# Phase II Presentation to the Joint Committee on Ways & Means

General Government Subcommittee
April 17 and 18, 2013



#### Phase II agenda

- Policy option packages, including Elderly Rental Assistance
- Revenue enhancement options
- Core systems
- Bills with fiscal impact
- Quarterly vacancy data
- 10% reduction options



### Policy Option Packages

Package	GF	OF	TF
091—Statewide Administrative Savings	-\$1,010,812	-\$237,104	-\$1,247,916
092—PERS Taxation Policy	-\$261,103	-\$56,455	-\$317,558
093—Other PERS Adjustments	-\$2,086,349	-\$451,100	-\$2,537,449
101—Services & Supplies true-up	Increases budget transparency by converting \$2,081,551 of Personal Services to Services and Supplies. We typically hold 18 positions (15.75 FTE) vacant to fund the S&S operational expenses.		
104—Elderly Rental Assistance	2013-15 GBB includes \$1 million GF for first year of ERA, and moves program to OHCS. Second year is included in Emergency Fund awaiting future of the program.		



#### Tax Compliance Package 2013-15

(not included in 2013-15 Governor's Balanced Budget)

Package section	Positions	Total cost	Additional revenue
Enforcement	20	\$2.5 million	\$13.6 million
Accounts Receivable	11	\$1.3 million	\$19.5 million
Total	31	\$3.8 million	\$33.1 million



#### Tax Compliance Package (cont.)

- Enforcement
  - 7 Tax Auditor 1
  - 5 Tax Auditor 2
  - 5 Revenue Agent 1
  - 1 Revenue Agent 2
  - 1 Public Service Representative 3
  - 1 Principal Executive Manager C
- Accounts Receivable
  - 10 Revenue Agent 1
  - 1 Principal Executive Manager A



### Core technology system's effect on business users and staffing

- We've previously covered:
  - Revenue's planning efforts
    - Described what we've learned
    - Indicated where we need to go
    - Provided an overview of how we'd do it
  - Current environment
    - Legacy system challenges, complexity, and workforce
    - IT Services transformation efforts
    - Service oriented organizational structure



#### Business drivers for new system

- Avoid risk
  - Reinvest in application infrastructure
  - Maintain current revenue stream
- Improved performance
  - Enhanced compliance and revenue
  - Increased efficiency
  - Improved customer service
  - Increased flexibility in tax administration



### What does a new system mean to users at Revenue?

- Customer
- Program administration
- Collector
- Auditor



## What will a new system mean to staffing and roles?

- Staffing
- Training
- Examples of role changes



#### Customer (taxpayer) benefits

- New and improved self-service functions available 24/7
- Faster resolution
- Enhanced electronic filing
- Specific educational opportunities



#### Program administration benefits

- Scoring accounts receivable
- Join a community of states that share data, best practices, and business rules
- "Real-time" adjustments to data
- Opportunity to further automate the Treasury Offset Program
- Standard tools and processes allow resource sharing

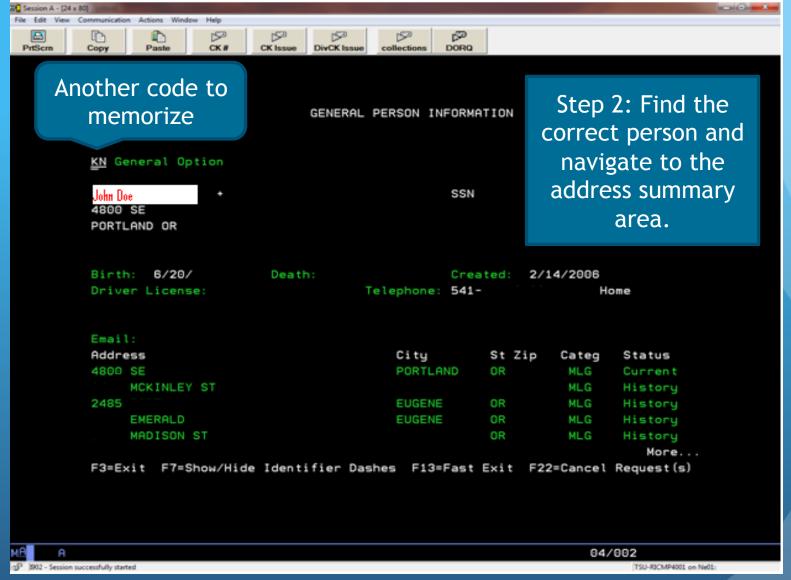


#### Changing a taxpayer's address

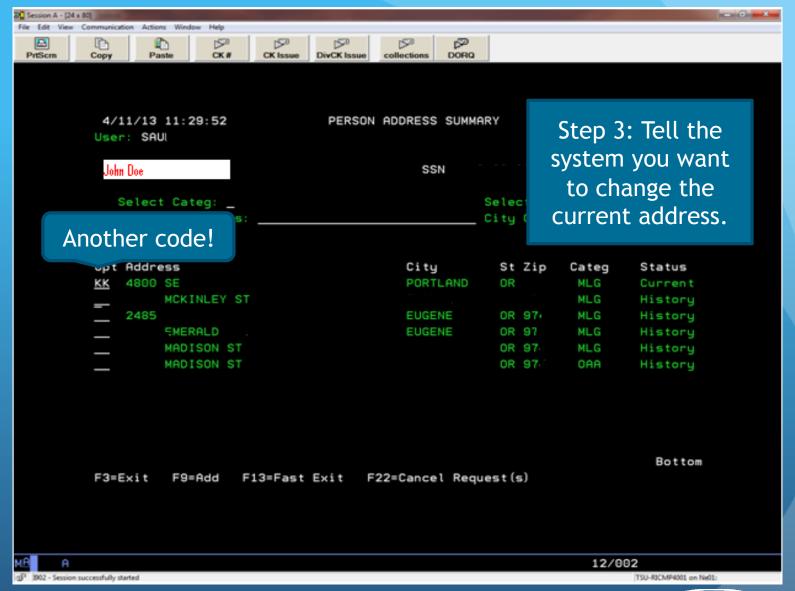
- Users need familiarity with system and codes
- Must make separate changes for different tax programs
- Need multiple systems/sessions open for tasks
- Four different two-character codes required to change an address (504 total system codes for variety of tasks)
  - Some codes work only on specific screens
  - Two-character codes don't always describe the task
- Impacts training time and everyday efficiency



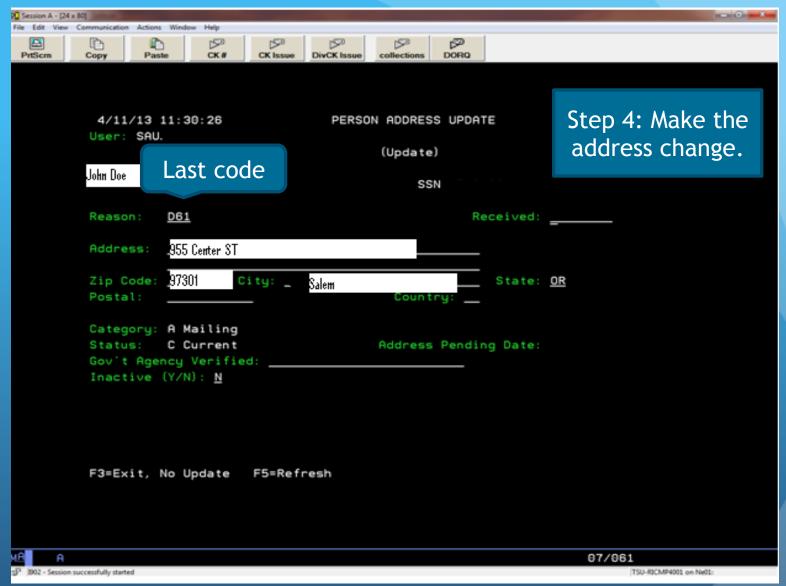
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Staff have to memorize	
codes, like GP, to use the	
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Birth Date: Driver License:	
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Search Options: C=Contains E=Exact S=Similar	
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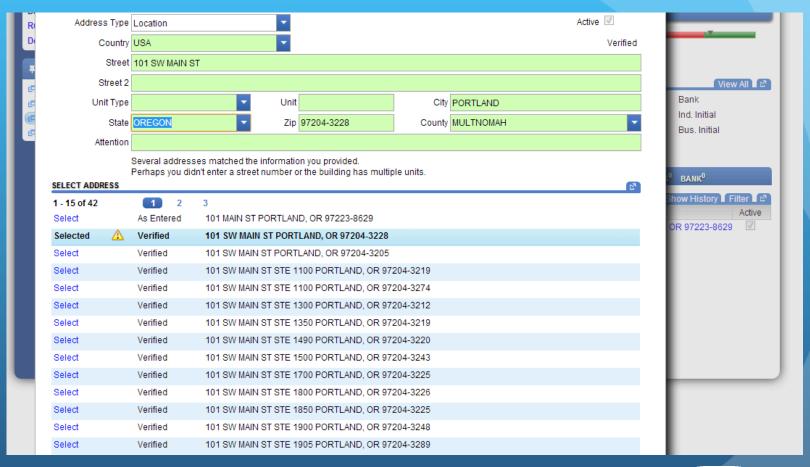




#### Modern system address change



#### Choose from verified address





#### Collector and auditor benefits

- Collector benefits
  - "Full view" of taxpayer
  - Automated collection actions
  - Inventory monitoring
- Auditor benefits
  - Use of IRS information to automate processes
  - Data to improve selected cases and drive audit programs



# New system impact on staffing and training

- Number of staff shouldn't change after implementation
- We've identified training needs and strategies for staff to learn new systems and processes
- With increased access to data and automation we may need different skill sets after implementation



#### Roles or duties may change

- Personal Income Tax
  - Revenue Agent Reports (RAR) and CP2000 reports (federal audit reports)
  - Issue audits
  - Wage earner filing enforcement
- Corporation Tax
  - Revenue Agent Reports
  - Processing corporate amended returns
  - Corporate filing enforcement (nexus)



### Roles or duties may change (cont.)

- Other Programs—similar role or duty changes
- IT Services
  - Most roles will remain the same
  - Some shift from application development to configuration management
  - IT Organization Development Plan describes strategy for transitioning IT Services section



### Bills with fiscal impact

Bill	Summary	Fiscal	impact	Position impact
		GF	OF	
SB 184	Removes requirement to send garnishments by certified mail	-\$377,824	-\$125,941	
SB 185	Removes requirement to hand-sign garnishments	-\$133,000	-\$57,000	Reduces 2 FTE for RA1
HB 3317	Extends 911 tax, adds enforcement language for Revenue		\$203,194	Adds: 1 FTE for TA2 .25 FTE for PSR4
HB 2456	Phases out itemized deductions and exemption credit for Personal Income Tax; increases minimum tax and tax rate for Corporate tax, addresses tax havens	\$53,300		
	Net change:	-\$457,524	\$20,253	



### Quarterly long-term vacancy data

Description of position	7 to 11 months	More than 12 months
Package 101 positions	1	15
Package 081 reductions	7	6
Pending package 091	2	5
Seasonal Workload	13	8
Filled or in process	9	1
Recruitment difficulties	1	1
Funding for succession of key positions	4	1
Vacant but filled with work out of class (WOC)	1	2
Pending Reclassifications	3	4
Planned recruitment	2	0
Positions not filled	0	1



#### Revenue's 10% reduction options

- Impacts all parts of Revenue's business
- Extends tax return processing season delaying refunds
- Reduces collections and compliance activity
- Also affects local government assistance and county support
- First 5% eliminates 71 positions (67.14 FTE)

	Savings	GF revenue loss
GF Savings	\$8.1 million	\$22 million
OF Savings	\$2.2 million	
Total:	\$10.3 million	\$22 million

Source: 2013–15 Governor's Balanced Budget

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150-800-550 Ways & Means Phase II (4-13

## Revenue's 10% reduction options (cont.)

- Reduction in IT Services will affect IT transformation efforts and support of business operations
- Reductions in other infrastructure reduces support of business operations
- Second 5% eliminates 54 positions (54 FTE)
- Reductions designed to minimize impact on voluntary system

	Savings	GF revenue loss
GF Savings	\$8.5 million	\$18.2 million
OF Savings	\$1.5 million	
Total:	\$10 million	\$18.2 million

Source: 2013–15 Governor's Balanced Budget

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OF REVENUE
150-800-550 Ways & Means Phase II (4-13)

#### Questions?

If you have additional questions after today please contact:

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