

**STATE OF CALIFORNIA
FINANCE LETTER - COVER SHEET
FOR FISCAL YEAR 2005/06
DF-46 (REV 03/03)**

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

FL # 3	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM 60 Court Collections	ELEMENT Court Collections	COMPONENT	

TITLE OF PROPOSED CHANGE:

Court Ordered Debt Expansion

SUMMARY OF PROPOSED CHANGE:

This proposal requests 35.1 PYs and \$5.2 million representing funding for year one of the Court Ordered Debt Expansion Project in support of SB 246. SB246, Chapter 380, Statutes of 2004 (Escutia), requires the FTB, in consultation with the Judicial Council, to seek whatever additional resources are needed to accept collection referrals from all 58 counties or superior courts. Approval of this request will provide significant revenue benefits to the courts, County General Fund and Special Accounts.

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 checked="" type="checkbox"/> ONE-TIME COST <input checked="" 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:		GENERAL COUNSEL:	DATE

Pending Board Approval

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.

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 #FTB FSR 05-01 FSR OR SPR

**DOF ANALYST USE
(ADDITIONAL REVIEW)**

CAPITAL OUTLAY TIRU FSCU OSAE CALSTARS

FL # 3	DATE	3/17/2005	Title of Proposed Change:		
			Court Ordered Debt Expansion		
PROGRAM	ELEMENT	COMPONENT			
Court Collections	Court Collections				
		<u>Personnel Years</u>		<u>Current Year</u>	<u>Budget Year</u>
		<u>CY</u>	<u>BY</u>		
Total Salaries & Wages a/		.0	36.7	\$ 0	\$ 2,014,000
Salary Savings		.0	-1.6	\$ 0	-\$ 77,000
Net Total Salaries and Wages		.0	35.1	\$ 0	\$ 1,937,000
Staff Benefits b/				\$ 0	\$ 649,000
Total Personal Services				\$ 0	\$ 2,586,000
Operating Expenses and Equipment					
General Expenses /1				\$ 0	\$ 128,000
Printing /2				0	57,000
Communications /3				0	24,000
Postage /4				0	289,000
Travel-In-State				0	0
Travel Out-of-State				0	0
Training /5				0	176,000
Facilities Operations				0	0
Utilities /6				0	11,000
Cons & Prof Svs - Interdept'l				0	0
Cons & Prof Svs - External /7				0	1,521,000
Consolidated Data Center				0	0
California Health and Human Services Agency Data Center				()	()
Stephen P. Teale Data Center				()	()
Data Processing /8				0	162,000
Equipment /9				0	229,000
Other Items of Exp (Specify Below)				0	0
Total Operating Expense & Equipment				\$ 0	\$ 2,597,000

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

b/ Detail provided on following pages.

- /1 General Expense @ \$658 per position. Plus minor equipment
33 positions @ \$1,800 per position, 30 PCs @\$1,300, 3 laptops @ \$2,500.
- /2 Cost for additional printing.
- /3 Departmental \$762 per position.
- /4 Cost for additional mailings.
- /5 Training needs for IT staff.
- /6 Departmental \$330 per position.
- /7 Cost for software customization, \$1,325,000 and \$196,000 for IV&V Services.
- /8 Software for PCs @ \$500 per position and software purchase/license costs of \$145,000.
- /9 Equipment - hardware costs for new system, \$229,000.

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Positions	Positions		Salary Range		Amount	
	CY	BY			CY	BY
	2004/05	2005/06				
Administrative Services Division						
Assoc Info Systems Analyst	OT				\$	0 \$ 9,000
Mailing Machines Operator I - Rg B	PERM		\$ 2,306	\$ 2,801	\$	0 \$ 61,000
Total Administrative Services Division					\$	0 \$ 70,000
Adjust for Part Year Positions						
Net Positions/ PYs before salary savings						
Finance & Executive Services Division						
Acctg Officer Spec	OT				\$	0 \$ 3,000
Acctg Officer Spec	PERM		\$ 3,589	\$ 4,363	\$	0 \$ 48,000
Total Finance & Executive Services Division					\$	0 \$ 51,000
Adjust for Part Year Positions						
Net Positions/ PYs before salary savings						
Accounts Receivable Management Division						
Administrator II	LT 36 month		\$ 5,208	\$ 6,329	\$	0 \$ 69,000
Staff Info Sys Analyst Spec	LT 36 month		\$ 4,732	\$ 5,754	\$	0 \$ 126,000
Principal Compliance Rep	LT 36 month		\$ 4,516	\$ 5,489	\$	0 \$ 60,000
Sr Compliance Rep.,Ftb	PERM		\$ 4,316	\$ 5,247	\$	0 \$ 57,000
Sr Compliance Rep.,Ftb	LT 36 month		\$ 4,316	\$ 5,247	\$	0 \$ 115,000
Compliance Rep, Ftb - Rg B	PERM		\$ 2,994	\$ 3,465	\$	0 \$ 78,000
Tax Technician, Ftb - Rg B	PERM		\$ 2,632	\$ 3,201	\$	0 \$ 105,000
Tax Program Tech I, Ftb	PERM		\$ 2,465	\$ 2,998	\$	0 \$ 33,000
Total Accounts Receivable Management Division					\$	0 \$ 643,000
Adjust for Part Year Positions						
Net Positions/ PYs before salary savings						
Filing Division						
Tax Program Tech I, Ftb	PERM		\$ 2,465	\$ 2,998	\$	0 \$ 49,000
Key Data Operator - Rg B	TEMP		\$ 2,289	\$ 2,780	\$	0 \$ 15,000
Key Data Operator - Rg B	PERM		\$ 2,289	\$ 2,780	\$	0 \$ 46,000
Tax Program Assistant - Rg B	TEMP		\$ 1,938	\$ 2,354	\$	0 \$ 142,000
Total Filing Division					\$	0 \$ 252,000
Adjust for Part Year Positions						
Net Positions/ PYs before salary savings						

Technology Services Division

Assoc Info Systems Analyst	OT					\$	0	\$	74,000		
Sys Software Spec I Tech	OT					\$	0	\$	78,000		
Asst Info Systems Analyst - Rg C	OT					\$	0	\$	14,000		
Staff Prog Analyst Spec	OT					\$	0	\$	89,000		
* Data Processing Mgr II	PERM	0.0	1.0	\$	5,206	\$	6,327	\$	0	\$	55,000
* Sr Info Systems Analyst Spec	PERM	0.0	1.0	\$	5,206	\$	6,327	\$	0	\$	55,000
* Sr Program System Analyst Spec	PERM	0.0	1.0	\$	5,206	\$	6,327	\$	0	\$	55,000
* Staff Prog Analyst Spec	PERM	0.0	1.0	\$	4,732	\$	5,754	\$	0	\$	50,000
* Staff Info Sys Analyst Spec	PERM	0.0	5.0	\$	4,732	\$	5,754	\$	0	\$	264,000
* Sys Software Spec I Tech	LT 24 month	0.0	1.0	\$	4,731	\$	5,753	\$	0	\$	50,000
* Sys Software Spec I Tech	PERM	0.0	3.0	\$	4,731	\$	5,753	\$	0	\$	157,000
Assoc Info Systems Analyst	PERM	0.0	1.0	\$	4,316	\$	5,247	\$	0	\$	57,000
Total Technology Services Division		.0	14.0					\$	0	\$	998,000
Adjust for Part Year Positions		.0	2.3								
Net Positions/ PYs before salary savings		.0	11.7								

Part Year Positions

* Data Processing Mgr II									9/1/2005 Budget yr start date for 0.8 P.Y.s.		
* Sr Info Systems Analyst Spec									9/1/2005 Budget yr start date for 0.8 P.Y.s.		
* Sr Program System Analyst Spec									9/1/2005 Budget yr start date for 0.8 P.Y.s.		
* Staff Prog Analyst Spec									9/1/2005 Budget yr start date for 0.8 P.Y.s.		
* Staff Info Sys Analyst Spec									9/1/2005 Budget yr start date for 4.2 P.Y.s.		
* Sys Software Spec I Tech									9/1/2005 Budget yr start date for 0.8 P.Y.s.		
* Sys Software Spec I Tech									9/1/2005 Budget yr start date for 2.5 P.Y.s.		
Total Salaries and Wages	Positions	.0	39.0					\$	0	\$	2,014,000
	Part Yr Adj	.0	2.3								
	P.Y.s	.0	36.7								

**Schedule of Staff Benefits Costs
FOR FISCAL YEAR 2005/06**

Staff Benefits	2004/05	2005/06
OASDI /1	\$ 0	\$ 121,000
Dental /2	0	15,000
Health /3	0	184,000
Retirement /4	0	252,000
Vision /5	0	2,000
Medicare /6	0	29,000
Worker's Comp /7	0	18,000
Industrial Disability /8	0	2,000
Non Industrial Disability /9	0	2,000
Unemployment Insurance /10	0	24,000
Total Staff Benefits	\$ 0	\$ 649,000

- 1/ For permanent and overtime, 6.2% of net salary.
- 2/ For permanent, \$543 per net personnel year.
- 3/ For permanent, \$6,558 per net personnel year.
- 4/ For permanent, 17.022% of net salary.
- 5/ For permanent, \$85 per net personnel year.
- 6/ 1.45% of net salary for permanent.
- 7/ 1.1% of net salary for permanent.
- 8/ 0.1% of net salary for permanent.
- 9/ 0.17% of net salary for permanent.
- 10/ 12.85% of net salary for temporary help.

**FRANCHISE TAX BOARD
Fiscal Year 2005/06**

Finance Letter

FL No.: 3

Court-Ordered Debt Collections Program

Date: March 17, 2005

A. Nature of Request

We are requesting additional spending authority of \$5,183,000 and authority for 36.7 positions (35.1 PYs) for Fiscal Year (FY) 2005/06 to expand the collection activities on delinquent court-imposed debts referred by local and state agencies to the Franchise Tax Board's (FTB) Court-Ordered Debt (COD) Collections program. FY 2005/06 is year one of a three-year project. Expanding the COD Collections program will enable FTB to handle an increase in client base, and the number of cases on the system. Approval of this request will provide significant revenue benefits to the courts, County General Fund, and Special Accounts. This Finance Letter (FL) would increase FTB's COD Collections program staff, redesign the COD Collections system, and provide for the necessary project staff for project management activities to meet the legislative mandates in SB 246, Chapter 380, Statutes of 2004, (Escutia). We project this expansion will generate additional collections of \$17,200,000 for FY 2005/06. Without an increase in the COD budget, FTB will be unable to provide collection services to new clients and increase collections to existing clients.

B. Background/History

Pursuant to AB 3343 (Chapter 1242, Statutes of 1994), the COD Collections program has the authority to collect delinquent court-imposed fines, penalties, forfeitures and restitution orders. Since the program's inception in 1995, it has collected over \$177.2 million for its participating clients. Currently, the benefit to cost ratio is \$12.50:\$1.00.

SB 246, signed by the Governor in August 2004, made FTB's COD Collections program permanent and requires FTB to work with the Judicial Council of California to seek whatever efforts necessary to allow FTB to expand its collection services to courts and counties statewide. The COD Collections program allows its clients to be less dependent on the State's General Fund and Special Fund Accounts. The costs to administer the COD program are reimbursed through the court collection fund as authorized by legislation. Therefore, the COD program does not incur any costs to the General Fund.

Currently, 32 clients are participating in the program, which is supported by 60.8 PYs. SB 246 requires FTB to offer collection services to all of California's 58 counties. Ongoing discussions with current and potential clients reveal strong support for expanding the program.

Expanding the program using the current fragile system is not a viable option because of the following factors:

- The current COD billing sub-system is on a separate database from the primary COD Collections database, which creates synchronization issues.
- The current process of adding new clients is time-consuming and costly.
- The system does not interface with the FTB Interagency Offset Program.
- The system does not fully meet FTB's security requirements and privacy requirements of AB700, Chapter 1054, Statutes of 2002 (Simitian.)
- FTB staff does not have the ability to query live data and create reports.
- Debtors are unable to view account information or make payments via web access.

Currently, the COD Collections program, as authorized by legislation, is funded at a reimbursement rate of up to 15% of program collections. Once again, FTB incurs no General Fund costs to administer the program.

The COD program has an appropriation of \$5.7 million for FY 2004/05. This request is to increase the spending authority for FY 2005/06 to \$10,903,000.

C. State Level Considerations

The COD Collections program benefits both courts and counties who rely on the State's General Fund to operate their program. As part of their partnership with FTB to enhance collections statewide, several clients have made investments in their systems and staff for the COD program based on anticipated collection enhancements. These investments were made with the belief that the benefits of FTB collecting their accounts would far outweigh the cost.

Three primary types of clients participate in FTB's COD Collections program. These clients include Superior Courts and Counties, the Probation Department, and Revenue Recovery Agencies. Generally, each agency refers a variety of cases, depending on which types of violations are in their jurisdiction for collections.

D. Facilities

Additional staff requested in this proposal can be accommodated within FTB's existing facilities. The existing facilities can also accommodate program growth in future years.

E. Justification

FTB's mission is "to collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost, efficiently, effectively, and fairly." This request is fully supportive of the FTB's mission, goals, and objectives as outlined in its Strategic Plan.

FTB is continuously striving to improve its ability to meet stakeholders' expectations. By increasing the spending authority of the COD Collections program, FTB will improve the services and collections offered to courts and county clients.

With the passage of SB 246, the COD Collections program will require increased funding and PYs in order to maximize collection services with its existing clients and expand services to new clients. Currently, 10 new clients are ready to participate in the program.

At the current level of program funding, FTB is unable to fully maximize its level of collection services to its clients and potential clients. In addition to expanding services and maximizing revenues, approval of this request will add revenue to counties, courts, probation offices, and revenue reimbursement agencies.

This request will allow FTB to offer the program to all 58 counties. In order to continue the expansion, the department will request additional spending authority for FYs 2006/07, 2007/08 and beyond. This will ensure maximum revenue collection for this program and will best serve our clients.

Funds collected by the COD program are distributed by the clients according to the State Controller Manual of Accounting and Audit Guidelines for Trial Courts (<http://www.sco.ca.gov/ard/manual/cntyman.pdf>). Collections from the program support numerous county and state funds, i.e. County Special Account, County General Fund, State Restitution Fund, and Victims-Witness Assistance Fund.

COD's current level of staffing can no longer meet the potential growth in revenue and expansion of technology in the COD arena. With an increase in program staffing and upgrading the current technology system the true collection potential can be realized.

Technical Solution

For details of the Technical Solution, refer to the Feasibility Study Report (FSR).

Staffing Solution

For details of the Staffing Solution, refer to the FSR.

F. Analysis Of All Feasible Alternatives

Alternative 1 – Provide additional funding and resources to expand COD Collections program activities

Increasing COD's spending authority will enable FTB to improve and augment the collection services offered to courts and counties. We estimate that the expansion of the COD program will generate additional collections of \$17,200,000 for FY 2005/06. Since the revenue generated from the COD program is a combination of both general and special funds, expanding program participation will have a positive impact on the State's General Fund. By statute, the COD Collections program is funded through actual collections, no State General Fund costs will be incurred to expand the program.

Alternative 2 - Provide no additional funding or resources to expand COD collection activities

Without additional funding and resources, FTB will not be able to replace the current technology and thus provide collection services to new clients and increase collections to existing clients.

G. Timetable

The program implementation date will be September 1, 2005 and the system implementation date is planned for March 2007.

H. Recommendation

Alternative 1 is recommended to provide additional funding and resources to expand COD collection activities, and generate additional revenues of \$17,200,000 in FY 2005/06.