

Agency Budget Request Decision Package Summary

(Lists only the agency Performance Level budget decision packages, in priority order)

Agency: **142 Board of Tax Appeals**

10/24/2014
2:31:43PM

Budget Period: **2013-15**

Decision Package	
Code	Decision Package Title
PL-A0	Contractual Tax Referees
PL-A1	Retirement Buyout Funding
PL-A2	Database Upgrade

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: A0 Contractual Tax Referees
Budget Period: 2013-15
Budget Level: PL - Performance Level

Recommendation Summary Text:

Because of an increased workload and large backlog of appeals, the Board of Tax Appeals (Board) proposes to hire three contract hearing officers to improve services to taxpayers and taxing authorities. The contract employees will conduct hearings and decide tax appeals. The contractors 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 2014</u>	<u>FY 2015</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		38,650	38,650
Total Cost		38,650	38,650

Package Description:

The agency proposes hiring 3 contract hearing officers 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. Seventy percent of taxpayers 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. Using contract hearing officers will allow the Board to reduce the current backlog for a significantly reduced cost. 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 funds to hire three contractors (hearing officers) to alleviate workload and waiting time problems. The contractors 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 Board has recently implemented a new expedited hearing process which will allow each contract hearing officer to hear up to 12 cases per week, thus doubling the amount of cases closed. Adding contract hearing officers will allow current Board members and Tax Referees to hear the more complex cases currently pending before the Board.

The volume and complexity of the workload is unsustainable at the present staffing level. The contract hearing officers would be hired from a pool of experienced Administrative Law Judges and thus would not require extensive training. These contractors would conduct an additional 48 hearings weekly, thereby helping to reduce the backlog. Taxpayers and taxing authorities would receive more timely hearings and decisions.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The decision package would improve the ability of 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 contractors 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 decision package provide essential support to one of the Governor's 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

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

none

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. 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 but are difficult to acquire funding for, contract personnel provide the best opportunity for the agency to address the backlog of pending cases in a timely and cost efficient manner.

What are the consequences of not funding this package?

If the money is not provided, 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 their written decisions. 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

The Board would hire three contract hearing officers and pay a set \$150.00 fee per hearing beginning as soon as funds became available. The contract personnel would be responsible for hearing cases that have been designated for the new expedited hearing process. The salary for a contract position would be set at \$ 150.00 per case with an estimated 24 hearings monthly. The calculations below show the 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.

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

The funds requested are one-time and not anticipated to be ongoing.

<u>Object Detail</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
E Goods\Other Services		33,400	33,400
J Capital Outlays		5,250	5,250
Total Objects		38,650	38,650

Agency: 142 Board of Tax Appeals
Decision Package Code/Title: A1 Retirement Buyout Funding
Budget Period: 2013-15
Budget Level: PL - Performance Level

Recommendation Summary Text:

The Board of Tax Appeals (Board) requests \$9,184 to offset sick leave and accrued leave buyout expenses incurred when a Legal Secretary 2 retires in FY 15.

Fiscal Detail

Operating Expenditures	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		9,184	9,184
Total Cost		9,184	9,184

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 1 retiring during the current fiscal year. Total costs for retirement buyout is \$9,184 for a Legal Secretary.

The accrued and sick leave buyout costs for RH total \$9,184. By law, this staff member receives 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 buyout 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 ensure that hearing officer or other staff work days are not 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 decision package provide essential support to one of the Governor's priorities?

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 decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

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 not funding 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: A2 Database Upgrade****Budget Period: 2013-15****Budget Level: PL - Performance Level****Recommendation Summary Text:**

The Board desires to provide taxpayers and taxing authorities with greater access to the appellate process by upgrading and promoting technology platforms, specifically its database and case management software. Building on the Board's existing systems will benefit all major stakeholders in accomplishing the Board's mission of resolving appeals of taxpayers and taxing authorities to maintain public confidence in the state tax system.

Fiscal Detail

Operating Expenditures	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		10,500	10,500
Total Cost		10,500	10,500

Package Description:

In January 2005, the Board received funds from the DIS Small Agency Initiative to create the foundation of a case management database system for the tracking of cases through the appellate process. At the time, the Board had an antiquated case management database. By statute, the Board's primary function is hearing tax appeals. With the use of these funds, the first stage of the database development was completed. The Board now has a database that the office is able to better access and utilize more efficiently. Since this time, the Board has been inputting data into the system. The Board is now in need of an upgrade to the database application to fulfill its strategic vision of leveraging technology to provide electronic access to stakeholders in the appellate process. Allowing taxpayers and taxing authorities greater access to the data system will facilitate hearings, make them more transparent of the parties involved, and easier for the hearing officers. By reducing reliance on paper and providing greater taxpayer access to case information through electronic means, the Board is convinced it can increase the number of hearings. A significant portion of the Board's cases involve taxpayers with professional representation. These professionals (and taxing authorities-the respondents at a hearing) have the electronic capabilities that would permit them to access the Board's database and pertinent case evidence if our system was upgraded to permit that. With the system upgrades, these professionals would be more willing to submit supporting documentation electronically. This would provide a significant cost savings to the Board and boost productivity.

The Board wishes to provide taxpayer's with the ability to electronically fill out and file an appeal through our website and then to electronically submit documentary evidence necessary to adjudicate the appeal. These electronically filed documents would then be seamlessly integrated into the Board's case management software system. Essentially, the taxpayer would be posting documents to his/her case file. With the proper technology upgrades, including safety and firewall features, the Board then desires to have the litigants (and the tax referees) provided with the capability of electronically viewing all pertinent case file documents. Essentially, the Board's vision is the eventual creation of a paperless system. The requests presented here are the follow-on steps (and funding) needed to complete the Board's quest to fulfill the goal of creating this paperless system- part of the Board's Strategic Plan. Going paperless and allowing taxpayers complete electronic access to their case files has these advantages: reducing staff time needed to process paper documents-staff could concentrate more on responding to customer questions and needs, increasing efficiency at hearings by reducing or eliminating the reliance on paper documents-documents would be viewed on-line, reducing hard-copy reproduction and archiving costs, and greater taxpayer access to and transparency in the tax appeal system. Through a project a contractor will provide the necessary building blocks in attaining our goal by installing an upgrade to the database management system (Laserfiche). This system now allows us to record and retrieve basic information on an appeal, but does not allow for seamless integration of electronically submitted documents. Now funding is needed to carry us through additional phases of the project to attain the goal.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

To provide funding needed to upgrade and further enhance the capabilities of the Board's database. Appellants need the ability to electronically tie into all case information thus allowing for more efficient presentation of evidence and better case management.

Hearing officers will have all case information electronically stored for retrieval. By providing an electronic retrieval system, the hearing officers will not be required to carry paper case files to hearings. By rule, all evidentiary matters (documents) must be provided 10 days in advance of a hearing. Providing taxpayers with the electronic means to post pertinent case information directly into the Board's case file will increase efficiency by reducing staff time required to process paper submissions. For those taxpayers without electronic means, staff would still be required to scan-in to the Board's electronic case file any paper documents submitted. However, with the requested database upgrades, the hearing officer would still have the capability of viewing this evidence on-line.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

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

Information access is a key element in providing public confidence in the transparency of the appellate system. Improving electronic filing retrieval programs and reports and upgrading website accessibility will provide taxpayers with a more efficient, easier way to present their cases on appeal. Allowing greater access to the appellate process will improve taxpayer confidence in the state tax system. E-filing of documents will promote efficiency. Staff time required to process documents and acknowledge receipt of appeals will be greatly reduced.

Does this decision package provide essential support to one of the Governor's priorities?

Upgrade and providing for continued enhancements to the Board's database and website will support the strategic plan in a number of ways. First, an increased ability to electronically access information on our cases will increase efficiency and system transparency. To an extent, this has already been realized in the Board's office in Olympia with front line staff being able to quickly access case information and respond to customer inquiries. Upgrading the database and making it electronically available to taxpayers and taxing authorities will allow the hearing officers to conduct more telephone hearings thus increasing overall efficiency and output.

Second, the quality of the services provided the taxpayer would improve. Allowing taxpayer access to the case file would promote transparency and thus greater confidence in the process. Enhanced public access and understanding of appellate tax case information through evolving technology maintain the public's confidence in the state tax system. Taxpayers would be assured that they are being dealt with fairly because they would have the same access to the evidence as would the hearing officer. Third, upgrading the Board's website integration with our database management system to allow for the electronic filing of an appeal and evidence would reduce the staff time necessary to process and acknowledge receipt of these documents. Four, communication between the Board, its staff and the taxpayer would increase. Increasing communication would increase efficiency.

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government process?

n/a

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

To provide funding needed to upgrade and further enhance the capabilities of the Board's database. Appellants need the ability to electronically tie into all case information thus allowing for more efficient presentation of evidence and better case management.

Hearing officers will have all case information electronically stored for retrieval. By providing an electronic retrieval system, the

hearing officers will not be required to carry paper case files to hearings. By rule, all evidentiary matters (documents) must be provided 10 days in advance of a hearing. Providing taxpayers with the electronic means to post pertinent case information directly into the Board's case file will increase efficiency by reducing staff time required to process paper submissions. For those taxpayers without electronic means, staff would still be required to scan-in to the Board's electronic case file any paper documents submitted. However, with the requested database upgrades, the hearing officer would still have the capability of viewing this evidence on-line.

Information access is a key element in providing public confidence in the transparency of the appellate system. Improving electronic filing retrieval programs and reports and upgrading website accessibility will provide taxpayers with a more efficient, easier way to present their cases on appeal. Allowing greater access to the appellate process will improve taxpayer confidence in the state tax system. E-filing of documents will promote efficiency. Staff time required to process documents and acknowledge receipt of appeals will be greatly reduced.

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

This is a technology upgrade request. The alternative is doing without the requested improvements and continuing the Board's present Business operations with its reliance on pieces of paper-a less efficient method. Nonetheless, the Board would seek funding through the DES Small Agency Initiative process if this proposal could not be funded. Of course, that process has limited funding and has been used by the Board already to fund the initial database improvements. Seeking additional funding through that process would be problematic at best.

What are the consequences of not funding this package?

Non-funding would prevent the Board from attaining its strategic vision of increasing taxpayer access to the appellate process. Allowing the taxpayer(and taxing authorities) to electronically view the same evidence as the hearing officer increases public confidence in the system by making the process more transparent. Electronic filing of documents promotes efficiency by reducing the staff time necessary to process paper documents. Moving to a paperless system is the future of this organization and a core strategy supporting the Board's goal of resolving tax appeals in a timely, convenient, and economical manner.

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

Application IT Support - Hrly \$100 @ 20 hrs
 Enhancement - Laserfiche Integration- 7,500
 Update Website - Hrly \$100 @ 10 hrs

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

Ongoing but with significant reduction in annual funding needs to only cover maintenance costs.

<u>Object Detail</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Total</u>
E Goods\Other Services		10,500	10,500

Recommendation Summary

Agency: 142 Board of Tax Appeals

2:29:58PM

10/24/2014

Dollars in Thousands

	FY2 FTEs	General Fund State	Other Funds	Total Funds
2013-15 Current Biennium Total				
Total Carry Forward Level				
Percent Change from Current Biennium				
Carry Forward plus Workload Changes				
Percent Change from Current Biennium				
Total Maintenance Level				
Percent Change from Current Biennium				
PL A0 Contractual Tax Referees		39		39
PL A1 Retirement Buyout Funding		9		9
PL A2 Database Upgrade		11		11
Subtotal - Performance Level Changes	0.0	59		59
2013-15 Total Proposed Budget		59		59
Percent Change from Current Biennium				

PL A0 Contractual Tax Referees

Because of an increased workload and large backlog of appeals, the Board of Tax Appeals (Board) proposes to hire three contract hearing officers to improve services to taxpayers and taxing authorities. The contract employees will conduct hearings and decide tax appeals. The contractors 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.

PL A1 Retirement Buyout Funding

The Board of Tax Appeals (Board) requests \$9,184 to offset sick leave and accrued leave buyout expenses incurred when a Legal Secretary 2 retires in FY 15.

PL A2 Database Upgrade

The Board desires to provide taxpayers and taxing authorities with greater access to the appellate process by upgrading and Promoting technology platforms, specifically its database and case management software. Building on the Board's existing systems will benefit all major stakeholders in accomplishing the Board's mission of resolving appeals of taxpayers and taxing authorities to maintain public confidence in the state tax system.