

**STATE OF CALIFORNIA
FINANCE LETTER PROPOSAL - COVER SHEET
FOR FISCAL YEAR 2008/09
DF-46 (REV 07/06)**

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

FL # 4	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM 10 Tax Programs	ELEMENT 10 Personal Income Tax	COMPONENT	

TITLE OF PROPOSED CHANGE:

Collection of Inactive Accounts Receivable

SUMMARY OF PROPOSED CHANGE:

The Franchise Tax Board (FTB) is requesting an augmentation of \$576,000 and 9 positions (8.5 PYs) to pursue manual collection action on inactive cases. This proposal will result in additional revenue estimated at \$8 million per year, beginning in fiscal year 2008/09.

REQUIRES LEGISLATION <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	CODE SECTION(S) TO BE AMENDED/ADDED	BUDGET IMPACT-PROVIDE LIST AND MARK IF APPLICABLE <input type="checkbox"/> ONE-TIME COST <input type="checkbox"/> FULL-YEAR COSTS <input type="checkbox"/> FACILITIES/CAPITAL COSTS <input type="checkbox"/> FUTURE SAVINGS <input checked="" type="checkbox"/> REVENUE
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PREPARED BY:	DATE	REVIEWED BY:	DATE
PROGRAM APPROVAL:			
DEPARTMENT DIRECTOR:	DATE	GENERAL SECRETARY:	DATE

Pending Approval

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES OR NO
IF YES, DEPARTMENTAL CHIEF INFORMATION SIGNATURE DATE

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

DATE PROJECT # FSR OR SPR

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL? N/A

YES
 NO

ATTACH COMMENTS OF AFFECTED DEPARTMENT SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

DEPARTMENT OF FINANCE ANALYST USE (ADDITIONAL REVIEW)

CAPITAL OUTLAY OTROS FSCU OSAE CALSTARS

DATE SUBMITTED TO THE LEGISLATURE:

PPBA:

FL #	DATE	Title of Proposed Change:					
		Collection of Inactive Accounts Receivable					
PROGRAM	ELEMENT	COMPONENT					
Tax Programs	Personal Income Tax						
		Personnel Years					
		CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries & Wages a/		.0	9.0	9.0	\$ 0	\$ 360,000	\$ 360,000
Salary Savings		.0	-5	-5	\$ 0	-\$ 18,000	-\$ 18,000
Net Total Salaries and Wages		.0	8.5	8.5	\$ 0	\$ 342,000	\$ 342,000
Staff Benefits b/					\$ 0	\$ 158,000	\$ 158,000
Total Personal Services					\$ 0	\$ 500,000	\$ 500,000
Operating Expenses and Equipment							
General Expenses /1					\$ 0	\$ 28,000	\$ 7,000
Printing /2					0	6,000	6,000
Communications /3					0	10,000	10,000
Postage /4					0	25,000	25,000
Travel-In-State					0	0	0
Travel Out-of-State					0	0	0
Training					0	0	0
Facilities Operations /5					0	3,000	3,000
Utilities					0	0	0
Cons & Prof Svs - Interdept'l					0	0	0
Cons & Prof Svs - External					0	0	0
Consolidated Data Center					0	0	0
Data Processing /6					0	4,000	2,000
Equipment					0	0	0
Other Items of Exp (Specify Below)					0	0	0
Total Operating Expense & Equipment					\$ 0	\$ 76,000	\$ 53,000

a/ Itemized detail on Page II-3 by classification as in Salaries and Wages Supplement.

b/ Detail provided on following pages.

/1 General Expense @ \$813 per position. Plus minor equipment @ \$1116 per position. PCs @\$1260 per position.

/2 Printing Costs @ \$77 per position plus additional cost for additional notices.

/3 Communication costs @ \$1136 per position.

/4 Postage Costs for additional mailings.

/5 Facilities Costs: incremental price increase \$374 per position.

/6 Software for PCs @ \$485 per PC, \$180 on-going cost for PCs .

				<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
TOTAL OPERATING EXPENSES AND EQUIPMENT				\$ 0	\$ 76,000	\$ 53,000
SPECIAL ITEMS OF EXPENSE d/				\$ 0	\$ 0	\$ 0
PROGRAM ADMINISTRATION				\$ 0	\$ 0	\$ 0
Distributed Admin				\$ 0	\$ 0	\$ 0
TOTAL STATE OPERATIONS EXPENDITURES				\$ 0	\$ 576,000	\$ 553,000
<u>Source of Funds</u>		<u>Appropriation No.</u>				
	Org	- Ref	- Fund			
General Fund	1730	001	0001	\$ 0	\$ 576,000	\$ 553,000
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
Reimbursements	1730	501	0995	0	0	0
Totals				<u>\$ 0</u>	<u>\$ 576,000</u>	<u>\$ 553,000</u>
LOCAL ASSISTANCE				\$(0)	\$(0)	\$(0)
<u>Source of Funds</u>		<u>Appropriation No.</u>				
	Org	- Ref	- Fund			
General Fund	1730	001	0001	\$ 0	\$ 0	\$ 0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
Reimbursements				0	0	0
Totals				<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

d/ Special Items of expense must be titled. Please refer to the Uniform Codes Manual for a list of the standardized Special Items of expense objects which may be used.

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Positions	Positions			Salary Range	Amount		
	CY	BY	BY + 1		CY	BY	BY + 1
Accounts Receivable Management Division							
Compliance Rep, Ftb - Rg B PERM	0.0	8.0		\$ 3,204 \$ 3,708	\$ 0	\$ 332,000	\$ 332,000
Total Accounts Receivable Management Div	.0	8.0	.0		\$ 0	\$ 332,000	\$ 332,000
Adjust for Part Year Positions	.0	.0					
Net Positions/ PYs before salary savings	.0	8.0	.0				
Filing Division							
Tax Program Assistant - Rg B PERM	0.0	1.0		\$ 2,074 \$ 2,519	\$ 0	\$ 28,000	\$ 28,000
Total Filing Division	.0	1.0	.0		\$ 0	\$ 28,000	\$ 28,000
Adjust for Part Year Positions	.0	.0					
Net Positions/ PYs before salary savings	.0	1.0	.0				
Total Salaries and Wages							
Positions	.0	9.0	.0		\$ 0	\$ 360,000	\$ 360,000
Part Yr Adj	.0	.0	.0				
P.Y.s	.0	9.0	.0				

**Schedule of Staff Benefits Costs
FOR FISCAL YEAR 2008/09**

Staff Benefits	2007/08	2008/09	2009/10
OASDI /1	\$ 0	\$ 22,000	\$ 22,000
Dental /2	0	4,000	4,000
Health /3	0	66,000	66,000
Retirement /4	0	56,000	56,000
Vision /5	0	1,000	1,000
Medicare /6	0	5,000	5,000
Worker's Comp /7	0	3,000	3,000
Industrial Disability /8	0	0	0
Non Industrial Disability /9	0	1,000	1,000
Unemployment Insurance /10	0	0	0
Total Staff Benefits	\$ 0	\$ 158,000	\$ 158,000

- 1/ For permanent and overtime, 6.2% of net salary.
- 2/ For permanent, \$545 per net personnel year.
- 3/ For permanent, \$7,711 per net personnel year.
- 4/ For permanent, 16.633% of net salary.
- 5/ For permanent, \$110 per net personnel year.
- 6/ 1.45% of net salary for permanent.
- 7/ 0.8% of net salary for permanent.
- 8/ 0.05% of net salary for permanent.
- 9/ 0.21% of net salary for permanent.
- 10/ 5.68% of net salary for temporary help.

**FRANCHISE TAX BOARD
Fiscal Year 2008/09**

**Finance Letter
Collections Of Inactive Accounts Receivable**

**FL No. 4
DATE: February 22, 2008**

A. NATURE OF REQUEST

The Franchise Tax Board (FTB) is requesting an augmentation of \$576,000 and 9 positions (8.5 PYs) to pursue manual collection action on inactive cases. This proposal will result in additional revenue estimated at \$8 million per year, beginning in fiscal year 2008/09.

B. BACKGROUND/HISTORY

The FTB collection system is designed to segregate active cases from inactive cases through automated and manual action. The system places accounts in a non-permanent inactive status due to low yield scores, lack of collection assets, and length of time in the system with no action occurring. Collection actions are automatically taken on inactive accounts if certain conditions are met such as, new payor, new bank account or if a new tax year liability posts to a taxpayer account. Under these circumstances notices are issued and, if the account moves to an active levy status, the system will automatically issue a levy.

Manual involvement of collectors is needed to work on some of the cases that have been uncollectible in the past. Due to the age and balances of the debts, the accounts are complex in nature and require journey level collection knowledge and negotiation skills experience. This staff is needed to prepare and adjust accounts for levy, to respond to taxpayer inquiries, and mailing/processing of documents. For many cases, this may be the last chance to collect before the statute of limitations on the debt expires. With these additional collectors, FTB will be more proactive in collection of accounts that have indications of new asset information.

C. STATE LEVEL CONSIDERATIONS

This proposal is directed at addressing non-compliant taxpayers. FTB continues to take actions that improve collection activity to increase revenue. This augmentation of collectors will generate an additional \$8 million per year in revenue for the General Fund beginning in fiscal year 2008/09.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS

FTB's existing facilities can accommodate the additional staff requested in this proposal.

E. JUSTIFICATION

This proposal is consistent with FTB's Strategic plan goal # 2, "Increase Fairness and Compliance with the Tax Law"

- Provide fair and impartial treatment for every taxpayer. Issue timely, accurate, and understandable notices and advice.

Funding of additional collectors will enable FTB to actively pursue inactive accounts that have indications of new asset information, thereby generating additional revenue.

F. OUTCOMES AND ACCOUNTABILITY

FTB is accountable for providing and improving taxpayer service, and increasing fairness and compliance with tax law. While the Accounts Receivable Management Division is tasked with monitoring resource use associated with this proposal, the ultimate responsibility remains with the Department's Chief Financial Officer.

G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES

Alternative #1 – Approve funding of \$576,000 and 9 positions - to augment the collection staffing levels in order to resolve all issues with the first telephone call received or with the receipt of correspondence from the taxpayer. This alternative proposes to generate an additional estimated \$8 million annually in revenue.

Alternative # 2 – Approve funding of \$301,000 ad 4.5 positions - to augment the collection staffing levels in order to resolve all issues with first contact of the taxpayer. This alternative proposal will generate an estimated \$4 million annually in revenue.

Alternative # 3 – Provide no funding - Failure to provide the necessary funding and resources for this workload will eliminate the ability to collect the additional \$8 million annually.

H. TIMETABLE

Funding to be provided on July 1, 2008.

I. RECOMMENDATION

Alternative # 1 is recommended. It provides additional funding and resources to meet the \$8 million revenue projection beginning in fiscal year 2008/09.