

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

5/10/2018

2. Department

California Department of Tax and Fee Administration (CDTFA)

3. Organizational Placement (Division/Branch/Office Name)

Field Operations Division (FOD)

4. CEA Position Title

Assistant Deputy Director, Compliance

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

Recently, the California Department of Finance (DOF) led a review of the Sales and Use Tax collection process at the California Department of Tax and Fee Administration (CDTFA). The report included the conclusion that the department would benefit from adding "2 to 4 executive staff into Field Operations to ensure effective district operations." CDTFA is requesting two additional CEA positions; "Assistant Deputy Director of Compliance" and a separate package for an "Assistant Deputy Director of Audits."

6. Reports to: (Class Title/Level)

Deputy Director of Field Operations (FOD)/CEA B

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): Position reports to the Deputy Director of FOD but provides consultation and recommendations to the Executive Management Team, as well as implementing broad direction.

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Under the general direction of the Deputy Director, Field Operations Division (FOD) of the California Department of Tax and Fee Administration (CDTFA), the Assistant Deputy Director of Compliance manages and directs the tax program activities as they relate to compliance of the FOD, which includes statewide offices, branch offices, and out-of-state offices, as well as the Use Tax Administration Section, to ensure that tax revenues are collected in an equitable, effective, and efficient manner to provide General Fund and special fund revenue for state and local jurisdictions. In coordination with the Deputy Director and executive management, the incumbent provides consultation and advice, develops and makes recommendations on sales and use tax statewide policies and procedures, tax programs, and administrative issues relative to the overall operations of the field offices, as well as the Use Tax Administration Section. In addition, the incumbent develops and provides consultations and advice to the Deputy Director of FOD, as well as the Chief Deputy Director and Director of CDTFA, on sales and use tax statewide policies and procedures, tax programs, and administrative issues relative to the overall operations of the field offices as they relate to compliance. The incumbent develops or assists the Deputy Director in the development and implementation of statewide strategic plan to improve efficiencies and reach the Field Operations Division's goals, as well as to ensure consistency with the Department's strategic direction in the Division's program and operational plans. The Assistant Deputy Director reviews, evaluates, and implements tax program effectiveness and operational efficiency with specialization and focus in compliance (tax collection).

In coordination with the Deputy Director: plans, organizes, directs, and oversees the activities and tax program functions of the FOD as they relate to compliance. These activities include registration, enforcement, advisory services, special revenue related projects, and exploring new uses of technology in tax programs; identifies inconsistencies in policy and procedure throughout the division; develops and implements strategies for effective and efficient administration of the tax programs; provides guidance to, oversees, and evaluates the activities of the administrators within the division with an emphasis on aligning executive direction and departmental goals with outcomes.

Develops, formulates, and recommends statewide compliance program policies, procedures, and practices on statewide compliance program issues; assists the Deputy Director in representing the FOD in presentations before various legislative, industry, and consumer groups; serves as liaison with internal and external departments or agencies and the public.

As a key member of the FOD executive team, constantly provides advice, expertise, and assistance to the Director and Chief Deputy Director on tax issues and statewide sales and use tax program policies and procedures. Other responsibilities include maintaining an extensive working knowledge of all aspects of the Sales and Use Tax Law and Regulations as well extensive knowledge and high level expertise in field office policies and procedures.

Actively participates in strategic planning efforts which include: formulating and implementing the Department's Operational and Program Plan that compliments the overall objectives of CDTFA; participating in fiscal, legislative, and regulatory activities and the clearance of publications and forms that impact FOD as well as the all of CDTFA; reviewing and approving budgetary, personnel, and organizational changes involving all FOD offices.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The mission of CDTFA is to make life better for Californians by fairly and efficiently collecting the revenue that makes our public services possible. FOD, along with the Business Taxes and Fees Division, is the mechanism through which CDTFA fulfills the mission, with support from the other CDTFA units. Policy and direction from the Assistant Deputy Director will directly and substantially impact how CDTFA collects revenue through direct oversight and control.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

CDTFA was formed effective July 1, 2017 to handle most of the taxes and fees previously collected by the Board of Equalization (BOE). DOF lead a review of the Sales and Use Tax Collection process at CDTFA to determine if the department is meeting its mission to "make life better for Californians by fairly and efficiently collecting revenue that makes our public services possible."

The review consisted of a modified Mission-Based Review approach with a team consisting of DOF and CDTFA subject matter experts. The team reviewed policies, training, and other materials before completing a complex matrix detailing the common duties of staff engaged in the process of collecting sales and use tax. Concurrently, members of the team visited 9 of the 22 Field Operations locations throughout the state and every Headquarters unit that has a role in sales and use tax collection (Field Operations, Business Tax and Fee, Legal, and Administration Divisions) to analyze processes and procedures associated with how CDTFA collects sales and use tax through extensive interview and desk audits of existing staff. The team compiled their findings into a report and agreed upon issues and recommendations.

One issue that was detailed in the report was that the current Deputy Director of FOD directly oversees approximately 2,200 positions in the division. This is an anomaly in the transition from the BOE to CDTFA that has occurred because of the transition from member input at a district level to a linear organizational structure. Currently, the Deputy Director of FOD has 30 direct reports. The majority of these direct reports are field administrators that coordinate the activity of the CDTFA field offices, the out of state offices, and the Use Tax Administration Section. This single Deputy Director with such a high number of direct reports leads to an informational gap between Headquarters and field offices. This type of reporting structure makes it very difficult to communicate with direct reports in a clear and concise fashion that allows for follow-up and a complete understanding of the policy direction from executive management. An example of this type of lack of a coordinated executive management approach across the districts was directly reflected in the areas of emphasis that each field office puts on certain areas of the audit process. Many offices are still applying their own policy rather than following statewide policy. This allows for distinct differences on how offices handled issues such as accounts that are audited, audit methods used, tolerances allowed, and adjudication of protested audits across the state. While the communication line between the Deputy Director and the direct reports is clear, it is the follow-up and clarification that cannot happen in the existing structure. This management structure does not lead to the CDTFA being able to deliver "fair and efficient tax administration" throughout the state.

The report recommended that CDTFA add 2 to 4 executive staff into Field Operations to ensure effective field office operations. Even though the current sales and use tax compliance and audit process is broken up among four divisions the structure could be improved with additional executives to supervise the field offices more closely. The people in these roles should be experienced compliance or audit staff with a willingness to engage both the executive staff, in an attempt to understand policy direction. The individual's would need to understand compliance and audit activities across the state to ensure that tax activities are carried out in a "fair and efficient" manner at the field office level. These positions could ensure that office are all applying the particular areas of emphasis that have been identified by executive management. Additionally, this level of staff would be close enough to the offices to begin to present a better look at metrics for each office and to understand the differences and similarities between offices in their assignment.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The CEA exercises independence and authority in developing, implementing, directing and evaluating CDTFA's statewide sales and use tax compliance programs. In coordination with the Deputy Director, identifies inconsistent policies and/or procedures within the Field Operations Division (FOD), develops and implements strategies to enhance compliance program operations.

The CEA assists or acts on behalf of the Deputy Director to represent the FOD before other managers; division executives; Chief Deputy Director; the Director; local, state and federal entities; regulatory agencies; and the Legislative and Executive Branch representatives to present, discuss and offer advice on policy considerations, regulations and laws impacting CDTFA's compliance programs.

The CEA will analyze and recommend policy decisions related to the Statewide Compliance and Outreach Program (SCOP). Maintaining consistency across the state is challenging given the ever changing emphasis on education versus compliance. Canvassing across a state as large and diverse as California needs constant coordination and direction provided to the SCOP teams dealing with business owners face to face with varied cultural backgrounds, languages and business practices.

For fiscal year ending June 30, 2017, the SCOP teams conducted over 73,000 visits to businesses across the state to provide valuable education and help business owners understand their responsibilities for reporting taxes and fees administered by CDTFA. While facilitating education and voluntary compliance in reporting tax obligations, SCOP teams also inspect for required tax and fee permits which resulted in found over 700 unpermitted locations. The SCOP team's efforts for the FY 2016/2017 identified approximately \$33 million in additional tax revenue. In addition, SCOP teams have been assigned in the second quarter of 2018 to search for and identify the large number of emerging recreational cannabis businesses operating without proper licenses and permits; provide education to gain voluntary compliance; and refer businesses continuing to ignore regulatory requirements for stronger compliance actions. The CEA needs to be flexible to meet program objectives while meeting statewide revenue goals for the program and adjust policies and procedures for the ever changing business community.

The CEA will evaluate, modify and provide guidance to field offices for statewide collection and enforcement policies to ensure efficient, effective and consistent procedures and practices. Revenues from tax debtors in FY 2016/2017 by the field offices amounted to over \$560 million in collections and managing over \$1.5 billion in accounts receivables. Working with stakeholder teams across the Department such Legal, Special Taxes and Investigations, will better ensure effective, efficient and consistent policies for field office collection teams.

The CEA will analyze and recommend decisions related to new laws or tax programs to develop and implement policy. The changing landscape of business activity in this diverse state such as cannabis related businesses requires constant and nimble policy responses to provide effective and fair policies that work for permit registration, compliance with tax laws and payments especially with cash. The most recent reporting period for the first quarter of 2018 generated over \$60 million in excise and sales tax revenues for cannabis related businesses. The revenue is expected to materially increase in future reporting periods as licenses issued and regulatory compliance grows. The CEA will provide this capacity to keep policies consistent, current and relevant.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The Assistant Deputy Director will be responsible for ensuring that the compliance activities and functions pertaining to the FOD result in the collection of sales and use tax revenues in a fair, equitable, and efficient manner and that amounts determined to be due and economically recoverable are promptly collected. Decisions and recommendations from the Assistant Deputy Director will significantly impact statewide agency operations, CDTFA management, sale and use tax compliance programs, major general fund revenues, and inter-agency operations. The Assistant Deputy Director assists the Deputy Director in representing CDTFA with other State and Federal agencies on unique tax programs that require joint interpretation and implementation, such as inter-agency cooperative compliance efforts with the Internal Revenue Service, Franchise Tax Board, and the Employment Development Department. As noted in Section #26, the Assistant Deputy Director will be heavily involved with the impact of new laws and emerging businesses such as the recreational cannabis market. The Assistant Deputy Director will serve a key role in making leadership decisions and providing direction to the field office compliance teams to timely and effectively deal with changing needs. In addition, the Assistant Deputy Director will be responsible for the coordination and implementation of complex compliance issues which impact all CDTFA programs.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The Assistant Deputy Director will be responsible for providing feedback on, interpreting, developing, and implementing policies from the Deputy Director of FOD, as well as the CDTFA executive management. In addition to supporting executive management's overall policy decisions, the Assistant Deputy Director will also have significant independent responsibility to create and implement policy and procedure among the statewide offices within the division.