

**DEPARTMENT OF REVENUE**

The Department of Revenue (DOR) administers the state’s income tax and property tax programs.

The agency also collects revenue from a variety of sources and transfers it to 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.

The agency participates with 21 other states on the Multistate Tax Commission, whose mission is to promote uniformity in state taxation of corporate income. The Department’s governance structure consists of an agency director appointed by the Governor and who must be confirmed by the Senate.

DEPARTMENT OF REVENUE	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
General Fund	140,240,842	147,798,243	163,259,812	160,293,628	0	10.5%
Other Funds	30,667,149	34,230,088	37,336,826	36,379,822	0	9.1%
Other Funds Nonlimited	251,521	1,945,006	1,991,686	1,991,686	0	2.4%
<b>TOTAL FUNDS</b>	<b>\$171,159,512</b>	<b>\$183,973,337</b>	<b>\$202,588,324</b>	<b>\$198,665,136</b>	<b>\$0</b>	<b>10.1%</b>
Positions	1,100	1,051	1,050	1,019	0	-0.1%
FTE	1,016.10	990.84	991.06	962.49	0.00	0.0%

Major Revenues	Budget Environment	Comparison by Fund Type
<ul style="list-style-type: none"> <li>As the state’s revenue administration and collection agency, almost all revenue collected is transferred to either the state’s General Fund (\$15.1 billion), state agencies (\$545.8 million), or counties (\$566.7 million).</li> <li>Agency operations are supported with \$163.3 million General Fund (81%) and \$39.3 million Other Funds (19%).</li> <li>Other Funds revenue is primarily derived from charges to administer various tax, fee, assessment, fine, and royalties programs.</li> </ul>	<ul style="list-style-type: none"> <li>DOR collects 96% of the state’s General Fund revenue.</li> <li>Funding of the agency’s programs can impact revenue generation for the state and local government.</li> <li>Increasing need for agency information technology investment and business process reengineering.</li> <li>Personal Income Tax – workload increases with the state’s growing population. More than half of returns are filed electronically.</li> </ul>	

Major Revenues	Budget Environment	Comparison by Fund Type
<ul style="list-style-type: none"> <li>• Additional sources of Other Funds revenue include:                             <ul style="list-style-type: none"> <li>• Other Agency Accounts collection fees</li> <li>• Document recording fees dedicated to the development of a statewide mapping system to improve the administration of the property tax system</li> <li>• Interest from delinquent property taxes, most of which is passed-through to counties</li> <li>• Senior Citizen’s property tax deferral repayments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Electronic availability of data from taxpayers and other sources have increased the opportunity for additional compliance and operational efficiencies.</li> <li>• Other Agency Accounts are collecting on 212,000 accounts totaling \$310 million owed to 340 state programs.</li> <li>• Statutory changes to the Senior and Disabled Property Deferral program have impacted participation, but stabilized program funding.</li> <li>• Pending litigation in Oregon’s appellate courts could negatively impact revenue collection.</li> <li>• Continued monitoring of timber county financial situation and contingency planning in the event that the agency needs to take responsibility for a county’s property assessment and taxation functions.</li> </ul>	

**MAJOR CHALLENGES AND DECISION POINTS**

The 2013-15 current service level budget of \$202.6 million is \$18.6 million, or 10.1%, more than the 2011-13 legislatively approved budget (LAB) of \$184 million. The number of positions (1,050) and FTE (991.06) is one position less (0.39 FTE) less than the prior biennium.

The General Fund portion of the CSL budget totals \$163.3 million and is \$15.5, or 10.5%, more than the LAB. The Other Funds budget totals \$39.3 million and is \$3.2, or 8.7%, more than the LAB.

The CSL budget is comprised of \$154.7 million in personal services (76%), \$43.8 million in services and supplies (22%), \$778,133 in capital outlay (0.4%) and \$3.4 million in special payments (2%). At this time, no material adjustments to the current service level have been identified. The agency has requested three policy package enhancements, but has not requested any fee increase(s). The Governor's budget includes reductions for PERS and statewide administrative savings. Additionally, the Governor's budget reflects recommended reductions approved by the Emergency Board (May 2012) that relate to the restructuring of state government business operations (-\$1.4 million; 13 position/13.00 FTE).

The following is a list of currently identified challenges and decision points for this agency.

1. Vacancy Management Actions – A practice of the agency has been to use vacancy savings, above normal attrition, to fund agency priorities. The most notable and recent example is the Technology and Process Reengineering (TAPR) information technology modernization initiative as well as other lessor initiatives or priorities. This reprioritization of resources, the internal priorities of the agency, and the resulting impact on the revenue generation capabilities of the agency needs to be better understood by the Legislature as its budget is being considered.

2. The agency has a policy package that eliminates various vacant positions and converts them into services and supplies to reflect actual expenditure history (eliminates 18 positions for 15.57 FTE). This policy package was approved in the Governor's budget.
3. The agency's proposal TAPR project is designed to replace most of its core business information technology applications and modernize its business processes. It has an estimated one-time cost of implementation of \$69.2 million. The 2013-15 cost of the project is \$25.1 million.  
Funding for the project was not approved in the Governor's budget. Additionally, the Governor chose not to advance proposed legislation establishing the benefits-based funding model that was proposed by the agency and used to fund the majority of the project's costs.
4. The agency has a policy package transferring the Elderly Rental Housing Assistance Program to the Housing and Community Services Department (HCSD) during the second year of the biennium (\$1 million).  
This policy package was approved in the Governor's budget even though HCSD only has a one-year budget. However, the proposed statutory language for this change was withdrawn from consideration by the Governor.
5. A follow-up review of the financial solvency of the Senior Property Tax Deferral Program and the statutorily required loan repayment to the Common School Fund is recommended given recent statutory changes to the program.
6. The agency's Nonlimited Other Funds budget needs to be reviewed to determine if such funds should be re-categorized as limited Other Funds (\$2 million).
7. The Governor's budget also transfers \$4.8 million of Tax Amnesty revenue to the General Fund for general governmental use.