

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

11/21/2018

2. Department

California Department of Tax and Fee Administration (CDTFA)

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

Financial Management Division (FMD)

4. CEA Position Title

Chief of Financial Operations

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

The CDTFA proposes to revise the above CEA as part of its realignment of responsibilities currently assigned to the role of Chief of Research and Statistics. Under realignment, Chief of Financial Operations will have the working title of "Chief." The Chief will be responsible for implementing Corrective Action Plans for external audits and the overall management of the Research and Statistics, Tax Revenue Branch (collections) and Local Revenue Branch (distribution). Aligning research, collections and distribution is complimentary since they overlap the use of Research and Statistics, statistical factors and are closely tied to Program and the Centralized Revenue Opportunity System (CROS).

6. Reports to: (Class Title/Level)

Chief Financial Officer (CFO)

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 CFO 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 CFO, the Chief of Financial Operations contributes to the CDTFA's mission by: (a) providing research, statistical, and revenue estimating services to internal and external stakeholders (Research and Statistics), (b) managing the CDTFA's tax return collection, cashiering and deposit operations (Tax Revenue Branch), (c) managing the audit, allocation and distribution of a portion of tax collections to local and district taxes (Local Revenue Branch) and, (d) implementing Corrective Action Plans for external audits.

**RESEARCH & STATISTICS:** Prepares revenue estimates for bills being considered by the Legislature, public initiatives, informal tax change proposals from the Legislature, and issues being discussed. The Chief meets with CFO or Executive Management, and respective program areas to resolve any disagreements as to the practical effect of a proposal to ensure that the estimate accurately reflects the effect on state and local revenues. Without these revenue estimates, proposed changes and their interaction within the total spectrum of government finance cannot be evaluated properly. For example, estimates the decreases in cigarette and tobacco products consumption caused by Proposition 10. These revenues are then transferred from the California Children and Families First (Proposition 10) fund to other programs funded by cigarette and tobacco tax revenues. Calculates the rates for other tax and fee programs, including but not limited to the Private Railroad Car Tax, Timber Yield Tax, fuel, etc.

Prepares and publishes public newsletters as well as the breakdown of taxable sales activity by type of business and jurisdiction (i.e., city and county). This breakdown is critical to the Department of Finance when it prepares the State's budget. The Research and Statistics Section continuously monitors the flow of tax receipts to ascertain that changes in system processes and taxpayer behavior have not altered historical relationships that would affect budget estimates. Provides the growth factor used in computing estimated revenue advances to local jurisdictions and advises the CDTFA's Local Revenue Branch of any misallocations it discovers in analyzing allocation data. In addition, prepares revenue estimates for recently incorporated cities and new transaction tax districts to support revenue advances to these jurisdictions.

The data compiled by the Research and Statistics Section and the recommendations and advice provided by the Chief to the CFO and Executive Management staff significantly affects the agency's position on key issues. CDTFA's revenue estimates and projections contribute to the preparation of the State's annual budget and have a major influence on the adoption of pending legislation. Because the Chief's decisions are subject to the scrutiny of a diverse group of interested parties, the duties of the position must be performed with a great deal of tact and diplomacy.

**TAX REVENUE BRANCH:** Responsible for incoming mail sorting, messenger services, and mail delivery and pickup. Ensuring the sorting, opening and distribution of mail for delivery to the various programs in the headquarters building and outlying offices in the Sacramento area. Creating and processing standardized batches of returns and remittances, verifying data, adding and balancing returns/checks, encoding checks, perforating scheduled sales and use tax returns and special tax returns, specialized tax and fee processing, digital check imaging, electronic data processing, digital check storage, electronic deposit and digital check processing, tax and fee payment reconciliation and research services, microfilm and digital check retrieval, resolution of unidentified payments and tax/fee payer account resolution, daily reconciliation and balance of various funds. Managing schedule, batch process and key data elements in various tax and fee programs. Ensuring the timely scheduling of key returns for Return Analysis Unit and Local Revenue staff to resolve discrepancies and correct errors to ensure proper allocation of payments to taxing jurisdictions. Monitoring, correcting, and clearing of work queues.

**LOCAL REVENUE BRANCH:** Proper allocation and distribution of (1) the current 1.0% local tax to local jurisdictions (cities and counties), (2) the 0.25% local tax to the county transportation funds, both pursuant to the Bradley-Burns Uniform Local Sales and Use Tax Law, and (3) the various special district taxes pursuant to the Transactions and Use Tax Law. Monitor local and district tax reporting for unusual occurrences and inconsistencies, e.g., revenues skipping quarters and application of incorrect tax area codes to ensure correct revenue distribution and allocation to local jurisdictions. Processing sales and use tax returns that are filed each quarter. Review all scheduled returns verifying that all local and district tax money has been identified to the appropriate Tax Area Codes and is allocated accurately. Payments of local and district tax revenues are distributed to local jurisdictions on a monthly basis. On average each month, LRB distributes over \$1 billion to local jurisdictions. Calculating monthly advance payments using historical data and other information supplied by LRB staff and other sources. Maintaining current maps, and utilizing various mapping resources to assign and verify accurate tax area coding and to assist the district offices and CDTFA staff with tax area code questions. Processing city annexations and incorporations to identify permit holders within the new area and ensure that tax area registration information is updated correctly. Maintain the integrity of the Centralized Revenue Opportunity System ("CROS") registration and security for taxpayer accounts. Registration functions include maintaining taxpayer information such as the name, dba, mailing address and business locations, not all inclusive.

**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 CDTFA administers 37 state tax and fee programs that fund approximately \$64 billion of the state and local budget.

Chief is responsible for ensuring assets are appropriately managed and accounted for, controls are in place to mitigate loss and local governments receive the sales and use tax funding to support their financial infrastructure timely and accurately. Due to the nature of CDTFA's business and the responsibility for administering the tax and fee programs, both the data compiled and recommendations of the Chief have widespread implications that ultimately affect much of the State's population.

**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.

The CDTFA is responsible for the collection and distribution of approximately \$64 billion of tax and fee revenue that fund vital state and local programs and infrastructure, and a budget exceeding \$600 million.

In July 2017, the CDTFA was formed and assumed administration of 37 tax and fee programs from the Board of Equalization (BOE), most of its financial management functions were embedded in different parts of its Administration Division. Accounting, Local Revenue, and Tax Revenue Branches were under the Financial Management Bureau; while Budgeting was part of the Business Management Bureau. Statistical factoring was supplied by the Research and Statistics unit – an area outside the Administration Division that reported to the Legislation and Research Section.

The CDTFA responded to multiple audit Corrective Action Plans and recommendations from control agencies and outside consulting firms by centralizing all aspects of its financial management under FMD. This realignment of functions (accounting, budgeting, revenue, expenditures and statistical analysis) enables the CDTFA to centralize its oversight of all fiscal responsibilities.

In June 2018, the department's first CFO was hired to effectively comply with multiple audit findings. The CFO and Executive Management wanted greater focus on accounting controls. Splitting the job responsibilities of the 2 existing CEA position will generate greater focus on financial operations and further refinement of the organization's accounting and budgeting duties. The Chief will facilitate the appropriate staffing levels needed to proactively prepare for and interact with control agencies on a variety of fiscal issues and allow the agency to better meet its fiduciary responsibility to California's citizens, ensuring appropriate fiscal oversight of tax and fee dollars.

### 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.

**RESEARCH AND STATISTICS:** The Chief will oversee the preparation of revenue estimates for bills being considered by the Legislature, public initiatives, informal tax change proposals from the Legislature and issues being discussed. Meet with the CFO or Executive Management and respective program areas to resolve any disagreements as to the practical effect of a proposal to ensure that the estimate accurately reflects the effect on state and local revenues. Without these revenue estimates, proposed changes and their interaction within the total spectrum of government finance cannot be evaluated properly.

**TAX REVENUE BRANCH:** Ensuring direct online payment vouchers, account receivables, and Automated Compliance Management System notices are entered into CROS. Manage batch process and key data elements in various tax and fee programs. Meet the CDTFA's paperless digital office vision. In collaboration with the Technology Services Division (TSD), maintain technology upgrades that implemented electronic scanning, automated processing of remittance documents, batch return processing and digitizing all incoming mail for electronic distribution.

**LOCAL REVENUE BRANCH (DISTRIBUTION):** Payments of local and district tax revenues are distributed to local jurisdictions on a monthly basis. On average each month, LRB distributes over \$1 billion to local jurisdictions. Calculating monthly advance payments using historical data and other information and other sources required controls are in place to mitigate loss and local governments timely and accurately receive the sales and use tax funding to support their financial infrastructure.

**C. ROLE IN POLICY INFLUENCE (continued)**

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

The Chief is a key fiscal advisor to the CFO, Executive Management and is responsible for the overall administration of the Research and Statistics Section, Tax Revenue Branch and Local Revenue Branch. This includes direct and indirect supervision of approximately 200 professional and administrative staff. The Chief is responsible for strategic planning and policy leadership regarding the CDTFA fiscal matters, including analyzing, monitoring, and recommending changes in fiscal policies and operations to and mitigate loss along with ensuring local governments receive their monthly allocation timely and accurately; acts as liaison for CDTFA with other state and local agencies on fiscal issues; responsible for providing fiscal information to control agencies and localities for revenue forecasting.

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

The Chief is responsible for developing, interpreting and implementing policy in a variety of program functions. Responsibilities include revenue forecasting, making program requirements changes resulting from legislation, proper allocation of funds to local jurisdictions along with ensuring CDTFA's tax return collection, cashiering and deposits are operating correctly and efficiently.