

**Initial Statement of Reasons/Explanation of Reasons for
Proposed Amendment to
California Code of Regulations, Title 18, Section 6001,
General Provisions and Appendices A and B**

SPECIFIC PURPOSE AND NECESSITY

Current Law

Government Code section 87300 requires the State Board of Equalization (Board) to adopt a conflict of interest code. Government Code section 87302, subdivision (a), requires that the Board's conflict of interest code contain the:

Specific enumeration of the positions within the agency, other than those specified in Section 87200, which involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest and for each such enumerated position, the specific types of investments, business positions, interests in real property, and sources of income which are reportable.

California Code of Regulations, title 2, section (Regulation) 18730 contains the terms of a standard conflict of interest code, which can be incorporated by reference into any agency's conflict of interest code.

The Board's Conflict of Interest Code (Code) is set forth in California Code of Regulations, title 18, section (Regulation) 6001, *General Provisions*, and Appendices A and B to Regulation 6001. Regulation 6001 incorporates the provisions of Regulation 18730 into the Board's Code by reference. Appendix B contains the Board's numbered disclosure categories, which each describe different types of reportable economic interests. Appendix A designates (or lists) the Board's positions that involve the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest, and specifies each listed position's reportable economic interests by reference to the numbered disclosure categories in Appendix B.

Proposed Amendments

The Board reviewed its entire organizational chart and the descriptions for all of the positions listed therein,¹ and received input from each department, division, office, or section to determine whether Appendix A to Regulation 6001 lists all of the current Board positions, including officers and consultants, but not elected officers, such as the

¹ The job descriptions are available on the California Department of Human Resources website at <http://www.calhr.ca.gov/state-hr-professionals/pages/job-descriptions.aspx>.

Board Members, that make or participate in the making of decisions which may foreseeably have a material financial effect on any financial interest. The Board also reviewed its organizational chart, the descriptions for its positions, and received input to ensure that the disclosure requirements for each position listed in Appendix A are narrowly tailored to each position's job duties, and that the disclosure requirements differentiate between similar positions with different levels of responsibility.

The Board also reviewed the disclosure categories described in Appendix B to Regulation 6001 to ensure that the categories sufficiently describe all reportable economic interests that designated employees are required to disclose in a clear, concise, and efficient manner.

As a result of its review, the Board determined that it is reasonably necessary to:

- Update Appendix A to implement classification and organizational changes that have taken place at the Board since the Code, including Appendices A and B, was last amended on April 3, 2015.
- Update Appendix A to list only those positions at the Board that make or participate in the making of decisions which may foreseeably have a material financial effect on any financial interest. (Gov. Code, §§ 87300, 87302, subd. (a).) Positions that are no longer used at the Board are being deleted, and new positions are being added.
- Modify the disclosure categories listed in Appendix B for the purpose of narrowly tailoring the disclosure requirements assigned to each position listed in Appendix A. The revisions ensure that each position's disclosure requirements correspond with the position's job duties and differentiate between similar positions with different levels of responsibility.

Therefore, during its meeting on March 29, 2022, the Board unanimously voted to propose amending Appendices A and B to Regulation 6001 in accordance with those determinations, as explained in detail below.

I. Revisions to Appendix A

A. Board Members' Offices

The proposed amendments delete positions that are no longer used at the Board and adds the Attorney (All Levels) classification to Appendix A, which is currently in use within the Board Members' Offices. The added classification is being assigned the same disclosure categories as the Tax Counsel (All Levels) classification, which also continues to be in use. Each of the positions listed under *Board Members' Offices* make or participate in the making of decisions which may foreseeably have a material financial effect on financial interests and have been assigned disclosure categories consistent with the specific duties of each designated position.

B. Executive Office

The proposed amendments delete positions that are no longer used at the Board and add classifications for CEA (All Levels), Business Taxes Specialist (All Levels) and Staff Services Manager (All Levels) in Appendix A to align with the revised structure of the Board.

The proposed amendments of Appendix A also assign disclosure categories to the positions in the Executive Office that are narrowly tailored to the specific duties of each designated position.

C. Executive Services Section

The proposed amendments delete the “Executive Services Section” of Appendix A because this section no longer exists in the structure of the Board.

D. Board Proceedings Administrative Section

The proposed amendments delete Chief and Business Taxes Specialist (All Levels) positions of Appendix A because these positions are no longer being used by this section. The position Staff Services Manager (All Levels) and has been added because these positions make or participate in the making of decisions which may foreseeably have a material financial effect on financial interests.

In addition, the proposed amendments assign new disclosure categories or revise the disclosure categories assigned to the positions listed in Appendix A to reflect revisions made to Appendix B and to narrowly tailor the disclosure requirements to the specific duties of each designated position.

E. External Affairs Department

The proposed amendments delete the “External Affairs Department” of Appendix A because this department no longer exists in the structure of the Board.

F. Outreach Services Division

The proposed amendments delete the “Outreach Services Division” of Appendix A because this division no longer exists in the structure of the Board.

G. Customer Service and Publishing Division

The proposed amendments delete the “Customer Service and Publishing Division” of Appendix A because this division no longer exists in the structure of the Board.

H. Web Services Division

The proposed amendments delete the “Web Services Division” of Appendix A because this division no longer exists in the structure of the Board.

I. Office of Public Affairs

The proposed amendments delete the “Office of Public Affairs” of Appendix A because this office no longer exists in the structure of the Board.

J. Legislative and Research Division

The proposed amendments delete the Staff Services Manager (All Levels), Business Tax Specialist (All Levels), and Research Manager (All Levels) because these positions are not in use by this division. The proposed amendments add CEA (All Levels) position to Appendix A because the position makes or participates in the making of decisions which may foreseeably have a material financial effect on financial interests. Additionally, the Research Program Specialist classification is amended to reflect the current classification in use, which is Research Data Specialist (All Levels).

The proposed amendments also assign new disclosure categories or revise the disclosure categories assigned to the positions listed in Appendix A to reflect revisions made to Appendix B and to narrowly tailor the disclosure requirements to the specific duties of each designated position.

K. Technology Services Department

The proposed amendments delete the “Technology Services Department” of Appendix A because this department no longer exists in the structure of the Board.

L. CROS Project Team

The proposed amendments delete the “CROS Project Team” in Appendix A because this team no longer exists in the structure of the Board.

M. Taxpayers’ Rights Office and Equal Employment Opportunity Division

The proposed amendments to Appendix A rename and split the former “Equal Employment Opportunity Division” to the “Taxpayers’ Rights Advocate Office” and the “Equal Employment Opportunity Division” to reflect the separation of the division at the Board. Additionally, the Taxpayers’ Rights Office amendments delete the Tax Counsel (All Levels), Business Taxes Administrator (TRA)(All Levels), Business Taxes Specialist (TRA)(All Levels), and Staff Services Manager (EEOO)(All Levels) classifications because these positions are not in use by the Taxpayers’ Rights Office.

The deleted Staff Services Manager (EEOO) (All Levels) has been moved to the newly created Equal Employment Opportunity Division.

The proposed amendments also assign new disclosure categories or revise the disclosure categories assigned to the positions listed in Appendix A to reflect revisions made to Appendix B and to narrowly tailor the disclosure requirements to the specific duties of each designated position.

N. Internal Audit Division

The proposed amendments delete the “Internal Audit Division” of Appendix A because this division no longer exists in the structure of the Board.

O. Administration Department

The proposed amendments delete the “Administration Department” of Appendix A because this department no longer exists in the structure of the Board.

P. Information Security Office

The proposed amendments delete the “Information Security Office” of Appendix A because this office no longer exists in the structure of the Board.

Q. Administrative Support Division

The proposed amendments delete the “Administrative Support Division” of Appendix A because this division has been combined with the Board’s existing Board Proceedings Division. Additionally, positions that make or participate in making decisions which may foreseeably have a material financial effect on financial interests have been included as classifications that will report under the “Board Proceedings Division Administrative Section”.

R. Human Resources Division

The proposed amendments delete the “Human Resources Division” of Appendix A because this division no longer exists in the structure of the Board.

S. Financial Management Division

The proposed amendments delete the “Financial Management Division” of Appendix A because this division no longer exists in the structure of the Board.

T. Legal Department

The proposed amendments delete Chief Counsel and Assistant Chief Counsel classifications but add the CEA (All Levels) and Attorney (All Levels) classifications,

which cover the Chief Counsel and the Attorney positions. Business Taxes Administrator (All Levels), Librarian, Business Taxes Specialist I, II, and III, Business Taxes Compliance Specialist, and Business Taxes Specialist positions have been deleted as these positions are not in use by this department.

The proposed amendments also assign new disclosure categories or revise the disclosure categories assigned to the positions listed in Appendix A to reflect revisions made to Appendix B and to narrowly tailor the disclosure requirements to the specific duties of each designated position.

U. Investigations and Special Operations Division

The proposed amendments delete the “Investigations and Special Operations Division” of Appendix A because this division no longer exists in the structure of the Board.

V. Data Analysis Section

The proposed amendments delete the “Data Analysis Section” of Appendix A because this section no longer exists in the structure of the Board.

W. Property Tax Department

The positions formerly designated under the County-Assessed Properties Division & State-Assessed Properties Division in Appendix A do not reflect the current organizational structure of the Board’s current Property Tax Department. Many of the positions are no longer used by the department and need deletion. In addition, all the disclosure categories assigned to the designated positions that are still used by the department are not narrowly tailored to the current job duties of each designated position.

The proposed amendments delete Business Taxes Administrator (All Levels), Principal Property Appraiser (Timber), Supervising Property Appraiser (SAPD), Senior Specialist Property Auditor Appraiser (Timber), Senior Forest Property Appraiser, Associate Forest Property Appraiser, Associate Property Auditor Appraiser (Timber), Assistant Property Auditor Appraiser (Timber) and Business Tax Representative (Timber) from Appendix A as these positions are no longer used by the department.

The proposed amendments add a new CEA (All Levels) and Junior Property Appraiser to Appendix A. Additionally, Research Manager Supervisor (All Levels) has been amended to Research Data Supervisor (All Levels) and Research Analyst (All Levels) has been amended to Research Data Analyst (All Levels), both of which more accurately reflect the classifications of the positions.

The proposed amendments also assign disclosure categories to the positions listed under these new headings in Appendix A to reflect revisions made to Appendix B and to narrowly tailor the disclosure requirements to the specific duties of each designated position.

X. Special Taxes Policy & Compliance Division and Special Taxes Audit and Carrier Division

The proposed amendments delete the “Special Taxes Policy & Compliance Division and Special Taxes Audit and Carrier Division” of Appendix A because this Division no longer exists in the structure of the Board.

Y. Sales and Use Tax Department

The proposed amendments delete the “Sales and Use Tax Department” of Appendix A because this department no longer exists in the structure of the Board.

Z. Headquarters Operations Division

The proposed amendments delete the “Headquarters Operations Division” of Appendix A because this division no longer exists in the structure of the Board.

AA. Tax Policy Division

The proposed amendments delete the “Tax Policy Division” of Appendix A because this division no longer exists in the structure of the Board.

AB. Field Operation Division

The proposed amendments delete the “Field Operation Division” of Appendix A because this division no longer exists in the structure of the Board.

AC. Additional Revisions

In addition, the proposed amendments remove the designation for “CROS Evaluators” and “CROS Subject Matter Experts” of Appendix A because the Board does not have employees with CROS specialized classifications and as such does not have any positions within this category.

II. Amendments to Appendix B

A. Updated and Clarified Disclosure Categories

The proposed amendments delete disclosure Category 1 in Appendix B because it addresses disclosures related to Sales and Use Tax matters and the Board no longer has jurisdiction over Sales and Use Tax related matters. This changes the numbering of each category.

The proposed amendments renumber disclosure Category 2 as Category 1 . The proposed amendments update disclosure Category 2 in Appendix B so that it accurately reflects the

special taxes that are currently being administered by the Board, which is currently only the Alcoholic Beverage Tax Law.

The proposed amendments renumber disclosure Category 3 as Category 2.

The proposed amendments delete disclosure Category 4 in Appendix B, as the Board no longer handles Timber Yield Tax.

The proposed amendments renumber disclosure Category 5 as Category 3 and revise the category to remove appeals related to Personal Income Tax Law, Band and Corporation Tax Law, as the Board no longer has jurisdiction over these types of appeals.

The proposed amendments renumber disclosure Category 6 as Category 4, Category 7 as Category 5, Category 8 as Category 6, Category 9 as Category 7, Category 10 as Category 8, Category 11 as Category 9, Category 12 as Category 10, and Category 13 as Category 11.

Specific Purpose and Necessity

During its March 29, 2022, meeting, the Board determined that the proposed amendments are reasonably necessary for the specific purpose of ensuring that the Board's conflict of interest code complies with the requirements of Government Code section 87302 by:

- Listing only those positions at the Board that make or participate in the making of decisions which may foreseeably have a material financial effect on any financial interest; and

Assigning disclosure requirements that are narrowly tailored to a position's job duties and differentiating between similar positions with different levels of responsibility

The Board also determined that the proposed amendments are reasonably necessary for the specific purpose of ensuring that the disclosure categories in Appendix B describe all of the economic interests that employees in listed positions are required to disclose in a clear, concise, and efficient manner.

DOCUMENTS RELIED UPON

The Board relied upon a Chief Counsel Memorandum dated March 15, 2022, the attachments to the memorandum, and comments from Board staff made during the Board meeting on March 29, 2022, in deciding to propose the amendments to the Code, including Appendices A and B.

ALTERNATIVES CONSIDERED

The Board did not consider any alternatives to the proposed amendments to the Code, including Appendices A and B. No alternatives were presented to the Board.

FISCAL IMPACT

The Board's determinations regarding the fiscal impact of the proposed amendments to the Code, including Appendices A and B, in the Board's notice of proposed regulatory action, are in accordance with the requirements of California Code of Regulations, title 2, section (Regulation) 18730.