

**76TH OREGON LEGISLATIVE ASSEMBLY
2012 Regular Session
STAFF MEASURE SUMMARY
SENATE FINANCE AND REVENUE COMMITTEE**

**MEASURE: SB 1530-2
CARRIER:**

**REVENUE: No Revenue Impact
FISCAL:**

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: Warner, Economist

Meeting Dates: February 6,10, 2012

WHAT THE BILL DOES: Establishes Department of Revenue Technology Modernization Fund. Authorizes Department of Revenue to enter into contracts for technology in which contractor compensation is determined by revenue that exceeds baseline determined by DOR. Authorizes DOR director to use newly created fund to reimburse the department for project related expenses.

ISSUES DISCUSSED:

- Core systems replacement project.
- Comparison between performance contracting and traditional procurement method.
- Track record of FAST—vendor which Department of Revenue is contracting with.
- Method in which revenue lift from project will be built into revenue forecast.
- Use of Technology Modernization Fund.

EFFECT OF COMMITTEE AMENDMENTS:

-2 amendment specifies that Department of Revenue after consultation with the Legislative Revenue Office is to determine a baseline amount of revenue to be used for determining performance contract. Expenditure limitation and emergency clause are removed from original bill.

BACKGROUND: The Department of Revenue has been exploring alternatives for developing a new core revenue collection system. Major funding for the system is expected to be determined by the 2013 Legislature. SB 1530 is intended to provide the DOR with the authority to enter into a contract in which the return to the vendor will be determined by the amount that revenue exceeds a pre-determined baseline.

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FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 1530 - 2

Seventy-Sixth Oregon Legislative Assembly – 2012 Regular Session
Legislative Fiscal Office

Prepared by: Matt Stayner
Reviewed by: Laurie Byerly
Date: 2/9/2012

Measure Description:

The bill establishes the Revenue Technology Modernization Fund (RTMF) separate and distinct from General Fund in to which the Department of Revenue (DOR) is authorized to deposit those monies, in excess of a yet to be determined baseline amount of revenue, that are attributable to the implementation of an undefined technology project. The measure authorizes the DOR to enter in to contracts where by the contractor would be paid a percentage of the excess monies deposited by the DOR in the RTMF , administrative expenses incurred by the DOR related to the project would be paid from the fund as well. The bill exempts the contracts from certain financing and bond authorization statutes. Any monies in the fund are to be transferred to the general fund after June 30, 2021. Fund interest accrues to the fund.

Government Unit(s) Affected:

Department of Revenue(DOR)

Summary of Fiscal Impact:

Please see analysis

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

Although the bill does not require that the Department of Revenue (DOR) enter in to a contract or series of contracts for technology projects, the measure explicitly allows this ability without further legislative action and in fact, provides a financing mechanism to do so. The scope, and therefore the cost of the undefined technology project is unknown. The potential increase in revenue resultant is unknown, the percentage paid to the potential contractor(s) is unknown, and the potential administrative costs are unknown. All of the increased revenue that would otherwise flow to the general fund as a result of the implementation of the project would instead flow to the fund established under this legislation. The Legislative Fiscal Office believes that there is a significant fiscal impact resultant from this measure; the amount of which is indeterminate. This bill requires budgetary action and therefore a subsequent referral to the Joint Committee on Ways and Means is recommended.