

STATE OF CALIFORNIA  
**Finance Letter - Cover Sheet**  
 DF-46 (REV 05/11)

Fiscal Year 2012/13	FL No. 1	Org. Code 1730	Department Franchise Tax Board	Priority No. 1
Program Tax Programs			Element All Tax Programs	Component

Proposal Title  
 Voluntary Contribution Funds

Proposal Summary

The Franchise Tax Board is requesting funding of \$18,000 for FY 2012/13 and FY 2013/14 to establish and maintain the Child Victims of Human Trafficking, the Municipal Shelter Spay-Neuter, and the ALS/Lou Gehrig's Disease Research voluntary contribution funds, as required by recently enacted legislation.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

FSR       SPR      Project No.      Date:

**Pending Board Approval**

If proposal affects another department, does other department concur with proposal?  Yes       No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By	Date	Reviewed By	Date
Department Director	Date	Agency Secretary	Date

**Department of Finance Use Only**

Additional Review:  Capital Outlay     ITCU     FSCU     OSAE     CALSTARS     Technology Agency

BCP Type:       Policy       Workload Budget per Government Code 13308.05

PPBA      Date submitted to the Legislature

## Analysis of Problem

### A. Proposal Summary

The Franchise Tax Board is requesting funding of \$18,000 for FY 2012/13 and FY 2013/14 to establish and maintain the following three voluntary contribution funds:

- Child Victims of Human Trafficking Fund
  - Assembly Bill 764 – Stats. 2011, Chapter 465
  - Enacted October 4, 2011
- Municipal Shelter Spay-Neuter Fund
  - Assembly Bill 564 - Stats 2011, Chapter 549
  - Enacted October 7, 2011
- ALS/Lou Gehrig's Disease Research Fund
  - Senate Bill 583 - Stats. 2011, Chapter 711
  - Enacted October 9, 2011

The Child Victims of Human Trafficking Fund is a new fund, while the Municipal Shelter Spay-Neuter and ALS/Lou Gehrig's Disease Research Funds are being re-established after being removed in 2010 because they failed to reach the minimum level of \$250,000 in contributions. FTB is mandated under these provisions to provide additional voluntary contribution options for these funds on the personal income tax form for tax year 2011.

### B. Background/History

Current state law allows taxpayers to contribute amounts in excess of their tax liability to various voluntary contribution funds listed on the state tax return by checking a box on their California income tax return. Each fund provides for the reimbursement of the FTB and State Controller's costs to administer the funds<sup>1</sup>.

The Municipal Shelter Spay-Neuter and ALS/Lou Gehrig's Disease Research Funds first appeared on the 2008 income tax return and last appeared on the 2009 income tax return because the FTB estimated that the funds would not meet the required \$250,000 minimum contribution amount for the 2010 calendar year. By operation of law, the provisions creating the funds were repealed effective January 1, 2010, and the funds were not included on the 2010 income tax return.

The Municipal Shelter Spay-Neuter Fund annual contribution amount for calendar year 2009 was \$210,029, and for calendar year 2010 was \$194,462. The ALS/Lou Gehrig's Disease Research Fund annual contribution amount for calendar year 2009 was \$220,041 and for calendar year 2010 was \$114,051. AB 564 (Stats. 2011, Ch. 549) and SB 583 (Stats. 2011, Ch. 711), respectively, re-established these two funds beginning with the 2011 tax year.

Assembly Bill 764 (Stats. 2011, Ch. 465) established the Child Victims of Human Trafficking Fund as a new fund beginning with the 2011 tax year.

### C. State Level Considerations

This proposal will allow FTB to fulfill the legislative requirement to support the collection and administration of these funds.

### D. Justification

The three voluntary contribution funds require FTB to revise the 2011 personal income tax return form to include these choices. Designations to the accounts in the form of the check-off feature will be allowed on the 2011 tax return (filed in 2012) and will last appear on the 2015 tax return (filed in 2016)

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<sup>1</sup> FTB administrative costs for each contribution fund are based on the amounts contributed to each fund, up to the \$6,000 maximum limit established.

## Analysis of Problem

unless another statute extends the sunset date or the estimated contributions are less than \$250,000 after the first taxable year. If the annual contributions equate to less than \$250,000, the law authorizing designations for these funds is repealed. Beginning with the third calendar year after the funds appear on the return, FTB will adjust the minimum contribution amounts for each fund by September of that year. The minimum contribution amounts will adjust according to the California Consumer Price Index (CCPI).

The addition of these voluntary contribution funds will increase data entry and error resolution costs, and fund reporting costs. FTB is not currently budgeted to establish and maintain an account for taxpayer contributions to these funds. This bill allows FTB to be reimbursed for the administrative costs from the proceeds of the funds.

Money raised as a result of the check-off feature for the three funds will be used for the following purposes:

- Child Victims of Human Trafficking Fund will be used to help fund grants to community-based organizations that provide comprehensive and quality services to child victims of sexual assault.
- Municipal Shelter Spay-Neuter Fund will be used to increase funding for voluntary spay and neuter efforts.
- ALS/Lou Gehrig's Disease Research Fund will be used to generate research dollars in the hopes of changing the prospects of those diagnosed with ALS.

### E. Outcomes and Accountability

It is the responsibility of FTB, in partnership with the State Controller, to administer these funds. The management of the receipts falls within the responsibilities of the Accounting Officer who ultimately reports to the Chief Financial Officer.

### F. Analysis of All Feasible Alternatives

#### **Alternative #1 – Augment FTB's budget by \$18,000 to administer these three voluntary contribution funds.**

The FY 2012/13 funding request of \$18,000 will provide the needed resources for FTB to comply with the mandates of the statutes and provide revenue for the various funds. These administrative costs are calculated at 2.4% of the estimated total amount contributed to each fund. FTB estimates that the funds will achieve at least \$250,000 for FY 2012/13.

#### **Alternative #2 – Augment FTB's budget by \$12,000 to administer only the Child Victims of Human Trafficking Fund and the Municipal Shelter Spay-Neuter voluntary contribution funds.**

The FY 2012/13 funding request of \$12,000 will only allow FTB to administer two of the three funds. It will not provide the needed resources for FTB to comply with all three of the mandates.

#### **Alternative #3 – Augment FTB's budget by \$6,000 to administer only the Child Victims of Human Trafficking Fund voluntary contribution fund.**

The FY 2012/13 funding request of \$6,000 will only allow FTB to administer one of the three funds. It will not provide the needed resources for FTB to comply with all three of the mandates.

#### **Alternative #4 – Do nothing.**

This approach fails to comply with Revenue & Taxation Code Sections 18809, 18755, and 18883 for these funds to be established in the State Treasury to receive contributions made pursuant to these acts.

## Analysis of Problem

### G. Implementation Plan

- October 2011 - DOF will establish the funding codes and provide the codes to FTB.
- November 2011 - FTB will add the three funds to the personal income tax form for tax year 2011.
- June 2012 - FTB will release the monies contributed in tax year 2011 to the accounts managed by the State Controller's Office.

### H. Supplemental Information *(Check box(es) below and provide additional descriptions.)*

None       Facility/Capital Costs       Equipment       Contracts       Other \_\_\_\_\_

### I. Recommendation

Recommend approval of Alternative #1.

FL No 1	Date February 1, 2012	Proposed Title Voluntary Contribution Funds	Program Tax Program
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	Positions			FY 2011/12	FY 2012/13	FY 2013/14
	CY	BY	BY + 1	CY	BY	BY + 1
<b>Total Salaries &amp; Wages 1/</b>	.0	.0	.0	\$ 0	\$ 18,000	\$ 18,000
Salary Savings	.0	.0	.0	\$ 0	\$ 0	\$ 0
<b>Net Total Salaries and Wages</b>	.0	.0	.0	<b>\$ 0</b>	<b>\$ 18,000</b>	<b>\$ 18,000</b>
<b>Total Staff Benefits</b>				\$ 0	\$ 0	\$ 0
Salary Savings				\$ 0	\$ 0	\$ 0
<b>Net Total Staff Benefits</b>					<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Personal Services</b>				<b>\$ 0</b>	<b>\$ 18,000</b>	<b>\$ 18,000</b>

**Operating Expenses and Equipment**

General Expenses	\$ 0	\$ 0	\$ 0
Printing	0	0	0
Communications	0	0	0
Postage	0	0	0
Travel-In-State	0	0	0
Travel Out-of-State	0	0	0
Training	0	0	0
Facilities Operations	0	0	0
Utilities	0	0	0
Consulting & Professional Services - Interdepartmental	0	0	0
Consulting & Professional Services - External	0	0	0
Data Center Services	0	0	0
Information Technology	0	0	0
Equipment	0	0	0
Other/Special Items of Expense	0	0	0

**Total Operating Expense & Equipment**

**\$ 0 \$ 0 \$ 0**

**Total State Operations Expenditures**

**\$ 0 \$ 18,000 \$ 18,000**

Fund Source	Item Number					
	Org	Ref	Fund			
Child Victims of Human Trafficking Fund	1730	001	8069	\$ 0	\$ 6,000	\$ 6,000
Municipal Shelter Spay-Neuter Fund	1730	001	8055	0	6,000	6,000
ALS/Lou Gehrig's Disease Research Fund	1730	001	8053	0	6,000	6,000

**Totals** **\$ 0 \$ 18,000 \$ 18,000**

**Total Local Assistance Expenditures**

**\$( 0) \$( 0) \$( 0)**

Fund Source	Item Number					
	Org	Ref	Fund			
				\$ 0	\$ 0	\$ 0
				0	0	0
				0	0	0
<b>Totals</b>				<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

1/ Itemized positions by classification on the Personal Services Detail worksheet.

<b>FL No 1</b>	<b>Date</b> February 1, 2012	<b>Proposed Title</b> Voluntary Contribution Funds	<b>Program</b> Tax Program
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**Salaries and Wage Detail**

Classification		Positions			Salary Range	Dollars			
		CY	BY	BY + 1		CY	BY	BY + 1	
<b>Filing Division</b>									
Key Data Operator - Rg B	OT				\$ 2,450	\$ 2,975	\$ 0	\$ 9,000	\$ 9,000
Program Spec I	OT				\$ 5,076	\$ 6,476	\$ 0	\$ 9,000	\$ 9,000
Total Filing Division		<u>.0</u>	<u>.0</u>	<u>.0</u>			<u>\$ 0</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>
Adjust for Part Year Positions		<u>.0</u>	<u>.0</u>	<u>.0</u>					
Net Positions/ PYs before salary savings		<u>.0</u>	<u>.0</u>	<u>.0</u>					
<b>Total Salaries and Wages</b>	Positions	<u>.0</u>	<u>.0</u>	<u>.0</u>			<u>\$ 0</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>
	Part Yr Adj	<u>.0</u>	<u>.0</u>	<u>.0</u>					
	P.Y.s	<u>.0</u>	<u>.0</u>	<u>.0</u>					

**Staff Benefits Detail**

	2011/12	2012/13	2013/14
OASDI	\$ 0	\$ 0	\$ 0
Health/Dental/Vision Insurance	0	0	0
Retirement - Miscellaneous	0	0	0
Worker's Compensation	0	0	0
Industrial Disability Leave	0	0	0
Non Industrial Disability Leave	0	0	0
Unemployment Insurance	0	0	0
Medicare	0	0	0
<b>Total Staff Benefits</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>