

FRANCHISE TAX BOARD
FY 2003/04 Budget Change Proposals

BCP #	BCP ISSUE	2003/04 COST ESTIMATE (in thousands)	PYs	SUMMARY
1	Phase III Building - Move In/Occupancy Costs	\$813	0.0	This proposal is for an expenditure of \$813,000 to provide for the relocation of staff and equipment and the maintenance and operating costs associated with the Department's move to the expanded Butterfield Campus (also known as Phase III).
2	Integrated Nonfiler Compliance (INC)	-\$11,824	0.0	The INC Project will be completed during FY 2002/03. This BCP reduces the project budget by \$11.8 million for one-time project costs. This reduction is consistent with the SPR approved in February 2002. The INC Project identifies taxpayers who have not filed their tax return but have a filing requirement. The INC system produces \$80 million annually in General Fund revenue.
4	Sustained Legal Workloads	\$422	3.8	This BCP proposes to re-establish four LT positions expiring on July 1, 2003 for another two years. These four positions were provided to meet legislative direction and the requirements of FTB 99-01 that requires completion of complex docketed protest cases within 33 months (from the previous 51 months). Funding for the positions must continue in order to avoid delay of up to \$53.8 million in revenue and to continue closing protest cases within the 33 month target timeframe.
5	Investigations - Underground Economy Pilot	\$518	5.7	This BCP proposes to re-establish six limited term positions expiring on July 1, 2003. The positions were originally established to pursue a pilot program targeting cash pay/underground economy cases. Continuing the pilot program with these six positions will generate \$5.7 million annually beginning in FY 2004/05. Once additional actual data is captured, the program will be evaluated for potential expansion.
6	Child Support Replacement Project (CSRP)	-\$1,108	0.0	The CSRP will be completed in FY 2002/03. This BCP is requesting a reduction of \$2 million General Fund and augmentation of \$0.9 million Federal reimbursements to adjust CSRP resources to its ongoing baseline level in accordance with the approved FSR. The project allows the department to move existing child support system functionality to a new platform with increased capacity.
7	Real Estate Withholding on Residents - AB 2065	\$2,820	56.2	AB 2065 (Chap 488, Statutes of 2002) authorizes FTB to require withholding on all individuals who sell California real estate. This bill will accelerate \$225 million of revenue the first year and \$10 million in subsequent years. In order to achieve this goal, FTB is requesting funding of \$1.8 million and 29.3 PYs in FY 2002/03, and \$2.8 million and 56.2 PYs in FY 2003/04.
8	CA Lung Disease & Asthma Research Fund - AB 2127	\$5	0.0	AB 2127 (Chap 620, Statutes of 2002) mandates FTB to provide an additional voluntary contribution for the CA Lung Disease & Asthma Research Fund on the personal income tax form for tax year 2002. This proposal requests funding of \$5,000 in FY 2003/04 to establish and maintain this fund.
9	Court Ordered Debt Program (COD)	\$1,965	24.8	AB 2388 (Chapter 776, Statutes of 2002) extends the sunset date for the Court-Ordered Debt (COD) Collections pilot program to January 1, 2006. FTB is also requesting to expand the current client base to include additional counties. This proposal will generate estimated additional collections of COD accounts of \$26.7 million for FY 2003/04 and \$30.5 million in subsequent years. To achieve this goal, FTB is requesting funding of \$1.965 million and 24.8 PYs for FY 2003/04. FTB incurs no General Fund costs because the program is supported by revenues from COD collections.

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10	Disclosure of Tax Information to City Business Tax Officials - SB 1961	\$355	4.1	SB 1961 (Chap 981, Statutes of 2002) reiterates the legislature's intent that the FTB disclose tax information to city business tax officials pursuant to R&T Section 19551.1, provided the department is reimbursed for its costs. This proposal requests reimbursement authority of \$355,000 and 4.1 PYs in FY 2003/04 to implement this legislation.
12	CA Child Support Automation System (CCSAS)	TBD		Deferred until Spring.
14	Vacant Position Cuts - Section 31.6	-\$6,471	-133.5 Pos	This BCP is being prepared by DOF to cut 133.5 positions from the department's budget along with the associated funding. Section 31.70 may restore some or all of the funding reduction at a later date.
15	Mandatory E-file	-\$1,410	-50.5	This proposal is made in response to BL 02-21. This BCP requires tax practitioners that prepare more than 100 returns to e-file. This will produce savings for the General Fund in the amount of \$1.4 million.
16	Political Reform Audit Fees	-\$1,359	0.0	This proposal is made in response to BL 02-21. This BCP requests to change the funding structure for the Political Reform Audit (PRA) Program. The support budget for the PRA program will be funded by fees collected from candidates for elected political offices and therefore save \$1.359 million of General Fund monies.
17	Reduce outreach activities	-\$451	-4.7	This proposal is made in response to BL 02-21. This BCP proposes to make reductions in small business and community outreach services, the California Tax Policy Conference and certain consultant services.