

**Legislative
Fiscal Office**

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**Joint Committee on
Ways and Means**

Sen. Richard Devlin, Senate Co-Chair
Rep. Nancy Nathanson, House Co-Chair

Sen. Betsy Johnson, Senate Co-Vice Chair
Sen. Jackie Winters, Senate Co-Vice Chair
Rep. Dan Rayfield, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: General Government Subcommittee
From: John Borden, Legislative Fiscal Office
Date: June 27, 2017
Subject: SB 5535 Department of Revenue
Work Session Recommendations

Department of Revenue – Agency Totals

	2013-15 Actual	2015-17 Legislatively Approved	2017-19 Current Service Level	2017-19 LFO Recommended
General Fund	160,778,293	193,383,990	210,070,974	200,986,476
Other Funds	49,798,657	135,288,951	115,770,126	113,226,720
Total Funds	\$210,576,950	\$328,672,941	\$325,841,100	\$314,213,196
Positions	1,063	1,087	1,079	966
FTE	1,009.28	1,025.49	1,020.37	920.60

Attached are the recommendations from the Legislative Fiscal Office for the Department of Revenue. The budget totals \$314.2 million total funds, including: \$201 million General Fund and \$113.2 million Other Funds. The total funds budget is a 4.4% decrease from the 2015-17 legislatively approved budget and a 1.7% decrease from the 2017-19 current service level budget. The budget includes 966 positions and 920.60 FTE.

The budget includes the following adjustments:

- Policy Package 080 - May 2016 Emergency Board - \$873,305 Other Funds (6 positions; 6.00 FTE);
- Policy Package 102 - Post Core Systems Replacement Implementation - \$4.6 million General Fund and \$869,380 Other Funds;
- Policy Package 110 - Cash Transaction Unit Construction - \$880,000 Other Funds;
- Policy Package 111 - Oregon State Police Security Contract - \$164,000 Other Funds;
- Policy Package 112 - Processing Center Lifecycle Replacement Project - \$1.4 million General Fund and \$120,000 Other Funds;
- Policy Package 070 - Revenue Shortfall \$6.9 million Other Funds (33 positions; 33.00 FTE);

- Policy Package 801 - LFO Analyst Adjustment - <\$118,818> Other Funds
- Policy Package 802 - Marijuana Program Consolidation (net zero);
- Policy Package 803 - Attorney General Program Costs (net zero);
- Policy Package 804 - Financial Management Resources - \$568,429 General Fund and \$49,428 Other Funds (2 positions; 2.00 FTE);
- Policy Package 805 - Outcome-Based Management Assessment - \$322,000 General Fund and \$28,000 Other Funds);
- Policy Package 806 - Customer Services Resources - \$149,190 General Fund and \$3,045 Other Funds (1 positions; 1.00 FTE);
- Policy Package 081 - September Emergency Board - \$368,735 Other Funds (2.10 FTE);
- Policy Package 812 - Vacant Position Elimination - <\$12 million> General Fund and <\$1 million> Other Funds (86 positions; 74.87 FTE);
- Policy Package 814 - IT Security Positions Consolidation - <\$751,437> General Fund and <\$105,335> Other Funds (3 positons; 3.00 FTE)
- Policy Package 090- Analyst Adjustment - <\$1.1 million General Fund>

Adjustments to Current Service Level

See attached “Work Session Presentation Report.”

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5535. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5535, with modifications. (VOTE)

Performance Measures

See attached “Legislatively Proposed 2017-19 Key Performance Measures.”

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures, with modifications. (VOTE)

Budget Notes

Budget Note #1 - Collections Division Feasibility Study

The Department of Revenue is to submit a feasibility study related to the establishment of a combined Collections Division. The feasibility study is to be submitted to the Interim Joint Committee on Ways and Means during Legislative Days in November 2017.

Budget Note #2 - Comprehensive External Audit

The Department of Revenue, under the guidance of the Secretary of State Audits Division, and based upon the direction of the Joint Committee on Legislative Audits, is directed to contract for a comprehensive external audit of the agency. The Department of Revenue is to submit the audit, and agency response, to the Joint Committee on Legislative Audits by no later than May of 2018.

Budget Note #3 - State Accounting and Budget Review

The Department of Revenue, under the direction of the Department of Administrative Services - Chief Financial Office, is directed to undertake a comprehensive review of the Department of Revenue's accounting practices and Statewide Financial Management Application structure and its alignment with the Oregon Budget Information Tracking System. This review is to include the Department of Revenue's cost allocation system. The Department of Revenue and the Department of Administrative Services - Chief Financial Office are to jointly report their findings to the Joint Committee on Ways and Means during the Legislative session in 2018.

Budget Note #4 - Outcome-Based Management Assessment

The Department of Revenue, under the direction of the Department of Administrative Services -Office of the Director, is directed to contract for an outcome based management assessment of the agency by a private firm. The Department of Revenue, and the director of the Department of Administrative, are to jointly report the status of the assessment to the Legislature in 2018 and the Emergency Board in May of 2018. The assessment, upon completion, is to be submitted to either the Emergency Board during the interim or Interim Joint Committee on Ways and Means by no later the December of 2019.

Budget Note #5 - Review of Personnel Practices and Legislatively Authorized Positions

The Department of Revenue, under the direction of the director of the Department of Administrative Services - Chief Human Resource Office, is directed to undertake a comprehensive review of the Department of Revenue's personnel practices and legislatively authorized positions. This review is meant to achieve alignment between legislatively authorized position authority and the agency's use of positions. The Department of Revenue, is to undertake immediate steps to remedy any misalignment of positions identified by the review. The expectation is that this review will substantially reduce the number of vacant, double-filled, work-out-of-class, and "temporary work assignment" positions within the agency. The Department of Revenue and the Department

of Administrative Services - Chief Human Resource Office are to jointly to report their findings and actions to the Joint Committee on Ways and Means during the Legislative session in 2018.

Budget Note #6 - Re-Initiating the Processing Center Modernization Project

The Department of Revenue, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to re-initiate the Processing Center Modernization Project. The Department of Revenue and the Department of Administrative Services - Office of the State Chief Information Officer are to jointly report the status of the project to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative session in 2018.

Budget Note #7 - Improving Delivery of Taxpayer Assistance

The Department of Revenue is to identify deficiencies in the current delivery of effective taxpayer assistance and develop a plan for addressing deficiencies and increasing agency performance under Key Performance Measure #5 - Effective Taxpayer Assistance. The Department of Revenue is to report its findings to the Joint Committee on Ways and Means during the Legislative session in 2018.

Budget Note #8 - 2018 Tax Season Readiness Report

The Department of Revenue is to report the agency's readiness status for the tax processing season in 2018 to the Interim Joint Committee on Ways and Means in September of 2017.

Budget Note #9 - Core Systems Replacement Project Reporting

The Department of Revenue and the Department of Administrative Services - Office of the State Chief Information Officer, are to jointly report the status of the Core Systems Replacement project, and any related Secretary of State Audits, to both the Interim Joint Legislative Committee on Information Management and Technology and the Interim Joint Committee on Ways and Means during Legislative Days in September and November and to then to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative session in 2018.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Budget Notes. (VOTE)

OR

Change LFO Recommendation (any changes must be approved by the co-chairs):

MOTION: I move the LFO recommendation on Budget Notes, with modifications. (VOTE)

Recommended Changes

LFO recommends a budget of \$200,986,476 General Fund and \$113,226,720 Other Funds, and 966 positions (920.60 FTE), which is reflected in the -1 amendment.

MOTION: I move adoption of the -1 amendment to SB 5535. (VOTE)

Final Subcommittee Action

LFO recommends that SB 5535, as amended by the -1 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move SB 5535, as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	186,702,371	-	130,931,438	-	-	-	317,633,809	1,082	1,012.41
2015-17 Ebds, SS & Admin Act	6,681,619	-	4,357,513	-	-	-	11,039,132	10	13.08
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	193,383,990	-	135,288,951	-	-	-	328,672,941	1,092	1,025.49
2015-17 Leg Approved Budget (Base)	193,187,720	-	134,486,949	-	-	-	327,674,669	1,087	1,020.68
Summary of Base Adjustments	17,343,765	-	568,866	-	-	-	17,912,631	(8)	(0.31)
2017-19 Base Budget	210,531,485	-	135,055,815	-	-	-	345,587,300	1,079	1,020.37
010: Non-PICS Pers Svc/Vacancy Factor	2,318,002	-	304,025	-	-	-	2,622,027	-	-
020: Phase In / Out Pgm & One-time Cost	(5,559,346)	-	(22,642,851)	-	-	-	(28,202,197)	-	-
030: Inflation & Price List Adjustments	2,780,833	-	3,053,137	-	-	-	5,833,970	-	-
2017-19 Current Service Level	210,070,974	-	115,770,126	-	-	-	325,841,100	1,079	1,020.37
070: Revenue Reductions/Shortfall	-	-	(6,944,840)	-	-	-	(6,944,840)	(33)	(33.00)
080: E-Boards	-	-	873,305	-	-	-	873,305	6	6.00
Adjusted 2017-19 Current Service Level	210,070,974	-	109,698,591	-	-	-	319,769,565	1,052	993.37
Total LFO Recommended Packages	(9,084,498)	-	3,528,109	-	-	-	(5,556,389)	(86)	(72.77)
2017-19 Legislative Actions	200,986,476	-	113,226,700	-	-	-	314,213,176	966	920.60
Net change from 2015-17 Leg Approved Budget	7,602,486	-	(22,062,251)	-	-	-	(14,459,765)	(126)	(104.89)
Percent change from 2015-17 Leg Approved Budget	3.9%	0.0%	(16.3%)	0.0%	0.0%	0.0%	(4.4%)	(11.5%)	(10.2%)
Net change from 2017-19 Adj Current Service Level	(9,084,498)	-	3,528,109	-	-	-	(5,556,389)	(86)	(72.77)
Percent change from 2017-19 Adj Current Service Level	(4.3%)	0.0%	3.2%	0.0%	0.0%	0.0%	(1.7%)	(8.2%)	(7.3%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	7,298,048	-	1,039,839	-	-	-	8,337,887	39	37.58
2015-17 Ebds, SS & Admin Act	294,040	-	143,696	-	-	-	437,736	1	0.54
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	7,592,088	-	1,183,535	-	-	-	8,775,623	40	38.12
2015-17 Leg Approved Budget (Base)	7,592,088	-	1,084,867	-	-	-	8,676,955	39	37.58
Summary of Base Adjustments	570,791	-	3,832	-	-	-	574,623	-	0.62
2017-19 Base Budget	8,162,879	-	1,088,699	-	-	-	9,251,578	39	38.20
010: Non-PICS Pers Svc/Vacancy Factor	11,357	-	4,076	-	-	-	15,433	-	-
030: Inflation & Price List Adjustments	76,552	-	10,785	-	-	-	87,337	-	-
2017-19 Current Service Level	8,250,788	-	1,103,560	-	-	-	9,354,348	39	38.20
Adjusted 2017-19 Current Service Level	8,250,788	-	1,103,560	-	-	-	9,354,348	39	38.20
Total LFO Recommended Packages	460,000	-	27,694	-	-	-	487,694	-	-
2017-19 Legislative Actions	8,710,788	-	1,131,254	-	-	-	9,842,042	39	38.20
Net change from 2015-17 Leg Approved Budget	1,118,700	-	(52,281)	-	-	-	1,066,419	(1)	0.08
Percent change from 2015-17 Leg Approved Budget	14.7%	0.0%	(4.4%)	0.0%	0.0%	0.0%	12.2%	(2.5%)	0.2%
Net change from 2017-19 Adj Current Service Level	460,000	-	27,694	-	-	-	487,694	-	-
Percent change from 2017-19 Adj Current Service Level	5.6%	0.0%	2.5%	0.0%	0.0%	0.0%	5.2%	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 802 Marijuana Program Consolidation

Package Description This package consolidates marijuana-related expenditures from across the agency into a single program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	(12,306)	-	-	-	(12,306)	-	-
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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 804 Financial Management Resources

Package Description This package provides funding for a comprehensive external audit of the agency by a private firm. The objective of this legislative investment is to improve the financial management of the Department.

LFO Recommendation Approve, as a one-time adjustment.

Budget Notes The Department of Revenue, under the guidance of the Secretary of State Audits Division, and based upon the direction of the Joint Committee on Legislative Audits, is directed to contract for a comprehensive external audit of the agency. The Department of Revenue is to submit the audit, and agency response, to the Joint Committee on Legislative Audits by no later than May of 2018.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	138,000	-	12,000	-	-	-	150,000	-	-
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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 805 Outcome-Based Management Assessment

Package Description This package provides funding for a contract for an outcome based management assessment of the agency by a private firm. The objective of this legislative investment is to independently assess and validate the Department's current key goals and objectives, core business processes and practices, and process measures and outcomes.

LFO Recommendation Approve, as a one-time adjustment.

Budget Notes Budget Note: The Department of Revenue, under the direction of the Department of Administrative Services -Office of the Director, is directed to contract for an outcome based management assessment of the agency by a private firm. The Department of Revenue, and the director of the Department of Administrative, are to jointly report the status of the assessment to the Legislature in 2018 and the Emergency Board in May of 2018. The assessment, upon completion, is to be submitted to either the Emergency Board during the interim or Interim Joint Committee on Ways and Means by no later the December of 2019.

Budget Note: The Department of Revenue, under the direction of the director of the Department of Administrative Services - Chief Human Resource Office, is directed to undertake a comprehensive review of the Department of Revenue's personnel practices and legislatively authorized positions. This review is meant to achieve alignment between legislatively authorized position authority and the agency's use of positions. The Department of Revenue, is to undertake immediate steps to remedy any misalignment of positions identified by the review. The expectation is that this review will substantially reduce the number of vacant, double-filled, work-out-of-class, and "temporary work assignment" positions within the agency. The Department of Revenue and the Department of Administrative Services - Chief Human Resource Office are to jointly to report their findings and actions to the Joint Committee on Ways and Means during the Legislative session in 2018.

Budget Note: The Department of Revenue is to submit a feasibility study related to the establishment of a combined Collections Division. The feasibility study is to be submitted to the Interim Joint Committee on Ways and Means during Legislative Days in November 2017.

Budget Note: The Department of Revenue is to report the agency's readiness status for the tax processing season in 2018 to the Interim Joint Committee on Ways and Means in September of 2017.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	322,000	-	28,000	-	-	-	350,000	-	-
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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)
2015-17 Agy. Leg. Adopted	11,848,237	-	3,658,663	-	-	-	15,506,900	14	13.25
2015-17 Ebds, SS & Admin Act	107,074	-	13,416	-	-	-	120,490	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	11,955,311	-	3,672,079	-	-	-	15,627,390	14	13.25
2015-17 Leg Approved Budget (Base)	11,955,311	-	3,672,079	-	-	-	15,627,390	14	13.25
Summary of Base Adjustments	91,781	-	(5,818)	-	-	-	85,963	-	-
2017-19 Base Budget	12,047,092	-	3,666,261	-	-	-	15,713,353	14	13.25
010: Non-PICS Pers Svc/Vacancy Factor	(9,076)	-	(1,046)	-	-	-	(10,122)	-	-
030: Inflation & Price List Adjustments	816,894	-	170,444	-	-	-	987,338	-	-
060: Technical Adjustments	-	-	71,957	-	-	-	71,957	-	-
2017-19 Current Service Level	12,854,910	-	3,907,616	-	-	-	16,762,526	14	13.25
Adjusted 2017-19 Current Service Level	12,854,910	-	3,907,616	-	-	-	16,762,526	14	13.25
Total LFO Recommended Packages	(6,294,814)	-	(726,232)	-	-	-	(7,021,046)	(4)	(3.25)
2017-19 Legislative Actions	6,560,096	-	3,181,384	-	-	-	9,741,480	10	10.00
Net change from 2015-17 Leg Approved Budget	(5,395,215)	-	(490,695)	-	-	-	(5,885,910)	(4)	(3.25)
Percent change from 2015-17 Leg Approved Budget	(45.1%)	0.0%	(13.4%)	0.0%	0.0%	0.0%	(37.7%)	(28.6%)	(24.5%)
Net change from 2017-19 Adj Current Service Level	(6,294,814)	-	(726,232)	-	-	-	(7,021,046)	(4)	(3.25)
Percent change from 2017-19 Adj Current Service Level	(49.0%)	0.0%	(18.6%)	0.0%	0.0%	0.0%	(41.9%)	(28.6%)	(24.5%)

	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 Marijuana Program Consolidation

Package Description This package consolidates marijuana-related expenditures from across the agency into a single program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	(38,832)	-	-	-	(38,832)	(1)	(0.25)
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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 803 Attorney General Program Cost

Package Description This package transfers the Attorney General line-item from the General Services program to operating programs for which the budget is attributable. This is being done to better reflect the actual budget and expenditure activity of each program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	(5,592,314)	-	(619,888)	-	-	-	(6,212,202)	-	-
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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 812 Vacant Position Elimination

Package Description There are 14 positions (13.25 FTE) budgeted at current service level for this Division. The Division has approximately five vacant positions. This package eliminates three vacant positions (3.00 FTE) and associated services and supplies that were proposed for elimination as part of the agency's most current reduction plan.

The objective of reducing vacancies is to: (a) reduce costs by eliminate long-term or unneeded positions; (b) capture savings derived from investments in automation; (c) restore Legislative budgetary control by reducing the discretion to repurpose vacant position funding; (d) reduce the reversion of General Fund; and (e) meet the General Fund reduction target. The elimination of only a portion of the positions that are currently vacant within the agency avoids reductions that would negatively impact revenue generation. The elimination of only vacancies also avoids the layoff of currently filled positions.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Position numbers: 2412, 4123; and 3615.

LFO Recommended	(702,500)	-	(67,512)	-	-	-	(770,012)	(3)	(3.00)
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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)
2015-17 Agy. Leg. Adopted	45,871,747	-	7,826,559	-	-	-	53,698,306	246	205.85
2015-17 Ebds, SS & Admin Act	1,173,703	-	1,213,680	-	-	-	2,387,383	9	5.84
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	47,045,450	-	9,040,239	-	-	-	56,085,689	255	211.69
2015-17 Leg Approved Budget (Base)	46,849,180	-	8,705,640	-	-	-	55,554,820	251	209.52
Summary of Base Adjustments	1,851,500	-	367,322	-	-	-	2,218,822	(4)	0.77
2017-19 Base Budget	48,700,680	-	9,072,962	-	-	-	57,773,642	247	210.29
010: Non-PICS Pers Svc/Vacancy Factor	715,736	-	73,435	-	-	-	789,171	-	-
020: Phase In / Out Pgm & One-time Cost	(662,728)	-	(387,272)	-	-	-	(1,050,000)	-	-
030: Inflation & Price List Adjustments	1,325,550	-	321,179	-	-	-	1,646,729	-	-
2017-19 Current Service Level	50,079,238	-	9,080,304	-	-	-	59,159,542	247	210.29
Adjusted 2017-19 Current Service Level	50,079,238	-	9,080,304	-	-	-	59,159,542	247	210.29
Total LFO Recommended Packages	2,027,147	-	(333,034)	-	-	-	1,694,113	(34)	(26.80)
2017-19 Legislative Actions	52,106,385	-	8,747,270	-	-	-	60,853,655	213	183.49
Net change from 2015-17 Leg Approved Budget	5,060,935	-	(292,969)	-	-	-	4,767,966	(42)	(28.20)
Percent change from 2015-17 Leg Approved Budget	10.8%	0.0%	(3.2%)	0.0%	0.0%	0.0%	8.5%	(16.5%)	(13.3%)
Net change from 2017-19 Adj Current Service Level	2,027,147	-	(333,034)	-	-	-	1,694,113	(34)	(26.80)
Percent change from 2017-19 Adj Current Service Level	4.1%	0.0%	(3.7%)	0.0%	0.0%	0.0%	2.9%	(13.8%)	(12.7%)

	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 102 Post CSR Implementation

Package Description This package funds two critical investment for the Core Systems Replacement project: (a) \$3.6 million for post-implementation Gentax software maintenance, support, and upgrades as well as on-site contractor personnel. This funds the highest level of support offered by the vendor (Level #3); and (b) \$1.8 million to pay for additional data center charges due to the system's need for additional server space at the Department of Administrative Services. The objective of this legislative investment is to improve the revenue management and compliance of the Department. The CSR

LFO Recommendation Approve, as a one-time adjustment.

Budget Notes The Department of Revenue and the Department of Administrative Services - Office of the State Chief Information Officer, are to jointly report the status of the Core Systems Replacement project, and any related Secretary of State Audits, to both the Interim Joint Legislative Committee on Information Management and Technology and the Interim Joint Committee on Ways and Means during Legislative Days in September and November and to then to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative session in 2018.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	4,564,245	-	869,380	-	-	-	5,433,625	-	-
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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 112 Processing Center Lifecycle

Package Description This package is the purchase of software needed to integrate the Department's document scanners with Gentax, the department's core system. This work was started in the 2015-17 biennium but was delayed due to vendor issues and the needs of tax processing season. This success of this project is critical to the Department's ability to process tax returns. The objective of this legislative investment is to improve the revenue management and compliance of the Department.

LFO Recommendation Approve, as a one-time adjustment.

Budget Notes The Department of Revenue, under the direction of the Department of Administrative Services - Office of the State Chief Information Officer, is directed to re-initiate the Processing Center Modernization Project. The Department of Revenue and the Department of Administrative Services - Office of the State Chief Information Officer are to jointly report the status of the project to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative session in 2018.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	1,380,000	-	120,000	-	-	-	1,500,000	-	-
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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 801 LFO Analyst Adjustments

Package Description This package eliminates \$250,000 General Fund postage costs, \$177,160 General Fund for Information Services Section contracts, and \$174,319 General Fund and \$19,389 Other Funds for Microsoft licensing contract as part of the agency's most current reduction plan.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	(601,479)	-	(19,389)	-	-	-	(620,868)	-	-
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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 Marijuana Program Consolidation

Package Description This package consolidates marijuana-related expenditures from across the agency into a single program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	(979,619)	-	-	-	(979,619)	(5)	(5.00)
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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 804 Financial Management Resources

Package Description This package provides funding for a permanent full-time Accounting Manager and a permanent full-time Fiscal Analyst 2 position to address ongoing financial management issues within the agency, including Secretary of Audit and budgeting issues. The objective of this legislative investment is to improve the financial management of the Department.

LFO Recommendation Approve.

Budget Notes The Department of Revenue, under the direction of the Department of Administrative Services - Chief Financial Office, is directed to undertake a comprehensive review of the Department of Revenue's accounting practices and Statewide Financial Management Application structure and its alignment with the Oregon Budget Information Tracking System. This review is to include the Department of Revenue's cost allocation system. The Department of Revenue and the Department of Administrative Services - Chief Financial Office are to jointly report their findings to the Joint Committee on Ways and Means during the Legislative session in 2018.

Budget Instructions The Department of Revenue is to competitively recruit for and hire an Accounting Manager and Budget Manager.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	430,429	-	37,428	-	-	-	467,857	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 812 Vacant Position Elimination

Package Description There are 247 positions (210.29 FTE) budgeted at current service level for this Division. The Division has approximately 40 vacant positions. This package eliminates 28 vacant position (20.80 FTE) and associated services and supplies that were proposed for elimination as part of the agency's most current reduction plan.

The objective of reducing vacancies is to: (a) reduce costs by eliminate long-term or unneeded positions; (b) capture savings derived from investments in automation; (c) restore Legislative budgetary control by reducing the discretion to repurpose vacant position funding; (d) reduce the reversion of General Fund; and (e) meet the General Fund reduction target. The elimination of only a portion of the positions that are currently vacant within the agency avoids reductions that would negatively impact revenue generation. The elimination of only vacancies also avoids the layoff of currently filled positions.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Position numbers: 3485; 3209; 3589; 2010; 3260; 3448; 3071; 3450; 3449; 3464; 3384; 3138; 2217; 3546; 3281; 3270; 3271; 3272; 3419; 3617; 3216; 2410; 3566; 3032; 3296; 3437; 3510; 6409.

LFO Recommended	(2,994,611)	-	(255,499)	-	-	-	(3,250,110)	(28)	(20.80)
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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 814 IT Security Positions Consolidation

Package Description The three existing information security positions are moved to the Department of Administrative Services - Office of the Chief Financial Officer, per Executive Order 16-13 – Unifying Cyber Security in Oregon.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Position Numbers: 3087; 3578; and 3497

LFO Recommended	(751,437)	-	(105,335)	-	-	-	(856,772)	(3)	(3.00)
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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)
2015-17 Agy. Leg. Adopted	12,245,989	-	40,354,202	-	-	-	52,600,191	87	76.76
2015-17 Ebds, SS & Admin Act	1,821,788	-	(324,606)	-	-	-	1,497,182	-	7.20
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	14,067,777	-	40,029,596	-	-	-	54,097,373	87	83.96
2015-17 Leg Approved Budget (Base)	14,067,777	-	40,029,596	-	-	-	54,097,373	87	83.96
Summary of Base Adjustments	447,956	-	162,593	-	-	-	610,549	1	(0.04)
2017-19 Base Budget	14,515,733	-	40,192,189	-	-	-	54,707,922	88	83.92
010: Non-PICS Pers Svc/Vacancy Factor	32,424	-	(14,409)	-	-	-	18,015	-	-
030: Inflation & Price List Adjustments	45,519	-	1,315,412	-	-	-	1,360,931	-	-
2017-19 Current Service Level	14,593,676	-	41,493,192	-	-	-	56,086,868	88	83.92
Adjusted 2017-19 Current Service Level	14,593,676	-	41,493,192	-	-	-	56,086,868	88	83.92
Total LFO Recommended Packages	632,392	-	1,495,901	-	-	-	2,128,293	(7)	(6.05)
2017-19 Legislative Actions	15,226,068	-	42,989,093	-	-	-	58,215,161	81	77.87
Net change from 2015-17 Leg Approved Budget	1,158,291	-	2,959,497	-	-	-	4,117,788	(6)	(6.09)
Percent change from 2015-17 Leg Approved Budget	8.2%	0.0%	7.4%	0.0%	0.0%	0.0%	7.6%	(6.9%)	(7.3%)
Net change from 2017-19 Adj Current Service Level	632,392	-	1,495,901	-	-	-	2,128,293	(7)	(6.05)
Percent change from 2017-19 Adj Current Service Level	4.3%	0.0%	3.6%	0.0%	0.0%	0.0%	3.8%	(8.0%)	(7.2%)

	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 eliminates \$350,000 in the Attorney General line-item as part of the agency's most current reduction plan. This package provides \$1.5 million of Other Funds expenditure limitation for the distribution of special payments to counties of 90% of CAFFA revenues.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	(350,000)	-	1,458,498	-	-	-	1,108,498	-	-
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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 803 Attorney General Program Cost

Package Description This package transfers the Attorney General line-item from the General Services program to operating programs for which the budget is attributable.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	1,960,807	-	187,275	-	-	-	2,148,082	-	-
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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 812 Vacant Position Elimination

Package Description There are 88 positions (83.92 FTE) budgeted at current service level for this Division. The Division has approximately 12 vacant positions. This package eliminates seven vacant positions (6.05 FTE) and associated services and supplies that were proposed for elimination as part of the agency's most current reduction plan.

The objective of reducing vacancies is to: (a) reduce costs by eliminate long-term or unneeded positions; (b) capture savings derived from investments in automation; (c) restore Legislative budgetary control by reducing the discretion to repurpose vacant position funding; (d) reduce the reversion of General Fund; and (e) meet the General Fund reduction target. The elimination of only a portion of the positions that are currently vacant within the agency avoids reductions that would negatively impact revenue generation. The elimination of only vacancies also avoids the layoff of currently filled positions.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Positions numbers: 4153; 4154; 4126; 4187; 4284; 4209; and 4231.

LFO Recommended	(978,415)	-	(149,872)	-	-	-	(1,128,287)	(7)	(6.05)
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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)
2015-17 Agy. Leg. Adopted	67,083,250	-	1,478,630	-	-	-	68,561,880	430	422.81
2015-17 Ebds, SS & Admin Act	2,803,224	-	56,495	-	-	-	2,859,719	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	69,886,474	-	1,535,125	-	-	-	71,421,599	430	422.81
2015-17 Leg Approved Budget (Base)	69,886,474	-	1,535,125	-	-	-	71,421,599	430	422.81
Summary of Base Adjustments	3,556,635	-	65,128	-	-	-	3,621,763	(2)	(1.91)
2017-19 Base Budget	73,443,109	-	1,600,253	-	-	-	75,043,362	428	420.90
010: Non-PICS Pers Svc/Vacancy Factor	757,151	-	126,979	-	-	-	884,130	-	-
020: Phase In / Out Pgm & One-time Cost	538,796	-	-	-	-	-	538,796	-	-
030: Inflation & Price List Adjustments	288,843	-	15,651	-	-	-	304,494	-	-
2017-19 Current Service Level	75,027,899	-	1,742,883	-	-	-	76,770,782	428	420.90
Adjusted 2017-19 Current Service Level	75,027,899	-	1,742,883	-	-	-	76,770,782	428	420.90
Total LFO Recommended Packages	(2,705,339)	-	(93,194)	-	-	-	(2,798,533)	(29)	(29.00)
2017-19 Legislative Actions	72,322,560	-	1,649,689	-	-	-	73,972,249	399	391.90
Net change from 2015-17 Leg Approved Budget	2,436,086	-	114,564	-	-	-	2,550,650	(31)	(30.91)
Percent change from 2015-17 Leg Approved Budget	3.5%	0.0%	7.5%	0.0%	0.0%	0.0%	3.6%	(7.2%)	(7.3%)
Net change from 2017-19 Adj Current Service Level	(2,705,339)	-	(93,194)	-	-	-	(2,798,533)	(29)	(29.00)
Percent change from 2017-19 Adj Current Service Level	(3.6%)	0.0%	(5.4%)	0.0%	0.0%	0.0%	(3.7%)	(6.8%)	(6.9%)

	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 eliminates \$134,613 for a Portland Office remodel project as part of the agency's most current reduction plan.

LFO Recommendation Approve.

LFO Analyst Notes HB 5535 (2017)

LFO Recommended	(134,613)	-	-	-	-	-	(134,613)	-	-
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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 803 Attorney General Program Cost

Package Description This package transfers the Attorney General line-item from the General Services program to operating programs for which the budget is attributable.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	2,179,638	-	3,748	-	-	-	2,183,386	-	-
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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 806 Customer Service Resources

Package Description This package establishes a new permanent full-time Public Service Representative 4 position to improve customer service to tax practitioners. The objective of this legislative investment is to improve the customer service of the Department.

LFO Recommendation Approve.

Budget Notes The Department of Revenue is to identify deficiencies in the current delivery of effective taxpayer assistance and develop a plan for addressing deficiencies and increasing agency performance under Key Performance Measure #5 - Effective Taxpayer Assistance. The Department of Revenue is to report its findings to the Joint Committee on Ways and Means during the Legislative session in 2018.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	149,190	-	3,045	-	-	-	152,235	1	1.00
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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 812 Vacant Position Elimination

Package Description There are 428 positions (420.90 FTE) budgeted at current service level for this Division. The Division has approximately 54 vacant positions. This package eliminates 30 vacant position (30.00 FTE) and associated services and supplies that were proposed for elimination as part of the agency's most current reduction plan.

The objective of reducing vacancies is to: (a) reduce costs by eliminate long-term or unneeded positions; (b) capture savings derived from investments in automation; (c) restore Legislative budgetary control by reducing the discretion to repurpose vacant position funding; (d) reduce the reversion of General Fund; and (e) meet the General Fund reduction target. The elimination of only a portion of the positions that are currently vacant within the agency avoids reductions that would negatively impact revenue generation. The elimination of only vacancies also avoids the layoff of currently filled positions.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Position numbers: 5487; 5513; 6277; 6109; 6077; TBD; TBD; TBD; TBD; TBD; 5116; 6567; 5649; 5476; 5622; 5456; TBD; 5539; 5660; 6050; 5502; 6302; 5522; 5106; 5290; 6374; 6275; 5420; 5421; and 6051.

LFO Recommended	(4,899,554)	-	(99,987)	-	-	-	(4,999,541)	(30)	(30.00)
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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)
2015-17 Agy. Leg. Adopted	19,664,379	-	15,749,061	-	-	-	35,413,440	217	211.74
2015-17 Ebds, SS & Admin Act	833,171	-	1,941,671	-	-	-	2,774,842	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	20,497,550	-	17,690,732	-	-	-	38,188,282	217	211.74
2015-17 Leg Approved Budget (Base)	20,497,550	-	17,690,732	-	-	-	38,188,282	217	211.74
Summary of Base Adjustments	1,059,035	-	992,886	-	-	-	2,051,921	-	0.67
2017-19 Base Budget	21,556,585	-	18,683,618	-	-	-	40,240,203	217	212.41
010: Non-PICS Pers Svc/Vacancy Factor	826,958	-	117,835	-	-	-	944,793	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(633,920)	-	-	-	(633,920)	-	-
030: Inflation & Price List Adjustments	73,111	-	79,007	-	-	-	152,118	-	-
060: Technical Adjustments	-	-	(71,957)	-	-	-	(71,957)	-	-
2017-19 Current Service Level	22,456,654	-	18,174,583	-	-	-	40,631,237	217	212.41
Adjusted 2017-19 Current Service Level	22,456,654	-	18,174,583	-	-	-	40,631,237	217	212.41
Total LFO Recommended Packages	(918,727)	-	(1,036,388)	-	-	-	(1,955,115)	(17)	(16.02)
2017-19 Legislative Actions	21,537,927	-	17,138,195	-	-	-	38,676,122	200	196.39
Net change from 2015-17 Leg Approved Budget	1,040,377	-	(552,537)	-	-	-	487,840	(17)	(15.35)
Percent change from 2015-17 Leg Approved Budget	5.1%	0.0%	(3.1%)	0.0%	0.0%	0.0%	1.3%	(7.8%)	(7.3%)
Net change from 2017-19 Adj Current Service Level	(918,727)	-	(1,036,388)	-	-	-	(1,955,115)	(17)	(16.02)
Percent change from 2017-19 Adj Current Service Level	(4.1%)	0.0%	(5.7%)	0.0%	0.0%	0.0%	(4.8%)	(7.8%)	(7.5%)

	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 is a revenue-only technical adjustment to remove a revenue source no longer received by the program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

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 802 Marijuana Program Consolidation

Package Description This package consolidates marijuana-related expenditures from across the agency into a single program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	(1,358,822)	-	-	-	(1,358,822)	(3)	(3.00)
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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 803 Attorney General Program Cost

Package Description This package transfers the Attorney General line-item from the General Services program to operating programs for which the budget is attributable.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	1,451,869	-	428,865	-	-	-	1,880,734	-	-
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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 812 Vacant Position Elimination

Package Description There are 217 positions (212.41 FTE) budgeted at current service level for this Division. The Division has approximately 25 vacant positions. This package eliminates 14 vacant position (13.02 FTE) and associated services and supplies that were proposed for elimination as part of the agency's most current reduction plan.

The objective of reducing vacancies is to: (a) reduce costs by eliminate long-term or unneeded positions; (b) capture savings derived from investments in automation; (c) restore Legislative budgetary control by reducing the discretion to repurpose vacant position funding; (d) reduce the reversion of General Fund; and (e) meet the General Fund reduction target. The elimination of only a portion of the positions that are currently vacant within the agency avoids reductions that would negatively impact revenue generation. The elimination of only vacancies also avoids the layoff of currently filled positions.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Position numbers: TBD, 6577; 6445; 5170; 5104; 5285; 5587; 5588; 5592; 6413; 5229; 5526; 6121; and 6252.

LFO Recommended	(2,370,596)	-	(106,431)	-	-	-	(2,477,027)	(14)	(13.02)
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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)
2015-17 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	-	-	-	-	-	-	-
2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
080: E-Boards	-	-	873,305	-	-	-	873,305	6	6.00
Adjusted 2017-19 Current Service Level	-	-	873,305	-	-	-	873,305	6	6.00
Total LFO Recommended Packages	-	-	3,433,579	-	-	-	3,433,579	9	8.25
2017-19 Legislative Actions	-	-	4,306,884	-	-	-	4,306,884	15	14.25
Net change from 2015-17 Leg Approved Budget	-	-	4,306,884	-	-	-	4,306,884	15	14.25
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	100.0%	100.0%
Net change from 2017-19 Adj Current Service Level	-	-	3,433,579	-	-	-	3,433,579	9	8.25
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	393.2%	0.0%	0.0%	0.0%	393.2%	150.0%	137.5%

	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 080 May 2016 E-Board

Package Description The May 2016 Emergency Board approved one permanent, full-time Safety Specialist position (1.00 FTE) to provide for the increased security needs of the department related to the marijuana tax. This increases Other Funds Personal Services expenditure limitation by \$174,293.

The May 2016 Emergency Board approved five permanent full-time Accounting Tech 2 positions (5.00 FTE), increasing Other Funds Personal Services limitation by \$699,012. Revenue to fund these positions comes from the Marijuana Tax.

LFO Recommendation

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	873,305	-	-	-	873,305	6	6.00
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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 110 CTU Construction

Package Description This package requested continued and additional funding for facility space be constructed on the first floor of the DOR's Salem Headquarters building for the processing of primarily marijuana cash receipts. solution requires temporary facility space be constructed and staffed on the fifth floor. Total construction costs will be \$1.18 million (marijuana state tax receipts), of which \$300,000 will be expended in the 2015-17 biennium and \$880,000 during the 2017-19 biennium.

LFO Recommendation Approve, as a one-time adjustment.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	880,000	-	-	-	880,000	-	-
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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 111 OSP Security Contract

Package Description This package provides \$164,000 Other Funds Services and Supplies limitation for the agency to increase the security of the Marijuana Tax cash handling at the agency. The funds will be used to hire additional retirees from the Oregon State Police to provide physical security in the Department of Revenue's Salem facility due to expanded hours and higher than anticipated costs for the existing services in 2015-17. The funding source for this is Marijuana Tax receipts.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	164,000	-	-	-	164,000	-	-
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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 Marijuana Program Consolidation

Package Description This package consolidates marijuana-related expenditures from across the agency into a single program.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	2,389,579	-	-	-	2,389,579	9	8.25
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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)
2015-17 Agy. Leg. Adopted	-	-	284,945	-	-	-	284,945	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	-	-	284,945	-	-	-	284,945	-	-
2015-17 Leg Approved Budget (Base)	-	-	284,945	-	-	-	284,945	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	-	-	284,945	-	-	-	284,945	-	-
030: Inflation & Price List Adjustments	-	-	10,543	-	-	-	10,543	-	-
2017-19 Current Service Level	-	-	295,488	-	-	-	295,488	-	-
Adjusted 2017-19 Current Service Level	-	-	295,488	-	-	-	295,488	-	-
2017-19 Legislative Actions	-	-	295,488	-	-	-	295,488	-	-
Net change from 2015-17 Leg Approved Budget	-	-	10,543	-	-	-	10,543	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	3.7%	0.0%	0.0%	0.0%	3.7%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj 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)
2015-17 Agy. Leg. Adopted	5,672,000	-	-	-	-	-	5,672,000	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	5,672,000	-	-	-	-	-	5,672,000	-	-
2015-17 Leg Approved Budget (Base)	5,672,000	-	-	-	-	-	5,672,000	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2017-19 Base Budget	5,672,000	-	-	-	-	-	5,672,000	-	-
020: Phase In / Out Pgm & One-time Cost	(1,500,000)	-	-	-	-	-	(1,500,000)	-	-
030: Inflation & Price List Adjustments	154,364	-	-	-	-	-	154,364	-	-
2017-19 Current Service Level	4,326,364	-	-	-	-	-	4,326,364	-	-
Adjusted 2017-19 Current Service Level	4,326,364	-	-	-	-	-	4,326,364	-	-
Total LFO Recommended Packages	(1,100,000)	-	-	-	-	-	(1,100,000)	-	-
2017-19 Legislative Actions	3,226,364	-	-	-	-	-	3,226,364	-	-
Net change from 2015-17 Leg Approved Budget	(2,445,636)	-	-	-	-	-	(2,445,636)	-	-
Percent change from 2015-17 Leg Approved Budget	(43.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	(43.1%)	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	(1,100,000)	-	-	-	-	-	(1,100,000)	-	-
Percent change from 2017-19 Adj Current Service Level	(25.4%)	0.0%	0.0%	0.0%	0.0%	0.0%	(25.4%)	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 090 Analyst Adjustments

Package Description This package aligns the Nonprofit Housing program (NPH) with forecasted expenditures by reducing \$1.1 million of from the program leaving \$3.2 million available for distribution. This forecast adjustment was included as part of the agency's most current reduction plan. A similar reduction was taken in the Governor's budget.

This program is a state funded property tax exemption. Under the NPH program, counties grant a property tax exemption to qualifying nonprofit corporations that provide housing to individuals age 62 or older who are within certain income limits. Through this program, payments are also made to local governments in lieu of property taxes on certain tax-exempt housing for the elderly. The nonprofit entity passes the property tax exemption on to eligible tenants in the form of reduced rent. The Department of Revenue reimburses local government and schools for the exemption amount in November of each year. NPH exemptions fluctuate on an annual basis due to county exemption practices and the need to pay for some prior year exemptions.

LFO Recommendation Approve, as modified, and as a one-time adjustment.

Budget Instructions The Department of Revenue is instructed to return to the Emergency Board, if the Nonprofit Housing program appropriation is insufficient to adequately fund the second tax year's reimbursement of the 2017-19 biennium.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	(1,100,000)	-	-	-	-	-	(1,100,000)	-	-
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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 801 LFO Analyst Adjustments

Package Description This is a revenue-only technical adjustment to remove a transfer from the General Fund that is no longer done by the program.

LFO Recommendation Approve

LFO Analyst Notes SB 5535 (2017)

LFO Recommended

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	373,841	-	31,175,099	-	-	-	31,548,940	15	10.50
2015-17 Ebds, SS & Admin Act	(351,381)	-	439,645	-	-	-	88,264	-	(0.50)
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	22,460	-	31,614,744	-	-	-	31,637,204	15	10.00
2015-17 Leg Approved Budget (Base)	22,460	-	31,246,009	-	-	-	31,268,469	15	7.90
Summary of Base Adjustments	(5,912)	-	185,166	-	-	-	179,254	(2)	0.50
2017-19 Base Budget	16,548	-	31,431,175	-	-	-	31,447,723	13	8.40
010: Non-PICS Pers Svc/Vacancy Factor	(16,548)	-	11,369	-	-	-	(5,179)	-	-
030: Inflation & Price List Adjustments	-	-	1,113,281	-	-	-	1,113,281	-	-
2017-19 Current Service Level	-	-	32,555,825	-	-	-	32,555,825	13	8.40
Adjusted 2017-19 Current Service Level	-	-	32,555,825	-	-	-	32,555,825	13	8.40
Total LFO Recommended Packages	-	-	46,461	-	-	-	46,461	(4)	0.10
2017-19 Legislative Actions	-	-	32,602,286	-	-	-	32,602,286	9	8.50
Net change from 2015-17 Leg Approved Budget	(22,460)	-	987,542	-	-	-	965,082	(6)	(1.50)
Percent change from 2015-17 Leg Approved Budget	(100.0%)	0.0%	3.1%	0.0%	0.0%	0.0%	3.1%	(40.0%)	(15.0%)
Net change from 2017-19 Adj Current Service Level	-	-	46,461	-	-	-	46,461	(4)	0.10
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	(30.8%)	1.2%

	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 081 September 2016 Emergency Board

Package Description This package is the continuation of an Emergency Board from September 2016. The package increases Other Funds (Senior and Disabled Property Tax Deferral account) at a cost of \$368,735 (2.10 FTE).

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	368,735	-	-	-	368,735	-	2.10
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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 is a revenue-only technical adjustment to eliminate a NonLimited Other Funds beginning balance. This program is budgeted as Other Funds Limited.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

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 812 Vacant Position Elimination

Package Description There are 13 positions (8.40 FTE) budgeted at current service level for this Division. The Division has approximately 6 vacant positions. This package eliminates four long-term vacant positions (2.00 FTE).

The objective of reducing vacant positions is to: (a) eliminate long-term vacant positions; (b) capture savings derived from automation; and (c) restore Legislative budgetary control over the agency by reducing the discretion to repurpose vacant position funding.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017); Position numbers: 4345; 4347; 4348; and 4349.

LFO Recommended	-	-	(322,274)	-	-	-	(322,274)	(4)	(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)
2015-17 Agy. Leg. Adopted	3,935,414	-	28,909,440	-	-	-	32,844,854	34	33.92
2015-17 Ebds, SS & Admin Act	-	-	873,516	-	-	-	873,516	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	3,935,414	-	29,782,956	-	-	-	33,718,370	34	33.92
2015-17 Leg Approved Budget (Base)	3,935,414	-	29,782,956	-	-	-	33,718,370	34	33.92
Summary of Base Adjustments	-	-	(1,202,243)	-	-	-	(1,202,243)	(1)	(0.92)
2017-19 Base Budget	3,935,414	-	28,580,713	-	-	-	32,516,127	33	33.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(14,214)	-	-	-	(14,214)	-	-
020: Phase In / Out Pgm & One-time Cost	(3,935,414)	-	(21,621,659)	-	-	-	(25,557,073)	-	-
2017-19 Current Service Level	-	-	6,944,840	-	-	-	6,944,840	33	33.00
070: Revenue Reductions/Shortfall	-	-	(6,944,840)	-	-	-	(6,944,840)	(33)	(33.00)
Adjusted 2017-19 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2017-19 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2015-17 Leg Approved Budget	(3,935,414)	-	(29,782,956)	-	-	-	(33,718,370)	(34)	(33.92)
Percent change from 2015-17 Leg Approved Budget	(100.0%)	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	(100.0%)	(100.0%)
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj 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 reduces Other Funds expenditure limitation and position authority related to one-time bond funding of the Core Systems Replacement project. Funding for the 2017-19 biennium may be considered as part of SB 5505 (2017) - Bonding and HB 5006 (2017) the end-of-session omnibus budget measure.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	-	-	(6,944,840)	-	-	-	(6,944,840)	(33)	(33.00)
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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 adjusts the beginning balance of the Core Systems Replacement project to reflect the program actual 2017-19 beginning balance of \$3 million.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended - - - - -

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2015-17 Agy. Leg. Adopted	12,709,466	-	455,000	-	-	-	13,164,466	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2015-17 Leg Approved Budget	12,709,466	-	455,000	-	-	-	13,164,466	-	-
2015-17 Leg Approved Budget (Base)	12,709,466	-	455,000	-	-	-	13,164,466	-	-
Summary of Base Adjustments	9,771,979	-	-	-	-	-	9,771,979	-	-
2017-19 Base Budget	22,481,445	-	455,000	-	-	-	22,936,445	-	-
030: Inflation & Price List Adjustments	-	-	16,835	-	-	-	16,835	-	-
2017-19 Current Service Level	22,481,445	-	471,835	-	-	-	22,953,280	-	-
Adjusted 2017-19 Current Service Level	22,481,445	-	471,835	-	-	-	22,953,280	-	-
Total LFO Recommended Packages	(1,185,157)	-	713,322	-	-	-	(471,835)	-	-
2017-19 Legislative Actions	21,296,288	-	1,185,157	-	-	-	22,481,445	-	-
Net change from 2015-17 Leg Approved Budget	8,586,822	-	730,157	-	-	-	9,316,979	-	-
Percent change from 2015-17 Leg Approved Budget	67.6%	0.0%	160.5%	0.0%	0.0%	0.0%	70.8%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	(1,185,157)	-	713,322	-	-	-	(471,835)	-	-
Percent change from 2017-19 Adj Current Service Level	(5.3%)	0.0%	151.2%	0.0%	0.0%	0.0%	(2.1%)	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 801 LFO Analyst Adjustments

Package Description This package makes two adjustments: (a) fund shifts General Fund Debt Service to Other Funds in the amount of \$1,185,157; and (b) eliminates \$471,835 Other Funds related to the cost of issuance of previously issued bonds that should have been phased out of the agency's budget.

LFO Recommendation Approve.

LFO Analyst Notes SB 5535 (2017)

LFO Recommended	(1,185,157)	-	713,322	-	-	-	(471,835)	-	-
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Legislatively Proposed 2017 - 2019 Key Performance Measures

Published: 6/22/2017 6:36:13 AM

Agency: Revenue, Department of

Mission Statement:

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

Legislatively Proposed KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. Average Days to Process Personal Income Tax Refund.		Approved	16	8	8
2. Percent of Personal Income Tax Returns Filed Electronically		Approved	85.90%	88%	90%
3. Employee Training Per Year (percent receiving 20 hours per year).		Approved	74%	80%	85%
4. Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good"; or "excellent" based on overall experience, timeliness, accuracy, helpfulness, expertise, and availability of information.	Overall	Approved	13%	98%	98%
	Availability of Information		20%	97%	97%
	Helpfulness		18%	98%	98%
	Timeliness		15%	97%	97%
	Accuracy		24%	97%	97%
	Expertise		19%	97%	97%
5. Effective Taxpayer Assistance - Provide effective taxpayer assistance through a combination of direct assistance and electronic self-help services.		Approved	60.70	80	90
6. 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.		Approved	95%	98%	98%
7. Appraisal Value Uniformity - We will demonstrate our ability to deliver high quality business results by measuring appraisal equity and uniformity for DOR industrial accounts.		Approved	28.75%	30%	32%
8. 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.		Approved	\$0.28	\$0.25	\$0.20
9. 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.		Approved	\$0.12	\$0.10	\$0.10
10. 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.		Approved	0.21%	0.20%	0.18%
11. Employee Engagement - Index of employees considered actively engaged by a standardized survey.		Approved	59	80	85

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets with direction that the agency will work with the Department of Administrative Services - Chief Financial Office to conduct a comprehensive review of existing Key Performance Measures, data, and targets and report back to the Legislature in 2019.

SubCommittee Action:

Requested by JOINT COMMITTEE ON WAYS AND MEANS

**PROPOSED AMENDMENTS TO
SENATE BILL 5535**

1 On page 1 of the printed bill, delete lines 4 through 28 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, 2017, out of the General Fund, the**
5 **following amounts, for the following purposes:**

- 6 (1) Administration..... \$ 67,377,269
7 (2) Property Tax Division..... \$ 15,226,068
8 (3) Personal Tax and Compliance
9 Division..... \$ 72,322,560
10 (4) Business Division..... \$ 21,537,927
11 (5) Nonprofit Housing for
12 the Elderly..... \$ 3,226,364
13 (6) Debt Service..... \$ 21,296,288

14 **“SECTION 2. Notwithstanding any other law limiting expenditures,**
15 **the following amounts are established for the biennium beginning July**
16 **1, 2017, as the maximum limits for payment of expenses from fees,**
17 **moneys or other revenues, including Miscellaneous Receipts and re-**
18 **imbursements from federal service agreements, but excluding lottery**
19 **funds and federal funds not described in this section, collected or re-**
20 **ceived by the Department of Revenue, for the following purposes:**

- 21 (1) Administration..... \$ 13,059,928

1	(2) Property Tax Division.....	\$ 42,989,093
2	(3) Personal Tax and Compliance	
3	Division.....	\$ 1,649,689
4	(4) Business Division.....	\$ 17,138,195
5	(5) Marijuana Division.....	\$ 4,306,884
6	(6) Multistate Tax Commission	\$ 295,488
7	(7) Senior Property Tax Deferral...	\$ 32,602,286
8	(8) Debt Service.....	\$ 1,185,157

9 **SECTION 3. This 2017 Act being necessary for the immediate**
10 **preservation of the public peace, health and safety, an emergency is**
11 **declared to exist, and this 2017 Act takes effect on July 1, 2017.”.**

12