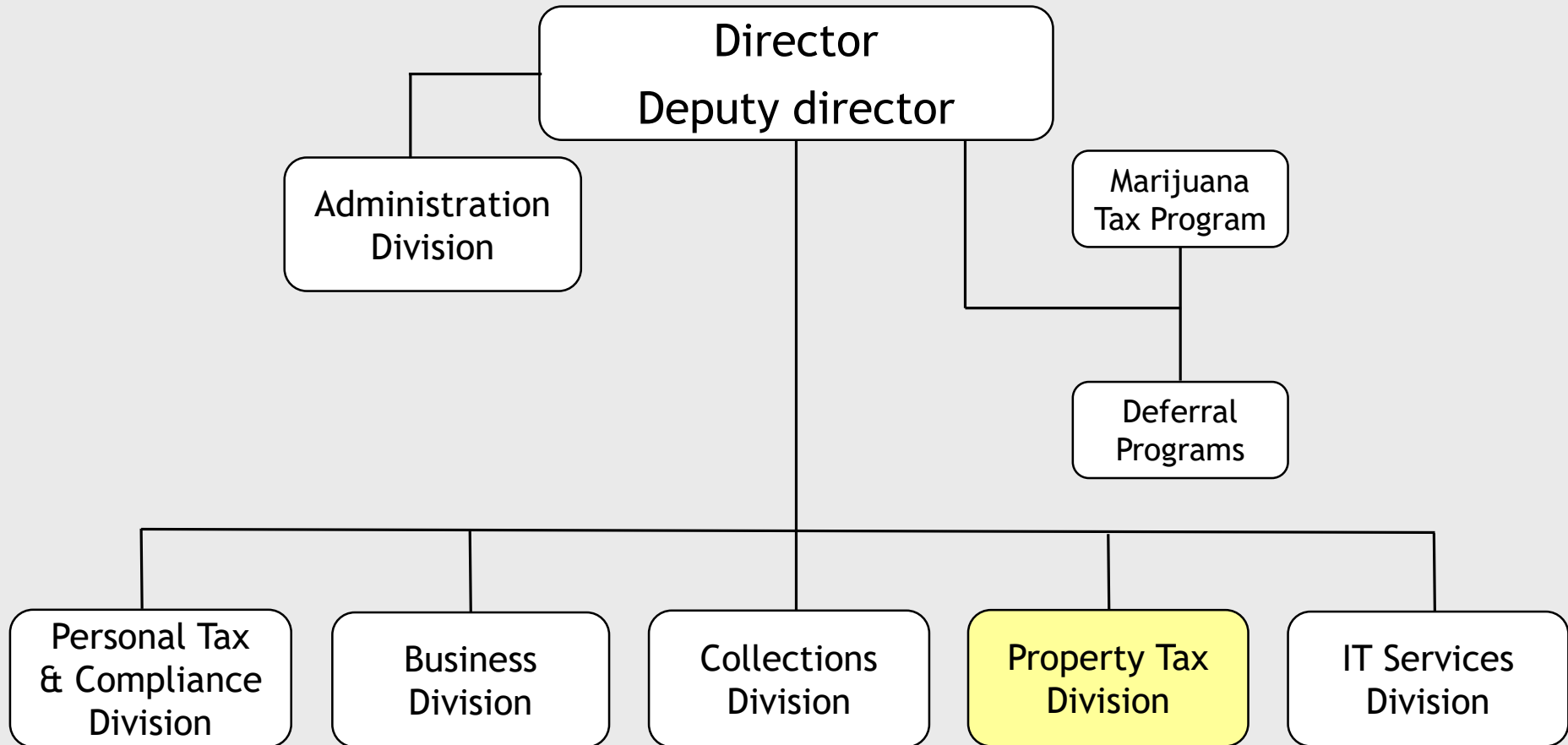


Property Tax Division

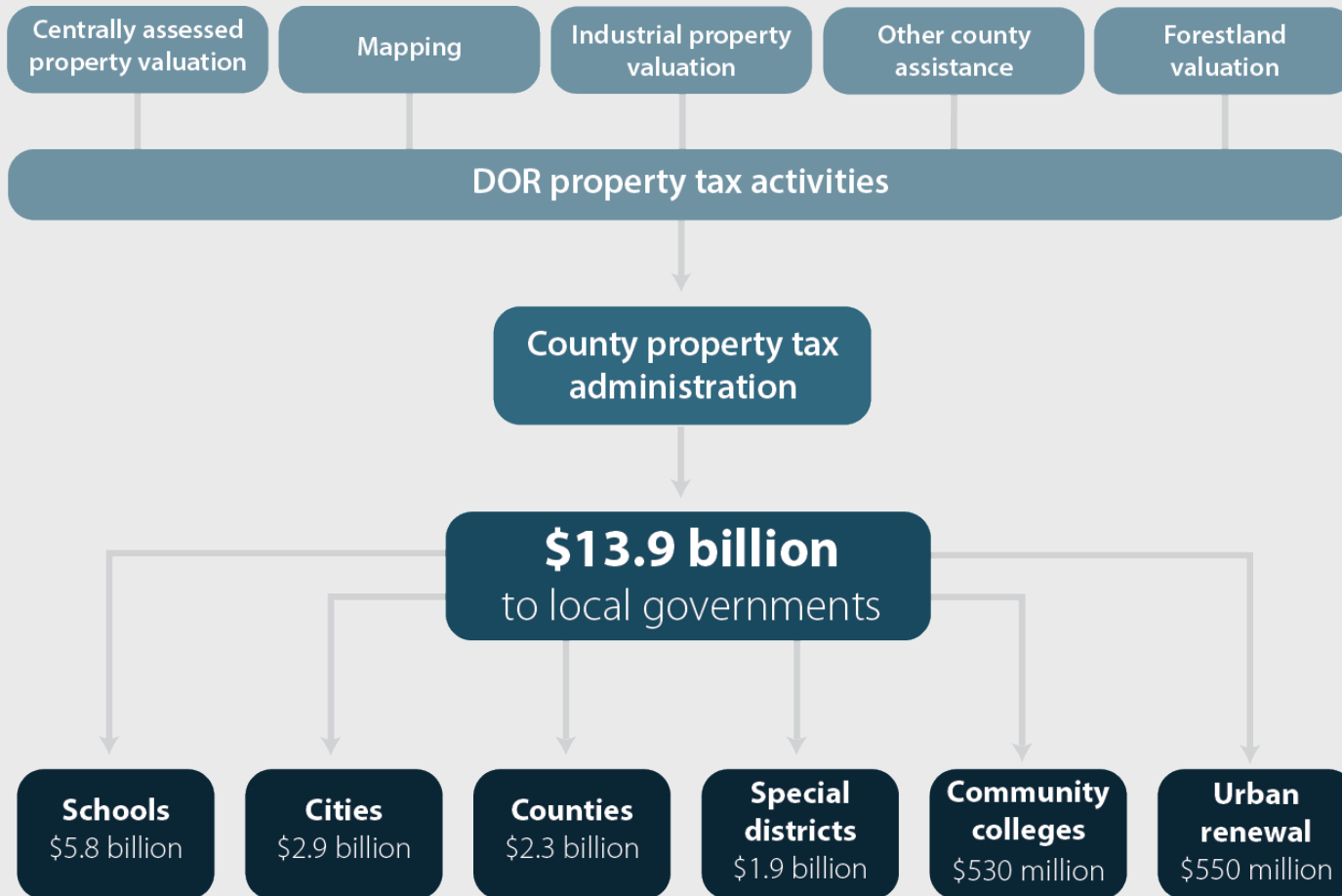
Topics

- Overview of structure
- Property tax administration in Oregon
- Support, assistance, and oversight.
- Industrial and central assessment valuation and funding challenges.
- Cost containment and improvements
- Governor's Recommended Budget

Division structure



Property tax administration in Oregon



Property tax administration in Oregon

- Role of Oregon's 36 counties: Primary administration of all aspects of the system.
- Role of Department of Revenue to support property tax revenue generation at local government level:
 - Assistance and support to counties, districts, and taxpayers.
 - Oversight of the system.
 - Industrial property and central assessment valuation.

Support, assistance, and oversight

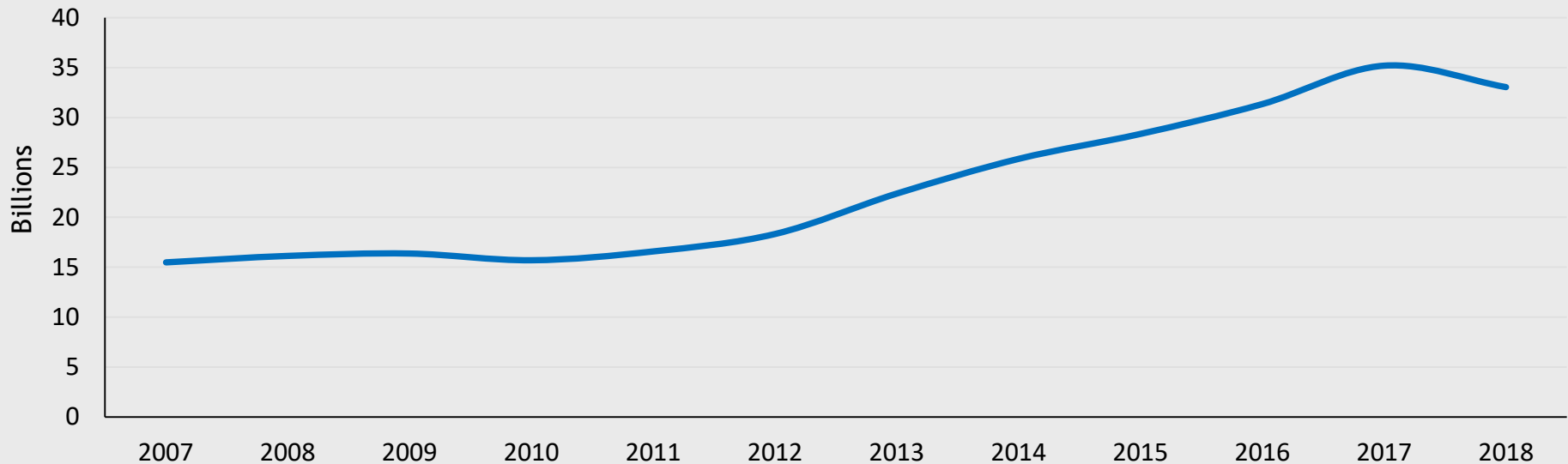
- Partnering with Oregon's 36 counties.
- Setting statewide appraisal standards. We test and register appraisers.
- Monitoring valuation activities for conformance to real market value.
- Providing training and assistance to counties and taxing districts.

Industrial and central assessment valuation

- State-appraised industrial properties: \$33 billion in property value.
- Centrally-assessed businesses: \$27 billion in value.
- Results in approximately \$535 million in tax revenue to local governments.

RMV history: State-appraised industrial properties

RMV 2007-2018



Source: Property Tax Division

Funding challenges

- Prior to 1989, funding for our valuation work was GF.
- 1989 Legislature created the County Assessment Function Funding Assistance (CAFFA) program.
 - CAFFA is funded by recording fees and delinquent interest on property taxes.
- Up to 10% of CAFFA revenues were earmarked for DOR to fund our **industrial valuation** work.
 - Properties between \$1 million and \$5 million in value.
 - CAFFA not available for our other valuation work (still GF).

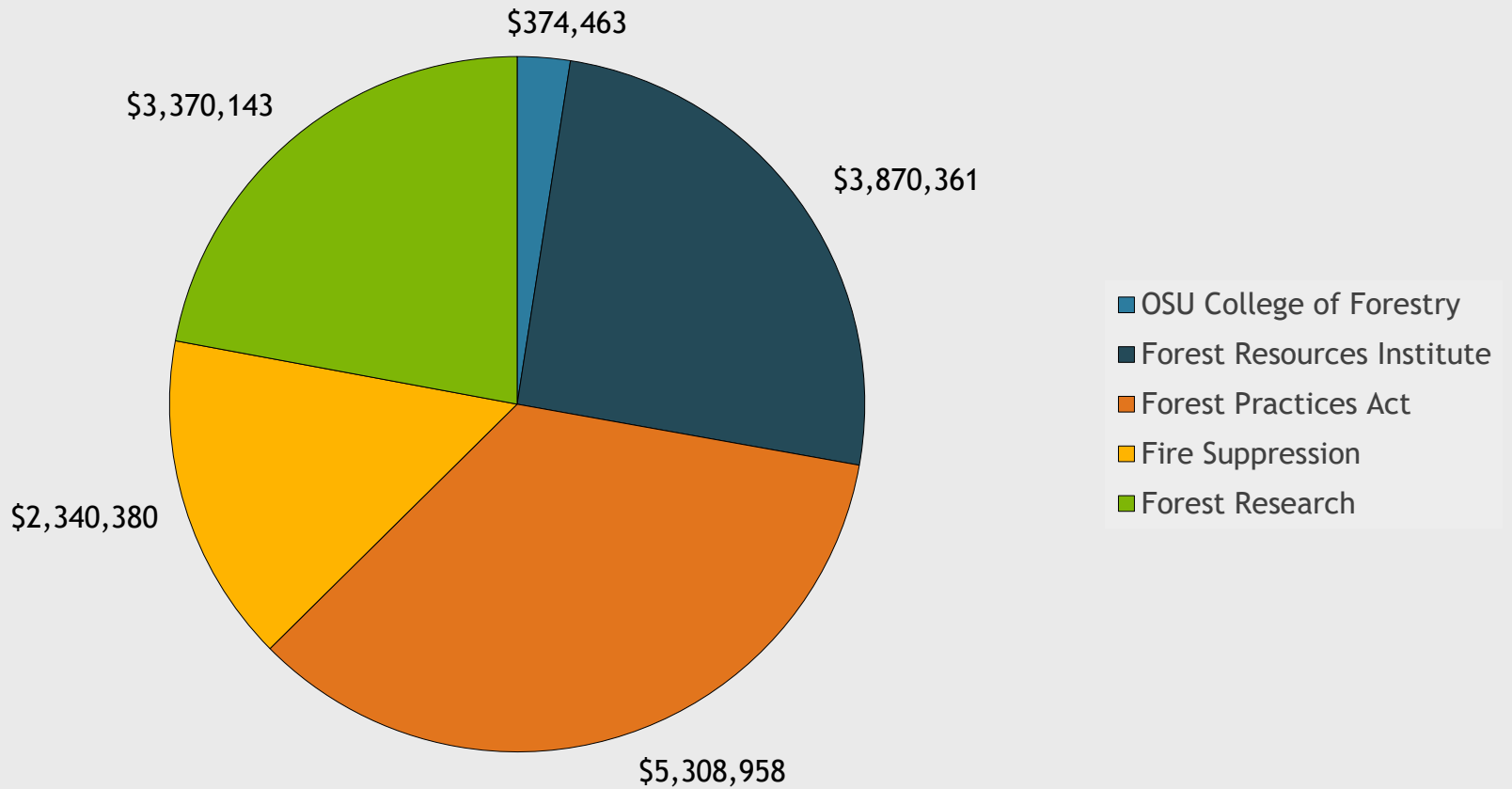
Funding challenges

- In 2001, legislation allowed CAFFA revenues to be used for all industrial and central assessment valuation work, not just the \$1 million to \$5 million properties.
- CAFFA revenues have remained relatively flat while budgetary costs increase.
- CAFFA covers a smaller and smaller share of division and county budgets than it did in the '90s.
 - In 2015 we began holding positions vacant to balance the division budget.
- In 2016, the Legislature increased General Fund allocation to cover increased costs, but this was not extended in the 2017 session.
 - Division is currently holding vacancies to balance the budget.

Forestland valuation and timber taxes

- Specially assessed value on over 7.9 million acres of private forestland. Tax assessed on these properties estimated at \$23.3 million.
- Small Tract Forestland Severance Tax.
- Forest Products Harvest Tax.
- Severance and harvest taxes generate approximately \$34 million in biennial revenue to finance state and county programs, such as fire suppression and the Oregon Forest Resources Institute.

Forest Products Harvest Tax beneficiaries



Source: Property Tax Division

Budget drivers and risks

- Other Fund revenue streams, primarily CAFFA.
- Legal services budget and more court cases.
- Vacancies impacting services, quality of work, and employee morale.
- Aging systems used in valuing industrial properties and centrally-assessed companies.

Accomplishments and major changes

- Developed Appraiser Continuing Education Database (ACED) for tracking training and continuing education for appraisers.
- Timber tax, CAFFA, and other small programs moved into GenTax.
- Regular appraisal cycle for industrial properties.
- Settlement of long-standing litigation with Comcast and DISH. Decision validated DOR's valuation approach.
- Involvement with Western States Association of Tax Administrators committees on industrial and central assessment.

Cost containment and program delivery

- Self-service portals for appraiser training and continuing education tracking.
- Online filing of returns and reports and payments for timber, oil and gas, small railcar, and CAFFA.
- Electronic delivery of training materials, industrial property returns, and annual statements.
- Property valuation guidance provided through rules.
- Tracking of customer calls and response rates.
- Additional approval steps added for DOJ legal services requests.

Funding streams

- Over 60 percent of division's funding is from General Fund.
- Other Fund revenues make up the balance.
 - County Assessment Function Funding Assistance (CAFFA).
 - Mapping.
- CAFFA funding (10 percent) is primarily used by DOR to help fund appraisal of industrial properties and centrally-assessed businesses.
- 90 percent of CAFFA revenues are distributed to counties through a grant process.

2019-21 Governor's Budget

PTD	GF	OF	TF	Pos.	FTE
2017-19 LAB	\$14,856,849	\$42,780,662	\$57,637,511	81	77.87
2019-21 CSL	\$16,486,789	\$44,587,367	\$61,074,156	81	77.93
2019-21 GRB	\$16,682,740	\$8,241,481	\$24,924,221	87	80.72
CSL—GRB change	\$195,951	(\$36,345,886)	(\$36,149,935)	6	2.79

2019-21 Governor's Budget

Package	Description	GF	OF	TF	FTE
070	Revenue Shortfall	\$0	(\$969,223)	(\$969,223)	(3.78)
090-092	CFO Adjustments	(\$901,932)	\$2,304,500	\$1,402,568	4.00
107	Position Funding— CAFFA	\$1,097,883	\$0	\$1,097,883	2.57
114	Revenue Shift	\$0	(\$37,681,163)	(\$37,681,163)	0.00
	Package totals	\$195,951	(\$36,345,886)	(\$36,149,935)	2.79

2019-21 Governor's Budget

Package 070—Revenue Shortfall: (\$969,223) FTE (3.78)

This package reduces Other Funds expenditure limitation to account for a revenue shortfall by eliminating one position and the Other Funds components of 9 positions.

Package 090—Analyst Adjustment: (\$792,661) FTE (2.38)

This package reduces General Fund by eliminating inflation on most services and supplies accounts, increases vacancy rate of 5.0% and eliminates 4 long-term vacant positions. Other Fund component of these positions was eliminated in Package 070. This action also introduces LC 576 (HB 2104) that should produce \$15 million additional dollars which will add \$3.2 million of Other Funds, 10 positions, 4.00 FTE for operations work in this division and allow \$11.8 million for disbursement to counties.

Package 091-092—Statewide DAS Charge Adjustment, Statewide AG Adjustment

Package 107—Position Funding CAFFA: \$1,097,883 FTE 2.57

This package requests General Fund to true up the funding for the department's property tax assessment function where 23 positions are funded at 0.88 FTE instead of 1.00 FTE due to errors.

Package 114—Revenue Shift: (\$37,681,163)

This package shifts Other Funds expenditure limitation for the CAFFA program from a special payment to a revenue transfer.

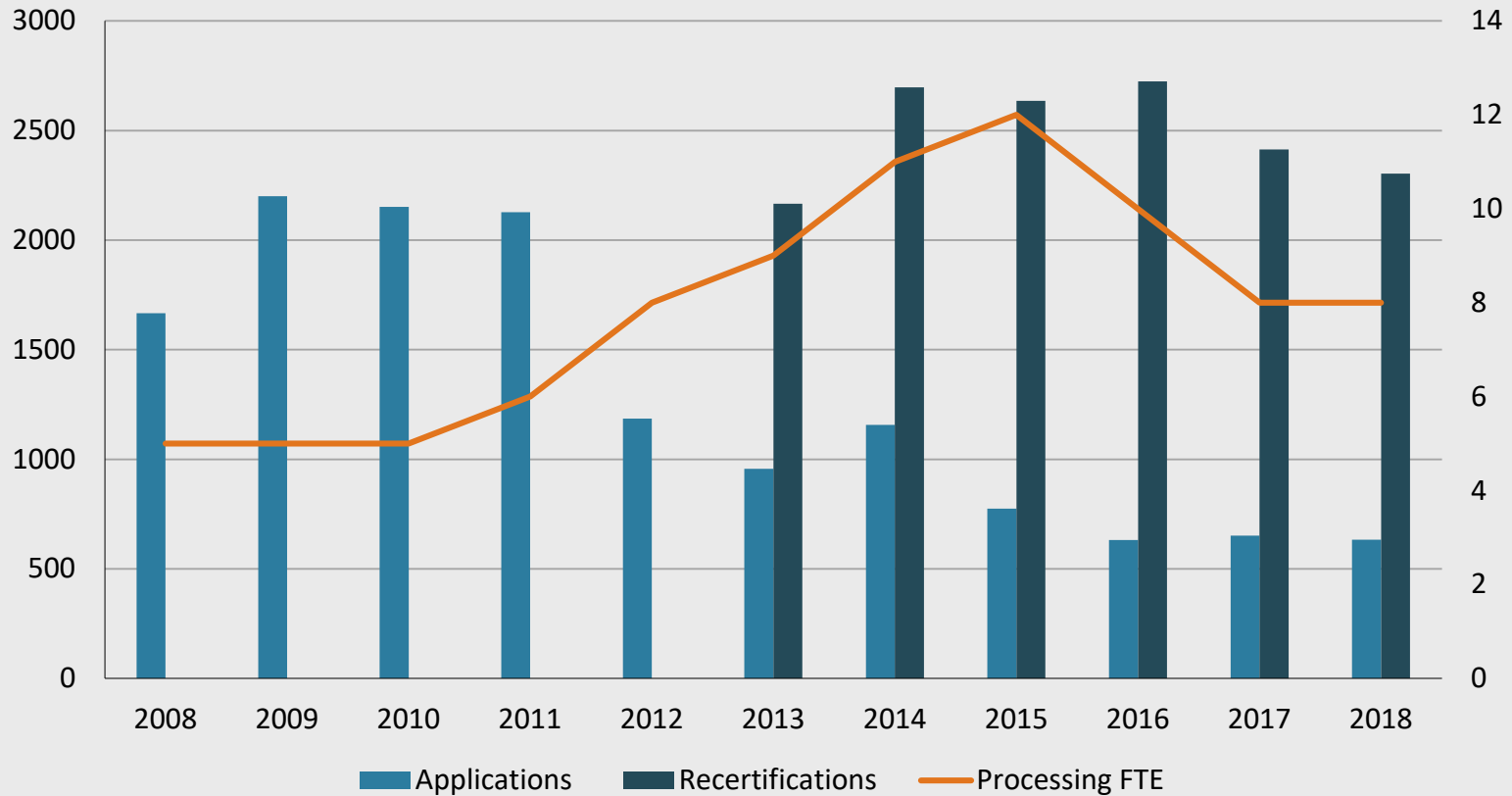
Senior Citizen Property Tax Deferral

Senior/disabled citizens property tax deferral

- These programs pay the county property tax for qualified senior or disabled citizens.
- Taxes are recovered when the home is sold and the state's lien is satisfied.
- Approximately \$13 million paid on behalf of participants annually.
- Helps keep approximately 5,000 people in their homes.

Senior/disabled citizens property tax deferral

Workload/Staffing Levels



Source: Property Tax Division

2019-21 Governor's Budget

SCPTD	GF	OF	TF	Pos.	FTE
2017-19 LAB	\$0	\$32,584,756	\$32,584,756	9	8.5
2019-21 CSL	\$0	\$33,913,551	\$33,913,551	9	8.5
2019-21 GRB	\$0	\$1,621,305	\$1,621,305	9	8.5
CSL—GRB change	\$0	(\$32,292,246)	(\$32,292,246)	-	0.00

2019-21 Governor's Budget

Package	Description	GF	OF	TF	FTE
090	CFO Adjustments	\$0	(\$66)	(\$66)	0.00
114	Revenue Shift	\$0	(\$32,292,180)	(\$32,292,180)	0.00
	Package totals	\$0	(\$32,292,246)	(\$32,292,246)	0.00

Package 090—Analyst Adjustments: Statewide DAS Charge Adjustment,

Package 114—Revenue Shift: (\$32,292,180)

The package shifts Other Funds expenditure limitation. This is a technical change from special payments to a revenue transfer. Program will continue to work as authorized by statute.

Nonprofit Homes for the Elderly

2019-21 Governor's Budget

NHEP	GF	OF	TF	Pos.	FTE
2017-19 LAB	\$3,226,364	\$0	\$3,226,364	-	0.00
2019-21 CSL	\$3,348,966	\$0	\$3,348,966	-	0.00
2019-21 GRB	\$0	\$0	\$0	-	0.00
CSL—GRB change	(\$3,348,966)	\$0	(\$3,348,966)	-	0.00

2019-21 Governor's Budget

Package	Description	GF	OF	TF	FTE
090-092	CFO Adjustments	(\$3,348,966)	\$0	(\$3,348,966)	0.00
	Package totals	\$(3,348,966)	\$0	(\$3,348,966)	0.00

Package 090-092—Analyst Adjustments: (\$3,348,966)

This eliminates the General Fund for this program to enable agency's reduction target to be met. The expenditures for this program would go directly to counties to reimburse their costs for the program and not to support the nonprofit homes of the elderly.

Questions?

If you have additional questions after today,
please contact:

Gary Humphrey

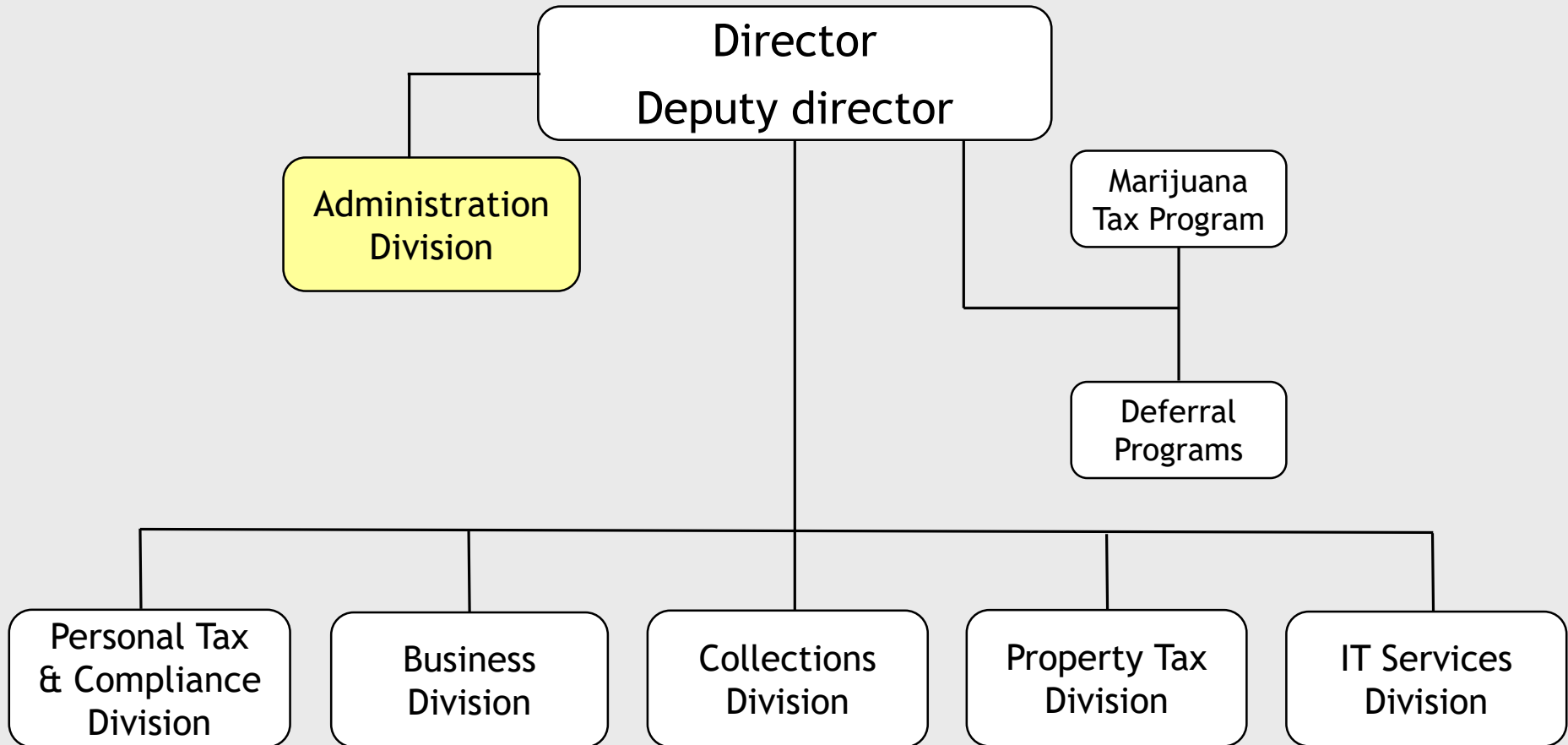
Property Tax Division Administrator

gary.d.humphrey@oregon.gov

(503) 945-8661

Administration

Division structure

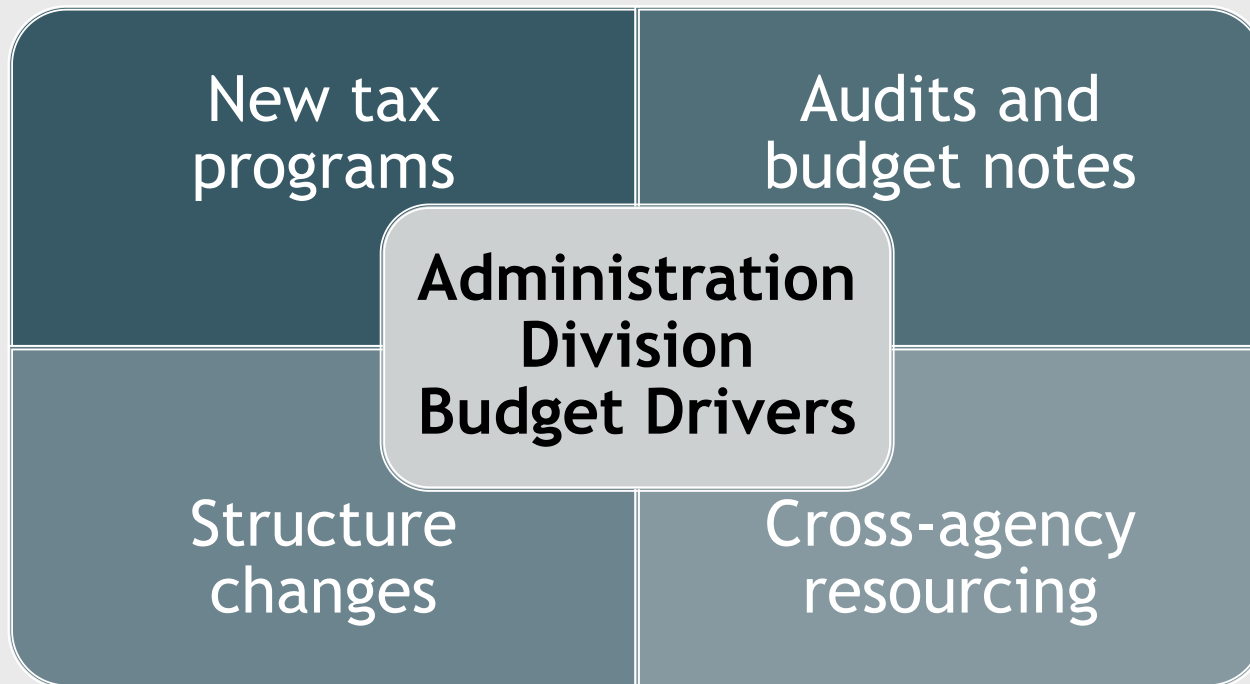


Division structure

The Administration Division includes:

- Director's Office.
- Financial Services.
- Communications.
- Human Resources.
- Research.
- Internal Audit.
- General Services.

Budget drivers



Cost containment and program delivery

Budget notes/audits have led to improvements in:

- Position management practices.
- HR policies and procedures.
- Financial management processes and controls.
- Budget structure and alignment.
- Performance management.
- Internal communications.

Future efficiencies/improvements are expected in:

- Financial cost allocation.
- Interagency fund transfers.
- Strategic planning, metrics, and performance reporting.
- Management and leadership development.

2019-21 Governor's Budget

Admin.	GF	OF	TF	Pos.	FTE
2017-19 LAB	\$24,331,873	\$7,528,338	\$31,860,211	67	62.37
2019-21 CSL	\$29,902,812	\$8,064,389	\$37,967,201	72	72.00
2019-21 GRB	\$28,588,792	\$7,744,681	\$36,333,473	72	72.00
CSL—GRB change	(\$1,314,020)	(\$319,708)	(\$1,633,728)	-	0.00

2019-21 Governor's Budget

Package	Description	GF	OF	TF	FTE
090-092	CFO Adjustments	(\$1,581,055)	(\$349,379)	(\$1,930,434)	0.00
102	Outcome-Based Management	\$267,035	\$29,671	\$296,706	1.00
	Package totals	(\$1,314,020)	(\$319,708)	(\$1,633,728)	1.00

Package 090-092—Analyst Adjustments: Statewide DAS Charge Adjustment, Statewide AG Adjustment

Package 102—Outcome Based Management: \$296,706 FTE 1.00

The package requests that a limited-duration position established by the 2018 Legislature be made permanent to ensure successful implementation of the system, ongoing maintenance, and support for continuous improvement projects.

Questions?

If you have additional questions after today,
please contact:

Satish Upadhyay

Department of Revenue Deputy Director

satish.upadhyay@oregon.gov

(503) 945-8214

IT Services Division

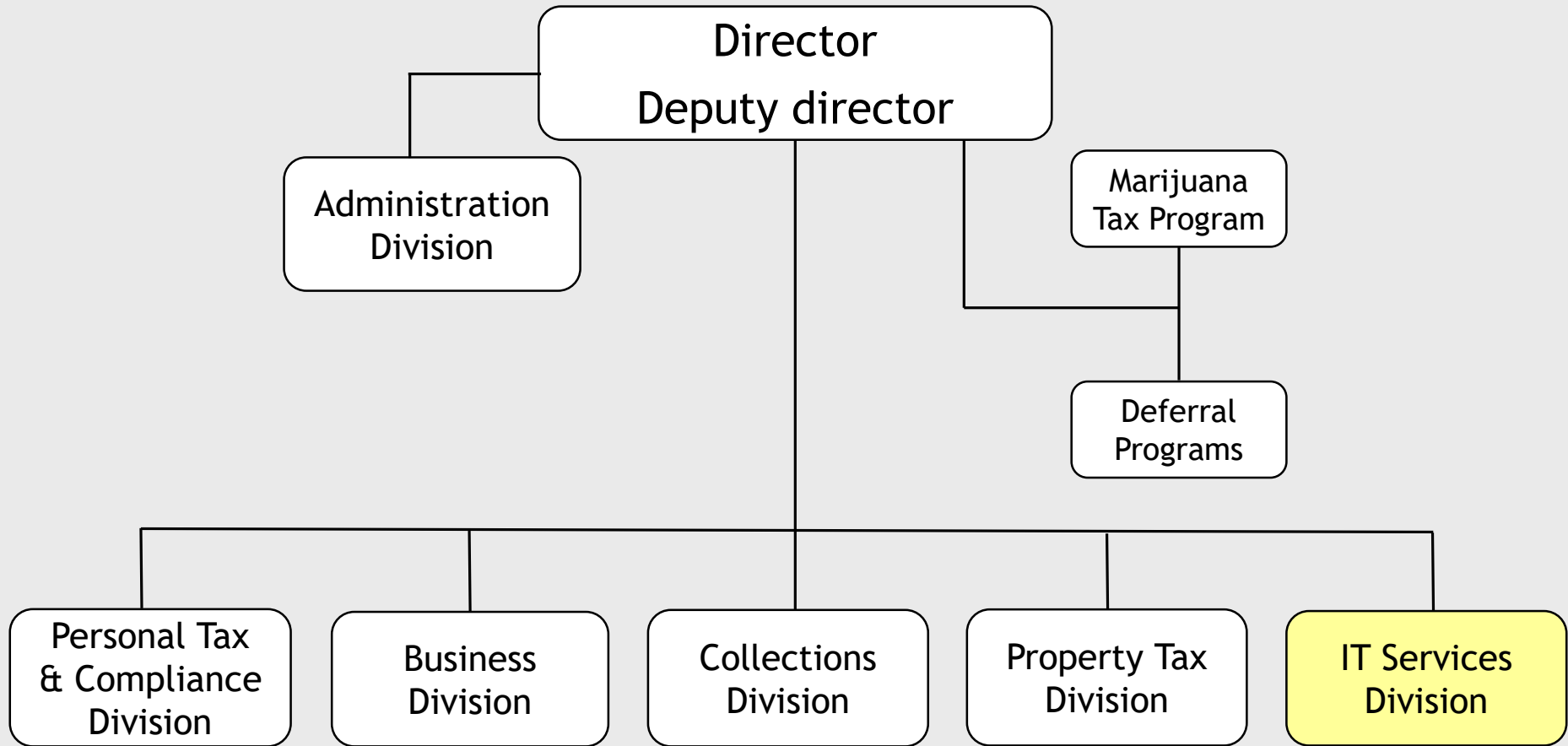


Presentation to
Joint Committee on Ways and Means, Subcommittee on General Government



March 21, 2019

Division overview

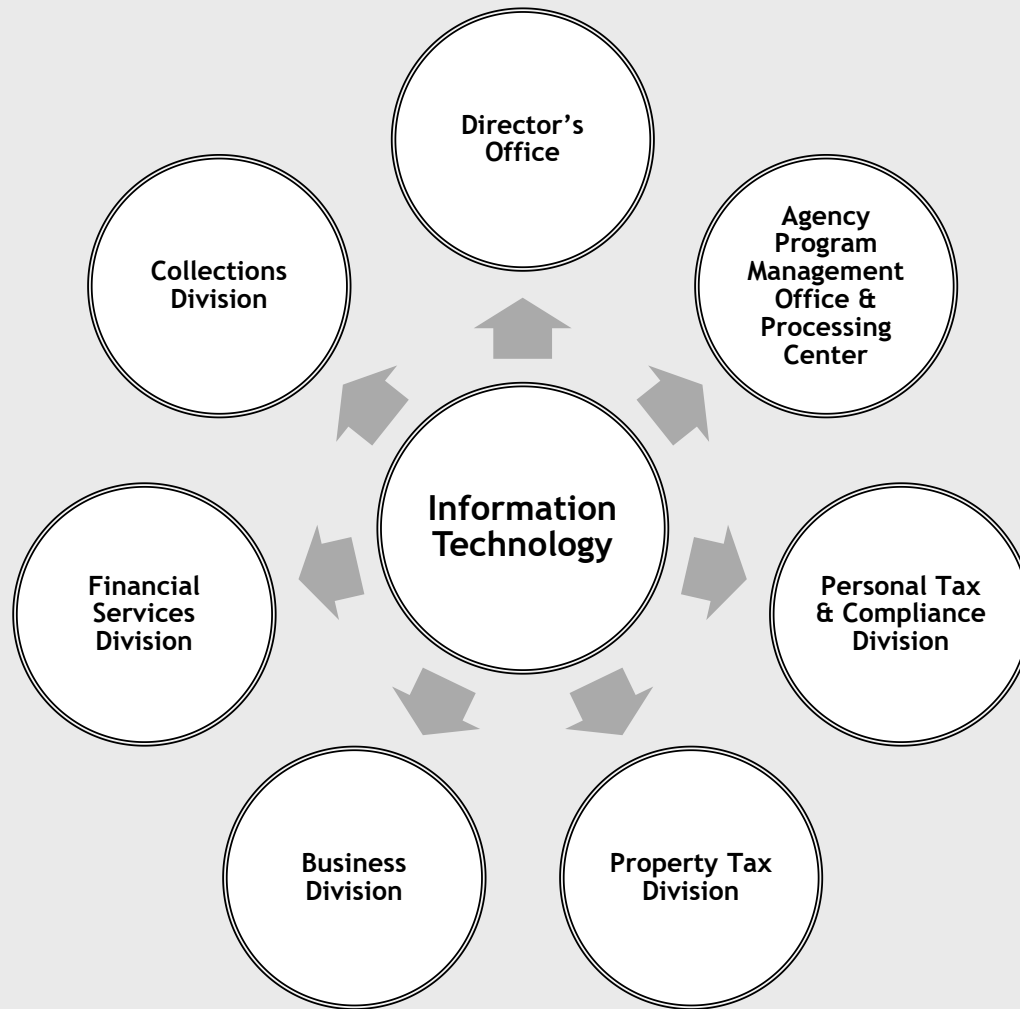


DOR's IT services

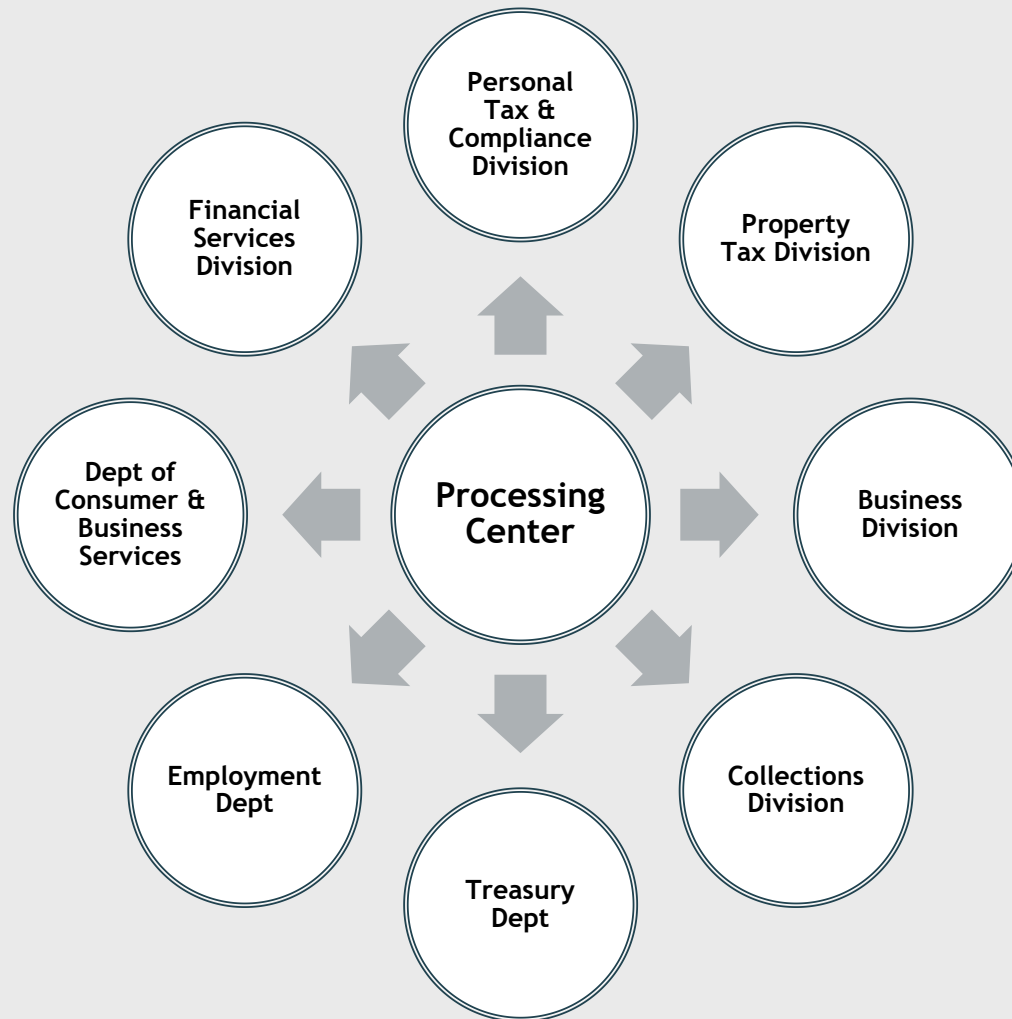
Major systems

- GenTax
- iCapture
- Request for Computer Access (RCA)
- eTime
- Cash Journal
- Quick Modules (PCM)
- ORMAP

DOR's IT services



Processing Center



Processing Center

Paper returns and payments:

- Paper returns received in calendar year 2018:
 - 680,000 paper returns.
 - 36.6 percent are imaged.
- Paper payments received in calendar year 2018:
 - 1,970,576 payments.
 - \$3.5 billion in paper payments banked.

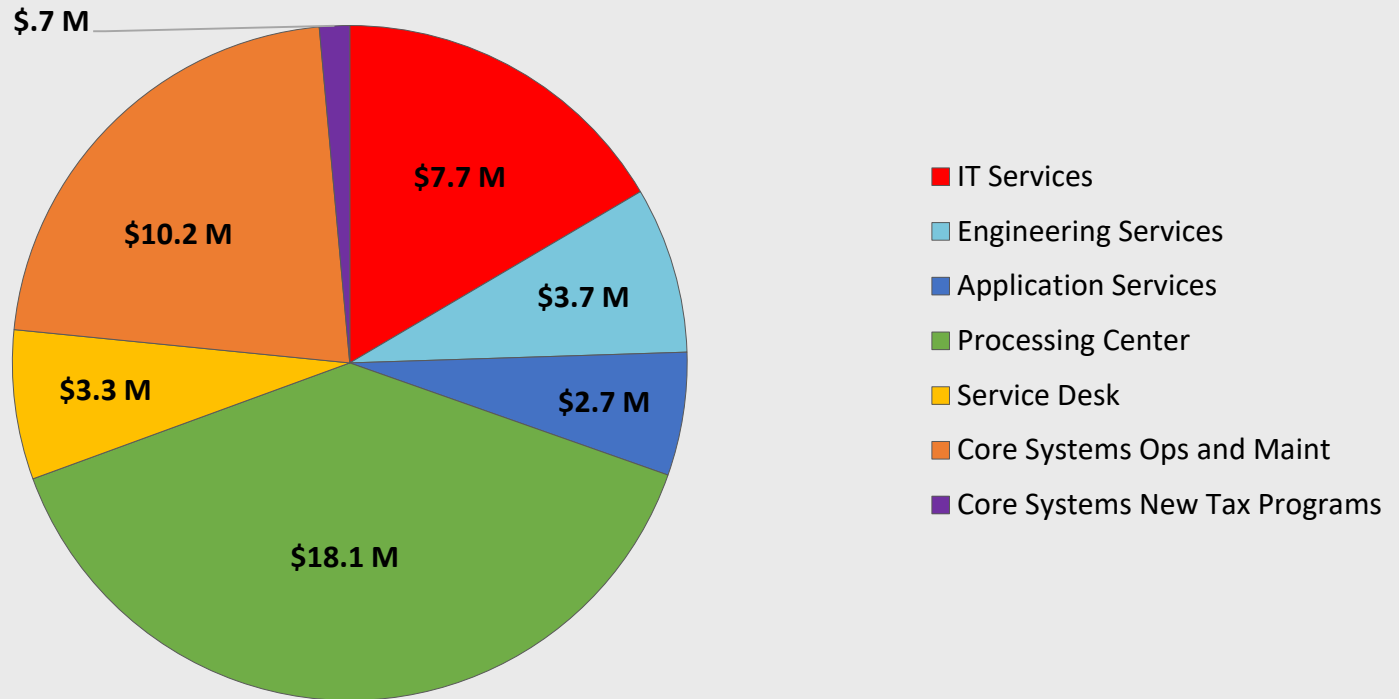
Processing Center Modernization (PCM) Project

Three phased approach:

- Phase 1—Corporate tax, payment processing.
 - Complete.
- Phase 2—Personal income tax.
 - Underway.
- Phase 3—Smaller tax programs.
- Budget, schedule, and scope = all green.

Division budget

2019-21 Governor's Budget (GB)
Information Technology Services Division Total Funds by Program \$46,450,787



Accomplishments and major changes

- Completed the four-year Core Systems Replacement (CSR) project.
- Assisted in the implementation of six new tax programs since 2015.
- Successful phase 1 go live of the Processing Center Modernization (PCM) project.
- Implementation of three legislative initiatives: Financial Institution Data Match, state lodging tax data sharing, and centralized collections (SB 1067).
- Incorporated over 130 complex changes resulting from major federal tax reform into GenTax.
- Supported and participated in nine external audits.

Cost containment

- Reduced number of double fills.
- Seasonal staffing planning.
- Evolving application portfolio.
- Creating software and hardware inventory.
- Windows 10—Modern supported platform.

Improved program delivery

- Framework training for staff on IT service.
- Facilitated a “season-up” process.
- Service Request bundling.
- Processing Center Modernization project.
- Restructured section and reassigned staff to new workflows.
- Updating IT services catalog.
- Developing GenTax operationalization roadmap.
- Execution of Continuity of Operations Plan (COOP).

2019-21 Governor's Budget

ITSD	GF	OF	TF	Pos.	FTE
2017-19 LAB	\$42,266,535	\$7,874,331	\$50,140,866	270	192.62
2019-21 CSL	\$36,051,227	\$5,138,808	\$41,190,035	227	178.62
2019-21 GRB	\$39,641,931	\$6,808,856	\$46,450,787	233	185.75
CSL—GRB change	\$3,590,704	\$1,670,048	\$5,260,752	6	7.13

2019-21 Governor's Budget

Package	Description	GF	OF	TF	FTE
090-091	CFO Adjustments	(\$1,597,813)	(\$250,330)	(\$1,848,143)	(3.87)
110	Processing Center Staffing	\$0	\$1,500,231	\$1,500,231	11.00
111	PCM Project	\$780,007	\$67,826	\$847,833	0.00
112	Shared Services	\$4,408,510	\$352,321	\$4,760,831	0.00
	Package totals	\$3,590,704	\$1,670,048	\$5,260,752	7.13

2019-21 Governor's Budget

Package 090—Analyst Adjustment: (\$1,482,385) FTE (3.87)

This package reduces General Fund and Other Funds by eliminating inflation on most services and supplies accounts, increases vacancy rate of 5.0% and eliminates 5 vacant positions. It also eliminates contracts that supported document scanners that are no longer needed. This package also requests \$671,136 General Fund to pay contracted IT services necessary to implement the new Employer Responsibility Assessment into GenTax.

Package 091—Statewide DAS Charge Adjustment

Package 110—Processing Center Permanent Staffing: \$1,500,231 FTE 11.00

This package requests Other Fund limitation to continue 11 limited duration positions that were originally granted in the 2018 Legislative Session to process returns for the new statewide transit tax.

Package 111—PCM Project: \$847,833

This package requests General Fund and Other Funds limitation to complete the Processing Center Modernization Project.

Package 112—Shared Services: \$4,760,831

This package requests General Fund and Other Funds limitation to fund maintenance and support for the department's new tax processing software system. The funding would provide Level 2 support for two years and it would provide 18 months of funding for one vendor FTE to provide augmentation support.

Questions?

If you have additional questions after today,
please contact:

Gary Johnson
IT Services Division Administrator

gary.johnson@oregon.gov
(503) 945-8095