

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5540-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Richardson
Carrier – Senate: Sen. Schrader**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 21 – 1 – 0

House – Yeas: Buckley, D. Edwards, Galizio, Garrard, Gilman, Jenson, Komp, Kotek, Nathanson, Richardson, Shields, G. Smith

– Nays:

– Exc:

Senate – Yeas: Bates, Carter, Johnson, Monroe, Nelson, Verger, Walker, Whitsett, Winters

– Nays: Girod

– Exc:

Prepared By: Jim Carbone, Department of Administrative Services

Reviewed By: Laurie Byerly, Legislative Fiscal Office

Meeting Date: May 29, 2009

Agency

Department of Revenue

Budget Page

I-18

LFO Analysis Page

468

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2009-11

Budget Summary*

	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 150,874,321	\$ 160,041,827	\$ 157,889,331	\$ 7,015,010	4.6%
Other Funds	\$ 34,861,981	\$ 35,263,057	\$ 34,681,320	\$ -180,661	-0.5%
Other Funds Nonlimited	\$ 240,508	\$ 237,790	\$ 263,830	\$ 23,322	9.7%
Total	\$ 185,976,810	\$ 195,542,674	\$ 192,834,481	\$ 6,857,671	3.6%

Position Summary

Authorized Positions	1,048	1,027	1,072	24	%
Full-time Equivalent (FTE) positions	968.22	962.11	1,004.90	36.68	%

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Department of Revenue (DOR) collects revenue from a variety of sources and transfers it to various state and local agencies. These revenue sources include taxes on: a) cigarettes and other tobacco products; b) amusement devices; c) payroll (for local mass-transit); d) timber, oil, and gas severance; and e) the harvesting of forest products. The Department also collects and distributes hazardous substance fees, court fines and assessments, and taxpayer check-off donations; serves as the collection agency for fines, forfeitures, and assessments owed to state agencies; and administers property tax relief programs for senior citizens and persons with disabilities. Altogether, the tax programs the Department administers generate 96% of General Fund revenue and 88% of local government revenue.

The Subcommittee approved policy packages and administrative actions by the Department of Revenue that will increase the state’s General Fund revenue stream. These increases are as follows:

- Policy Package 152 - \$19.3 million additional General Fund revenue
- Continue the Collections speed-up project - \$17.6 million additional General Fund revenue.

The Legislative Revenue Office has issued a revenue impact statement with additional information.

Summary of the General Government Subcommittee Action

The Department of Revenue administers over 30 tax programs, including the state's income and property tax programs. It helps counties assess and collect property taxes; collects and distributes taxes and fees for other state agencies and local governments; and operates three tax relief programs. The Subcommittee approved a budget of \$192.8 million Total Funds, which is a 3.7 percent increase over the 2007-09 legislatively approved budget. The budget includes a series of policy package adjustments, which are outlined below.

The Subcommittee approved Package 090 – Analyst Adjustments, which reduces Services and Supplies (Professional Services) by \$2.7 million Other Funds to reflect a decrease in resources needed by the Oregon State Police and the Department of Justice for tobacco tax enforcement. Tobacco tax evasion issues will still be pursued and prosecuted, but the tobacco task force component (dedicated staff) has been disbanded.

In addition, Other Funds Nonlimited expenditure authority was increased by \$26,040 to fully cover the actual assessment cost of the Multistate Tax Commission (MTC). This assessment is paid from revenues received by the agency as a result of MTC audits.

The third adjustment approved in this package was a \$1,090,000 General Fund decrease in the Elderly Rental Assistance program, which will better align the budget with projected program usage.

The Subcommittee approved Package 804 – Roll-Up of 2007-09 Reductions, which carries forward into 2009-11 the permanent reductions that were taken as part of the 2007-09 rebalance plan. This package results in a reduction of \$318,515 General Fund, \$12,889 Other Funds, 3 positions, and 3.00 FTE.

Package 810 – Additional Program Reductions was also approved to assist in balancing the statewide budget. This package eliminates \$5.2 million General Fund distributed to counties to with property tax administration. These funds were used to supplement payments that counties receive from the County Assessment Function Funding Assistance (CAFFA) Grant Program. The grant program helps pay for all essential assessment and taxation tasks, supporting about 20% of the counties' costs for functions. Funding for the grants comes from a \$9 document recording fee and a portion of the interest from delinquent property taxes. The Subcommittee acknowledged that this loss of funding could be burdensome on counties and that county tax administration capacity should be closely monitored during the interim.

The Subcommittee approved Package 152 – Collections and Filing Enforcement. This package adds \$4,485,359 General Fund, \$635,036 Other Funds and 35 positions (35.00 FTE) to support compliance efforts in the agency's filing enforcement function for the payroll tax, income tax and other programs. The package also includes resources to collect additional assessments (taxpayer liabilities) that will result from the increased level of compliance activity. It is estimated that this package will generate an additional \$19.3 million in General Fund revenue for 2009-11.

Finally, the Subcommittee approved Package 164 – Other Agency Accounts. The package provides \$1,448,433 Other Funds and 13 positions (10.79 FTE) to address workload issues and increase collections of delinquent debt for 284 state agencies, commissions, and boards that use the Department of Revenue's Other Agency Accounts (OAA) program. With these additional resources, the OAA caseload should decrease from an average of 7,000 to 5,000 accounts per revenue agent. There is a possibility that the Oregon Judicial Department, which is program's largest customer, will be implementing an in-house collections team. This pending change would potentially alleviate some of the demand for OAA services, so the positions are approved as limited duration rather than permanent as requested.

During public hearings, the Subcommittee discussed the tax compliance gap and possible new tools that could be used to help improve compliance and tax advantage of technology. The Subcommittee also adopted the following budget note:

Budget Note

The Department of Revenue will research the viability of developing and operating a data match system that would use customer records from financial institutions to help identify assets of delinquent taxpayers and debtors. The Department will report its findings to the 76th Legislative Assembly as part of the agency's budget presentation before the Joint Committee on Ways and Means.

Summary of Performance Measure Action

See attached Legislatively Adopted 2009-11 Key Performance Measures form.