



Oregon

Kate Brown, Governor

Department of Revenue

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March 8, 2021

Senator Jeff Golden, Co-Chair
Representative Greg Smith, Co-Chair
Joint Committee on Ways and Means Subcommittee on General Government
900 Court Street NE
State Capitol
Salem, Oregon 97301

Subject: Written Reference Materials on the Governor's Recommended Budget for the Oregon Department of Revenue for 2021–23

Dear Co-Chairs:

The Oregon Department of Revenue appreciates the opportunity to present the Governor's Recommended Budget for 2021–23 and the requested written reference materials.

Agency Mission, Goals, and Historical Perspective

The mission of the Oregon Department of Revenue is to make revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens.

The Oregon Department of Revenue started as the Oregon Tax Commission in 1909, with two full-time appointed commissioners to administer the tax laws of the state. While the commission was initially focused on property tax administration, it began to grow after passage of Oregon's income tax laws in 1929. The agency continued to receive new tax and fee programs to administer and became the Oregon Department of Revenue in 1969.

Today, the agency has about 1,000 employees who help achieve its mission.

In support of its mission, the agency:

- Administers 37 tax and fee programs, including Oregon's Personal Income Tax, Corporation Excise Tax, Marijuana Retail Tax, Corporate Activity Tax, and cigarette and other tobacco tax programs.
- Supervises the state's property tax system and supports county property tax administration.
- Appraises large industrial and centrally assessed properties.
- Administers tax programs for other state agencies and local governments, including the State Transient Lodging Tax, vehicle privilege and use taxes, local marijuana taxes, and transit district taxes.
- Serves as the primary collections agency for executive branch agencies and state boards and commissions.

Each biennium, more than 95 percent of Oregon's General Fund is attributable to the work done by the Oregon Department of Revenue.

Strategic Priorities

The agency's three strategic priorities represent short-term, cross-agency improvement opportunities and are updated regularly.

Existing strategic priorities are:

1. Optimize Collections Efforts—clarify collections potential, improve methods, and more effectively communicate results.
2. Enhance Taxpayer Assistance—create the tools and environment that make paying taxes an understandable and satisfactory experience for taxpayers.
3. Cultivate Operational Excellence—clarify roles and responsibilities, promote data-driven decisions, and leverage staff potential to optimize agency performance.

The Governor's Recommended Budget for 2021–23 supports these priorities by consolidating our collections functions into one division, and investing in modernizing the property tax valuation system (which provides local government with critical information), increasing agency capacity to maintain and modify its core information systems, adding seasonal staff to help low-income Oregonians receive refunds in a timely manner, expanding the Earned Income Tax Credit, implementing Ballot Measure 109 (psilocybin), and administering a proposed retail tobacco licensure program.

Agency Performance and Outcome Measures

The Oregon Department of Revenue measures operational and financial performance through several internal and external performance measures. The Legislature has adopted the following 11 key performance measures for the agency:

1. **Average Days to Process Personal Income Tax Refund:** Measures whether we meet taxpayer expectations of a timely refund.
2. **Percent of Personal Income Tax Returns Filed Electronically:** Measures taxpayers' acceptance and use of electronic filing.
3. **Employee Training Per Year:** Measures the importance placed on employee development and the commitment of resources toward training.
4. **Customer Service:** Percent of customers rating their overall satisfaction with the agency as above average or excellent.
5. **Effective Taxpayer Assistance:** Measures the effectiveness of taxpayer services provided by a data-driven combination of direct assistance and electronic self-help services.
6. **Appraisal Program Equity and Uniformity:** Measures 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.

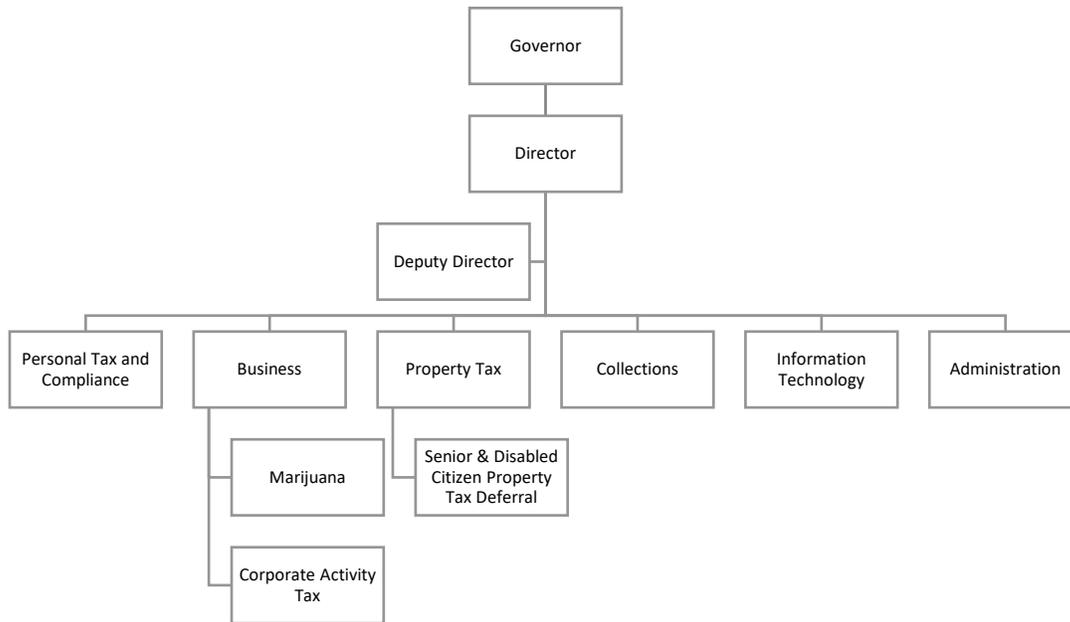
7. **Appraisal Value Uniformity:** Measures our ability to deliver high-quality business results by measuring appraisal equity and uniformity for DOR industrial accounts.
8. **Direct Enforcement Dollars Cost of Funds:** Measures our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every direct enforcement dollar received by our agency.
9. **Collection Dollars Cost of Funds:** Measures our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds for every dollar collected by our agency.
10. **Cost of Assessments:** Measures the efficiency and effectiveness of our suspense, audit, and filing enforcement functions by measuring the cost of every audit and filing enforcement dollar assessed.
11. **Employee Engagement:** Measures active engagement among employees through a standardized survey.

Key performance measure data for the past five years is available in Appendix A.

Programs, Organization, and Service Delivery

The Oregon Department of Revenue provides services for the general public, tax preparation professionals, counties, local taxing districts, and other state agencies. Tax administration functions include processing returns and payments, assisting and educating taxpayers, auditing, enforcing state tax laws, collections, and policy development. The department serves over 3.4 million individuals and 330,000 businesses annually through tax administration services.

FIGURE 1. 2021–23 AGENCY ORGANIZATION CHART



Administration of the department’s tax programs generate over 95 percent of the state’s General Fund revenue and about 82 percent of all local government revenue. Agency programs can be divided into eight categories. All tax and revenue numbers mentioned below are based on the 2021–23 current service level.

1. **Personal income and corporation taxes:** Generates \$21 billion in General Fund revenues from 741.00 FTE in the areas of taxpayer assistance and education, processing, banking, auditing, collecting, and filing enforcement.
2. **Corporate Activity Tax:** Expected to generate \$1.1 billion per year to fund education through the Fund for Student Success. It imposes a tax on business entities of all types for the privilege of doing business in Oregon.
3. **Property taxes:** Provides essential support and oversight to the system of property taxation that generates over \$14 billion in local government revenues from 79.25 FTE in the areas of utility and transportation valuation, industrial property valuation, mapping, county administrative oversight, and forestland valuation.

4. **Cigarette and other tobacco taxes:** Generates \$949 million for the Oregon Health Plan, General Fund, local government, Tobacco Prevention and Education Program, and public transit. Department staff are responsible for processing, banking, auditing, inspecting, and referring appropriate matters to the Department of Justice and Oregon State Police for criminal investigations.
5. **Marijuana taxes:** Estimated to generate \$334 million in tax revenues in the 2021–23 biennium. These revenues will be used to pay state agency expenses related to the regulation of this new industry in Oregon. After expenses are paid for administration, remaining funds will be disbursed to city and county governments, school districts, and law enforcement agencies according to a statutory distribution formula.
6. **Other taxes:** The department provides administrative support for the Amusement Device Tax, Bicycle Excise Tax, Emergency Communications Tax (911), Estate Transfer Tax, Forest Products Harvest Tax, Hazardous Substance Possession Fee, Heavy Equipment Rental Tax, Oil and Gas Production Tax, Petroleum Load Fee, Small Tract Forestland Program, Statewide Transit Tax, and vehicle privilege and use taxes. These programs generate revenues for the General Fund, 911 System, Tourism Commission, Statewide Transportation Improvement Fund, State Highway Fund, Zero-Emission Incentive Fund, Connect Oregon Fund, local governments, schools, Department of Forestry, and toxic waste reduction.
7. **Partnerships:** The department has partnerships with other agencies, the courts, and local government for the administration, tracking, and collection of funds. For Other Agency Accounts, the department collects about \$116 million in debt owed to agencies that have not been able to collect themselves. The department works with state and municipal courts in collecting, tracking, and disbursing court fines and assessments of about \$121.5 million. The department works under an interagency agreement with the Tri-Met and Lane transit districts to administer their transit taxes. The programs collect and remit about \$1.1 billion back to the transit districts each biennium.
8. **Assistance programs:** The department is responsible for the Senior and Disabled Citizen Property Tax Deferral program, which allows homeowners age 62 and older or people with disabilities with low income to defer property tax payments.

Budget Drivers, Risks, and Environmental Factors

The Oregon Department of Revenue has been impacted by the following factors:

- COVID-19 and wildfire impacts
- Effects of significant change
- Impact of new tax programs
- Increasing complexity in existing programs
- Changes at the Internal Revenue Service (IRS)
- Differences between federal and state tax policy
- Expectations of local administration
- Advancing equity initiatives

Major Changes (2016-2020)

For many years, the Department of Revenue operated in an environment of stable systems, processes, and tax programs with few new additions to its administrative duties, processes, or technology infrastructure. In the past six years, the department has experienced significant change.

Core Systems Replacement

The department's Core Systems Replacement project began in 2013 and was completed in 2018. This project brought new technology infrastructure (replacing two-thirds of the agency's applications), new processes, and a different environment for operating and maintaining the system that is far more dynamic than older technology.

Marijuana Retail Tax

The department was tasked with implementing one major new tax program in January 2016 to administer tax on recreational marijuana. This program continues to evolve. In June 2019, the Legislature modified the categories of marijuana items subject to tax. In September 2019, the Legislature modified the city and county opt-in process. In November 2020, Measure 110 changed revenue distribution.

Corporate Activity Tax

The department was tasked with implementing a complex new tax program in June 2019 to administer the new Corporate Activity Tax. The department is creating and staffing the new program and configuring IT systems to manage the new tax. The tax became effective January 2020, with the first quarterly payments filed in April 2020 and the first annual return filing due in April 2021.

Other new tax programs

In addition to the marijuana tax and the Corporate Activity Tax, the department was also tasked with five other new tax programs.

The department implemented and administers the following:

- Vehicle Privilege Tax in January 2018
- Vehicle Use Tax in January 2018
- Bicycle Excise Tax in January 2018
- Statewide Transit Tax in July 2018
- Heavy Equipment Rental Tax in January 2019

Collections Consolidation

Historically, tax collections have been spread throughout the agency. In July 2019, the Legislature created the Collections Division to begin consolidating all agency collection functions into one division. Consolidation is included in the Governor's Recommended Budget to transition budgets for impacted positions and services into the Collections Division.

Cost Containment and Continuous Improvement

We have implemented specific actions in the past biennium to contain costs and improve programs and services.

Business Division

For tax year 2020, the division modified the Oregon Tax Coupon to allow taxpayers to pay Statewide Transit Tax along with the Combined Payroll programs. This change reduced the number of payment vouchers the department had to process and the number of payment vouchers Oregon businesses needed to remit to stay compliant with Oregon taxes. For tax year 2021, the division stopped mailing the Combined Payroll Booklet to all employers as many taxpayers now file and pay electronically. The booklet is available online, and printed booklets are available by request. This change will generate postage savings in the future.

Over the past several years, the division has moved more programs toward electronic filing. This not only reduces costs for the agency but also decreases error rates and processing times for taxpayers. Bulk filing methods are also available for taxpayers, software vendors, and third-party payroll providers, which is a more efficient method of filing.

Information Technology Division

Following the successful implementation of the Core Systems Replacement Project, the division continues to decommission legacy tax applications, clean up the application portfolio, and remove obsolete computer platforms as applications are retired. The department started with a portfolio of 109 legacy applications in 2019 and is in the process of decreasing those over time. The department decommissioned 17 applications in 2020 and estimates it will decommission an additional 60 applications by 2025.

The Processing Center is a centralized service that processes all paper tax returns and payments sent to the agency for use by other areas. The department's Processing Center handles more than 3 million paper returns and payments annually ensuring more than \$15 billion in tax payments are banked and over 800,000 paper tax returns are processed. The division increased Processing Center efficiency through the Processing Center Modernization Project. The project delivers a front-end processing system that captures and transmits taxpayer data from paper and electronic forms reducing the need for staff to key data by hand. The project procured and configured a high-speed, more efficient system called Quick Modules. Combining technologies such as high-speed scanning, optical and intelligent character recognition (OCR/ICR), and guided key-from-image data entry, the agency largely has been able to eliminate the need to retain paper copies of documents and has increased control over taxpayer information.

Property Tax Division

By leveraging technology, the Property Tax Division has seen some significant savings in expenses and time to complete certain tasks. In 2018, the division moved training and education tracking online, and in 2020 the division moved registration testing online. To become an appraiser previously, you had to come to Salem and sit for a monitored exam. Now, the division uses video conferencing and an online test to monitor the exam virtually anywhere.

The division has also instituted online filing for half the programs within the division. For programs that don't have a software solution to allow actual online filing, the division has set up electronic delivery and receipt of returns.

The division added additional steps in the processes that help exhaust internal resources before reaching out to the Oregon Department of Justice (DOJ) for assistance. This has reduced DOJ costs by 30 percent.

Major Budget Information

The Governor's Budget continues funding the department at the current level of service with modest investments to strengthen revenue's resiliency by modernizing the property tax valuation system; increasing agency capacity to maintain and modify its core information systems in the long term; providing equity and training resources; adding seasonal staff to help low-income Oregonians receive refunds in a timely manner; expanding the Earned Income Tax Credit; implementing Ballot Measure 109 (psilocybin); and administering a proposed retail tobacco licensure program. The budget also continues support for matching data with financial institutions.

The two major budget issues for the agency in the 2021–23 biennium include investing in modernizing the property tax valuation system, which provides local government with critical information, and increasing agency capacity to maintain and modify its core information systems in the long term.

Electronic Valuation Information System (ELVIS)

Policy Option Package 102

Aging software puts \$535 million in tax revenue to local governments at risk. This policy option package provides \$4,245,000 Other Funds through bond funding and 1.76 full-time equivalent positions for the Electronic Valuation Information System (ELVIS) project, which would modernize the determination of real market value for industrial accounts and central assessment companies, reducing the risk of unrealized property tax revenues.

Core Systems Operations and Maintenance

Policy Option Package 110

This policy option package provides \$2,217,434 General Fund, \$192,818 Other Funds, and 7.92 full-time equivalent positions to build agency IT capacity to reduce dependence on vendors.

Additionally, two other requests for funding are not new functions for the department. Both of the following policy option packages represent work we currently do. If these requests are not approved, this would be a reduction in current service level.

Vendor Contracted Maintenance and Support

Policy Option Package 109

This policy option package provides \$5,571,002 General Fund and \$484,435 Other Funds for ongoing contracted maintenance and support for GenTax, the department's new tax administration system.

*Financial Institution Data Match
Policy Option Package 107*

This policy option package provides \$214,500 General Fund and \$71,500 Other Funds to continue funding the Financial Institution Data Match program approved by Senate Bill 254 (2018).

Interagency Programs

DOR partners with tribal governments, state agencies, universities, local governments, and interstate groups to administer programs.

Personal Tax and Compliance Division

DOR and the Department of Consumer and Business Services (DCBS) are partnering to process applications for the COVID-19 Temporary Paid Leave program. We also partner with the Oregon Employment Department (OED) in administering two relief programs: The Pandemic Unemployment Assistance program (PAU) and the Disaster Unemployment Assistance program (DAU). The Pandemic Unemployment Assistance (PUA) program provides unemployment assistance to workers who are impacted by COVID-19 and are not eligible for regular unemployment insurance benefits. DUA provides unemployment assistance to affected workers who are in a Presidential Disaster Area. DOR provides assistance through a data sharing agreement authorized through March 1, 2021 by SB 1703, which was passed in the second special session of 2020.

Business Division

The Business Division partners with many state agencies, local governments, and other organizations. DOR partners with the OED and DCBS to provide streamlined payroll reporting for employers using a combined return and payment voucher. DOR is also partnering with OED during its system modernization project as well as its implementation of the new Paid Family Medical Leave Insurance program, for which DOR will collect payments. DOR partners with the Oregon Liquor Control Commission in the enforcement of the statewide Marijuana Retail Tax. We also partner with the Oregon Lottery to administer the Amusement Device Tax.

DOR has agreements with several Oregon Tribes related to the Cigarette, tobacco, and Marijuana Retail taxes. The department administers local transit taxes on behalf of the TriMet and Lane transit districts and the Marijuana Retail Tax for 89 local governments.

The department is a member of the Interagency Compliance Network, a group of seven agencies and boards that work together to ensure that employers are complying with their reporting obligations. DOR is a member of the Multistate Tax Commission (MTC), which conducts corporation excise and income tax audits on behalf of Oregon and many other states to provide an efficient means of auditing large multistate corporations. They also facilitate voluntary disclosure agreements for taxpayers who need to file with Oregon. These services supplement our own enforcement efforts. We also partner with the MTC to develop model statute and regulation/rule language.

Property Tax Division

The property tax system requires a strong state-county partnership. The Property Tax Division meets regularly with county assessors to review shared tax programs and resource needs to ensure the delivery of high-quality services. DOR provides training, mapping, and other assistance to local taxing districts throughout Oregon.

DOR provides mapping services for 10 counties on a contract basis. It collects and redistributes County Assessment Function Funding Assistance (CAFFA) to all 36 counties quarterly. DOR also works with all 36 counties to provide training to Board of Property Tax Appeals (BoPTA) members.

DOR also partners with many entities to improve the quality of services delivered to taxpayers. Recent partnerships include the Oregon Department of Forestry, Oregon Department of Human Services, and Oregon Department of Veteran Affairs, where we work to reach taxpayers impacted by our various programs.

Collections Division

The Collections Division acts as the central collections agency for Oregon through the Other Agency Accounts (OAA) unit. OAA was formed in 1971 and serves 185 state agencies, boards, and commissions, including circuit and municipal courts and various educational and regulatory agencies such as Oregon universities, the OED, DCBS, and the Oregon Judicial Department. The revenue OAA collects is distributed to customer agencies, less the department's costs to collect on their behalf.

Information Technology Services Division

ITSD works closely with DAS on IT cybersecurity and IT projects. DAS requests agency IT staff to staff enterprise-wide projects.

Administration

Financial Services is responsible for ensuring that financial transfers are made to the Treasury, receiving agencies and entities by working primarily through the partnerships and agreements throughout the agency. DOR's most critical relationships that are essential for daily operations are with the Treasury for banking and transfers and DAS for accounting compliance, system usage and security and account receivables. Other interagency partnerships include OED, Lane and TriMet transit districts for payroll taxes, and DCBS for the Workers' Compensation program. Finally, we also maintain partnerships with municipal and justice courts for the collection and transfer of Criminal Fines and Assessments.

Proposed Legislation

House Bill 2128 – Protecting Taxpayer Information

HB 2128 requires a tax professional (tax preparers, attorneys, certified public accountant, etc.) to notify the Department of Revenue within five days of discovering a breach of security and provide names, addresses, and tax identification numbers of impacted taxpayers. The department will flag those taxpayers' accounts for possible fraudulent activity.

House Bill 2129 – Charitable Checkoff Program

House Bill 2129 updates provisions related to the Charitable Checkoff Program. Changes include clarification of the role of the commission; update meeting frequency; and clarification to requalification for inclusion on the donation form.

House Bill 2130 – Estimated Tax Due Date

House Bill 2130 changes the requirement for making an estimated tax payment to April 18 or the due date of the prior tax year's return deadline, whichever is earlier. This change makes April 18 the latest date a person may make their estimated tax payment. It also requires a person to make the estimated payment earlier than April 18 if the federal tax return deadline from the previous year was earlier. By making this statutory change, if the previous year's tax filing deadline was modified because of Emancipation Day, the estimated payment date is synchronized with that date.

House Bill 2131 – Liable Entity for Trust Fund Programs

House Bill 2131 adds statutory tools enabling the department to collect tax debt for the following four programs that require a business to hold taxes in trust: Heavy Equipment Rental Tax; State Transient Lodging Tax; Emergency Communication System (E-911) Tax; and Petroleum Load Fee.

The provisions allow the department to hold an owner, officer, member, or employee who knew, or should have known, that taxes were required to be reported and paid to the department, personally liable for the tax debt. This bill extends an existing tool used in the income tax withholding and marijuana programs to these four other programs.

Senate Bill 118 – Senior and Disabled Citizen Property Tax Deferral Program

Senate Bill 118 makes four changes to Oregon's Senior and Disabled Citizen Property Tax Deferral program to increase predictability for the taxpayer, counties, and the Department of Revenue: Extends the sunset through 2032; adds a December 1 late filing deadline for property taxes, with a late fee to the assessor of 10 percent of the prior year's taxes (limiting the fee to not less than \$20 or greater than \$150); eliminates the five-year ownership and residency requirement for surviving spouses or disabled heirs of deceased program participants; and eliminates the requirement for taxpayers to provide, and counties to review, income information on delay of foreclosure documents.

Senate Bill 119 – Artist Charitable Tax Deduction

Senate Bill 119 removes the requirement that artists who claim this tax deduction submit the appraisal with their personal income tax return. Artists are still required to obtain an appraisal, and existing law already requires taxpayers to retain and provide these records to the Department of Revenue if requested to substantiate their subtraction.

Senate Bill 120 – Interest Date

Oregon Department of Revenue pays interest on overpayments of taxes paid. Oregon law specifies how the interest is calculated and how it accrues. Senate Bill 120 clarifies that interest begins to accrue on overpayments of the later of 45 days after the due date or 45 days after the date the tax was paid. This change allows the department 45 days to process the refund before interest begins to accrue, regardless of when the overpayment of tax was made.

Budget Reductions

Reductions Included in Governor's Budget

Included in the governor's budget for the Oregon Department of Revenue are certain budget reductions from current service level. These reductions include eliminating reimbursements to counties for the Nonprofit Homes for the Elderly property tax exemption (\$3,492,972) and other administrative funding (\$5,401,423).

Reduction Options Requested by Legislative Fiscal Office

The Legislative Fiscal Office requested agencies submit budget reduction options for the 2021–23 biennium up to 10 percent of current service level budget. The Oregon Department of Revenue was required to provide budget reduction options for both General Fund and Other Funds. Submitted budget reduction options included reductions to professional services, employee training, out-of-state travel, and services and supplies.

Detailed information about these reduction options is available in Appendix B.

Vacant Positions

As of March 1, 2021, the Oregon Department of Revenue had 67 long term vacant positions open for seven months or longer.

Of those vacant positions:

- 28 positions are in the recruitment process;
- 19 positions are being used in permanent financing plans to solve specific reclass issues; and
- 20 positions are vacant.

COVID-19 Issues

The COVID-19 pandemic and the public health response has greatly impacted the Department of Revenue's operations. In March 2020, agency operations transitioned to remote work where more than 85 percent of the employees began working from home. The limits of in-person interactions modified our operations by converting in-person audits to electronic; reduced account volumes referred to us for collections by other agencies; limited physical property tax inspections and appraisals; and increased use of virtual trainings and meetings.

These changes—and the possibility for permanent change—have caused the department to evaluate how it conducts business and search for long-term alternatives. This includes recruiting talent statewide or from out of state where multistate and multinational corporations that owe Oregon tax have corporate offices, which were previously limited by physical building locations.

For income tax programs, both personal and corporate, travel restrictions have impacted the way taxpayer audits are conducted. Fewer face-to-face meetings and less out-of-state travel have led to changes in audit strategy to work remotely and still perform audits. In-person meetings and trainings on new law updates have been restricted due to group-size limitations on physical meetings. However, electronic options are being used and tools are being evaluated for public meetings as well as virtual training and team collaboration while staff work in remote locations.

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Reduced account volumes are being sent to Other Agency Accounts by state agencies due to impacts of COVID-19 on their own processes, including establishing fewer new accounts, following state or federal guidance, and providing separate relief efforts. Taxpayer relief efforts, including for those impacted by wildfires, have extended deadlines and loosened payment plan criteria slowing some tax collection activity. In addition, travel restrictions have impacted some field collections work.

COVID-19 restrictions and concerns have reduced the ability for property tax programs to conduct physical inspections, appraisals, audit of physical assets, and visual confirmations of depreciation. Processing of industrial property returns has been dependent on physical paper and material files that are being digitized. In-person appraiser training was modified to be held virtually. Previously, application processing for property tax deferral programs were dependent on paper filing, but they have been converted to digital for processing. Planned county visits for operational oversight have been postponed and are now conducted virtually as needed. Appraiser registration testing was also moved online.

Governor's Budget

The 2021–23 Governor's Recommended Budget for the Oregon Department of Revenue is available at: <https://www.oregon.gov/dor/about/Pages/budget.aspx>.

Secretary of State Audits

The Secretary of State conducted three audits of the agency during the current biennium.

The following audits were conducted:

- Selected Financial Accounts for the Year Ended June 30, 2019 CAFR
- Selected Financial Accounts for the Year Ended June 30, 2020 CAFR
- Change of Director Review

The results of, and agency responses to, these audits and others are available in Appendix G.

Department of Revenue is looking forward to presenting its 2021–23 Governor's Recommended Budget to the subcommittee. Please let us know if you have any questions or need additional information.

Sincerely,



Betsy Imholt, Director

Joint Committee on Ways and Means Subcommittee on General Government
Written Reference Materials on the Governor's Recommended Budget
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March 8, 2021

Attachments:

Appendix A: Annual Key Performance Measure Report (2020)

Appendix B: Ten Percent Reduction List

Appendix C: Supervisory Span of Control Report

Appendix D: Summary of Proposed Technology and Capital Construction Projects

Appendix E: Other Funds Ending Balance Form

Appendix F: Program Prioritization for 2021–23 (Form 107BF23)

Appendix G: Audit Response Report

Appendix H: Impact of Recent Changes to Agency Budget or Management Flexibility

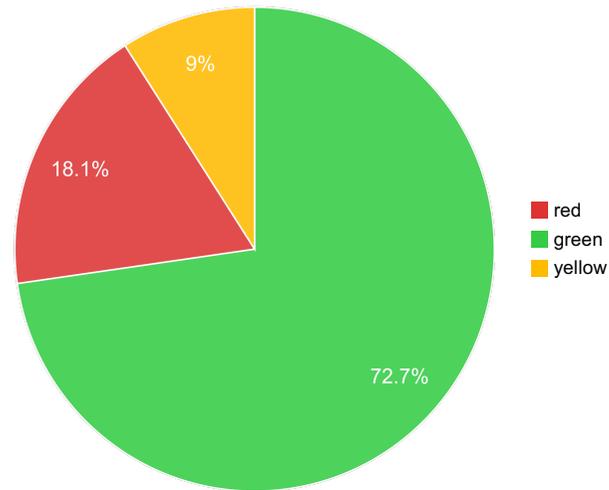
Revenue, Department of

Annual Performance Progress Report

Reporting Year 2020

Published: 9/30/2020 11:08:20 AM

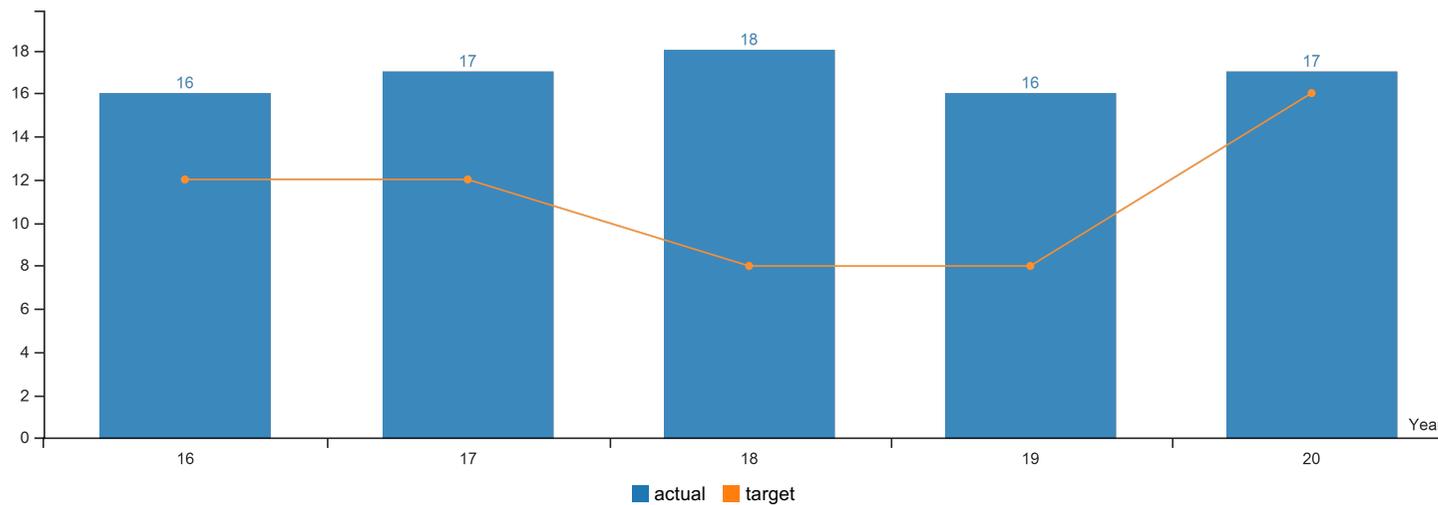
KPM #	Approved Key Performance Measures (KPMs)
1	Average Days to Process Personal Income Tax Refund. -
2	Percent of Personal Income Tax Returns Filed Electronically -
3	Employee Training Per Year (percent receiving 20 hours per year). -
4	Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good"; or "excellent" based on overall experience, timeliness, accuracy, helpfulness, expertise, and availability of information.
5	Effective Taxpayer Assistance - Provide effective taxpayer assistance through a combination of direct assistance and electronic self-help services.
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.
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.
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.
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.
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.
11	Employee Engagement - Index of employees considered actively engaged by a standardized survey.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	72.73%	9.09%	18.18%

KPM #1	Average Days to Process Personal Income Tax Refund. -
	Data Collection Period: Jan 01 - Aug 01

* Upward Trend = negative result



Report Year	2016	2017	2018	2019	2020
Average Days to Process Personal Income Tax Refund					
Actual	16	17	18	16	17
Target	12	12	8	8	16

How Are We Doing

We are not meeting this target. The agency averaged 17 days to refund in 2020, one day longer than the target of 16 days.

For the 2020 tax season, the department processed over 2 million 2019 personal income tax returns; about 81 percent (1.7 million) were refund claims. This measurement is the average amount of time it takes from when the agency received a return until a refund was issued. In response to a desire to balance timeliness with fraud reduction, the Oregon Legislature modified the target from eight days in 2019 to 16 days beginning in 2020.

The primary factors that impact return processing and slow down refunds are:

- **Whether or not a return suspends.** Suspended returns divert from automatic processing for manual review because errors exist or additional information is needed to process the return. Either may indicate a potential for fraud. A suspended return can significantly delay the issuing of a refund.
- **Paper return filing.** Paper returns have a significantly higher error rate that cause them to suspend during processing to be corrected. The software used for electronically filed returns checks and corrects common errors on returns that would cause them to suspend prior to submission for processing. E-filed returns can also suspend, but the rate of error is significantly lower than paper filed returns. Additionally, e-filed returns that don't suspend complete processing faster than paper, so refunds are issued sooner.

The following table provides information on average processing timelines overall, and for nonsuspended and suspended returns.

Average Days to Process Returns*

Type of Return	Overall	Nonsuspended	Suspended	Percentage of Returns Suspended
All	16.82	14.98	62.87	3.8%
E-file	15.24	13.63	63.11	3.3%
Paper	35.58	31.45	61.98	10.3%

*This table illustrates that e-filed returns that don't suspend have the shortest average processing time of 14 days. E-filed returns are the most common filing method. This table differs from prior year reports because 2-D barcode returns are now included in the paper date presented for 2020.

Factors Affecting Results

Aside from suspended returns, other factors within the agency's control that impact return processing are:

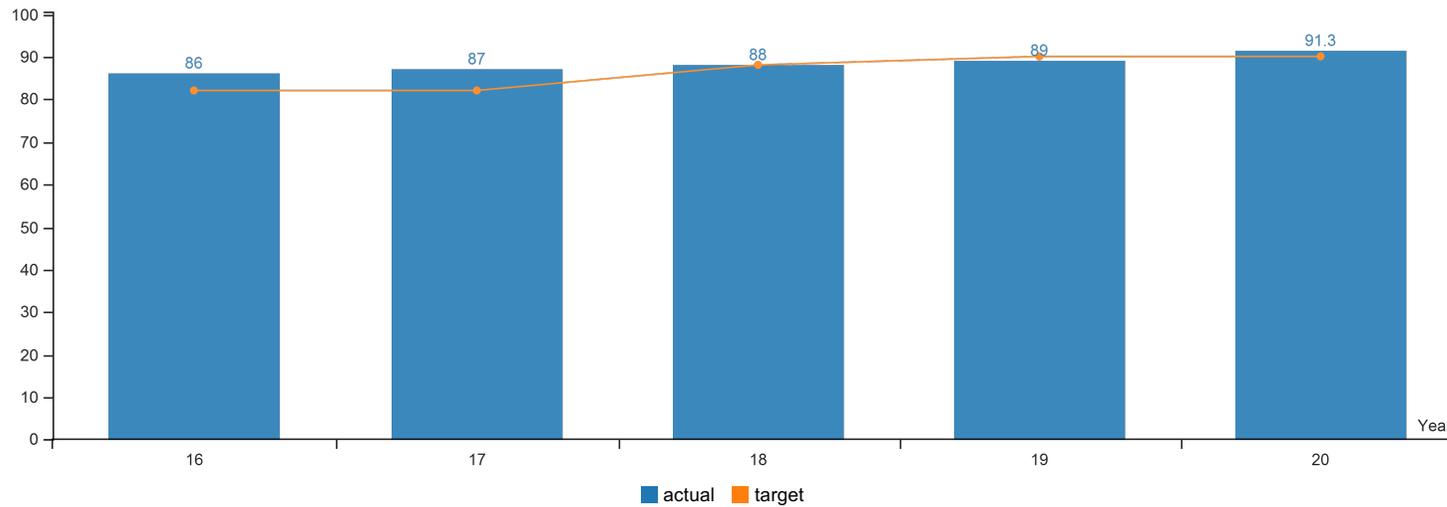
- **Business edits/rules on processing returns:** The agency has more than 200 rules that incorporate statutory limits, correct math errors, match against third-party information, and allow the agency to request additional documentation. Some rules are system processed (math errors), while others require a manual review. Annually, business rules are improved to close known gaps and stop fewer legitimate refunds from suspending.
- The fraud module in the agency's tax processing system uses analytics to identify potentially fraudulent refunds. The attributes for fraudulent returns have become so similar to legitimate returns that it's difficult to differentiate between the two. Each year, the agency reviews fraud triggers to address known gaps and to make improvements. There will always be a need for manual review to combat fraud, but Revenue is working to identify those that the system can sort through better.
- **Early season refund hold:** The agency did not issue refunds prior to February 13. This allows the agency time to load income and withholding information submitted by payors (due January 31) and match it to the information reported by the taxpayer on their tax return. Over 400,000 refund returns were received prior to February 13. This is similar to the IRS holding refunds until mid-February due to the Earned Income Tax Credit and the Additional Child Tax Credit.
- The number of seasonal staff hired to open mail, key paper returns, process correspondence, etc.

Factors outside the agency's control that impact return processing are:

- **Taxpayers choose their filing method:** Electronically filed returns are typically more accurate and take less time to process than other filing methods. E-file is the recommended option for a faster refund, but there is not an individual e-file mandate. For more details on e-filed returns, see KPM #2.
- "Kicker" or surplus refunds: Surplus refunds increase days to refund in two ways:
 - Increased number of refund returns processed. In 2019, 65 percent of our returns were refunds. In 2020, that grew to 81 percent.
 - Increased suspended returns (about 20,000) due to return errors as our system can't automatically calculate a correct kicker in certain situations when the filing status changes.
- W-2 information submitted by employers: Information to verify withholding on a taxpayer's return is due from their employer by January 31. If a large employer is late in submitting their information, it can cause their employee's returns to stop for review unnecessarily.
- **The effect of the COVID-19 pandemic:** The COVID-19 pandemic delayed the return filing deadline to July 15 from April 15. Because the filing deadline was extended, fewer returns have been processed during the data collection period ending August 1 than in a typical season. However, individuals claiming refunds have historically filed earlier than individuals with tax to pay, so we anticipate the changed due date will not materially impact this KPM.

KPM #2	Percent of Personal Income Tax Returns Filed Electronically -
	Data Collection Period: Jan 01 - Aug 01

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Percent of Personal Income Tax Returns Filed Electronically					
Actual	86%	87%	88%	89%	91.30%
Target	82%	82%	88%	90%	90%

How Are We Doing

We are exceeding this target. Over this reporting period, the agency had a 91.3 percent rate of returns filed electronically, overtaking the 90 percent threshold for the first time. A rate of growth of about 1 percent had become the norm for the past few years, but the unique circumstance prompted by the COVID-19 pandemic, as well as a kicker, may have been the catalyst for the nearly 3 percent growth in electronically filed tax returns in the 2020 filing season.

Filing Method	Count	Percent
Electronic	1,880,613	91.3%
Paper	178,407	8.7%

E-filing is preferred over other methods of filing. These returns are more accurate because they are software-generated, less costly and quicker to process, and require less handling and storage than paper returns.

Factors Affecting Results

The agency takes several steps that are designed to encourage e-filing:

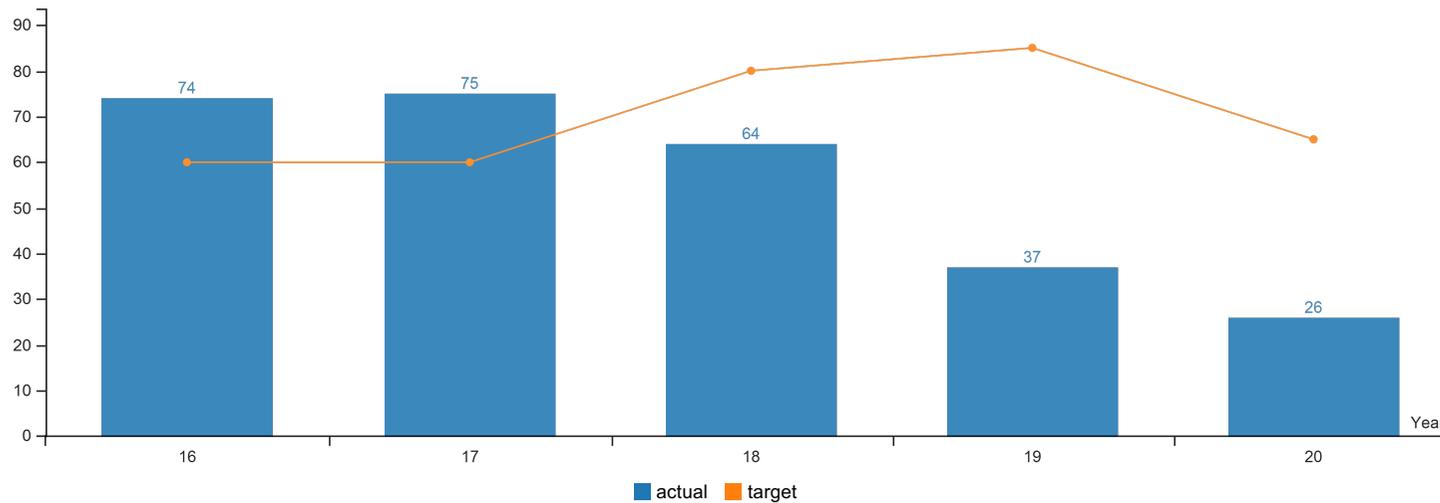
- **Promotion.** Like the IRS, the agency discusses e-file in our publications, in press releases, and on our website to promote its accuracy and typically quicker refunds.
- **Ease of filing.** The agency has a direct e-file system that allows any full-year resident taxpayer to enter their return information into an online form and file the return directly with us for free.

regardless of income level or return type.

- **Free File Alliance.** Revenue also participates in the Free File Alliance where taxpayers meeting certain income, age, veteran, and return-type criteria can e-file for free. The agency posts a list of software companies offering free services on our website.
- **E-file mandate.** Like the IRS, the agency has an e-file mandate for tax practitioners. There is no penalty for noncompliance, but the agency sends a reminder letter each year to those practitioners who didn't file their clients' returns electronically.
- **The effect of the COVID-19 pandemic.** The COVID-19 pandemic delayed the return filing deadline to July 15 from April 15. Because the filing deadline was extended, fewer returns have been processed during the data collection period ending August 1 than in a typical season.

KPM #3	Employee Training Per Year (percent receiving 20 hours per year). -
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Employee Training Per Year (percent receiving 20 hours per year)					
Actual	74%	75%	64%	37%	26%
Target	60%	60%	80%	85%	65%

How Are We Doing

We are not meeting this target. The agency exceeded its performance goals for this measure in 2015–17, reflective of the intensive training required of nearly all staff as a part of the Core Systems Replacement (CSR) Project. The agency missed the increased target set by the Legislature in 2018, in part due to the limited scope of the final implementation stage of the CSR Project. The agency anticipated not meeting the target in 2019 and again in 2020 due to limited resources and personnel.

The agency continues to take a position that measuring the training of our employees is an important internal, rather than external, measure. As an internal measure, it allows the agency to prioritize supporting employees to keep pace with changes in technology, policy, and processes; honor a respectful and professional workplace; increase understanding for inclusion and diversity; and ensure adequate redundant knowledge and skills to ensure seamless function for mission-critical operations.

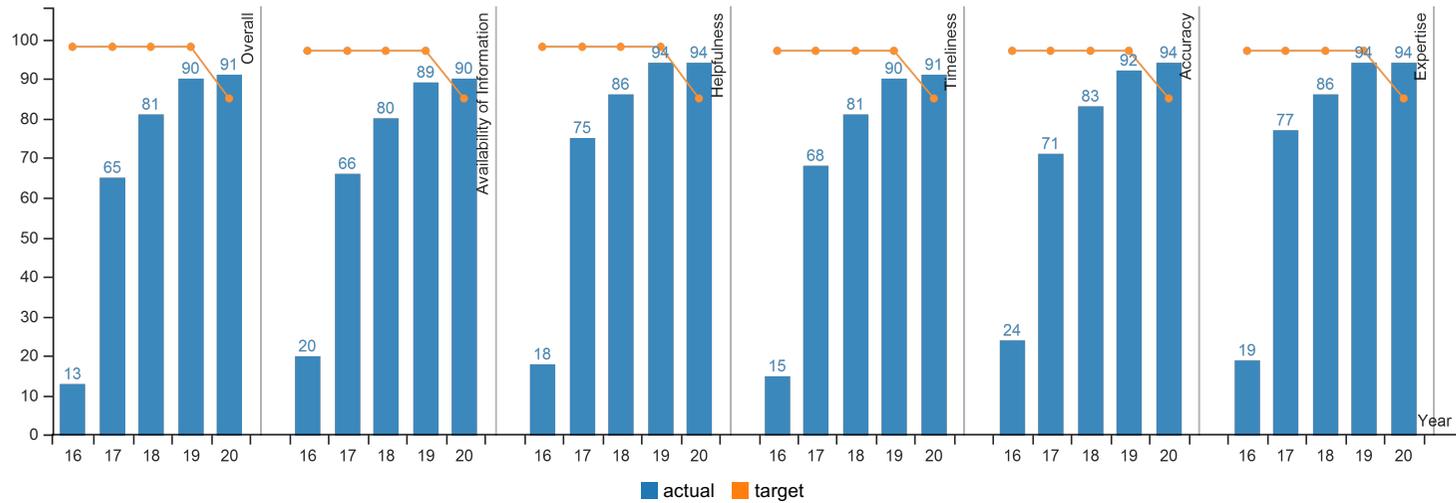
Additionally, it serves as a potential driver for employee engagement. However, the agency acknowledges it will be unable to make demonstrative inroads toward meeting the agency’s target without adequate training resources and staff. As such, Revenue is moving forward with a request for additional training positions, which will allow the agency to be more responsive to its training needs; proactively plan and design training programs to offer personal and professional development for its employees; and offer enough in-house, no-cost training, to turn the tide and begin improving its performance in this key performance measure.

Factors Affecting Results

While the agency did not anticipate meeting the target for 2020, it had anticipated a better performance than 26 percent. The agency had to cancel or postpone numerous employee conferences, external training events, internal agency-wide Respectful Workplace Training, and planned manager-specific accountability and feedback training during the last quarter of the year due to the COVID-

19 pandemic. The agency is in the process of securing and implementing a distance learning software platform and rescheduling planned training to be completed virtually as soon as possible. In addition, the agency focuses on ensuring all training is captured in iLearn and encourages employees and managers to create professional growth goals that involve training to enhance knowledge, skills, and/or abilities.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30



Report Year	2016	2017	2018	2019	2020
Overall					
Actual	13%	65%	81%	90%	91%
Target	98%	98%	98%	98%	85%
Availability of Information					
Actual	20%	66%	80%	89%	90%
Target	97%	97%	97%	97%	85%
Helpfulness					
Actual	18%	75%	86%	94%	94%
Target	98%	98%	98%	98%	85%
Timeliness					
Actual	15%	68%	81%	90%	91%
Target	97%	97%	97%	97%	85%
Accuracy					
Actual	24%	71%	83%	92%	94%
Target	97%	97%	97%	97%	85%
Expertise					
Actual	19%	77%	86%	94%	94%
Target	97%	97%	97%	97%	85%

We are exceeding this target. The agency's customer service ratings increased in four of the six categories in 2020, marking the first time that all the rating categories are at 90 percent or greater. The rating on accuracy increased by 2 percent and joins helpfulness and expertise as the highest scoring categories with a score of 94 percent. Availability of information increased by 1 percent to 90 percent but still lags behind the other categories. Availability of information is an indicator of self-service and will continue to be a focus for the next year.

This measure provides information on customers' assessment of agency performance related to key drivers of customer satisfaction. While the agency recognizes that paying taxes may not make taxpayers happy, it is important they rate their experiences with the agency as satisfactory. During the 2019 session, the Oregon Legislature modified the targets in all categories to 85 percent beginning in 2020.

The data is collected from a survey. Taxpayers can take the survey by telephone or online. About 98 percent of the surveys are by telephone. The responses are from several different tax programs but are predominantly from the Personal Income Tax Program.

Factors Affecting Results

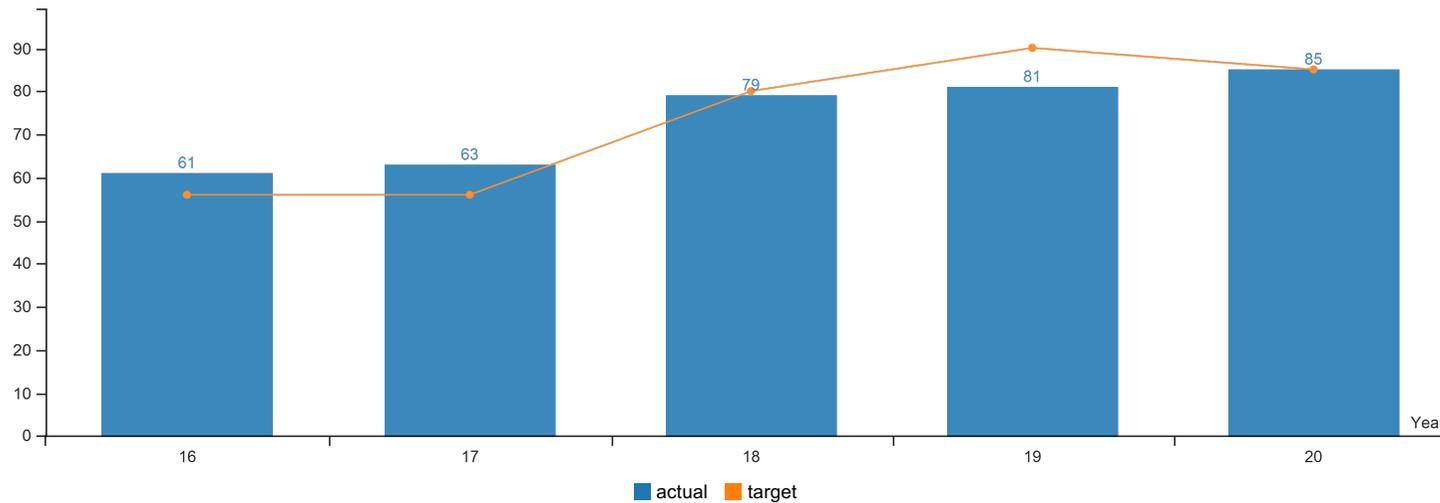
The agency standardized the data collection processes for this measure. As a result, sample size jumped from 1,875 in 2016 to more than 23,000 in 2019. Total surveys decreased slightly to 22,000 in 2020 possibly due to the timing of the COVID-19 pandemic and having less assistance and enforcement contact with taxpayers from March through the end of the reporting period. The agency believes there is a relationship between timely processing of returns and satisfaction. Despite not meeting the target in number of days to process a refund, customer satisfaction has increased. Revenue believes this is attributable to:

- Having more capacity by hiring additional staff through the opening of the Fossil office and bringing on temporary employees during the peak tax filing season in the main call center.
- Separate telephone lines for tax professionals, as well as one for corporations.
- Staff encouraging taxpayers who use services to take the survey, increasing the sample size.

During this pandemic, the agency continued to process returns and has implemented filing requirements and administrative relief for impacted taxpayers in the form of Director's Orders that extended the filing due date to July 15. A tax relief webpage was implemented to keep taxpayers and tax professionals informed on the latest relief provisions.

KPM #5	Effective Taxpayer Assistance - Provide effective taxpayer assistance through a combination of direct assistance and electronic self-help services.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Effective Taxpayer Assistance					
Actual	61	63	79	81	85
Target	56	56	80	90	85

How Are We Doing

We are meeting this target. Performance increased from the previous year to match the target of 85 set in the 2019 budget process.

This measure aligns with the agency's strategic priority to enhance taxpayer assistance. The goal is to provide self-help access for those who want it and provide effective one-on-one assistance where necessary (or desired).

In practice, the agency believes this measure is too complex and weighted on timeliness rather than actually measuring the taxpayer's ability to access the support they want or need. The agency is exploring alternatives with the hope of proposing an improved measure of taxpayer assistance.

Factors Affecting Results

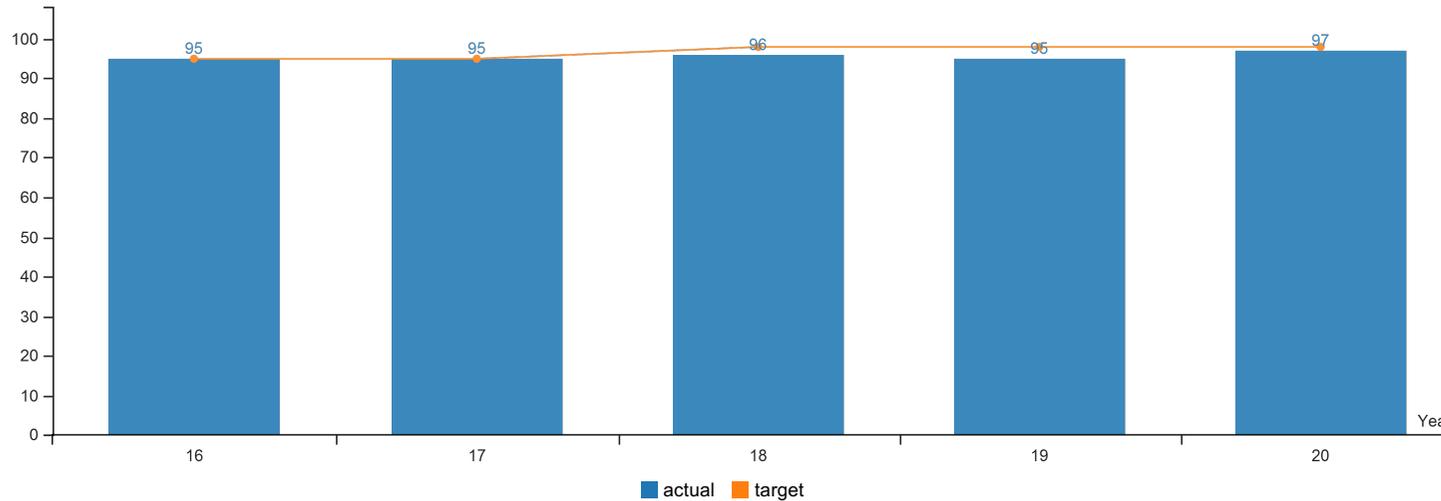
The results of this measure are impacted by the performance of three components that form this composite measure. Each component is weighted:

- **Call wait time (40 percent).** Calls with less than a five-minute wait time made up 90 percent of total calls, up from 77 percent in 2019. Staffing increases with temporary employees during the peak of filing season are the primary driver of this improvement.
- **Where's My Refund inquiries (50 percent).** The percentage of "successful" inquiries made through phone or web applications was 78 percent, which reflects a 7 percent decrease from 2019. Successful inquiries are defined as any response other than "not found," which means the return is not in the system when the taxpayer asks. We instruct taxpayers to wait two weeks from when they file before requesting a status update. Early in the filing season, there was a delay in return information being available in the web application due to the implementation of modernization software for the paper return processing system. This highlights the importance of making the information available timely.
- **Customer service rating (10 percent).** The percentage of customers rating our service as "good" or "excellent" is 92 percent, up from 91 percent in 2019.

While these three components are all important indicators of customer service performance, aggregating the results into a composite measure does not allow for flexibility or provide true insight related to taxpayer assistance expectations. Additionally, it is heavily skewed toward personal income tax rather than being agency focused.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Appraisal Uniformity					
Actual	95%	95%	96%	95%	97%
Target	95%	95%	98%	98%	98%

How Are We Doing

We are not meeting this target. Prior to 2018, the agency had consistently met or exceeded established targets for this measure. In 2019, the target was increased to 98 percent and performance was at 95 percent, slightly below the target but consistent with previous years' performance levels.

The 2019 Legislature provided funding to fill some existing department positions that work closely with counties on assessment and taxation. This should assist the agency in moving closer to its performance target of 98 percent. This additional resourcing will also enable enhanced analysis of the sales used by counties in determining whether their appraised values are compliant with appraisal standards.

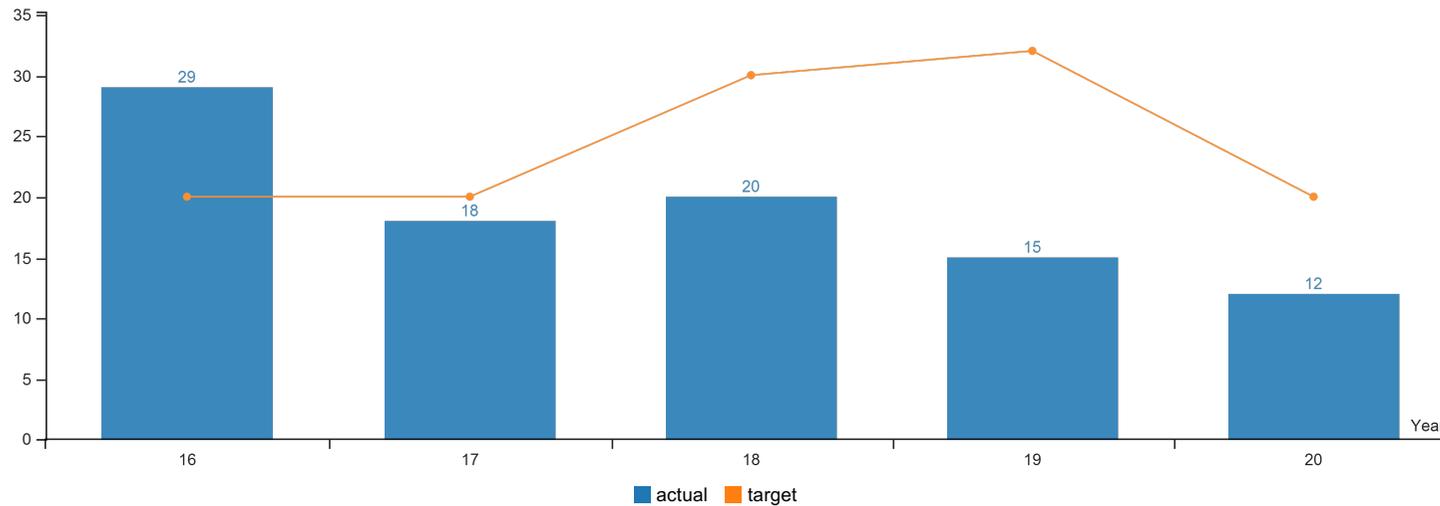
Factors Affecting Results

The number of county appraisals that meet this standard are tracked and reported as a percentage annually in the Ratio Report (as directed by statute). While the counties self-report results, the department has instituted a process of reviewing the data and calculations provided by each county. Revenue makes official recommendations and can order adjustments to county processes to ensure standards are met. County performance may be impacted by county budget constraints and turnover. When evaluating performance results and setting the target, these factors are considered.

The agency considers this an effective outcome measure because the primary goal of the Support, Assistance, and Oversight (SAO) Section is to support and monitor the performance of assessment and taxation at the local government level. This is accomplished by providing training, teaching best practices, and reviewing processes of county appraisal programs statewide.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2016	2017	2018	2019	2020
Appraisal Value Uniformity					
Actual	29%	18%	20%	15%	12%
Target	20%	20%	30%	32%	20%

How Are We Doing

We are exceeding this target. The reported metric is the measure of variance between the values from site-specific appraisals and the values from annual mass-appraisal program of processing taxpayer-filed industrial property returns. Performance for 2020 was 12 percent, well below the target of 20 percent, indicating a high degree of equity and uniformity in appraisals.

Measuring the coefficient of dispersion is an appraisal industry standard metric for uniformity. The metric is reliant on market sale transactions. In the past five years, the agency hasn't had a large enough sampling of usable sale transactions, so, site-specific appraisals were used to calculate results. Revenue would ultimately like to eliminate this measure because the small number of transactions and substitute of site-specific appraisals make the measure more volatile than may be the case. Given this, the agency has reached out to county clients through the Oregon State Association of County Executive Committee for input on a more meaningful replacement measure. After consulting with county partners, Revenue has decided to begin gathering baseline data on appraisal rework and value revisions to measure program effectiveness. A comprehensive program to gather this data was initiated in 2020 and the agency plans to make a formal proposal for replacement once enough data is collected to make this a meaningful measurement of performance.

Factors Affecting Results

The agency is required to appraise Oregon's highly complex industrial properties that are engaged in processing and manufacturing activities. These properties don't sell often. When they do, there are many factors that make it difficult to compare the sales price to assessment roll values. Therefore, the limited number of sales transactions has decreased the reliability of this indicator.

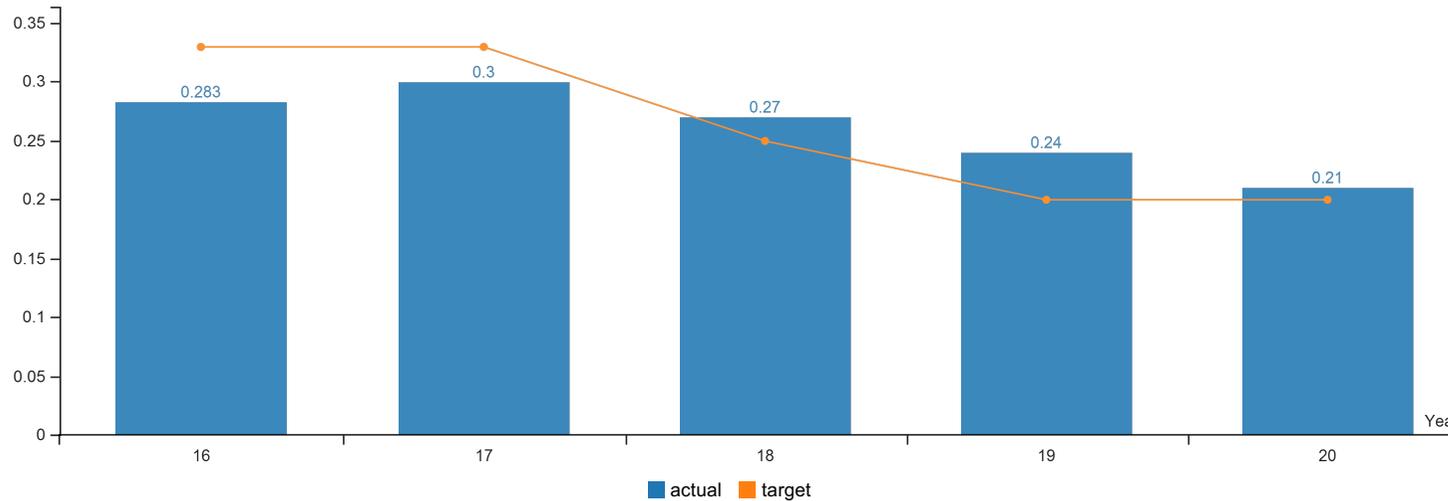
Some properties have valuation issues, including omitted property, taxpayer reporting errors (duplicates, age of assets, failure to report), and reclassification of assets. These issues can create a greater separation between the value determined via Revenue's mass appraisal process and the value determined via the site-specific appraisal process, resulting in higher coefficient of dispersion

(COD) and greater deviation between real market value (RMV) and the roll value.

In 2017, the agency refined its business strategy and set a goal to appraise industrial sites on an eight-year cycle. Through the implementation of our eight-year appraisal cycle, we should continue to see a reduction in the deviation between roll values and RMV. Looking ahead, the agency anticipates proposing a more informative outcome measure for the effectiveness of this program.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2016	2017	2018	2019	2020
Cost of Direct Enforcement Funds					
Actual	\$0.28	\$0.30	\$0.27	\$0.24	\$0.21
Target	\$0.33	\$0.33	\$0.25	\$0.20	\$0.20

How Are We Doing

We are not meeting this target. The agency's cost of funds for direct enforcement for fiscal year 2019 (FY 2019) was \$0.21. For this measure, a lower value is better. This represents an improvement from the 2019 cost of \$0.24. Dollars received decreased from \$266.4 million in 2019 to \$253.9 million in 2020. The enforcement function funding in the Legislatively Adopted Budget (LAB) decreased from \$64.3 million in 2019 to \$52.4 million in 2020.

At the heart of this measure is a complex enforcement revenue calculation based on numerous variables that periodically need to be adjusted due to new information. The challenge is that some factors that support efficiency, such as automation, can impact the calculation in unintended ways. Trying to adjust the calculation to ensure consistency becomes a bit of trial and error. As a result, the agency's confidence in the consistency of this measure has decreased. In addition, the measure is very complex to explain. The agency intends to find a more suitable measure of enforcement outcomes in the coming fiscal year.

Factors Affecting Results

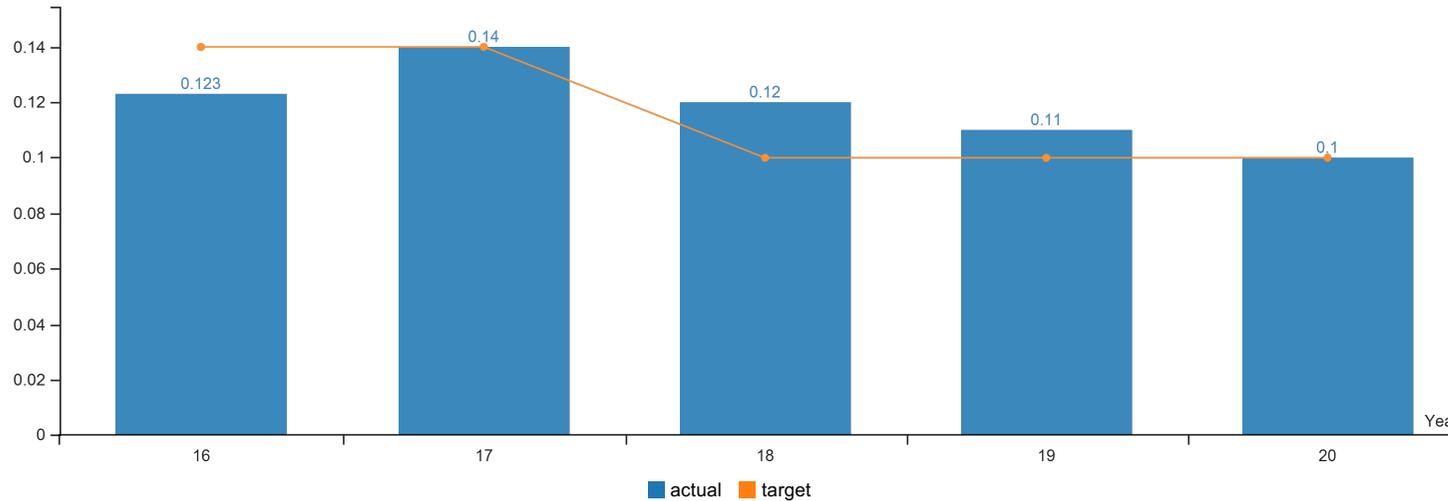
There are many factors that impact cost of funds. Some of the external factors affecting enforcement revenue include the health of the overall economy and the labor market participation rate. However, Revenue doesn't have a way to measure the impact of those factors on its activities. Internal factors influencing enforcement revenue include:

- **Increases or decreases to the LAB.** A significant shift in approved budget assigned to this measure from last biennium was a change to how vendor costs related to Revenue's core system, GenTax, were allocated. In the previous biennium, these costs were allocated to enforcement budget to represent program improvements as the system was being implemented. This biennium, the costs were not included as the agency shifted from implementation to maintenance of the core system.

- **COVID-19 affected enforcement dollars collected.** Extensions in filing, paying, and appeal deadlines, as well as reduced enforcement activity due to COVID-19 concerns, resulted in fewer enforcement dollars in months April through June.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2016	2017	2018	2019	2020
Cost of Collections Funds					
Actual	\$0.12	\$0.14	\$0.12	\$0.11	\$0.10
Target	\$0.14	\$0.14	\$0.10	\$0.10	\$0.10

How Are We Doing

We are meeting this target. Our cost of funds for collections for FY 2020 was \$0.10. For this measure, a lower value is better. This represents a slight improvement from the FY 2019 cost of \$0.11. Dollars collected decreased from \$266.4 million in 2019 to \$253.9 million in 2020. The collections function funding in the Legislatively Adopted Budget (LAB) decreased from \$28.8 million in 2019 to \$25.5 million in 2020.

Similar to KPM #8, this measure's denominator is the same complex enforcement revenue calculation. The only difference between this measure and KPM #8 is the numerator, which is based on collections budget instead of total enforcement budget (collections plus audit). The agency goal is to find a more effective collections measure in the future.

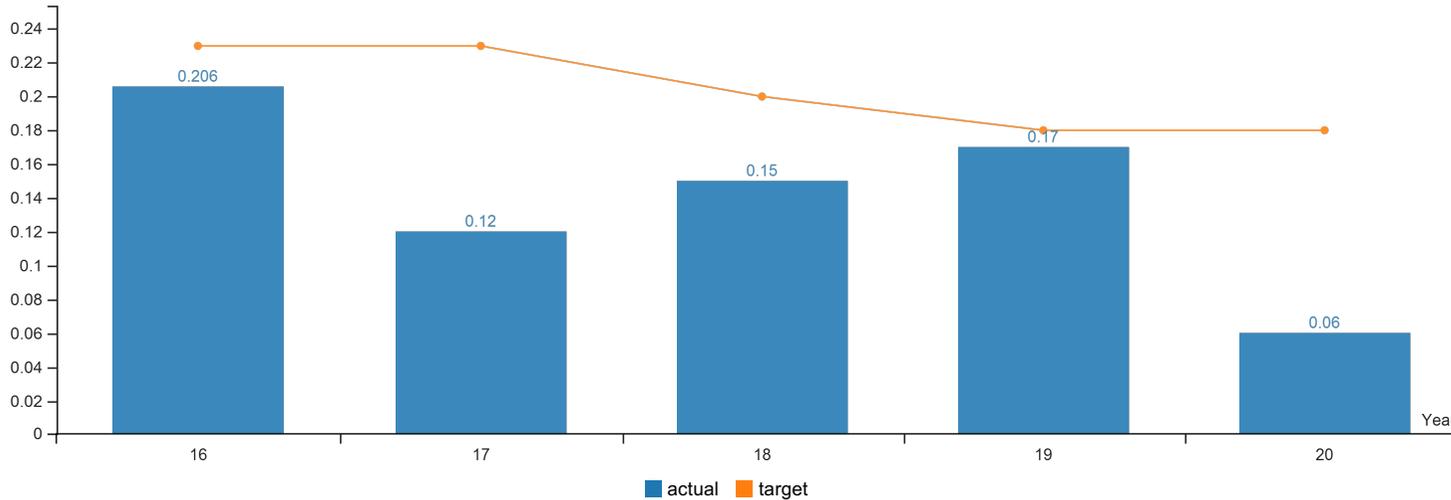
Factors Affecting Results

There are many factors that impact cost of funds. Some of the external factors that affect enforcement revenue include the health of the overall economy and the labor market participation rate. However, Revenue doesn't have a way to measure the impact of those factors on its activities. Internal factors influencing enforcement revenue include:

- **Increases or decreases to the LAB.** A significant shift in approved budget assigned to this measure from last biennium was a change to how vendor costs related to Revenue's core system, GenTax, were allocated. In the previous biennium, these costs were allocated to enforcement budget to represent program improvements as the system was being implemented. This biennium, the costs were not included as the department shifted from implementation to maintenance of the core system.
- **COVID-19 affected enforcement dollars collected.** Extensions in filing, paying, and appeal deadlines, as well as reduced enforcement activity due to COVID-19 concerns, resulted in fewer enforcement dollars in months April through June.

KPM #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.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2016	2017	2018	2019	2020
Cost of Assessments					
Actual	\$0.21	\$0.12	\$0.15	\$0.17	\$0.06
Target	\$0.23	\$0.23	\$0.20	\$0.18	\$0.18

How Are We Doing

We are exceeding this target. In 2020, the cost of assessments decreased to \$0.06. For this measure, a lower value is better. This represents a decrease from the FY 2019 costs of \$0.17. This was mostly due to increased assessments in the Withholding Section. Assessed dollars increased from \$211.7 million in 2019 to \$458.3 million in 2020. The audit and filing enforcement funding in our Legislatively Adopted Budget decreased from \$35.6 million in 2019 to \$26.9 million in 2020.

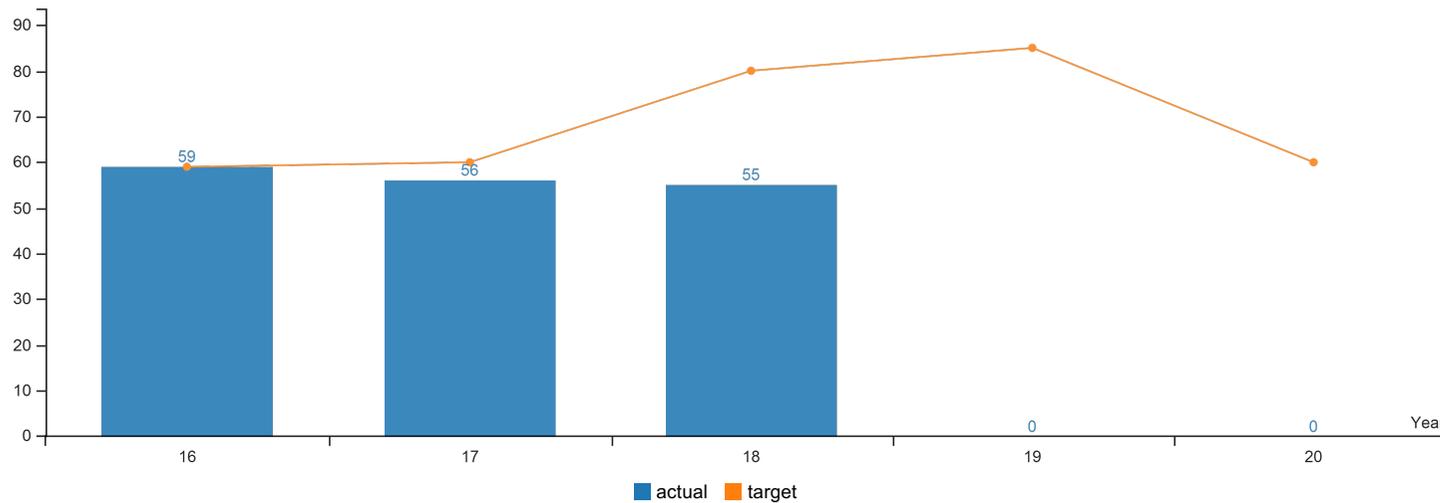
This measure is calculated using both audit and filing enforcement data. The filing enforcement portion includes “failure to file” data, which is a department estimate of owed revenues. This estimate is typically quite different than actual monies owed, which is determined when the taxpayer actually files. When the agency overestimates the amounts owed, performance on this measure will look more favorable, which makes this a less reliable measure. The agency goal is to find a more effective enforcement measure in the future.

Factors Affecting Results

There are many factors that impact the cost of assessments. In this fiscal year, the Withholding Section had one large failure to file assessment, which dramatically shifted the dollars billed. A significant shift in approved budget assigned to this measure from last biennium was a change to how vendor costs related to Revenue’s core system, GenTax, were allocated. In the previous biennium, these costs were allocated to enforcement budget to represent program improvements as the system was being implemented. This biennium, the costs were not included as the department shifted from implementation to maintenance of the core system.

KPM #11	Employee Engagement - Index of employees considered actively engaged by a standardized survey.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2016	2017	2018	2019	2020
Employee Engagement					
Actual	59	56	55	No Data	No Data
Target	59	60	80	85	60

How Are We Doing

In 2013, the agency contracted with the Department of Administrative Services to access an employee engagement tool used by several other state agencies. This tool was used to report results from 2013 to 2018. In 2018, the Department of Administrative Services stopped using this tool and the Department of Revenue followed suit.

In August 2020, the agency conducted a survey using the Gallup Consulting's Q12 employee engagement survey, the most widely used survey of this type used in the world. Gallup's survey identifies key elements that exist in every high-performing work environment. Focusing on these elements will enable us to create a more engaging work environment for all employees. Results from this survey will be included in the 2021 report year. The target of 60 will need to be re-evaluated as the Gallup survey uses a different scale for employee engagement.

Factors Affecting Results

The agency has already taken actions with an eye toward improving organizational culture, such as contracting for agency Respectful Workplace Training and manager-specific training on topics of emotional intelligence, management fundamentals, one-on-one conversations, and providing feedback. Additionally, the COVID-19 pandemic has impacted the workplace on unprecedented levels. The agency is still trying to understand the full extent of the impact on its workforce.

Agency Name (Acronym)	DOR
2021 - 2023 Biennium	

Detail of Reductions to 2021-23 Current Service Level Budget															
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
1		DOR	NPH	Non-Profit Homes	3,492,972						\$ 3,492,972			Yes	This will eliminate the reimbursement of local taxing districts for the revenue lost through the NPH exemption.
2		DOR	Comm	Quick Copy Plus	35,000						\$ 35,000			No	Will have to outsource the larger print request - more lead time to needed for request (ex. Budget binders).
3		DOR	ITS-PC	OA2 PP (ITU)	57,721		5,020				\$ 62,741	1	0.50	No	This position is included in a permanent finance plan to create a quality assurance program within the Processing Center. This team will strengthen our ability to detect data capture errors, make processing improvements, and provide a level of assurance of data quality across the workflow.
3		DOR	ITS-PC	OS2 (PQA)	115,445		10,038				\$ 125,483	1	1.00	No	This position is included in a permanent finance plan to create a quality assurance program within the Processing Center. This team will strengthen our ability to detect data capture errors, make processing improvements, and provide a level of assurance of data quality across the workflow.
3		DOR	ITS-PC	OS2 (Review)	115,445		10,038				\$ 125,483	1	1.00	No	This position is included in a permanent finance plan to create a quality assurance program within the Processing Center (PC). This position will provide supervisory support over seasonal staff in the PC. Each year the Processing Center hires more than 100 seasonal staff. At times this requires managers to supervise as many as 65 staff each, including their permanent staff.
3		DOR	ITS-PC	OS2 (Payment Proc.)	129,881		11,294				\$ 141,175	1	1.00	No	This position researches and provides direction for payments that the agency receives without a payment voucher in order to post them in our accounting system properly. We typically process more than 80% of these types of payments within 3 days of receipt. Eliminating this position will add 1-2 business days to this processing time during the quarter-end filing periods; January, April, July, October.
3		DOR	ITS-PC	OS2 (TPID)	112,935		12,548				\$ 125,483	1	1.00	No	This position is included in a permanent finance plan to create a quality assurance program within the Processing Center. This team will strengthen our ability to detect data capture errors, make processing improvements, and provide a level of assurance of data quality across the workflow.

Detail of Reductions to 2021-23 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
3	DOR	ITS-PC	ISS1 (Ops)	125,527		10,916				\$ 136,443	1	1.00	No	This position is included in a permanent finance plan to create a quality assurance program within the Processing Center. This team will strengthen our ability to detect data capture errors, make processing improvements, and provide a level of assurance of data quality across the workflow.	
3	DOR	ITS-PC	OPA1 (Ops)	151,181		10,597				\$ 161,778	1	1.00	No	This position is part of a quality assurance program within the Processing Center. The remainder of the team is being created through a permanent finance plan described above. This team will strengthen our ability to detect data capture errors, make processing improvements, and provide a level of assurance of data quality across the workflow.	
4	DOR	GSD	SSS1	143,601		12,487				\$ 156,088	1	1.00	No	Eliminates staff to complete Quick Copy requests (including budget books). Eliminates or delays delivery of OfficeDepot orders and delays taxpayers' requests for booklets and forms.	
5	DOR	HR	AS1	127,513		11,088				\$ 138,601	1	1.00	No	With the elimination of this position, HR will not have someone dedicated to handle the office front desk, answer incoming calls and addressing inquiries from customers. HR will also not have someone dedicated to assist with the appraiser exam and issuing property appraiser certificates.	
6	DOR	PTD	Appraiser Analyst 3 - SAO	190,415		3,886				\$ 194,301	1	1.00	No	Reduction of appraiser on training team for DOR and county appraisers.	
7	DOR	PTAC	AS1	128,689		3,980				\$ 132,669	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7	DOR	PTAC	RA3	147,655		3,013				\$ 150,668	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7	DOR	PTAC	RA3	147,655		3,013				\$ 150,668	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7	DOR	PTAC	RA3	147,655		3,013				\$ 150,668	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7	DOR	PTAC	RA3	150,668						\$ 150,668	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7	DOR	PTAC	RA3	147,655		3,013				\$ 150,668	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7	DOR	PTAC	RA3	197,811		4,037				\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7	DOR	PTAC	AS1	158,542		3,236				\$ 161,778	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	

Agency Name (Acronym)

DOR

2021 - 2023 Biennium

Detail of Reductions to 2021-23 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
7		DOR	PTAC	AS1	130,016		2,653			\$ 132,669	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	130,016		2,653			\$ 132,669	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	130,016		2,653			\$ 132,669	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	128,689		3,980			\$ 132,669	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
8		DOR	BUS	TA2 - Corp	253,321		13,333			\$ 266,654	1	1.00	No	Will reduce number of large multi-state corporations who are audited, directly reducing GF revenues.	
8		DOR	BUS	TA2 - Corp	233,691		12,300			\$ 245,991	1	1.00	No	Will reduce number of large multi-state corporations who are audited, directly reducing GF revenues.	
8		DOR	BUS	OS1 - Corp	143,135		7,533			\$ 150,668	1	1.00	No	Reduced administrative and customer support.	
8		DOR	BUS	RA1 - Collections	132,669					\$ 132,669	1	1.00	No	Will reduce collection activity related to all Business Division programs as well as other enforcement activities directly reducing OF revenues.	
8		DOR	BUS	RA1 - Collections	132,669		0			\$ 132,669	1	1.00	No	Will reduce collection activity related to all Business Division programs as well as other enforcement activities directly reducing OF revenues.	
8		DOR	BUS	RA1 - Collections	88,888		43,781			\$ 132,669	1	1.00	No	Will reduce collection activity related to all Business Division programs as well as other enforcement activities directly reducing OF revenues.	
9		DOR	Coll	OS1			125,483			\$ 125,483	1	1.00	No	Delay in capacity to conduct support-related work including sorting, scanning, and documenting mail.	
9		DOR	Coll	RA2			141,175			\$ 141,175	1	1.00	No	Decrease in direct collection activities for individual and business debts, and multiple responsible parties, as well as reduced associated revenue.	
9		DOR	Coll	RA1			132,669			\$ 132,669	1	1.00	No	Decrease in direct collection activities for individual debts and associated revenue reduction.	
10		DOR	ITS	ISS4	191,320		16,637			\$ 207,957	1	1.00	No	The implication of removing this position is that it will take longer to resolve tickets on the IT Service Desk. The agency personnel will have less support than what they would have had without the reduction. Loss of this position will affect the productivity of the entire agency.	
11		DOR	MJ	TA2	0		194,301			\$ 194,301	1	1.00	No	Will reduce number of marijuana audits, directly reducing OF revenues	

Agency Name (Acronym)

DOR

2021 - 2023 Biennium

Detail of Reductions to 2021-23 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
12	DOR	SD	AS1			68,476				\$ 68,476	1	0.50	No	Reductions will immediately impact response times to inquiries from taxpayers as well as existing participants in the program. Application processing would be impaired with reductions in current staffing. If new applications aren't processed timely, the state will not pay taxes on eligible participants that could result in foreclosure on senior citizens' homes.	
6	DOR	PTD	Appraiser Analyst 2 - Val	105,069		68,599				\$ 173,668	1	1.00	No	Reduction of appraisal resource to conduct annual appraisals.	
7	DOR	PTAC	TA1	218,289						\$ 218,289	1	1.00	No	Fewer audits of personal income tax returns completed.	
7	DOR	PTAC	AS1	170,195		3,473				\$ 173,668	1	1.00	No	Increased processing time for refunds and penalty waivers.	
7	DOR	PTAC	AS1	170,195		3,473				\$ 173,668	1	1.00	No	Increased processing time for refunds and penalty waivers.	
8	DOR	BUS	RA1 - Collections	0		136,952				\$ 136,952	1	1.00	No	Will reduce collection activity related to all Business Division programs, as well as other enforcement activities directly reducing OF revenues.	
8	DOR	BUS	OS1 - Collections			125,483				\$ 125,483	1	1.00	No	Will reduce collection activity related to all Business Division programs, as well as other enforcement activities directly reducing OF revenues.	
8	DOR	BUS	TA2 - Corp	215,824		11,359				\$ 227,183	1	1.00	No	Will reduce number of large multi-state corporations who are audited, directly reducing GF revenues.	
8	DOR	BUS	CS2 - Withholding	0		173,668				\$ 173,668	1	1.00	No	Will reduce enforcement activities related to employers filing payroll taxes.	
13	DOR	DO	Employee Training	40,000						\$ 40,000			No	This will eliminate the department's ability to conduct agency-wide director-sponsored training including managers meetings and executive team off-site planning sessions.	
13	DOR	DO	Professional Services	60,000						\$ 60,000			No	Agency support services will not be supported. No consulting contracts will occur.	
14	DOR	FSD	AS1	154,016		13,392				\$ 167,408	1	1.00	No	The division will no longer have any administrative support. All records keeping and assistance will have to be done by professional staff. Division will have to seek administrative support from other areas of the department.	
14	DOR	FSD	AT2	138,614		12,054				\$ 150,668	1	1.00	No	Essential work will have to be sent to other parts of the department, such as banking and tax services. More senior-level accountants will have to pick up the accounting data entry that will not be done at this level.	

Agency Name (Acronym)	DOR
2021 - 2023 Biennium	

Detail of Reductions to 2021-23 Current Service Level Budget															
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
14		DOR	FSD	AT2	129,881		11,294				\$ 141,175	1	1.00	No	Essential work will have to be sent to other parts of the department, such as banking and tax services. More senior-level accountants will have to pick up the accounting data entry that will not be done at this level.
14		DOR	FSD	AT2	154,016		13,392				\$ 167,408	1	1.00	No	Essential work will have to be sent to other parts of the department, such as banking and tax services. More senior-level accountants will have to pick up the accounting data entry that will not be done at this level.
15		DOR	Research	Employee Training	22,435						\$ 22,435			No	Having less training and fewer reference resources will reduce Oregon's tax knowledge base, limiting its analytical capability and presenting recruitment challenges.
6		DOR	PTD	Training & Dev Spec 2 - SAO	250,785		5,118				\$ 255,903	1	1.00	No	Eliminate training coordinator, reallocate duties to general program team.
6		DOR	PTD	Appraiser Analyst 3 - SAO	190,415		3,886				\$ 194,301	1	1.00	No	Reduce level of support and review of county operations, CAFFA grant administration, Ratio Review, and assistance to counties.
6		DOR	PTD	Appraiser Analyst 3 - SAO	205,618		4,196				\$ 209,814	1	1.00	No	Reduce level of support and review of county operations, CAFFA grant administration, Ratio Review, and assistance to counties.
16		DOR	Corp	TA2			230,003				\$ 230,003	1	0.88	No	Will reduce number of large multi-state businesses who are audited, directly reducing OF revenues and therefore reducing dollars available to be transferred to the Fund for Student Success.
16		DOR	Corp	Out-of-State Travel			25,899				\$ 25,899			No	Reduces travel funds for the audit staff resulting in fewer in-person audits for the biennium.
15		DOR	Research	Economist 4	249,464		5,092				\$ 254,556	1	1.00	No	This position was added to the Department in 2018 to help the Department understand GenTax data and to enable more complete analyses using operational data. The position has helped document GenTax data and most recently worked on describing the characteristics of debtors to provide background and insight for the program regarding collection strategy. This work will be slowed by the reduction in this position and the Department will be less able to conduct analysis using GenTax data. The integrity of NAICS data will decay which will reduce the reliability of sector reporting and analysis.
5% Reduction				10,193,212	-	1,736,177				\$ -	51	49.88			

Detail of Reductions to 2021-23 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
		DOR	PTD	Appraiser Analyst 3 - SAO	250,785		5,118			\$ -					
6		DOR	PTD	Appraiser Analyst 3 - SAO	250,785		5,118			\$ 255,903	1	1.00	No	Appraiser reduction on timber tax team.	
7		DOR	PTAC	AS1	164,060		3,348			\$ 167,408	1	1.00	No	Less tax compliance work accomplished. Higher classifications will be needed for customer service in the field office.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Less tax compliance work accomplished. Higher classifications will be needed for customer service in the field office.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Less tax compliance work accomplished. Higher classifications will be needed for customer service in the field office.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Increased processing times for tax returns as work shifts to another area with other responsibilities.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Increased processing times for tax returns as work shifts to another area with other responsibilities.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	164,060		3,348			\$ 167,408	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	158,542		3,236			\$ 161,778	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	138,352		2,824			\$ 141,176	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	AS1	170,195		3,473			\$ 173,668	1	1.00	No	Increased processing times for tax returns due to reduction in staff.	
7		DOR	PTAC	OS1	130,016		2,653			\$ 132,669	1	1.00	No	This position provides support for staff in Program Services and Compliance sections. Cutting this position will result in higher level staff spending time on administrative tasks.	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division	
7		DOR	PTAC	RA3	170,195		3,473			\$ 173,668	1	1.00	No	Reduction in advanced and field tax collections. Collections Division	
7		DOR	PTAC	S&S	186,614		3,808			\$ 190,422			No	Removing S&S for 27 positions.	
8		DOR	BUS	CS2 - Withholding	158,252		77,945			\$ 236,197	1	1.00	No	Will reduce enforcement activities related to employers filing payroll taxes.	

Agency Name (Acronym)

DOR

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Detail of Reductions to 2021-23 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
8	DOR	BUS	PA1 - Withholding			194,301				\$ 194,301	1	1.00	No	Will reduce taxpayer support activities, increase call wait times and increase response time for taxpayer resolution.	
8	DOR	BUS	S&S / Capital Outlay	98,800		53,200				\$ 152,000			No	This will reduce S&S costs that are related to the positions offered for reduction in categories such as telephone, travel, office supplies, and training, among others.	
9	DOR	Coll	AS1			161,778				\$ 161,778	1	1.00	No	Decrease in capacity for coordination and management of accounts assigned to PCFs and delay in responding to debt disputes, which would reduce collections and revenue generation.	
9	DOR	Coll	RA2			180,555				\$ 180,555	1	1.00	No	Decrease in direct collection activities for individual and business debts, and multiple responsible parties, as well as reduce associated revenue.	
10	DOR	ITS	ISS4	222,922		19,384				\$ 242,306	1	1.00	No	The implication of removing this position is that it will take longer to resolve tickets on the IT Service Desk. Agency personnel will have less support than what they would have had without the reduction. Loss of this position will affect the productivity of the entire agency.	
10	DOR	ITS	ISS6	246,432		61,896				\$ 308,328	1	1.00	No	Reducing one position from the GenTax Operations Team means that while the division will still be able to operate the GenTax system, there will be one FTE less available to make corrections or small enhancements to the application. The	
10	DOR	ITS	ISS6	259,621		22,576				\$ 282,197	1	1.00	No	Reducing one position from the GenTax Report team will increase the amount of time that it will take to make changes to GenTax reports. The agency has a number of initiatives that will affect reporting, and eliminating this position will reduce capacity on the reporting team by 1/3.	
10	DOR	ITS	ISS4	193,845		48,461				\$ 242,306	1	1.00	No	The implication of removing this position is that it will take longer to give access to the appropriate systems to new employees of the agency. Loss of this position will affect the productivity of the entire agency.	
11	DOR	MJ	S&S / Capital Outlay			50,038				\$ 50,038			No	This will reduce S&S costs that are related to the positions offered for reduction in categories such as telephone, travel, office supplies, and training, among others.	
2	DOR	Comm	PAS2	248,175		15,200				\$ 263,375	1	1.00	No	CAT-funded PAS2 would need to perform all public affairs duties for all programs. Includes all public records requests, media inquiries, editing and review, etc. Scope of work provided to agency would be greatly diminished.	

Agency Name (Acronym)	DOR
2021 - 2023 Biennium	

Detail of Reductions to 2021-23 Current Service Level Budget

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
14	DOR	FSD	Capital Outlay	141,130		134,649				\$ 275,779			No	Division will not be able to support any agency-sponsored improvements. This is the money that is used to catch all Director's Office initiatives and building improvements that are not specific to any division. These costs will have to be costs allocated to the divisions.	
4	DOR	GSD	PM2	265,489		23,086				\$ 288,575	1	1.00	No	Requires moving COOP coordinating duties to others, eliminating project manager to process work unit configurations, and reducing project management for large projects (Payment Center) and agency-wide projects.	
4	DOR	GSD	OS2	143,601		12,487				\$ 156,088	1	1.00	No	Completely eliminate unit configurations, immediate desk adjustments, move system furniture inventories to others, hard key coordinator duties to others. Will need to hire Accurate to do system furniture adjustments at a considerable increase in cost. Eliminate miscellaneous handyman work he completes.	
5	DOR	HR	HRA1	157,570		13,702				\$ 171,272	1	1.00	No	With the elimination of this position, HR will not have someone dedicated to handling the agency's new employee orientation (NEO) program and the seasonal employee program, which involves recruiting, hiring and tracking. The seasonal program supports the agency's Processing Center. It eliminates the position responsible for conducting the agency's fingerprinting and criminal background check program. It also eliminates a key resource utilized for tracking agency-wide training.	
15	DOR	Research	Employee Training	22,435						\$ 22,435			No	Having less training and fewer reference resources will reduce Oregon's tax knowledge base, limiting its analytical capability and presenting recruitment challenges.	
6	DOR	PTD	Operations and Policy Analyst 3 - SAO	283,889		5,794				\$ 289,683	1	1.00	No	OPA3 reduction on Finance, Taxation, Exemptions team. Less responsive to inquires from taxing districts and counties assessors.	
6	DOR	PTD	Appraiser Analyst 3 - SAO	205,618		4,196				\$ 209,814	1	1.00	No	Reduce level of support and review of county operations, CAFFA grant administration, Ratio Review, and assistance to counties.	
6	DOR	PTD	Administrative Specialist 1 - SAO	158,542		3,236				\$ 161,778	1	1.00	No	Eliminates administrative support resource for the Central Assessment team. Shifts duties to appraisers to complete.	
6	DOR	PTD	Appraiser Analyst 3 - VAL	117,552		76,749				\$ 194,301	1	1.00	No	Reduction of appraiser on Central Assessment team.	

Agency Name (Acronym)	DOR
2021 - 2023 Biennium	

Detail of Reductions to 2021-23 Current Service Level Budget															
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	RA3	201,848					\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	RA3	197,811		4,037			\$ 201,848	1	1.00	No	Reduction in advanced and field tax collections. Collections Division.	
7		DOR	PTAC	PEMC - Collections	260,146		5,309			\$ 265,455	1	1.00	No	Reduction in supervision for advanced collections processes and employees.	
7		DOR	PTAC	TA1	170,195		3,473			\$ 173,668	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	176,944		3,611			\$ 180,555	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	180,555					\$ 180,555	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	183,547		3,746			\$ 187,293	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA2	190,415		3,886			\$ 194,301	1	1.00	No	Fewer complex audits for personal income tax returns completed.	
7		DOR	PTAC	PEMA	167,847		3,425			\$ 171,272	1	1.00	No	Reduction in supervision for return processing and employees.	
7		DOR	PTAC	TA1	176,944		3,611			\$ 180,555	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	218,289					\$ 218,289	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	170,195		3,473			\$ 173,668	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	170,795		3,473			\$ 174,268	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	TA1	194,301					\$ 194,301	1	1.00	No	Fewer audits of personal income tax returns completed.	
7		DOR	PTAC	S&S	168,416		3,437			\$ 171,853			No	Removing 22 positions' S&S.	
8		DOR	BUS	RA1 - Collections	161,778		0			\$ 161,778	1	1.00	No	Will reduce collection activity related to all Business Division programs as well as other enforcement activities directly reducing OF revenues.	

Agency Name (Acronym) DOR
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Detail of Reductions to 2021-23 Current Service Level Budget

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Priority (ranked most to least preferred)	Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Used in Gov. Budget Yes / No	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div														
8		DOR	BUS	TA2 - Corp	184,586		9,715			\$ 194,301	1	1.00	No	Will reduce number of large multi-state corporations who are audited, directly reducing GF revenues.	
8		DOR	BUS	CS2 - Withholding	158,252		77,945			\$ 236,197	1	1.00	No	Will reduce enforcement activities related to employers filing payroll taxes.	
8		DOR	BUS	CS2 - Withholding	166,259		69,938			\$ 236,197	1	1.00	No	Will reduce enforcement activities related to employers filing payroll taxes.	
16		DOR	Corp	TA2 - CAT			230,003			\$ 230,003	1	0.88	No	Will reduce number of large multi-state businesses who are audited, directly reducing OF revenues and therefore reducing dollars available to be transferred to the Fund for Student Success.	
16		DOR	Corp	Out-of-State Travel			25,900			\$ 25,900			No	Reduces travel funds for the audit staff resulting in fewer in-person audits for the biennium.	
					20,554,874	-	3,430,770	-	-	\$ 23,985,644	107	105.76			

\$ 20,443,785

\$ 5,648,821

Target \$ 26,092,606
Difference \$ (2,106,962)

Agency Span of Control as of December 31, 2020 @ 12:00 PM

Agency	Agency Max Supervisory ratio	Total # EEs *	Total # Non-supervisory EEs	÷	Total # Supervisory EEs	Total # EEs not assigned a Representation **	1 :	Adjusted Actual Ratio	Actual ratio
Bureau of Labor and Industries	(1:8)	118	104	÷	14	0	1 :	7	7.43
Department of Administrative Services	(1:10)	1043	949	÷	94	0	1 :	10	10.10
Department of Agriculture	(1:8)	801	750	÷	51	0	1 :	15	14.71
Department of Consumer and Business Services	(1:11)	994	991	÷	83	0	1 :	12	11.94
Department of Corrections	(1:10)	5274	4819	÷	454	1	1 :	11	10.61
Department of Environmental Quality	(1:10.25)	820	751	÷	69	0	1 :	11	10.88
Department of Fish and Wildlife	(1:6)	1399	1213	÷	186	0	1 :	7	6.52
Department of Human Services	(1:8.39)	10800	9810	÷	981	9	1 :	10	10.00
Department of Justice	(1:11.88)	1602	1478	÷	122	2	1 :	12	12.11
Department of Public Safety Standards and Training	(1:27)	418	400	÷	15	3	1 :	27	26.67
Department of Revenue	(1:11)	1117	1026	÷	91	0	1 :	11	11.27
Department of State Lands	(1:8)	140	129	÷	10	1	1 :	13	12.90
Department of Transportation	(1:11)	5596	5166	÷	430	0	1 :	12	12.01
Employment Department	(1:11)	2624	2432	÷	192	0	1 :	13	12.67
Forestry Department	(1:7)	1901	1726	÷	174	1	1 :	10	9.92
Higher Education Coordinating Commission	(1:7)	157	138	÷	19	0	1 :	7	7.26
Oregon Business Development Department	(1:9)	151	137	÷	14	0	1 :	10	9.79
Oregon Department of Education	(1:9)	975	884	÷	88	3	1 :	10	10.05
Oregon Health Authority	(1:8.6)	5281	4829	÷	452	0	1 :	11	10.68
Oregon Housing and Community Services	(1:9)	242	216	÷	26	0	1 :	8	8.31
Oregon Liquor Control Commission	(1:11)	421	391	÷	30	0	1 :	13	13.03
Oregon State Department of Police	1:12	1507	1373	÷	131	3	1 :	10	10.48
Oregon Youth Authority	(1:9)	1069	969	÷	100	0	1 :	10	9.69
Parks and Recreation Department	(1:8)	913	828	÷	85	0	1 :	10	9.74
Public Employees Retirement System	(1:10)	420	385	÷	35	0	1 :	11	11.00
Public Utility Commission of Oregon	(1:5)	132	112	÷	20	0	1 :	6	5.60
State of Oregon Military Department	(1:10)	597	544	÷	53	0	1 :	10	10.26
Water Resources Department	(1:8)	185	168	÷	17	0	1 :	10	9.88
Veteran Affairs		105	89	÷	16	0	1 :	6	5.56

* This total number includes positions which were flagged by Workday as NOT having a Repr code assigned. Each position was reviewed and assigned to a supervisory or non supervisory category.

** These numbers are showing up in Workday as not having a Repr code assigned. They were reallocated to a supervisory or non-supervisory category and folded into the Total on column C.

Ratio within Maximum supervisory ratio

Ratio not within Maximum supervisory ratio

Summary of Proposed Technology and Capital Construction Projects

Agency: Oregon Department of Revenue

Policy Group: Property Tax Division

IT Investment Name: Electronic Valuation Information System (ELVIS)

Mandate: None

Project: Yes

Start Date: July 1, 2021

End Date: June 30, 2025

Total Cost: \$15,625,496

Previous Biennia General Fund Cost: \$0

Previous Biennia Other Funds Cost: \$0

Previous Biennia Lottery Funds Cost: \$0

Previous Biennia Federal Funds Cost: \$0

Current Biennium General Fund Cost: \$672,270

Current Biennium Other Funds Cost: \$4,245,000

Current Biennium Lottery Funds Cost: \$0

Current Biennium Federal Funds Cost: \$0

Future Biennia General Fund Cost: \$0

Future Biennia Other Funds Cost: \$10,708,226

Future Biennia Lottery Funds Cost: \$0

Future Biennia Federal Funds Cost: \$0

Policy Option Package (POP) Request: Yes

Short Description: The scope of this project is to replace the various outdated appraisal systems and associated manual processes used by DOR's Property Tax Division's Valuation Section. Central assessments will be done first in the 2021–23 biennium, followed by Industrial in the 2023–25 biennium.

UPDATED OTHER FUNDS ENDING BALANCES FOR THE 2019-21 & 2021-23 BIENNIA

Agency: Department of Revenue
 Contact Person (Name & Phone #): Jose Macias 503-509-8341

(a) Other Fund Type	(b) Program Area (SCR)	(c) Treasury Fund #/Name	(d) Category/Description	(e) Constitutional and/or Statutory reference	(f) 2019-21 Ending Balance		(g) 2021-23 Ending Balance		(i) Comments
					In LAB	Revised	In CSL	Revised	
Limited	15000-000 (Agency OF)				-	6,346,980	-	8,573,438	Prior to this biennium we didn't keep operating cash on hand. Now the goal is to keep 6 month of operating cash in case of an economic down turn.
Limited	15000-004 (PTD)	Susp Acct 15091 / OrMap/OLIS		ORS 306.132	964,844	1,068,173	963,692	963,692	
Limited		Susp Acct 15025 / County Assessor Function Funding *		ORS 294.184	-	527,582	-	-	
Limited	15000-005 (PTAC)								
Limited	15000-006 (Bus)				1,002				
Limited	15000-007 (Col)	Susp Acct 15091 / Other Agency Fees Earned		ORS 293.250	6,778,910	6,714,795	5,450,456	5,450,456	
Limited	15000-008 (Corp Div)	Susp Acct 15037 / Corp Activity Tax		HB 3427	464,086	500,000	464,086	500,000	\$500k is the carryover limit
Limited	15000-009 (ITSD)				1				
Limited	15000-014 (Mar)	SFMS Cash Fund 26100 / Marijuana		SB1544	99,694	749,972	-	772,471	6 months operating cash
Limited	15000-025 (Sr Deferral)	Susp Acct 15005 / Senior Citizen Deferral		ORS 311.701	49,400,849	48,611,516	49,303,256	49,303,256	
Limited	15000-070 (Rev Clearing)				8,076,286				
Limited		Susp Acct 15091 / Multi-State Corporation *		ORS 305.655	-	-	-	-	
Limited		Susp Acct 15091 / Other Tobacco Tax *		ORS 323.500	-	-	-	-	
Limited		Susp Acct 15091 / Cigarette Tobacco Tax *		ORS 323.440	-	-	-	-	
Limited		Susp Acct 15091 / Amusement Device Tax *		ORS 320.011	-	-	-	-	
Limited		Susp Acct 15091 / Charitable Checkoffs *		ORS 305.749	-	-	-	-	
Limited		Susp Acct 15091 / Forest Products Harvest Tax *		ORS 321.152	-	-	-	-	
Limited		Susp Acct 15091 / Petroleum Load Fee *		ORS 465.127	-	-	-	-	
Limited		Susp Acct 15091 / Haz Substance Fee *		ORS 453.412	-	-	-	-	
Limited		Susp Acct 15091 / Misc Receipts *		ORS 305.085	-	-	-	-	
Limited		Susp Acct 15091 / Emergency Communication *		Oregon Laws 1981, Chap 533, Sec 17	-	-	-	-	
Limited		Susp Acct 15091 / Electric Coop *		ORS 308.805	-	-	-	-	
Limited		Susp Acct 15091 / Private Rail Car *		ORS 308.515	-	-	-	-	
Limited		Susp Acct 15091 / Gas & Oil Production *		ORS 324.120	-	-	-	-	
Limited		Susp Acct 15091 / Tri-Met Self Employ *		ORS 305.620	-	-	-	-	
Limited		Susp Acct 15091 / Tri-Met Payroll *		ORS 305.620	-	-	-	-	
Limited		Susp Acct 15091 / Lane Transit Self Employ *		ORS 305.620	-	-	-	-	
Limited		Susp Acct 15091 / Lane Transit Payroll *		ORS 305.620	-	-	-	-	
Limited		SFMS Cash Fund 24000 / Criminal Fines (CFAA) *		ORS 137.300	-	-	-	-	
Limited		Susp Acct 15091 / Transit Lodging *		ORS 320.305	-	-	-	-	
Limited		Susp Acct 15025 / Housing (County Assessment & Taxation Fund) *		ORS 294.187	-	-	-	-	
Limited		Susp Acct 15091 / Bicycle Excise *		ORS 320.415	-	-	-	-	
Limited		Susp Acct 15091 / Vehicle Privilege *		ORS 320.405	-	-	-	-	
Limited		Susp Acct 15091 / Vehicle Use *		ORS 320.410	-	-	-	-	
					65,785,672	64,519,018	56,181,490	65,563,313	

2019-21 estimated Ending Cash balance

14,339,329

Objective: Provide updated Other Funds ending balance information for potential use in the development of the 2021-23 legislatively adopted budget.

Instructions:

- Column (a): Select one of the following: Limited, Nonlimited, Capital Improvement, Capital Construction, Debt Service, or Debt Service Nonlimited.
- Column (b): Select the appropriate Summary Cross Reference number and name from those included in the 2019-21 Legislatively Approved Budget. If this changed from previous structures, please note the change in Comments (Column (j)).
- Column (c): Select the appropriate, statutorily established Treasury Fund name and account number where fund balance resides. If the official fund or account name is different than the commonly used reference, please include the working title of the fund or account in Column (j).
- Column (d): Select one of the following: Operations, Trust Fund, Grant Fund, Investment Pool, Loan Program, or Other. If "Other", please specify. If "Operations", in Comments (Column (j)), specify the number of months the reserve covers, the methodology used to determine the reserve amount, and the minimum need for cash flow purposes.
- Column (e): List the Constitutional, Federal, or Statutory references that establishes or limits the use of the funds.
- Columns (f) and (h): Use the appropriate, audited amount from the 2019-21 Legislatively Approved Budget and the 2019-21 Current Service Level at the Agency Request Budget level.
- Columns (g) and (i): Provide updated ending balances based on revised expenditure patterns or revenue trends. Do not include adjustments for reduction options that have been submitted unless the options have already been implemented as part of the 2019-21 General Fund approved budget or otherwise incorporated in the 2019-21 LAB. The revised column (i) can be used for the balances included in the Governor's budget if available at the time of submittal. Provide a description of revisions in Comments (Column (j)).
- Column (j): Please note any reasons for significant changes in balances previously reported during the 2019 session.

Additional Materials: If the revised ending balances (Columns (g) or (i)) reflect a variance greater than 5% or \$50,000 from the amounts included in the LAB (Columns (f) or (h)), attach supporting memo or spreadsheet to detail the revised forecast.

Agency-Wide Priorities for 2021-23 Biennium																					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
Priority (ranked with highest priority first)	Dept. Initials	Program or Activity Initials	Program Unit/Activity Description	Identify Key Performance Measure(s)	Primary Purpose Program-Activity Code	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	New or Enhanced Program (Y/N)	Included as Reduction Option (Y/N)	Legal Req. Code (C, F, or D)	Legal Citation	Explain What is Mandatory (for C, FM, and FO Only)	Comments on Proposed Changes to CSL included in Agency Request	
1	PTAC	DOR	PIT	Personal Income Tax (Infrastructure)	1,2,4,5,8,10	4	61,128,926					\$ 61,128,926	252	207.77				ORS 316.032			
2	BUS	DOR	PIT	Withholding Tax/CPUI/WC (Infrastructure)	8,10	4	13,644,451		841,718			\$ 14,486,169	82	81.14				ORS 316.032			
3	BUS	DOR	CORP	Corp Excise/Income Tax (Infrastructure)	8,10	4	16,479,261		206,145			\$ 16,685,406	74	73.79				ORS 318.020		New program added in LAB	
4	CORP	DOR	CAT	Corporate Activity Tax		4	5,145,514		5,145,514			\$ 5,145,514	21	17.76			N	ORS 317A			
5	BUS	DOR	Tobacco	Tobacco Taxes (Infrastructure)	8,10	4	6,064,665		6,064,665			\$ 6,064,665	8	7.69				ORS 323			
6	PTD	DOR	VALUATION	Utility - Property Tax	2	4	4,519,851		1,635,730			\$ 6,155,581	19	18.29			Y	ORS 308.505-665			
7	PTD	DOR	VALUATION	Industrial - Property Tax	2	4	4,304,233		11,451,661			\$ 15,755,894	23	23.00			Y	ORS 306.113-126			
8	BUS	DOR	Compliance	Withholding Tax/CPUI/WC		4	4,372,144		269,715			\$ 4,641,858	26	26.00			Y	ORS 316.032		Local revenues from appraised properties	
9	PTAC	DOR	Audit	PIT	8,10	4	32,243,097					\$ 32,243,097	131	131.00			Y	ORS 316.032			
10	BUS	DOR	Audit	Corp Excise Tax	8,10	4						\$ 8,140,325	36	36.00			Y	ORS 305.015,317.070		Local revenues from appraised properties	
11	TOB	DOR	Audit	Tobacco Taxes		4	8,039,753		100,572			\$ -						ORS 323			
12	BUS	DOR	Collection	Withholding Tax/CPUI/WC	9	4			290,462			\$ 4,998,925	28	28.00			Y	ORS 316.032		Function generates \$29 million in tax assessments revenue included in lines 8 and 18.	
13	PTAC	DOR	Collection	PIT	8,10	4	4,708,462					\$ -					Y	ORS 316.032			
14	COI	DOR	Collection	OR Land Info System (ORMAP)		4	32,829,626					\$ 32,829,626	144	144.00				ORS 316.032			
15	TOB	DOR	Collection	Tobacco Taxes	9	4						\$ -						ORS 323			
16	PTAC	DOR	Filing	PIT	8,10	4	7,260,850					\$ 7,260,850	30	29.50			Y	ORS 316.032			
17	BUS	DOR	INH TAX	Inheritance Tax	8,10	4	810,476					\$ 810,476	3	2.78				ORS 118			
18	BUS	DOR	INC TAX	Fiduciary Estate Tax		4	302,563					\$ 302,563	2	1.09				ORS 118			
19	BUS	DOR	INC TAX	Fiduciary Trust Tax		4	840,944					\$ 840,944	5	4.43			Y	ORS 118			
20	PTD	DOR	ATS	A&T Standards (Infrastructure)	2	4	6,228,935					\$ 6,228,935	20	19.86			Y	ORS 306.120			
21	PTD	DOR	MAPPING	A&T Mapping (Infrastructure)	3	4	3,559,490					\$ 3,559,490	10	10.00			Y	ORS 306.125			
22	PTD	DOR	ORMAP	OR Land Info System (ORMAP)	3	4			1,629,070			\$ 1,629,070	0	0.51				ORS 306.132			
23	PTD	DOR	OVERSIGHT	Local Budget Program (Infrastructure)	8	4	746,464					\$ 746,464	3	2.96			Y	ORS 294			
24	PTD	DOR	OVERSIGHT	Finance-Prop Tax (Infrastructure)	8	4	663,352					\$ 663,352	2	2.00			Y	ORS 308.115			
25	PTD	DOR	TIMBER	Forest Products Harvest Tax		4	1,310,294					\$ 1,310,294	3	3.00				ORS 321			
26	ASD	DOR	FINES	Court Fines/Assessments		4	62,576					\$ 62,576	0	0.22				ORS 142			
27	COI	DOR	OAA	Other Agency Accounts		4	20,603,685					\$ 20,603,685	75	73.00			Y	ORS 283.250			
28	BUS	DOR	TRANSIT TAX	Tri-Met Trans Dist Payroll Tax		4	5,223,477					\$ 5,223,477	17	17.00			Y	ORS 305.620			
29	BUS	DOR	TRANSIT TAX	Lane Transit Dist. Payroll Tax		4	1,433,026					\$ 1,433,026	5	5.00			Y	ORS 305.620			
30	BUS	DOR	TRANSIT TAX	Tri-Met Self Emp Tax		4			901,585			\$ 901,585	3	3.00			Y	ORS 305.620			
31	BUS	DOR	TRANSIT TAX	Lane Trans. Dist. Self Emp Tax		4	220,972					\$ 220,972	1	1.00			Y	ORS 305.620			
32	BUS	DOR	LODGING	State Lodging Tax		4	925,060					\$ 925,060	3	3.00				ORS 320.315			
33	BUS	DOR	911	Emergency Communications Tax	8,10	4	600,879					\$ 600,879	2	2.00				ORS 401.792			
34	PTD	DOR	TIMBER	Small Tract Forestland		4	110,519					\$ 110,519	1	0.36				ORS 321			
35	BUS	DOR	SPA	Hazardous Substance Fee		4	377,920					\$ 377,920	2	1.38				ORS 453.400		Property tax revenues for local government	
36	BUS	DOR	Collection	Statewide Transit	8,10		261,662					\$ 261,662	1	0.82							
37	BUS	DOR	SPA	Vehicle Privilege Tax		4	685,016					\$ 685,016	2	2.00				ORS 320.400-320.490			
38	BUS	DOR	SPA	Vehicle Use Tax		4	338,465					\$ 338,465	1	1.00				ORS 320.400-320.490			
39	BUS	DOR	SPA	Bike Tax		4			141,475			\$ 141,475	1	0.50				ORS 320.400-320.490			
40	BUS	DOR	SPA	Heavy Equipment Rental Tax		4			876,361			\$ 876,361	3	3.00				OR Laws 2018, Chapter 64 (HB 4139)			
41	BUS	DOR	SPA	Amusement Device Tax		4	223,216					\$ 223,216	1	0.78				ORS 320.011			
42	MJ	DOR	Marijuana	Marijuana Tax	8,10	4	4,926,318					\$ 4,926,318	16	16.00				ORS 475B			
43	BUS	DOR	SPA	Petroleum Local Fee		4	149,856					\$ 149,856	1	0.36				ORS 469.104			
44	PTD	DOR	SENIOR DEF	Deferral Programs (Property Tx)		4	72,518,974					\$ 72,518,974	8	7.75				ORS 311.666-311.701			
45	PTD	DOR	VALUATION	Gas & Oil Production Tax		4	22,697					\$ 22,697	0	0.06				ORS 324.700			
46	PTD	DOR	VALUATION	Strategic Investment Program		4	52,514					\$ 52,514	0	0.09				ORS 285C			
47	PTD	DOR	NPH	Non-Profit Homes for the Elderly		12	3,348,966					\$ 3,348,966	0	0.00				ORS 310.630-310.706			
48	ASD	DOR	FINANCE	Checkoff Commission		4			4,351			\$ 4,351	0	0.05				ORS 305.690-305.753			
49	CSR	DOR	CSR	Core Systems Replacement					9,185,216			\$ 9,185,216	5	4.40							
50	CSR	DOR	CSR & PVS	Dist Service			6,695,900		550,120			\$ 7,246,020	0	0.00							
							214,371,774		147,697,458			\$ 362,069,232	1,068	1,013.34							

Prioritize each program activity for the Department as a whole
Document criteria used to prioritize activities:

- * Large Funding Stream over \$100million.
- * Impact to General Fund
- * Long term Health of tax programs.
- * Core business function.
- * Administrative efficiency
- * Statutorily Required.
- * Business Continuity Plan
- * Customer Funded.

7. Primary Purpose Program/Activity Exists

- 1 Civil Justice
- 2 Community Development
- 3 Consumer Protection
- 4 Administrative Function
- 5 Criminal Justice
- 6 Economic Development
- 7 Education & Skill Development
- 8 Emergency Services
- 9 Environmental Protection
- 10 Public Health
- 11 Recreation, Heritage, or Cultural
- 12 Social Support

20. Legal Requirement Code

- C Constitutional
- F Federal
- D Debt Service

AUDIT RESPONSE REPORT

Audit Title: <u>Enhancing Organizational Culture and Addressing Customer Service Challenges Will Optimize Agency Performance</u>	Management Letter:	Division: All Agency
	SOS Report No. 2019-02	Issue date: January 2019

DOR Management generally agrees with the recommendations as stated in the report.

Audit Recommendation	Response/Action Taken
<p><u>Recommendation 1:</u> Determine and implement an appropriate level of internal communications that provide employees with information they need to do their job and provides a sense of the agency’s purpose and goals. For example, the agency’s strategic plan should communicate DOR’s goals and the specific actions required to achieve them.</p> <p>Status: Implemented</p>	<p><u>Original Agency Response to Recommendation 1 (January 2019):</u> DOR management has taken several steps recently to enhance internal communications. The first DOR newsletter in almost 10 years was released last week. A DOR strategic priorities document that communicates DOR’s agency-wide priorities and related goals for achieving them will be released in the very near future. DOR leadership continues to hold periodic town hall meetings and is working with senior and mid-level managers to create more consistent cascading of information throughout the agency. Management is committed to continuing to pursue new and more effective methods of communicating with our staff.</p> <p><u>Updated Response (December 2020) :</u> DOR management has taken numerous steps to enhance internal communications. Since this audit, the department’s monthly internal newsletter has been re-instated. The newsletter, “Revenue Connection” features employees and their work across the department. The department has also begun a new strategic planning process. Although the department has undertaken strategic planning many times before, this is the first time where all employees will have an opportunity to participate in shaping the mission, vision, values, and priorities of the agency. We recently previewed the scope and timeline for employees at a town hall meeting. We are building in employee engagement throughout the project plan. The strategic plan is due to be complete in August 2021. After the plan is finalized, status updates on progress toward goals will be transparent and provided to employees at regular intervals.</p> <p>Betsy Imholt was appointed as DOR director in August 2020. One of the first actions of Director Imholt was to meet all DOR employees, which she did virtually due to most employees working remotely because of the current COVID-19 pandemic. Within two weeks of starting, she conducted an agency-wide employee engagement survey, which 72 percent of employees participated in, a DOR record. The director has established new channels of communications with agency employees including the first virtual all-staff meeting and more frequent direct emails to employees. To connect employees to the importance of their work, we have brought more attention to our agency partners’ programs. On Veteran’s Day, we highlighted the work of Oregon Department of Veterans’ Affairs in our internal communication newsletter. We recently hosted the State Fire Marshal at our quarterly town hall meeting where she talked about how the revenues collected by DOR have helped her agency and the state in fighting fires. This is another example of DOR’s efforts to provide a sense of the agency’s purpose and goals to its employees.</p>
<p><u>Recommendation 2:</u></p>	<p><u>Original Agency Response to Recommendation 2 (January 2019):</u> In response to this recommendation, the DOR Human Resources (HR) administrator will take responsibility for tracking employee position descriptions</p>

Implement an effective accountability framework that at a minimum sets clear and measurable expectations and feedback to address employee performance. For example:

- Track employee position descriptions to ensure employees have updated and accurate descriptions of their work.
- Track employee performance evaluations to ensure employees receive timely feedback on their performance.
- Ensure position descriptions and performance evaluation standards are clear and consistently applied.
- Ensure that managers and supervisors have the requisite training and skills.
- Consult with the Department of Administrative Services' Human Resource Office, for assistance with supervisor training and development.

Status: Implemented

and helping managers ensure they are updated and accurate. DOR management will begin tracking timeliness of performance evaluations to ensure that all employees receive periodic performance evaluations. Training has been a long-standing agency priority that is measured as a Key Performance Measure. Defining "requisite" training for managers and supervisors can be challenging, so the agency may consult with Department of Administrative Services on this topic. Leadership continues to encourage managers and supervisors to be proactive about pursuing training that will help them be more effective in their role particularly new managers, and supervisors. Turnover in key positions within HR will mean that implementation of this recommendation will take longer than the expected 6 months.

Updated Response (December 2020):

Track employee position descriptions to ensure employees have updated and accurate descriptions of their work: Position descriptions are tracked by Human Resources. All current positions descriptions are collected from managers and stored on a secure network drive assigned to Human Resources. During 2019 position descriptions for all employees were updated.

Track employee performance evaluations to ensure employees receive timely feedback on their performance: Employee performance evaluations are tracked in Workday, the state human resource records system. Workday automatically notifies managers with employees who have a performance evaluation due within 60 days. The agency has a practice of conducting quarterly performance check-ins between manager and employee and will continue to do so. This frequency of reviews allows for timely feedback and brings the entire agency in line with the state performance accountability and feedback model currently required for managers of managers.

Ensure position descriptions and performance evaluation standards are clear and consistently applied: In June 2019 managers received training to write and update position descriptions. Position descriptions are reviewed and updated annually through the State of Oregon Enterprise performance review that managers are required to complete in Workday. The annual employee performance review process is automatically generated in Workday and aligns with each employee's continuous service date. Once the joint manager/employee performance evaluation has been approved by Human Resources, the manager reviews the performance evaluation and the position description with the employee for signatures and finalization. The manager then sends the completed position description to Human Resources for tracking and online storage.

Ensure that managers and supervisors have the requisite training and skills: The agency established a format for conducting quarterly training for managers at an all-managers gathering. During 2019 and 2020, managers received training on the following topics:

1. Creating and maintaining a respectful workplace.
2. Orientation to the importance of emotional intelligence, self-assessments, and tips for growing emotional intelligence.
3. Setting clear expectations for individuals and teams, gaining buy-in, and working collaboratively toward successful outcomes and conducting effective one-on-one meetings with staff that lay the foundation for increased trust and two-way communications.
4. Focus on providing feedback in a way that it can be heard.
5. Effective coaching to support staff becoming more effectively engaged and productive.

	<p>The agency will continue to hold quarterly training sessions for managers that would cover a variety of topics. On the immediate horizon, as the department continues to navigate the COVID-19 pandemic, the agency will be providing training for all staff on building and maintaining engaged remote teams.</p> <p>This finding is resolved.</p>
<p>Recommendation 3: Complete the current feedback system by including a mechanism to inform staff of the status and outcome of their submitted ideas. Refer to the Oregon Department of Human Services and the guidance for the federal agencies' examples cited in the report.</p> <p>Status: Partially Implemented</p>	<p><u>Original Agency Response to Recommendation 3 (January 2019):</u> DOR has some specific functioning feedback systems, however, effectiveness of these feedback systems has not been reviewed recently. Management plans to evaluate the current feedback system and, based on findings, identify possible improvements that ensure staff are informed of the status and outcome of their submitted ideas. Again, turnover in key positions within HR may delay implementation so, a realistic target of December 31, 2019 has</p> <p><u>Updated Agency Response (December 2020):</u> DOR has some specific functioning feedback systems. However, the department has yet to fully implement this recommendation due to resource limitations and key staff turnover. DOR has been working on having a new user-friendly internal web page for some time. The plan is to have new feedback system link created in the department's new internal web page. Our goal is to have a feedback system that consists of the three elements recommended by the audit: receipt and review of an idea, evaluation of idea, and closure by notifying the employee on the outcome of the idea.</p>
<p>Recommendation 4: Work with the Department of Administrative Services, Labor Relations unit to clarify the roles of the Joint Labor Management Committee members to strengthen the labor/management relationship throughout the agency.</p> <p>Status: Implemented</p>	<p><u>Original Agency Response to Recommendation 4 (January 2019):</u> DOR management is committed to having effective relationships with the Joint Labor Management Committee members. The agency will seek the Department of Administrative Services, Labor Relations Unit's guidance on ways to strengthen the labor/management relationship at DOR.</p> <p><u>Updated Response: (December 2020):</u> DOR management is committed to having effective relationships with the Joint Labor Management Committee members. In September 2019, DAS State Labor Relations Manager Debbie Pillsbury-Harvey and SEIU Organizer Rolando Figueroa attended DOR's monthly Joint Labor Management Committee meeting and provided training to committee members to strengthen the labor/management relationship at DOR.</p>
<p>Recommendation 5: Complete efforts underway to address customer service challenges and report the progress to stakeholders. Reporting should include information that clearly explains the factors that impact customer service and factors that impact the data used to report on customer satisfaction. The following are examples of pending efforts:</p> <ul style="list-style-type: none"> • Develop staffing plans for call centers that leverage resource sharing and 	<p><u>Original Agency Response to Recommendation 5 (January 2019):</u> DOR management will continue to complete efforts currently underway to address customer service challenges. Many initiatives have already been completed. Customer service will remain an ongoing focus for the agency. DOR management will evaluate current staffing levels and workflow to find opportunities where we may be able to resource share among the agency's various call centers. Currently, DOR has a manager assigned to review information gathered from customer service surveys and implements appropriate changes as identified. The agency will continue to evaluate opportunities to seek and resource an agency customer service coordinator position through the budget process or other potential resource repurposing. DOR will continue to train and educate employees on customer service expectations and will develop training plans that embed this activity in our operations. Currently, some areas of DOR use quality assurance reviews to ensure service and information is accurate and provided timely. The agency will ensure all areas within the call centers develop quality assurance review plans.</p>

seasonal staffing options to reduce call wait times.

- Add an agency customer service coordinator.
- Train and educate employees on customer service expectations.

Status: Implemented

Updated Response (December 2020): The agency continues to improve customer service. Primarily this is being completed through a committee made up of representation across the agency and led by DOR's customer service liaison.

Develop staffing plans for call centers that leverage resource sharing and seasonal staffing options to reduce call wait times: The department continues to monitor and address call center resources. For the past five years, we have increased staffing in call centers through a variety of sources including:

- Repurposing positions to add staffing to the Tax Services Unit. This includes creating and adding three Public Service Representative 4 (PSR4) positions and two additional Public Service Representative 3 positions.
- Acquiring a PSR4 position through legislative action to address practitioner calls and assistance.
- Hiring temporary seasonal staff from January – June to increase staffing levels during the department's busiest time of the filing season. The Governor's Recommended Budget released December 1, 2020 includes a policy option package for six seasonal staff.

Resource sharing occurs when possible, but many of DOR's programs have similar timing to their peak seasons so the department is limited to utilize staffing from one area to augment other program areas.

Add an agency customer service coordinator: The department created a customer service liaison position by adding a dedicated customer service focus to an existing position to ensure we achieve the goal outlined in this recommendation. In 2019, the agency pursued funding for a customer service coordinator but was not successful in securing the funding. The liaison provides insight and information by monitoring the customer service feedback provided through the agency phone and or online survey system. Information from the survey is presented to a committee made up of representation across the agency. Each program will be informed of their performance and the committee members review any written feedback to evaluate how DOR might address, change processes, and implement enhancements to services because of the feedback.

Train and educate employees on customer service expectation: Staff who are new to the unit or agency are given one week of training on customer service soft skills during their initial trial service period to address customer services expectations. Prior to COVID, this training occurred in person. Now this training is delivered virtually. Additionally, the department continues to look for training opportunities to enhance staff skills. Training occurs during unit meetings where new concepts, techniques and information is provided to the representatives including soft skills, de-escalation techniques, personality identification and role playing what they learn. Managers and lead workers perform quality assurance on three calls per month per team member, which are used for coaching during the monthly one-on-ones. Lead workers also listen to random calls during the month and provide in-the-moment feedback. DOR is also focused on making its customer service experience consistent throughout the agency, no matter where the taxpayer contact happens. The customer service review committee assists in this focus. The customer service liaison also will work on planning customer service training for agency staff.

Audit Title: <u>Cyber Security Controls Assessment</u>	Management Letter:	Division: Information Technology
Audit Number: 2019-20	SOS Report No. 2019-03	Issue date: January 2019

DOR Management generally agrees with the recommendations as stated in the report.

Audit Recommendation	Response/Action Taken
<p><u>Recommendation 1:</u> Improve security management by documenting the degree to which DOR has adopted the statewide information security plan and ensuring DOR and ESO roles and responsibilities for information security are clearly defined.</p> <p>Status: Partially Implemented</p>	<p><u>Agency Response to Recommendation 1:</u> DOR submitted the DOR Gap Analysis of the Statewide Security Plan to ESO in October 2018. DOR will collaborate with ESO on a Plan of Action and Milestones (POAM) to address the security gaps over the next six months. DOR previously maintained a DOR-specific Information Security Plan. Going forward, this plan will be retired and DOR will adopt the Statewide Information Security Plan maintained by the Enterprise Security Office.</p>
<p><u>Recommendation 2:</u> Remedy weaknesses with CIS Control #1 – Hardware Inventory – by further developing written policies and procedures, automating asset discovery and inventory, and expanding hardware authentication.</p> <p>Status: Implemented</p>	<p><u>Agency Response to Recommendation 2:</u> DOR management will collaborate with OSCIO to strengthen its hardware inventory controls to remedy its identified weaknesses with CIS #1. Most end user devices are mobile and WiFi-enabled. A single device can have several IP addresses per day depending on location. DHCP and DNS record updates are automated, but asset inventory is not due to the ephemeral nature of IP addresses in DOR’s environment. DOR will continue to work with ETS and ESO to implement Layer 2 NAC. As a compensating control, DOR will implement certificate-based network authentication on all agency endpoints.</p>
<p><u>Recommendation 3:</u> Remedy weaknesses with CIS Control #2 – Software Inventory – by further developing written policies and procedures, improving tracking and documentation of approved software and software versions, and implementing software whitelisting.</p> <p>Status: Partially Implemented</p>	<p><u>Agency Response to Recommendation 3:</u> DOR management will collaborate with OSCIO to strengthen its software inventory controls to remedy its identified weaknesses with CIS #2. Furthermore, DOR will evaluate the use of software whitelisting based on its risk to the agency. If, after a risk analysis categorizes this as a high risk, DOR will implement software whitelisting controls. Short-term activities and process improvements will include: Evaluation automated whitelisting controls. Work with ESO to establish a consistent approach to whitelisting technologies and strategy; improve DOR tracking; and documentation of approved software. Automate reporting on non-approved software. Create policy and process for removal of non-authorized software.</p>
<p><u>Recommendation 4:</u> Remedy weaknesses with CIS Control #3 – Vulnerability</p>	<p><u>Agency Response to Recommendation 4:</u> DOR Management will collaborate with OSCIO to strengthen its software inventory controls to remedy its identified weaknesses with CIS #2. Furthermore, DOR will evaluate the use of software whitelisting based on its risk to the agency. If, after a risk analysis categorizes this as a</p>

<p>Assessment – by formally tracking the status of identified vulnerabilities to ensure they are timely remediated.</p> <p>Status: Implemented</p>	<p>high risk, DOR will implement software whitelisting controls. Short term activities and process improvements will include: Evaluation of automated whitelisting enforcement technologies. Work with ESO to establish a consistent approach to whitelisting technologies and strategy; improve DOR tracking and documentation of approved software; and automate reporting on non-approved software. Create policy and process for removal of non-authorized software.</p>
<p>Recommendation 5: Remedy weaknesses with CIS Control #4 – Privileged Access – by updating policies and procedures to cover additional elements, implementing multifactor authentication and use of dedicated workstations for all administrative tasks, and implementing alerts associated with administrative account activities.</p> <p>Status: Implemented</p>	<p><u>Agency Response to Recommendation 5:</u> DOR will work to strengthen CIS #4 through administrative controls (i.e., policies, standards, and procedures) and implement the use of dedicated workstations for all privileged user administrative tasks.</p>
<p>Recommendation 6: Remedy weaknesses with CIS Control #5 – Secure Configurations – through automated monitoring of configuration changes and by further developing written policies and procedures.</p> <p>Status: Partially Implemented</p>	<p><u>Agency Response to Recommendation 6:</u> DOR will collaborate with OSCIO/ESO to leverage Tenable (Nessus Security Center) to strengthen its secure configuration controls to remedy its perceived weaknesses with CIS #5. DOR has implemented weekly CIS- specific Tenable scans to baseline and track our server and workstation configurations. DOR has also implemented policy-enforced security settings in accordance with the IRS Office of Safeguards Computer Security Evaluation Matrix. IRS security setting recommendations are in alignment with the CIS recommendations and are validated every three years by IRS auditors. DOR will develop policies and procedures to continuously detect, track, and remediate deficiencies to ensure consistent and compliant configurations.</p>
<p>Recommendation 7: Remedy weaknesses with CIS Control #6 – Audit Logs – by developing a central logging solution, implementing log analytic tools, and automating log review.</p> <p>Status: Partially Implemented</p>	<p><u>Agency Response to Recommendation 7:</u> DOR currently consumes OSCIO enterprise logging services. DOR will continue to collaborate with OSCIO to meet the audit requirements by creating and implementing appropriate use cases for security event logging and monitoring. Currently, DOR forwards web logs to QRadar, ETS’s central logging solution. DOR has initiated the formal onboarding process with ETS to extend log aggregation and analysis to DOR’s Microsoft Advanced Threat Analytics system and critical core database and application servers.</p>

Audit Title: <u>Selected Financial Accounts for the Year Ended June 30, 2019 CAFR</u>	Management Letter	Division: Finance
Audit Date: 2019	150-2019-12-01	Issue date: April 2020

No new recommendations received at the conclusion of this audit.

Audit Title: <u>Selected Financial Accounts for the Year Ended June 30, 2020 CAFR</u>	Management Letter:	Division: Finance
Audit Date: 2020	150-2021-02-01	Issue date: Pending

DOR Management generally agrees with the recommendations as stated in the report.

Audit Recommendation	Response/Action Taken
<p><u>Recommendation 1:</u> Consider historic percentages in accruals when methodology requires adjustments. Consider historic percentages in accruals when methodology requires adjustments.</p> <p>Status: Open</p>	<p><u>Agency Response to Recommendation 1:</u> The agency agrees with the finding and proposes the corrective action outlined below.</p> <p>Corrective Action Plan:</p> <ul style="list-style-type: none"> • Evaluate current process and make any changes necessary to streamline. • Document the current process. • Reach out to other states/resources for best practices. • Continue partnerships with program elements, Information Technology Services and the Research Section to extract necessary data and ensure all required elements are factored into our calculations. • Document methodology and create a record for improvements and issues. • Create a training plan so knowledge is transferrable.
<p><u>Recommendation 2:</u> Improve review of entries when implementing new accounting standards.</p> <p>Status: Open</p>	<p><u>Agency Response to Recommendation 2:</u> The agency agrees with the finding and proposes the corrective action outlined below.</p> <p>Corrective Action Plan:</p> <ul style="list-style-type: none"> • Record entry to report FY21 activity properly. • Identify future implementations. The agency will: <ul style="list-style-type: none"> ○ Define objectives of the change and work to gain a full understanding of the issues and the scope of work that it presents. ○ Identify point people to work on the issue to include who is reviewing the entries before they are finalized. Seek out and attend any potential trainings that may be available. ○ Create a checklist to ensure all steps are taken to implement any changes properly. Ensure that the checklist identifies review steps. ○ Enhance quality control and assurance functions. ○ Utilize all available internal and external resources, as well as research materials. ○ Perform a lessons-learned exercise with the entire accounting team for any process improvement steps and share the learning.

<p>Recommendation 3: Perform key reconciliations on a timely basis</p> <p>Status: Open</p>	<p><u>Agency Response to Recommendation 3:</u> The agency agrees with the finding and proposes the below corrective action.</p> <p>Corrective Action Plan:</p> <ul style="list-style-type: none"> • Hire additional experienced accountants to resolve the recurring capacity limitations. This will spread the work more evenly and help to retain the staff currently preparing reconciliations. • Focus specifically on this body of work by filling the currently vacant positions. • Explore Robotic Process Automation to evaluate possible implementation within our reconciliation process. • Review tracking sheets (checklists) routinely to ensure documentation, preparation, and review of the reconciliation is completed in a timely fashion. • Continue to partner with other areas within the agency to resolve reconciling items. • Establish new reconciliation process to verify cash balances between Treasury and SFMS. • Ensure that the newly established Treasury-to-SFMS reconciliation process is documented, prepared, and reviewed in a timely fashion.
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Audit Title: <u>Change of Director Review</u>	Management Letter:	Division: Director's Office
	SOS Report No. 150-2021-01-01	Issue date: January 2021

DOR Management generally agrees with the recommendations as stated in the report.

Audit Recommendation	Response/Action Taken
<p>Recommendation: Department management review travel reimbursements to ensure compliance with state policy and maintain a record of property assigned to state employees to ensure property is returned.</p> <p>Status: Partially Resolved</p>	<p><u>Agency Response to Recommendation:</u> Part 1: The error in one travel reimbursement occurred due to the retirement of a long-time support person. This mistake caused on overpayment for meal expenses that once discovered, was quickly invoiced, and paid in full by the former Director. Staff have been fully trained in the proper procedure for processing these travel reimbursements and we anticipate full compliance with travel reimbursement policy in the future. (Resolved)</p> <p>Part 2: Workday provides functionality to document the Agency equipment issued to, and in possession of employees. This functionality provides increased control of the agency's assets and allows for systematic collection of all equipment upon an employee's separation from employment at the Agency. DOR is in the process of implementing this Workday functionality and developing a new policy for the control of employee-issued assets when an employee leaves the agency. (Partially Resolved.)</p>

Impact of Recent Changes to Agency Budget or Management Flexibility

Prior to 2013, the Oregon Department of Revenue's legislatively approved budget had a single General Fund and a single Other Funds budget authority for core agency funding. In 2013, the Legislature split this single budget authority into five separate appropriations. Today, the department's budget is up to 11 budget authorities.

Splitting of the budget has created an inefficient and cumbersome process, diverting the agency's resources from its core mission. The inflexibility created by having 11 appropriations for similar work creates operational complications for department operations at times. This is especially true when the department is asked to implement new tax programs. Listed below are a few examples of operational problems created by our limited budget structure:

- **Corporate Activity Tax (CAT) Budget:** During the current biennium, we had to borrow budget authority from the Collections Division to pay expenditures while waiting for the Legislature to act. We had the revenue but no budget authority. This caused extra accounting and budget work, increasing the possibility for human error by having to reverse all the expenditures to categorize them correctly once budget authority was established for the Corporation Division.
- **New Tax Programs:** When the Legislature creates new tax programs, such as the Heavy Equipment Rental Tax, that are anticipating Other Funds revenue in the future there is a real need for upfront General Fund investment to build the infrastructure until revenue from the new tax is received. The separate budget authorities do not allow the department to provide the upfront General Fund without legislative approval.
- **Information Technology Needs:** Currently, there is need for more resources in our Information Technology Services Division to respond to changing program needs and to deal with a backlog of change requests (SQRs) to make improvements to tax programs. The current structure prevents us from shifting resources to meet demand as needed. This is creating an artificial barrier that is creating employee frustration and operational inefficiency.
- **In the event of allotment reductions,** our largest revenue generating program, Personal Income Tax, is forced to take the largest reductions. This is not prudent, especially during an economic downturn. Since most of the agency's work is administering tax programs, the artificial constraints within the budget prevent flexibility to maximize revenue generation for Oregon.