

MEMORANDUM

Legislative Fiscal Office
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To: *General Government Subcommittee*

From: *John Borden, Legislative Fiscal Office*
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Date: June 2, 2015

Subject: *Department of Revenue (HB 5035)*
Work Session Recommendations

Department of Revenue

	2011-13 Actuals	2013-15 Legislatively Approved*	2015-17 Current Service Level	2015-17 LFO Recommended
General Fund	146,312,349	166,641,759	182,285,108	180,259,142
Other Funds	261,337	64,202,113	44,411,510	100,993,984
Other Funds Non-Limited	28,771,284	-	-	-
Total Funds	175,344,970	230,843,872	226,696,618	281,253,126
Positions	1,050	1,074	1,065	1,042
FTE	990.52	1,016.66	1,011.34	975.34

*includes Emergency Board and administrative actions through December 2014.

Attached are the recommendations from the Legislative Fiscal Office for the *Department of Revenue*. It contains the following:

- #070 Revenue Shortfall (\$7.3 million Other Funds; 32 positions/42.00 FTE)
- #141 Property Valuation System (recommendation only)
- #142 CAFFA Shortfall (defer to February of 2016; special purpose appropriation to be established for the Property Tax Division)
- #143 Senior Property Deferral Program (\$479,228 Other Funds; 7 positions/4.00 FTE)
- #151 Fraud Analytics and Detection (\$1.1 million General Fund)
- #161 HB 4055 9-1-1 Emergency Telecommunications Tax (\$338,308 Other Funds; 2 positions/2.00 FTE)
- #181 Core Systems Replacement - Phase-II (recommendation only)
- #801 LFO Analyst Adjustments (\$2.6 million General Fund reduction; \$63.6 million Other Funds increase)
- #802 Transfer of Senior Property Tax Deferral Program (net zero)

Adjustments to Current Service Level:

See attached "Work Session Presentation Report" dated 06/02/2015.

Accept the LFO recommendation: Move the LFO recommendations to HB 5035

OR

Change the LFO recommendation: Move the LFO recommendations to HB 5035, with modifications.

Performance Measures

See attached "Legislatively Proposed 2015-17 Key Performance Measures" form.

Accept the LFO recommendation: Move the LFO recommendation on Key Performance Measures

OR

Change the LFO recommendation: Move the LFO recommendation on Key Performance Measures with modifications.

Budget Notes

Budget Note #1: The Department of Revenue is to conduct detailed reviews of its enterprise cash management practices, debt cancellation and write-off practices, and audit selection processes, and report individually its findings on each to the Joint Committee on Ways and Means during the Legislative session in 2016. As part of these reports, the agency is to provide metrics on current performance and recommendations on statutory and administrative changes to increase revenue collection.

Budget Note #2: The Department of Revenue is to report to the Joint Committee on Ways and Means during the Legislative session in 2016 on its implementation of HB 2550 (2011), which allows the agency to enter into an agreement to recover non-tax debt owned the state or federal government.

Budget Note #3: The Department of Revenue is to report to the Interim Joint Committee on Ways and Means in the Fall of 2015 to document the agency's readiness to proceed with the final implementation of the Core Systems Replacement project's Personal Income Tax program. See the attached proposed budget note.

Accept LFO Recommendation

Move the LFO recommended budget notes

OR

Change LFO recommendation

Move the LFO recommended budget notes, with modifications.

Recommended Changes to Appropriation Bill:

The Legislative Fiscal Office recommends a budget of \$180,259,142 General Fund and \$100,993,984 Other Funds and 1,042 positions (975.34 FTE) and that House Bill 5035 be amended accordingly.

The amendment also establishes a \$1.8 million General Fund special purpose appropriation to the Emergency Fund for the Property Tax Division.

Motion: Move adoption of the -1 amendment to HB 5035.

HB 5035 Final Subcommittee Action:

The measure, as amended by the -1, is recommended to be moved to the full Committee on Joint Ways and Means.

Motion: Move HB 5035, as amended, to the Full Committee with a “do pass as amended” recommendation.

Carriers:

Full Committee Carrier: _____

Second Chamber Carrier: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	165,191,130	-	65,256,876	-	-	-	230,448,006	1,081	1,024.49
2013-15 Ebds, SS & Admin Act	1,450,629	-	(1,054,763)	-	-	-	395,866	(7)	(7.83)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	166,641,759	-	64,202,113	-	-	-	230,843,872	1,074	1,016.66
2013-15 Leg Approved Budget (Base)	166,641,759	-	64,202,113	-	-	-	230,843,872	1,074	1,016.66
Summary of Base Adjustments	14,546,576	-	(66,766)	-	-	-	14,479,810	(9)	(5.32)
2015-17 Base Budget	181,188,335	-	64,135,347	-	-	-	245,323,682	1,065	1,011.34
010: Non-PICS Pers Svc/Vacancy Factor	(414,158)	-	(160,068)	-	-	-	(574,226)	-	-
020: Phase In / Out Pgm & One-time Cost	(3,137,432)	-	(20,602,539)	-	-	-	(23,739,971)	-	-
030: Inflation & Price List Adjustments	4,648,363	-	1,038,770	-	-	-	5,687,133	-	-
2015-17 Current Service Level	182,285,108	-	44,411,510	-	-	-	226,696,618	1,065	1,011.34
070: Revenue Reductions/Shortfall	-	-	(7,313,880)	-	-	-	(7,313,880)	(32)	(42.00)
Adjusted 2015-17 Current Service Level	182,285,108	-	37,097,630	-	-	-	219,382,738	1,033	969.34
Total LFO Recommended Packages	(2,025,966)	-	63,896,354	-	-	-	61,870,388	9	6.00
2015-17 Legislative Actions	180,259,142	-	100,993,984	-	-	-	281,253,126	1,042	975.34
Net change from 2013-15 Leg Approved Budget	13,617,383	-	36,791,871	-	-	-	50,409,254	(32)	(41.32)
Percent change from 2013-15 Leg Approved Budget	8.2%	0.0%	57.3%	0.0%	0.0%	0.0%	21.8%	(3.0%)	(4.1%)
Net change from 2015-17 Current Service Level	(2,025,966)	-	63,896,354	-	-	-	61,870,388	9	6.00
Percent change from 2015-17 Current Service Level	(1.1%)	0.0%	172.2%	0.0%	0.0%	0.0%	28.2%	0.9%	0.6%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	6,004,517	-	755,072	-	-	-	6,759,589	33	33.00
2013-15 Ebds, SS & Admin Act	792,372	-	165,662	-	-	-	958,034	(1)	(1.00)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	6,796,889	-	920,734	-	-	-	7,717,623	32	32.00
2013-15 Leg Approved Budget (Base)	6,796,889	-	920,734	-	-	-	7,717,623	32	32.00
Summary of Base Adjustments	428,687	-	37,112	-	-	-	465,799	6	5.20
2015-17 Base Budget	7,225,576	-	957,846	-	-	-	8,183,422	38	37.20
010: Non-PICS Pers Svc/Vacancy Factor	4,748	-	(2,640)	-	-	-	2,108	-	-
030: Inflation & Price List Adjustments	102,372	-	21,901	-	-	-	124,273	-	-
2015-17 Current Service Level	7,332,696	-	977,107	-	-	-	8,309,803	38	37.20
Adjusted 2015-17 Current Service Level	7,332,696	-	977,107	-	-	-	8,309,803	38	37.20
2015-17 Legislative Actions	7,332,696	-	977,107	-	-	-	8,309,803	38	37.20
Net change from 2013-15 Leg Approved Budget	535,807	-	56,373	-	-	-	592,180	6	5.20
Percent change from 2013-15 Leg Approved Budget	7.9%	0.0%	6.1%	0.0%	0.0%	0.0%	7.7%	18.8%	16.3%
Net change from 2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	4,167,835	-	2,801,281	-	-	-	6,969,116	2	2.00
2013-15 Ebds, SS & Admin Act	6,600,123	-	633,031	-	-	-	7,233,154	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	10,767,958	-	3,434,312	-	-	-	14,202,270	2	2.00
2013-15 Leg Approved Budget (Base)	10,767,958	-	3,434,312	-	-	-	14,202,270	2	2.00
Summary of Base Adjustments	548,525	-	40,950	-	-	-	589,475	11	11.00
2015-17 Base Budget	11,316,483	-	3,475,262	-	-	-	14,791,745	13	13.00
010: Non-PICS Pers Svc/Vacancy Factor	11,248	-	1,465	-	-	-	12,713	-	-
030: Inflation & Price List Adjustments	1,011,999	-	166,861	-	-	-	1,178,860	-	-
2015-17 Current Service Level	12,339,730	-	3,643,588	-	-	-	15,983,318	13	13.00
Adjusted 2015-17 Current Service Level	12,339,730	-	3,643,588	-	-	-	15,983,318	13	13.00
Total LFO Recommended Packages	-	-	15,384	-	-	-	15,384	-	-
2015-17 Legislative Actions	12,339,730	-	3,658,972	-	-	-	15,998,702	13	13.00
Net change from 2013-15 Leg Approved Budget	1,571,772	-	224,660	-	-	-	1,796,432	11	11.00
Percent change from 2013-15 Leg Approved Budget	14.6%	0.0%	6.5%	0.0%	0.0%	0.0%	12.7%	550.0%	550.0%
Net change from 2015-17 Current Service Level	-	-	15,384	-	-	-	15,384	-	-
Percent change from 2015-17 Current Service Level	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 161 HB4055-911 Tax

Package Description The package requests funding for Attorney General line-item charges. The Legislature passed HB 4055 (2014) changed the method of tax collection for the 9-1-1 Emergency Reporting System to collecting the tax from prepaid wireless service carriers to prepaid wireless consumers via point of sale collection by retailers.

The package adds services and supplies in the amount of \$15,384 Other Funds.

The revenue source is the 9-1-1 tax.

LFO Recommendation Approve the policy package as requested.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	-	-	15,384	-	-	-	15,384	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	43,588,234	-	6,910,994	-	-	-	50,499,228	263	220.00
2013-15 Ebds, SS & Admin Act	(103,599)	-	415,681	-	-	-	312,082	(2)	(2.83)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	43,484,635	-	7,326,675	-	-	-	50,811,310	261	217.17
2013-15 Leg Approved Budget (Base)	43,484,635	-	7,326,675	-	-	-	50,811,310	261	217.17
Summary of Base Adjustments	1,082,007	-	(79,411)	-	-	-	1,002,596	(16)	(11.51)
2015-17 Base Budget	44,566,642	-	7,247,264	-	-	-	51,813,906	245	205.66
010: Non-PICS Pers Svc/Vacancy Factor	(95,792)	-	(33,039)	-	-	-	(128,831)	-	-
030: Inflation & Price List Adjustments	3,292,547	-	720,652	-	-	-	4,013,199	-	-
2015-17 Current Service Level	47,763,397	-	7,934,877	-	-	-	55,698,274	245	205.66
Adjusted 2015-17 Current Service Level	47,763,397	-	7,934,877	-	-	-	55,698,274	245	205.66
Total LFO Recommended Packages	(1,287,170)	-	-	-	-	-	(1,287,170)	-	-
2015-17 Legislative Actions	46,476,227	-	7,934,877	-	-	-	54,411,104	245	205.66
Net change from 2013-15 Leg Approved Budget	2,991,592	-	608,202	-	-	-	3,599,794	(16)	(11.51)
Percent change from 2013-15 Leg Approved Budget	6.9%	0.0%	8.3%	0.0%	0.0%	0.0%	7.1%	(6.1%)	(5.3%)
Net change from 2015-17 Current Service Level	(1,287,170)	-	-	-	-	-	(1,287,170)	-	-
Percent change from 2015-17 Current Service Level	(2.7%)	0.0%	0.0%	0.0%	0.0%	0.0%	(2.3%)	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 181 Core Systems Replacement

Package Description This policy package requests a technical adjustment to eliminate duplicate data processing costs that are accounted for in the Core Systems Replacement program (SCR) policy package #181.

The package reduces services and supplies by \$537,170 General Fund.

LFO Recommendation Approve the policy package as requested.

LFO Analyst Notes HB 5035 (2015); See Policy Package #181 - Core Systems Replacement.

LFO Recommended	(537,170)	-	-	-	-	-	(537,170)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package reduces personal services and services and supplies expenditures on a one-time basis in recognition of the fact the actual expenditure experience has been averaging below budget authority.

This package reduces personal services by \$500,000 for vacancy savings and \$250,000 for services and supplies (telecommunications/Information Technology Expendable Property).

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	(750,000)	-	-	-	-	-	(750,000)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	14,027,407	-	11,288,530	-	-	-	25,315,937	99	97.26
2013-15 Ebds, SS & Admin Act	(1,832,180)	-	(2,223,479)	-	-	-	(4,055,659)	(2)	(2.00)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	12,195,227	-	9,065,051	-	-	-	21,260,278	97	95.26
2013-15 Leg Approved Budget (Base)	12,195,227	-	9,065,051	-	-	-	21,260,278	97	95.26
Summary of Base Adjustments	481,936	-	163,192	-	-	-	645,128	(2)	(2.00)
2015-17 Base Budget	12,677,163	-	9,228,243	-	-	-	21,905,406	95	93.26
010: Non-PICS Pers Svc/Vacancy Factor	(90,332)	-	(13,152)	-	-	-	(103,484)	-	-
030: Inflation & Price List Adjustments	32,999	-	71,818	-	-	-	104,817	-	-
2015-17 Current Service Level	12,619,830	-	9,286,909	-	-	-	21,906,739	95	93.26
070: Revenue Reductions/Shortfall	-	-	(1,836,836)	-	-	-	(1,836,836)	-	(10.00)
Adjusted 2015-17 Current Service Level	12,619,830	-	7,450,073	-	-	-	20,069,903	95	83.26
Total LFO Recommended Packages	(373,841)	-	32,904,129	-	-	-	32,530,288	(8)	(6.50)
2015-17 Legislative Actions	12,245,989	-	40,354,202	-	-	-	52,600,191	87	76.76
Net change from 2013-15 Leg Approved Budget	50,762	-	31,289,151	-	-	-	31,339,913	(10)	(18.50)
Percent change from 2013-15 Leg Approved Budget	0.4%	0.0%	345.2%	0.0%	0.0%	0.0%	147.4%	(10.3%)	(19.4%)
Net change from 2015-17 Current Service Level	(373,841)	-	32,904,129	-	-	-	32,530,288	(8)	(6.50)
Percent change from 2015-17 Current Service Level	(3.0%)	0.0%	441.7%	0.0%	0.0%	0.0%	162.1%	(8.4%)	(7.8%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 070 Revenue Shortfalls

Package Description This package reduces County Assessment Function Funding Assistance Account Other Funds expenditures to forecasted revenues for the 2015-17 biennium. The agency has forecasted lower revenue due to a decline in mortgage refinancing activities and lower recording fees.

Personal services are reduced by \$1.8 million Other Funds (10.00 FTE).

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015); Also see policy package 142 - CAFFA Funding Shortfall.

LFO Recommended	-	-	(1,836,836)	-	-	-	(1,836,836)	-	(10.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 141 Property Valuation System

Package Description This policy package requests the purchase of a commercial off-the-shelf Computer Assisted Mass Appraisal software system. This would ensure the continued ability to provide accurate property valuations and ensure timely information to the counties and taxpayers necessary for completion of the annual tax roll.

The package requests \$445,019 General Fund and \$2.3 million Other Funds and three positions (3.00 FTE).

The proposed funding mechanism would be General Fund, General Fund Debt Service, and Article XI-Q bonding.

LFO Recommendation Defer the request to the Capital Construction Subcommittee. The General Government Subcommittee, based on the recommendation of the Information Technology Subcommittee, recommends that the Capital Construction Subcommittee approve funding for the Property Valuation System.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 142 CAFFA Funding Shortfall

Package Description This package requests General Fund backfill for a revenue shortfall in the County Assessment Function Funding Assistance Account. The agency has forecasted lower revenue due to a decline in mortgage refinancing activities and lower recording fees.

Personal services are reduced by \$1.8 million Other Funds and increased by \$1.8 million General Fund across ten positions (10.00 FTE).

LFO Recommendation Defer the request to the Legislature in 2016 and establish a \$1,836,836 special purpose appropriation in the Emergency Board for the Property Tax Division.

LFO Analyst Notes HB 5035 (2015); Also see Policy Package 070 Revenue Shortfalls

LFO Recommended - - - - -

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package moves CAFFA payments to counties from being budgeted as revenue transfers to special payments. The most recent CAFFA revenue forecast for the 2015-17 biennium is projected to total \$37 million (Spring of 2015).

The package would establish a special payment to counties in the amount of \$33.6 million Other Funds.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	-	-	33,600,000	-	-	-	33,600,000	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Transfer of Senior Prop Tax Deferral Pgrm

Package Description This policy package consolidates the administrative and operational activities of the Senior Property Deferral program under an existing budget structure.

The package transfers \$349,604 General Fund personal services, \$650,860 Other Fund personal services, \$24,237 General Fund services and supplies, and \$45,011 Other Fund services and supplies to the new program structure. Eight positions (6.50 FTE) are transferred.

The Other Funds revenue source is the Senior Property Deferral Account.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	(373,841)	-	(695,871)	-	-	-	(1,069,712)	(8)	(6.50)
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LFO102 - Work Session Presentation Report
2015-17 Biennium

Version: L - 01 - LFO Analyst Recommended
Cross Reference: 15000-005-00-00-00000
Personal Tax and Compliance Division

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	64,895,666	-	1,451,521	-	-	-	66,347,187	433	425.32
2013-15 Ebds, SS & Admin Act	(978,082)	-	39,812	-	-	-	(938,270)	(2)	(2.00)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	63,917,584	-	1,491,333	-	-	-	65,408,917	431	423.32
2013-15 Leg Approved Budget (Base)	63,917,584	-	1,491,333	-	-	-	65,408,917	431	423.32
Summary of Base Adjustments	3,268,373	-	27,046	-	-	-	3,295,419	(1)	(0.51)
2015-17 Base Budget	67,185,957	-	1,518,379	-	-	-	68,704,336	430	422.81
010: Non-PICS Pers Svc/Vacancy Factor	19,970	-	(49,065)	-	-	-	(29,095)	-	-
030: Inflation & Price List Adjustments	166,119	-	9,316	-	-	-	175,435	-	-
2015-17 Current Service Level	67,372,046	-	1,478,630	-	-	-	68,850,676	430	422.81
Adjusted 2015-17 Current Service Level	67,372,046	-	1,478,630	-	-	-	68,850,676	430	422.81
Total LFO Recommended Packages	(288,796)	-	-	-	-	-	(288,796)	-	-
2015-17 Legislative Actions	67,083,250	-	1,478,630	-	-	-	68,561,880	430	422.81
Net change from 2013-15 Leg Approved Budget	3,165,666	-	(12,703)	-	-	-	3,152,963	(1)	(0.51)
Percent change from 2013-15 Leg Approved Budget	5.0%	0.0%	(0.9%)	0.0%	0.0%	0.0%	4.8%	(0.2%)	(0.1%)
Net change from 2015-17 Current Service Level	(288,796)	-	-	-	-	-	(288,796)	-	-
Percent change from 2015-17 Current Service Level	(0.4%)	0.0%	0.0%	0.0%	0.0%	0.0%	(0.4%)	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 151 Fraud Analytics and Detection

Package Description The policy package would fund a fraud detection enhancement as part of the implementation of the Core Systems Replacement project. The package has four components: (1) a contract with a private third party vendor for data exchange services to compare tax records against personal records stored in large data warehouses (referred to as "big data")(\$300,000 General Fund in annual costs); (2) a contract with a private third party vendor for online identity verification quiz (\$38,000 General Fund in annual costs); (3) a contract with a private third party vendor to examine single cases on an as needed basis using an investigative tool with data warehouse access to real time information from two large credit bureaus (\$39,000 General Fund in annual costs); and (4) transition DOR from a post-refund and audit driven withholding match to a real-time, pre-refund process. DOR currently matches personal income tax withholding claimed on returns against employer withholding reports post refund. This portion of the package requires the Employment Department to undertaken information technology programing changes that would be funded by DOR (\$361,204 General Fund in one-time costs).

The package totals \$1.1 million General Fund in services and supplies.

LFO Recommendation Approve the policy package as requested and based upon the recommendation of the Information Technology Subcommittee.

Budget Notes Budget Note: The Department of Revenue is to conduct detailed reviews of its enterprise cash management practices, debt cancellation and write-off practices, and audit selection processes, and report individually its findings on each to the Joint Committee on Ways and Means during the Legislative session in 2016. As part of these reports, the agency is to provide metrics on current performance and recommendations on statutory and administrative changes to increase revenue collection.

Budget Note: The Department of Revenue is to report to the Joint Committee on Ways and Means during the Legislative session in 2016 on its implementation of HB 2550 (2011), which allows the agency to enter into an agreement to recover non-tax debt owned the state or federal government.

LFO Analyst Notes HB 5035 (2015); See Core Systems Replacement policy package #181. The Legislative Revenue Office is analyzing this policy package for a potential General Fund revenue impact.

LFO Recommended	1,111,204	-	-	-	-	-	1,111,204	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package reduces personal services and services and supplies expenditures on a one-time basis in recognition of the fact the actual expenditure experience has been averaging below budget authority.

This package reduces personal services by \$500,000 for vacancy savings; \$500,000 for services and supplies (rent); and \$400,000 for capital outlay (furniture/fixtures/telecommunications equipment);

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	(1,400,000)	-	-	-	-	-	(1,400,000)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	21,756,763	-	14,722,832	-	-	-	36,479,595	220	215.91
2013-15 Ebds, SS & Admin Act	(2,528,005)	-	(85,470)	-	-	-	(2,613,475)	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	19,228,758	-	14,637,362	-	-	-	33,866,120	220	215.91
2013-15 Leg Approved Budget (Base)	19,228,758	-	14,637,362	-	-	-	33,866,120	220	215.91
Summary of Base Adjustments	1,107,294	-	193,580	-	-	-	1,300,874	(8)	(8.50)
2015-17 Base Budget	20,336,052	-	14,830,942	-	-	-	35,166,994	212	207.41
010: Non-PICS Pers Svc/Vacancy Factor	(264,000)	-	(63,637)	-	-	-	(327,637)	-	-
030: Inflation & Price List Adjustments	42,327	-	39,923	-	-	-	82,250	-	-
2015-17 Current Service Level	20,114,379	-	14,807,228	-	-	-	34,921,607	212	207.41
Adjusted 2015-17 Current Service Level	20,114,379	-	14,807,228	-	-	-	34,921,607	212	207.41
Total LFO Recommended Packages	(450,000)	-	322,924	-	-	-	(127,076)	2	2.00
2015-17 Legislative Actions	19,664,379	-	15,130,152	-	-	-	34,794,531	214	209.41
Net change from 2013-15 Leg Approved Budget	435,621	-	492,790	-	-	-	928,411	(6)	(6.50)
Percent change from 2013-15 Leg Approved Budget	2.3%	0.0%	3.4%	0.0%	0.0%	0.0%	2.7%	(2.7%)	(3.0%)
Net change from 2015-17 Current Service Level	(450,000)	-	322,924	-	-	-	(127,076)	2	2.00
Percent change from 2015-17 Current Service Level	(2.2%)	0.0%	2.2%	0.0%	0.0%	0.0%	(0.4%)	0.9%	1.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 161 HB4055-911 Tax

Package Description The package requests funding for one Tax Auditor 2 and one Administrative Specialist 2 to support the increased return processing and enforcement activities resulting from this law change. The Legislature passed HB 4055 (2014) changed the method of tax collection for the 9-1-1 Emergency Reporting System to collecting the tax from prepaid wireless service carriers to prepaid wireless consumers via point of sale collection by retailers.

The package adds \$276,546 Other Funds personal services, \$32,970 Other Funds services and supplies, and \$13,408 Other Funds capital outlay. Two positions are established (2.00 FTE).

The revenue source is the 9-1-1 tax.

LFO Recommendation Approve the policy package as requested.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	-	-	322,924	-	-	-	322,924	2	2.00
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package reduces personal services expenditures on a one-time basis in recognition of the fact the actual expenditure experience has been averaging below budget authority.

This package reduces personal services by \$450,000 for vacancy savings

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	(450,000)	-	-	-	-	-	(450,000)	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	-	-	276,646	-	-	-	276,646	-	-
2013-15 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	-	-	276,646	-	-	-	276,646	-	-
2013-15 Leg Approved Budget (Base)	-	-	276,646	-	-	-	276,646	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2015-17 Base Budget	-	-	276,646	-	-	-	276,646	-	-
030: Inflation & Price List Adjustments	-	-	8,299	-	-	-	8,299	-	-
2015-17 Current Service Level	-	-	284,945	-	-	-	284,945	-	-
Adjusted 2015-17 Current Service Level	-	-	284,945	-	-	-	284,945	-	-
2015-17 Legislative Actions	-	-	284,945	-	-	-	284,945	-	-
Net change from 2013-15 Leg Approved Budget	-	-	8,299	-	-	-	8,299	-	-
Percent change from 2013-15 Leg Approved Budget	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	3.0%	0.0%	0.0%
Net change from 2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	5,558,560	-	-	-	-	-	5,558,560	-	-
2013-15 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	5,558,560	-	-	-	-	-	5,558,560	-	-
2013-15 Leg Approved Budget (Base)	5,558,560	-	-	-	-	-	5,558,560	-	-
Summary of Base Adjustments	113,440	-	-	-	-	-	113,440	-	-
2015-17 Base Budget	5,672,000	-	-	-	-	-	5,672,000	-	-
2015-17 Current Service Level	5,672,000	-	-	-	-	-	5,672,000	-	-
Adjusted 2015-17 Current Service Level	5,672,000	-	-	-	-	-	5,672,000	-	-
2015-17 Legislative Actions	5,672,000	-	-	-	-	-	5,672,000	-	-
Net change from 2013-15 Leg Approved Budget	113,440	-	-	-	-	-	113,440	-	-
Percent change from 2013-15 Leg Approved Budget	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%
Net change from 2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description The Elderly Rental Assistance Program provides annual payments to low income senior citizens who live in rental property. The Nonprofit Homes for the Elderly Program funds a property tax exemption for certain nonprofit homes for the elderly. This program reimburses counties for the tax exemption.

SB 296 (2015), if it becomes law, would transfer the administration of the Elderly Rental Assistance Program from the Department of Revenue (DOR) to the Housing and Community Services Department (HCSD) beginning in 2017-19 biennium. DOR will continue the current program for calendar years 2015 and 2016 or the 2015-17 biennium. The budgetary impact of this measure is estimated to be \$1.4 million General Fund out of the program's total \$5.7 million General Fund budget. The remaining \$4.3 million is attributable to the Nonprofit Homes for the Elderly Program and would remain in the agency's budget.

LFO Recommendation Informational only - no action required.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2013-15 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2015-17 Base Budget	-	-	-	-	-	-	-	-	-
2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	373,841	-	31,175,099	-	-	-	31,548,940	15	10.50
2015-17 Legislative Actions	373,841	-	31,175,099	-	-	-	31,548,940	15	10.50
Net change from 2013-15 Leg Approved Budget	373,841	-	31,175,099	-	-	-	31,548,940	15	10.50
Percent change from 2013-15 Leg Approved Budget	100.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Net change from 2015-17 Current Service Level	373,841	-	31,175,099	-	-	-	31,548,940	15	10.50
Percent change from 2015-17 Current Service Level	100.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 143 SeniorDisabled Citizens Property Tax Deferral

Package Description This policy package increases staffing for the administration of the Senior Property Deferral program.

The package includes \$435,556 Other Funds personal services, \$36,968 Other Funds services and supplies, and \$6,704 Other Funds capital outlay. Seven positons (4.00 FTE) are established.

The revenue source is the Senior and Disabled Property Tax Deferral Account.

LFO Recommendation Approved the policy package as modified.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	-	-	479,228	-	-	-	479,228	7	4.00
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package moves tax payments to counties from being budgeted as revenue transfers to special payments. The program is estimated to transfer approximately \$30 million to counties during the 2015-17 biennium.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	-	-	30,000,000	-	-	-	30,000,000	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 802 Transfer of Senior Prop Tax Deferral Pgrm

Package Description This policy package consolidates the administrative and operational activities of the Senior Property Deferral program under an existing budget structure.

The package transfers \$349,604 General Fund personal services, \$650,860 Other Fund personal services, \$24,237 General Fund services and supplies, and \$45,011 Other Fund services and supplies to the new program structure. Eight positons (6.50 FTE) are transferred.

The Other Funds revenue source is the Senior Property Deferral Account.

LFO Recommendation Approve the policy package.

Budget Instructions The Department of Administrative Services is directed to unschedule \$373,841 of General Fund in the Senior Property Tax Deferral program. The funds may only be rescheduled upon the approval of Legislature.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	373,841	-	695,871	-	-	-	1,069,712	8	6.50
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	3,637,432	-	26,528,818	-	-	-	30,166,250	31	31.00
2013-15 Ebds, SS & Admin Act	(500,000)	-	-	-	-	-	(500,000)	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	3,137,432	-	26,528,818	-	-	-	29,666,250	31	31.00
2013-15 Leg Approved Budget (Base)	3,137,432	-	26,528,818	-	-	-	29,666,250	31	31.00
Summary of Base Adjustments	-	-	(449,235)	-	-	-	(449,235)	1	1.00
2015-17 Base Budget	3,137,432	-	26,079,583	-	-	-	29,217,015	32	32.00
020: Phase In / Out Pgm & One-time Cost	(3,137,432)	-	(20,602,539)	-	-	-	(23,739,971)	-	-
2015-17 Current Service Level	-	-	5,477,044	-	-	-	5,477,044	32	32.00
070: Revenue Reductions/Shortfall	-	-	(5,477,044)	-	-	-	(5,477,044)	(32)	(32.00)
Adjusted 2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2015-17 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2013-15 Leg Approved Budget	(3,137,432)	-	(26,528,818)	-	-	-	(29,666,250)	(31)	(31.00)
Percent change from 2013-15 Leg Approved Budget	(100.0%)	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)
Net change from 2015-17 Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2015-17 Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 070 Revenue Shortfalls

Package Description This package eliminates phase-I funding for the Core Systems Replacement project. Phase-II funding for the project is request under policy package #181.

The package reduces the budget by \$5.5 million and 32 positons (32.00 FTE).

LFO Recommendation Approve the policy package as requested.

LFO Analyst Notes HB 5035 (2015); See Core Systems Replacement project policy package #181.

LFO Recommended	-	-	(5,477,044)	-	-	-	(5,477,044)	(32)	(32.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 181 Core Systems Replacement

Package Description This package would continue implementation of the Core System Replacement (CSR) project which is the replacement of two-thirds of the agency's technology systems with a commercial off-the-shelf integrated tax solution called GenTax. Phase-II includes the following programs: Personal Income tax; self-employed transit tax; estate and trust tax; and the Senior Property Tax Deferral. These programs are scheduled to come on line in the Fall of 2015.

The General Fund for the program pays for the following: (a) Article XI-Q bonding Debt Service (\$3.9 General Fund and \$390,000 Other Funds for cost of issuance); (b) Department of Administrative Services data center charges (\$1.8 million General Fund); (c) vendor charges for contract maintenance (\$2.4 million General Fund); and (d) non-bondable agency expenditures (\$250,000 General Fund).

The request seeks to establish 33 permanent full-time positions (33.00 FTE).

The revenue source for the package is Article XI-Q bond proceeds and General Fund.

LFO Recommendation Defer the request to the Capital Construction Subcommittee. The General Government Subcommittee recommends, based upon the recommendation of the Information Technology Subcommittee, that the Capital Construction Subcommittee approve funding for the Core Systems Replacement project (Phase-II).

Budget Notes The Department of Revenue is to report to the Interim Joint Committee on Ways and Means in the Fall of 2015 to document the agency's readiness to proceed with the final implementation of the Core Systems Replacement project's Personal Income Tax program.

LFO Analyst Notes HB 5035 (2015); Also see HB 5005 (2015) for Bonding and HB 5507 (2015) omnibus budget measure.

LFO Recommended

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2013-15 Agy. Leg. Adopted	1,554,716	-	521,182	-	-	-	2,075,898	-	-
2013-15 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2013-15 Leg Approved Budget	1,554,716	-	521,182	-	-	-	2,075,898	-	-
2013-15 Leg Approved Budget (Base)	1,554,716	-	521,182	-	-	-	2,075,898	-	-
Summary of Base Adjustments	7,516,314	-	-	-	-	-	7,516,314	-	-
2015-17 Base Budget	9,071,030	-	521,182	-	-	-	9,592,212	-	-
2015-17 Current Service Level	9,071,030	-	521,182	-	-	-	9,592,212	-	-
Adjusted 2015-17 Current Service Level	9,071,030	-	521,182	-	-	-	9,592,212	-	-
Total LFO Recommended Packages	-	-	(521,182)	-	-	-	(521,182)	-	-
2015-17 Legislative Actions	9,071,030	-	-	-	-	-	9,071,030	-	-
Net change from 2013-15 Leg Approved Budget	7,516,314	-	(521,182)	-	-	-	6,995,132	-	-
Percent change from 2013-15 Leg Approved Budget	483.5%	0.0%	(100.0%)	0.0%	0.0%	0.0%	337.0%	0.0%	0.0%
Net change from 2015-17 Current Service Level	-	-	(521,182)	-	-	-	(521,182)	-	-
Percent change from 2015-17 Current Service Level	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(5.4%)	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 141 Property Valuation System

Package Description The policy package includes Debt Service costs for the repayment of Article XI-Q bonds issued for the Property Valuation System. Article XI-Q bonds for information technology projects are financed over a seven year period.

The Debt Service totals \$411,180 General Fund and \$51,682 Other Funds (cost of bond issuance to be paid with bond proceeds). The proposed sale date is May of 2016.

The 2017-19 Debt Service totals \$817,405 General Fund.

LFO Recommendation Defer the request to the Capital Construction Subcommittee. The General Government Subcommittee recommends, based upon the recommendation of the Information Technology Subcommittee, that the Capital Construction Subcommittee approve funding for the Property Valuation System.

LFO Analyst Notes HB 5035 (2015); Also see HB 5005 (2015) Bonding.

LFO Recommended

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 181 Core Systems Replacement

Package Description The policy package includes Debt Service costs for the repayment of Article XI-Q bonds issued for the Core Systems Replacement project (phase-II). Article XI-Q bonds for information technology projects are financed over a seven year period.

The Debt Service totals \$3.9 million General Fund and \$390,000 Other Funds (cost of bond issuance to be paid with bond proceeds). The proposed sale dates are October of 2015 and May of 2016.

The 2017-19 Debt Service totals \$7.4 million General Fund.

LFO Recommendation Defer the request to the Capital Construction Subcommittee. The General Government Subcommittee recommends, based upon the recommendation of the Information Technology Subcommittee, that the Capital Construction Subcommittee approve funding for the Core Systems Replacement project (Phase-II).

LFO Analyst Notes HB 5035 (2015); Also see HB 5005 (2015) for Bonding and HB 5507 (2015) omnibus budget measure.

LFO Recommended

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 801 LFO Analyst Adjustments

Package Description This package reduces Other Funds Debt Service in the amount of \$521,182 for the cost of bond issuances that is no longer needed by the agency.

LFO Recommendation Approve the policy package.

LFO Analyst Notes HB 5035 (2015)

LFO Recommended	-	-	(521,182)	-	-	-	(521,182)	-	-
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**PROPOSED AMENDMENTS TO
HOUSE BILL 5035**

1 On page 1 of the printed bill, delete lines 4 through 29 and delete page
2 2 and insert:

3 **“SECTION 1. There are appropriated to the Department of Revenue,**
4 **for the biennium beginning July 1, 2015, out of the General Fund, the**
5 **following amounts, for the following purposes:**

- 6 (1) Administration..... \$ 66,148,653
7 (2) Property Tax Division..... \$ 12,245,989
8 (3) Personal Tax and Compliance
9 Division \$ 67,083,250
10 (4) Business Division..... \$ 19,664,379
11 (5) Elderly Rental Assistance
12 and Nonprofit Housing
13 for Elderly Persons..... \$ 5,672,000
14 (6) Senior Property Tax Deferral... \$ 373,841
15 (7) Debt Service..... \$ 9,071,030

16 **“SECTION 2. Notwithstanding any other law limiting expenditures,**
17 **the following amounts are established for the biennium beginning July**
18 **1, 2015, as the maximum limits for payment of expenses from fees,**
19 **moneys or other revenues, including Miscellaneous Receipts and re-**
20 **imbursements from federal service agreements, but excluding lottery**
21 **funds and federal funds not described in this section, collected or re-**
22 **ceived by the Department of Revenue, for the following purposes:**

- 1 (1) Administration..... \$ 12,570,956
- 2 (2) Property Tax Division..... \$ 40,354,202
- 3 (3) Personal Tax and Compliance
- 4 Division..... \$ 1,478,630
- 5 (4) Business Division..... \$ 15,130,152
- 6 (5) Multistate Tax Commission \$ 284,945
- 7 (6) Senior Property Tax Deferral... \$ 31,175,099

8 **“SECTION 3. (1) In addition to and not in lieu of any other appro-**
 9 **priation, there is appropriated to the Emergency Board, for the**
 10 **biennium beginning July 1, 2015, out of the General Fund, the amount**
 11 **of \$1,836,836, to be allocated to Department of Revenue for the Prop-**
 12 **erty Tax Division.**

13 **“(2) If any of the moneys appropriated by subsection (1) of this**
 14 **section are not allocated by the Emergency Board prior to December**
 15 **1, 2016, the moneys remaining on that date become available for any**
 16 **purpose for which the Emergency Board lawfully may allocate funds.**

17 **“SECTION 4. This 2015 Act being necessary for the immediate**
 18 **preservation of the public peace, health and safety, an emergency is**
 19 **declared to exist, and this 2015 Act takes effect July 1, 2015.”.**

20

Legislatively Proposed 2015-2017 Key Performance Measures

Agency: REVENUE, DEPARTMENT of

Mission: We make tax systems work to fund the public services that preserve and enhance the quality of life for all citizens.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
14 - Appraisal Program Equity and Uniformity - We will measure the degree to which county appraisal program equity and uniformity is achieved by determining the percentage of study areas statewide with real market values that are within accepted appraisal standards.		Proposed New KPM		1.00	1.00
15 - Appraisal Value Uniformity - We will demonstrate our ability to deliver high quality business results by measuring appraisal equity and uniformity for DOR industrial accounts.		Proposed New KPM		1.00	1.00
16 - Direct Enforcement Dollars Cost of Funds - We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every direct enforcement dollar received by our agency.		Proposed New KPM		1.00	1.00
17 - Collection Dollars Cost of Funds - We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every dollar collected by our agency.		Proposed New KPM		1.00	1.00
18 - Cost of Assessments - We will demonstrate our efficiency and effectiveness of our suspense, audit and filing enforcement functions by measuring the cost of every audit and filing enforcement dollar assessed.		Proposed New KPM		1.00	1.00
19 - Employee Engagement - Index of employees considered actively engaged by a standardized survey.		Proposed New KPM		1.00	1.00
1 - Dollars Collected Per Revenue Agent Per Month (Personal Income Tax)		Proposed Delete KPM	122,481.00		
2 - Percent of Property Taxes Collected.		Proposed Delete KPM	95.30		
3 - Percent of Assessor's Maps Digitized in a GIS Format.		Proposed Delete KPM	81.00		

Agency: REVENUE, DEPARTMENT of

Mission: We make tax systems work to fund the public services that preserve and enhance the quality of life for all citizens.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
5 - Personal Income Tax Non-Filer Assessments Issued Per Employee Per Month.		Proposed Delete KPM	41.00		
6 - Personal Income Tax and Corporation Tax Cases Closed Per Revenue Agent Per Month.		Proposed Delete KPM	176.00		
7 - Delinquent Returns Filed After Compliance Contact Per Filing Enforcement Employee Per Month.		Proposed Delete KPM	18.00		
10 - Employee Work Environment (based upon a scale of 1-6)		Proposed Delete KPM	4.15		
8 - Average Days to Process Personal Income Tax Refund.		Approved KPM	8.00	12.00	12.00
9 - Percent of Personal Income Tax Returns Filed Electronically		Approved KPM	82.50	82.00	82.00
11 - Employee Training Per Year (percent receiving 20 hours per year).		Approved KPM	46.00	60.00	60.00
12 - Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Accuracy	Approved KPM	45.00	97.00	97.00
12 - Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Availability of Information	Approved KPM	48.00	97.00	97.00
12 - Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Expertise	Approved KPM	43.00	97.00	97.00
12 - Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Helpfulness	Approved KPM	38.00	98.00	98.00
12 - Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Overall	Approved KPM	33.00	98.00	98.00

Agency: REVENUE, DEPARTMENT of

Mission: We make tax systems work to fund the public services that preserve and enhance the quality of life for all citizens.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2016	Target 2017
12 - Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	Timeliness	Approved KPM	32.00	97.00	97.00
13 - Effective Taxpayer Assistance: Provide the most effective taxpayer assistance services by a data-driven combination of direct assistance and electronic self-help services.		Approved KPM	59.00	56.00	56.00

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the agency's key performance measures and targets.

Sub-Committee Action:

MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: General Government Subcommittee
Joint Committee on Ways and Means

From: Information Technology Subcommittee
Joint Committee on Ways and Means

Date: May 26, 2015

Subject: Oregon Department of Revenue: HB 5035 - POP #181 & #151
LFO Analysis and Recommendations

The Information Technology Subcommittee recommends conditional approval of Policy Option Packages #181 (Core System Replacement – CSR Project) and #151 (Fraud Analytics and Detection) assuming the spending authority and personnel resources are made available to the Department of Revenue (DOR) within HB 5035. Specifically, the Information Technology Subcommittee recommends that DOR:

- Continue to work closely with and regularly report project status to the Office of the State Chief Information Officer (OSCIO) and the Legislative Fiscal Office (LFO) throughout the project's lifecycle.
- Continue to follow the Joint State CIO/LFO Stage Gate Review Process
- Report back to the Legislature on project status in the Fall of 2015 (on readiness to proceed with the CSR Project's Rollout 2 in December 2015) to the Interim Joint Committee on Ways and Means and to the Joint Committee on Ways and Means during the 2016 Annual Legislative Session.
- Utilize the Office of the State CIO's Enterprise Project and Portfolio Management system as it is deployed for all project review, approval, and project status and QA reporting activities throughout the life of the Core Systems Replacement Project, to include information on the new Fraud Analytics and Detection project planning and execution activities funded by package #151.

MEMORANDUM

Legislative Fiscal Office
900 Court St. NE, Room H-178
Salem, Oregon 97301
Phone 503-986-1828
FAX 503-373-7807

To: General Government Subcommittee
Joint Committee on Ways and Means

From: Information Technology Subcommittee
Joint Committee on Ways and Means

Date: May 26, 2015

Subject: Oregon Department of Revenue: HB 5035 - POP #141
LFO Analysis and Recommendations

The Information Technology (IT) Subcommittee recommends incremental, conditional approval of Policy Option Package #141 assuming the spending authority and personnel resources are made available to the Department of Revenue (DOR) within HB 5035. Specifically, the IT Subcommittee recommends that: the proposed funding for any remaining planning activities be approved; any remaining expenditure limitation be unscheduled by the Department of Administrative Services (DAS), and the DOR be required to request Office of the State Chief Information Officer (OSCIO), DAS Chief Financial Office (CFO), and Legislative Fiscal Office (LFO) approval, that a portion, or all of the remaining unscheduled expenditure limitation, be rescheduled for agency use to initiate and complete project execution activities. In addition, the IT Subcommittee recommends that DOR:

- Continue to work closely with and regularly report project status to the OSCIO and the LFO throughout the lifecycle of the proposed DOR Property Valuation System (PVS) project.
- Follow the Joint State CIO/LFO Stage Gate Review Process
- Hire/retain or contract for qualified project management services with experience in planning and managing projects of this type, scope and magnitude.
- Update the Business Case and foundational project management documents as required
- Work with OSCIO to acquire Independent Quality Management Services as required to:
 - Conduct an initial risk assessment
 - Perform quality control reviews on the Business Case, and foundational project management documents as appropriate.
 - Perform ongoing, independent quality management services as directed by the OSCIO
- Submit the updated Business Case, project management documents, initial risk assessment, and QC reviews to the OSCIO and LFO for Stage Gate Review
- Report back to the Legislature on project status during the 2016 Annual Legislative Session and/or to interim Legislative committees as required
- Utilize the Office of the State CIO's Enterprise Project and Portfolio Management system as it is deployed for all project review, approval, and project status and closeout reporting activities throughout the life of the DOR PVS project.

House Bill 5035

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of Oregon Department of Administrative Services)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Appropriates moneys from General Fund to Department of Revenue for biennial expenses.
Limits certain biennial expenditures from fees, moneys or other revenues, including Miscellaneous Receipts and federal service agreement reimbursements, but excluding lottery funds and other federal funds, collected or received by department.
Declares emergency, effective July 1, 2015.

A BILL FOR AN ACT

Relating to the financial administration of the Department of Revenue; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. There are appropriated to the Department of Revenue, for the biennium beginning July 1, 2015, out of the General Fund, the following amounts, for the following purposes:

- (1) Administration..... \$ 65,644,226
- (2) Property Tax Division..... \$ 14,488,747
- (3) Personal Tax and Compliance
Division..... \$ 67,083,250
- (4) Business Division..... \$ 19,664,379
- (5) Elderly Rental Assistance
and Nonprofit Housing
for Elderly Persons..... \$ 5,672,000
- (6) Core System Replacement..... \$ 4,415,000
- (7) Debt Service..... \$ 13,392,049

SECTION 2. Notwithstanding any other law limiting expenditures, the following amounts are established for the biennium beginning July 1, 2015, as the maximum limits for payment of expenses from fees, moneys or other revenues, including Miscellaneous Receipts and reimbursements from federal service agreements, but excluding lottery funds and federal funds not described in this section, collected or received by the Department of Revenue, for the following purposes:

- (1) Administration..... \$ 12,498,611
- (2) Property Tax Division..... \$ 10,224,117
- (3) Personal Tax and Compliance
Division..... \$ 1,478,630
- (4) Business Division..... \$ 15,130,152
- (5) Multistate Tax Commission..... \$ 284,945
- (6) Core System Replacement..... \$ 26,250,718

Note: For budget, see 2015-2017 Biennial Budget

NOTE: Matter in boldfaced type in an amended section is new; matter [italic and bracketed] is existing law to be omitted. New sections are in boldfaced type.

1 **(7) Debt Service..... \$ 441,682**

2 **SECTION 3. This 2015 Act being necessary for the immediate preservation of the public**
3 **peace, health and safety, an emergency is declared to exist, and this 2015 Act takes effect**
4 **July 1, 2015.**

5
