



SB 5538: Department of Revenue Budget Note Replacing the DOR Core Computer System

Written Testimony for Ways and Means sub on General Government 3.28.2013 Elsa Porter

Tax Fairness Oregon is very interested in seeing that the Department of Revenue has the resources—both people and technology—to collect all legally due taxes in this State. So we were dismayed that the Governor’s budget failed to include the funding needed to replace its core computer data system.

With a new computer system, the Department could begin closing in on the \$2.4 billion tax gap, and bring in additional revenue in this biennium. This would make a significant difference in meeting the critical needs of this State for schools, health care, and public safety. It would also make your work as legislators considerably less stressful.

Preparation for this important upgrade has been under way for several years. Already some \$7.7 million has been spent on readiness and procurement efforts. Their business plan is impressive. The system they have recommended for Oregon, FAST Gen Tax, has already been proven to work in 12 other states, 100% on schedule and within budget. Another 8 States are in various stages of installing it. It is well tested. We are not risking another computer boondoggle.

We ask you to provide the necessary funding so this work can go forward in this biennium. The estimated total project cost is \$69.2 million through the final implementation and warranty phase, ending in 2018. DOR signed a \$34.5 million contract with FAST in May 2012, contingent upon legislative approval. The remaining \$34.7 million is agency cost, and includes all internal effort as well as third party Quality Assurance.

See chart on p 8 of the Business Case to see how costs are allocated by biennium and category. The graduated funding mechanism, using estimated benefits of the new system, has been worked out with the Legislative Revenue Office. We expect you are familiar with their recommendation.

It would really be a travesty to allow this work to be interrupted now. In addition to the dollar loss of the \$7.5 million and the years of staff work already invested, we would be forfeiting the benefits this step towards modernization promises.

For example, the legislature is looking for investments in job creation. With the extra money the department brings in we’ll be able to hire 60 teachers for each extra \$5 million in tax collections. The logic is compelling.

When you compare some of the tax, grant, and bonding expenditures allowed for somewhat ephemeral job creation, this investment in the State’s ability to collect the revenue it is due is a no-brainer. We urge you to take it forward.