

**STATE OF CALIFORNIA
BUDGET CHANGE PROPOSAL - COVER SHEET
FOR FISCAL YEAR 2011/12
DF-46 (REV 04/08)**

Please report dollars in thousands.

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

BCP #	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM Tax Programs	ELEMENT All Tax Programs	COMPONENT	

TITLE OF PROPOSED CHANGE:

Contact Center Resources

SUMMARY OF PROPOSED CHANGE:

FTB requests funding of \$3.8 million and 61 positions (56.8 PYs) in 2011/12 to enable the department to better respond to contacts initiated by taxpayers seeking to resolve their tax liabilities and acquire tax filing assistance. This funding request will accelerate approximately \$22 million in revenue.

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 checked="" type="checkbox"/> FULL-YEAR COSTS <input type="checkbox"/> FACILITIES/CAPITAL COSTS <input type="checkbox"/> FUTURE SAVINGS <input type="checkbox"/> REVENUE
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PREPARED BY:	DATE	REVIEWED BY:	DATE
Pending Board Approval			
FTB PROGRAM APPROVAL:	DATE	AGENCY APPROVAL:	DATE
DEPARTMENT DIRECTOR:	DATE	AGENCY DIRECTOR:	DATE

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

FOR IT REQUESTS, SPECIFY THE DATE A SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE OFFICE OF THE CHIEF INFORMATION OFFICER (OCIO), OR PREVIOUSLY 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 ITCU FSCU OSAE CALSTARS OCIO

DATE SUBMITTED TO THE LEGISLATURE:

PPBA:

BCP #	DATE	Title of Proposed Change:	Personnel Years					
			2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
PROGRAM	08/13/2010	Contact Center Resources						
ELEMENT	ELEMENT	COMPONENT						
Tax Programs	All Tax Programs							
Total Salaries & Wages <u>a/</u>			.0	61.0	61.0	\$ 0	\$ 2,445,000	\$ 2,445,000
Salary Savings			.0	-4.2	-4.2	\$ 0	-\$ 165,000	-\$ 165,000
Net Total Salaries and Wages			.0	56.8	56.8	\$ 0	\$ 2,280,000	\$ 2,280,000
Staff Benefits <u>b/</u>						\$ 0	\$ 1,065,000	\$ 1,065,000
Total Personal Services						\$ 0	\$ 3,345,000	\$ 3,345,000
Operating Expenses and Equipment								
General Expenses /1						\$ 0	\$ 136,000	\$ 43,000
Printing /2						0	4,000	4,000
Communications /3						0	148,000	51,000
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
Cons & Prof Svs - Interdept'l						0	0	0
Cons & Prof Svs - External						0	0	0
Consolidated Data Center						0	0	0
California Health and Human Services Agency Data Center			()	()	()
Stephen P. Teale Data Center			()	()	()
Data Processing /4						0	206,000	35,000
Equipment						0	0	0
Other Items of Exp (Specify Below)						0	0	0
Total Operating Expense & Equipment						\$ 0	\$ 494,000	\$ 133,000

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

b/ Detail provided on following pages.

- 1/ General Expense @ \$709 per position, minor equipment @ \$1,116 per new position, 58 headsets and display phones @ \$240 ea. and 49 dual monitors
- 2/ Printing Costs @ \$70 per position.
- 3/ Communication costs @ \$844 per position.
- 4/ Software and hardware for PCs @ \$1,510 per position, \$189 on-going cost for PCs, 54 Workforce Mgmt licenses @ \$583 ea plus \$98 maintenance fee ea, 50 Qfinity licenses @ \$1,350 ea, 58 Adobe Acrobat Pro licenses @ \$252 ea, 1 MS Visio

				2010/11	2011/12	2012/13
TOTAL OPERATING EXPENSES AND EQUIPMENT				\$ 0	\$ 494,000	\$ 133,000
SPECIAL ITEMS OF EXPENSE <u>d/</u>				\$ 0	\$ 0	\$ 0
PROGRAM ADMINISTRATION				\$ 0	\$ 0	\$ 0
Distributed Admin				\$ 0	\$ 0	\$ 0
TOTAL STATE OPERATIONS EXPENDITURES				\$ 0	\$ 3,839,000	\$ 3,478,000
<u>Source of Funds</u>			<u>Appropriation No.</u>			
	Org	-	Ref - Fund			
General Fund	1730		001 0001	\$ 0	\$ 3,839,000	\$ 3,478,000
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
Reimbursements	1730		501 0995	0	0	0
Totals				\$ 0	\$ 3,839,000	\$ 3,478,000
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				\$ 0	\$ 0	\$ 0

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 2010/11	BY 2011/12	BY + 1 2012/13		CY 2010/11	BY 2011/12	BY + 1 2012/13	
Administrative Services Division								
Assoc Personnel Analyst PERM	0.0	1.0	1.0	\$ 4,400	\$ 5,348	\$ 0	\$ 58,000	\$ 58,000
Total Administrative Services Division	.0	1.0	1.0			\$ 0	\$ 58,000	\$ 58,000
Adjust for Part Year Positions	.0	.0	.0					
Net Positions/ PYs before salary savings	.0	1.0	1.0					
Finance & Executive Services Division								
Assoc Accounting Analyst PERM	0.0	1.0	1.0	\$ 4,619	\$ 5,616	\$ 0	\$ 61,000	\$ 61,000
Total Finance & Executive Services Division	.0	1.0	1.0			\$ 0	\$ 61,000	\$ 61,000
Adjust for Part Year Positions	.0	.0	.0					
Net Positions/ PYs before salary savings	.0	1.0	1.0					
Filing Division								
Tax Technician, Ftb - Rg B PERM	0.0	49.0	49.0	\$ 2,817	\$ 3,426	\$ 0	\$ 1,835,000	\$ 1,835,000
Customer Service Specialist - Rg B PERM	0.0	6.0	6.0	\$ 3,050	\$ 3,708	\$ 0	\$ 243,000	\$ 243,000
Customer Service Sup PERM	0.0	2.0	2.0	\$ 4,622	\$ 5,576	\$ 0	\$ 122,000	\$ 122,000
Assoc Tax Auditor PERM	0.0	1.0	1.0	\$ 4,619	\$ 5,897	\$ 0	\$ 63,000	\$ 63,000
Total Filing Division	.0	58.0	58.0			\$ 0	\$ 2,263,000	\$ 2,263,000
Adjust for Part Year Positions	.0	.0	.0					
Net Positions/ PYs before salary savings	.0	58.0	58.0					
Technology Services Division								
Assoc Info Systems Analyst PERM	0.0	1.0	1.0	\$ 4,619	\$ 5,897	\$ 0	\$ 63,000	\$ 63,000
Total Technology Services Division	.0	1.0	1.0			\$ 0	\$ 63,000	\$ 63,000
Adjust for Part Year Positions	.0	.0	.0					
Net Positions/ PYs before salary savings	.0	1.0	1.0					
Total Salaries and Wages								
Positions	.0	61.0	61.0			\$ 0	\$ 2,445,000	\$ 2,445,000
Part Yr Adj	.0	.0	.0					
P.Y.s	.0	61.0	61.0					

**Schedule of Staff Benefits Costs
FOR FISCAL YEAR 2011/12**

Staff Benefits	2010/11	2011/12	2012/13
OASDI /1	\$ 0	\$ 141,000	\$ 141,000
Dental /2	0	29,000	29,000
Health /3	0	454,000	454,000
Retirement /4	0	386,000	386,000
Vision /5	0	6,000	6,000
Medicare /6	0	34,000	34,000
Worker's Comp /7	0	13,000	13,000
Industrial Disability /8	0	1,000	1,000
Non Industrial Disability /9	0	1,000	1,000
Unemployment Insurance /10	0	0	0
Total Staff Benefits	\$ 0	\$ 1,065,000	\$ 1,065,000

- 1/ For permanent and overtime, 6.2% of net salary.
- 2/ For permanent, \$539 per net personnel year.
- 3/ For permanent, \$8,007 per net personnel year.
- 4/ For permanent, 16.917% of net salary.
- 5/ For permanent, \$110 per net personnel year.
- 6/ 1.45% of net salary for permanent.
- 7/ 0.58% of net salary for permanent.
- 8/ 0.06% of net salary for permanent.
- 9/ 0.06% of net salary for permanent.
- 10/ 8.95% of net salary for temporary help.

FRANCHISE TAX BOARD
Fiscal Year 2011/12

Budget Change Proposal
Contact Center Resources

BCP No.
Date: August 13, 2010

A. Nature of Request

The Franchise Tax Board (FTB) requests funding of \$3.8 million and 61 positions (56.8 PYs) in 2011/12 to enable the department to better respond to contact initiated by taxpayers seeking to resolve their tax liabilities and acquire tax filing assistance. This funding request will accelerate \$22 million in revenue.¹

B. Background/History

FTB's contact center is California's primary contact for taxpayers and tax practitioners seeking information regarding the state's extensive Personal Income Tax (PIT) and Business Entity (BE) laws and policies. The contact center is necessary in order to help taxpayers who are already compliant stay compliant, and to assist those who are not yet compliant to become compliant with the tax law.

The contact center is specifically responsible for:

- Responding in both English and other languages to taxpayers and tax practitioners via telephone, written and Internet correspondence.
- Facilitating the filing of timely, complete, and accurate tax returns.
- Promoting voluntary compliance through taxpayer education and pre-filing assistance by providing general tax information, processing form requests, explaining filing requirements, tax law and return preparation.
- Handling post-filing issues prior to formal enforcement of tax laws (audit and involuntary collections).
- Analyzing and correcting individual account errors and information regarding taxpayer liabilities, filing enforcement assessments and collection notices.

FTB processes more than nine million billing notices annually. The contact center responds to taxpayers who receive voluntary compliance notices sent by the department. This equates to more than five million inquiries per year - or 60 percent of the taxpayer inquiries associated with the notices the department produces. Approximately 46 percent of taxpayers who received a balance due notice and who then reached the contact center made a payment within 45 days. These payments represented \$87 million in revenue in 2009. Since the notices request immediate payment and/or filing of tax returns, delays in responding not only frustrate taxpayers and tax practitioners, but ultimately impact revenue by the delay of filing returns and revenue collection. Taxpayer service is further diminished

¹ Revenue accelerated up to one year. We believe that a portion of the \$22 million may be new revenue. However, we are unable to quantify the amount at this time.

because delayed responses to FTB notices result in additional penalties and interest.

In 2009/10, the contact center was able to answer less than half of the total calls received.² This means that 1.5 million calls (53 percent) went unanswered. The unanswered calls were either deflected (callers received a busy signal and were forced to hang up)³ or abandoned (callers hung up after waiting for their call to be answered).⁴ These abandoned calls represent a significant number of missed opportunities for the department to minimize filing errors and increase revenue collection at the first point of contact.

With adequate resources, the contact center would be significantly more effective in communicating with taxpayers and arranging payment against taxes due. In this way, FTB would accelerate tax revenues, reduce the tax gap, and minimize the higher costs and inconvenience to the taxpayer associated with more intrusive audit and collection actions.

In addition to responding to inquiries related to billing notices and pre-filing assistance, the contact center provides the primary telephone support for taxpayers who have received notices from FTB's filing enforcement program. Each year FTB sends out two million notices to individuals and businesses for failure to file. FTB's contact center then assists taxpayers in determining their filing requirement. These contact center activities directly generate a portion of the \$750 million revenue tied to these notices and help to reduce California's tax gap.

Although pre-filing assistance related call volumes increase during filing season (January – April), notices and statements are issued throughout the year by return processing areas, collections, audit and filing enforcement areas, which generate a significant number of calls. This year-round operational cycle causes the demand for service in our contact center to remain consistent throughout the year.

Find below a chart that demonstrates the lack of adequate resources at FTB compared with the IRS and the associated low levels of total calls answered.

Percentage of Total Calls Answered at FTB v. IRS		
Fiscal Year	FTB (actual)	IRS (actual)
2009/10	47.1%	<i>pending</i>
2008/09	48.9% ¹	65.5% ²
2007/08	46.4%	69.6% ²
2006/07	56.8%	82.4%
2005/06	71.3%	82.0%
Chart Footnotes:		
1. Increase over 07/08 due to overtime.		
2. Stimulus years.		

² In 2009/10 FTB received 2.8 million calls, where 1.3 million (47 percent) were answered.

³ In 2009/10 approximately 427,000 calls were deflected representing 15 percent of total calls.

⁴ In 2009/10 approximately 1.1 million calls were abandoned, representing 38 percent of total calls.

When the contact center is not properly staffed to assist or respond to inquiries, a chain of events is set into motion, such as:

- **Returns are filed incorrectly.** Common errors include using the incorrect filing status, claiming incorrect amounts for estimated tax payments, using incorrect standard/itemized deduction amounts and incorrect tax computations, etc. Balance due notices are then unnecessarily generated, causing taxpayers and tax practitioners to call for explanations and/or payment options.
- **Returns are not filed.** This generates filing enforcement notices causing additional calls and/or additional notices that can ultimately result in collection actions.
- **Taxpayers do not receive necessary assistance.** This is particularly problematic with Head of Household letters, automated audit letters, etc. If not responded to timely and accurately, these letters can result in balance due notices being issued and can ultimately result in collection actions.

Solutions Implemented to Maximize the Percentage of Calls Answered

Even though it is evident that additional resources are necessary in order to answer an acceptable percentage of calls, FTB has sought to reduce the number of calls that go unanswered by taking steps to reduce the total number of incoming calls while still providing information and services to taxpayers. Over the past few years FTB has implemented the following efforts:

- In an effort to reduce incoming calls that can be handled online, the department has provided taxpayers a number of self-service options via the internet. Self-service Internet options include:
 - Prepare and file returns on-line
 - Check status of an e-filed return
 - Check refund status
 - “My FTB Account”: view payments, check total and specific tax year balance due, verify wages and withholding information, view FTB issued forms such as 1099-G and 1099-INT.
- Virtual hold technology implemented to allow taxpayers the choice of receiving a callback rather than waiting on hold for extended periods of time, thereby reducing the number of abandoned calls and phone costs associated with customer wait time.
- Contact center equipment and technology have been utilized in order to better handle call demand and route calls directly to phone agents based upon skill set and knowledge level.
- A contact center Escalation Plan was developed to more efficiently manage call volumes during peak demand times, like filing season.

FTB continues to look to the future to maximize customer service with available technology and resources. However, while automation provides increased self-assistance to the taxpayer, it does not eliminate the need for many taxpayers to speak to an agent for more complex⁵ or sensitive issues.

Reductions in Contact Center

Since 2004, the contact center has lost more than 112 positions as a result of various budget cuts. These cuts ultimately reduced FTB's percentage of total calls answered to the current 47 percent.

When the contact center is under-resourced, taxpayers experience high levels of frustration, receive less than adequate service and feel that FTB is non-responsive to their concerns. The most common caller complaints are:

- Long wait times (30-50 minutes).
- Unable to reach the contact center after calling repeatedly for more than a week.
- Being disconnected because call volume is at maximum capacity.
- Inability to comply timely thus accruing additional penalties and interest.

Taxpayer Comments

The following is a representative sample of complaints about the contact center that are received on a regular basis:

When I try to call FTB for instructions, I get a busy signal, and then when I finally get through, it is at least 20 minutes to get a real person!!! It is easier to submit the return incorrectly and wait until FTB contacts me!

..... I can't get through to the phone line – it doesn't even keep me on hold, it just hangs up on me because the call volume is too high. If I didn't HAVE to have assistance, I most certainly would never call again!

I've been trying to call FTB for several weeks. Each time I call I either get put on hold, or told my call cannot be taken and that I must call back. Each time I get put on hold, I hold for over 20 minutes, which is unacceptable. I am in a working office and cannot hold on a line that long. I am simply trying to forward payments to you, but need a simple question answered.

When taxpayers cannot obtain the information needed to file their returns timely and accurately and/or clarify a balance due notice, the level of voluntary compliance drops. This results in reduced General Fund revenue and a less efficient and responsive tax system.

⁵ More complex account issues require a dialog between the taxpayer and FTB, rather than automated self-service. Some examples of more complex account issues include those pertaining to residency, military service, Native American/Indian income, and gambling income.

C. State Level Consideration

Increasing the level of access will allow FTB to better meet the needs of California taxpayers and tax practitioners, which in turn brings the department closer to the Governor's vision of improving the responsiveness of all state agencies.

D. Facility/Capital Outlay Considerations

FTB has the space available to accommodate the additional staff requested. No additional facility/capital outlay costs will be incurred.

E. Justification

FTB's Strategic Plan includes goals and associated strategies that directly support this request. The supporting goals and strategies are:

Strategic Goal #1: Improve Customer Service

- Increase access and services to the contact center to meet taxpayer and tax practitioner needs.
- Respond to inquiries in multiple languages.

Strategic Goal #2: Increase Fairness and Compliance with Tax Law

- Provide fair and impartial treatment for every taxpayer.
- Issue timely, accurate and understandable advice.
- Assist taxpayers at the most cost effective stage of the state's tax system, thereby closing the tax gap of California and supporting FTB's mission to fairly, efficiently and effectively administer the state's tax system.

Strategic Goal #5: Demonstrate Operational Excellence

- Respond timely to callers and lessen call wait time, thereby reducing the toll-free charges to the state.

To better address the strategic goals listed above, FTB must increase the current levels of access and service in its call centers.

F. Outcomes and Accountability

FTB is accountable for providing and improving taxpayer service and increasing fairness and compliance with tax laws. With that direction, FTB established a Customer Service Action Committee (CSAC). The CSAC is sponsored by Division Chiefs and its membership is comprised of department-wide staff who head program areas which directly impact taxpayer service levels. The action committee establishes standards for appropriate levels of access and service and considers options on how best to meet those performance levels. The implementation and on-going progress of this proposal will be monitored by the CSAC via regular reports to Executive Management discussing the taxpayer service performance challenges and successes, especially during peak seasons.

While the action committee is also tasked with monitoring resource use associated with this proposal, the ultimate responsibility still remains with the department's Chief Financial Officer.

G. Analysis of All Feasible Alternatives

Alternative #1 - Approve \$3.8 million and 61 positions to answer 65 percent of total calls received and accelerate \$22 million in revenue.

This alternative will result in \$22 million in accelerated revenue. It will increase the efficiency of FTB by collecting these additional funds at a lower cost to the department. Augmenting the contact center with the above funding request will enable the department to be responsive to taxpayer efforts to comply with the tax law and provide proactive collection support. This alternative allows FTB to answer 65 percent of the calls received each year.

Alternative #2 - Approve \$2.2 million funding and 35 positions to answer 59 percent of total calls received and accelerate \$14 million in revenue.

This alternative will accelerate \$14 million in revenue. This alternative impacts FTB's ability to collect all the tax revenue available and does not fully support voluntary compliance.

Alternative #3 - Maintain current customer service levels. FTB will continue to answer 47 percent of total calls.

This alternative impacts taxpayers trying to self-comply because they cannot reach the contact center for general tax assistance and support. This will ultimately result in taxpayer non-compliance, thereby widening the tax gap and increasing tax revenue loss for the state. This alternative moves taxpayers toward involuntary collection actions that are more costly for the department to administer.

H. Timetable

Funding to be provided on July 1, 2011.

I. Recommendation

Alternative #1 is recommended. This alternative provides for \$3.8 million funding and 61 positions to help reinforce voluntary compliance and accelerate approximately \$22 million in revenue. It allows FTB to provide a more appropriate level of service to taxpayers and tax practitioners by answering 65 percent of calls received.