

STATE OF CALIFORNIA  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 05/11)

|                         |              |                   |                                   |                   |
|-------------------------|--------------|-------------------|-----------------------------------|-------------------|
| Fiscal Year<br>2012/13  | BCP No.<br>2 | Org. Code<br>1730 | Department<br>Franchise Tax Board | Priority No.<br>2 |
| Program<br>Tax Programs |              |                   | Element<br>All Tax Programs       | Component         |

Proposal Title  
 Accounts Receivable Management Program

Proposal Summary

The Franchise Tax Board (FTB) is requesting to continue 125 expiring positions (116.6 PYs) and \$8.5 million General Fund. Specifically FTB proposes to convert 111 limited term positions to permanent and extend 14 limited term positions for two years. These positions will expire on June 30, 2012. The conversion of the existing 111 positions to permanent status will address the ongoing increase of our Accounts Receivable inventory. The continuing 14 limited term positions will extend the pilot using Department of Motor Vehicles (DMV) luxury vehicle data to assist in collecting delinquent receivables. Revenue generated from this proposal is anticipated to be \$120 million in 2012/13 and \$124 million in FY 2013/14 at a cost benefit ratio (CBR) of \$14 to \$1.

|   |  |
|---|--|
| Requires Legislation<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Code Section(s) to be Added/Amended/Repealed |
|---|--|

|   |                |      |
|---|----------------|------|
| Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br><i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO | Date |
|---|----------------|------|

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:

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   |
| <b>Pending Board Approval</b> |       |             |        |
| Department                    | State | Agency      | Agency |

**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 (FTB) is requesting to continue 125 expiring positions (116.6 PYs) and \$8.5 million General Fund. Specifically, FTB proposes to convert 111 limited term positions to permanent and extend 14 limited term positions for two years. These positions will expire on June 30, 2012. The conversion of the existing 111 positions to permanent status will address the ongoing increase of our Accounts Receivable inventory. The continuing 14 limited term positions will extend the pilot using Department of Motor Vehicles (DMV) luxury vehicle data to assist in collecting delinquent receivables. Revenue generated from this proposal is anticipated to be \$120 million in 2012/13 and \$124 million in FY 2013/14 at a cost benefit ratio (CBR) of \$14 to \$1.

In light of the fiscal issues facing the state of California, we continue to look for ways to maximize revenue collections and reduce the tax gap. This proposal includes two continuing initiatives that will achieve both goals. These continuing initiatives include:

1. Accounts Receivable Workload Growth
2. DMV Luxury Vehicle Program

### B. Background/History

Pursuant to Revenue and Taxation Code sections 19252 and 19501, FTB's tax collection activities involve collection against accounts receivables that are established by the department's self-assessment, audit, settlement and filing enforcement activities. Both an automated billing system and collection staff administer collection activities. The automated system manages the collection processes by issuing billings, notices, levies, attachments of assets and, when further action is necessary, by routing accounts to collectors. Manual collection efforts are conducted by the department's collection staff to ensure that all taxpayers pay their fair share to the state's General Fund. In FY 2010/11, FTB's tax activities resulted in the collection of \$2.2 billion of General Fund revenues.

In FY 2011/12, the Accounts Receivable Management division is authorized for \$79.3 million and 1,137 positions for tax collection activities and tax revenue is projected to be \$2.3 billion. The table below shows the historical resource data for the division.

**Resource History**  
(Dollars in thousands)

| Program Budget          | 2007-08     | 2008-09     | 2009-10     | 2010-11          | 2011-12     |
|-------------------------|-------------|-------------|-------------|------------------|-------------|
| Authorized Expenditures | \$67,100    | \$73,500    | \$67,800    | \$81,500         | \$79,300    |
| Actual Expenditures     | \$66,500    | \$69,700    | \$67,800    | \$77,500         | NA          |
| Revenues                | \$1,969,800 | \$2,099,000 | \$2,061,000 | \$2,250,500      | \$2,291,300 |
| Authorized Positions    | 986         | 1,097       | 1,025       | 1,138            | 1,137       |
| Filled Positions        | 940         | 1,048       | 955         | 1,029            | 1,070       |
| Vacancies               | 46          | 49          | 70          | 109 <sup>1</sup> | 67          |

Specific to the history of this proposal, FTB was granted the following limited term resources to maximize our collection efforts and reduce our receivable debt balance:

- In FY 2010/11, FTB was granted 111 two-year limited term positions to address the ongoing increase of our Accounts Receivable inventory. These positions will expire on June 30, 2012.
- In FY 2010/11, FTB received 14 two-year limited term positions to continue with the pilot for DMV Luxury Vehicle Program. These positions will expire on June 30, 2012.

Additional information about these resources is included below.

<sup>1</sup> Vacancies for the Accounts Receivable Management Division peaked in FY 2010/11 due to the impact of continued attrition and imposition of an Executive Order freezing all hiring.

## Analysis of Problem

### 1. Accounts Receivable Workload Growth

FTB's Accounts Receivable inventory volume has steadily increased over the past five years. From FY 2007/08 to FY 2011/12 the Personal Income Tax (PIT) inventory has increased 46 percent and the Business Entities (BE) inventory has increased 49 percent. The overall Accounts Receivable balance has increased 58 percent over the period - increasing from \$5.4 billion in July 2007 to \$8.5 billion existing inventory in July 2011. Of the \$8.5 billion, \$5.5 billion represents collectible inventory.<sup>2</sup> The factors contributing to this increase include:

- The uncertain economy is causing more taxpayers, who would have normally paid their balance in full, to enter into collections. This inventory that is based on self-assessed tax returns, has increased by 32 percent in the past 24 months.
- Inventory volumes based on filing enforcements have increased by 34 percent in the past 24 months.
- In FY 2010/11, FTB issued 20 percent more voluntary collection notices compared to FY 2008/09.<sup>3</sup>
- Lower level of access in the collection contact center due to inadequate staffing levels. This reduces our ability to resolve cases earlier in the collection cycle. For example, installment agreements are delayed and manual process workloads incur backlogs, thus increasing collection costs and demands on public service counters and involuntary collection staff.
- Accounts are more difficult to collect since fewer assets are available for seizure and debtors own less real property that may be subject to tax liens. This is due in large part to California's high rate of foreclosure and lower property values.
- The number of taxpayers needing an installment agreement has increased 40 percent in the last 12 months.
- Hiring freezes limited FTB's ability to timely fill some collection positions needed to address our increasing A/R inventory volume.

The table below represents the increase in accounts receivable in the last five years.

### Accounts Receivable Workload Growth Workload History

| Beginning Inventory | Personal Income Tax |  | Business Entities |  | Total     |  |
|---------------------|---------------------|--|-------------------|--|-----------|--|
|                     | Volume              | Balance<br><i>(Dollars in thousands)</i> | Volume            | Balance<br><i>(Dollars in thousands)</i> | Volume    | Balance<br><i>(Dollars in thousands)</i> |
| 07/01/2007          | 1,110,000           | \$4,665,000                              | 200,000           | \$735,000                                | 1,310,000 | \$5,400,000                              |
| 07/01/2008          | 1,080,000           | \$4,759,000                              | 230,000           | \$1,418,000                              | 1,310,000 | \$6,177,000                              |
| 07/01/2009          | 1,250,000           | \$5,766,000                              | 280,000           | \$1,906,000                              | 1,530,000 | \$7,672,000                              |
| 07/01/2010          | 1,540,000           | \$6,410,000                              | 330,000           | \$1,951,000                              | 1,870,000 | \$8,361,000                              |
| 07/01/2011          | 1,600,000           | \$6,827,000                              | 300,000           | \$1,712,000                              | 1,900,000 | \$8,539,000                              |

In FY 2010/11, FTB requested funding through BCP #11 to address the growing accounts receivable balance. The actual revenue for this effort in FY 2010/11 was \$55.7 million at a CBR of \$7 to \$1. The revenue projected for FY 2011/12 is \$108 million<sup>4</sup> at a CBR of \$14 to \$1.

FTB continues to look at other strategies to help mitigate further increases to the accounts receivables. These strategies include:

- Conducting workload prioritization evaluations and redirecting staff to higher CBR workloads.
- Utilizing better data through the following:

<sup>2</sup> Collectible inventory does not include Installment agreements, withholding orders, outside collections and special programs.

<sup>3</sup> Voluntary Collection notices include Balance Due notices sent prior to the issuance of levies and liens.

<sup>4</sup> It is estimated that revenue will nearly double between FY 2010/11 actual figures and FY 2011/12 estimated figures since it takes about 6 months to interview, hire and train before staff can produce any revenue. The FY 2011/12 projected outcome is slightly lower than the projection made in the original BCP. The decrease in projected revenue is due to Bankruptcy Program revenue no longer being captured under proactive collections. This change decreased the revenue projections by \$3.35 million.

## Analysis of Problem

- Enterprise Data to Revenue Project
- Federal Treasury Offset Program
- Top 250 Delinquent Tax Debtors Program
- Financial Institution Record Match Project
- Luxury vehicle data from DMV Pilot
- IRS levy extract data
- Partnering with other agencies:
  - Contracted with an automated communications vendor, Message Broadcast, to implement an outbound automated messaging tool to notify taxpayers of their delinquent tax obligation.
  - Data sharing for compliance purposes
- Outsourcing:
  - In-state collections with vendor
  - Out-of-state collections with vendor
  - Out-of-state judgments

### 2. DMV Luxury Vehicle Program

Beginning FY 2008/09, FTB initiated a two-year pilot to evaluate the use of luxury vehicle registration information from DMV as a data source. FTB's collection program was granted funding in FY 2008/09 to utilize DMV's extract information to obtain better addresses and possible asset information to analyze accounts, issue missing year assessments, and determine liability collectability. In FY 2010/11 FTB requested funding through *BCP #1-Tax Gap Compliance Enhancement Measures* to continue the DMV Luxury Vehicle workloads to help close the Tax Gap. The actual revenue for this pilot program in FY 2010/11 was \$15.2 million, at a CBR of \$14 to \$1. In FY 2011/12 revenue for this workload is projected to be \$15.2 million.

The DMV Luxury Vehicle Program consists of two workloads:

- a. The Missing Year workload is comprised of cases where there is no tax return on file, no balance due and the individual has purchased a luxury vehicle during the tax year. FTB sends a Request/Demand-to-File letter and may issue a Notice of Proposed Assessment (NPA) based on the income required to qualify for the purchase of the luxury vehicle if the taxpayer fails to respond to our inquiries or file a return. These Missing Year assessments are set for only those taxpayers who have not already been identified or contacted as part of the department's filing enforcement program based on other income data.
- b. The Collection Case workload is comprised of cases with a tax liability due based on the finalized missing year assessment or the filing of a balance due tax return. FTB collectors work with the taxpayer or his/her representative to bring him/her into compliance.

The table below provides the workload history for the DMV Luxury Vehicle Program.

**DMV Luxury Vehicle Program  
Workload History**  
(Dollars in thousands)

| Workload Measure                         | 2008-09 |         | 2009-10 |         | 2010-11 |          |
|--|---------|---------|---------|---------|---------|----------|
|  | Volume  | Revenue | Volume  | Revenue | Volume  | Revenue  |
| <b>Missing Year Workload<sup>5</sup></b> | 4,043   | \$0     | 2,166   | \$1,452 | 0       | \$1,738  |
| <b>Collection Case Workload</b>          | 945     | \$3,424 | 1,694   | \$7,184 | 1,948   | \$13,431 |

<sup>5</sup> The revenue cycle for these letters is at least two years from the time the notice is sent to the time collection may take place.

## Analysis of Problem

### C. State Level Considerations

In light of the fiscal issues facing the state of California, FTB continues to take comprehensive action to narrow the tax gap, resulting in more equitable taxation for those taxpayers who voluntarily comply with the state tax laws. The collection program effectively and fairly addresses all debtor types, producing an overall compliance effect that protects the State's revenue base. Approximately 10 percent of California's \$6.5 billion income tax gap consists of reported but unpaid taxes. FTB has made considerable strides over the last two years to combat a variety of elements contributing to this ever-growing issue.

This request soundly supports FTB's mission to fairly and effectively administer the state's tax system. The FTB mission is "to collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost; serve the public by continually improving the quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency and fairness." This proposal also fully supports FTB's mission and *Strategic Plan Goal # 2*, "Increase Fairness and Compliance with the Tax Law."

The added revenue coupled with the improvement to taxpayer compliance will provide many long-term benefits to the state. Associated benefits that not only increase the General Fund, but also improve public perception and awareness in order to fully buy in to and accurately participate in the taxation process for the benefit of all Californians.

### D. Justification

Due to the economy and changing patterns of self-compliance, FTB's accounts receivable inventory has increased steadily over the last five years. This trend is expected to continue beyond the next several years. Additionally, since tax revenue impacts lag behind economic growth, it is expected to be several additional years after the state experiences sustained economic growth before these inventory trends decline. This proposal would further the department's efforts to narrow the tax gap by maintaining existing levels of compliance resources that enhance the state's ability to collect outstanding debts in order to reduce the department's accounts receivable inventory.

Additional information justifying these resources is included below.

#### 1. Accounts Receivable Workload Growth

FTB is using all available collection resources and strategies in an effort to reduce its accounts receivable inventory. Without the continued funding for these resources FTB will be unable to keep up with the steady increase of our accounts receivable inventory, resulting in aged accounts, workload backlogs and loss in revenue that would otherwise benefit the state's General Fund. Providing continued funding will allow FTB to maximize our collection efforts and keep pace with the growth of our accounts receivable debt balance. This proposal is estimated to generate revenue of \$108 million in FY 2012/13 and annually thereafter.

During FY 2010/11, these 111 limited term positions generated revenue of \$55.7 million, which was 6 percent higher than the \$52.5 million projected in the FY 2010/11 Accounts Receivable Growth BCP. Overall collection revenue for FY 2010/11 was \$2.2 billion, which was \$133 million over projections and \$189 million over total revenue collected in FY 2009/10. In FY 2011/12, revenue from these positions is projected to be \$108 million.

The table below represents the revenue potential of this program and the continued resources needed to address the increase in FTB's accounts receivable.

## Analysis of Problem

### Accounts Receivable Workload Growth Proactive Workload Growth

(Dollars in thousands)

| Workload Growth       | Projected Increase in Volume | Resolution Rate | Projected Additional Resolutions | Hours per Case | Hours Needed | Revenue Per Case | Revenue Potential |
|-----------------------|------------------------------|-----------------|----------------------------------|----------------|--------------|------------------|-------------------|
| Proactive Collections | 163,409                      | 17%             | 27,780                           | 5.2            | 144,454      | \$3,886          | \$107,953         |

We are requesting permanent collection positions, since this program reflects an ongoing workload, and since limited term positions have been shown to be more costly to the State. This is due to the fact that once hired, limited term staff immediately start looking for permanent positions and leave within six months; thus, training costs increase unnecessarily. When this happens, we are not able to keep our positions fully filled and it increases our costs of interviewing, hiring and training new limited term staff constantly throughout the year.

#### 2. DMV Luxury Vehicle Program

Extending the luxury vehicle pilot two years will allow FTB to: (1) address delinquent receivables, including receivables previously determined to be uncollectable; (2) address potential missing years for more recent tax years (the pilot was based on the 2006 tax year); (3) evaluate improved methods of processing the data (improved data matching to FTB debts); and (4) evaluate an expansion of the data to include boats and recreational vehicles.

The data used in the original pilot was based on the less stringent lending practices prior to the economic downturn (2006 data). Many of those luxury vehicle purchasers didn't have the financial ability to afford a luxury vehicle and therefore didn't have a filing requirement. As a result, revenue associated with the 2006 pilot was modest. FTB is currently utilizing 2009 and 2010 luxury vehicle data. Taxpayer's who purchased a luxury vehicle more recently, during the economic downturn and under stricter lending practices, are more likely to have a filing requirement and the ability to pay. This higher CBR is consistent with recent collections.

The following table represents the workload volumes and projected revenues for extending the DMV Luxury Vehicle Program for an additional two years. In total, the DMV Luxury Vehicle pilot will generate additional General Fund revenue of \$12 million in FY 2012/13 and \$16 million in FY 2013/14 at a CBR of \$14 to \$1.

#### DMV Luxury Vehicle Program Workload Indicators

(Dollars in thousands)

| Workload                   | FY           | Volume       | Projected Revenue |
|----------------------------|--------------|--------------|-------------------|
| Missing Years              | 12/13        | 3,000        | \$ 1,000          |
| Collection Cases           | 12/13        | 1,627        | \$11,216          |
| <b>Total</b>               | <b>12/13</b> | <b>4,627</b> | <b>\$12,216</b>   |
| Missing Years <sup>6</sup> | 13/14        | 0            | \$1,000           |
| Collection Cases           | 13/14        | 2,207        | \$15,217          |
| <b>Total</b>               | <b>13/14</b> | <b>2,207</b> | <b>\$16,217</b>   |

#### E. Outcomes and Accountability

As shown in the table below, revenue generated from this proposal is anticipated to be \$120 million in FY 2012/13 and \$124 million in FY 2013/14.

<sup>6</sup> We define volume for this workload as Request/Demand to Files notices sent. These notices initiate the process. The revenue cycle for these letters is at least two years from the time the notice is sent to the time collection may take place.

## Analysis of Problem

### Projected Outcomes

(Dollars in thousands)

| Workload Measure - Revenue          | 2012-13   | 2013-14   |
|-------------------------------------|-----------|-----------|
| Accounts Receivable Workload Growth | \$107,953 | \$107,953 |
| DMV Luxury Vehicle Program          | \$12,216  | \$16,217  |
| <b>TOTAL</b>                        | \$120,169 | \$124,170 |

FTB utilizes best business practices to determine the most efficient and effective methods to address various workloads that will maximize the cost benefit ratio for every dollar spent. Resources are continuously re-evaluated for possible redirection to reach, and exceed, the department's revenue goals. The Accounts Receivable Management Division Chief is responsible for the overall management of the department's collection program. While the program and budget staff is assigned the responsibility of monitoring the use of resources associated with this proposal, the ultimate responsibility still remains with the department's Chief Financial Officer.

#### F. Analysis of All Feasible Alternatives

*Alternative # 1: Approve full request of \$8.5 million and convert 111 limited term positions to permanent and extend 14 limited term positions for two years.*

This request allows us to continue existing tax gap activities already underway. By continuing these initiatives, we can realize considerable revenue in the short-term as well as strengthen our foundation in moving forward with combating the tax gap in the years to come. FTB does not have existing resources available to redirect to these initiatives without impacting the ability to generate revenue from other workloads such as audit or filing enforcement.

*Alternative #2: Approve funding of \$8.5 million and 125 limited term positions*

This alternative mirrors Alternative #1 with the exception of extending funding of 125 limited term positions for an additional two years rather than making them permanent. FTB's accounts receivable inventory has increased steadily over the last five years and this trend is expected to continue beyond the next several years. In addition, limited term positions have been shown to be more costly to the State, by increasing our costs of interviewing, hiring, and training. By maintaining our existing resources for two more years, FTB will be able to maintain and improve the collection services and collect the projected amount of \$120 million in FY 2012/13 and \$124 million in FY 2013/14. The revenue collected benefits the state General Fund.

*Alternative #3: Approve funding of \$7.5 million and convert 111 limited term positions to permanent.*

This alternative proposes funding to convert the 111 two-year limited term positions to permanent. This will allow FTB to continue to address the increased inventory growth that is expected to continue and collect the projected amount of \$108 million in FY 2012/13 and ongoing. We would discontinue the DMV Luxury Vehicle Program and not realize the additional revenue of \$12 million in FY 2012/13 and \$16 million in FY 2013/14.

*Alternative # 4: Do not approve this request.*

This approach fails to maintain FTB's efforts to further combat the tax gap. The taxpayers of California will continue to experience the increasing burden of paying more than their fair share of taxes.

## Analysis of Problem

### G. Implementation Plan

- June 2012 – Original limited term positions from the FY 2010/11 Accounts Receivable Growth and Tax Gap BCPs are scheduled to expire.
- June 2012 - 607 documents to establish 111 limited term positions permanently and extend 14 limited term positions for two years are prepared and approved by the FTB Budget Officer and forwarded to the Department of Finance.
- June 2012 – Department of Finance notifies FTB of position approval.
- July 1, 2012 – Positions are established with the incumbents in place.

### H. Supplemental Information

NONE     FACILITY/CAPITAL COSTS     EQUIPMENT     CONTRACTS     OTHER \_\_\_\_\_

### I. Recommendation

Alternative 1 is recommended. This alternative requests approval for \$8.5 million and to convert 111 limited term positions to permanent and extend 14 limited term positions for two years. Without the continued funding for these resources, FTB will be unable to keep up with the steady increase of our accounts receivable inventory, resulting in aged accounts, workload backlogs and loss in revenue that would otherwise benefit the state's General Fund. Providing continued funding will allow FTB to maintain our collection efforts and keep pace with the growth of our accounts receivable debt balance. This proposal is estimated to generate revenue of \$120 million in FY 2012/13 and \$124 in FY 2013/14.

During California's economic downturn, it is imperative to address the Tax Gap. Utilizing collection resources to reduce accounts receivable will enable FTB to collect the fair-share of tax that in turn, will benefit the State of California.

**Fiscal Summary**  
(Dollars in thousands)

| BCP No. 2   | DATE            | Proposal Title:                        | PROGRAM   |
|---|-----------------|--|---|
|   | August 18, 2011 | Accounts Receivable Management Program | Tax Programs  |
|   |                 | <b>Positions</b>                       | <b>FY 2011/12</b> <b>FY 2012/13</b> <b>FY 2013/14</b> |
|   |                 | <u>CY</u> <u>BY</u> <u>BY + 1</u>      | <u>CY</u> <u>BY</u> <u>BY + 1</u>                     |
| <b>Total Salaries &amp; Wages /1</b>                      |                 | .0   125.0   125.0                     | \$ 0   \$ 6,063,000   \$ 6,063,000                    |
| Salary Savings  |                 | .0   -8.4   -8.4                       | \$ 0   \$ 412,000   \$ 412,000                        |
| <b>Net Total Salaries and Wages</b>                       |                 | .0   116.6   116.6                     | <b>\$ 0   \$ 5,651,000   \$ 5,651,000</b>             |
| <b>Total Staff Benefits /2</b>                            |                 |  | \$ 0   \$ 2,785,000   \$ 2,785,000                    |
| Salary Savings  |                 |  | \$ 0   -\$ 186,000   -\$ 186,000                      |
| <b>Net Total Staff Benefits</b>                           |                 |  | <b>\$ 0   \$ 0   \$ 0</b>                             |
| <b>Total Personal Services</b>                            |                 |  | <b>\$ 0   \$ 8,250,000   \$ 8,250,000</b>             |
| <b>Operating Expenses and Equipment</b>                   |                 |  |   |
| General Expense /3  |                 |  | \$ 0   \$ 103,000   \$ 103,000                        |
| Printing /4   |                 |  | 0   13,000   13,000                                   |
| Communications /5   |                 |  | 0   120,000   120,000                                 |
| 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   |
| Consulting & Professional Services - Interdepartmental    |                 |  | 0   0   0   |
| Consulting & Professional Services - External             |                 |  | 0   0   0   |
| Data Center Services                                      |                 |  | 0   0   0   |
| Information Technology /6                                 |                 |  | 0   31,000   31,000                                   |
| Equipment   |                 |  | 0   0   0   |
| Other/Special Items of Expense                            |                 |  | 0   0   0   |
| <b>Total Operating Expenses &amp; Equipment</b>           |                 |  | <b>\$ 0   \$ 267,000   \$ 267,000</b>                 |
| <b>Total State Operations Expenditures</b>                |                 |  | <b>\$ 0   \$ 8,517,000   \$ 8,517,000</b>             |
| <u>Fund Source</u>  |                 | <u>Item Number</u>                     |   |
|   | Org             | - Ref - Fund                           |   |
| General Fund  | 1730            | 001   0001                             | \$ 0   \$ 8,517,000   \$ 8,517,000                    |
|   |                 |  | 0   0   0   |
|   |                 |  | 0   0   0   |
|   |                 |  | 0   0   0   |
| <b>Totals</b>   |                 |  | <b>\$ 0   \$ 8,517,000   \$ 8,517,000</b>             |
| <b>Total Local Assistance Expenditures</b>                |                 |  | \$( 0)   \$( 0)   \$( 0)                              |
| <u>Fund Source</u>  |                 | <u>Item Number</u>                     |   |
|   | Org             | - Ref - Fund                           |   |
|   |                 |  | \$ 0   \$ 0   \$ 0                                    |
|   |                 |  | 0   0   0   |
|   |                 |  | 0   0   0   |
| <b>Totals</b>   |                 |  | <b>\$ 0   \$ 0   \$ 0</b>                             |
| <b>Grand Total, State Operations and Local Assistance</b> |                 |  | <b>\$ 0   \$ 8,517,000   \$ 8,517,000</b>             |

- 1/ Itemized positions by classification on the Personal Services Detail worksheet.
- 2/ Benefit detail on the Personal Services Detail worksheet.
- 3/ General Expense @ \$825 per position.
- 4/ Printing at \$37 per position.
- 5/ Communications @ \$698 per position.
- 6/ Information Technology includes ongoing hardware and software annual maintenance costs.

**PERSONAL SERVICES DETAIL**  
(Whole dollars)

|                  |                                |  |                                |
|------------------|--------------------------------|--|--------------------------------|
| <b>BCP No. 2</b> | <b>DATE</b><br>August 18, 2011 | <b>Proposal Title:</b><br>Accounts Receivable Management Program | <b>PROGRAM</b><br>Tax Programs |
|------------------|--------------------------------|--|--------------------------------|

| Classification                                   |                | Positions     |               |                   | Salary Range |          | CY   | Dollars      |              |
|--|----------------|---------------|---------------|-------------------|--------------|----------|------|--------------|--------------|
|  |                | CY<br>2011/12 | BY<br>2012/13 | BY + 1<br>2013/14 |              |          |      | BY           | BY + 1       |
| <b>Administrative Services Division</b>          |                |               |               |                   |              |          |      |              |              |
| Personnel Specialist - Rg B                      | PERM           | 0.0           | 3.0           | 3.0               | \$ 2,993     | \$ 3,640 | \$ 0 | \$ 119,000   | \$ 119,000   |
| Mailing Machines Operator I                      | PERM           | 0.0           | 1.0           | 1.0               | \$ 2,649     | \$ 3,216 | \$ 0 | \$ 35,000    | \$ 35,000    |
| Compliance Rep, Ftb - Rg B                       | PERM           | 0.0           | 1.0           | 1.0               | \$ 3,204     | \$ 3,708 | \$ 0 | \$ 41,000    | \$ 41,000    |
| Assoc Info Systems Analyst                       | PERM           | 0.0           | 1.0           | 1.0               | \$ 4,619     | \$ 5,897 | \$ 0 | \$ 63,000    | \$ 63,000    |
| Bus Services Officer I Spec                      | PERM           | 0.0           | 1.0           | 1.0               | \$ 3,658     | \$ 4,446 | \$ 0 | \$ 49,000    | \$ 49,000    |
| Total Administrative Services Division           |                | .0            | 7.0           | 7.0               |              |          | \$ 0 | \$ 307,000   | \$ 307,000   |
| Adjust for Part Year Positions                   |                | .0            | .0            | .0                |              |          |      |              |              |
| Net Positions/ PYs before salary savings         |                | .0            | 7.0           | 7.0               |              |          |      |              |              |
| <b>Finance &amp; Executive Services Division</b> |                |               |               |                   |              |          |      |              |              |
| Acctg Officer Spec                               | PERM           | 0.0           | 2.0           | 2.0               | \$ 3,841     | \$ 4,670 | \$ 0 | \$ 102,000   | \$ 102,000   |
| Assoc Business Mgmt Analyst                      | PERM           | 0.0           | 1.0           | 1.0               | \$ 4,400     | \$ 5,348 | \$ 0 | \$ 58,000    | \$ 58,000    |
| Total Finance & Executive Services Division      |                | .0            | 3.0           | 3.0               |              |          | \$ 0 | \$ 160,000   | \$ 160,000   |
| Adjust for Part Year Positions                   |                | .0            | .0            | .0                |              |          |      |              |              |
| Net Positions/ PYs before salary savings         |                | .0            | 3.0           | 3.0               |              |          |      |              |              |
| <b>Accounts Receivable Management Division</b>   |                |               |               |                   |              |          |      |              |              |
| Administrator I                                  | PERM           | 0.0           | 6.0           | 6.0               | \$ 5,076     | \$ 6,476 | \$ 0 | \$ 416,000   | \$ 416,000   |
| Administrator II                                 | PERM           | 0.0           | 2.0           | 2.0               | \$ 5,573     | \$ 7,113 | \$ 0 | \$ 152,000   | \$ 152,000   |
| Sr Compliance Rep.,Ftb                           | PERM           | 0.0           | 25.0          | 25.0              | \$ 4,619     | \$ 5,616 | \$ 0 | \$ 1,535,000 | \$ 1,535,000 |
| Compliance Rep, Ftb - Rg B                       | PERM           | 0.0           | 58.0          | 58.0              | \$ 3,204     | \$ 3,708 | \$ 0 | \$ 2,405,000 | \$ 2,405,000 |
| Tax Program Tech I, Ftb                          | PERM           | 0.0           | 4.5           | 4.5               | \$ 2,638     | \$ 3,209 | \$ 0 | \$ 158,000   | \$ 158,000   |
| Administrator I                                  | LT EXP 6/30/14 | 0.0           | 1.0           | 1.0               | \$ 5,076     | \$ 6,476 | \$ 0 | \$ 69,000    | \$ 69,000    |
| Compliance Rep, Ftb - Rg B                       | LT EXP 6/30/14 | 0.0           | 7.0           | 7.0               | \$ 3,204     | \$ 3,708 | \$ 0 | \$ 290,000   | \$ 290,000   |
| Sr Compliance Rep.,Ftb                           | LT EXP 6/30/14 | 0.0           | 5.0           | 5.0               | \$ 4,619     | \$ 5,616 | \$ 0 | \$ 307,000   | \$ 307,000   |
| Tax Program Tech II,Ftb                          | LT EXP 6/30/14 | 0.0           | 1.0           | 1.0               | \$ 2,951     | \$ 3,588 | \$ 0 | \$ 39,000    | \$ 39,000    |
| Total Accounts Receivable Management Division    |                | .0            | 109.5         | 109.5             |              |          | \$ 0 | \$ 5,371,000 | \$ 5,371,000 |
| Adjust for Part Year Positions                   |                | .0            | .0            | .0                |              |          |      |              |              |
| Net Positions/ PYs before salary savings         |                | .0            | 109.5         | 109.5             |              |          |      |              |              |
| <b>Filing Division</b>                           |                |               |               |                   |              |          |      |              |              |
| Key Data Operator - Rg B                         | PERM           | 0.0           | 0.5           | 0.5               | \$ 2,450     | \$ 2,975 | \$ 0 | \$ 16,000    | \$ 16,000    |
| Tax Program Assistant - Rg B                     | PERM           | 0.0           | 3.0           | 3.0               | \$ 2,074     | \$ 2,519 | \$ 0 | \$ 83,000    | \$ 83,000    |
| Total Filing Division                            |                | .0            | 3.5           | 3.5               |              |          | \$ 0 | \$ 99,000    | \$ 99,000    |
| Adjust for Part Year Positions                   |                | .0            | .0            | .0                |              |          |      |              |              |
| Net Positions/ PYs before salary savings         |                | .0            | 3.5           | 3.5               |              |          |      |              |              |
| <b>Technology Services Division</b>              |                |               |               |                   |              |          |      |              |              |
| Assoc Info Systems Analyst                       | PERM           | 0.0           | 2.0           | 2.0               | \$ 4,619     | \$ 5,897 | \$ 0 | \$ 126,000   | \$ 126,000   |
| Total Technology Services Division               |                | .0            | 2.0           | 2.0               |              |          | \$ 0 | \$ 126,000   | \$ 126,000   |
| Adjust for Part Year Positions                   |                | .0            | .0            | .0                |              |          |      |              |              |
| Net Positions/ PYs before salary                 |                | .0            | 2.0           | 2.0               |              |          |      |              |              |
| <b>Total Salaries and Wages</b>                  | Positions      | .0            | 125.0         | 125.0             |              |          | \$ 0 | \$ 6,063,000 | \$ 6,063,000 |
|  | Part Yr Adj    | .0            | .0            | .0                |              |          |      |              |              |
|  | P.Y.s          | .0            | 125.0         | 125.0             |              |          |      |              |              |

**PERSONAL SERVICES DETAIL**

(Whole dollars)

|                  |                                |  |                                |
|------------------|--------------------------------|--|--------------------------------|
| <b>BCP No. 2</b> | <b>DATE</b><br>August 18, 2011 | <b>Proposal Title:</b><br>Accounts Receivable Management Program | <b>PROGRAM</b><br>Tax Programs |
|------------------|--------------------------------|--|--------------------------------|

**Staff Benefits Detail**

|                                       | 2011/12     | 2012/13             | 2013/14             |
|---------------------------------------|-------------|---------------------|---------------------|
| OASDI / 7                             | \$ 0        | \$ 377,000          | \$ 377,000          |
| Health/Dental/Vision Insurance / 8    | 0           | 1,213,000           | 1,213,000           |
| Retirement - Miscellaneous / 9        | 0           | 1,062,000           | 1,062,000           |
| Worker's Compensation / 10            | 0           | 42,000              | 42,000              |
| Industrial Disability Leave / 11      | 0           | 1,000               | 1,000               |
| Non Industrial Disability Leave / 12  | 0           | 3,000               | 3,000               |
| Unemployment Insurance / 13           | 0           | 0                   | 0                   |
| Medicare / 14                         | 0           | 87,000              | 87,000              |
| <b>Total Staff Benefits</b>           | <b>\$ 0</b> | <b>\$ 2,785,000</b> | <b>\$ 2,785,000</b> |
| <b>Grand Total, Personal Services</b> | <b>\$ 0</b> | <b>\$ 8,848,000</b> | <b>\$ 8,848,000</b> |

7/ For permanent and overtime, 6.2% of net salary.

8/ Health - For permanent, \$9,048 per net personnel year; Dental - For permanent, \$561 per net personnel year.

Vision - For permanent, \$104 per net personnel year.

9/ For permanent, 17.528% of net salary.

10/ 0.7% of net salary for permanent.

11/ 0.02% of net salary for permanent.

12/ 0.05% of net salary for permanent.

13/ 12.95% of net salary for temporary help.

14/ 1.45% of net salary for permanent.

## Supplemental Information

(Dollars in thousands)

|              |  |
|--------------|--|
| BCP No.<br>2 | Proposal Title<br>Accounts Receivable Mgmt Program |
|--------------|--|

| Equipment    | CY  | BY  | BY +1 |
|--------------|-----|-----|-------|
|              |     |     |       |
|              |     |     |       |
|              |     |     |       |
| <b>Total</b> | \$0 | \$0 | \$0   |

| Consulting & Professional Services | CY  | BY  | BY +1 |
|------------------------------------|-----|-----|-------|
|                                    |     |     |       |
|                                    |     |     |       |
|                                    |     |     |       |
| <b>Total</b>                       | \$0 | \$0 | \$0   |

| Facility/Capital Costs | CY  | BY  | BY +1 |
|------------------------|-----|-----|-------|
|                        |     |     |       |
|                        |     |     |       |
|                        |     |     |       |
| <b>Total</b>           | \$0 | \$0 | \$0   |

**One-Time/Limited-Term Costs**      Yes       No

| Description  | BY        |           | BY +1     |           | BY +2     |         |
|--------------|-----------|-----------|-----------|-----------|-----------|---------|
|              | Positions | Dollars   | Positions | Dollars   | Positions | Dollars |
| Limited-Term | 14.0      | 978,000   | 14.0      | 978,000   | 0.0       | 0       |
|              |           |           |           |           |           |         |
|              |           |           |           |           |           |         |
| <b>Total</b> | 14.0      | \$978,000 | 14.0      | \$978,000 | 0.0       | \$0     |

**Full-Year Cost Adjustment**      Yes       No

*Provide the incremental change in dollars and positions by fiscal year.*

| Item Number  | BY        |         | BY +1     |         | BY +2     |         |
|--------------|-----------|---------|-----------|---------|-----------|---------|
|              | Positions | Dollars | Positions | Dollars | Positions | Dollars |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
| <b>Total</b> | 0.0       | \$0     | 0.0       | \$0     | 0.0       | \$0     |

**Future Savings**      Yes       No

*Specify fiscal year and estimated savings, including any decrease in positions.*

| Item Number  | BY        |         | BY +1     |         | BY +2     |         |
|--------------|-----------|---------|-----------|---------|-----------|---------|
|              | Positions | Dollars | Positions | Dollars | Positions | Dollars |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
|              |           |         |           |         |           |         |
| <b>Total</b> | 0.0       | \$0     | 0.0       | \$0     | 0.0       | \$0     |