

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: A0 Supplies Reduction
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

To partially implement the 15% budget reduction target, the Board of Tax Appeals (Board) will eliminate \$5,000 in supplies. Elimination of IT support services and reduction in paper consumption will reduce the operating budget by \$5,000 per fiscal year. Eliminating 50% of the budgeted IT support time, will have a significant impact on the Board's ability to fulfill its mission. The Board does not have any dedicated IT support and must contract with outside businesses to maintain its IT infrastructure.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	(5,000)	(5,000)	(10,000)
Total Cost	(5,000)	(5,000)	(10,000)

Package Description:

The Board's operating budget contains little discretionary spending; essentially, the budget covers fixed costs. Realistically, large budget cuts can only come from personnel allotments. 82% of the Board's budget is devoted to personnel costs. The agency will eliminate 50% of its IT support costs to partially reduce the operating budget in accordance with OFM guidance. A cost reduction of \$5,000 per fiscal will result. The Board has only 12 employees, three board members, three hearing officers, and six staff. Each staff member performs a unique and discrete task. However, the Board has no dedicated IT staff professional. Trouble shooting the system is assigned ad hoc to a Board employee with the most experience. Other than routine maintenance, the Board must contract for IT support in order to maintain the agency's technology infrastructure. Reduction of IT support services will decrease efficiency and expose the agency to risk of disruption to its technology infrastructure. Reduction of IT support will detrimentally impact the Board's ability to fulfill its core mission of adjudicating tax appeals for the citizens of the state. Over the last five fiscal years, taxpayers and taxing authorities have filed, on average, 3,500 appeals per year. Because of past budget reductions, for example, the loss of one hearing officer, the Board has been unable to keep pace with the flood of appeals. Consequently, a backlog of cases pending has grown year after year. Now, the total backlog stands at over 3,600 cases. A taxpayer waits over 20 months from the time of filing an appeal before the case can be scheduled for a hearing. The long wait is frustrating and unacceptable. Reducing the ability of the agency to keep pace with technology, or fixing a problem immediately as it arises, will only add to the problem.

The Board's goal is to hear and decide 75% of all appeals within one year of the filing of the case. Additionally, the Board strives to have its hearing officers write 90% of their decisions within 90 days after the hearing. The Board has been unable to meet either of these reported performance standards for the last 12 quarters. For example, in FY14, the agency heard and decided only 12% of appeals within 12 months of their filing. The Board has struggled to meet performance standards due to an overwhelming number of

filings and an increase in the complexity to the appeals filed. Most taxpayers, 70%, are represented by tax professionals, either lawyers, accountants, or tax/real estate consultants. And most cases involve complex legal and appraisal problems. These factors have increased the time it takes to adjudicate cases. To offset these matters, the Board has been attempting to update and streamline the appeals process by relying more and more on electronic methods of doing business, for example by requiring electronic filings. Reduction of the IT support budget will degrade these efforts, make the agency less efficient, and eventually exacerbate the backlog problem. An already overburdened group of hearing officer and their support staff will have to maintain a number of complex systems with no training or support. This will add to the already overwhelming workload. Staff services to taxpayers and taxing authorities will

also suffer. The agency's small size does not allow for the use of existing employees to perform the IT functions that will be eliminated by this package. The agency is using caseload management technology that is outdated and unable to handle the current workload.

Annual Backlogs of Appeals Waiting for Hearings:

FY10 2388

FY11 2673

FY12 3153

FY13 3860

FY14 3791

This decision package suggests eliminating 50% of the IT support budget to help reduce agency operating costs by the mandated 15%. The volume and complexity of the workload is unsustainable at the present staffing level and will be further degraded by eliminating essential services.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The decision package partially enables the agency to meet the requirement to reduce operating budget costs by 15%. Elimination of IT support funds will reduce the Board's ability to meet its goals of resolving all state tax appeals in a timely, convenient, and economical manner by issuing comprehensive written decisions that are based on state statutes, case law, and Board precedent. The reduction will decrease the efficiency and effectiveness of the agency. Adjudication of tax appeals by an independent state agency is critical to maintaining public confidence in the state tax system. The more efficient, timely, and transparent the adjudication of the tax dispute, the more confident are the participants that the state's tax system is fairly administered. As the state's highest administrative tribunal for the resolution of tax disputes, it is important that the Board have the resources to carry out its mission. Precedent setting Board rulings allow taxpayers, especially businesses, to make decisions with a clear understanding of the tax consequences.

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package will significantly reduce the ability of the agency to carry out its core mission and implement its strategic plan.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package is contrary to multiple priorities of the Governor. This package would remove the Board's ability to:

- o improve performance by specific measures
- o deliver more results to more stakeholders
- o provide 21st century customer service
- o communicate swiftly with citizens about appeal decisions
- o build trust and confidence in state government

What are the other important connections or impacts related to this proposal?

This decision package will increase the backlog of appeals pending and increase the amount of time that stakeholders wait to have their hearings conducted and tax disputes resolved. It will also hinder the ability of the agency to issue, thoroughly researched tax decisions within the required 90 day time period. The majority of appeals to the Board involve property tax disputes filed by citizens across the state. This proposal would weaken the state's property assessment/tax system, administered by elected county assessors, by crippling the forum for the resolution of citizen-assessor disputes.

What alternatives were explored by the agency, and why was this alternative chosen?

Realistically, a large cut to this agency's budget can only come from personnel allotments. Elimination of 1 FTE Tax Referee and furloughs of all employees for 23 day will also be submitted to fully meet the reduction requirement of \$181,000 per fiscal year. However, this package only partially meets the dollar reduction requirement, and will cripple the ability of the agency to maintain its

technology infrastructure. Additional personnel eliminations were considered but rejected as unfair and unrealistic.

What are the consequences of adopting or not adopting this package?

Reducing the agency's budget in the proposed manner will increase the agency's backlog of unscheduled appeals by decreasing the efficiency and reliability of technology systems utilized by the Board. The waiting time to schedule a hearing will increase beyond the 20 months already existent. Further, those taxpayers whose appeals have been heard will wait longer for a written resolution of the tax dispute. Neither of these consequences is consistent with the priorities of government principles. Swift and thorough resolution of tax disputes provide the certainty necessary for financial planning. Tax matters should be resolved in a timely, efficient manner.

The integrity of the state's tax system is dependent upon taxpayers' and taxing authorities' belief that they have the opportunity for an economical, efficient, fair and impartial hearing and resolution of their tax disputes. A fully-staffed Board of tax professionals and access to up to date technology protects the interests of citizens, provides a convenient, efficient, and economical forum for resolving tax disputes, and promotes an essential government service.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Elimination of 50% of IT support services will total \$5,000 in savings. This was projected for both fiscal years to reach the goal of \$10,000 for the biennia.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

On-going. This is a budget reduction so there is no fiscal cost.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
E Goods\Other Services	5,000	5,000	10,000

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: A1 Employee Furlough
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

To partially implement the 15% budget reduction target, the Board of Tax Appeals (Board) will impose mandatory employee furlough days. Furloughing each employee for 23 days will reduce the operating budget by \$79,321 per fiscal year. To further reduce costs, the Board will implement the furloughs by closing its operation for the entire workday on the designated days. Reducing employee work days will have a significant impact on the Board's ability to fulfill its mission. The Board's backlog of appeals pending will increase due to the 10% reduction in employee hours; this will diminish services to taxpayers and taxing authorities.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	(79,321)	(79,321)	(158,642)
Total Cost	(79,321)	(79,321)	(158,642)

Package Description:

The Board's operating budget contains little discretionary spending; essentially, the budget covers fixed costs. Realistically, large budget cuts can only come from personnel allotments. 82% of the Board's budget is devoted to personnel costs. The agency will furlough employees as one way to partially reduce the operating budget in accordance with OFM guidance. 23 furlough days per year will be required of each of the Board's 11 employees, including board members, hearing officers, and support staff. A cost reduction of \$79,321 per fiscal will result. Besides the negative impact on office morale and the employee's pocketbook, furloughs will detrimentally impact the Board's ability to fulfill its core mission of adjudicating tax appeals for the citizens of the state. Over the last five fiscal years, taxpayers and taxing authorities have filed, on average, 3,500 appeals per year. Because of past budget reductions, for example, the loss of one hearing officer, the Board has been unable to keep pace with the flood of appeals. Consequently, a backlog of cases pending has grown year after year. Now, the total backlog stands at 3,600 cases. A taxpayer waits over 20 months from the time of filing an appeal before the case can be scheduled for a hearing. The long wait is frustrating and unacceptable. Reducing the number of employee workdays will only add to the problem.

The Board's goal is to hear and decide 75% of all appeals within one year of the filing of the case. Additionally, the Board strives to have its hearing officers write 90% of their decisions within 90 days after the hearing. The Board has been unable to meet either of these reported performance standards for the last 10 quarters. For example, in FY14, the agency heard and decided only 12% of appeals within 12 months of their filing. The Board has struggled to meet performance standards due to an overwhelming number of filings and an increase in the complexity to the appeals filed. Most taxpayers, 70%, are represented by tax professionals, either lawyers, accountants, or tax/real estate consultants. Most cases involve complex legal and appraisal problems. These factors have

increased the time it takes to adjudicate cases. Fewer workdays per hearing officer will exacerbate the backlog problem. Staff services to taxpayers and taxing authorities will also suffer. The agency's small size does not allow for the workload to be transferred to other employees or agencies when employees are absent. The agency is at its FY06 staffing level despite the tripling of the workload.

Annual Backlogs of Appeals Waiting for Hearings:

FY10 2388
FY11 2673

FY12 3153

FY13 3860

FY14 3791

This decision package suggests employee furloughs to help reduce agency operating costs by the mandated 15%. The volume and complexity of the workload is unsustainable at the present staffing level and will be further degraded by implementing employee furloughs.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The decision package partially enables the agency to meet the requirement to reduce operating budget costs by 15%. Furloughs will reduce the Board's ability to meet its goals of resolving all state tax appeals in a timely, convenient, and economical manner by issuing comprehensive written decisions that are based on state statutes, case law, and Board precedent. The reductions will decrease the efficiency and effectiveness of the agency. Adjudication of tax appeals by an independent state agency is critical to maintaining public confidence in the state tax system. The more efficient, timely, and transparent the adjudication of the tax dispute, the more confident are the participants that the state's tax system is fairly administered. As the state's highest administrative tribunal for the resolution of tax disputes, it is important that the Board have the resources to carry out its mission. Precedent setting Board rulings allow taxpayers, especially businesses, to make decisions with a clear understanding of the tax consequences.

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package will significantly reduce the ability of the agency to carry out its core mission and implement its strategic plan.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package is contrary to the Results Washington Goals set by the Governor, specifically an efficient, effective, and accountable government. This package would remove the Board's ability to:

- o improve performance by specific measures
- o deliver more results to more stakeholders
- o provide 21st century customer service
- o communicate swiftly with citizens about appeal decisions
- o build trust and confidence in state government

What are the other important connections or impacts related to this proposal?

This decision package will increase the backlog of appeals pending and increase the amount of time that stakeholders wait to have their hearings conducted and tax disputes resolved. It will also hinder the ability of the agency to issue, thoroughly researched tax decisions within the required 90 day time period. The majority of appeals to the Board involve property tax disputes filed by citizens across the state. This proposal would weaken the state's property assessment/tax system, administered by elected county assessors, by crippling the forum for the resolution of citizen-assessor disputes.

What alternatives were explored by the agency, and why was this alternative chosen?

Realistically, a large cut to this agency's budget can only come from personnel allotments. Furloughing employees in the manner proposed is considered the maximum number of days possible to fulfill the targeted reduction of 15%. However, this package only partially meets the dollar reduction requirement. The Board will eliminate one employee to fully meet the reduction requirement of \$181,000 per fiscal year. Additional furlough days per employee were considered but rejected as unfair and unrealistic.

What are the consequences of adopting or not adopting this package?

Reducing the agency's budget in the proposed manner will increase the agency's backlog of unscheduled appeals. The waiting time to

schedule a hearing will increase beyond the 20 months already existent. Further, those taxpayers whose appeals have been heard will wait longer for a written resolution of the tax dispute. Neither of these consequences is consistent with the priorities of government principles. Swift and thorough resolution of tax disputes provide the certainty necessary for financial planning. Tax matters should be resolved in a timely, efficient manner.

The integrity of the state's tax system is dependent upon taxpayers' and taxing authorities' belief that they have the opportunity for an economical, efficient, fair and impartial hearing and resolution of their tax disputes. A fully-staffed Board of tax professionals protects the interests of citizens, provides a convenient, efficient, and economical forum for resolving tax disputes, and promotes an essential government service.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

The number of furlough days needed to reach the target reduction of \$79,321 is calculated by taking the employee's daily compensation rate multiplied by 23. This package requires all employees to take 23 furlough days per fiscal year. Daily personnel operating costs total approximately \$3,446.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

On-going. This is a budget reduction so there is no fiscal cost.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	(63,457)	(63,457)	(126,914)
B Employee Benefits	(15,864)	(15,864)	(31,728)
Total Objects	(79,321)	(79,321)	(158,642)

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: A2 Tax Referee Elimination
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

To partially implement the 15% budget reduction target, the Board of Tax Appeals (Board) will eliminate 1 FTE Tax Referee. Elimination of 1 FTE Tax Referee will reduce the operating budget by \$96,679 per fiscal year. Eliminating a hearing officer, referred to as a Tax Referee, will have a significant impact on the Board's ability to fulfill its mission. The agency has six hearing officers; eliminating one of them will increase the backlog of appeals pending by 17% .

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	(96,679)	(96,679)	(193,358)
Total Cost	(96,679)	(96,679)	(193,358)
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	-1.0	-1.0	-1.0

Package Description:

The Board's operating budget contains little discretionary spending; essentially, the budget covers fixed costs. Realistically, large budget cuts can only come from personnel allotments. 82% of the Board's budget is devoted to personnel costs. The agency will eliminate one hearing officer to partially reduce the operating budget in accordance with OFM guidance. A cost reduction of \$96,679 per fiscal will result. The Board has only 12 employees, three board members, three hearing officers, and six staff. Each staff member performs a unique and discrete task. Elimination of a staff member is not possible. A board member, appointed by the governor cannot be eliminated. Consequently, the only viable alternative to achieve the targeted reduction would be the elimination of a Tax Referee. Eliminating a hearing officer will detrimentally impact the Board's ability to fulfill its core mission of adjudicating tax appeals for the citizens of the state. Over the last five fiscal years, taxpayers and taxing authorities have filed, on average, 3,500 appeals per year. Because of past budget reductions, for example, the loss of one hearing officer, the Board has been unable to keep pace with the flood of appeals. Consequently, a backlog of cases pending has grown year after year. Now, the total backlog stands at over 3,600 cases. A taxpayer waits over 20 months from the time of filing an appeal before the case can be scheduled for a hearing. The long wait is frustrating and unacceptable. Reducing the number of hearing officers will only add to the problem.

The Board's goal is to hear and decide 75% of all appeals within one year of the filing of the case. Additionally, the Board strives to have its hearing officers write 90% of their decisions within 90 days after the hearing. The Board has been unable to meet either of these reported performance standards for the last 12 quarters. For example, in FY14, the agency heard and decided only 12% of appeals within 12 months of their filing. The Board has struggled to meet performance standards due to an overwhelming number of filings and an increase in the complexity to the appeals filed. Most taxpayers, 70%, are represented by tax professionals, either lawyers, accountants, or tax/real estate consultants. Most cases involve complex legal and appraisal problems. These factors have increased the time it takes to adjudicate cases. One less Tax Referee will exacerbate the backlog problem as an already overburdened group of hearing officer and their support staff will have to cover an additional 17% of the workload. Staff services to taxpayers and taxing authorities will also suffer. The agency's small size does not allow for the workload to be transferred easily and efficiently to other hearing officers. The agency is at its FY06 staffing level despite the tripling of the workload.
Annual Backlogs of Appeals Waiting for Hearings:

FY10 2388
FY11 2673
FY12 3153
FY13 3860
FY14 3791

This decision package suggests eliminating 1 FTE Tax Referee to help reduce agency operating costs by the mandated 15%. The volume and complexity of the workload is unsustainable at the present staffing level and will be further degraded by eliminating a hearing officer.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The decision package partially enables the agency to meet the requirement to reduce operating budget costs by 15%. Elimination of a hearing officer will reduce the Board's ability to meet its goals of resolving all state tax appeals in a timely, convenient, and economical manner by issuing comprehensive written decisions that are based on state statutes, case law, and Board precedent. The reduction will decrease the efficiency and effectiveness of the agency. Adjudication of tax appeals by an independent state agency is critical to maintaining public confidence in the state tax system. The more efficient, timely, and transparent the adjudication of the tax dispute, the more confident are the participants that the state's tax system is fairly administered. As the state's highest administrative tribunal for the resolution of tax disputes, it is important that the Board have the resources to carry out its mission. Precedent setting Board rulings allow taxpayers, especially businesses, to make decisions with a clear understanding of the tax consequences.

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package is contrary to The Results Washington's goal of an Efficient, Effective, and Accountable Government. This package would remove the Board's ability to:

- o improve performance by specific measures
- o deliver more results to more stakeholders
- o provide 21st century customer service
- o communicate swiftly with citizens about appeal decisions
- o build trust and confidence in state government

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package is contrary to The Results Washington's goal of an Efficient, Effective, and Accountable Government. This package would remove the Board's ability to:

- o improve performance by specific measures
- o deliver more results to more stakeholders
- o provide 21st century customer service
- o communicate swiftly with citizens about appeal decisions

- o build trust and confidence in state government

What are the other important connections or impacts related to this proposal?

This decision package will increase the backlog of appeals pending and increase the amount of time that stakeholders wait to have their hearings conducted and tax disputes resolved. It will also hinder the ability of the agency to issue, thoroughly researched tax decisions within the required 90 day time period. The majority of appeals to the Board involve property tax disputes filed by citizens across the state. This proposal would weaken the state's property assessment/tax system, administered by elected county assessors, by crippling

the forum for the resolution of citizen-assessor disputes.

What alternatives were explored by the agency, and why was this alternative chosen?

Realistically, a large cut to this agency's budget can only come from personnel allotments. Elimination of 1 FTE Tax Referee in the manner proposed is considered as the only possible way to fulfill the targeted reduction of \$181,000 per fiscal year. However, this package only partially meets the dollar reduction requirement. In addition, the Board will furlough all employees for 23 days to fully meet the reduction requirement of 15% per fiscal year. Additional personnel eliminations were considered but rejected as unfair and unrealistic.

What are the consequences of adopting or not adopting this package?

Reducing the agency's budget in the proposed manner will increase the agency's backlog of unscheduled appeals. The waiting time to schedule a hearing will increase beyond the 20 months already existent. Further, those taxpayers whose appeals have been heard will wait longer for a written resolution of the tax dispute. Neither of these consequences is consistent with the priorities of government principles. Swift and thorough resolution of tax disputes provide the certainty necessary for financial planning. Tax matters should be resolved in a timely, efficient manner.

The integrity of the state's tax system is dependent upon taxpayers' and taxing authorities' belief that they have the opportunity for an economical, efficient, fair and impartial hearing and resolution of their tax disputes. A fully-staffed Board of tax professionals protects the interests of citizens, provides a convenient, efficient, and economical forum for resolving tax disputes, and promotes an essential government service.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Elimination of 1 FTE Tax Referee will total \$74,508 in savings from salary and \$22,171 in savings from benefits. This was projected for both fiscal years, thus reaching the total of \$193,358 for the biennium.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

On-going. This is a budget reduction so there is no fiscal cost.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	(74,508)	(74,508)	(149,016)
B Employee Benefits	(22,171)	(22,171)	(44,342)
Total Objects	(96,679)	(96,679)	(193,358)

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: N0 Tax Referee elimination Buyback
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

This decision package requests a first and highest-priority buyback of funding to restore BTA to its current level. Specifically, the current decision package seeks to restore \$193,358 for an FTE to retain a Tax Referee. This buyback will enable BTA to work towards fulfilling their Strategic plan.

To partially implement the 15% budget reduction target, the Board of Tax Appeals (Board) suggested eliminating 1 FTE Tax Referee. Elimination of 1 FTE Tax Referee would reduce the operating budget by \$96,679 per fiscal year. Eliminating a hearing officer, referred to as a Tax Referee, will have a significant impact on the Board's ability to fulfill its mission. The agency has six hearing officers; eliminating one of them will increase the backlog of appeals pending by 17%.

The Buyback in this package will prevent the loss of this necessary FTE

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	96,679	96,679	193,358
Total Cost	96,679	96,679	193,358

Package Description:

The Board's operating budget contains little discretionary spending; essentially, the budget covers fixed costs. Realistically, large budget cuts can only come from personnel allotments. 82% of the Board's budget is devoted to personnel costs. The agency suggested eliminating one hearing officer to partially reduce the operating budget in accordance with OFM guidance. A cost reduction of \$96,679 per fiscal will result. The Board has only 12 employees, three board members, three hearing officers, and six staff. Each staff member performs a unique and discrete task. Elimination of a staff member is not possible. A board member, appointed by the governor cannot be eliminated. Consequently, the only viable alternative to achieve the targeted reduction would be the elimination of a Tax Referee. Eliminating Restoring a hearing officer will positively impact the Board's ability to fulfill its core mission of adjudicating tax appeals for the citizens of the state. Over the last five fiscal years, taxpayers and taxing authorities have filed, on average, 3,500 appeals per year. Because of past budget reductions, for example, the loss of one hearing officer, the Board has been unable to keep pace with the flood of appeals. Consequently, a backlog of cases pending has grown year after year. Now, the total backlog stands at over 3,600 cases. A taxpayer waits over 20 months from the time of filing an appeal before the case can be scheduled for a hearing. The long wait is frustrating and unacceptable. Restoring the number of hearing officers will not solve all back log, but it will not exacerbate the situation.

The Board's goal is to hear and decide 75% of all appeals within one year of the filing of the case. Additionally, the Board strives to have its hearing officers write 90% of their decisions within 90 days after the hearing. The Board has been unable to meet either of these reported performance standards for the last 12 quarters. For example, in FY14, the agency heard and decided only 12% of appeals within 12 months of their filing. The Board has struggled to meet performance standards due to an overwhelming number of filings and an increase in the complexity to the appeals filed. Most taxpayers, 70%, are represented by tax professionals, either lawyers, accountants, or tax/real estate consultants. Most cases involve complex legal and appraisal problems. These factors have increased the time it takes to adjudicate cases. Retention of this Tax Referee would exacerbate the backlog problem as an reduce

some of the burden of the hearing officers and their support staff . The restoration of a Tax Referee will relieve taxed staff of the additional 17% of the workload they would have to carry. Staff services to taxpayers and taxing authorities will also suffer. The agency's small size does not allow for the workload to be transferred easily and efficiently to other hearing officers. The agency is at its FY06 staffing level despite the tripling of the workload.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The decision package partially enables the agency to meet its goals of preventing the current backlog from increasing. Elimination of a hearing officer will reduce the Board's ability to meet its goals of resolving all state tax appeals in a timely, convenient, and economical manner by issuing comprehensive written decisions that are based on state statutes, case law, and Board precedent. The restoration will maintain the efficiency and effectiveness of the agency. Adjudication of tax appeals by an independent state agency is critical to maintaining public confidence in the state tax system. The more efficient, timely, and transparent the adjudication of the tax dispute, the more confident are the participants that the state's tax system is fairly administered. As the state's highest administrative tribunal for the resolution of tax disputes, it is important that the Board have the resources to carry out its mission. Precedent setting Board rulings allow taxpayers, especially businesses, to make decisions with a clear understanding of the tax consequences.

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package will improve the ability of the agency to carry out its core mission and implement its strategic plan.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package is one aspect of the agency's commitment to The Results Washington goal of an Efficient, Effective, and Accountable Government. This package would enhance the Board's ability to:

- o improve performance by specific measures
- o deliver more results to more stakeholders
- o provide 21st century customer service
- o communicate swiftly with citizens about appeal decisions
- o build trust and confidence in state government

What are the other important connections or impacts related to this proposal?

This decision package will prevent an increase to the backlog of appeals pending and prevent an increase to the amount of time that stakeholders wait to have their hearings conducted and tax disputes resolved. It will also enable the agency to continue to issue, thoroughly researched tax decisions within the required 90 day time period. The majority of appeals to the Board involve property tax disputes filed by citizens across the state. This proposal would strengthen the state's property assessment/tax system, administered by elected county assessors, by funding the forum for the resolution of citizen-assessor disputes.

What alternatives were explored by the agency, and why was this alternative chosen?

The reinstatement of 1 FTE Tax Referee was considered as the only possible way to maintain our present workload.

What are the consequences of adopting or not adopting this package?

Funding the agency's budget in the proposed manner will allow the agency to continue to hear the backlog of unscheduled appeals. The waiting time to schedule a hearing will not increase beyond the 20 months already existent. Further, those taxpayers whose appeals

have been heard will not be required to wait longer for a written resolution of the tax dispute. These consequences are not consistent with the priorities of government principles. Swift and thorough resolution of tax disputes provide the certainty necessary for financial planning. Tax matters should be resolved in a timely, efficient manner.

The integrity of the state's tax system is dependent upon taxpayers' and taxing authorities' belief that they have the opportunity for an economical, efficient, fair and impartial hearing and resolution of their tax disputes. A fully-staffed Board of tax professionals protects the interests of citizens, provides a convenient, efficient, and economical forum for resolving tax disputes, and promotes an essential government service.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Funding of 1 FTE Tax Referee will total \$74,508 in salary and \$22,171 in benefits. This was projected for both fiscal years, thus reaching the total of \$193,358 for the biennium.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

On-going.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	74,508	74,508	149,016
B Employee Benefits	22,171	22,171	44,342
Total Objects	96,679	96,679	193,358

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: N1 Employee Furlough Buyback
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

This decision package requests a highest-priority buyback of funding to restore BTA to its current level. Specifically, the current decision package seeks to restore \$79,321 per fiscal year in order to prevent 23 days of furloughs to staff. This buyback will enable BTA to work towards fulfilling their Strategic plan. To partially implement the 15% budget reduction target, the Board of Tax Appeals (Board) suggested imposing mandatory employee furlough days.

Reducing employee work days will have a significant impact on the Board's ability to fulfill its mission. The Board's backlog of appeals pending will increase due to the 10% reduction in employee hours; this will diminish services to taxpayers and taxing authorities. The Board will not be able to fulfill its mission without the funding requested in this package.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	79,321	79,321	158,642
Total Cost	79,321	79,321	158,642

Package Description:

The Board's operating budget contains little discretionary spending; essentially, the budget covers fixed costs. Realistically, large budget cuts can only come from personnel allotments. 82% of the Board's budget is devoted to personnel costs. The agency could furlough employees as one way to partially reduce the operating budget in accordance with OFM guidance. 23 furlough days per year would be required of each of the Board's 11 employees, including board members, hearing officers, and support staff. A cost reduction of \$79,321 per fiscal will result. Besides the negative impact on office morale and the employee's pocketbook, furloughs will detrimentally impact the Board's ability to fulfill its core mission of adjudicating tax appeals for the citizens of the state. Over the last five fiscal years, taxpayers and taxing authorities have filed, on average, 3,500 appeals per year. Because of past budget reductions, for example, the loss of one hearing officer, the Board has been unable to keep pace with the flood of appeals. Consequently, a backlog of cases pending has grown year after year. Now, the total backlog stands at 3,600 cases. A taxpayer waits over 20 months from the time of filing an appeal before the case can be scheduled for a hearing. The long wait is frustrating and unacceptable. Reducing the number of employee workdays will only add to the problem.

The Board's goal is to hear and decide 75% of all appeals within one year of the filing of the case. Additionally, the Board strives to have its hearing officers write 90% of their decisions within 90 days after the hearing. The Board has been unable to meet either of these reported performance standards for the last 12 quarters. For example, in FY14, the agency heard and decided only 12% of

appeals within 12 months of their filing. The Board has struggled to meet performance standards due to an overwhelming number of filings and an increase in the complexity to the appeals filed. Most taxpayers, 70%, are represented by tax professionals, either lawyers, accountants, or tax/real estate consultants. Most cases involve complex legal and appraisal problems. These factors have increased the time it takes to adjudicate cases. Fewer workdays per hearing officer will exacerbate the backlog problem. Staff services to taxpayers and taxing authorities will also suffer. The agency's small size does not allow for the workload to be transferred to other employees or agencies when employees are absent. The agency is at its FY06 staffing level despite the tripling of the workload.

Annual Backlogs of Appeals Waiting for Hearings:

FY10 2388
FY11 2673
FY12 3153
FY13 3860
FY14 3791

This decision package suggests funding the agency for the \$79,321 resulting from employee furloughs to allow the agency to continue to operate. The volume and complexity of the workload is unsustainable at the present staffing level and would be further degraded by implementing employee furloughs.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This decision package is to return BTA to its current operating performance. This Buyback would increase the efficiency and effectiveness of the agency. Adjudication of tax appeals by an independent state agency is critical to maintaining public confidence in the state tax system. The more efficient, timely, and transparent the adjudication of the tax dispute, the more confident are the participants that the state's tax system is fairly administered. As the state's highest administrative tribunal for the resolution of tax disputes, it is important that the Board have the resources to carry out its mission. Precedent setting Board rulings allow taxpayers, especially businesses, to make decisions with a clear understanding of the tax consequences.

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This decision package will significantly enhance the ability of the agency to carry out its core mission and implement its strategic plan

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package is a partial solution to the Results Washington Goals set by the Governor, specifically an efficient, effective, and accountable government. This package would allow the Board to:

- o improve performance by specific measures
- o deliver results to stakeholders
- o provide 21st century customer service
- o communicate swiftly with citizens about appeal decisions
- o build trust and confidence in state government

What are the other important connections or impacts related to this proposal?

This decision package is to prevent a substantial increase to the backlog of appeals pending as well as an increase in the amount of time that stakeholders wait to have their hearings conducted and tax disputes resolved. It will also return the ability of the agency to issue, thoroughly researched tax decisions within the required 90 day time period. The majority of appeals to the Board involve property tax disputes filed by citizens across the state. This proposal would strengthen the state's property assessment/tax system, administered by elected county assessors, by funding the forum for the resolution of citizen-assessor disputes.

What alternatives were explored by the agency, and why was this alternative chosen?

Realistically, a large cut to this agency's budget can only come from personnel allotments. Returning the funding for furloughing employees was considered to be the only way to attempt to meet the agencies strategic plan. Additional furlough days per employee were considered but rejected as unfair and unrealistic.

What are the consequences of adopting or not adopting this package?

Funding the agency's budget in the proposed manner will allow the agency to prevent a dramatic increase to the backlog of unscheduled appeals. The waiting time to schedule a hearing currently is at 20 months. Further, taxpayers whose appeals have been heard will wait longer for a written resolution of the tax dispute. Neither of these consequences is consistent with the priorities of government principles. Swift and thorough resolution of tax disputes provide the certainty necessary for financial planning. Tax matters should be resolved in a timely, efficient manner.

The integrity of the state's tax system is dependent upon taxpayers' and taxing authorities' belief that they have the opportunity for an economical, efficient, fair and impartial hearing and resolution of their tax disputes. A fully-staffed Board of tax professionals protects the interests of citizens, provides a convenient, efficient, and economical forum for resolving tax disputes, and promotes an essential government service.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

The number of furlough days needed to reach the target reduction of \$79,321 was calculated by taking the employee's daily compensation rate multiplied by 23. This package would eliminate the need for all employees to take 23 furlough days per fiscal year. Daily personnel operating costs total approximately \$3,446.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

On-going.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	63,456	63,456	126,912
B Employee Benefits	15,865	15,865	31,730
Total Objects	79,321	79,321	158,642

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: N2 Retirement Buyout Funding
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Board of Tax Appeals (Board) requests \$49,552 to off set sick leave and accrued leave buyout expenses incurred when the Executive Director, a Tax Referee, and a Legal Secretary retire in FY 16.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	49,552	0	49,552
Total Cost	49,552		49,552

Package Description:

The state legislature created the Board as an independent, quasi judicial tribunal with specialized knowledge of state and local taxation. The Board is the administrative tax "court" for the State of Washington. The Board's mission is to resolve appeals of taxpayers and taxing authorities to maintain public confidence in the state tax system. The Board has 11.2 budgeted FTE's, with 3 retiring during the biennium. Total costs for retirement buyouts is \$49,552 for all three staff members.

The accrued and sick leave buyout costs for SS total \$21,403. The accrued and sick leave buyout costs for DL total \$18,965. The accrued and sick leave buyout costs for RH total \$9,184. By law, these staff members are to receive this money upon retirement. The Board is a small agency, with little or no discretionary funding to potentially absorb these retirement expenses. Additional funding is necessary. Over 82% of the agency's operating budget is allotted to employee salaries and benefits. The remainder covers fixed costs, e. g. rent, utilities, and essential supplies. The Board cannot absorb the buy out expense from its general operating budget without reducing its personnel allotments and thus further eroding customer service.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The funding will allow the Board to carry on its mission of resolving appeals of taxpayers and the taxing authorities to maintain public confidence in the state tax system. The requested funds will lessen the impact of required FY16/17 budget cuts of \$362,000. The Board will make the required cuts from its personnel allotments through furloughs and layoffs. Providing the \$49,552, as requested, will reduce the number of furlough days or duration of lay offs on office employees. Minimizing these strategies will reduce their impact on customer service. The requested funds will ensure that hearing officer or other staff work days are not further reduced to offset the buyout payment. Hearing officers directly support the Board's two performance measures:

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes, the requested funds will enable the Board to pay the buyout cost from funds other than those used to conduct or support tax appeal hearings.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

Yes, the funding would promote governmental efficiency by allowing the Board to sustain its current staffing level of three hearing officers.

What are the other important connections or impacts related to this proposal?

This package will have no impact on other state programs or other units of government.

What alternatives were explored by the agency, and why was this alternative chosen?

The Board has no other alternative for funding this buyout other than absorbing it from its already reduced general operating budget

What are the consequences of adopting or not adopting this package?

If the buyout cost is not funded, the Board will be forced to divert additional funds from its operating budget, specifically its personnel allotments, to cover the cost. The agency would do this through furloughs. This will further erode the agency's ability to complete its mission to provide expeditious and efficient disposition of appeals filed. Ultimately, this unfunded expense and continued decreases in funding will result in additional reduced hours or permanent layoff of Board staff. This would be detrimental to this small agency, which is already faltering from the effects of a dramatically increased caseload.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

Details per system for sick leave/annual leave buyout + benefits.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All are one-time costs.

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: N3 Tax Referee Funding
Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

Due to an increased workload and large backlog of appeals, the Board of Tax Appeals (Board) proposes to hire 1.5 FTEs: hearing officers and .5 staff to improve services to taxpayers and taxing authorities. The two new hires will conduct hearings and decide tax appeals.

Adding personnel will reduce the backlog and shorten the time stakeholders wait to have their tax cases heard and resolved. Adding hearing officers will allow the agency to issue thoroughly researched written decisions in a more timely manner.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	140,366	133,600	273,966
Total Cost	140,366	133,600	273,966
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	1.5	1.5	1.5

Package Description:

The agency proposes hiring 1.5 FTEs, 1 hearing officer and .5 support staff, in order to reduce the backlog of appeals pending, provide customers with timely hearings and written decisions, and furnish thoroughly researched tax opinions. Taxpayers and taxing authorities filed over 3,500 appeals over the last five fiscal years. Because of this explosion in the number of filings, the Board has been unable to meet its reported performance standards.

The Board's goal is to hear and decide 75% of all appeals within one year of the filing of the case. Additionally, the Board strives to have its hearing officers write 90% of their decisions within 90 days after the hearing. The Board has been unable to meet either of these reported performance standards for the last 12 quarters. For example, in FY14, the agency heard and decided only 12% of appeals within 12 months of their filing. The Board has struggled to meet performance standards due to an overwhelming number of filings, reduction in staff, and an increase in the complexity to the appeals filed. Most taxpayers, 70%, are represented by tax professionals, either lawyers, accountants, or tax/real estate consultants. Most cases involve complex legal and appraisal problems. These factors have increased the time it takes to adjudicate cases. Increasing the number of hearing officers will allow the Board to tackle the backlog problem. Staff services to taxpayers and taxing authorities will also improve as the backlog is processed. The agency's small size does not allow for the workload to be transferred to other employees or agencies when employees are absent. The agency is at its FY06 staffing level despite the tripling of the workload.

Annual Backlogs of Appeals Waiting for Hearings:

FY09	833
FY10	2388
FY11	2673
FY12	3153
FY13	3860
FY14	3791

This decision package asks for the hiring of an additional tax referee (hearing officer) and support staff to alleviate workload and waiting time problems. The new hires will join the three tax referees already on staff. In the last biennium, the tax referees on staff heard an average of 215 dockets each per year.

The volume and complexity of the workload is unsustainable at the present staffing level. The new hearing officer, after adequate training, could conduct an additional 200 hearings a year, thereby helping to reduce the backlog and providing taxpayers and taxing authorities more timely hearings and decisions.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The decision package enables the agency to meet its goal to resolve all state tax appeals in a timely, convenient, and economical manner by issuing comprehensive written decisions that are based on state statutes, case law, and Board precedent.

The new hires will increase the efficiency and effectiveness of the agency. Adjudication of tax appeals by an independent state agency is critical to maintaining public confidence in the state tax system. The more efficient, timely, and transparent the adjudication of the tax dispute, the more confident are the participants that the state's tax system is fairly administered. As the state's highest administrative tribunal for the resolution of tax disputes, it is important that the Board have the resources to carry out its mission. Precedent setting Board rulings allow taxpayers, especially businesses, to make decisions with a clear understanding of the tax consequences.

Performance Measure Detail

Activity:

No measures submitted for package

Incremental Changes

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes, the funding of this decision package is critical to implementing the Board's Strategy #4, make adjustments, when necessary, in personnel, practices, and procedures, keeping the backlog at no more than 600 appeals.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This decision package supports multiple priorities of the Governor; specifically, Prosperous Economy, and Efficient, Effective and Accountable Government. . If funded, this package would enhance the Board's ability to:

- improve performance by specific measures
- deliver more results to more stakeholders
- provide 21st century customer service
- communicate clearly with citizens about appeal decisions
- build trust and confidence in state government

What are the other important connections or impacts related to this proposal?

This decision package will reduce the backlog of appeals pending and decrease the amount of time that stakeholders wait to have their hearings conducted and tax disputes resolved. It will also allow the agency to issue, thoroughly researched tax decisions within the required 90 day time period. The majority of appeals to the Board involve property tax disputes filed by citizens across the state. Funding this proposal would enhance and strengthen the state's property assessment/tax system, administered by elected county assessors, by providing a more easily accessible forum for the resolution of citizen assessor disputes.

What alternatives were explored by the agency, and why was this alternative chosen?

The backlog of unscheduled appeals has grown fourfold since FY09. When funds were available, the agency contracted with various third parties to conduct hearings and issue decisions. Use of contract personnel to perform the mission, however, has proven to be of limited success. The contractors have only put a small dent in the staggering backlog. Contractors cannot be relied upon to solve the growing backlog problem. Further, the pool of persons available with whom to contract has not consistently allowed for quality

decisions. The job of a tax referee is a unique skill set requiring both adjudicative and property appraisal expertise. The agency has utilized other alternatives to address the backlog: the executive director has taken on an additional duty as a part time hearing officer; new case management techniques have been explored, e.g. increasing the number of hearings per tax referee and reducing the detail and explanation in written tax decisions; and, despite significant drawbacks, the agency now conducts most hearing by telephone.

Because the Board is a single activity agency, the options for alternatives are limited. The alternative techniques and procedures have not significantly reduced the backlog. Full time tax referees trained in the tax and appraisal fields and committed to the work of the agency provide the best solution.

What are the consequences of adopting or not adopting this package?

If the FTEs are not funded, the agency's backlog of unscheduled appeals will continue to grow and waiting time to schedule a hearing will increase beyond the 20 months already existent. Further, those taxpayers whose appeals have been heard will wait longer for resolution of their tax disputes. Neither of these consequences is consistent with Results Washington's Goals. Swift and thorough resolution of tax disputes provide the certainty necessary for financial planning. These matters should be resolved in a timely, efficient manner.

The integrity of the state's tax system is dependent upon taxpayers' and taxing authorities' belief that they have the opportunity for an economical, efficient, fair and impartial hearing and resolution of their tax disputes. A fully staffed Board of tax professionals protects the interests of citizens, provides a convenient, efficient, and economical forum for resolving tax disputes, and promotes an essential government service.

What is the relationship, if any, to the state's capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None.

Expenditure and revenue calculations and assumptions

Tax Referee (hearing officer) positions: The Board would hire two full time (2.0 FTE) tax referees at the EMS Band 2 level beginning on July 1, 2016. The salary for a tax referee position would be set at \$ 6,942 per month. The calculations below show the salary and benefit costs for these positions along with the associated costs for increases in goods and services such as supplies, communication, training, and data processing. The costs for goods and services were calculated based on FY14 actual costs. There is a one time cost for equipment in FY16 to provide the tax referees with computer hardware and software.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The FTEs requested are anticipated to be an ongoing cost. There are one time costs for equipment in FY 2016 to provide the new hires with computer hardware and software. This decision package contains a request for funding that will continue in future biennia.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	166,600	166,600	333,200
B Employee Benefits	34,316	34,316	68,632
E Goods\Other Services	3,913	3,913	7,826
J Capital Outlays	10,150		10,150
Total Objects	214,979	204,829	419,808