



May 14, 2020

Honorable Holly Mitchell, Chair  
Senate Budget and Fiscal Review Committee

Attention: Joe Stephenshaw, Staff Director (2)

Honorable Phil Ting, Chair  
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant (2)

### **Amendment to and Addition of Various Budget Bill Items, Support, Tax Agency**

On March 4, 2020, the Governor declared a state of emergency to help the state prepare and respond to COVID-19. The impact on the state has resulted in a severe drop in economic activity, with corresponding negative effects on anticipated revenues. As a result of these conditions, all budget change proposals were reevaluated within the context of a workload budget based on the merits of each proposal and ultimately subject to the availability of funding.

As a result, the Administration is withdrawing, without prejudice, specified requests within the Tax Agency that were included in the 2020-21 Governor's Budget. Withdrawn requests are included on **Attachment 1 (see row 1 through 6)**. Although these proposals have substantial merit and may be resubmitted for future consideration, we must pivot to prioritize immediate COVID-19 related needs.

As noted above, pursuant to Budget Letter 20-08, the Department of Finance conducted a thorough assessment of the most critical funding needs within the general framework of workload budget, as defined in Government Code Section 13308.05, and based upon revised expected revenues. This assessment not only resulted in the changes described in the preceding paragraph, but also requires a number of new adjustments and requests that are respectfully submitted and detailed below. Funding detail for these adjustments can be found in **Attachment 1 (see row 7 through 10)**, and related Budget Bill changes associated with these adjustments can be found in **Section 2 of Attachment 2**. If necessary, additional information may be included in a Budget Change Proposal or other back-up documentation submitted to the Legislature.

Finally, after conducting a review of all 2020-21 Governor's Budget Proposals, a number of requests are being sustained. Funding detail for these adjustments can be found on **Attachment 1 (see row 11 through 19)**.

**New Requests for May Revision:**

**California Department of Tax and Fee Administration: Tax and Fee Program Changes and Technical Adjustment**—It is requested that Item 7600-001-0001 be amended by increasing reimbursements by \$1,650,000 and 11.5 positions to address workload associated with the Department of Toxic Substances Control's proposed modification of the hazardous waste fee structure.

It is further requested that Item 7600-001-3366 be increased by \$3.6 million to add the proposed Electronic Cigarette Products Tax to the Centralized Revenue Opportunity System (CROS).

It is further requested that Item 7600-490 be added to reappropriate \$6.4 million from the 2018 Budget Act to ensure funding is available for the CROS project vendor compensation payment. **(See row 7 of Attachment 1)**

**California Department of Tax and Fee Administration: May Revision Appropriation Adjustment**—It is requested that Item 7600-001-0001 be decreased by \$25 million to account for anticipated position vacancies. **(See row 8 of Attachment 1)**

**Franchise Tax Board: Reappropriation for Item 7730-001-0001, Budget Act of 2019**—It is requested that Item 7730-490 be added to reappropriate \$8 million from the 2019 Budget Act to be available for encumbrance or expenditure until June 30, 2021 to accommodate the three-month extension of the 2019 tax year filing deadline. **(See row 9 of Attachment 1)**

**Local Government Financing: Reversion**—It is requested that Item 9210-495 be added to revert to the General Fund \$7,374,000 appropriated in the 2019 Budget Act for the Paradise Irrigation District. **(See row 10 of Attachment 1)**

If you have any questions or need additional information regarding this matter, please contact Chris Hill, Principal Program Budget Analyst, at (916) 445-3274.

KEELY MARTIN BOSLER

Director

By:

/s/ Vivek Viswanathan

VIVEK VISWANATHAN

Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Anthony Portantino, Chair, Senate Appropriations Committee  
Attention: Mark McKenzie, Staff Director  
Honorable Jim Nielsen, Vice Chair, Senate Budget and Fiscal Review Committee  
Attention: Kirk Feely, Budget Fiscal Director  
Honorable Lorena Gonzalez, Chair, Assembly Appropriations Committee  
Attention: Jay Dickenson, Chief Consultant  
Honorable Jay Obernolte, Vice Chair, Assembly Budget Committee  
Attention: Cyndi Hillery, Budget Director  
Honorable Anna M. Caballero, Chair, Senate Budget and Fiscal Review Subcommittee No. 4  
Honorable Jim Cooper, Chair, Assembly Budget Subcommittee No. 4  
Gabriel Petek, Legislative Analyst (4)  
Christopher W. Woods, Senate President pro Tempore's Office (2)  
Jason Sisney, Assembly Speaker's Office (2)  
Jayme Chick, Deputy Chief of Staff, Policy, Assembly Republican Leader's Office  
Alex Khan, Chief Consultant, Assembly Republican Leader's Office

**GB WITHDRAWN ISSUES**

Row	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
1	7730	Franchise Tax Board	Mainframe Enterprise Server Refresh	-5,801,000	-259,000	--	--	--	GM	JS	BU
2	7730	Franchise Tax Board	Enterprise Data to Revenue Project (EDR2) - Phase 2	-1,112,000	--	-10.0	--	--	GM	JS	BU
3	7730	Franchise Tax Board	Vehicle Registration Collections (VRC)	--	-1,903,000	--	--	--	GM	JS	BU
4	7730	Franchise Tax Board	Earned Income Tax Credit (EITC) and Voluntary Income Tax Assistance (VITA) Support	-1,212,000	--	-5.0	--	--	GM	JS	BU
5	7730	Franchise Tax Board	EITC and VITA Program Funding	-10,000,000	--	--	--	--	GM	JS	BU
6	8885	Commission on State Mandates	Administrative and Budget Staffing	-206,000	--	--	--	--	GM	JS	GBN
<b>Totals, GB Withdrawn Issues</b>				<b>-18,331,000</b>	<b>-2,162,000</b>	<b>-15.0</b>					

**NEW MR BCP ISSUES**

Row	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
7	7600	California Department of Tax and Fee Administration	Tax and Fee Program Changes and Technical Adjustment	3,631,000	8,019,000	11.5	--	Yes	GM	JS	BU
8	7600	California Department of Tax and Fee Administration	May Revision Appropriation Adjustment	-25,000,000	--	--	Yes	--	GM	JS	BU
9	7730	Franchise Tax Board	Reappropriation for Item 7730-001-0001	8,000,000	--	--	--	Yes	GM	JS	BU
10	9210	Local Government Financing	Revert Funds for Paradise Irrigation District	-7,374,000	--	--	Yes	--	YS	GM	GBN
<b>Totals, New MR BCP Issues</b>				<b>-20,743,000</b>	<b>8,019,000</b>	<b>11.5</b>					

**GB SUSTAIN ISSUES**

Row	BU	Department	BR Title	General Fund BY	Other Funds BY	Positions BY	BBL	TBL	Assembly Consultant	Senate Consultant	LAO Consultant
11	7600	California Department of Tax and Fee Administration	Centralized Revenue Opportunity System (CROS) Project Implementation Phase - FY 2020-21	10,557,000	13,966,000	-19.0	--	--	GM	JS	BU
12	7600	California Department of Tax and Fee Administration	California Health Care, Research and Prevention Tobacco Tax Act of 2016 (Proposition 56)	-1,395,000	2,303,000	0.0	--	--	GM	JS	BU

13	7600	California Department of Tax and Fee Administration	Cannabis Taxes Program	-666,000	7,766,000	29.8	--	--	GM	JS	BU
14	7600	California Department of Tax and Fee Administration	International Fuel Tax Agreement Workload Augmentation	--	1,376,000	7.0	--	--	GM	JS	BU
15	7600	California Department of Tax and Fee Administration	Local Prepaid MTS Sunset Extension (SB 344)	--	513,000	3.2	--	--	GM	JS	BU
16	7600	California Department of Tax and Fee Administration	E-Cigarette Tax Program Establishment	--	9,865,000	10.5	--	--	GM	JS	BU
17	7730	Franchise Tax Board	California Competes	2,261,000	--	16.0	--	--	GM	JS	BU
18	8885	Commission on State Mandates	Mandate Reimbursements for U Visa 918 Form	3,300,000	--	--	--	--	GM	JS	GBN
19	8885	Commission on State Mandates	Mandate Reimbursements for Impasse Procedures II	1,009,000	--	--	--	--	GM	JS	GBN
<b>Totals, GB Sustain Issues</b>				<b>15,066,000</b>	<b>35,789,000</b>	<b>47.5</b>					

## **Section 2**

### **Provisional changes for new May Revision Budget Change Proposals:**

1. *California Department of Tax and Fee Administration*: Reappropriation for various items (**see Row 7 of Attachment 1**). Add the following item:

7600-490—Reappropriation, California Department of Tax and Fee Administration. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2021:

#### 0001—General Fund

1. Up to \$3,631,000 in Item 7600-001-0001, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.
  - (4) Up to \$2,048,000 in Reimbursements to 6275-Administration of the California Department of Tax and Fee Administration for vendor compensation payments related to the Centralized Revenue Opportunity System.

#### 0004—Breast Cancer Fund

1. Up to \$2,000 in Item 7600-001-0004, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

#### 0022—State Emergency Telephone Number Account

1. Up to 7,000 in Item 7600-001-0022, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

#### 0061—Motor Vehicle Fuel Account, Transportation Tax Fund

1. Up to \$552,000 in Item 7600-001-0061, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

#### 0080—Childhood Lead Poisoning Prevention Fund

1. Up to \$2,000 in Item 7600-001-0080, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0230—Cigarette and Tobacco Products Surtax Fund

1. Up to \$23,000 in Item 7600-001-0230, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0320—Oil Spill Prevention and Administration Fund

1. Up to \$5,000 in Item 7600-001-0320, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0387—Integrated Waste Management Account, Integrated Waste Management Fund

1. Up to \$5,000 in Item 7600-001-0387, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0439—Underground Storage Tank Cleanup Fund

1. Up to \$23,000 in Item 7600-001-0439, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0465—Energy Resources Program Account

1. Up to \$7,000 in Item 7600-001-0465, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0623—California Children and Families First Trust Fund

1. Up to \$46,000 in Item 7600-001-0623, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

0965—Timber Tax Fund

1. Up to \$1,000 in Item 7600-001-0965, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

3015—Gas Consumption Surcharge Fund

1. Up to \$30,000 in Item 7600-001-3015, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

3058—Water Rights Fund

1. Up to \$2,000 in Item 7600-001-3058, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

3065—Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund

1. Up to \$6,000 in Item 7600-001-3065, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

3067—Cigarette and Tobacco Products Compliance Fund

1. Up to \$1,000 in Item 7600-001-3067, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

3212—Timber Regulation and Forest Restoration Fund

1. Up to \$4,000 in Item 7600-001-3212, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

3270—Local Charges for Prepaid Mobile Telephony Service Fund

1. Up to \$5,000 in Item 7600-001-3270, Budget Act of 2018 for vendor compensation payments related to the Centralized Revenue Opportunity System.

2. *Franchise Tax Board*: Reappropriation for Item 7730-001-0001, Budget Act of 2019 **(see Row 9 of Attachment 1)**. Add the following item:

7730-490—Reappropriation, Franchise Tax Board. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2021:

0001—General Fund

(1)Up to \$8,000,000 in Program 6280-Tax Programs of Item 7730-001-0001, Budget Act of 2019, for auditing and collecting owed tax amounts.



3. *Local Government Financing*: Reversion for Item 9210-102-0001, Budget Act of 2019 **(see Row 10 of Attachment 1)**. Add the following item:

9210-495 – Reversion, Local Government Financing. As of June 30, 2020, the balances specified below, of the appropriations provided in the following citations shall revert to the balances in the funds from which the appropriations were made.

0001—General Fund

(1) Item 9210-102-0001, Budget Act of 2019. \$7,374,330 appropriated for the Paradise Irrigation District in Program 7540-Aid to Local Government.