

## 2017-19 Biennium Budget Decision Package

**Agency:** 142 Board of Tax Appeals  
**Decision Package Code/Title:** N2 Obtain WaTech Support Services  
**Budget Period:** 2017-2019  
**Budget Level:** PL

### Agency Recommendation Summary Text:

This package requests funding to allow the Board of Tax Appeals (BTA) to comply with OCIO policies, reduce agency risks associated with aging technology, and mitigate its heavy reliance on a single agency administrative employee to troubleshoot and maintain that technology. Funding this investment will allow the BTA to achieve sustained and consistent delivery of services to staff and stakeholders, reduce agency downtime, and improve data security. This request supports the agency's business transformational records management and online filing portal, implemented through 2016 supplemental funding.

**Fiscal Summary:** Decision package total dollar and FTE cost/savings by year, by fund, for 4 years.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
001-1 General Fund-Basic Account-State	\$50,600	\$96,800	\$96,800	\$96,800
<b>Total Cost</b>	<b>\$50,600</b>	<b>\$96,800</b>	<b>\$96,800</b>	<b>\$96,800</b>
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0	0	0	0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
None	0	0	0	0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. E Goods/Services	\$50,600	\$96,800	\$96,800	\$96,800

### Package Description

Historically, the BTA has maintained and hosted all technology assets on-site with contractor provided IT desktop and network support. A decade without sufficient technology funding and the resulting capital approach to purchasing has left the BTA without the operating flexibility to absorb the large cyclical expenses associated with updating its technology infrastructure. Due to budget constraints in 2013, the contract for desktop and network support was discontinued and an Administrative Assistant absorbed these duties.<sup>1</sup>

The agency still relies on PCs that are no longer adequate to perform the essential business function for which they were purchased, nor are they compliant with current OFM/OCIO lifecycle recommendations or

<sup>1</sup> This position was reclassified into the Records and Technology Manager, a .1 technology FTE. However, the agency's technology problems continue to increase and now take up more than half this position's time. This substantially impacts other administrative needs of the agency.

security requirements. Efforts to maintain agency PCs well beyond their useful life reduces security and consumes staff time trying to work around issues and repair failing systems. In addition, the BTA is less able to take advantage of incremental improvements available through newer software that is not supported by the agency's existing technology.

This investment will obtain WaTech Desktop Support Services and Virtual Managed Server hosting/technical support for the BTA. The services sought will allow relocation of Board file and web servers to the State Data Center (SDC), eliminate agency exchange server requirements, migrate network services to the State Government Network (SGN), and discontinue agency purchases of personal computers and desktop support services. Technology assets and services to be provided by WaTech include: Desktop Support Services, State Network (SGN) Access, Enterprise Active Directory/Exchange Access, and Managed Virtual Server Hosting/Technical support.

- A consistent replacement cycle of essential agency hardware and software will enable the BTA to operate efficiently and in compliance with state information technology guidelines.
- Transitioning to WaTech support services ensures OCIO Security Standards (141.10) compliance for all services, equipment, and platforms utilized by the BTA.
- The network services included in this package support the BTA's strategic plan goal to provide timely and efficient service to customers and other stakeholders involved in the appeal process.
- Replacement of an aging and unsupported web server with an updated secure virtual web server to host the agency webpage and decision repository will result in improved customer service quality.
- Switching to the SGN for network connectivity will decrease agency downtime associated with network outages.
- This package also supports the BTA's strategic plan goal to become compliant with state technology requirements and reduce agency reliance on employees with technology skills.

By creating efficiency, this investment offsets the need to increase staffing in order to comply with OCIO policies and guidelines. In particular, WaTech includes design, implementation, operation, maintenance, and support services in this package, eliminating the need for multiple staff to maintain the BTA's aging technology infrastructure.

Included in the Desktop Support Services provided by WaTech:

- Backup/Recovery of user and shared files.
- Compliance with IT policies and standards set by the OCIO, including all required risk and security assessments and certification reporting requirements.
- Maintain PCs and Laptops, including security patching.
- Data/Reporting requests, including fiscal notes, budget requests, legislative proposals, etc.
- Desktops and Local Network hardware and software purchase, installation, configuration, administration, maintenance, upgrade, and disposal.
- Disaster Recovery/COOP planning and execution.
- Email administration and support, including SPAM filtering, email vaulting services, and inclusion in the Global Address List.
- Equipment Refresh compliance with OFM SAAM (35.50.10) useful life schedule.
- Firewall/Security services, workstation patch management, virus protection, malware detection and removal, cyber threat assessment, and encryption of devices.
- Active Directory user/group/permission management.
- Local and Wide Area Network connectivity to the SGN and internet.
- Monitoring of infrastructure health and performance.
- Development and update of IT related policies in consultation with Subject Matter Experts.
- Procurement of desktop equipment and related software in the standard configuration ensuring compatibility with existing infrastructure and policy compliance.
- Users file storage, administration, configuration, and management.
- Site support visits as needed to confirm quality of service.

- Remote and secure access via Virtual Private Network (VPN) to state resources.

Included in the Managed Server Hosting Services provided by WaTech:

- One public-facing virtual web server with 100GB of disk storage, operating Windows Server 2012R2 which will host agency web site and decision repository search software.
- One virtual file server with 600GB of disk storage, operating Windows 2012R2 and SQL Server 2008 which will host agency case management and hearing recording applications.
- Server Backup Services for virtual servers.
- Technical support and maintenance of operating systems and hardware.

Rikki Bland, Board of Tax Appeals Records and Technology Manager is available to answer any questions regarding this package. (Direct number: (360) 753-5446).

**Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.**

The BTA currently hosts a public facing web server, main file server, and exchange server on-site supporting internal and external customer business needs. There are no ongoing fiscal costs to the agency for hosting these assets aside from server hardware replacement and significant staff time associated with maintenance. The agency web server is 10 years old and currently operates Windows Server 2003; this operating system is unsupported by Microsoft and has passed the mandatory retirement date as determined by the OCIO software retirement policy. The BTA also maintains a “main” server that hosts the agency legacy case management system database/software, staff files and agency documents, hearing recordings, and the agency software library. The main server currently operates Windows 2008R2 and SQL Server 2005 on a machine that is 5 ½ years old; this version of SQL Server has passed the mandatory retirement date as well. The exchange server currently operates Windows 2008R2 and Exchange Server 2007 on a machine that is 5 ½ years old; this version of Exchange Server has a mandatory retirement date of 4/17/2017. The BTA utilizes commercial internet service provider RainierConnect for network connectivity. Annual costs of \$2,304 are for a 7Mbps ADSL connection which has proven undersized due to an increase in internet usage by Board staff as the agency transitions to electronic filings and cloud-based software hosting of its document repository. Anti-virus, Firewall, and Virtual Private Network (VPN) services are provided through a reseller contract with Capitol Business Machines with a cost of \$1,100 annually. Support for all services is provided by the agency Records and Technology Manager with occasional contracted support from Capitol Business Machines IT staff.

**Decision Package expenditure, FTE and revenue assumptions, calculations and details:**

This package assumes:

WaTech Desktop Support Services for 13 devices at a cost of \$5,000 per device annually. Also included is Managed Server Hosting/Technical Support Services for 2 Virtual servers to be located in the State Data Center at a cost of \$1,535.10 per month. Active Directory management for 12 FTE’s is a separate charge of \$25.68 per month, Email and Vault storage fees are charged separately at a cost of \$378 per month. VPN access tokens/certificates will be \$48 monthly. Telephony/Network connectivity charges are estimated at \$660 monthly. Managed Server Hosting service one-time setup fee of \$700 would be required. Access to the SGN would require purchase of a compatible modem/router estimated at \$1,500. Budget calculations include 6 months of services and one-time costs in FY18, and 12 months of services in FY19.

**Decision Package Justification and Impacts**

**What specific performance outcomes does the agency expect?**

- Converting from agency owned PCs and in-house technology services to WaTech provided services will bring efficiency and budget predictability to the BTA.

- The BTA will be able to eliminate its aging, inefficient servers and associated maintenance fees by transitioning to the WaTech virtual managed server hosting service. WaTech Desktop Support Services include access to the State Government Network (SGN), allowing the BTA to replace its current commercial internet service that is no longer sufficient to meet agency business needs.
- Shifting to WaTech's extensive team of IT support professionals will reduce agency reliance on a single staff member for technology support and allow her to support customer-facing work and meet agency administrative needs.
- Relocation of Board data center assets to the State Data Center (SDC) allows agency compliance with OCIO Data Center Investments policy (184).
- These services will also bring the BTA into compliance with OCIO policy for PC procurement practices; create more predictable budgeting by handling PCs and their maintenance as on-going operating expenses rather than periodic capital expenditures.
- The availability of SGN access provides secure, reliable, monitored network access supported by network specialists.  
Transitioning to the State shared email service allows the BTA to take advantage of email vaulting, inclusion in the Global Address list, and secure email services.
- Converting from unsecure legacy systems operating unsupported software to virtual servers, maintained in accordance with OCIO standard 141.10 will significantly improve agency data security.

**Performance Measure detail:**

This investment fully supports the nine key objectives of the Washington State Strategic Information Technology Framework, specifically modernization and security.

What are other important connections or impacts related to this proposal? Please complete the following table and provide detailed explanations or information below:

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	No	Identify:
Responds to specific task force, report, mandate or exec order?	Yes	Identify: OCIO Policy 184, OCIO Policy 201, OCIO Guideline 201.10, OFM SAAM 35.50.10, OCIO Policy 141, OCIO Standard 141.10
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	No	Identify:
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions
Identify other important connections		

**Please provide a detailed discussion of connections/impacts identified above.**

OFM 2017-2019 Biennial Budget instructions require that all IT investments comply with IT statutes and policy, specifically chapter 12.3. The BTA is requesting funds to bring the agency into compliance with those instructions, through WaTech provided utility-based infrastructure services and utilizing the State Data Center (SDC) for managed virtual server services. Compliance with OCIO security and procurement policies is the focus of this package.

**What alternatives were explored by the agency and why was this option chosen?**

The agency evaluated whether to maintain its systems on-site, request increased funding for as self-technology budget, and obtain increased contractor funding to handle technology matters for the agency. If the partial FTE staff member functioning as the system administrator leaves the agency, substantial supplemental funds will be required to increase contractor maintenance support. This alternative is less likely to result in OCIO compliance and more likely to result in unanticipated expenditures.

**What are the consequences of not funding this request?** If this request is not funded, the BTA will continue to:

- Expend more of its extremely limited financial and labor resources to repair, replace, and maintain aging systems.
- Lose productivity as aging essential systems increasingly require more time to maintain and troubleshoot, and have increased downtime preventing staff from using critical agency systems.
- Be noncompliant with OCIO policies and best practices. Although waivers may be obtained, this does not address the security and other risks associated with noncompliance.
- Risk emergency technology expenses resulting from reliance on a single staff member for all agency technology needs. (If the agency required a mere 10 hours of services a month to replace that staff member's efforts, the resulting costs would equal nearly one half of the agency's total discretionary funds of approximately \$27,000 annually. Note, however, that this staff member currently provides more than forty hours a month of technology services.)

**How has or can the agency address the issue or need in its current appropriation level?**

The agency cannot address these issues within its current appropriations.

**Other supporting materials:** Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

**Information technology:** Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

## IT Addendum

## Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs”)

Information Technology Items in this DP <i>(insert rows as required)</i>	FY 2018	FY 2019	FY 2020	FY 2021
WaTech Desktop Support Services	\$32,500	\$65,000	\$65,000	\$65,000
Managed Virtual Server Hosting/Support	\$11,410	\$18,421	\$18,421	\$18,421
Active Directory Access 12 FTE's @ \$2.14	\$154	\$308	\$308	\$308
Email (Mailboxes) 13 @ \$4.90	\$382	\$764	\$764	\$764
Email Vaulting Storage 250GB @ \$1.27	\$1,902	\$3,804	\$3,804	\$3,804
VPN Certificates (computer) 8 @ \$6.00	\$288	\$576	\$576	\$576
Telephony/Network Connectivity	\$3,960	\$7,920	\$7,920	\$7,920
<b>Total Cost</b>	<b>\$50,596</b>	<b>\$96,793</b>	<b>\$96,793</b>	<b>\$96,793</b>

## Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

- Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service?  Yes  No
- Does this decision package fund the acquisition or enhancements of any agency data centers? (See [OCIO Policy 184](#) for definition.)  Yes  No
- Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See [OCIO Policy 121](#).)  Yes  No

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

## 2017-19 Biennium Budget Decision Package

**Agency:** 142 Board of Tax Appeals

**Decision Package Code/Title:** Tax Referees

**Budget Period:** 2017-2019

**Budget Level:** PL – Performance Level

### Agency Recommendation Summary Text:

The Board of Tax Appeals (BTA) is the final step in the administration of taxes in Washington State, providing an independent review of state and local tax assessments. The BTA is a vital part of the state’s tax administration system, but has remained critically underfunded despite unprecedented increases in the demand for agency services. This has resulted in a huge backlog of cases, unacceptable delay in the provision of services, and decreases in service reliability and customer satisfaction. This decision package requests additional temporary and permanent staff to address the agency’s case backlog, eliminate delays in the provision of services, and improve service reliability.

**Fiscal Summary:** Decision package total dollar and FTE cost/savings by year, by fund, for 4 years.

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
General Fund	\$196,500	\$372,800	\$109,000	\$109,000
<b>Total Cost</b>	<b>\$196,500</b>	<b>\$372,800</b>	<b>\$109,000</b>	<b>\$109,000</b>
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	2.0	4.0	1.0	1.0
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
None	0	0	0	0
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. A (Salaries & Wages)	\$132,400	\$264,900	\$78,100	\$78,100
Obj. B (Employee Benefits)	\$43,900	\$87,900	\$25,900	\$25,900
Obj. E (Goods & Other Services)	\$20,200	\$20,000	\$5,000	\$5,000

### Package Description

At current funding levels, the agency is unable to fulfill its mission: To maintain public confidence in the state tax system by providing taxpayers and taxing authorities with an accessible, fair, and efficient appeals process. The core of the agency’s service is to provide administrative or trial-like hearings, and to issue a decision that determines the amount of tax due from taxpayers. As a result, the agency’s primary goal is to set as many hearings, and issue as many decisions, as possible.

Thus, the success or failure of the agency depends almost entirely on the number of hearing officers available to hold hearings and draft decisions.

**Current State**

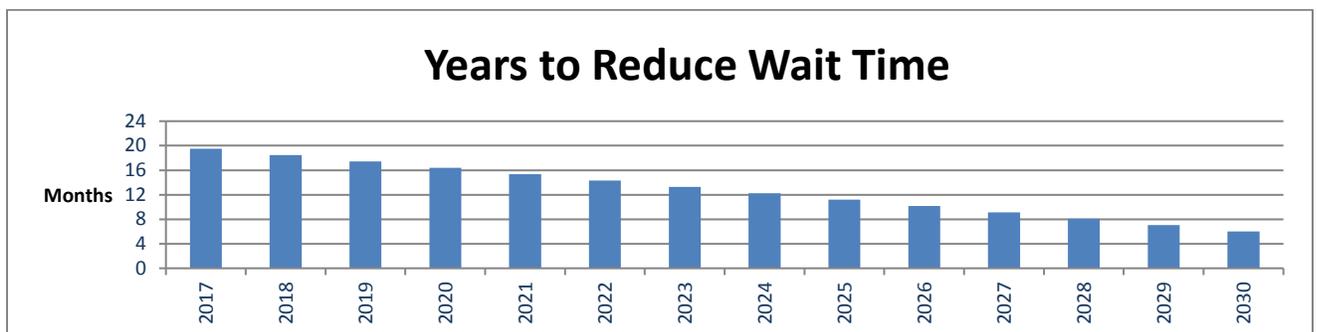
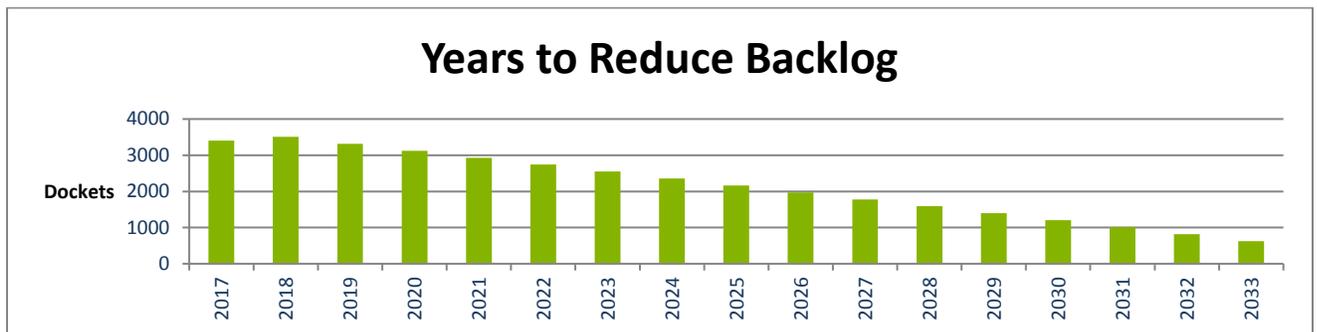
The BTA has a backlog of more than 3400 dockets waiting to be heard by a total of six hearing officers. More than half of the current backlog will not receive a hearing until more than 3 years after being filed with the agency. More than 500 dockets are already more than 3 years old. Cases filed today will wait nearly 19 months for resolution.

The agency’s backlog is the result of an unprecedented increase in filings over the past ten years and reductions in funding that prevented the agency from hiring sufficient hearing officers to handle the increase in filings. In fact, budget reductions required the agency to eliminate a tax referee position in FY2010 at nearly the height of the increase.

**Agency Filings and Backlog**



At current staffing levels, it will take between **13 and 16 years** to return to FY06-07 service levels (500 dockets and six months wait time for a hearing):



## Lean Efforts

The agency has already applied lean concepts over the last five years to streamline case processing and eliminate significant system waste. Specifically, the agency has (1) changed to telephonic hearings to shorten hearings and eliminate hearing officer travel time; (2) established a pre-hearing order process that encourages parties to settle cases; (3) reduced the time spent in drafting decisions by offering taxpayers abbreviated decisions; and (4) utilized support staff to identify and contact parties to encourage settlement. The agency does not have starting metrics to definitively measure the impact of these efforts, but a decreasing backlog demonstrates increased agency output over 2006 production.

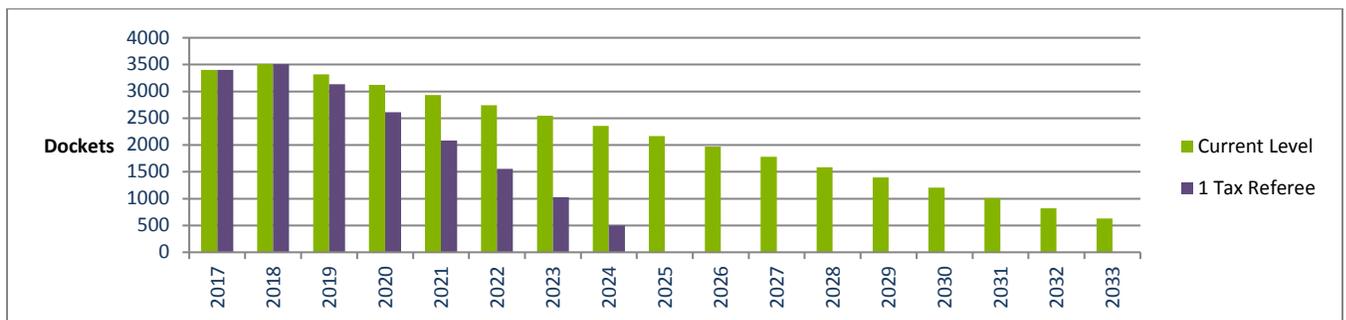
## Future Lean Efforts.

Additional lean efforts for the 2017 and 2019 biennium will include (1) spacing scheduled hearings to reduce the time between the hearing date and the date when an officer is able to begin drafting a decision; and (2) streamlining officers' case file review through an improved electronic records system. It is not known whether these efforts will have more than a nominal impact on the backlog. Although such changes could shorten the time spent by hearing officers to draft certain decisions, it may be that time saved is used to improve writing quality.

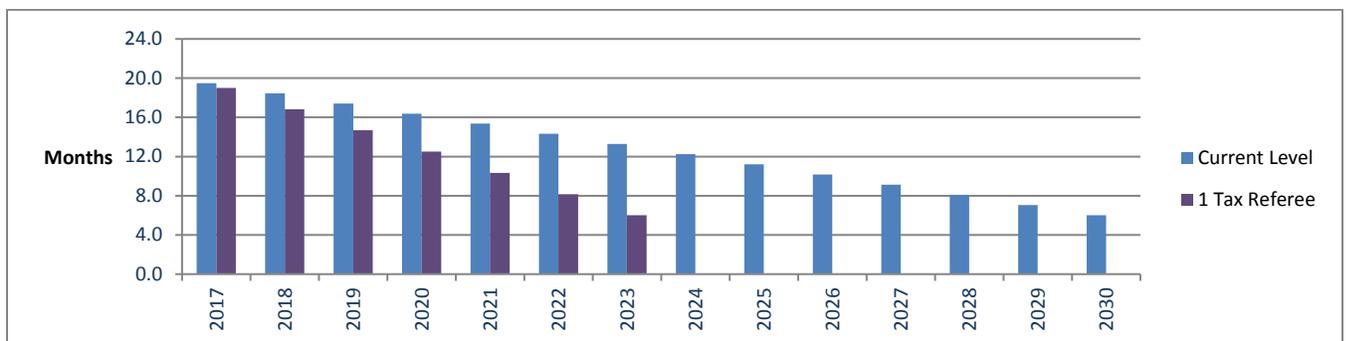
## Additional Tax Referees

A trained tax referee can process 200-240 dockets a year. If the BTA were able to add a **single qualified tax referee** by the second half of FY 2018 who processed 240 dockets a year,<sup>1</sup> the agency could dramatically reduce its backlog and wait times. The BTA would reach FY 06-07 performance levels in about **seven years**.<sup>2</sup>

### Years to Reduce Backlog – 1 New Tax Referee



### Years to Reduce Wait Time – 1 New Tax Referee



<sup>1</sup> A previous decision package requested contract referees paid by the hearing, and estimated those contract referees would produce nearly double what a staff referee can produce. This estimate was based on the assumption that agency staff would direct only simplest cases to the contractors, and accepted the fact that the quality of service for the offered pay would be substantially less than that currently provided by the agency. The present package seeks to comprehensively address the existing backlog of cases, including the more complex commercial cases which are the oldest cases in our system, without compromising the quality of service currently provided.

<sup>2</sup> These figures assume tax referees would be hired, trained, and producing by the second half of FY18.

Results improve incrementally with the addition of more referees:

Additional Tax Referees	6 Month Wait Time	500 Backlog	1 Year Wait Time	2000 backlog
None	13 years	16 years	9.5 years	7.75 years
One	6 years	7 years	3 years	4.25 years
Two	4 years	5.5 years	2.5 years	3.25 years
Three	3.5 years	4.5 years	2 years	2.5 years

### Recommendation

The BTA recommends that the legislature fund **one permanent tax referee and two temporary referees for 18 months of the biennium**. This allows the BTA to reach a 12 month wait time in two years, but still provides ongoing support to continue to reduce the overall backlog and maintain state service levels.

Additional Tax Referees	1 Year Wait Time	2000 backlog	6 Month Wait Time	500 Backlog
<ul style="list-style-type: none"> <li>• <b>1 permanent</b></li> <li>• <b>2 contract for 2 years</b></li> </ul>	2 years	3.1 years	4.75 years	5.5 years

### Additional Support Staff

Additional hearing officers will increase administrative support needs, impacting administrative support staff as follows:

- **Clerk of the Court.** Primary duties (schedule hearings, issue scheduling letters) increase by 50%
- **Legal Assistant.** Primary duties (issue decisions, orders, scheduling letters) increase by 50%
- **Records/Technology Manager.** Primary duty (records management) increase by 50%  
Secondary duty (technology management) increase by 27%

Therefore, the agency would also require funding for a temporary Office Assistant 3 position for 18 months of the biennium.

### **Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.**

This proposal supports and improves the agency’s mission – to maintain public confidence in the state tax system by providing taxpayers and taxing authorities with an accessible, fair, and efficient appeals process. Out of its 1.3 million dollar annual budget, 1.13 million dollars is dedicated to agency staff salaries and benefits, all of which directly supports the agency’s mission.

### **Decision Package expenditure, FTE and revenue assumptions, calculations and details:**

The figures and charts above are based on the following assumptions:

- A trained tax referee hearing can dispose of 20 dockets a month. This is a sustainable figure based on the average performance of all tax referees over the last three years. The figure assumes that the most complex matters will continue to be heard and decided by the Board or an individual member rather than by referees.

- The agency as a whole can dispose of 2400 dockets a year. This figure is based on the average number of dockets handled by the agency over the last three years. Nearly half of these dockets are disposed of by dismissals without decision (such as withdrawals and stipulations).
- The number of dockets filed with the agency annually will continue at approximately 2,200, slightly less than the average number filed over the last three years.
- Each new position will need desktop support and other technology support services that could be contracted through WaTech at \$5,000 per year per person. This package assumes service costs for 2FTEs in FY18, 4FTEs in FY19, and 1FTE in FY20 & 21.
- The agency will need to offer and would pay annual salary of \$78,120 (WSM Band 2) for a hearing officer with sufficient experience and legal background to handle increasingly complex appeals. This salary would apply both to the permanent and temporary hearing officer positions. This package assumes 1.5 FTEs in FY18, 3FTEs in FY19, and 1 FTE in FY20 & FY21. Salary and benefits total \$104,036 per FTE. One-time equipment and setup costs in FY18 are estimated at \$7,613 for 1.5FTEs.
- An office assistant 3 position would be paid \$30,528 annually (Range 31, step F). This package assumes .5FTE in FY18 and 1FTE in FY19. Salary and benefits total \$40,654 per FTE. One-time equipment and setup costs in FY18 are estimated at \$2,537 for .5 FTE.

### Decision Package Justification and Impacts

The agency expects the following results from this package:

Outcome	Performance Measure
Reduce backlog to 2000 dockets	Achieve in <b>3.1 years</b>
Reduce time from filing to decision to 1 year	Achieve in <b>2 years</b>
Reduce backlog to 500 dockets	Achieve in <b>4.75 years</b>
Reduce time from filing to decision to six months	Achieve in <b>5.5 years</b>

#### Performance Measure detail:

Additional hearing officers will allow the agency to be more accountable to the citizens of Washington by effectively delivering on its core mission – to maintain public confidence in the state tax system by providing taxpayers and taxing authorities with an accessible, fair, and efficient process for resolving appeals.

Additional hearing officers will increase the efficiency and effectiveness of the agency by:

- Reducing the time taxpayers and state and local governments must wait before receiving a tax ruling.
- Allowing Board members to continue to focus on resolution of complex commercial valuation and excise tax appeals.
- Increasing the quantity of published guidance relied on by businesses.

As a result, Washington will have:

- Improved certainty in state and county revenues and improved taxpayer confidence in Washington’s tax system.
- An improved tax and business climate.
- Improved scores in third party tax rating systems, such as the Council on State Taxation (COSTI) report.

If this package is funded, taxpayers and taxing authorities will receive a decision and have certainty in the amount of taxes or refund due **42% faster** within two years.

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

Impact(s) To:		Identify / Explanation
Regional/County impacts?	Yes	<b>Identify:</b> The Board of Tax Appeals handles appeals of county property tax assessments. While a matter is under appeal at the BTA, the County faces an unknown impact to its budget. For example a major taxpayer in Grant County, REC Solar, sought a ten million dollar reduction in taxes on appeal to the BTA. This case was given priority, but still not resolved for over 21 months.
Other local gov't impacts?	Yes	<b>Identify:</b> The BTA handles appeals of sales and use tax assessments by the Department of Revenue. These taxes include local governments' shares.
Tribal gov't impacts?	No	<b>Identify:</b>
Other state agency impacts?	Yes	<b>Identify:</b> The BTA handles appeals of assessments made by the Department of Revenue. That agency may be unable to issue final guidance on an issue when a case involving that issue is pending before the BTA.
Responds to specific task force, report, mandate or exec order?	No	<b>Identify:</b>
Does request contain a compensation change?	No	<b>Identify:</b>
Does request require a change to a collective bargaining agreement?	No	<b>Identify:</b>
Facility/workplace needs or impacts?	No	<b>Identify:</b>
Capital Budget Impacts?	No	<b>Identify:</b>
Is change required to existing statutes, rules or contracts?	No	<b>Identify:</b>
Is the request related to or a result of litigation?	No	<b>Identify lawsuit (please consult with Attorney General's Office):</b>
Is the request related to Puget Sound recovery?	No	<b>If yes, see budget instructions Section 14.4 for additional instructions</b>
Identify other important connections		

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

The agency has explored and put into practice many process improvements based on lean principles, and will continue its efforts in this area. However, the agency needs more than incremental improvements to address its overwhelming backlog and hearing delay.

The BTA must balance its desire to accelerate the appeals process with the quality of services provided, as well as seeking to maintain an appeal process that is informal and accessible to small, unrepresented property owners and businesses.

Obtaining more hearing officers allows the agency to maintain this balance. In the alternative, the agency can sacrifice service quality and informality in order to move cases more quickly through the system. Measures that have been considered include:

1. Reduce the number of matters entitled to a hearing.
  - Only provide a review of the Board of Equalization hearing record for property tax matters where the assessed value is \$250,000 or less.
  - This would eliminate hearings for approximately 1/3 of the agency's current backlog.
  - This option may be subject to constitutional due process challenges.
2. Reduce the content of its written decisions.
  - Rather than provide comprehensive written decisions, the agency could move to summary decisions that provide limited findings and analysis.
  - This could be implemented for all informal property tax matters – about 90% of the agency's caseload; or
  - It could be implemented for informal property tax matters where the assessed value is \$250,000 or less.
  - This solution is limited in part by statutory requirement to make written findings.
3. Dismiss cases that do not appear to be actively prosecuted.
  - Rather than allow parties to present a case solely by argument at a hearing, the agency would require submission of evidence and briefing shortly after the appeal is filed.
  - The agency would then dismiss or summarily rule on the matter if one or both of the parties did not comply.
  - This option increases the time costs of participating in an appeal, and may act as a barrier for less sophisticated taxpayers.

#### What are the consequences of not funding this request?

- Taxpayers and taxing authorities will continue to wait an unacceptable period of time before the agency will be able to address their appeals.
- The agency will also be forced to drastically cut services, primarily impacting lower homeowners and small businesses.
- Washington's tax appeal system will continue to be scrutinized and criticized by local and national stakeholder groups.

#### How has or can the agency address the issue or need in its current appropriation level?

The agency cannot address its need with its current appropriation.

- A single qualified tax referee, an administrative law judge with state tax experience, would cost more than **three times the agency's discretionary budget**.
- The agency has a \$1.3 million annual budget. With \$1,134,000 dedicated to salaries and benefits, the agency has just \$166,000 dollars a year to cover all other agency operating needs, including central services and other fixed costs.
- This is not sufficient to cover agency operating expenses. The agency relies on regular employee turnover – specifically on a deliberate delay before replacing an outgoing employee – to meet agency operational expenses.

**Other supporting materials:** Please attach or reference any other supporting materials or information that will help analysts and policymakers understand and prioritize your request.

**Information technology:** Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

No 

Yes (Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)