073	18.0	5,182,369	14.9	1,760,773	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	94.7	17,430,707
Continuing Existing Costs														
Information Technology Staff	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	25.5	2,502,765	153.0	15,016,590
Other IT Costs		784,753		784,753		784,753		784,753		784,753		784,753		4,708,518
Total Continuing Existing IT Costs	25.5	3,287,518	153.0	19,725,108										
Program Staff	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	808.8	42,602,423	4852.8	255,614,538
Other Program Costs		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		8,491,384		50,948,304
Total Continuing Existing Program Costs	808.8	51,093,807	4852.8	306,562,842										
Total Continuing Existing Costs	834.3	54,381,325	5005.8	326,287,950										
TOTAL ALTERNATIVE COSTS	852.0	59,861,398	852.3	59,563,694	849.2	56,142,098	849.0	56,050,489	849.0	56,050,489	849.0	56,050,489	5100.5	343,718,657
INCREASED REVENUES ^{b/}		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		76,618,610

^{a/} Includes 3.0 SUTD positions in FY 2008-09 and ongoing; 5 TSD Positions beginning in FY 2009-10 & ongoing and 7.5 TSD Positions in FY 2010-11 and ongoing.

^{b/} Assumes redirection of cost savings

E-Services Expansion Project Feasibility Study Report

8.4 ECONOMIC ANALYSIS SUMMARY

Date Prepared: 7/23/06

Department: Board of Equalization
Project: E-Services 2008-10

All costs to be shown in whole (unrounded) dollars.

	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		TOTAL	
	PYs	Amts	PYs	Amts										
EXISTING SYSTEM														
Total IT Costs	25.5	3,287,518	25.5	3,287,518	25.5	3,287,518	25.5	3,287,518	25.5	3,287,518	25.5	3,287,518	153.0	19,725,108
Total Program Costs	808.8	51,093,807	808.8	51,093,807	808.8	51,093,807	808.8	51,093,807	808.8	51,093,807	808.8	51,093,807	4852.8	306,562,842
Total Existing System Costs	834.3	54,381,325	5005.8	326,287,950										

PROPOSED ALTERNATIVE	Software Product Method													
	17.7		19.2		14.9		14.7		14.7		14.7		96.0	
Total Project Costs	17.7	5,889,973	19.2	5,321,516	14.9	1,942,973	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	96.0	18,708,554
Total Cont. Exist. Costs	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	5005.8	326,287,950
Total Alternative Costs	852.0	60,271,298	853.5	59,702,841	849.2	56,324,298	849.0	56,232,689	849.0	56,232,689	849.0	56,232,689	5101.8	344,996,504
COST SAVINGS/AVOIDANCES	(17.7)	(5,889,973)	(19.2)	(5,321,516)	(14.9)	(1,942,973)	(14.7)	(1,851,364)	(14.7)	(1,851,364)	(14.7)	(1,851,364)	(96.0)	(18,708,554)
Increased Revenues a/		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		76,618,610
Net (Cost) or Benefit	(17.7)	(5,889,973)	(19.2)	1,343,014	(14.9)	14,309,697	(14.7)	15,186,706	(14.7)	16,018,306	(14.7)	16,942,306	(96.0)	57,910,056
Cum. Net (Cost) or Benefit	(17.7)	(5,889,973)	(37.0)	(4,546,959)	(51.9)	9,762,738	(66.6)	24,949,444	(81.3)	40,967,750	(96.0)	57,910,056		

ALTERNATIVE #1	Database Driven Method													
	17.7		19.2		14.9		14.7		14.7		14.7		95.9	
Total Project Costs	17.7	5,480,073	19.2	5,139,316	14.9	1,760,773	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	95.9	17,387,654
Total Cont. Exist. Costs	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	5005.8	326,287,950
Total Alternative Costs	852.0	59,861,398	853.5	59,520,641	849.2	56,142,098	849.0	56,050,489	849.0	56,050,489	849.0	56,050,489	5101.7	343,675,604
COST SAVINGS/AVOIDANCES	(17.7)	(5,480,073)	(19.2)	(5,139,316)	(14.9)	(1,760,773)	(14.7)	(1,669,164)	(14.7)	(1,669,164)	(14.7)	(1,669,164)	(95.9)	(17,387,654)
Increased Revenues a/		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		76,618,610
Net (Cost) or Benefit	(17.7)	(5,480,073)	(19.2)	1,525,214	(14.9)	14,491,897	(14.7)	15,368,906	(14.7)	16,200,506	(14.7)	17,124,506	(95.9)	59,230,956
Cum. Net (Cost) or Benefit	(17.7)	(5,480,073)	(37.0)	(3,954,859)	(51.8)	10,537,038	(66.5)	25,905,944	(81.2)	42,106,450	(95.9)	59,230,956		

ALTERNATIVE #2	Current Development Method													
	17.7		18.0		14.9		14.7		14.7		14.7		94.7	
Total Project Costs	17.7	5,480,073	18.0	5,182,369	14.9	1,760,773	14.7	1,669,164	14.7	1,669,164	14.7	1,669,164	94.7	17,430,707
Total Cont. Exist. Costs	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	834.3	54,381,325	5005.8	326,287,950
Total Alternative Costs	852.0	59,861,398	852.3	59,563,694	849.2	56,142,098	849.0	56,050,489	849.0	56,050,489	849.0	56,050,489	5100.5	343,718,657
COST SAVINGS/AVOIDANCES	(17.7)	(5,480,073)	(18.0)	(5,182,369)	(14.9)	(1,760,773)	(14.7)	(1,669,164)	(14.7)	(1,669,164)	(14.7)	(1,669,164)	(94.7)	(17,430,707)
Increased Revenues a/		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		76,618,610
Net (Cost) or Benefit	(17.7)	(5,480,073)	(18.0)	1,482,161	(14.9)	14,491,897	(14.7)	15,368,906	(14.7)	16,200,506	(14.7)	17,124,506	(94.7)	59,187,903
Cum. Net (Cost) or Benefit	(17.7)	(5,480,073)	(35.7)	(3,997,912)	(50.6)	10,493,985	(65.3)	25,862,891	(80.0)	42,063,397	(94.7)	59,187,903		

a/ Assumes redirection of cost savings

E-Services Expansion Project
Feasibility Study Report

8.5 PROJECT FUNDING PLAN

Department: Board of Equalization

All Costs to be in whole (unrounded) dollars

Date Prepared: 7/23/06

Project: E-Services 2008-10

	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		TOTALS	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
TOTAL PROJECT COSTS	17.7	5,889,973	19.2	5,321,516	14.9	1,942,973	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	96.0	18,708,554
RESOURCES TO BE REDIRECTED														
Staff	14.9	1,405,341	11.6	1,097,030	0.2	17,089	0.0	0	0.0	0	0.0	0	26.7	2,519,460
Funds:														
Existing System		0		0		0		0		0		0		0
Other Fund Sources		0		0		0		0		0		0		0
TOTAL REDIRECTED RESOURCES	14.9	1,405,341	11.6	1,097,030	0.2	17,089	0.0	0	0.0	0	0.0	0	26.7	2,519,460
ADDITIONAL PROJECT FUNDING NEEDED														
One-Time Project Costs	0.0	4,036,240	0.0	3,063,490	0.0	74,520	0.0	0	0.0	0	0.0	0	0.0	7,174,250
Continuing Project Costs	2.9	448,392	7.6	1,160,996	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	69.4	9,014,844
TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR	2.9	4,484,632	7.6	4,224,486	14.7	1,925,884	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	69.4	16,189,094
TOTAL PROJECT FUNDING	17.7	5,889,973	19.2	5,321,516	14.9	1,942,973	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	96.1	18,708,554
Difference: Funding - Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.1	0
Total Estimated Cost Savings	0.0	0	0.0	6,664,530	0.0	16,252,670	0.0	17,038,070	0.0	17,869,670	0.0	18,793,670	0.0	76,618,610

E-Services Expansion Project
Feasibility Study Report

**ADJUSTMENTS, SAVINGS AND REVENUES WORKSHEET
(DOF Use Only)**

Department: Board of Equalization
Project: E-Services 2008-10

Date Prepared: 7/23/06

Annual Project Adjustments	FY 2008/09		FY 2009/10		FY 2010/11		FY 2011/12		FY 2012/13		FY 2013/14		Net Adjustments	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
One-time Costs														
Previous Year's Baseline	0.0	0	0.0	4,036,240	0.0	3,063,490	0.0	74,520	0.0	0	0.0	0		
(A) Annual Augmentation /(Reduction)	0.0	4,036,240	0.0	(972,750)	0.0	(2,988,970)	0.0	(74,520)	0.0	0	0.0	0		
(B) Total One-Time Budget Actions	0.0	4,036,240	0.0	3,063,490	0.0	74,520	0.0	0	0.0	0	0.0	0	0.0	7,174,250
Continuing Costs														
Previous Year's Baseline	0.0	0	2.9	448,392	7.6	1,160,996	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364		
(C) Annual Augmentation /(Reduction)	2.9	448,392	4.8	712,604	7.1	690,368	0.0	0	0.0	0	0.0	0		
(D) Total Continuing Budget Actions	2.9	448,392	7.6	1,160,996	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	14.7	1,851,364	69.4	9,014,844
Total Annual Project Budget Augmentation /(Reduction) [A + C]	2.9	4,484,632	4.8	(260,146)	7.1	(2,298,602)	0.0	(74,520)	0.0	0	0.0	0		

[A, C] Excludes Redirected Resources

Total Additional Project Funds Needed [B + D]

69.4 16,189,094

Annual Savings/Revenue Adjustments

Cost Savings	0.0	0	0.0	6,664,530	0.0	9,588,140	0.0	785,400	0.0	831,600	0.0	924,000		
Increased Program Revenues		0		6,664,530		16,252,670		17,038,070		17,869,670		18,793,670		

Project Cost Savings

Project Phases/Elements	Estimated Cost Savings by Year					
	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Return Processing Savings	\$ -	\$ 41,150	\$ 68,280	\$ 101,851	\$ 154,194	\$ 365,475
E-Registration	\$ 1,335,508	\$ 1,624,690	\$ 1,796,881	\$ 1,969,072	\$ 2,141,262	\$ 8,867,412
Cigarette Reconciliation Automation		\$ 24,395	\$ 24,395	\$ 24,395	\$ 24,395	\$ 97,580
Other E-Services <u>a/</u>		\$ 1,530,458	\$ 1,530,458	\$ 1,530,458	\$ 1,530,458	\$ 6,121,832
Total	\$ 1,335,508	\$ 3,220,693	\$ 3,420,014	\$ 3,625,776	\$ 3,850,309	\$ 15,452,299

a/ Includes Declaration of Timely Mailing, Requests for Extension, Requests for Relief of Penalty, Request for Relief of Interest.

Project Revenue Increases

Project Phases/Elements	Projected Revenue Increase by Year					
	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Sales Tax Gas Schedule Reconciliation Recovery	\$ 1,282,230	\$ 1,282,230	\$ 1,282,230	\$ 1,282,230	\$ 1,282,230	\$ 6,411,150
Cigarette Audit		\$ 1,751,310	\$ 1,751,310	\$ 1,751,310	\$ 1,751,310	\$ 7,005,240
Installment Payment Agreements		\$ 213,830	\$ 213,830	\$ 213,830	\$ 213,830	\$ 855,320
Total	\$ 1,282,230	\$ 3,247,370	\$ 3,247,370	\$ 3,247,370	\$ 3,247,370	\$ 14,271,710
Total Direct Benefits	\$ 2,617,738	\$ 6,468,063	\$ 6,667,384	\$ 6,873,146	\$ 7,097,679	\$ 29,724,009

Revenue Increase from Redirected Savings

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Estimated Savings Available for Redirect	\$ 1,335,508	\$ 3,220,693	\$ 3,420,014	\$ 3,625,776	\$ 3,850,309	\$ 15,452,299
Cost per Revenue Position b/ Number of Revenue Positions Created	\$ 57,250 23.3	\$ 57,250 56.3	\$ 57,250 59.7	\$ 57,250 63.3	\$ 57,250 67.3	
Estimated Recovery per Revenue Position	\$ 231,000	\$ 231,000	\$ 231,000	\$ 231,000	\$ 231,000	\$ 231,000
Total, Redirected savings to Revenue	\$ 5,382,300	\$ 13,005,300	\$ 13,790,700	\$ 14,622,300	\$ 15,546,300	\$ 62,346,900

b/ Average Salary & Wages, including benefits, of a Business Tax Representative & Tax Auditor positions. Does not include OE&E for the revenue positions, as it assumes it will be redirected, nor any supervision or other support.

Revised Revenue if Savings are Redirected

	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Total Direct Benefits	\$ 2,617,738	\$ 6,468,063	\$ 6,667,384	\$ 6,873,146	\$ 7,097,679	\$ 29,724,009
Less Redirected Savings to Revenue Positions	\$ (1,335,508)	\$ (3,220,693)	\$ (3,420,014)	\$ (3,625,776)	\$ (3,850,309)	\$ (15,452,299)
Additional Revenue Recovered	\$ 5,382,300	\$ 13,005,300	\$ 13,790,700	\$ 14,622,300	\$ 15,546,300	\$ 62,346,900
Total	\$ 6,664,530	\$ 16,252,670	\$ 17,038,070	\$ 17,869,670	\$ 18,793,670	\$ 76,618,610

Project Costs and Funding

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Proposed Project One-time Costs	\$ 5,441,581	\$ 4,160,520	\$ 91,609				\$ 9,693,710
Proposed Project On-Going Costs	\$ 448,392	\$ 1,160,996	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$ 9,014,844
Internally Redirected Costs	\$ (1,405,341)	\$ (1,097,030)	\$ (17,089)				\$(2,519,460)
Funded Costs	\$ 4,484,632	\$ 4,224,486	\$ 1,925,884	\$ 1,851,364	\$ 1,851,364	\$ 1,851,364	\$16,189,094

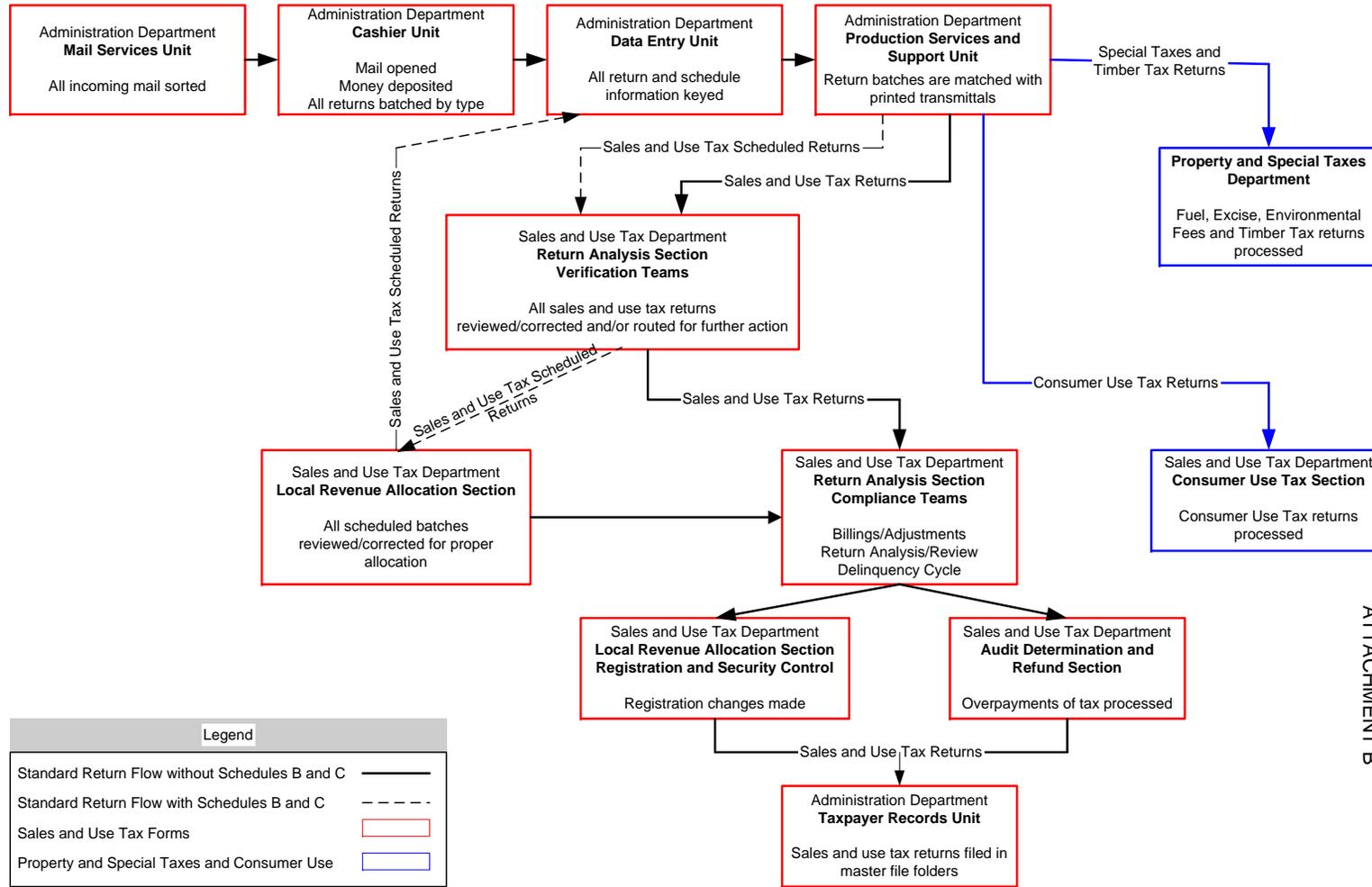
Cost to Benefit Ratio

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total
<u>Option #1 no Redirection of Savings to Revenue Positions</u>							
Benefits	\$ -	\$ 2,617,738	\$ 6,468,063	\$ 6,667,384	\$ 6,873,146	\$ 7,097,679	\$29,724,009
Cost to Benefit Ratio							1.7

Option #2 Redirection of Savings to Revenue Positions

Benefits	\$ -	\$ 6,664,530	\$ 16,252,670	\$ 17,038,070	\$ 17,869,670	\$ 18,793,670	\$76,618,610
Cost to Benefit Ratio							4.4

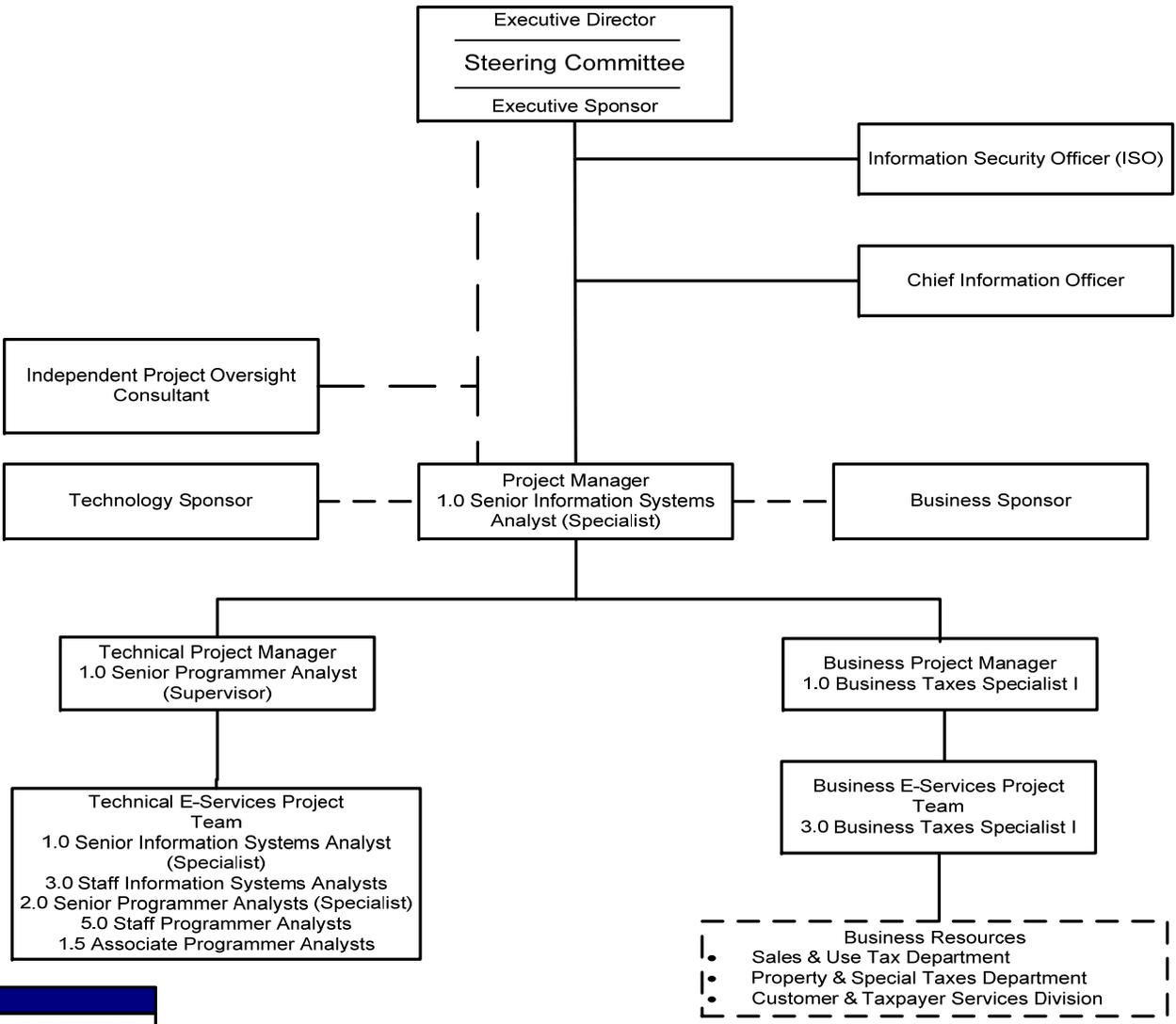
BOARD OF EQUALIZATION RETURN PROCESSING FLOW



ATTACHMENT B

E-Services Expansion Project - Project Organization Chart

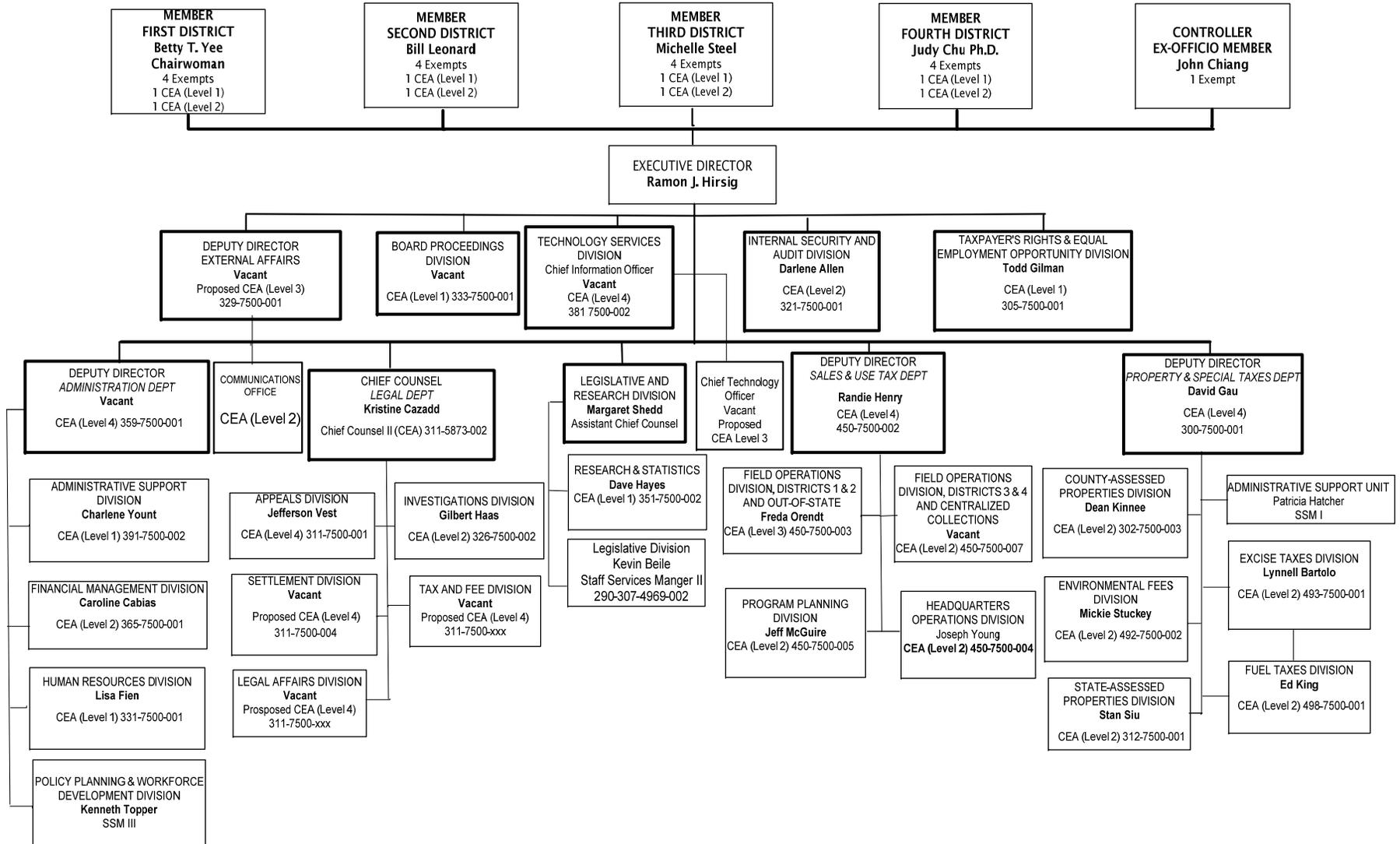
Attachment C



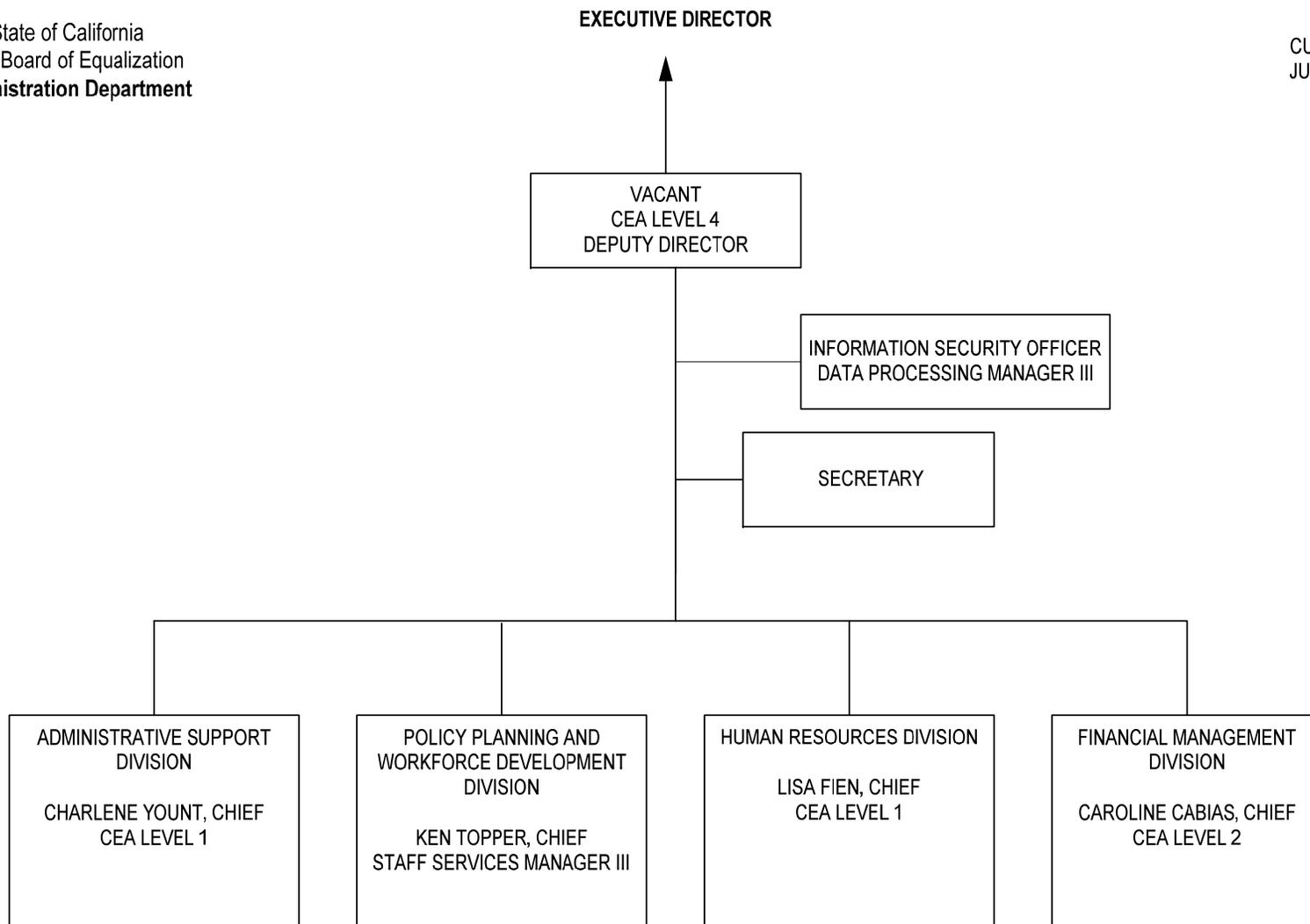
Legend
Resources available to the Project team [- - - - -]

ORGANIZATIONAL CHART BOARD OF EQUALIZATION

ATTACHMENT C

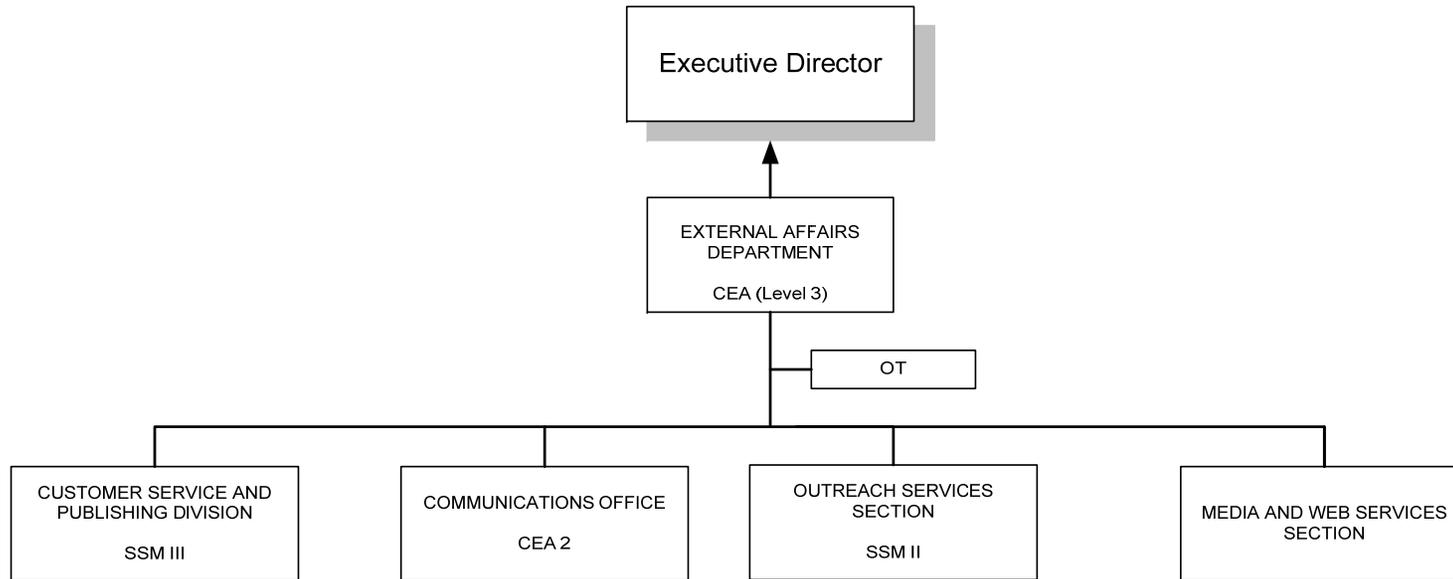


July 2007



EXTERNAL AFFAIRS DEPARTMENT

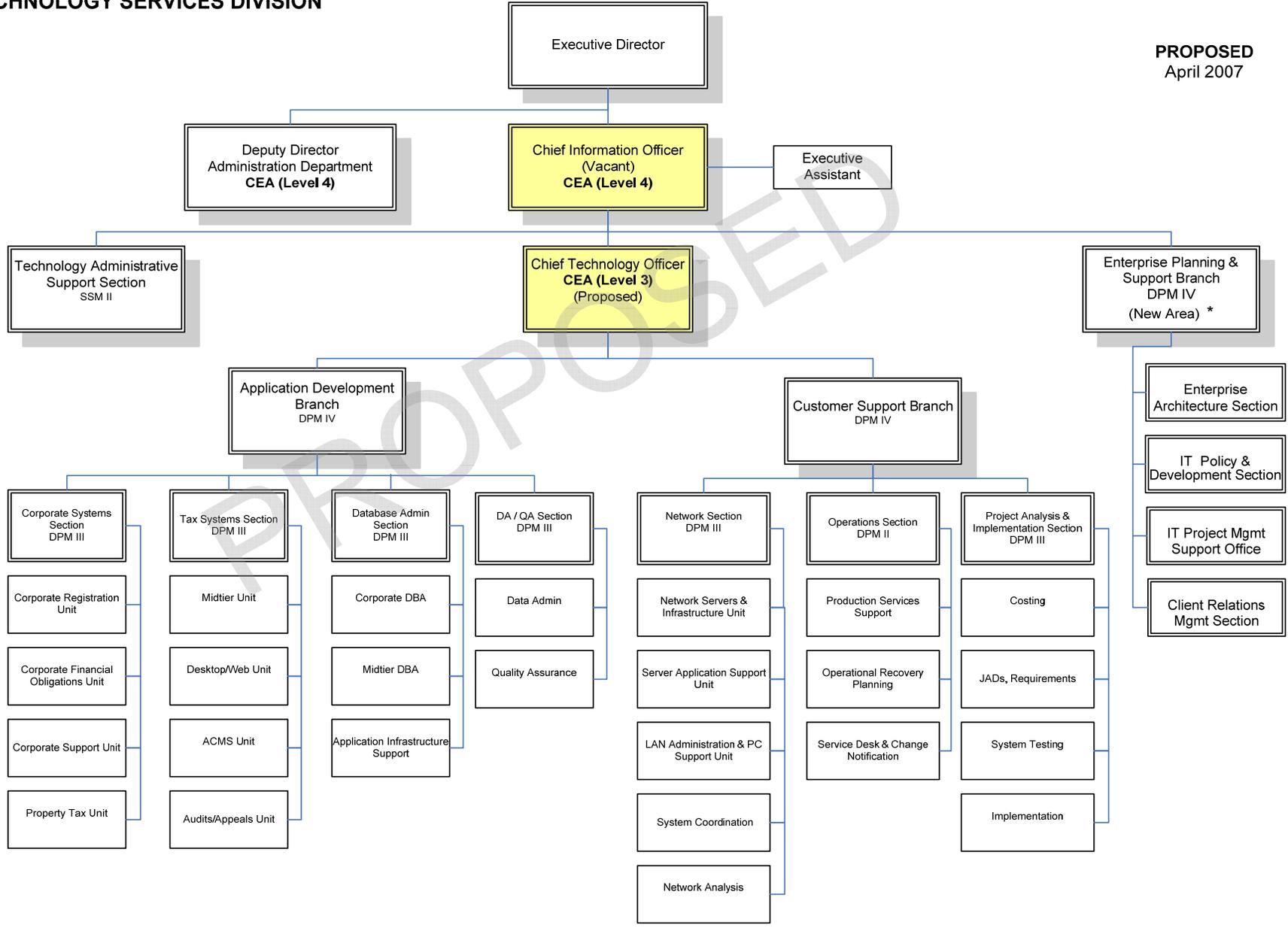
ATTACHMENT C
November 2006

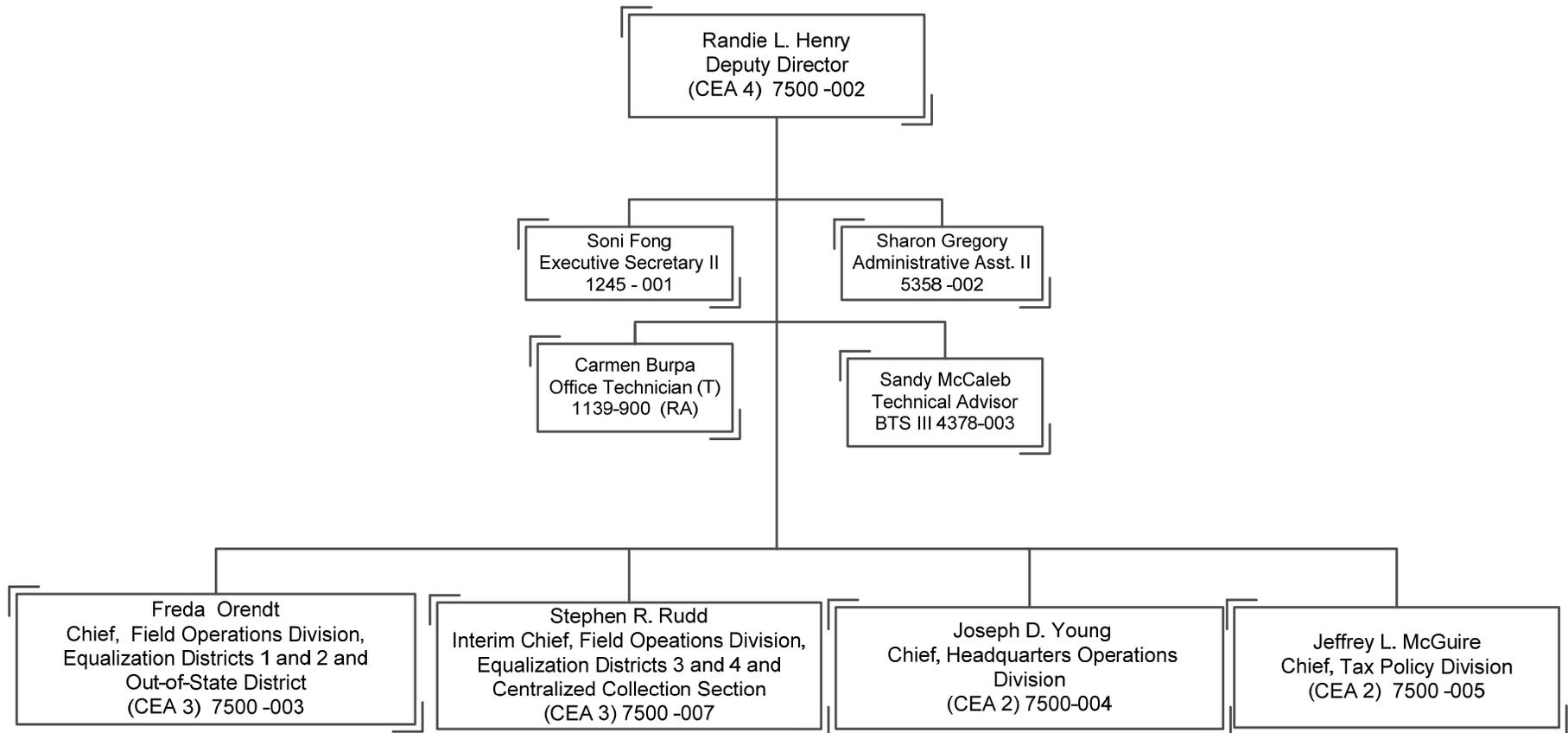


TECHNOLOGY SERVICES DIVISION

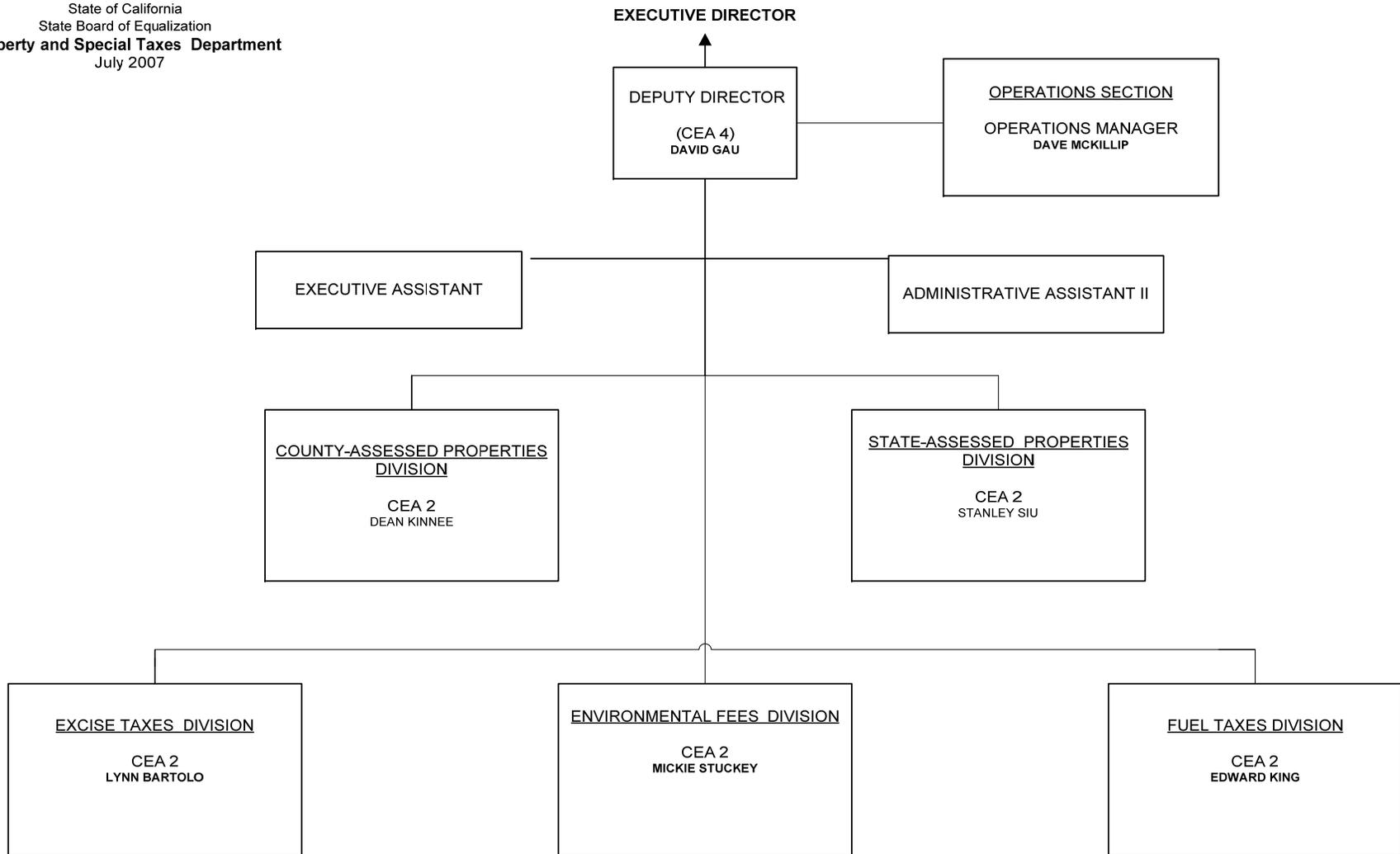
Attachment C

PROPOSED
April 2007





State of California
State Board of Equalization
Property and Special Taxes Department
July 2007



RISK MANAGEMENT WORKSHEET					
Brief Description of Risk	Impact	Probability	Time	Exposure	Severity
Plan/Schedule					
Project planning not as comprehensive as required	HIGH	LOW	MEDIUM	MEDIUM	MEDIUM
Insufficient funding available when needed	HIGH	MEDIUM	LONG	MEDIUM	LOW
Project schedule developed with insufficient data	MEDIUM	MEDIUM	MEDIUM	MEDIUM	MEDIUM
Organization and Management					
Project organization does not include all necessary critical staff and stakeholders	MEDIUM	LOW	MEDIUM	LOW	LOW
Development Environment					
Development processes not effective in identifying functionality and performance issues	HIGH	LOW	SHORT	MEDIUM	HIGH
User Involvement					
BOE program staff (users) unavailable to work with BOE TSD staff in implementing system	MEDIUM	LOW	SHORT	LOW	MEDIUM
Requirements Management					
Requirements not sufficiently identified nor clearly defined	HIGH	LOW	SHORT	LOW	MEDIUM
Product Characteristics					
Product(s) incompatible with BOE's computing environment	HIGH	LOW	SHORT	MEDIUM	HIGH
External Environment					
Unanticipated external interfaces impact product performance and implementation	MEDIUM	LOW	MEDIUM	LOW	LOW
Unanticipated Legislative Mandates	HIGH	MEDIUM	MEDIUM	MEDIUM	MEDIUM
Personnel					
TSD staff have insufficient knowledge in the design and installation of the hardware and software products	HIGH	LOW	SHORT	MEDIUM	HIGH
Design and Implementation					
Solution design is not comprehensive or does not address key required elements	HIGH	LOW	SHORT	MEDIUM	HIGH
Technology options not thoroughly investigated and analyzed	MEDIUM	LOW	LONG	LOW	LOW
Management Processes					
Change Management processes inadequate to prevent impacts to BOE computing environment or business processes	HIGH	LOW	SHORT	MEDIUM	HIGH

Workload Analysis (FY) 2008-09 through FY 2010-11

Technology Services Division (TSD)

TSD will work in coordination with BOE's tax departments to develop the computer sub-systems that will support the expanded e-services described in this BCP. New permanent staff and contractors are required because current TSD staff is fully engaged in the support and maintenance of existing information technology systems and equipment.

The positions for new permanent TSD staff will be phased in over two fiscal years. Five TSD positions are requested for FY 2009-10. An additional seven and one half positions are requested for FY 2010-11, for a total of 12.5 new ongoing positions. The requested new positions will be used to assist in the development of the new sub-systems and provide ongoing support and maintenance for these sub-systems after completion of the project. This approach will reduce the number of redirected current staff and will provide hands-on sub-system training to the new staff.

Providing adequate resources for support and maintenance of IT systems is crucial for effective and efficient tax administration. Industry studies have found that all IT systems require some level of support and maintenance and the level of required maintenance tends to increase as a system ages. In addition, the studies indicate that annual maintenance costs range from 15%-25% of the original system cost.² The requested positions represent approximately 20% of the total project development cost.

Hours for ongoing activities were determined by using the workload history from similar projects, documented in the existing time reporting system.

FY 2009-10 – 5.0 new positions - Application Development Branch: 3 new positions

3.0 Staff Programmer Analysts – Tax Systems/Application Development (TSD Support Staff)

These positions will help with the development and implementation of mid-tier functions and the revenue subsystems. Mid-tier technology enables staff and taxpayers to access the appropriate mainframe data or functions supporting e-services from a desktop or laptop computer. The revenue subsystem is a key component for the electronic filing of tax returns and the generation of reports. These positions will begin on July 1, 2009. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Analyze, Design and Code	H	15	144	2,160
	Troubleshoot Production Problems	H	12	135	1,620
	Training, Mentoring	H	15	36	540
	Develop Specifications	H	18	30	540
	Other	H	10	54	540
	Total SPA Hours				5,400
	Total SPA Positions Requested (1800 Hours Per Position)				3.0

² Source: "The Economics of Software Maintenance in the Twenty First Century," by Capers Jones.

Customer Support Branch: 2 new positions**1.0 Senior Information Systems Analyst (TSD Support Staff)**

TSD Support Staff will require one (1) Senior Information Systems Analyst position (Senior ISA). This position will allow BOE to adequately and more efficiently develop and maintain e-services projects. This position will also be used to develop policies and procedures for e-services and for processing of the most complex enterprise service requests (ESR's), which are requests for necessary changes to our current system. The analyst will resolve the most complex requested enhancements of current functionality and support for ongoing maintenance and knowledge transfer. The Senior ISA will act as a lead for Staff Information Systems Analysts. This position will begin on July 1, 2009. The table on the next page provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SrISA)	Oversight and review of complex projects	H	105	6	630
	Project Lead	H	75	6	450
	Project Documentation Standards	H	30	12	360
	Legislative Review	H	15	12	180
	Procurement Oversight	H	90	2	180
	Total SrISA Hours				1,800
	Total SrISA Positions Requested (1800 Hours per Position)				1.0

**1.0 Staff Information Systems Analyst - E-Service Project Maintenance
(TSD Support Staff)**

TSD Support Staff will require one (1) Staff Information Systems Analyst (SISA) position. The SISA position is needed for BOE to adequately and more efficiently develop and maintain e-services projects. This position will also be used to develop policies and procedures for e-services and for processing of enterprise service requests (ESR's), which are requests for necessary changes to our current system. The analyst will resolve complex requested enhancements to current functionality and support ongoing maintenance and knowledge transfer. This position will begin on July 1, 2009. The table on the next page provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SISA)	Review and Analysis of ongoing and proposed projects	H	110	9	990
	Maintain Project Documentation	H	30	12	360
	Legislative Review	H	30	6	180
	Technology Procurement Oversight	H	30	6	180
	Research and Planning	H	10	9	90
	Total SISA Hours				1,800
	Total SISA Positions Requested (1800 Hours per Position)				1.0

FY 2010-11 – 7.5 new positions -Application Development Branch: 5.5 new positions

1.0 Senior Programmer Analyst – Database Administration (TSD Support Staff)

This position will provide full time technical leadership and oversight of the e-services databases. In particular, the position will

- Monitor the expansion and tuning of database components supporting e-services.
- Provide technical expertise for the various software products supporting e-services.
- Act as lead for approximately 25 TSD staff who develop, support and maintain e-services subsystems.

This position will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		On-going Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SrPA)	Database Administration	H	7.2	100	720
	Application Technical Support	H	2.7	200	540
	Lead Functions	H	1.5	300	450
	Other	H	1	90	90
	Total SrPA Hours				1,800
	Total SrPA Positions Requested (1800 Hours Per Position)				1.0

1.0 Staff Programmer Analyst – Database Administration (TSD Support Staff)

This position will provide technical support for two core software components that support e-services: EntireX and Tamino. EntireX enables communications between software applications on different platforms. For example, it enables a desktop user to access mainframe information. Tamino is a database program that supports critical e-services functions including e-filing, electronic payments, and XML document formats. The expansion of e-services proposed by this BCP will result in a significant increase in the oversight and technical expertise functions needed to develop, support, and maintain EntireX and Tamino components. This position will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Database Administration	H	8.1	100	810
	Application Technical Support	H	3.5	180	630
	Lead Functions	H	1.5	180	270
	Other	H	1	90	90
	Total SPA Hours				1,800
Total SPA Positions Requested (1800 Hours Per Position)					1.0

1.0 Senior Programmer Analyst – Tax Systems/Application Development (TSD Support Staff)

This position will help with the development and implementation of mid-tier functions and act as a liaison between the mid-tier and mainframe subsystems. Mid-tier technology enables staff and taxpayers to access the appropriate mainframe data or functions supporting e-services from a desktop or laptop computer. This position will resolve the most complex programming issues as well as analyzing communication issues between the mainframe and mid-tier platforms. This position is key to ensuring that the mainframe systems and mid-tier systems stay in sync and work seamlessly so the BOE's customer facing systems work as intended. This position will begin on July 1, 2010. This position will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		On-going Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Analyze, Design and Code	H	15.5	60	930
	Troubleshoot Production Problems	H	6	55	330
	Training, Mentoring	H	7.5	24	180
	Develop Specifications	H	5	36	180
	Other	H	4	45	180
	Total SPA Hours				1800
Total SPA Positions Requested (1800 Hours Per Position)					1.0

1.0 Staff Programmer Analyst – Tax Systems/Application Development (TSD Support Staff)

These positions will help with the development and implementation of mid-tier functions and the revenue and registration subsystems. Mid-tier technology enables staff and taxpayers to access the appropriate mainframe data or functions supporting e-services from a desktop or laptop computer. The revenue subsystem is a key component for the electronic filing of tax returns and the generation of reports. The registration subsystem is the key component for registering tax and fee payers for permits required by the Sales and Use Taxes and Property and Special Taxes departments. These positions will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SPA)	Analyze, Design and Code	H	20	47	940
	Troubleshoot Production Problems	H	16	20	320
	Training, Mentoring	H	15	12	180
	Develop Specifications	H	18	10	180
	Other	H	10	18	180
	Total SPA Hours				1800
	Total SPA Positions Requested (1800 Hours Per Position)				1.0

1.5 Associate Programmer Analyst

These positions will support maintenance programming related to Sales and Use Tax, Special Tax, and tax area codes for new businesses. These functions are critical for the development, support and maintenance of the proposed e-registration functions. These positions will begin on July 1, 2010. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (APA)	Analyze, Design and Code	H	30	36	1080
	Troubleshoot Production Problems	H	20	40	800
	Training, Mentoring	H	22.5	12	270
	Develop Specifications	H	27	10	270
	Other	H	10	28	280
	Total APA Hours				2700
	Total APA Positions Requested (1800 Hours Per Position)				1.5

Customer Support Branch: 2 New positions**2.0 Staff Information Systems Analyst – Project Development (TSD Support Staff)**

TSD Support Staff will require two (2) SISA's to adequately and efficiently support and develop e-services projects. One SISA position is needed to manage e-services testing and implementation efforts and the other to administer user security procedures and policies for BOE's Integrated Revenue Information System. These positions will support planned e-services efforts and provide a more secure computing environment. Staff will meet with customers and prepare test and security documentation and assist with maintenance and/or enhancements needed to support e-services.

Currently approximately 20% of existing requests for functionality modifications for e-services involve production maintenance. After implementation, the analysts will support ongoing maintenance and knowledge transfer.

In addition to providing direct support services, the SISAs will act as a lead for AISAs. These positions will begin on July 1, 2010. The table below provides the estimated workload for these positions.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Avg. Time Per Occurrence	Occurrences per Year	Total Hours
IT Support Services (SISA)	Project Analysis, Coordination, and Project Resolution	H	97.5	24	2340
	Support and Document System User and Acceptance Testing	H	40	18	720
	User Security Administration & Software Program Changes	H	6	60	360
	Support/Coordinate New System Training	H	6	30	180
	Total SISA Hours				3,600
	Total SISA Positions Requested (1800 Hours per Position)				2.0

Sales and Use Tax Department (SUTD)

The Board of Equalization (BOE) E-Services Team (BEST) is responsible for the day to day business activities related to the BOE E-Filing and E-Services systems. The team will work in coordination with TSD (Technology Services Division) to develop and support the expanded E-filing and E-Services functionality described in this BCP.

The positions for two new permanent staff and the continuation of one limited term position are requested for FY 2008-09 and ongoing. The requested new positions and the continuation of a limited term position will be used to both assist in the development of the new e-filing and e-services functionality and the support and maintenance of the current e-filing system. This approach will reduce the number of redirected current staff.

Since the implementation of e-filing in 2001, participation has slowly increased with significant increases since the addition of BOE's free e-file option in 2005. Approximately 2.5% of eligible tax returns and forms are currently e-filed. This rate of participation is consistent with other states' findings as reported in a May 2004 Federation of Tax Administrators (FTA) survey.

An important issue noted from the survey was that States indicated that extensive outreach and customer support are necessary. In an effort to increase participation, the BOE implemented several pilot projects to explore ways to increase participation:

- 1) **Combined Registration Process (Seller's Permit and E-Client)** - Under this pilot project, West Covina district office staff are registering taxpayers as e-clients (to e-file) at the same time they register for a seller's permit. The results of the pilot in the West Covina district office showed that 13% were registered to e-file in the first month, May 2007, and 15% in the second month, June 2007. A second office, Oakland, was selected to participate in the pilot in July 2007. Results are pending. This combined registration process is scheduled to be implemented statewide in September/October 2007, and should elevate participation levels.
- 2) **Discontinue Sending Paper Tax Returns** - In this pilot project, known as 'Toss The Paper', BOE discontinued sending paper returns to certain taxpayer groups to determine the readiness and willingness of taxpayers to e-file and discontinue receipt of a paper return. The BOE is encouraged by the 27% participation rate from this initial pilot group which indicates that the goal of achieving an overall 25% e-filing participation rate is achievable. Further results are pending.

In order to achieve projected cost savings and the projected potential revenue through redirection of cost savings to revenue generating activities, the positions requested are necessary to further the efforts as BOE moves towards achieving a greater participation rate.

Hours for ongoing activities were determined by using the workload history from similar projects, documented in the existing time reporting system.

FY 2008-09 - Tax Policy Division - 2 New Positions and 1 Continued Position

1.0 Business Taxes Specialist I - Electronic Services Team, 1 New Position E-Services Trainer/Event Speaker

E-Services will require one (1) Business Taxes Specialist I position (E-Services Trainer/Event Speaker). This position will allow BOE to increase awareness and participation in e-services. The position will develop, conduct and maintain training classes and refresher classes for BOE staff. The position will also be used to develop speaking materials and to make presentations at various BOE sponsored and non-BOE sponsored events. The position will also develop and lead focus groups with tax and fee payers and tax professionals and articulate the findings of these groups regarding potential e-services enhancements, to the E-Services Team. This position will begin on July 1, 2008. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Development and maintenance of Training Materials	H	80	4	320
	Conducting Training Classes	H	16	20	320
	Development and maintenance of Speaking Materials	H	40	7	280
	Speaking Engagements	H	8	30	240
	Taxpayer Focus Groups	H	32	10	320
	Tax Professional Focus Groups	H	32	10	320
	Total BTS I Hours				1800
	Total BTS I Positions Requested (1800 Hours per Position)				1.0

1.0 Business Taxes Specialist I, Electronic Services Team, 1.0 New Position E-Services Outreach

E-Services will require one (1) Business Taxes Specialist I position (E-Services Outreach Specialist). The function is significant since the BOE will have to constantly provide outreach and education regarding E-filing and E-services to a new group of taxpayers on an ongoing basis. Typically, there is a 20%-25% turnover of sales and use taxpayers every year. The position will allow BOE to increase e-filing participation of tax and fee payers by efficiently developing, evaluating and maintaining an effective marketing strategy. The position will achieve this through the development, production and distribution of printed marketing materials; i.e. flyers, posters, print ads, articles, etc. The position will develop and maintain an e-services presence on the BOE Intranet and the Internet to promote participation in e-filing and e-services. The position will also coordinate the E-Services Contact program with field office representatives. This position will begin on July 1, 2008. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Researching and writing e-services related articles	H	24	10	240
	Development of e-BOE e-services section	H	24	4	96
	Development of BOE website E-services information	H	24	4	96
	Development of advertising print material	H	32	12	384
	Update / Develop Publications	H	48	8	384
	Coordinate E-Services contacts in field offices	H	12	50	600
	Total BTS I Hours				1800
	Total BTS I Positions Requested (1800 Hours per Position)				1.0

1.0 Business Taxes Specialist I, Electronic Services Team 1.0 Continued Position E-Services Project Team Member

Continuance of the position is necessary to support the BOE E-Services Team in its ongoing efforts and reduce the number of redirected staff. The continuation of a limited term position will be used to both assist in the development of the new e-filing and e-services functionality and the support and maintenance of the current e-filing system. Specifically, the position will continue to perform project implementation tasks, (e.g., identify business needs, develop business requirements, enhance current functionality, coordinate legislative and policy changes, etc.). This position will continue on July 1, 2008. The table below provides the estimated workload for this position.

Workload Detail					
Classification	Time Measure Activity	Time Measure		Ongoing Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Business Screen Design	H	32	12	384
	Tickets/Enhancements	H	24	15	360
	Policy Changes	H	40	4	160
	Legislative Changes	H	160	2	320
	Tax Rate Changes	H	40	4	160
	Business Team Leader	H	8	52	416
	Total BTS I Hours				1800
	Total BTS I Positions Requested (1800 Hours per Position)				1.0

CALCULATION OF FUND SPLIT

The fund split for the project augmentation is as follows: General Fund 37.19%, Special Funds 38.03% and Reimbursements 24.78%. The project fund split is based upon the estimated one-time effort & augmentation of each element, where it is attributable to specific tax program or programs. Elements which support all tax programs are allocated to fund based upon the entire board's budget. These direct costs are the basis for allocating other indirect project costs. Project management, infrastructure redesign programming, hardware/software purchases and ongoing support costs are examples of indirect project costs not attributable to a specific tax program. The following describes each direct element and the attributed funds.

Element #	Description	Fund(s)
1	E-filing for Fuel Retailers and Distributors (Sales Tax Returns)	General Fund Reimbursements
2	E-filing for Selected Special Taxes Returns: Underground Storage Tank Electronic Waste Recycling Fee California Tire Fee Cigarette Distributors (Sch. A, C, F) Cigarette Manufacturers	Breast Cancer Fund Electronic Waste Recovery and Recycling Fund CA Children & Families First Fund Cigarette & Tobacco Products Surtax Fund General Fund Reimbursements Underground Storage Tank Fee
3	Internet Registration	All Programs/Funds
4	On-line Requests: Extensions Relief of Penalty/Interest Declaration of Timely Mailing	All Programs/Funds
5	Online Requests for IPA's	All Programs/Funds

Based upon the above described methodology, the below table provides the project augmentation by fund by fiscal year.

CALCULATION OF FUND SPLIT

Fund Code	Fund	Percent	2008-09	2009-10	2010-11	2011-12 & ongoing
1	General Fund	37.19%	\$1,667,836	\$1,571,087	\$716,235	\$688,522
995	Reimbursements	24.78%	1,111,292	1,046,828	477,234	458,768
	Special Funds					
4	Breast Cancer Fund	0.51%	22,872	21,545	9,822	9,442
22	State Emergency Telephone Number Account	0.07%	3,139	2,957	1,348	1,296
61	Motor Vehicle Fuel Account, Transportation Tax Fund	2.33%	104,492	98,431	44,873	43,137
70	Occupational Lead Poisoning Prevention Account	0.07%	3139	2957	1348	1296
80	Childhood Lead Poisoning Prevention Fund	0.05%	2242	2112	963	926
230	Cigarette and Tobacco Products Surtax Fund	7.24%	324,687	305,853	139,434	134,039
320	Oil Spill Prevention and Administration Fund	0.03%	1345	1267	578	555
387	Integrated Waste Management Account, Integrated Waste Management Fund	0.05%	2242	2112	963	926
439	Underground Storage Tank Cleanup Fund	6.44%	288,810	272,057	124,027	119,228
465	Energy Resources Programs Account	0.03%	1345	1267	578	555
623	California Children and Families First Trust Fund	14.24%	638,612	601,567	274,246	263,634
890	Federal Trust Fund	0.00%	0	0	0	0
965	Timber Tax Fund	0.25%	11,212	10,561	4,815	4,628
3015	Gas Consumption Surcharge Fund	0.05%	2242	2112	963	926
3058	Water Rights Fund	0.05%	2,242	2,112	963	926
3065	Electronic Waste Recovery and Recycling Account, Integrated Waste Mgt. Fund	6.62%	296,883	279,661	127,494	122,560
	Subtotal Special Funds	38.03%	1,705,504	1,606,571	732,415	704,074
Total		100.00%	\$4,484,632	\$4,224,486	\$1,925,884	\$1,851,364