

2015

Oregon Department of Revenue

Presentation to the Ways and Means Committee

March 9–12, 2015



www.oregon.gov/dor

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Who we are

Mission

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

Vision

We are a model of revenue administration through the strength of our people, technology, innovation, service, and collaboration.

Values

Highly ethical conduct

Fiscal responsibility

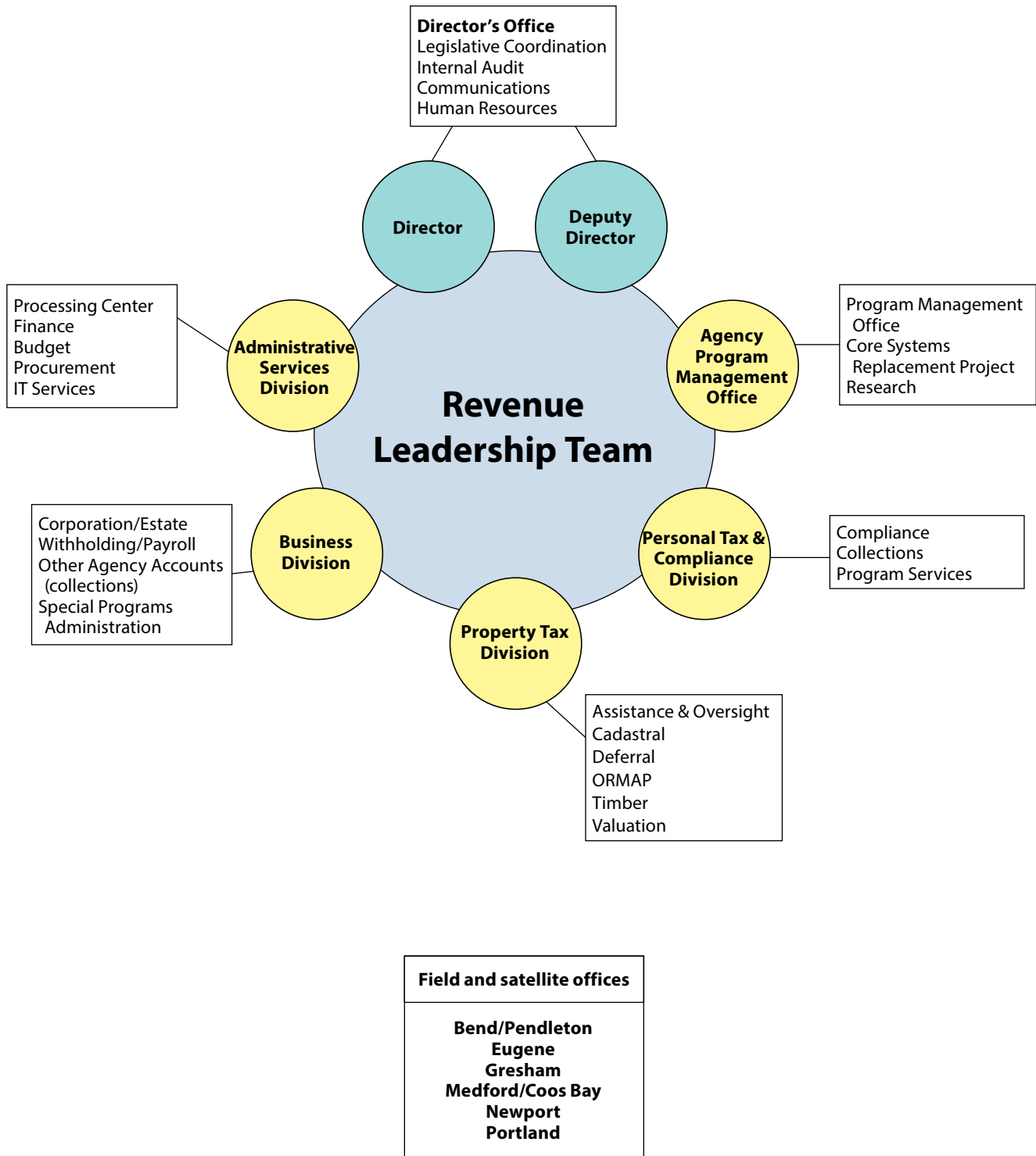
Quality in relationships

Service and operational excellence

Accountability

Continuous improvement

Department of Revenue



What we do

Department of Revenue's major tax programs

Income taxes—personal and corporate

- Compliance.
- Collections.

Property tax

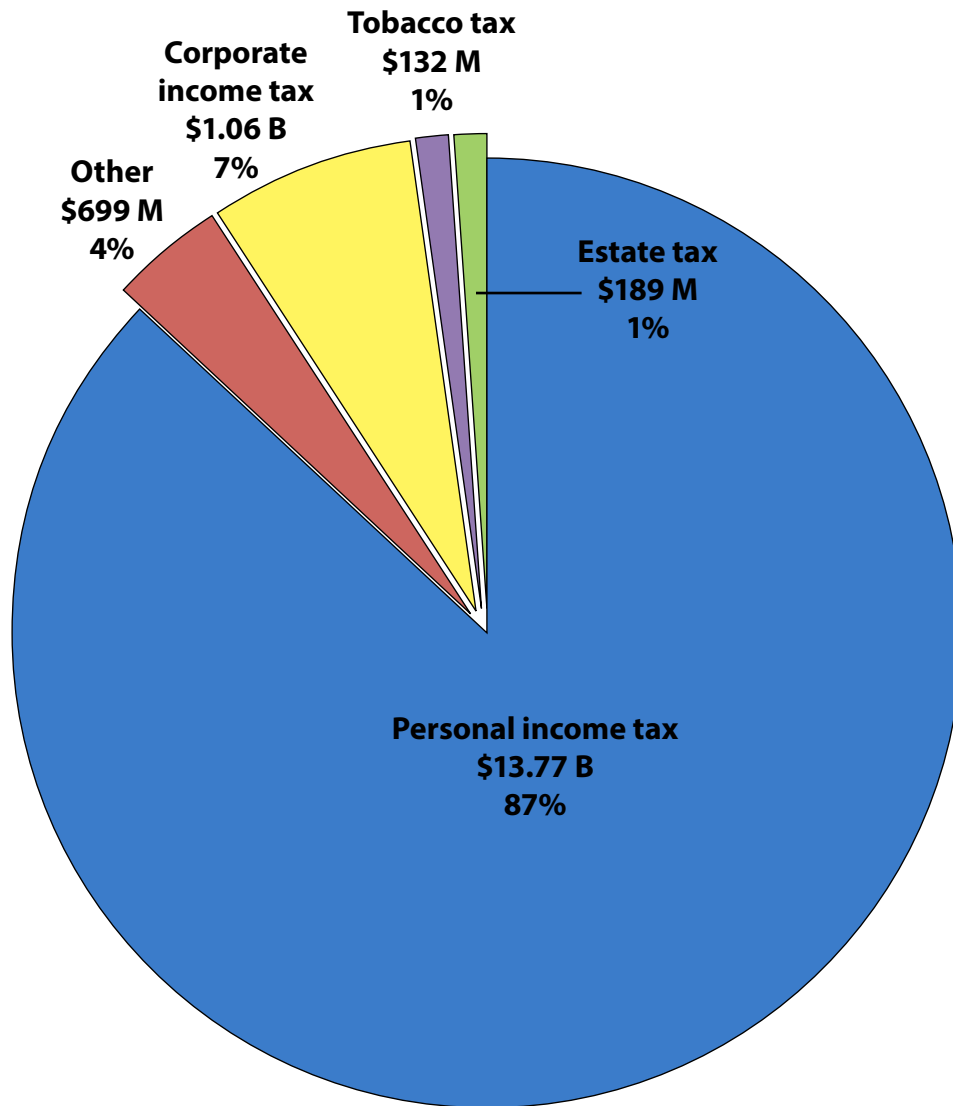
- Assessment and taxation.
- Mapping.
- Industrial and centrally assessed property valuation.
- County grants.
- County training.
- Deferral programs.

Cigarette and other tobacco taxes

- Distributor, wholesaler, retailer, consumer compliance.

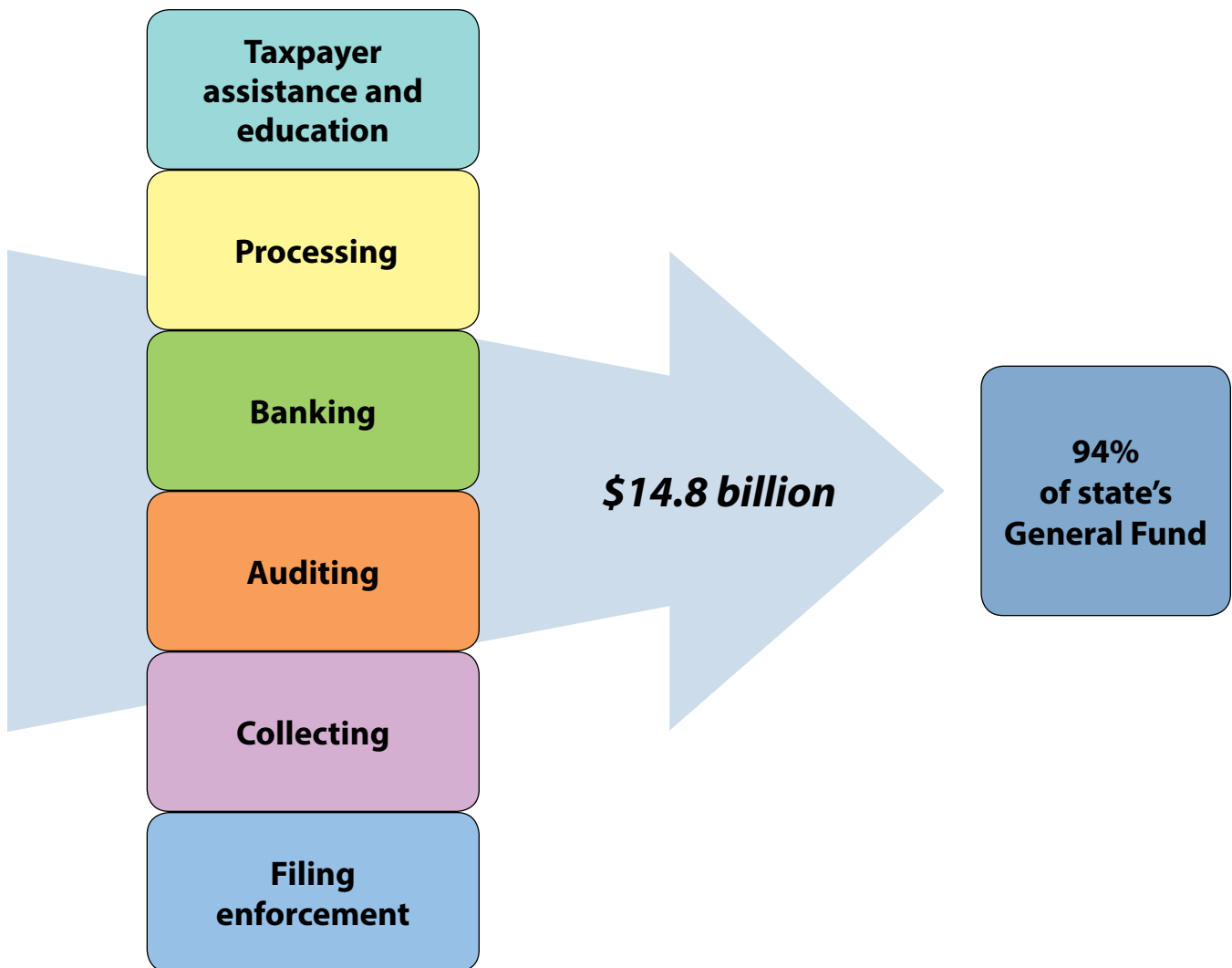
2013–15 General Fund

Net General Fund revenues: \$15.85 billion



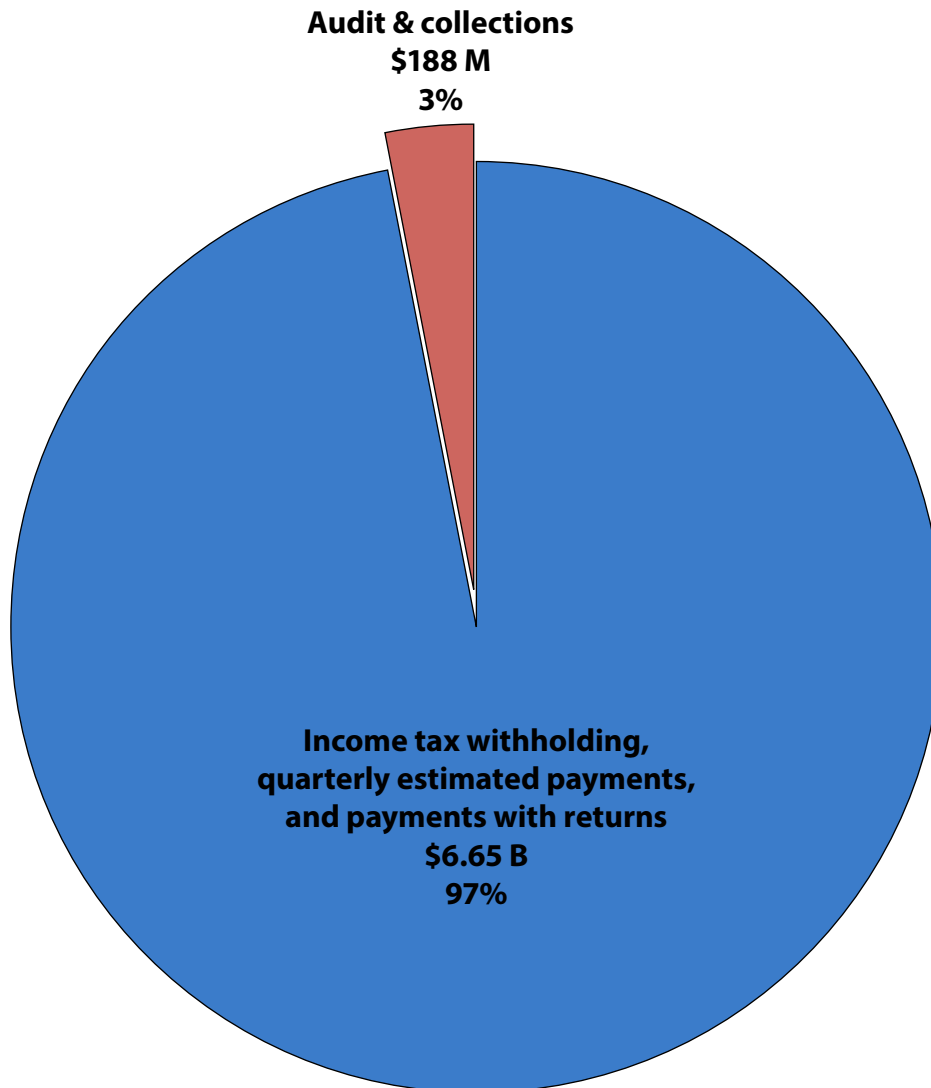
Income tax programs

2013–15 biennium

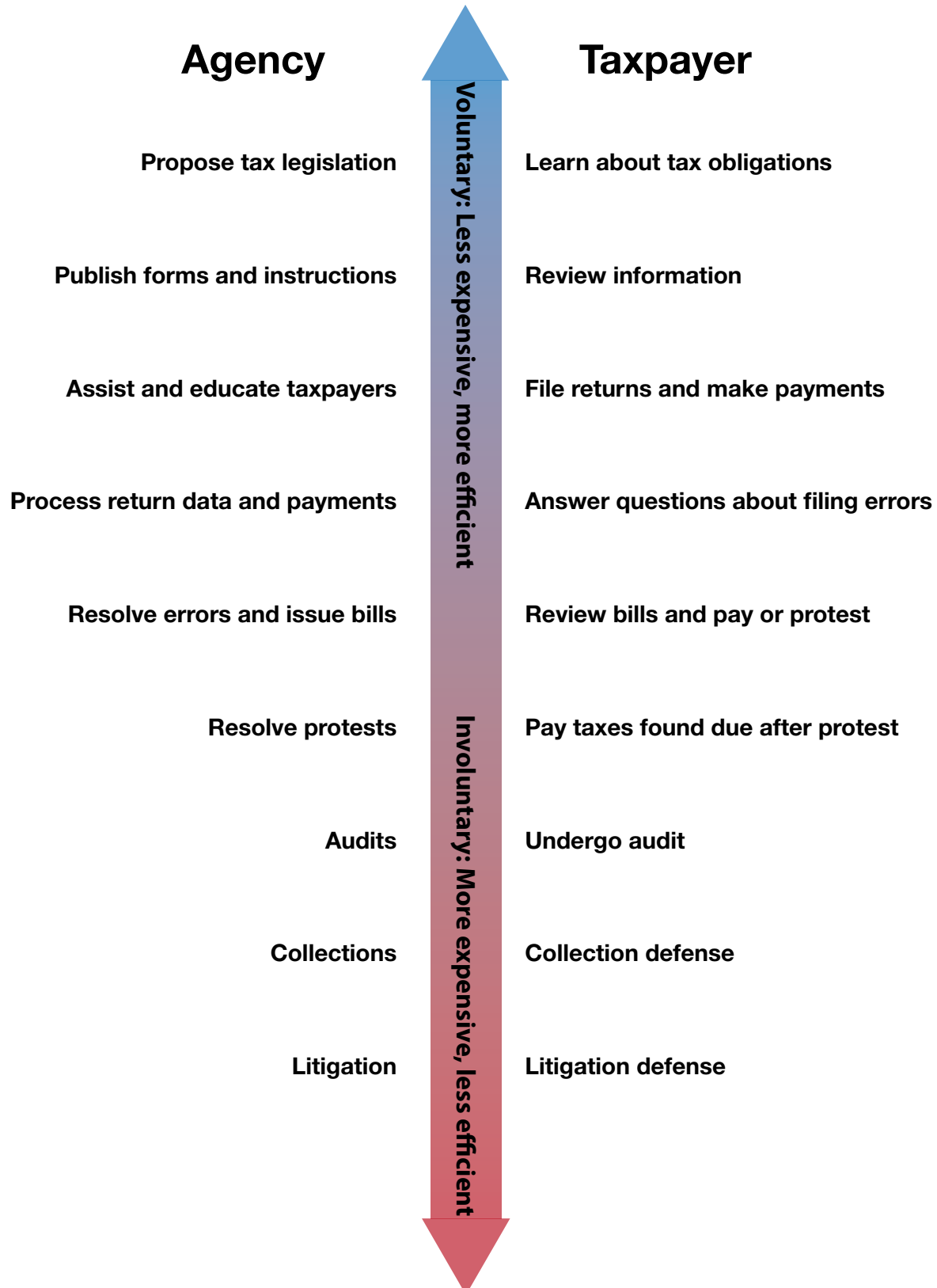


Personal income tax revenues

How they're paid

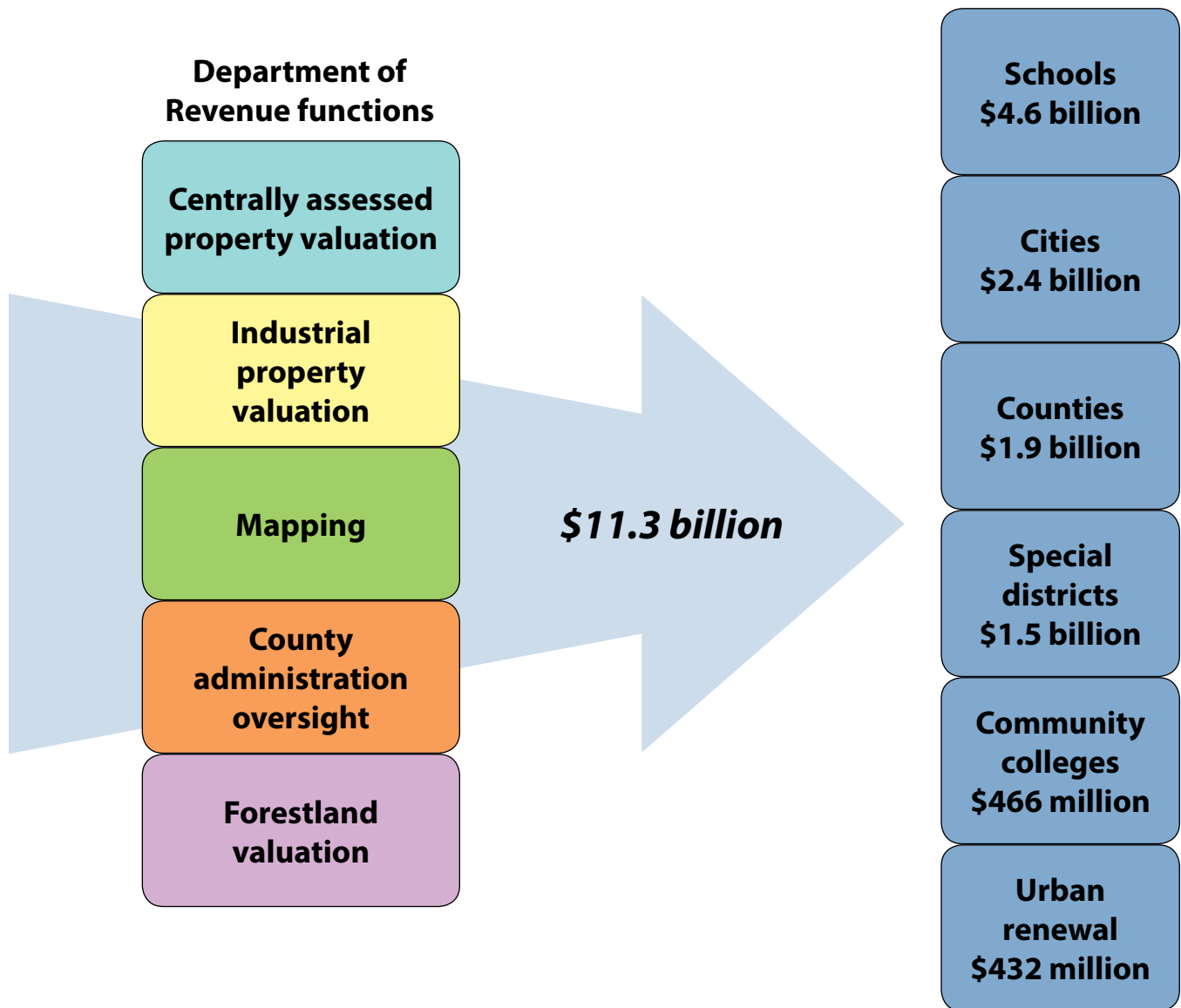


Compliance continuum

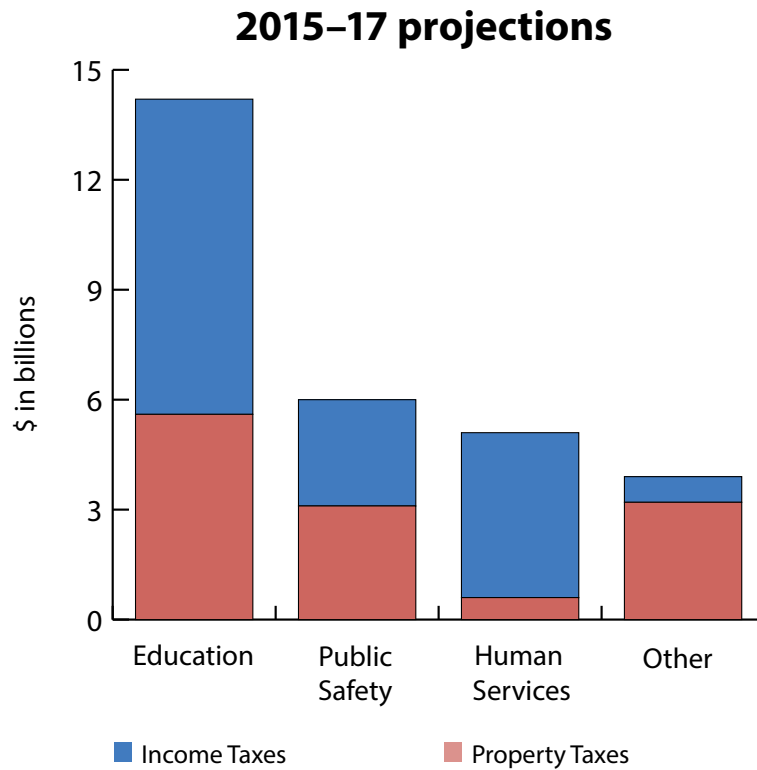


Property tax administration

2013–15 biennium



Funding of shared services



Education

K–12 system
ESDs
Community colleges

Public Safety

Sheriff
Jail
Police
District attorney
Fire

Human Services

Public health
Seniors
Water
Sewer

Other

Libraries
Parks & recreation

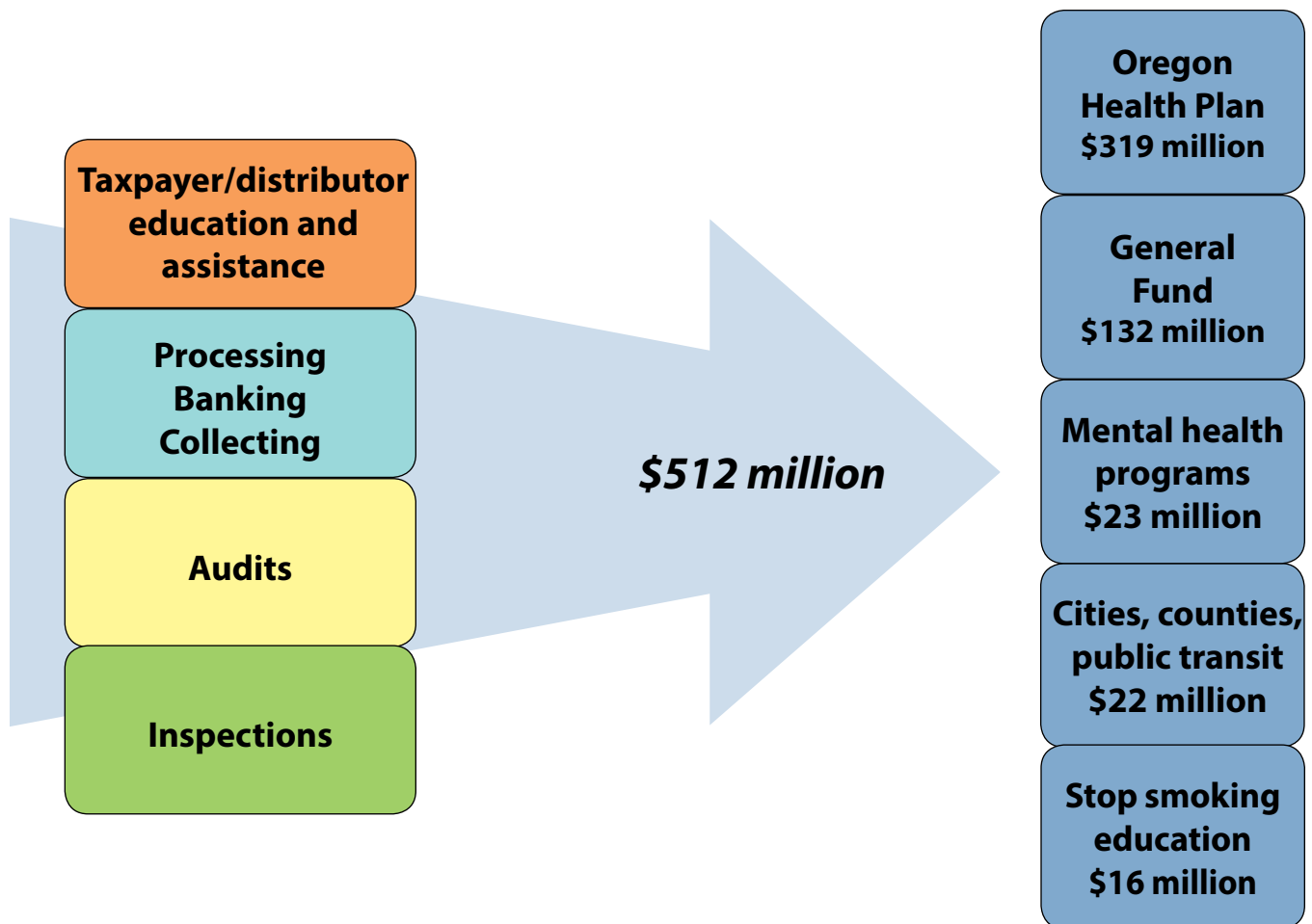
Income tax \$16.7 billion

Property tax \$12.4 billion

TOTAL \$29.1 billion

Cigarette & tobacco taxes

2013–15 biennium



Other taxes and services

- Estate tax.
- Emergency communications tax (911).
- State lodging tax.
- Hazardous substance fee.
- Amusement device tax.
- Petroleum load fee.
- Forest products harvest tax.
- Small-tract Forest Land Severance tax.
- Transit taxes.
- Court fines and assessments.
- Other agency collections.
- Senior citizens, veterans, disabled citizens deferral programs.
- Elderly Rental Assistance.
- Nonprofit homes for the elderly.

Strategic foundations

Mission

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- Quality in relationships.
- Accountability.
- Continuous improvement.

Outcome areas

Division strategies

Voluntary compliance

ASD

- Create easier ways for people to comply and file.
- Maintain adequate lifecycle replacement of equipment and software.

BUS/PTAC

- Create easier ways for people to comply and file.
- Assist taxpayers and tax practitioners with voluntary compliance.

Executive

- Provide easy access.

PMO

PTD

- Streamline filing and reporting requirements.
- Provide training and improve communication.
- Modernize systems and implement process improvements.

Enforcement

ASD

BUS/PTAC

- Focus on greatest areas of risk.
- Leverage data and systems for enforcement.
- Use tools and opportunities to enhance enforcement efforts

Executive

PMO

PTD

Employee engagement

ASD

- Ensure employees have the right tools and skills to do their job.
- Foster a positive work environment that allows employees to thrive.

BUS/PTAC

- Attract and retain outstanding employees by investing in our staff.

- Value employee participation.

- Create a workplace that allows employees to thrive.

Executive

- Strengthen our workforce.
- Value employee participation.
- Create a workplace that allows employees to thrive.

PMO

- Attract and retain outstanding employees by investing in staff.
- Value employee participation.
- Create a workplace that allows employees to thrive.

PTD

- Encourage employee participation.
- Increase staff skills and competency.
- Stay engaged with staff through performance management plans.
- Clarify expectations.

Customer experience

ASD

- Customers receive timely and accurate services.

BUS/PTAC

- Customer self-sufficiency.
- Customer experience.

Executive

- Develop new business processes.

- Modernize technology.

PMO

- Communicate important information.

PTD

- Keep information current and accurate.
- Work with county partners to improve processes.
- Improve quality of assistance provided to counties.
- Improve communication and partnerships with counties.
- Emphasize collaboration and coordination.
- Simplify and improve program administration.

Equity & uniformity

ASD

BUS/PTAC

- Develop clear and consistent processes.

Executive

- Efficient central services.
- Governance.
- Manage risks appropriately through internal controls.

PMO

- Promote understanding and uniformity.

PTD

- Modernize systems.
- Strengthen competency of staff.
- Collaborate with county partners to identify and implement best practices.
- Clarify department oversight role.
- Identify areas for streamlining.

February 2015

Strategic foundations

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Outcome areas

Business Division/ Personal Tax and Compliance Division strategies

Voluntary compliance

Create easier ways for people to comply and file

- Focus on the needs of the customer.
- Use third party data to assist taxpayers.

Assist taxpayers and tax practitioners with voluntary compliance

- Use education and assistance to help people comply.
- Understand the factors that influence voluntary compliance.

Enforcement

Focus on greatest areas of risk

- Risk is used to determine case selection and prioritization.
- Use processing systems for initial return verification.

Leverage data and systems for enforcement

- Use data to identify non-compliance (audit, filing enforcement, and collections).
- Leverage partnerships to gain third party information/data.

Use tools and opportunities to enhance enforcement efforts

- Leverage public perception of noncompliance to enhance compliance with tax laws.
- Maximize public and private partnerships.

Employee engagement

Attract and retain outstanding employees by investing in our staff

- Employees have access to training, information, and tools needed to do their job.
- Employees know how to be successful at DOR.
- Successes are recognized and celebrated.

Value employee participation

- Support staff participation in process re-engineering and process improvement.
- Encourage staff to seek committee involvement.
- Provide opportunities for employees to participate in decision making processes.

Create a workplace that allows employees to thrive

- Find opportunities to align business needs with flexible work schedules and telework opportunities.
- All employees are treated fairly, respectfully, and equally.
- Provide opportunity for ideas to be heard and acknowledged.

Customer experience

Customer self-sufficiency

- Customers have access to do business transactions 24/7.
- Taxpayers have options and know what their options are to meet their needs.
- Our customers have the tools that they need to comply.

Providing a good "customer experience"

- Staff understand and provide a good "customer experience."
- Use clear, concise, communications.
- Customers get the assistance they need.
- A clearly articulated service standard is available to the public that sets the expectations.

Equity & uniformity

Develop clear and consistent processes

- Use cross division work groups to create and update shared policies and procedures where they exist.
- Exception processes are documented.

February 2015



Strategic Plan

BUS/PTAC

159-800-556, page 4 (Rev. 02-15)

Strategic foundations

Outcome areas

Business Division/ Personal Tax and Compliance Division strategies

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Assist taxpayers and tax practitioners with voluntary compliance.

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Leverage data and systems for enforcement.
Use tools and opportunities to enhance enforcement efforts.

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Create a workplace that allows employees to thrive.

Customer experience

Customer self-sufficiency.
Customer experience.

Equity & uniformity

Develop clear and consistent processes.

Initiatives

- Organize and attend 30 outreach events a year.
- Review and revise all iWire documentation.
- Provide one call resolution.
- Evaluate taxpayer strategies for compliance risks.
- Maximize use of current information.
- Support core systems replacement (CSR).
- Identify emerging compliance issues.
- Use iWire to identify non-filers in our system.
- Develop additional ACT investigation letters.
- Assess liable entity on collection liabilities within 60 days of assignment.
- Implement ICN full circle audits pilot program.

Withholding & Payroll Tax Section

- Develop agency-wide training plan for use of iWire.
- Review and update Rocket content for section.
- Organize and plan "Taking Care of Business."
- Review RPI requests within 30 days of receipt.
- Encourage participation in agency-wide fundraising events.
- Plan employee recognition and unit activities.
- Exceed offsite investigation expectations.
- Recognize staff when goals are met.
- Transparency in processes (legislation, rules, etc.).
- Install filtered water fountains.
- Process all Greenlight Rebates within 10 days of receipt.
- Identify conflicting statutes and prepare report.
- Schedule all conferences within 30 days and complete within 60 days.
- Respond to iWire calls within 24 hours.
- Respond to Payroll help questions within 48 hours.
- Review and update oregon.gov content.
- Review SSA W-2 specifications.
- Review IRS 1099 specifications.
- Incorporate professional resilience into our daily actions.
- Maintain high quality of customer service.
- Base our interactions as customer service is our core.
- Cross train units.
- Develop database of common submission errors for iWire.
- Develop a PAP review group.
- Review and update documentation guide.
- Provide complete monthly production reports.
- Create organizational checklist and procedure for CS2 files.
- Develop standardized appeal responses and procedure.
- Maintain cross-training between administrative support and registrations.

Tax compliance POP performance

Cost	Revenue generation (as of December 31, 2014)	Revenue generation commitment
\$3.8 million	\$29.4 million	\$33.1 million

Employees hired	Focus areas
12 tax auditors	Self-employed individuals, pass-through entities, and single issue audits.
10 revenue agents	Accounts receivable clean-up, tax collection.
6 revenue agents	Tax collection.
1 public service rep	Additional call center volume.
1 audit manager	Supervise auditors.
1 collections manager	Supervise collectors.

Accounts receivable clean-up

Write-off (ORS 293.240)

1. No assets located in three years.
2. No payments received in three years.
3. No correspondence received in three years.
4. Taxpayer not deceased.
5. No liabilities older than seven years.

2,836 liabilities and
\$4.3 million in debt written off.

Cancellation (ORS 305.155)

1. No assets located in three years.
2. No payments received in seven years.
3. No correspondence received in three years.
4. Account assigned to a field agent for more than a year.

28,818 liabilities and
\$58.4 million in debt cancelled.

Source: DOR Personal Income Tax and Compliance program

Major budget drivers and environmental factors

Major budget drivers

Core systems replacement project

The agency is in year two of a planned four-year project to replace the agency's core legacy systems with a modern system solution and infrastructure to ensure that the agency's business needs can be supported into the future. The new system will streamline agency processes and utilize improved access to data to increase effectiveness in compliance and revenue generation. The first rollout converted corporation and cigarette and tobacco taxes, and was successful.

Over the next two years, the agency will convert the personal income tax and withholding programs. Because these are our two largest programs in terms of size and impact, we will have to carefully manage both the project activities and the personal income tax program resources to ensure successful conversion while continuing to deliver on our critical primary mission.

Personal income tax refund fraud

Personal income tax refund fraud attempts are increasing. While many attempts are stopped before a payment is made, the dollar loss from unrecoverable payments to fraudulent tax return filers will continue to grow without aggressive intervention. The agency has identified opportunities to invest in two new tools to reduce fraudulent return processing:

- Using additional GenTax products, integration of third-party data analytics and an identity theft quiz.
- Creating the ability to match, in real time, state income tax withholding claimed on personal income tax returns against that reported by employers.

Property Valuation System

The agency is responsible for assessing real market value (RMV) on approximately 600 centrally assessed properties (e.g. companies such as airlines, utilities, railroads, telecommunications, etc), and another 850 sites defined as principal or secondary industrial (i.e. valued at over \$1 million and engaged in processing or manufacturing activities). The agency currently uses antiquated applications and internally developed databases, spreadsheets, and paper files to manage this complex responsibility. Because of the current system's limited capabilities and its fragmented and increasingly unsupportable architecture, many processes are manual and paper-driven. These processes are prone to both error and inefficiency. This combination of manual processes and less reliable, fragmented, and limited technology poses a risk to our long-term ability to develop accurate and timely RMVs.

The agency believes the appropriate way to address the problem is to deploy a commercial off-the-shelf, computer assisted mass appraisal (CAMA) software system. CAMA systems have been in use in all Oregon counties for more than 15 years. They are designed to aid the public property tax administrator in the daunting task of annually valuing each and every assessable unit of property in a given jurisdiction. These CAMA systems make it easier to accurately identify, track, and maintain data related to assessable property. They also

allow for appropriate appraisal techniques to be employed in developing and maintaining statutory value in a timely manner—promoting equity and uniformity of assessment administration.

County Assessment Function Funding Assistance (CAFFA) shortfall

Due to a significant increase in costs, combined with relatively flat CAFFA revenue, the agency has a funding shortfall related to the statutorily mandated duties of the Industrial Valuation and Centrally Assessed Valuation programs. In order to counter this increasing shortfall, the Property Tax Division has held General Fund positions vacant and limited services and supplies expenditures.

Property Tax Deferral for Disabled and Senior Citizens

To address a serious threat of insolvency, the Legislature has made a series of significant program changes to the Property Tax Deferral for Disabled and Senior Citizens program in each of the last four legislative sessions. These program changes significantly modified eligibility and filing requirements to ensure that the program remained viable for the neediest of recipients. These changes significantly increased the complexity of administering the program and have created an ongoing need for additional deferral program staff.

Implementation of revised 911 program

House Bill 4055, passed by the 2014 Legislature, extended the current tax to prepaid telecommunications service subscribers until October 1, 2015 and established a point-of-sale method of collection for the tax program thereafter. Currently, we receive returns from approximately 250 to 300 taxpayers. We expect between 1,700 and 2,000 additional returns, quarterly, after implementing the new point-of-sale collection method. Increased distributions under HB 4055 allowed us to fund the increased administrative expenses anticipated due to the law changes. We plan to use these funds to increase resources for taxpayer assistance, collection, return processing, and enforcement.

While HB 4055 allowed additional funds to the department for administration, the Legislature did not authorize additional positions to handle the increased duties. The agency did submit a fiscal impact form when the measure was considered that identified the need for additional resources in the 2015–17 biennium. We are requesting two positions to meet our increased auditing and processing needs for this revised program.

Potential Personal Income Tax Kicker

The last time Oregon's kicker law was triggered in 2007, it cost \$1 million to issue 1.65 million checks. Because the method of distributing the kicker was changed in 2011 to a credit on the personal income tax return rather than a check, we expect to be able to cover the minimal administrative costs within our regular budget appropriation, if necessary.

Major environmental factors

2008 recession and statewide accounts receivable management

We have identified a pattern of growth in our accounts receivable over the past four years, with the total due increasing from \$815 million in 2010 to \$1 billion in 2013. The majority of this increase is due to lingering effects of the 2008 recession and subsequent growth in personal income tax non-filer assessments. Internally, the agency's high-level outcome is to ensure the accounts receivable balance accurately reflects the net funds we anticipate receiving through timely resolution of accounts. The new GenTax system has several state-of-the-art collection tools that we expect to be able to utilize when the system is fully implemented.

Additionally, the department is a key participant in the Department of Administrative Services-led project to develop an enterprise accounts receivable management strategy. The department is also working with the Institute for Modern Government (part of Willamette University's Atkinson Graduate School of Management) to identify and advocate for collection best practices.

County funding

A significant issue facing the property tax system in Oregon is ongoing funding issues affecting timber-dependent counties. The effectiveness of the property tax system in Oregon is dependent on the ability of both the department and the counties to adequately administer their assessment and taxation programs. As counties continue to be budget-stressed, the agency must be prepared to provide appropriate support, despite already stretched resources. The department is actively working with the most affected counties to identify ways to ensure work continues to be completed timely, accurately, and efficiently.

Core systems replacement update

Replacing our core systems

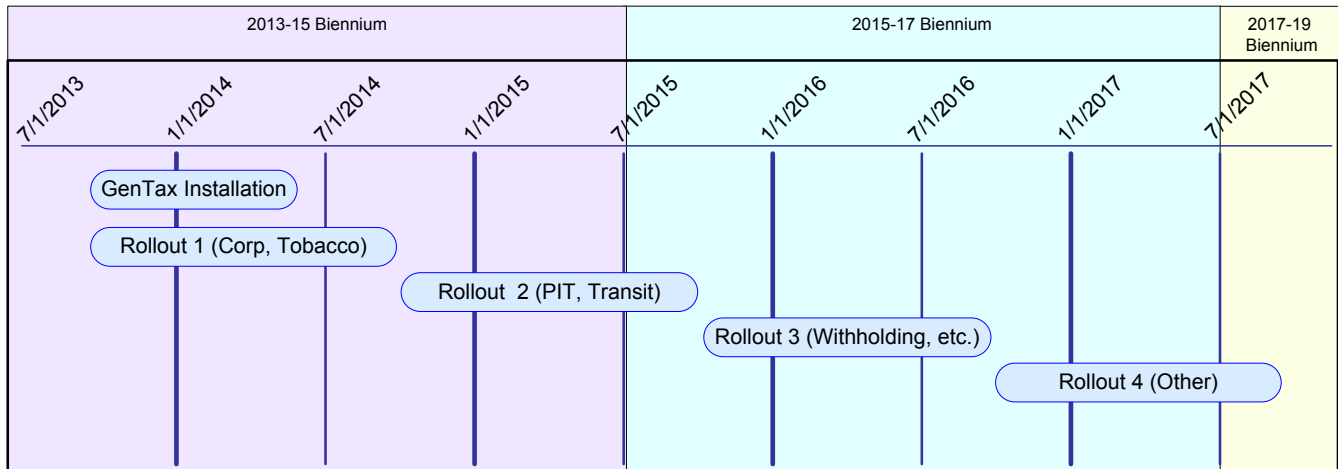
The department is in the midst of replacing the majority of its core tax systems to mitigate the growing risks of not being able to support its aging legacy systems and maintain current service levels.

The agency is responsible for administering nearly \$16 billion per biennium of General Funds. Replacing core tax systems ensures the agency can continue to achieve its mission of making revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens. It also enables the agency to move toward its vision of becoming a model of revenue administration through the strength of our people, technology, innovation, service, and collaboration.

The agency determined that a commercial off-the-shelf integrated tax system and data warehouse best fit the agency's needs. With this option, the basic architecture and programming are already complete, so deployment can begin quickly. In addition, this solution ensures that the agency will be able to keep up with technology changes in the future.

The agency sought and received approval to begin implementation of a new integrated tax system and data warehouse (GenTax) through Fast Enterprises, LLC.

Project implementation roadmap



To maximize the opportunity for successful implementation, the agency is implementing the new system using a phased approach. These phases include:

Planning phases

- 2009–11 biennium: Planning and preparation.
- 2011–13 biennium: Agency readiness and procurement.

CSR implementation phase*

2013–15 biennium

- Fall 2014 – Rollout 1: Corporate and tobacco tax programs.

2015–17 biennium

- Fall 2015 – Rollout 2: Personal income tax, transit self-employment, deferral, emergency communications (911 Tax), and estate tax programs.
- Fall 2016 – Rollout 3: Withholding, transit payroll, Other Agency Accounts, and small programs.

2017–19 biennium

- Fall 2017 – Rollout 4: Other remaining programs.

*CSR rollouts include additional tax and revenue programs that are not listed here.

Business drivers

The primary business drivers for replacing core tax systems are risk avoidance and improved performance.

Risk avoidance

The primary benefit to replacing the core tax systems is continued support of existing revenue streams by reinvestment in core infrastructure, which reduces the risk of revenue loss.

Revenue loss risks include:

- Some key systems are at risk of reaching maximum capacity and/or failing.
- Highly specialized and inflexible applications require manual workarounds to meet business needs.
- Inflexible, obsolete, and diverse architecture adds complexity and may not continue to be supported (skill sets fading or increasingly difficult to find).
- Seasonal changes and legislative tax law revisions require multiple, complex system updates which take time. The agency risks not being able to execute such changes by the time laws or policies are effective.

Improved performance

An integrated system and data warehouse will provide a single view of taxpayer information, broader access to data analytics and management tools, more consistent business processes, better tools for employees to conduct their work, improved capabilities for sharing resources and data, and increased ability to respond timely to changes in laws and regulations.

States that have implemented a similar system have realized benefits such as:

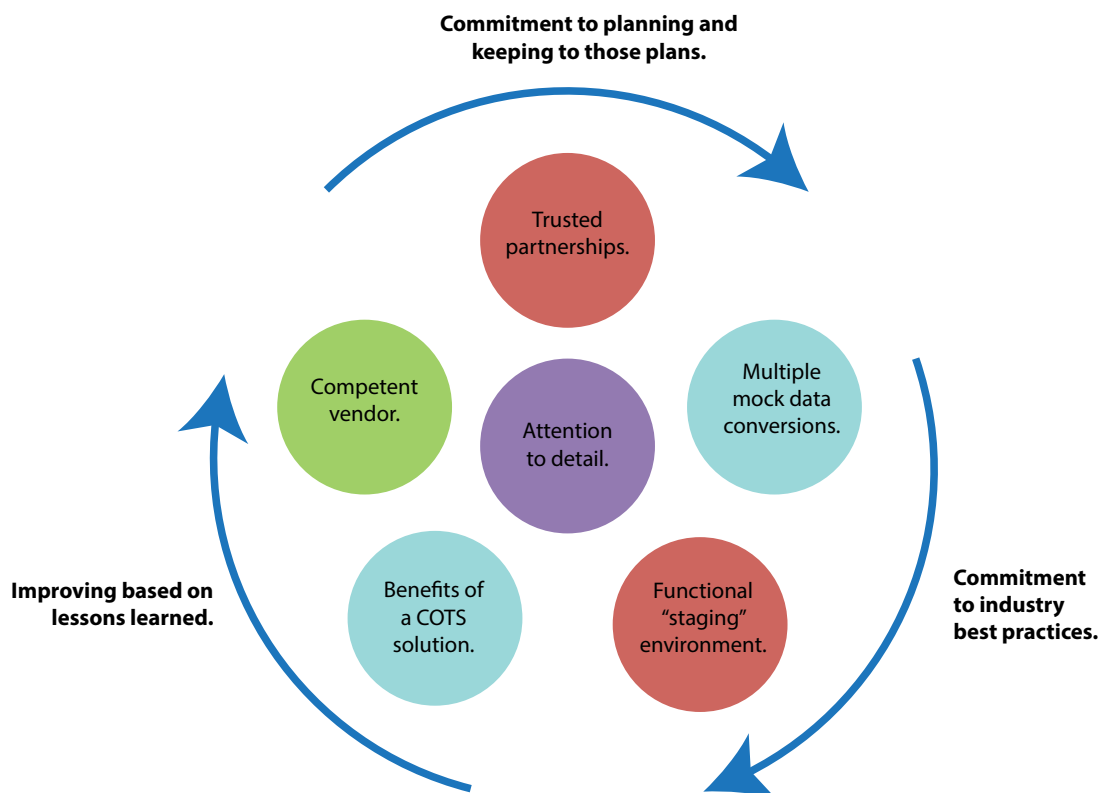
Enhanced compliance and revenue <ul style="list-style-type: none">• Increased ability to uncover noncompliant taxpayers.• Faster identification of under-reporting taxpayers.• More effective audit candidate selection.• Increased fraud detection.	Improved customer service <ul style="list-style-type: none">• Wider variety of secure and efficient web services with real-time processing.• Complete, accurate and timely answers to taxpayer questions.• Increased information security and privacy.
Increased overall efficiency <ul style="list-style-type: none">• Improved data driven decision making.• Reduced errors and transaction time.• Faster training time.• Fewer redundant steps.	Increased flexibility in tax administration <ul style="list-style-type: none">• Quick, economical response to statutory changes and requests for information.• Ability to adapt to evolving taxpayer needs, behaviors and complex financial transactions.

In addition, the agency will have ongoing membership in the community of system users, sharing data and best practices, as well as ensuring the content and reliability of future product releases.

Rollout 1 update

The first rollout of the new GenTax integrated tax system for the corporation, cigarette, and tobacco programs was completed November 2014, on schedule and under budget. To accomplish the first conversion, the agency developed detailed cutover plans involving processes within both GenTax and legacy systems. Functionality of both systems was validated during cutover weekend. Converted tax data was also verified for accuracy and reconciled to the penny (\$4,421,400,865.99). Rollout 1 user profiles (687) were established in advance and ready at go-live.

Keys to rollout success



There are three overall project management concepts the department is using to guide the CSR project implementation. These concepts are:

- A commitment to planning and adherence to those plans.
- A commitment to industry best practices.
- Making frequent, ongoing improvements based on lessons learned.

Several key activities contributed to a successful first implementation, including:

- Attention to detail in all aspects of the project.
- Trusted partnership with stakeholders.
- A competent vendor with significant experience working with tax administration agencies.
- Multiple mock data conversions conducted prior to go-live to identify and address potential issues in advance.
- A fully functioning pre-production technical “staging” environment where conversion activities could be thoroughly planned.
- Full utilization of the benefits of a COTS solution, including ongoing monitoring after conversion to verify that interfaces to other systems and other agencies are working appropriately.

The CSR project continues to operate under budget for the 2013–15 biennium. General Fund savings are from lower than expected Enterprise Technology Services (ETS) costs. Other Fund savings are from lower than expected hardware and software costs, lower staff costs due to a later start date, and not using available contingency funds.

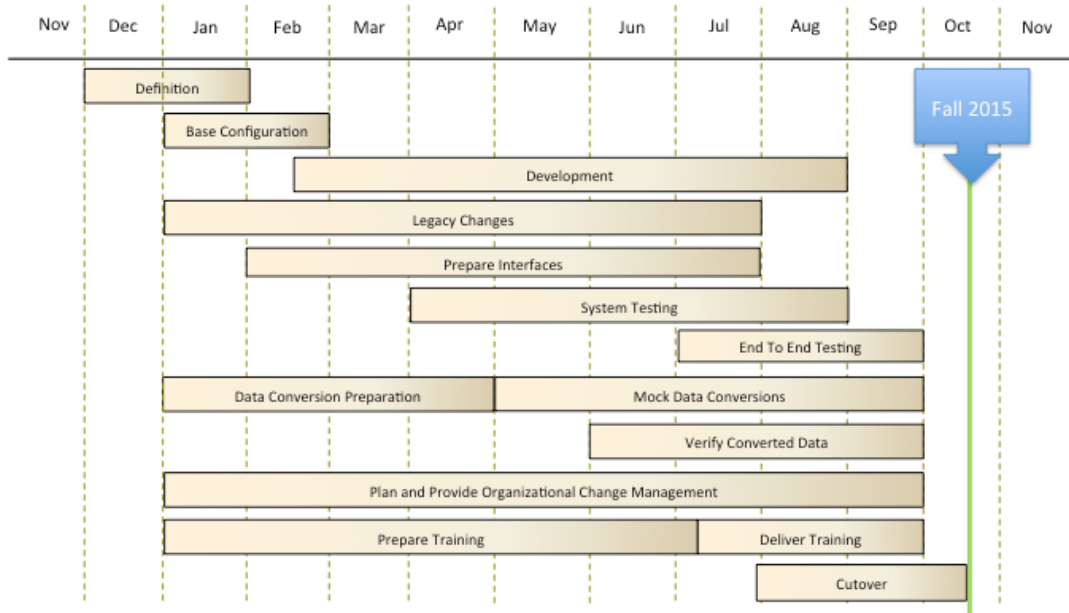
These activities, in conjunction with the overall project management concepts, enabled the department to be successful during Rollout 1.

Rollout 2 update

Planning is now underway for programs in Rollout 2 (personal income tax, transit self-employment tax, estate and trust taxes, disabled and senior citizen property tax deferral, and emergency communications [911] tax).

Rollout 2 activities are on schedule. The project schedule will be re-baselined once enough information is available to understand the resource requirements, operational impacts, and project needs for Rollout 2 programs (Spring 2015).

Rollout 2 schedule



Governor's budget for CSR – 2015-17

CSR project costs (in millions), as of December 2014

	2009–13	2013–15	2015–17*	2017–19	Totals
DOR contribution					
Ongoing agency operating costs	\$7.3	\$0.7	\$0.9	\$0.3	\$9.1
General Fund					
Non-bond eligible general services/supplies		\$0.2	\$0.2	\$0.1	\$0.5
Project costs		\$1.8	\$4.2	\$1.5	\$7.5
Total General Fund		\$2.0	\$4.4	\$1.6	\$8.0
Other Funds (bonds)					
Debt financed project costs		\$18.9	\$26.7	\$9.1	\$54.7
Project totals (excluding debt service)	\$7.3	\$21.6	\$32.1	\$10.9	\$71.8

Note: Component figures may not total accurately due to rounding.

*Agency Requested Budget

The agency is requesting funding to continue implementing the CSR project. Overall, the resource requests for staff and funding for contractors has tracked very close to initial plans. Updated project costs will be provided during the 2015 Legislative Session.

The agency has identified a few areas where minor modifications to resource requests or funding are necessary to adequately continue the project. Specific requests are described below.

Staffing

We previously received 32 positions for the life of the project. These positions are being used to back-fill for staff who have been moved to the project from a program area to ensure current

operational levels and commitments are maintained. Three positions from the agency's Program Management Office are also dedicated to the project.

We are requesting one additional FTE to coordinate data conversion and data cleansing activities throughout the life of the project. We underestimated the level of effort necessary to coordinate this activity.

We are also requesting reclassification of two previously approved positions to reflect a higher-level technical skill set needed for configuration duties and support of GenTax. These positions will be critical to learn how to operate GenTax before implementation phases end.

For an initiative of this size and scope, we need to temporarily augment certain staff functions in both business areas and in IT Services, as well as acquire skills that we currently don't have in the department. During implementation, we are back-filling certain positions or contracting out for services to satisfy project and current system needs.

Planned number of FTE required for the remainder of the initiative, including the one additional position requested is demonstrated in the table below.

CSR project team FTE

	2015-17	2017-19
Core systems replacement		
DOR project team:		
Project management team (Three from within Program Management Office)	9	4.5
Technical team	14	7
Business team	13	6.5
Total FTE	36	18

Note: Does not include testing and training activities, which will involve most agency staff at certain times.

We will be coming to the 2017 Legislature with information about the type and amount of resources necessary to operate in our new environment after Rollout 4.

Facilities

- The project team is housed in vacant space at the Revenue building (Room 471).
- Additional space is needed to house testers, trainers, and production support for the life of the project (Room 470). Our 2015-17 cost projections include additional expenses through DAS (will use existing furniture already provided by DAS).
- Three training rooms have been set up in Salem. Training is also being held in field offices.

CSR facilities expenses (in millions)

	2013-15*	2015-17	2017-19	Total
Originally requested (Room 471)	\$0.7	\$0.3	\$0.08	\$1.1
Additional request (Room 470)	-	\$0.2	\$0.06	\$0.3
Total	\$0.7	\$0.5	\$0.1	\$1.4

**Includes a one-time build-out cost to prepare space and purchase of furniture and miscellaneous office equipment.*

Agency-wide, expanded team effort

- Transitioning to a new core system is an agency-wide effort, a major undertaking that uses all of our resources.
- Programs are providing subject matter experts to help configure GenTax.
- Programs also provide staff to thoroughly test the configuration of the system to be sure it will meet their business needs, and provide trainers to create training materials and conduct classes.
- Programs cleanse program data to prepare it for conversion from our legacy systems into GenTax.
- Our IT Services staff is making and testing modifications to our legacy systems before and throughout each rollout.

Contracts

- Contractors are being used where needed.
- Contractors currently engaged on the CSR project include:

Vendor name	Role	Contract type
Fast Enterprises, LLC	Implementation	Fixed price, deliverables-based
CSG Government Solutions, Inc.	Quality assurance, independent verification and validation	Fixed price, deliverables-based
Bluecrane, Inc. and RK Technical Associates, LLC	Project management advisor and schedule controller	Fixed price, deliverables-based
Sierra-Cedar, Inc.	Organizational change leadership	Fixed price, deliverables-based

Enterprise Technology Services (ETS) Costs

- Original ETS cost projections were estimated based on 2011–13 rates with an anticipated inflationary increase.
- We continue to monitor the increased ETS services as we implement and operate GenTax to determine our future usage and ETS costs. To date, actual ETS costs are running below estimates.

Project funding, including Article XI-Q bonds

The CSR project is being financed each biennium through three sources:

- The agency's budget.
- An additional General Fund appropriation for ETS fees, contracted maintenance and support, non-bond eligible general services and supplies, and bond debt service.
- Article XI-Q general obligation bonds.

Six Article XI-Q bonds are being sequentially issued by DAS, each with a seven-year maturity period.

- Bond issuance costs and interest expense to date have been less than originally estimated.
- DAS provides updated bonding costs throughout the project.

Summary

The Department of Revenue is seeking:

- \$17.4 million in General Fund appropriation for 2015–17.
 - \$4.2 million of these costs are for ETS fees and contract maintenance.
 - \$.2 million is for estimated non-bond fund eligible general services and supplies.
 - Debt service costs are projected for \$13 million in 2015–17.
- \$26.7 million in Other Fund limitation for 2015–17 for the debt-financed costs of continuing installation, Rollout 2 and 3 vendor payments, contractor expenses, developer and project management staffing, hardware, and Quality Assurance/IV&V costs. This request includes:
 - One additional FTE for work coordinating data conversion and data cleansing activities.
 - Reclassification of two previously approved technical positions due to more complex skill sets needed for configuration and long-term system support and operation.

Updated project costs will be provided during the 2015 Legislative Session.

Looking to 2017–19

The agency is undergoing substantial transformation as we change our business processes to take advantage of new tools in GenTax. These improved processes and tools require different skill sets and shifts in resources to be most effective in our new environment. We will present the 2017 Legislature with a package that will true-up our resource needs based on our understanding at that time to ensure we have staff working in the right classification and to best position ourselves to execute our mission and vision.

The agency will also be seeking funding for annual maintenance and support costs of the new system after implementation, and estimated ongoing ETS server and storage costs for the new system (net of savings from reduced ETS fees associated with retiring legacy systems). Estimated cost for these items beginning in 2019 is approximately \$8 million per biennium. This provides the agency with system upgrades as new versions of the system are released. This ensures, for example, that 10 years after GenTax is first installed, the agency will be using the most current version. The agency will no longer be concerned with upgrading its core tax system because they will always be operating in the most current system available. System enhancements, if necessary, may require additional funds.

The agency will present new opportunities to enhance compliance and improve service to the governor and the Legislature. We've already identified one opportunity, enhanced fraud detection services. It's contained in a separate Policy Option Package for the 2015 Legislature.

Refund fraud

Tax refund fraud is a growing problem nationwide. In the past, a typical fraudulent refund involved an altered W-2 or enhanced deductions on the return. People have also counterfeited Schedule C returns, which are used to establish earned income for refundable credits. Today, the majority of fraudulent refunds are the result of identity theft. Tax returns are filed with a stolen social security number and fictitious W-2 information. For example, stolen identities from a local organization were gathered by a person in another state and used to file several hundred Oregon returns electronically from another country. Of these, the Department of Revenue caught over \$1.1 million, but paid nearly \$65,000 in refunds. Of that \$65,000, \$40,000 was recovered before the refund was withdrawn from the bank account.

Taxing authorities implement rules-based filters to block many of these refunds. While often successful, the true amount of fraud is unknown. It is also nearly impossible to bill and recall the disbursed funds when fraud is discovered, as the funds are often spent or transferred immediately, and the fraudulent filer's physical location is generally unknown.

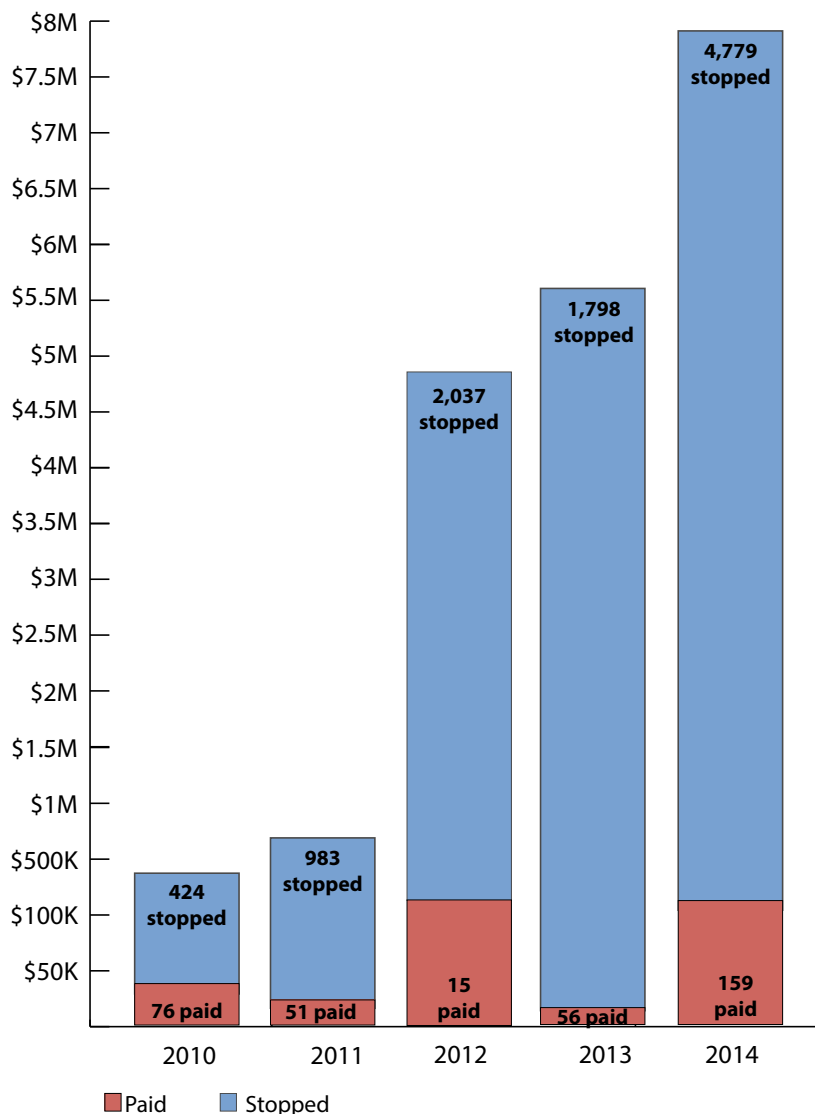
Numbers

Federal

The IRS estimates that \$29.4 billion in fraudulent federal refunds were attempted in 2013. The IRS estimates they stopped or recovered \$24.2 billion (82 percent of the estimated attempted fraud), but issued \$5.2 billion in fraudulent refunds in 2013.

Oregon

In 2014, the department stopped 4,779 fraudulent state refunds (out of 1.9 million returns overall), totaling \$7.85 million. The department paid \$145,279 in fraudulent refunds where fraud determinations were made after refunds were processed and sent.



Note: Paid amounts reflect unrecovered refund amounts.

Source: DOR Personal Income Tax and Compliance program

The agency paid roughly two percent of the total known fraud. If the 18 percent federal estimate for issued and unrecovered fraudulent returns is applied to Oregon, the department could have missed an additional \$1.1 million in fraudulent returns.

Oregon fraud review pilot programs

In the 2013 budget document, the department mentioned two fraud pilot programs. For the first, a vendor reviewed 2.5 million records from 2011 individual tax returns for potential fraud. This review flagged over 92,660 returns as suspicious. Of that, 26,000 were potentially fraudulent, representing \$13.8 million in refunds. This wasn't a paid project and individual account findings weren't shared with the department, so we were unable to verify if refunds were actually fraudulent, or if they matched fraudulent refunds already stopped by our efforts. But, this shows that there is likely more fraud not being caught.

In 2013, the department also paid for a test project with ARM Insight, Inc., from Portland. We sent ARM the Automated Clearing House (ACH) records generated for direct deposit refunds when a refund was processed. Using agreements with banking companies, ARM ran their analytics against the ACH information and other banking transactions. They noted anomalies and suspicious refunds, notifying the department in time to stop the refund before withdrawal. In all, the department verified and stopped 22 refunds identified by ARM, totaling \$10,585. ARM also identified six refunds totaling \$1,485 that were withdrawn, but the department was unable to recover these funds. This project confirmed that the department is doing well in catching fraud, at least in this arena.

Processing refunds

Characteristics of the current tax processing schedule typically hamper the ability to effectively verify a refund before it is issued. For instance, over 50 percent of returns are received and processed before the March 31 due date for employer W-2s. Having the employer data to match returns to during processing would provide additional verification of a taxpayer's income.

There is also pressure to issue refunds promptly. Federal and Oregon law require interest be paid on refunds that take longer than 45 days to issue. The IRS tells taxpayers to expect their refund within 21 days. They averaged 9.6 days in 2013. The department has a key performance measure that sets a 12-day goal for issuing refunds. In 2014, refunds were generally issued in eight days.

Refund delays

The department understands there's a tradeoff between increased fraud detection and slower refund delivery. As noted above, refunds that didn't need manual review were processed in about eight days in 2014. Manual review of refunds in 2014 averaged 60 days to complete and issue a refund. Two years ago, the review of an e-filed return took about 26 days until the refund was issued.

For the last two processing seasons, the department shifted its philosophy and process. The department suspended more returns for potential fraud and reviewed more refund returns. We also focused more on quality than quantity. We changed the review process and strengthened our procedures. While improving fraud detection, refunds took longer to process.

Future strategies

Because of the growing tax refund fraud industry, the department recognizes it must evolve to be successful in mitigating refund fraud. The department has various future strategies, including:

- Continuing use of our own internal business rules, processes and dedicated staff resources.
- Implementing a data exchange with other states through GenTax (2015 PIT rollout).
- Adjusting resources for fraud detection within GenTax in the coming years (beginning with the 2015 rollout). It will take some realigning to deal with additional returns being flagged for potential fraud. Taxpayers with legitimate refunds will also be impacted, as their refunds may take additional time and effort to be resolved. It will take a year or more to analyze, measure, and adjust to address these needs.
- Using a commercial data analytic product from Thompson Reuters. Thompson has partnered with Fast Enterprises, Inc. to integrate the analytics into GenTax. These analytics:
 - Vastly improve the ability to recognize identity theft.
 - Automate the current, mostly manual process.
 - Provide insurance/backup to the department's efforts.
 - Help prevent fraudulent refund perpetrators from gravitating to Oregon as a state that doesn't engage in some additional fraud prevention efforts.
- Implementing real-time withholding match. The department is proposing (with the Employment Department) the development of a real-time withholding match system for processing tax returns. This effort will help limit W-2/wage earner fraud and enhance the department's wage earner non-filing program.

Summary

- We are presenting a package for legislative approval to fund and implement real-time withholding matching and the implementation of additional fraud detection tools through GenTax.

Income Tax Programs

The Department of Revenue's income tax programs are responsible for approximately 94 percent of the biennial General Fund divided across personal income tax (\$13.77 billion) and corporation income and excise taxes (\$1.06 billion). Administration of these tax programs is divided between two divisions: the Business Division and the Personal Tax and Compliance Division. Both are responsible for processing returns, auditing, and collections.

The Business Division directs and manages tax programs where the primary interaction is with business or commercial interest. The Business Division also administers the state's captive collection agency known as Other Agency Accounts (OAA). Division programs include:

- Corporation income and excise taxes.
- Payroll taxes and withholding.
- Fiduciary and inheritance/estate.
- Other Agency Accounts.
- Tobacco taxes.
- Other miscellaneous taxes (e.g. amusement device, lodging, 911, etc.).

The Personal Tax and Compliance Division administers the state's personal income tax program. The division commits its resources to strategies that enhance voluntary compliance, such as debt collection, filing enforcement, audits, and assisting taxpayers with filing returns and paying taxes. The department received over 1.9 million personal income tax returns in 2014.

Income tax strategies

Current initiatives

One area of tax compliance work that the department allocates its resources to is filing enforcement. This activity occurs when an individual or business that is required to file a tax return fails to do so. The majority of these cases are selected based on federal tax information from the IRS. We use this data to match against our own records to identify non-filers.

We recently reviewed our processes and made some changes to streamline the filing enforcement process. We removed the requirement to research current employment status on some cases to speed up the process because the goal is to gain voluntary compliance in filing tax returns, not necessarily to collect additional tax.

We also reduced the amount of review necessary before sending tax assessments to non-filing taxpayers. The assessments are based on federal tax return data. While this may not be the full picture of Oregon tax, it is the best information that we have. Because the data does not require adjustment, lower levels of review are appropriate to ensure that policies are being followed. In addition, taxpayers always have the option to file an actual return to correct their tax. We anticipate that these processes will become even more streamlined with the implementation of GenTax because the information we use for our filing enforcement work will be in one computer system, which will allow more automation.

In the corporate tax area, the filing enforcement process is further complicated by complex areas of law, such as economic nexus, which doesn't rely on people or physical assets in the state when determining taxability. An effective strategy for this tax program is to focus on known areas of non-filing, such as certain industries with historically higher percentages of non-filing.

The corporate tax area also uses indexing based on industry specific economic data to assess tax when actual income information is not available. Even though the corporate tax program was in the first rollout of GenTax, it will take some time to learn about and fully utilize all of the tools available in the new system.

During the 2014 (tax year 2013) processing season we ran a pilot project in which some auditors reviewed returns during processing. There are several things that we learned from this process. First, examining issues on a return soon after filing resulted in a much higher response rates from taxpayers. This is possibly because the records we requested were recently used for the return and, therefore, easier for the taxpayer to locate and provide to us.

We also learned that there are some issues that are too complicated to audit during processing. We believe this project led to more accurate adjustments being made, however, the only measure for this is to track the number of appeals from this work, and it's too soon to tell if there will be long-term gains. We plan to use auditors again during the 2015 processing season focusing their work based on what we learned last year.

Anticipated tools in Gen Tax

In our corporate filing enforcement work, we will be automating mailings and non-filer determinations more than we do in our current systems. We are exploring the potential for greater use of industry information (North American Industry Classification System, or NAICs) gathered to estimate the amount of tax owed by non-filing companies.

We also anticipate being able to better use information from the IRS, other state agencies, and other sources to identify non-filers and to determine tax that should be paid. This information will accumulate over a few years and provide greater benefit to non-filer determinations in the future.

The new system will allow us to better track and monitor loss items and tax credits that can be carried forward or applied back to previous tax years to reduce tax. With this feature, we will be able to more accurately provide information on unused losses or credits and the potential impact to future tax revenues. We will also be able to more efficiently enforce compliance through automated examination of claimed amounts during processing and the limitations on carryback or carryover periods for these items.

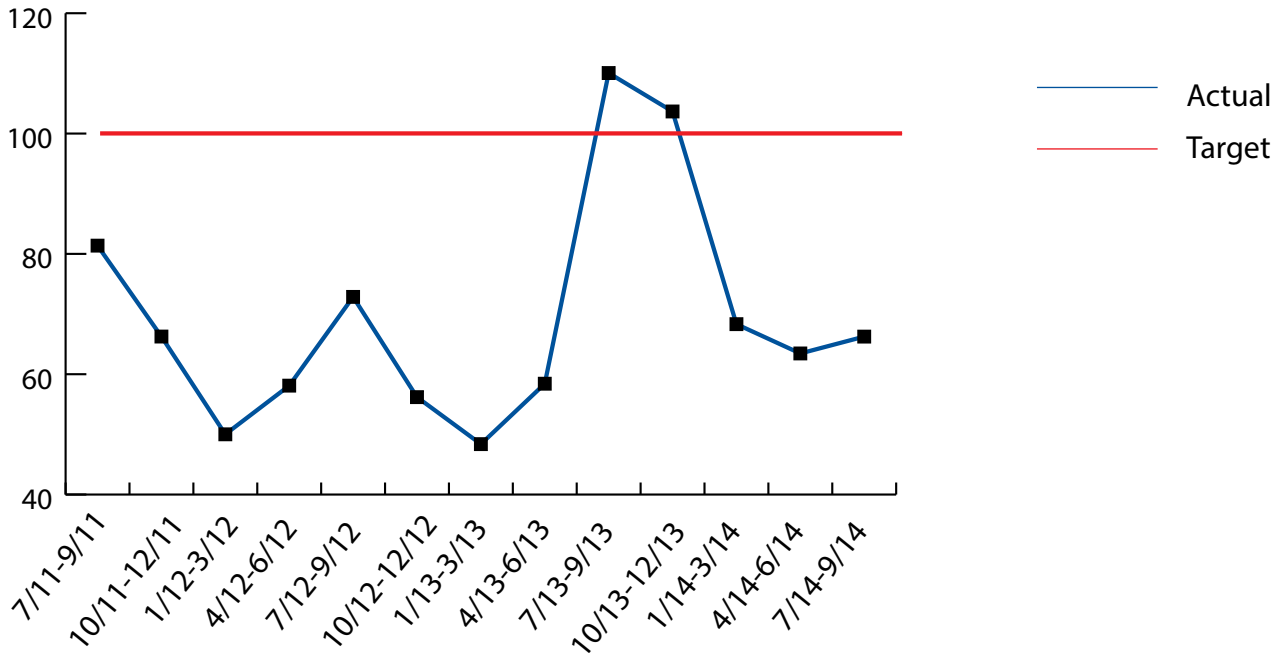
Operational measures

There are four measures used to evaluate the overall performance of the Business and Personal Tax and Compliance divisions.

Non-filers acted on

This measure tracks the percentage of non-filers the department takes an action on. For each quarter, it compares the number of "request to file" notices that the department sends out to the number of non-filers added to the non-filer system. It covers the personal income tax and corporate tax programs. The target is to take action on 100 percent of non-filers.

Non-filers acted on

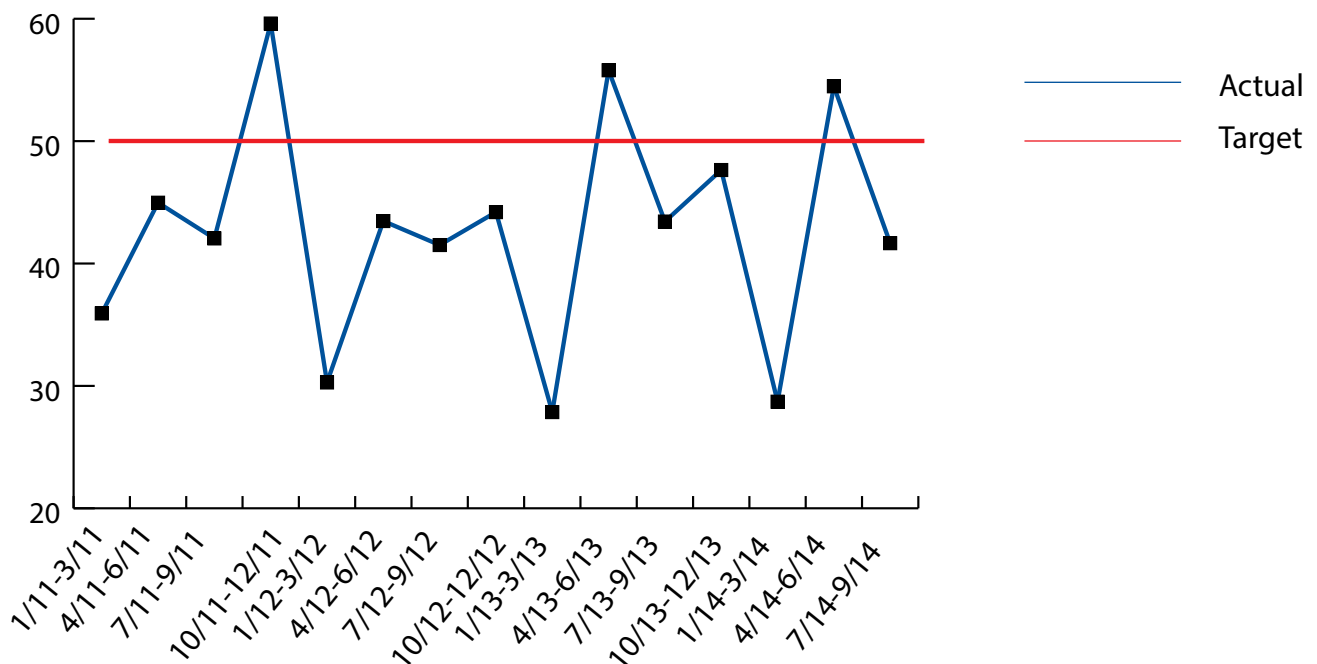


Source: DOR personal income and corporation tax programs

Suspense effectiveness

This measure tracks the department's suspense process by calculating the percentage of suspended returns that result in adjustments. Suspense is an automated process that identifies tax returns with errors, problems, and other red flags for additional review. It covers the suspense function for personal and corporate income taxes. The target is to adjust 50 percent of the returns that suspend.

Suspended/verified returns

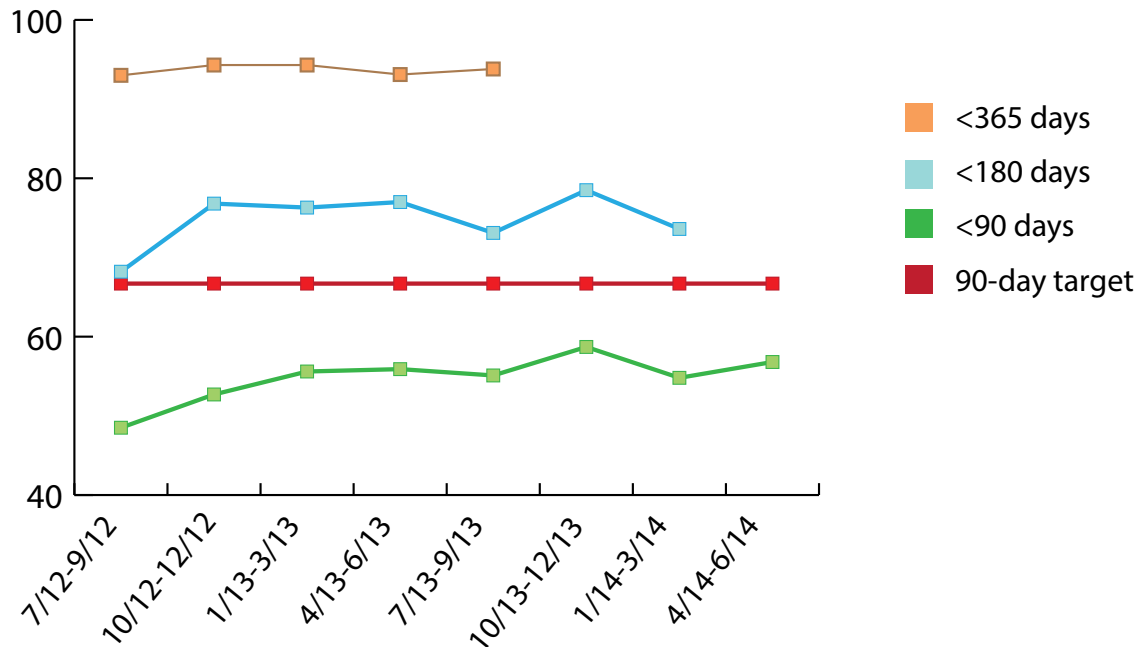


Source: DOR personal income and corporation tax programs

Liability movement

This measure tracks how efficient the department is at moving liabilities through the collection pipeline. It looks at the subset of liabilities that enter “active collections” status and determines the percentage of those liabilities that are resolved within 90 days, 180 days, and 365 days. It covers personal tax, corporate tax, and payroll tax collections.

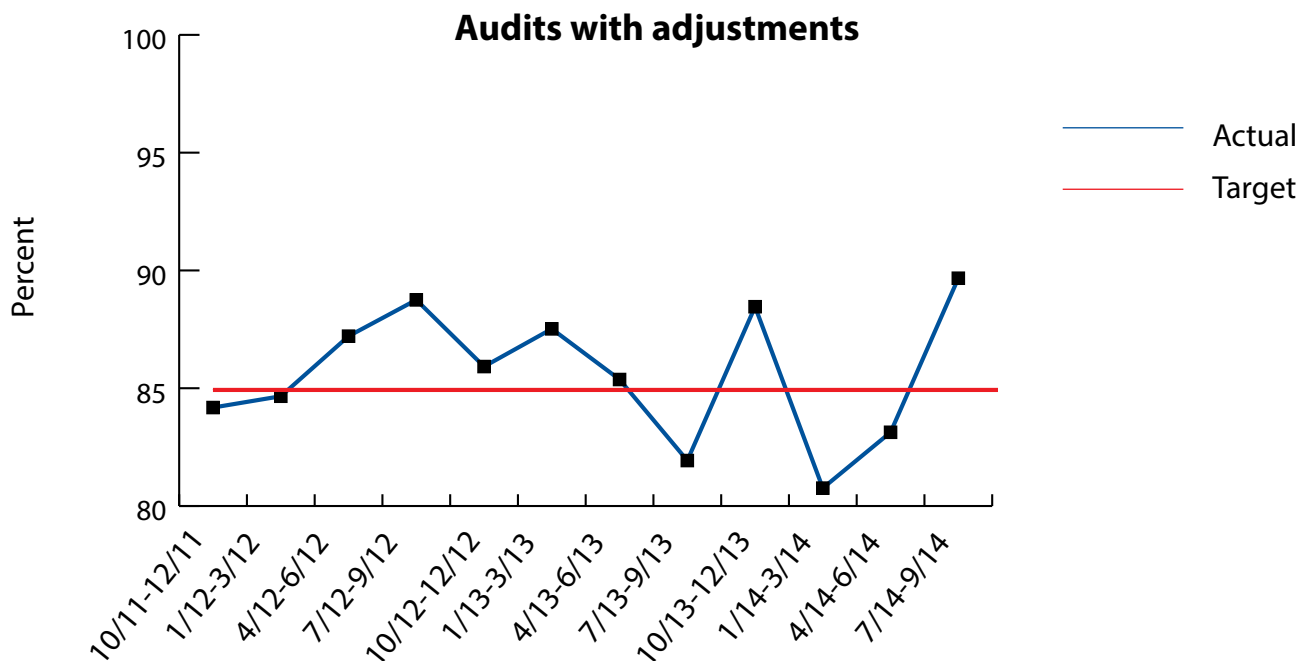
Liabilities moved out of active collections



Source: DOR personal income and corporation tax programs

Audit selection effectiveness

This measure tracks the percentage of the department’s audits that result in adjustments in the personal income tax and corporate tax programs. The target is 85 percent.



Source: DOR personal income and corporation tax programs

Return data

In the Personal Income Tax program, more than 92 percent of the returns are prepared with software. Software helps eliminate errors, specifically those related to the math done on the return and around limits for deductions and credits. The high rate of software use helps lower the suspense rate. The suspense rate for e-filed returns averaged just 8 percent for 2014, compared to 24 percent for paper-filed returns.

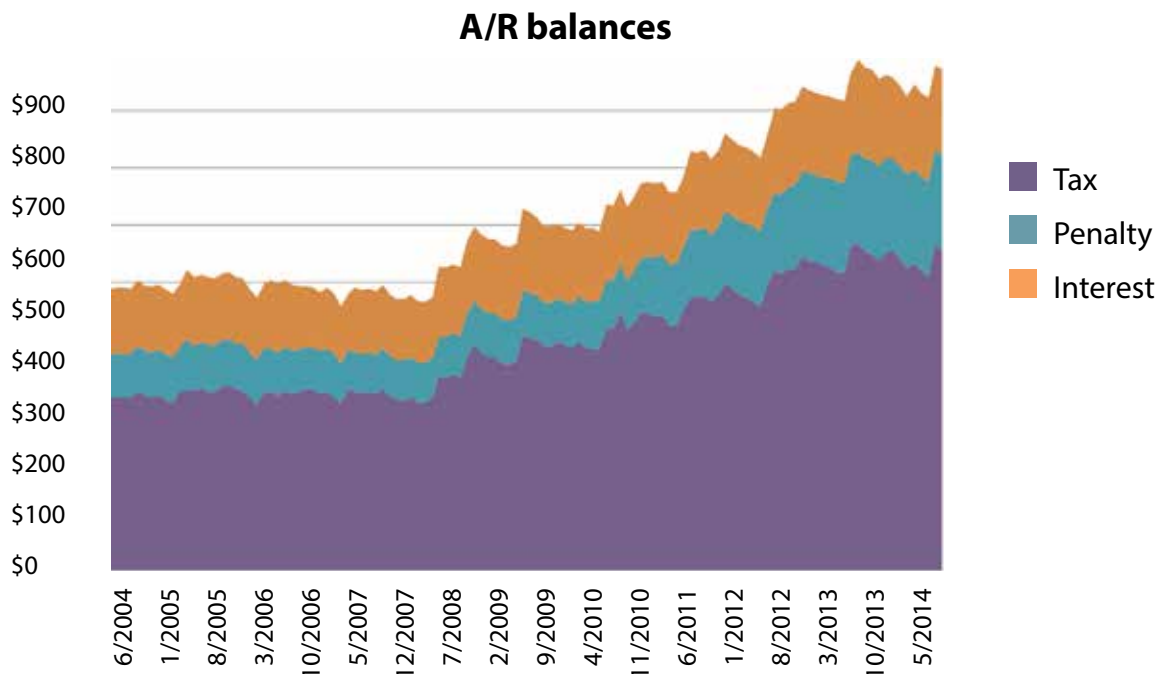
As a side note, e-filing has become the norm. Only about 7 percent of returns were paper filed in 2014. Because of this, the department will stop printing and automatically mailing income tax books in 2015.

Accounts receivable (A/R) management

- Tax liability is intended to be self-reported. At the end of fiscal year 2014, about 35 percent of outstanding tax debt in all income tax programs was self-reported. The department has no discretion on whether this debt is added to A/R.
- Approximately 65 percent of outstanding A/R are from liabilities created through department compliance activities. This is an important part of our mission.
- The amount of tax assessed by the department to non-filers is an estimate and includes penalties for non-filing. That estimate is almost certainly incorrect because the department does not have complete knowledge of taxpayers' income, and generally has even less knowledge of deductions and credits that may be allowed if the taxpayer were to file a true return.

Process improvement

A review of A/R balances over the past 10 years helps identify trends. Some trends are related to taxpayer economic circumstances, and some are related to changes in department strategy or tax law.



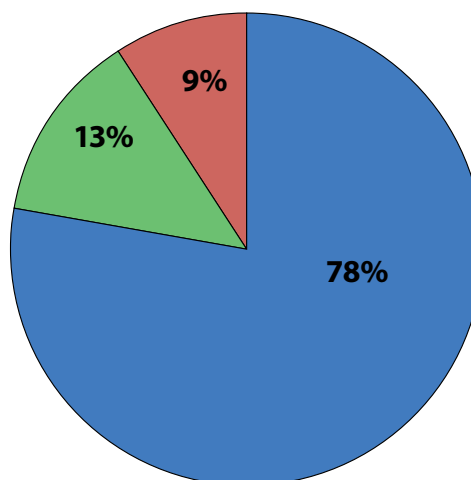
Source: DOR Research Section

Composition of accounts receivable

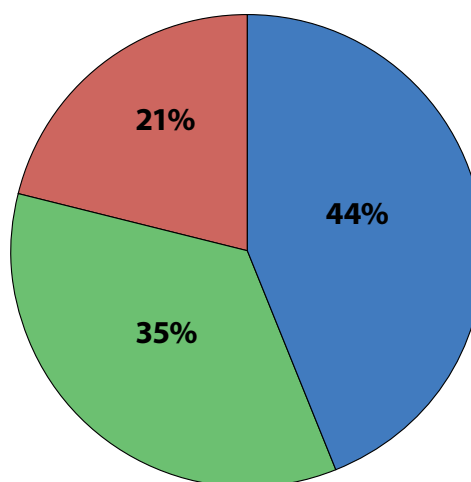
A view of accounts receivable at a point in time can provide some context for analysis. Note, the category “Other” is primarily self-assessed.

Income taxes accounts receivable, as of June 30, 2014

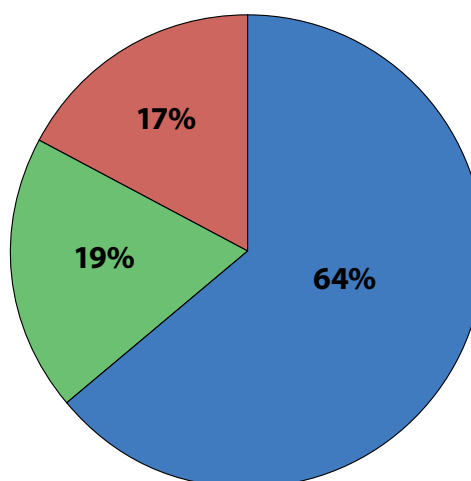
PIT	\$680 M
Corp	\$114 M
Withholding	\$79 M
	\$873 M



Deficiency	\$183 M
Filing enforcement	\$380 M
Other (Primarily self-assessed)	\$310 M
	\$873 M



Tax	\$558 M
Penalty	\$163 M
Interest	\$152 M
	\$873 M



Source: DOR Personal Income and Corporation Tax programs

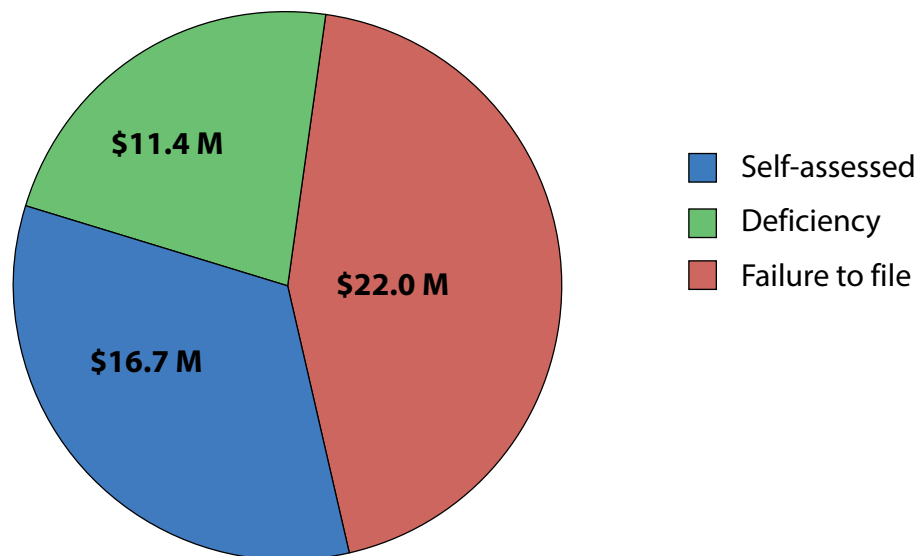
Uncollectible debt management

A component of the tax compliance POP includes the process of writing off or cancelling the department's uncollectible accounts receivables. The department hired 11 positions (10 revenue agents and one manager) to help accomplish this goal. Their work focused on locating accounts that met the criteria of ORS 305.155 (Cancellation of Uncollectible Tax) and ORS 293.240 (Writing Off Uncollectible Debts Due State Agency).

From July 2013 through December 2013, the department reduced the A/R by 25,543 liabilities, for a total of \$50.1 million.

The department planned two periods of time to focus on removing uncollectable accounts. The first period was July through December 2013. The second period will finish prior to the end of this biennium.

Reductions of accounts receivable by account type, as of June 30, 2014



Source: DOR personal income and corporation tax programs

Managing uncollectable debt in the future

The department is in the process of implementing Rollout 2 of its Core Systems Replacement project. We are building proper business requirements into GenTax to automate cancellations and write-offs.

We also continue to collaborate with the Department of Administrative Services, Institute for Modern Government, and other stakeholders toward future uncollectable debt management solutions.

The Property Tax System in Oregon

Oregon's property tax system generated over \$11.3 billion in the 2013–15 biennium to fund public schools, police, fire, and other local government services. The counties and the state have a shared responsibility for ensuring statewide uniformity and accuracy in assessment and taxation.

Counties

Each of the 36 counties is responsible for all aspects of direct assessment and taxation (A&T) administration within its county. Counties work cooperatively with each other and the department in addressing shared issues. Total A&T staffing in the counties is approximately 835 FTE.

Department of Revenue

The department, through the Property Tax Division (PTD), has overall supervisory responsibility for the property tax system and is tasked with providing oversight in all areas of property tax administration (appraisal, assessment, tax collection, budgets, and appeals). In addition to the oversight function, PTD is also responsible for valuing all centrally assessed properties and industrial manufacturing properties with values in excess of \$1 million. The division also provides general assistance to counties and taxpayers and administers the Property Tax Deferral for Disabled and Senior Citizens programs, several timber tax programs, and the ORMAP and cadastral mapping programs.

PTD is funded for 97 FTE, split between the Support, Assistance and Oversight (SAO) and Valuation Sections. This is a decrease from 135 FTE in 2001.

PTD consists of five major program areas:

- Valuation (industrial and centrally assessed property).
- County assistance, support, and oversight.
- Property tax deferral.
- Timber tax.
- ORMAP and cadastral.

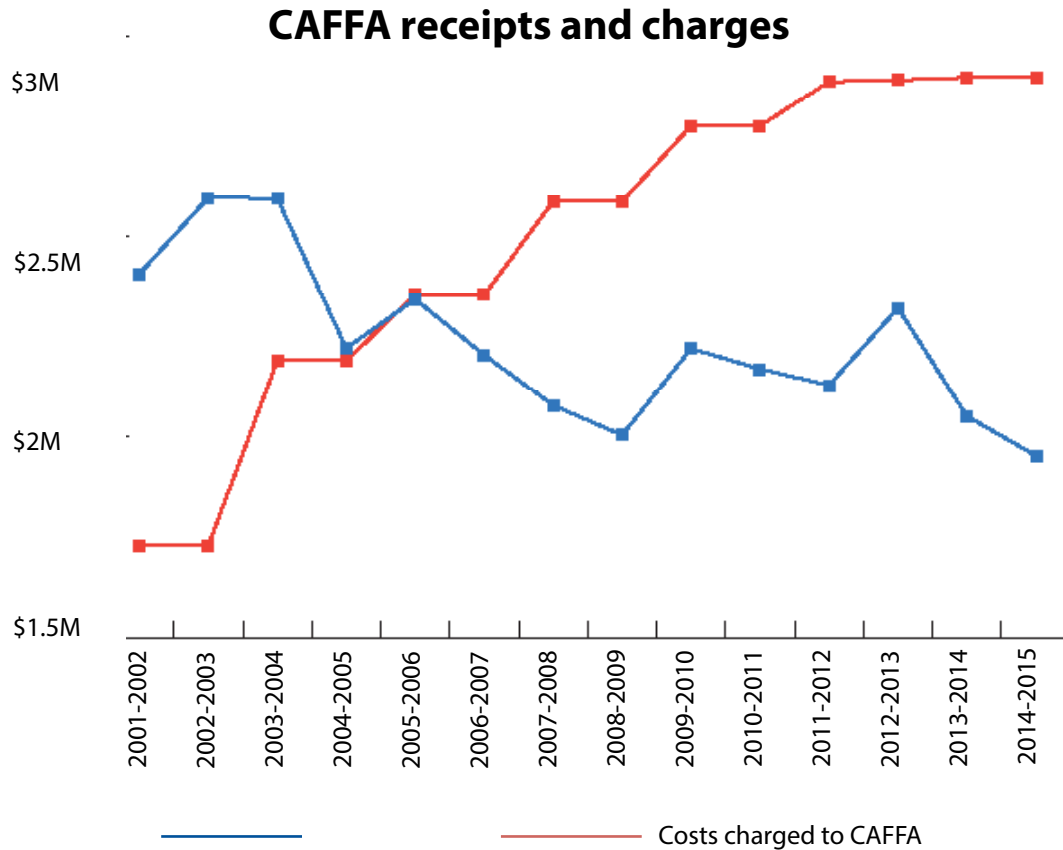
Valuation Section

The department is responsible for appraising, at market value, all industrial manufacturing properties in the state with a value of \$1 million or more, in addition to centrally assessed companies such as communications, utilities, and railways. Approximate property tax revenue raised from valuing industrial and central assessments is \$1 billion for the 2013–15 biennium.

The department annually appraises approximately 850 sites, almost 4,200 accounts, and nearly \$25 billion of real and personal industrial property value in the state. The department also appraises approximately 600 utility, energy transmission, communications, and transportation companies with an assessed value of approximately \$20 billion.

Funding for this work comes from a General Fund appropriation and up to 10 percent annually from the County Assessment Function Funding Assistance (CAFFA) account. The

CAFFA program is a grant program created in 1989 by HB2338 to provide an additional funding source for A&T functions. Money for the program comes from a portion of the interest charged on delinquent property taxes and a portion of the fees charged for recording documents. The department distributes 90 percent of the money to the counties and retains up to 10 percent for administration of the grant program and appraisal of principal and secondary industrial and centrally assessed properties.



Source: DOR's Property Tax Division

The CAFFA funding stream has been relatively stable for the past 12 years while the costs and complexity of performing the appraisals have increased significantly. We anticipate that costs associated with performing appraisal work will continue to rise, while the available CAFFA funding will remain flat or possibly decrease.

In addition, the number of properties appraised have increased while the number of appraisers has decreased.

- The number of industrial sites under department responsibility has remained fairly stable since 2001, with a total number of sites in the mid-800s.
- The number of the department's utility companies for appraisal increased over 35 percent (from approximately 440 to over 600) between 2001 and 2013.
- The number of appraisal staff in the Valuation Section decreased from 44 in 2001 to 38 today.

Funding challenge

Without additional funding to offset the gap between available CAFFA revenue and the costs associated with completing statutorily required appraisal work, our ability to complete the

work accurately and timely is at risk. The current gap between available CAFFA funding and expenses is \$1.8 million for the 2015–17 biennium, representing approximately 10 positions.

In an effort to address this increased workload, there have been significant organizational changes in both the Valuation Section and the division as a whole. We have created teams that are dedicated to specific functions to better align available resources with identified needs. In addition, we've made many process improvements that increased both the quality of the work being completed, as well as the quantity (See Appendix A for examples). The program is also making better use of metrics and available data to improve program performance. We've largely reached the limits of our current capabilities, and our ability to make additional improvements is becoming increasingly limited, especially with the tools and staff available.

Technology challenge

The Valuation Section relies on antiquated applications and internally developed, stand-alone systems to assist in the appraisal of department accounts. We lack any kind of industry-standard computer-assisted mass appraisal (CAMA) system that integrates all the necessary data to effectively manage appraisals. Appraisers spend significant time on manual processes, which could be better spent performing appraisal work. In addition, the technology architecture the system is built on is no longer supported, putting us at risk of losing functionality at some point in the future.

Based on our analysis, we believe the appropriate way to address the problem identified above is to fund and deploy a commercial off-the-shelf software system. The proposed funding mechanism is debt financing through a Certificate of Participation.

County Support, Assistance and Oversight Section

The role of the SAO Section is to provide a variety of services to our county partners, taxing districts, and taxpayers. As with the Valuation Section, the SAO Section has experienced a reduction in staffing (approximately 30 percent) over the past decade. We've made significant changes in our organizational structure to better align our resources with identified needs, especially those in the counties.

Given the current funding issues facing a number of counties, especially the timber-dependent counties, the department remains committed to providing an appropriate level of support to ensure the continued integrity of all county A&T programs.

Direct support to taxpayers and counties

Deferral programs

As part of our direct support responsibilities, the department administers the Property Tax Deferral for Disabled and Senior Citizens programs. These programs pay the property taxes for qualified disabled and senior citizens in exchange for a lien against their property for the estimated amount of the deferred taxes plus interest.

Starting around the 2007-09 biennium, money spent on property tax payments exceeded the amount of repayments, due to a variety of mostly economic factors, threatening the viability of the program. The Legislature made changes to eligibility requirements during the 2011, 2012, 2013, and 2014 sessions that ensured continued self-sufficient funding for the program, but also contributed to increased administrative complexity, significantly increasing the workload of program staff. Additional work included increased correspondence, handling appeals, and

responding to communications from both taxpayers and county staff. Application processing and review time has increased by over 800 percent.

Prior to 2011, the program was administered with three FTE. Since 2011, we have added a policy analyst and an administrative specialist to the team to coordinate processing and policy changes, and respond to appeals. For the 2013 and 2014 processing seasons (December–June), we used six temporary seasonal positions to process applications and respond to taxpayer requests.

The result of these temporary staffing changes and enhancements has been a significant improvement in the service level to taxpayers already in the program and for those seeking to enroll in the program. We have moved from a situation where taxpayers often waited weeks or more to have their eligibility determined or receive answers to questions, to now having sufficient resources to meet the expectations of the majority of participants.

In addition to managing changes to the eligibility requirements, the deferral program is migrating to GenTax in 2015 (Rollout 2), creating an additional workload challenge this year. To ensure we are able to manage the program effectively, we are seeking to make these staffing additions permanent.

Cadastral mapping services to counties

Another area of direct support to the counties is our cadastral program. The department has the responsibility of providing direct cadastral mapping services to a number of mostly small, eastside counties. The number of counties requiring support has decreased over the past several years from 14 to nine, due to a variety of factors, including improved collaboration between counties and enhanced technologies. As the needs from the counties have changed or decreased, we have been adjusting our resource level and skill sets to ensure we remain aligned with their needs, both now and into the future. The Cadastral Information Systems Unit (CISU) has been reduced from 20 FTE in 2003, to nine FTE today. In addition, the majority of remaining resources are now focused on training and oversight of all 36 counties rather than direct support to just a few. Unit staff continue to perform statutorily required work, including boundary change approvals (ORS 308.225).

Assistance to counties, taxing districts and taxpayers

County support and assistance is primarily accomplished by setting standards, monitoring programs, providing training, and offering direct assistance to individual counties through a variety of special programs.

Program staff provides direct assistance and support to assessors and their respective staffs either remotely or on-site in the county. In addition, analysts work with local taxing districts and counties on a variety of budget, tax calculation, tax collection, and exemption issues. The section has specialists in all program areas including farm/forest, exemptions, mass appraisals, CAFFA, ORMAP, cadastral, deferrals, Measure 50 exception value, and others.

Oversight of property tax system

As county A&T budgets continue to be tight in parts of the state, and mostly static in others, county A&T staff are under pressure to complete work to ensure operations are functioning adequately. As the supervisor of the system, the agency is responsible for ensuring the

statutory work is completed and the integrity of the system as a whole is maintained.

To do this, we rely on a combination of the following:

- Maintaining a positive working relationship with each county.
- Regular communication with individual counties.
- Collaboration with the county assessor and tax collector associations.
- Performance metrics.

Collaboration

The property tax system in Oregon is extremely complex. As counties face continued funding pressures, it is critical that collaboration occurs, where possible. Assessors, tax collectors, and the department are working diligently to identify ways to improve efficiencies and the quality of the products we produce. Some counties are now providing cadastral support for other counties, and several southern Oregon counties are exploring ways to share commercial appraisal and personal property staff. Other counties are exchanging services (e.g., cadastral mapping support and GIS services) under intergovernmental service agreements, depending on where the expertise resides. The department is working jointly with the counties on ways to improve appraisal training and standardize the skill sets of county and state appraisers, something that couldn't be done individually.

Metrics

In an effort to better ensure that work in the counties, and here at the department, is done well, we are working with counties and our Research Section to identify better ways to measure performance as a way to better target resources and address possible issues. We are adopting two new KPMs to measure the quality of property valuations in the counties and by our industrial and utility appraisers.

In addition, we are looking at available data provided by counties to identify potential issues or areas of concern. Our current analysis of three pilot counties indicates work is largely being done in accordance with statutory requirements. We plan to extend the analysis to additional counties in the coming year and will continue until all counties are analyzed and any issues are addressed.

Finally, we are exploring technology tools that could be used by agency appraisers and other specialists to gather, store, analyze, document, and measure appraisal work in a way that will improve both efficiency in completing the work and the quality of the work products.

Key performance measures

I. Executive summary

II. Key measure analysis

1. *Deleted.*
2. *Replaced with key performance measure 14: Appraisal program equity and uniformity.*
3. *Replaced with key performance measure 15: Appraisal value uniformity.*
4. *Replaced with key performance measure 13: Effective taxpayer assistance.*
5. *Replaced with key performance measure 18: Cost of assessments.*
6. *Replaced with key performance measure 17: Collection dollars cost of funds.*
7. *Replaced with key performance measure 16: Direct enforcement dollars cost of funds.*
8. Average days to process personal income tax refund.
9. Percent of personal income tax returns filed electronically.
10. *Replaced with key performance measure 19: Employee engagement.*
11. Employee training per year.
12. Customer service.
13. Effective taxpayer assistance.

III. Using performance data

Executive summary

Scope of report

The agency's key performance measures (KPMs) are intended to represent our major business outcomes in the income tax and property tax programs.

These measures address the agency's major functions, including collecting revenue, auditing returns, and assisting taxpayers.

The Oregon context

The Department of Revenue is a key strategic and operational partner in providing healthy tax systems and long-term revenue stability for the state of Oregon. Our mission of making revenue systems work to fund public services includes strong work values around operational excellence and fiscal responsibility. The experience and skills required to support our mission significantly contributes to the governor and the legislature providing the best possible future for all Oregonians.

Our performance is guided by the agency's vision that emphasizes the importance of tax administration and service, operational excellence, and a safe and positive work environment. We currently have 12 department performance measures that tell us how well we are doing in these areas. Our organizational strategic vision is designed to move and motivate the department for many years. To continue making this vision a reality, we are committed to innovating, streamlining, and using the most appropriate tools and technology available to us.

The agency continually collects, analyzes, and communicates information from and to stakeholders to build healthy relationships, better understand stakeholder needs, and drive continuous improvement in our operations.

Performance summary

We have 12 key measures of performance linked to our mission and vision. Successes during the past year include a significant increase in the dollars collected per revenue agent per month. Success in this area is at least partially due to increased staffing and process changes, including a focus on issuing garnishments in Spring 2014.

We also saw an increase in the number of personal and business income tax cases closed per revenue agent per month. Again, success was due to increased staffing in the programs overall, including the increased support provided by phone agents.

We continue to see growth in the number of personal income tax returns filed electronically. More and more taxpayers are filing electronic returns, improving speed and efficiency of processing and reducing costs (KPM #9). However, the number of days to process a return, which was trending downward due to additional emphasis on tax return review to reduce refund fraud has increased (KPM #8).

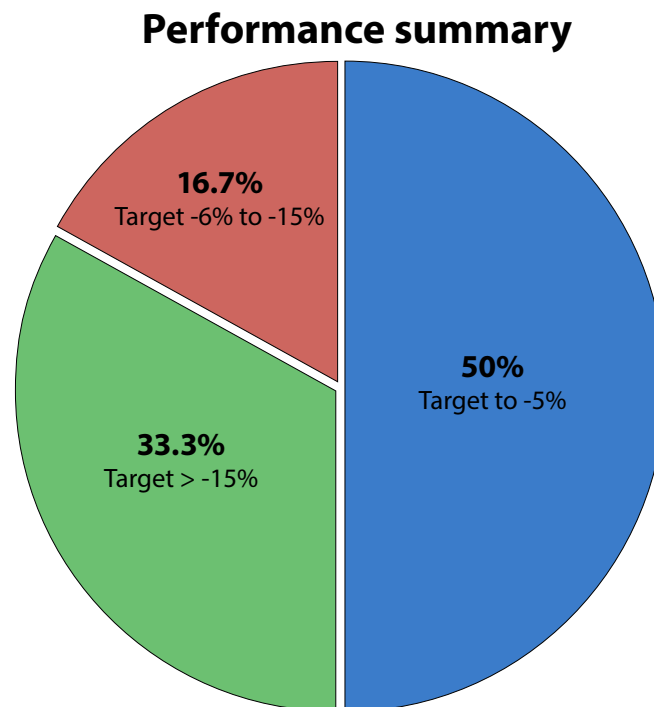
The department's leadership team made a commitment to increased employee training and development at the beginning of the 2013-15 biennium. The result is a significant increase in the percentage of employees who received over 20 hours of training in FY 2014. In FY 2013, the percentage of employees receiving over 20 hours of training was 27, and in FY 2014 the percentage

was 46. Although a significant increase, it is still short of the goal of 60 percent of employees with over 20 hours of training.

We saw the effective taxpayer assistance measure (KPM #13) remain relatively the same as FY 2013. This measure rolls up results from three different, weighted components: call wait times, successful self-help, and customer service satisfaction. While all three components saw changes, the more heavily weighted components of reduced wait time and successful self-help drove this measure upward. The most significant change was in reduced call wait time due to factors including full staffing, a new Interactive Voice Response system, and initiating caller-elected call back in Spring 2014.

We had some challenges in meeting some performance measures, including the personal income tax non-filer assessments issued per employee per month (KPM #5) and delinquent returns filed after compliance contract per filing enforcement employee per month (KPM #7). In both of these measures, the targets were not met and the results dropped between FY 2014 and FY 2013. Some factors that may be affecting results may include significant staffing turnover in these areas and a better economy that may be increasing the number of people filing voluntarily and paying on time.

The percent of assessor's maps digitized in GIS format (KPM #3), has progressed, although it has still fallen short of goals, due largely to a diminished funding stream. The agency's customer service measure (KPM #12) declined significantly from 2013 to 2014. We implemented new technology for FY 2014 to capture customer service survey information on an ongoing basis, rather than once per year. This change resulted in a much larger sample of customers responding to the survey during all parts of our business cycles. Due to survey results, the program has implemented short-term and long-term plans to improve customer service, including adding questions to the survey to determine why people are calling, which will allow us to



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pinpoint problem areas and tailor improvements. Longer-term options for increasing customer service include customer service training for staff, more self-sufficiency options online through the new core systems, and piloting live-chat instant messaging with the public. Some measures stayed essentially the same between 2013 and 2014. The percentage of property taxes collected is up slightly. We expected this is based on the positive changes in the economy.

Challenges

Over the next four years, we will be replacing our core information technology systems. This investment will allow for increased efficiency in our income tax programs and update the tools and data that our employees use to do their work. The project will have four phases over four years, and different programs will implement the software at each phase. We anticipate that program efficiency and effectiveness may dip at various points in time as employees learn the new systems and still have to operate in the old environment through the transition periods. In addition, as the agency has reviewed its KPMs and strategic plan, we have found that some of the measures we currently have are not the best measures to track our performance over time. The agency believes that KPMs #1, #2, #3, #5, #6, #7, and #10 need to be deleted. New KPMs were discussed during the 2014 Legislative Session and will be reviewed during the 2015-17 budget development process. We believe the changes to the KPMs proposed by the department will provide better information to our programs to adjust resources to meet strategic outcomes.

Resources and efficiency

The agency's Legislatively Approved Budget for the 2013–15 biennium is \$230,843,872, which represents a significant increase from the previous biennium.

The increase is mainly due to two policy option packages adopted for the 2013–15 biennium including the Core Systems Replacement project and an additional 31 positions to assist in increasing tax compliance. The department had mixed results on its key measures, including its efficiency measures, over the past year.

KPM #	2013–14 Approved KPMs
1	Dollars collected per revenue agent, per month (personal income tax).
2	Percent of property taxes collected.
3	Percent of assessor's maps digitized in a GIS format.
5	Personal income tax non-filer assessments issued per employee, per month.
6	Personal income tax and corporation tax cases closed per revenue agent, per month.
7	Delinquent returns filed after compliance contact per filing enforcement employee, per month.
8	Average days to process personal income tax refund.
9	Percent of personal income tax returns filed electronically.
10	Employee work environment (based on a scale of 1-6).
11	Employee training per year (percent receiving 20 hours per year).
12	Customer service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.
13	Effective taxpayer assistance: Provide the most effective taxpayer assistance services by a data-driven combination of direct assistance and electronic self-help services.

New/ Delete	Proposed KPMs for biennium 2015–17
New	<p>Title: Appraisal value uniformity - We will demonstrate our ability to deliver high quality business results by measuring appraisal equity.</p> <p>Rationale: This is a replacement measure. The previous measure, KPM #3, was too narrowly focused and did not reflect our core work. The Property Tax Division is proposing this replacement measure as a way to gauge our ability to deliver statutory real market value to county assessors.</p>
New	<p>Title: 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 for every direct enforcement dollar received by our agency.</p> <p>Rationale: This is a replacement measure for KPM #7. This new measure is a more holistic view of the efficiencies of our direct enforcement work, including audit, filing enforcement, and collections functions. We will show the effectiveness of our direct enforcement processes and strategies by measuring the cost of each direct enforcement dollar we receive.</p>
New	<p>Title: 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 for every dollar collected by our agency.</p> <p>Rationale: This is a replacement measure for KPM #6. This new measure is a more holistic view of the efficiencies of our collections function. We will show the effectiveness of our collections processes and strategies by measuring the cost of each dollar we collect.</p>
New	<p>Title: Employee engagement - Index of employees considered actively engaged by a standardized survey.</p> <p>Rationale: This is a replacement measure for KPM # 10. This change will allow us to compare standardized survey data with other public and private sector organizations. A third-party administers the survey, increasing objectivity.</p>
New	<p>Title: 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.</p> <p>Rationale: This is a replacement measure. The previous measure, KPM #2, was largely outside our influence and didn't accurately reflect the work we do in a meaningful way. This new measure directly evaluates conformity with accepted appraisal standards, and targets our plan for action (training, assistance, support) when counties do not meet those standards.</p>

New	<p>Title: 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.</p> <p>Rationale: This is a replacement measure for KMP #5. This measure is a more holistic view of the efficiencies of our audit (including adjustments made to returns during processing) and filing enforcement work. We will show the effectiveness of our audit and filing enforcement processes and strategies by measuring the cost of each dollar assessed.</p>
Delete	<p>Title: Dollars collected per revenue agent, per month (personal income tax)</p> <p>Rationale: This measure is being proposed for deletion. The sampling methods developed for gathering the data for this measure are no longer measuring the representative work of all collectors, but a non-representative sample. This is resulting in numbers that do not accurately reflect the work of our collections staff. In addition, because it focuses on only one classification of employee, the measure is not representative of the collection function as a whole since the function requires managers and support staff, as well as all levels of revenue agents in order to produce effective and efficient collections functions. We propose this measure be deleted because it is no longer effective in helping us run our business, nor is it sharing a realistic picture of the collections function.</p>
Delete	<p>Title: Percent of property taxes collected</p> <p>Rationale: This is being replaced with proposed KPM #14. Please see previous page for title and rationale.</p>
Delete	<p>Title: Percent of assessor's maps digitized in GIS format</p> <p>Rationale: This is being replaced with proposed KPM #15. Please see previous page for title and rationale.</p>
Delete	<p>Title: Personal income tax non-filer assessments issued per employee, per month</p> <p>Rationale: This is being replaced with proposed KPM #18. Please see previous page for title and rationale.</p>
Delete	<p>Title: Personal income tax and corporation tax cases closed per revenue agent, per month</p> <p>Rationale: This is being replaced with proposed KPM #17. Please see previous page for title and rationale.</p>
Delete	<p>Title: Delinquent returns filed after compliance contact per filing enforcement employee, per month</p> <p>Rationale: This is being replaced with proposed KPM #16. Please see previous page for title and rationale.</p>
Delete	<p>Title: Employee work environment (based on a scale of 1–6)</p> <p>Rationale: This is being replaced with proposed KPM #19. Please see previous page for title and rationale.</p>

Key performance measure 8

Average days to process personal income tax refund

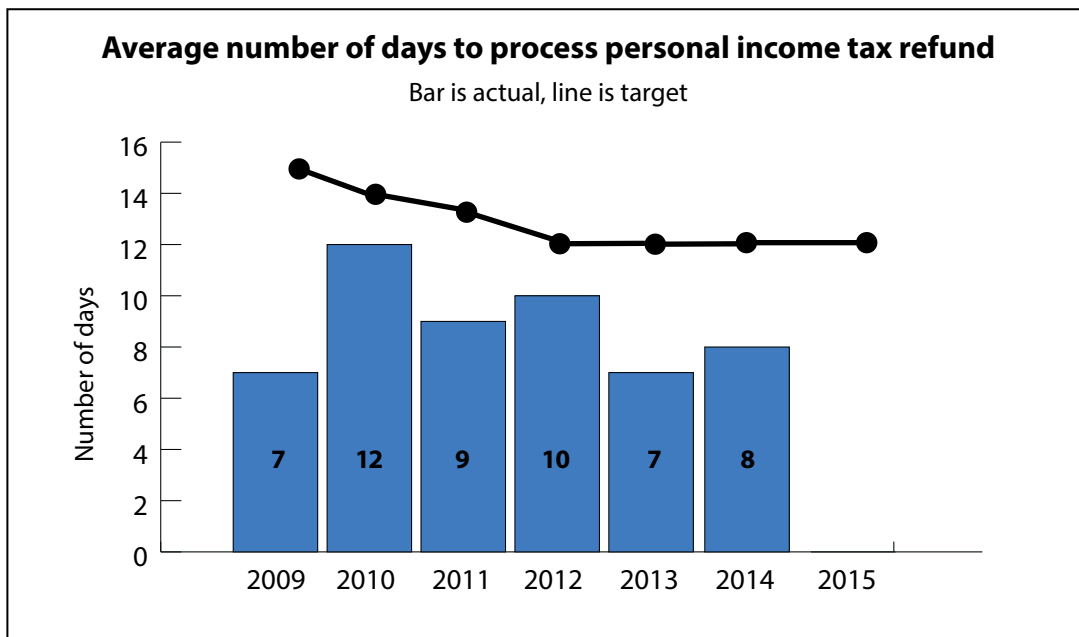
Measure since: 1999

Goal: We adopt best business practices to make tax systems work better, and take full advantage of opportunities presented by new technology.

Oregon context: This goal links directly to the department's mission.

Data source: Personal income tax return processing system.

Owner: Terrence Woods, Administrative Services Division administrator



1. **Our strategy:** Our strategy is to issue personal income tax refunds in a timely manner, through efficient use of people, processes, and systems.
2. **About the targets:** The target is to issue refunds within 12 days from the receipt of the tax return. The department is keeping current targets until more data is available from changes in fraud and suspense program work through the implementation of the core system replacement project.
3. **How we are doing:** Actual performance for 2014 is eight days, four days fewer than the target. Performance for 2013 was seven days.
4. **How we compare:** Oregon's targets and usual performance are comparable with other states. The IRS reports that nine out of ten refunds are issued within 21 days.
5. **Factors affecting results:** Refunds on electronically filed (e-filed) returns are issued the quickest. As more taxpayers e-file, the average time to issue a refund is reduced (82.5% of our personal income tax returns were e-filed—see KPM #9). In 2014, e-filed returns both refund and tax to pay, averaged 4.28 days to process, two days slower than the previous year. The volume of returns received in the mail decreased by about 16,500, and took an average of just over 29 days to process. Processing delays by the IRS and/or the timeliness of Congress enacting legislation also has an effect on our ability to process timely. This year, it only affected the processing start date.
6. **What needs to be done:** We need to continue process improvement that balances efficiency with accuracy verification and fraud detection. We also need continued education on the benefits of filing

electronically. In addition, we do not yet know what tools the new system will provide and how they will impact this body of work.

7. **About the data:** The reporting cycle is the calendar year in which returns for the preceding tax year are processed (example: 2013 returns processed in 2014). This data reports on tax returns that do not suspend for errors or additional review from the automated process. Refunds from returns that do suspend take an average of 60 days to process primarily due to intentional changes to the review procedures aimed at fraud prevention.

Key performance measure 9

Percent of personal income tax returns filed electronically

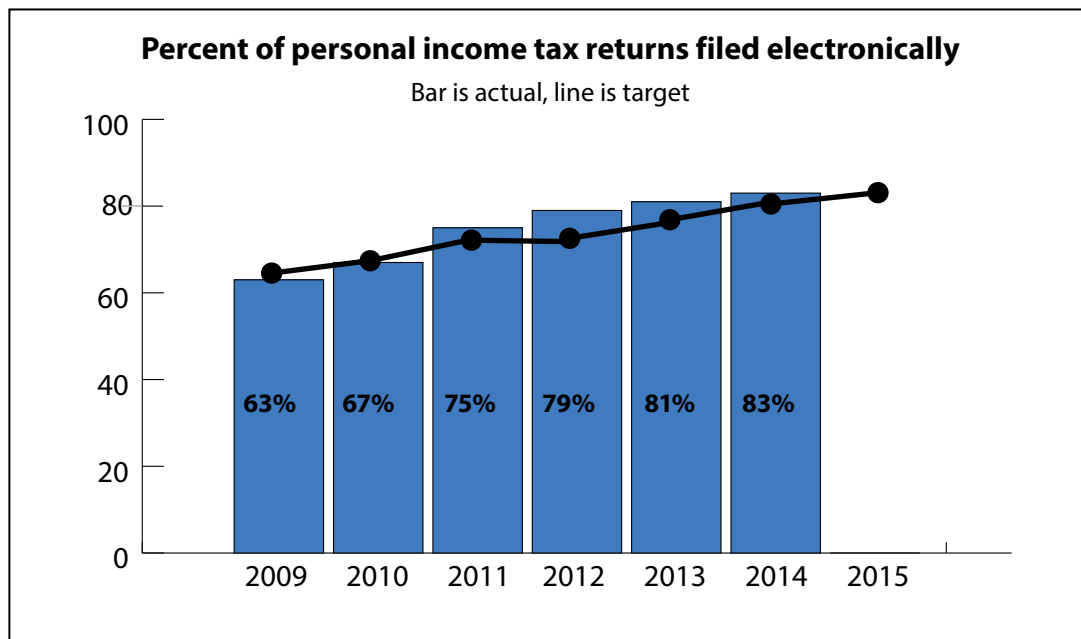
Measure since: 2002

Goal: Operational excellence: Adopt best business practices, taking advantage of technology to improve our system and processes.

Oregon context: This goal links directly to the department's mission.

Data source: Personal income tax return processing system statistics for electronically filed returns.

Owner: Joann Martin, Personal Tax and Compliance administrator



1. **Our strategy:** Our strategy is to improve customer service and efficiency by increasing the percent of personal income tax returns filed electronically. Electronically filed (e-filed) returns are faster and less expensive to process.
2. **About the targets:** The targets were revised upward in 2011 to reflect the continued growth in e-filing at the state and federal level. For 2014, the target was 80%. Higher is better.
3. **How we are doing:** We are above target with 82.5% of tax returns filed electronically. The numbers for the e-file have consistently risen each year, though the rate of growth has slowed.
4. **How we compare:** Historically, Oregon's rate of e-filing has been comparable with other states. According to the latest full year Federation of Tax Administrators survey (November 25, 2013), states with filing volume similar to Oregon were at an 82.4% e-file rate. The national average was 81%. The IRS expects to receive about 85% of their returns electronically in calendar year 2014.
5. **Factors affecting results:** Oregon's e-filing is linked to the federal system; we benefit as more taxpayers choose to file their federal tax returns electronically. Revenue implemented a tax practitioners e-file mandate in 2011, which matches the IRS mandate. However, there is no penalty for non-compliance; DOR sends a reminder letter each year to those practitioners who should have filed their client's returns electronically. (We have yet to achieve 100% participation by practitioners in the e-file mandate.)

Oregon participates in the Free File Alliance that allows taxpayers to e-file for free if they meet certain criteria. Typically, the participation criteria are tied to income level, age, veteran status and

type of federal return filed. Oregon allows taxpayers to enter their return information into an on-line fillable form and file the return directly with us for free. Unlike other states, Revenue has not put much emphasis on advertising e-file to taxpayers because the growth has been steady over the years.

6. **What needs to be done:** We will continue to emphasize the benefits of electronic filing to taxpayers and practitioners through our forms, booklets, and publications; including information on our website; and discussing the benefits of e-filing with taxpayers when we interact with them.
7. **About the data:** This data is only for personal income tax returns. The reporting cycle for e-file percentages is the calendar year.

Key performance measure 11

Employee training per year

(percent receiving 20 hours per year)

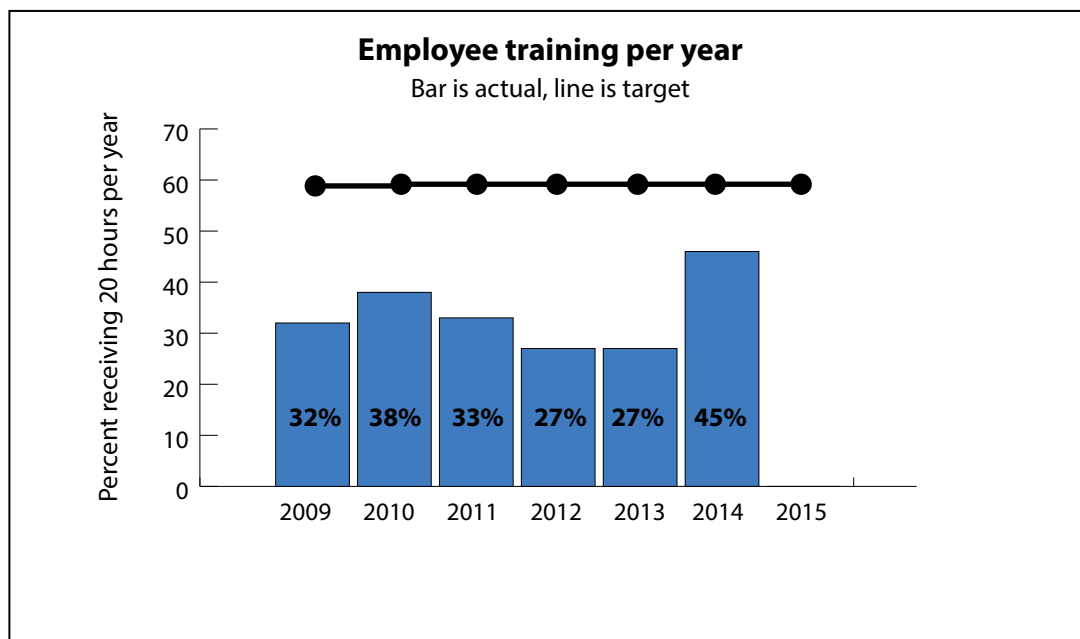
Measure since: 2000

Goal: Work environment: Provide a positive, productive, and welcoming work environment.

Oregon context: This goal links to the department's mission.

Data source: Agency cost allocation system (CAS) for the period before 2011. iLearn Oregon for 2012 and ongoing.

Owner: Kimberly Dettwyler, Human Resources manager



1. **Our strategy:** Our strategy is to advance our workforce by using creative training and development activities to get the most out of training resources.
2. **About the targets:** Oregon Benchmark 29: Labor Force Skills Training - this benchmark measures the percentage of Oregon's state labor force who receive at least 20 hours of skills training during the year. Oregon's Benchmark is that 75% of employees receive a minimum of 20 hours of training per year. Our interim target is lower than the statewide target, at 60%. We will revise the target upward when we meet the interim target.
3. **How we are doing:** In 2014, the target was 60%; actual performance was 45%. We are not meeting our training target, though we have seen improvement in this area.
4. **How we compare:** There is no state-wide system for means of comparison.
5. **Factors affecting results:** There continues to be an issue with under reporting or late reporting of training for tracking the data in the collection source (iLearn).
6. **What needs to be done:** We will continue to seek creative, low-cost ways to deliver training to the general employee base. We're working to identify and capture standard onboarding training for new employees and specialized training for specific classifications. Our Procurement Office will inform Human Resources of all contracted training provided by vendors to ensure it is recorded

in the iLearn system. We'll also continue to partner with managers to make sure we receive their training information.

7. **About the data:** The reporting cycle is Oregon fiscal year. The data comes from iLearn Oregon.

Key performance measure 12

Customer service:

Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": based on overall, timeliness, accuracy, helpfulness, expertise, and availability of information.

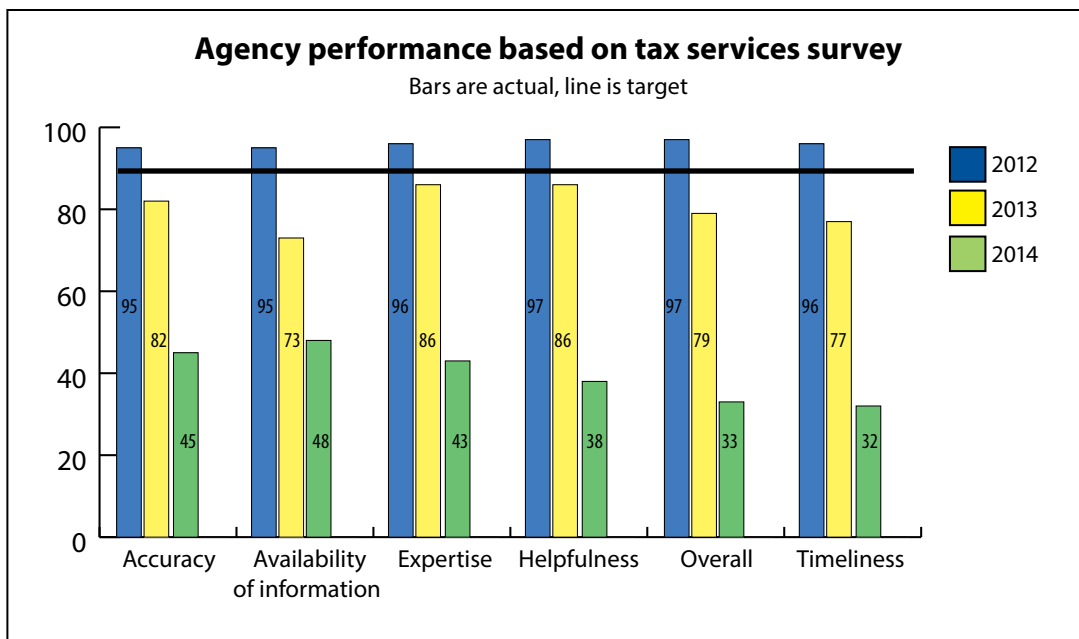
Measure since: 2006

Goal: Tax administration: Provide excellent service to taxpayers in a timely manner.

Oregon context: This goal links to department's mission.

Data source: Written surveys of walk-in customers at our field offices or main building; telephone surveys of randomly selected taxpayer calls.

Owner: Joann Martin, Personal Tax and Compliance Division administrator



1. **Our strategy:** Our strategy is to provide the best possible customer service to taxpayers who visit our field offices or call our Tax Services Unit for assistance, as measured by surveys of our customers.
2. **About the targets:** This target is the percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent" in these categories: accuracy, availability of information, expertise, helpfulness, timeliness, and overall experience. We have set the targets for all components at 90%. Higher percentage is better.
3. **How we are doing:** The customer service ratings were down in 2014. The Department's overall score is 33%. While the drop is dramatic from 2013, the exact cause is not clear. That said, this number does indicate that there is a general dissatisfaction with DOR's customer service from the majority of those who responded to the survey, which we are focused on addressing. (See **What needs to be done**).
4. **How we compare:** A state-wide system hasn't been built for agencies to compare themselves against each other.

5. **Factors affecting results:** *Nature of the business:* The Department of Revenue administers very complicated tax laws. We review, audit and change tax returns and send billing notices. We are the state's collection agency. People don't tend to contact DOR unless they are confused, waiting on a refund, we've sent them a billing notice or we are attempting to collect debt. Inherently, DOR's customers are interacting with the agency personnel on a sensitive subject.

Inconsistent data: Revenue has been inconsistent in the gathering of survey information, both in reporting periods and method of gathering information. The numbers reported in 2012 and 2013 are not statistically viable. In 2012, it was conducted for one month (December). The survey in August 2013 was limited to just two weeks due to technical and workload issues. There were less than 200 responses in 2013.

In 2014, Revenue made the survey available for 11 months of the fiscal year. This substantially increased the number of respondents (from 182 to 3,072), but the results were less optimistic. It should be noted that the total represents about 2% of the calls taken by Tax Services in the reporting period (it doesn't count the number of inperson contacts).

Processing season delays: A federal government shut down in late 2013 caused nearly a month delay in the start of the 2014 processing season. The federal government has delayed the start of the processing season for the last few years. Because our e-file system is reliant on the IRS's system, we have no control over when we start to process returns. By compressing the filing season, refunds were delayed for many taxpayers. This impacts how taxpayers feel about us but we are unable to impact decisions the IRS makes in this area.

Internal Processes: For the last two years, DOR made intentional changes to reviewing refund returns to be more effective in addressing refund fraud. We've reviewed more returns because we're looking at more issues. The result (in addition to catching fraud) has significantly increased the time it takes to get a valid refund selected for enhanced review to a taxpayer (averaging 60 days for enhanced review and processing, up from 26 days two years ago). Longer refund times are not popular with DOR customers

The survey: The survey does not have a question to help identify the nature of the call or who answered it. Although the performance measure is tied to DOR's main call center (Tax Services), callers are routinely routed to other areas for resolution. For example, callers who input they have a collection issue are automatically transferred to a Collection area yet they are given the survey contact information for Tax Services at the initiation of the call. Survey responses connected with transferred calls don't reflect the quality of service in the call center, but cannot be culled out of the measure due the survey design. Moreover, there is no connection between time of service and the completion of the survey. In fact, the survey does not capture the date of service on which the agency is being evaluated.

Change in delivery method of survey: In 2012 and 2013, the surveys were conducted by the tax services representative prior to the end of a call or handed to taxpayer receiving in-person services. It is likely that having a tax service representative administer the survey may have had some influence over the nature of the responses due to the personal interactions and the potential discomfort for a taxpayer to provide a negative response. Beginning in fiscal year 2014, the survey was made available to taxpayers via telephone in a manner that guaranteed full anonymity. We expect that taxpayers are more comfortable giving full feedback in this environment.

6. **What needs to be done:** The department's goal is to improve customer service through increasing availability of self-help options and quality direct customer service. The goal is long term and should involve investment in technology as well as training of staff. The initiatives and strategies the Department is planning on using to increase satisfaction with customer service include:

Short term

- Evaluating the ability to add clarifying questions to the survey; questions that would give us better information of why the taxpayer has contacted us (general tax question, billing

notice, collection activity, etc.) This would allow DOR to focus on problem areas and tailor improvements.

- Analyzing refund review processes; including eliminating edits that have proven to be fraud free, evaluating resources and adjusting to improve workflow.

Long term:

- Continuing to invest in technology. The department's Automated Call Distributor is outdated and in need of replacing. The department will look for ways to use new tools, including investigating "live chat" - an instant messaging product that is successfully used by other public and private call centers.
- Upgrading the on-line tools available for self-help service. Revenue has the opportunity to offer more sophisticated and comprehensive on-line tools with the core system replacement project. DOR intends to create a focus group to build the service for the 2015 personal income tax roll-out.
- Researching and implementing continued customer service training of DOR staff.
- Understanding that there are many legs to good customer service, efforts to improve should connect with the initiatives in KPM 13.

7. **About the data:** The data for this report was collected for eleven months of the fiscal year. Taxpayers who called in were directed to a phone survey through the IVR. Walk-in taxpayers were given a stamp on their receipt with the number to call and take the survey through the IVR. Email customers received the survey invitation with their email response. The results were downloaded into a spreadsheet for tabulation.

Key performance measure 13

Effective taxpayer assistance:

We provide the most effective taxpayer assistance services by a data-driven combination of direct assistance and electronic self-help options.

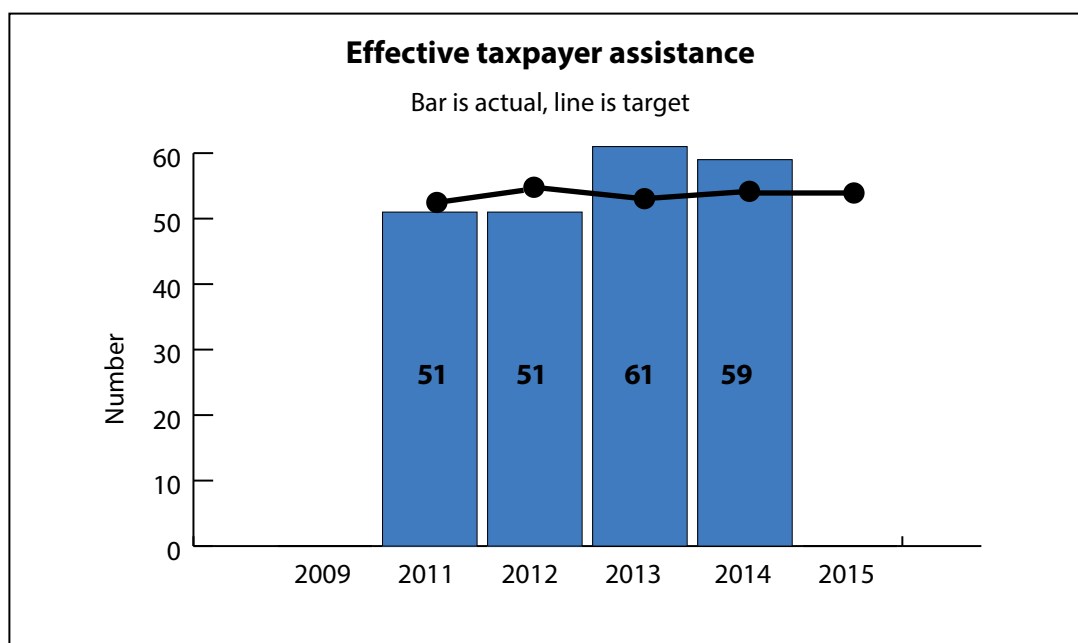
Measure since: 2011

Goal: Effective taxpayer assistance: Provide excellent service helping taxpayers meet their commitments with education, assistance and compliance.

Oregon context: This goal links directly to the department's mission.

Data source: Revenue Department automated systems.

Owner: JoAnn Martin, Personal Tax and Compliance Division administrator



1. **Our strategy:** We have a two-part strategy: increase access to electronic services, and provide effective one-on-one assistance where necessary. We provide electronic self-help options (web and phone based) for taxpayers to get quick answers or perform common tasks (e.g. Where's My Refund?). We must also provide effective assistance to those who lack access to the web, or from whom direct contact is the only or preferred method. We use customer service surveys as "checks" to ensure we provide the proper balance between direct and self-help service options.
2. **About the targets:** We're using a composite measure that "rolls up" individual results from three specific component measures: call wait times, successful self-help, and direct customer service satisfaction surveys. Individually, these are operational measures. In aggregate, they tell us the degree to which we are providing efficient, effective taxpayer services. Since each portion of the measure is weighted differently (wait times = 40% of the measure, successful self-help = 50%, and customer service ratings = 10%) and the data forms are somewhat different, targets and actuals are normalized into a common expression: a scale of 1-10. A higher aggregate score is better.
3. **How we are doing:** *Overall score:* 59 (out of 100). This is down slightly from the 2013 score of 61. Call wait times were down significantly, that offset the decline in successful web look-ups and customer service rating.

Wait time: Calls with less than five minutes wait time = 68% of total calls (versus 50.3% in 2013). The decrease in wait times for 2014 over 2013 was due to a number of factors.

- The call center was fully staffed for most of the year and the number of Spanish speaking representatives increased from three to four.
- The new Interactive Voice Response system installed in mid-2013 allowed callers to “self-transfer” to collections without the intervention of a representative.
- The Department also installed a “virtual hold” system with a soft launch in March of 2014. This feature gives the caller the option to hang up and get a call back when a representative becomes available. Calls where the caller chose to be called back later are not included in this statistic. This feature was popular with both the taxpayer and the DOR representatives. The taxpayer tended to be calmer as they weren’t tied to the phone waiting to talk to a representative.

General factors that cause longer wait times:

- Call volume was up about 24,000 calls over 2013. Even though we added an additional Spanish speaking representative, the call wait time for Spanish speaking taxpayers continues to be longer than the average wait time for an English speaking representative (we don’t track other language requests).
- Wait times are typically increased by other, specific one-time factors. Changes to our refund review processes (refunds took longer because of fraud review) had the biggest potential to increase call volume this year. Also, the season started later because of the late 2013 federal shutdown, putting more calls into a condensed timeframe.

Percentage of successful “Where’s My Refund?” inquiries made through IVR or web applications: 56.7% (down from 64% in 2013). Successful inquiries are defined as any response other than “not found,” meaning, we haven’t begun processing the return and it’s not found in our system when the taxpayer asks. An unknown number of inquiries are unsuccessful because taxpayers don’t wait the suggested two-weeks from when they file the return to allow us to begin processing. Taxpayer expectations on processing don’t change year to year, but we do have events that affect the start of processing season. This last reporting period, processing season started several weeks late related to the federal government shut down in late 2013. In addition, this season had significant web and maintenance issues. Increased weekend maintenance during the height of the season allowed taxpayers onto the web, but made their attempts unsuccessful

Percentage of customer service ratings of “good” or “excellent”: 40% (down from 80.4% in 2013). It’s difficult to tie the dramatic decrease in this sub-measure to any one factor and the exact cause not clear (see *Inconsistent Data* for this measure in KPM 12.. But, this sub-measure indicates there is a general dissatisfaction with DOR’s customer service from those who respond to our survey which we are focused on addressing. See KPM 12 for more detailed information about this measure.

4. **How we compare:** Comparable data is not available.
5. **Factors affecting results:** See comments in the **How are we doing** section.
6. **What needs to be done:** We now have consistent sources for the data that feeds this measure. We need to continue monitoring the data as we introduce more self-help tools to our customer service model. In addition to adding self-help tools, there are a number of short and long-term initiatives that DOR should pursue to improve the overall customer service. Those initiatives are detailed in KMP 12.
7. **About the data:** Reporting cycle is the Oregon fiscal year. During this reporting period the customer service survey data was collected from August 2013 to June 30, 2014. Our IVR now has the standard customer service KPM survey running all year. Call wait time data is gathered directly from our phone system. Self-service successful look ups are measured as any inquiry from our phone system or web application that provides a response other than “not found.”

Key performance measure 14

Appraisal program equity and uniformity

(We will measure county appraisal program equity and uniformity by determining the percentage of areas with real market values within accepted appraisal standards.)

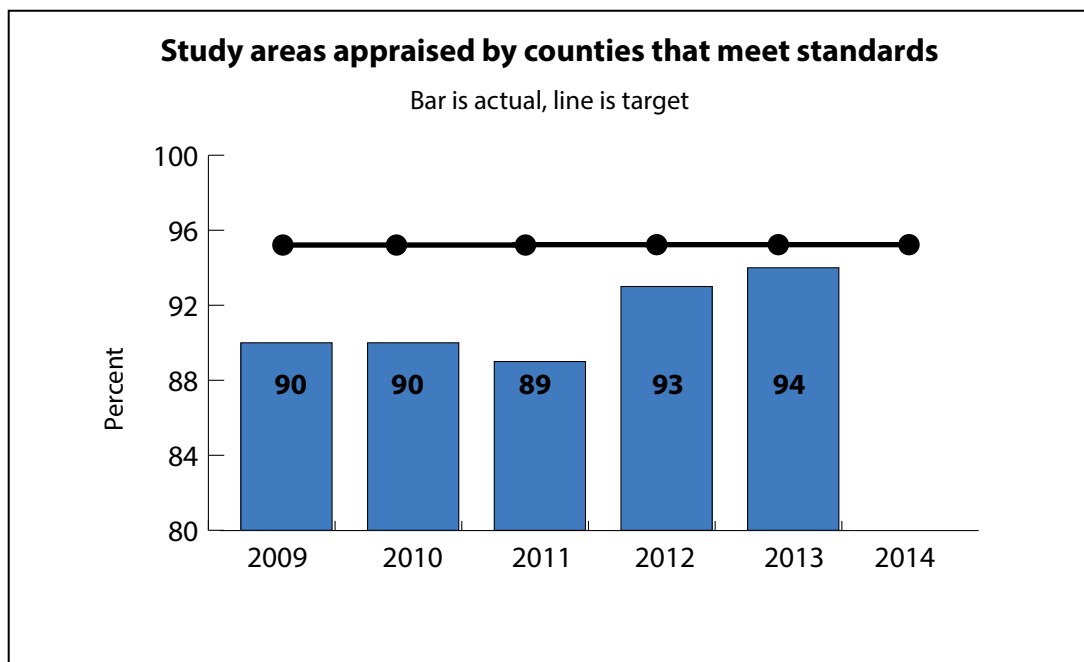
Measure since: 2012

Goal: High quality business results: Make informed business decisions to support county appraisal program equity and uniformity.

Oregon context: This goal links directly to the department's mission.

Data source: The source data arise from the annual sales ratio studies submitted by each county. The data evaluated consists of coefficients of dispersion (COD), which are a measure of the success of the appraisal programs in achieving 100% of real market value (RMV) based on market sales evidence. The measure will describe the statewide percentage of study areas appraised by counties that meet the standard contained in administrative rule.

Owner: Mark Kinslow, Property Tax Division administrator.



1. **Our strategy:** Use existing data reported annually by counties to help fine-tune and target our county training, assistance, and support.
2. **About the targets:** The target is 95 percent of study areas within COD standard. We recognize that, due to market conditions, lack of sales or other factors, it is not reasonable to assume that 100 percent of study areas in the state will fall within COD standards for any given year. We will work with those counties with areas outside of the standard to obtain additional sales information or complete re-appraisals to ensure that all real or personal property within each county is valued at 100 percent of its RMV (ORS 308.232).
3. **How we are doing:** For the ten-year period of 2004 to 2013, the percentage of market areas in compliance were between 86 percent (2006) and 94 percent (2013).
4. **How we compare:** There are no comparables available.

5. **Factors affecting results:** Concerns include:
 - CODs are self-reported by the counties, and our ability to validate methodology is limited at this time.
 - • Study areas can vary year-to-year creating consistency and comparison issues.
6. **What needs to be done:** We can use more intensive re-appraisal efforts, increased training and assistance, or re-determination of a more appropriate sales database to bring study areas within standards.
7. **About the data:** The sales ratio studies (which include CODs) are submitted annually by August 1, and reflect county appraisal program equity and uniformity prior to the January 1 assessment date.

Key performance measure 15

Appraisal value uniformity

(We will demonstrate equity and uniformity in the appraisal of our industrial accounts.)

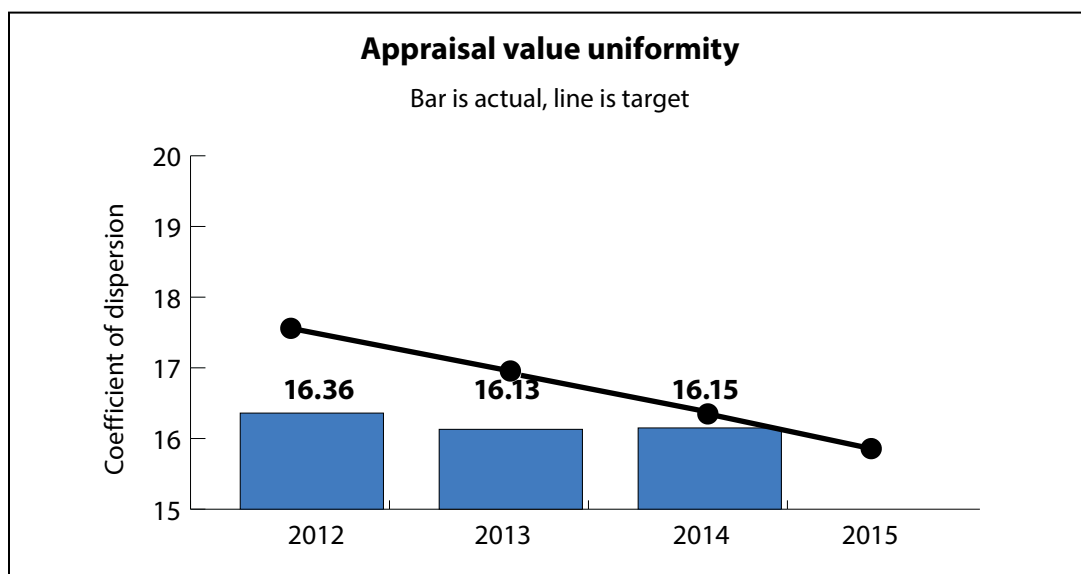
Measure since: 2013

Goal: High quality business results: Demonstrate the quality of our appraisal work.

Oregon context: This goal links directly to the department's mission.

Data source: We intend to compare sale values of industrial property appraised by the agency to values that we maintain through mass appraisal processes. In the absence of an adequate number of sales, we will include recent appraisals in our analysis. This data will be derived using acceptable statistical analysis generating indicators of appraisal uniformity (i.e. coefficient of dispersion [COD]).

Owner: Mark Kinslow, Property Tax administrator.



1. **Our strategy:** We are testing our business results to determine the quality of industrial values generated by our appraisers.
2. **About the targets:** Our target of 20 or less is codified in administrative rule as a standard for county appraisal programs. PTD is using the same standard as an internal measure of our appraisal activities. When our program meets these standards, we have a reasonable level of confidence that we are delivering RMV to county assessors. Although we are within standard, our target is to improve the quality of our appraisal values over time and we've set our upcoming targets as follows:
 - 2014: 16.5
 - 2015: 16
 - 2016: 15.5
 - 2017: 15
3. **How we are doing:** We have only two years of data, but we are reaching the target.
4. **How we compare:** We have no direct comparables. The closest comparable would be the work done in the 36 counties to measure uniformity. A significant difference between the counties and the department, is that counties are required to measure uniformity across relatively small market areas, whereas for the department the market area is the entire state. Approximately 95 percent of the county responsible accounts in Oregon are within acceptable standards.

5. **Factors affecting results:** PTD is required to appraise highly complex industrial properties engaged in processing and manufacturing activities. These properties do not sell often and, 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 usable sales will decrease the reliability of this indicator.
6. **What needs to be done:** Since a lower COD indicates higher appraisal value uniformity, the program continues to strive to improve processes that would drive the COD lower. We are working to change our processes and will continue to measure CODs to determine if our changes are appropriate.
7. **About the data:** We look for sales and appraisal data close to the assessment value date of January 1. Sales or appraisals within 6-12 months of this date are typically viewed as reliable.

Key performance measure 16

Direct enforcement dollars cost-of-funds

(We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost-of-funds (COF) for every dollar collected for our agency)

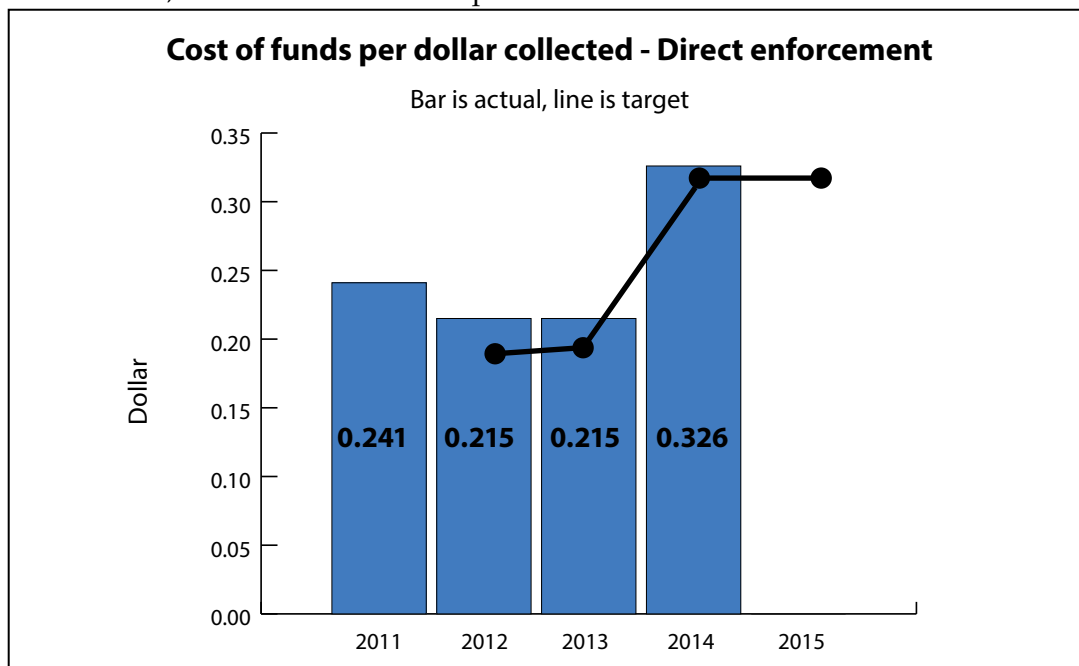
Measure since: FY 2014

Goal: Enforcement: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.

Oregon context: This goal links directly to the department's mission.

Data source: This measure will compare direct enforcement dollars we receive to what we spend to bring in those dollars. Our baseline, or annual target, is Revenue's Legislatively Adopted Budget (LAB) for our direct enforcement functions divided by the total direct enforcement dollars received.

Owner: JoAnn Martin, Personal Tax and Compliance Division administrator.



1. **Our strategy:** Our long-term goal is to drive down the cost of each enforcement dollar by increasing the effectiveness of our audit and collection functions. Our strategy for increasing dollars received is to focus efforts on accounts most likely to pay, to use data available to us and our partners to improve decision making, and to use public perception of non-compliance to improve collection efforts. In addition, we will focus on the areas of greatest risk to compliance and use the tools and opportunities available to enhance our enforcement activities. By implementing tactics that align with this strategy, we will increase enforcement dollars - resulting in a lowered cost per enforcement dollar.
2. **About the targets:** are many factors that impact cost of funds. Some of the external factors affecting our enforcement revenue include the health of the overall economy and the labor market participation rate. Internal factors influencing our enforcement revenue include the Core Systems Replacement (CSR) project, changes in staffing, the relative level of staff experience, and filing enforcement strategies.

This measure is related to the cost of enforcement actions taken by the department. While economic conditions play a role in overall compliance, the overall impact is related to resource availability and management decisions (see Department of Revenue Research Section, "Enforcement Revenue

Identification and Modeling.” January 2012). The strategies that are currently in use reflect the movement of experienced staff to focus on the successful implementation of CSR over the next three years. This leads to an increase in hiring and training and a less experienced workforce.

The target for FY2015 of 0.326 recognizes the time and resources that will be dedicated to CSR. Because of the continued short-term impact of the CSR project, we anticipate that the level of production will be similar to FY2014.

3. **How we are doing:** Our COF for FY2014 was 0.326. This represents a 51.6 percent increase over the FY2013 COF of 0.215. Dollars received fell \$11.3 million from \$233.7 million in 2013 to \$222.4 million in 2014 and the department’s LAB increased \$22.2 million from \$50.3 million in 2013 to \$72.5 million in 2014.

The reduction in dollars received was due to unusually high levels of staff turnover and vacancies resulting in lost productivity and increased investment in training. Additionally, revenue agent 3s in the department worked several complex cases that may not result in successful collections for some time. These are initially expensive and represent a choice of enforcement priority for the department.

The increase in LAB was due to the tax compliance POP granted by the 2013 Legislature and shared overhead costs associated with CSR. The department has shifted resources to CSR while still attempting to maintain consistency in both collections and billings.

We anticipate 2015 will have a decline in enforcement revenue due to increasing training and testing of CSR. However, we anticipate that our hiring strategy and having newly trained staff will partially offset those costs.

4. **How we compare:** Comparable data is not available. It is difficult to compare Oregon’s performance with other states due to the widely diverse tax structures and differences in enforcement staffing levels. Instead, we will make a direct comparison to our previous years’ COF to monitor our progress.

5. **Factors affecting results:** *Expanded hiring/training:* In FY2014, the Business and PTAC divisions added a significant number of new and inexperienced collections and audit staff to the programs, and saw substantial employee turnover. This has both negative and positive impacts on enforcement revenue. The experienced staff trained and mentored new staff, which reduced production.

Additionally, the 2013 Legislature approved a POP that added 12 auditor positions to the department. The production losses from shifting experienced staff to help develop new auditors are temporary, but they result in increased cost of funds until the new auditors are fully trained.

Process changes: There were also some changes to processes that had an impact, particularly for PTAC. Prior to June 11, 2014, members of PTAC collections were divided into two separate groups. One focused on inbound phone calls and the other focused on work queue management. This work flow created long wait times and unacceptable phone response. In June, all revenue agents were assigned an account caseload and placed on the automated call distributor. One of the benefits of this change is decreased lag time in working new liabilities, which historically have a higher rate of collectability than older liabilities.

Core Systems Replacement: As programs are involved in Rollout 1 (ending Fall 2014) or Rollout 2 (ending Fall 2015), we will focus more resources toward project implementation and away from enforcement functions. The Business and PTAC divisions began providing resources to CSR for testing and training during the latter part of FY2014.

As we approach Rollout 2, PTAC anticipates an increasing impact from the shift of resources to CSR. It is difficult to quantify the exact value of the impact at this time and we are committed to mitigating adverse impacts.

The Business Division also anticipates an increasing impact from the CSR. Because the Business Division is responsible for collections of Corporate Tax and Tobacco accounts, its collectors will be working out of both the legacy system and the new system, which may result in some temporary

efficiency decreases. As more programs implement CSR, we anticipate fewer impacts because staff will have a better understanding of the new system.

Shifting resources: Several enforcement audit staff were shifted to work on compliance at the return filing stage. This work resulted in reduced refunds as well as additional tax due from both fraudulent and incorrect tax returns. Reduced refunds are not reflected in this measure.

External factors: We also recognize that there are a variety of external factors that impact the amount of non-compliance. We do not have a way to measure these impacts or whether they are positive or negative. Factors such as the overall economy, employment rate and external policy decisions all have the potential to affect enforcement rates.

Legislatively Adopted Budget (LAB): Increases or decreases to the budget will affect this measure.

POP: The Legislature approved a POP for 2013-2015 that focused on increasing compliance and cleaning up the department's accounts receivable. For the first four months of FY2014, PTAC had 10 experienced revenue agents focused on reviewing over 50,000 liabilities for possible write-off or cancellation. In the end, 25,543 liabilities were cancelled or written off. This was necessary work, but there was a temporary corresponding drop in collection revenue while the new agents were in training. We anticipate additional A/R clean-up in FY2015. However, stable staffing levels, we do not foresee a similar impact on collection revenue. The POP also included additional resources for collections, audit, and filing enforcement, which resulted in increased hiring, training, and mentoring. This has temporarily led to a lower level of enforcement assessments while experienced staff assisted new staff.

6. **What needs to be done:** Going into FY2015, PTAC has made an effort to eliminate vacancies, including double-filling many revenue agent and audit positions, to reduce the impact of staff turnover. As the year progresses and Rollout 2 for CSR approaches, PTAC will have more resources assigned to testing and training. We are monitoring the impact of CSR on our staffing needs and will be evaluating and refining our hiring strategy as needed.

PTAC's Collections Section will continue to monitor monthly collection revenue and will take action, if necessary. Although we anticipate CSR will have some impact on collection revenue, we don't want to miss other opportunities for improvement. In addition, we expect that our recent process changes will have a positive impact on our enforcement revenue.

The Business Division's efforts to reduce vacancies should address the "two system" environment that it will be facing until Rollout 3. Unfortunately, some temporary productivity loss is inevitable. We expect that as the staff becomes acclimated to moving between the two systems, productivity should increase.

Our central strategy is to increase voluntary filing compliance. We need to continue our efforts to make it easier for people to comply and provide assistance to taxpayers. We will also communicate the consequences of non-compliance through direct outreach to businesses and individuals.

A key way to reduce the cost of funds is to increase efficiency. The department must continue to focus on the greatest areas of risk to compliance and account for these risks when selecting and prioritizing cases.

Lastly, we need to evaluate the COF on an annual basis to measure the effectiveness of our business. This measure will help the department compare the dollars we are receiving from enforcement revenue each year to the costs to bring in those dollars. Through this exercise, we will ensure that we are focusing on work that utilizes our limited resources to the fullest potential.

7. **About the data:** The reporting cycle is Oregon's fiscal year. The direct enforcement dollars comes from our Research Section's enforcement revenue data and includes dollars received due to our direct enforcement functions, including collections, audit, and filing enforcement. The costs are from the agency's LAB, as allocated to the collections functions and the audit, suspense, and filing enforcement functions (agency overhead costs are allocated based on enforcement revenue costs compared to the agency's remaining costs), and are gathered by our Finance Section budget officers.

Key performance measure 17

Collection dollars cost-of-funds

(We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost-of-funds (COF) for every dollar collected for our agency.)

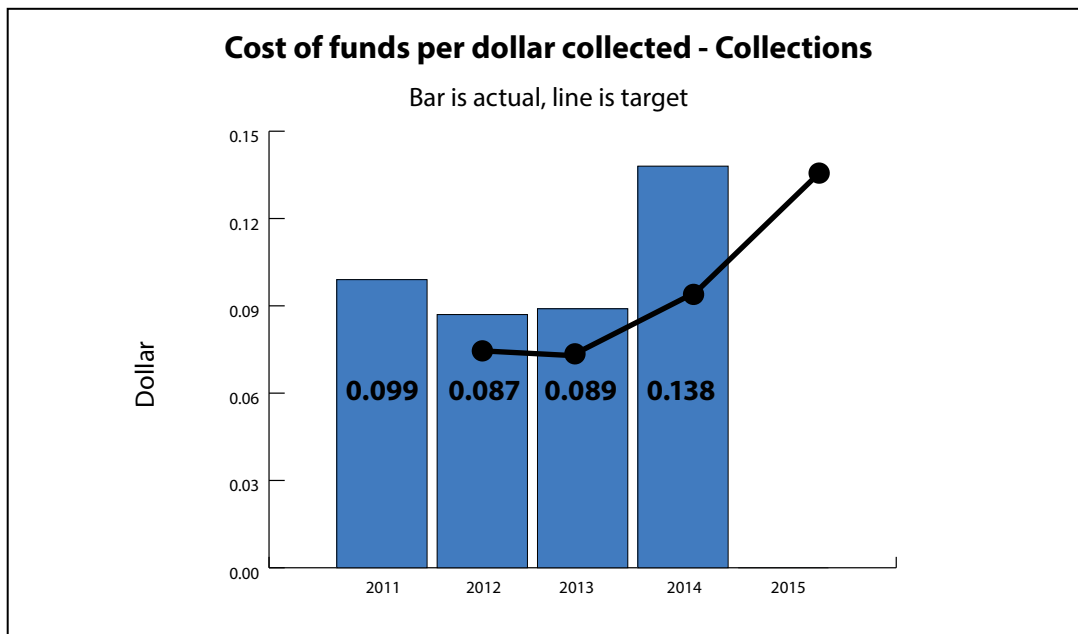
Measure since: FY 2014

Goal: Enforcement: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.

Oregon context: This goal links directly to the department's mission.

Data source: This measure will compare direct enforcement dollars we receive to what we spend to bring in those dollars. Our baseline, or annual target, is Revenue's Legislatively Adopted Budget (LAB) for our direct enforcement functions divided by the total direct enforcement dollars received.

Owner: JoAnn Martin, Personal Tax and Compliance Division administrator.



- Our strategy:** Our long-term goal is to drive down the cost of each dollar collected by increasing the effectiveness of our collection function. Our strategy is to focus efforts on accounts most likely to pay, use data to improve decision-making, and to communicate the consequences of non-compliance to improve collection efforts. By implementing tactics that align with the strategy, we will increase dollars collected within our current budget structure, resulting in a lowered cost per dollar collected.
- About the targets:** There are many factors that impact COF. Some of the external factors affecting our enforcement revenue include the health of the overall economy and the labor market participation rate. Internal factors influencing our enforcement revenue include Core Systems Replacement project, changes in staffing, the relative level of staff experience, and filing enforcement strategies. The other factor in COF is the department's LAB.
Our new target for fiscal year 2015 of 0.138 recognizes the time and resources that will be dedicated to CSR. We anticipate that the level of production will be relatively similar to FY2014.
- How we are doing:** Our COF for FY2014 was 0.138. This represents a 64 percent increase over the FY2013 COF of 0.084. Dollars collected fell \$11.3 million, from 233.7 million in 2013 to \$222.4 million

in 2014. The department's LAB increased \$10.9 million, from 19.7 million in 2013 to \$30.6 million in 2014.

The reduction in dollars collected was due to unusually high levels of staff turnover and vacancies resulting in lost productivity and increased investment in training. Additionally, RA3s in the department worked several complex cases that may not result in successful collections for some time. These are initially expensive and represent a choice of enforcement priority for the department.

The increase in LAB was due to the A/R clean-up POP granted by the 2013 Legislature and shared overhead costs associated with CSR. The department has shifted resources to CSR while still attempting to maintain consistency in both collections and billings.

We anticipate 2015 will have a drop off in enforcement revenue due to increasing training and testing of CSR. However, we anticipate making that up with efficiencies gained through training new staff.

4. **How we compare:** Comparable data is not available. It is difficult to compare Oregon's performance with other states due to the widely diverse tax structures and differences in enforcement staffing levels. Instead, we will make a direct comparison to our previous years' COF.
5. **Factors affecting results:** *Expanded hiring/training:* In FY2014, the Business and PTAC divisions added a remarkable amount of new and inexperienced collections and audit staff to the program, and saw substantial employee turnover. This has both negative and positive impacts to enforcement revenue. The experienced staff trained and mentored new staff, resulting in a production loss.

Process changes: There were also some processes changes that had an impact, particularly for PTAC. Prior to June 11, 2014, members of PTAC collections were divided into two separate groups. One focused on inbound phone calls and the other focused on queue management. This workflow created long wait times and unsatisfied phone response. In June, all revenue agents were assigned an account caseload and placed on the automated call distributor. One of the benefits of this change is decreased lag time in working new liabilities, which historically have a higher rate of collectability than older liabilities.

Core Systems Replacement: We have started focusing applying resources toward project implementation and away from enforcement functions. PTAC and Business divisions began providing resources to CSR for testing and training during the latter part of FY2014.

As we approach Rollout 2, PTAC anticipates an increasing impact from the shift of resources to CSR for. It is difficult to quantify the exact value of the impact at this time, and we are committed to mitigating adverse impacts.

The Business Division also anticipates an increasing CSR impact. Because the Business Division is responsible for collections of corporate tax and tobacco accounts, its collectors will be working out of both the legacy system and the new system, which may result in a temporary efficiency decrease. As more programs implement CSR, we anticipate fewer impacts because staff will have a better understanding of the system.

POP: The Legislature approved a a POP for 2013-15 that focused on increasing compliance and cleaning up the department's accounts receivable. For the first four months of FY2014, PTAC had 10 experienced revenue agents reviewing more than 50,000 liabilities for write-off or cancellation. Ultimately, 25,543 of those were cancelled or written off. There was a temporary drop in collection revenue during this time. We anticipate additional A/R clean-up in FY2015. However, due to stable staffing levels, we aren't expecting a similar impact on collection revenue.

The POP also included resources for audit and filing enforcement, which resulted in increased hiring, training, and mentoring. This has temporarily led to a lower level of enforcement assessments while experienced staff assisted new staff.

6. **What needs to be done:** Going into FY2015, PTAC has made an effort to eliminate vacancies, including double-filling many revenue agent and audit positions to reduce the impact of staff

turnover. As the year progresses and Rollout 2 of the CSR project approaches, PTAC will have more resources assigned to the project.

PTAC's Collections Section will continue to monitor monthly collection revenue for issues and take action, if necessary. Although we anticipate CSR will have some impact on collection revenue, we don't want to overlook other opportunities for improvement. In addition, we expect that our recent process changes will increase our enforcement revenue.

The Business Division's efforts to reduce vacancies should address the "two system" problem that it will be facing until Rollout 3. Unfortunately, some temporary productivity loss is inevitable. We expect that as the staff becomes acclimated to moving between the two systems, efficiency should increase.

Our central strategy is to increase voluntary filing compliance. We need to continue our efforts to make it easier for people to comply and file, and provide assistance to taxpayers. We will also communicate the consequences of non-compliance through direct outreach to businesses and individuals.

A key way to reduce cost of funds is to increase efficiency. The department must continue to focus on the greatest areas of risk and account for these risks when selecting and prioritizing cases.

Lastly, we need to evaluate the COF on an annual basis to measure the effectiveness of our business. This measure will help the department compare the dollars we are receiving from enforcement revenue each year to the costs to bring in those dollars. This will help us focus on work that best uses our limited resources.

7. **About the data:** The reporting cycle is Oregon's fiscal year. The direct enforcement dollars total comes from our Research Section's enforcement revenue data. It includes dollars received due to our direct enforcement functions, including collections, audit, and filing enforcement. The costs are from the agency's LAB, as allocated to the collections functions (agency overhead costs are allocated based on enforcement revenue costs compared to the agency's remaining costs), and are gathered by our Finance Section budget officers.

Key performance measure 18

Cost of assessments

(We will demonstrate our efficiency and effectiveness of our suspense, audit, and filing enforcement functions by measuring the cost of every audit and filing enforcement dollar assessed)

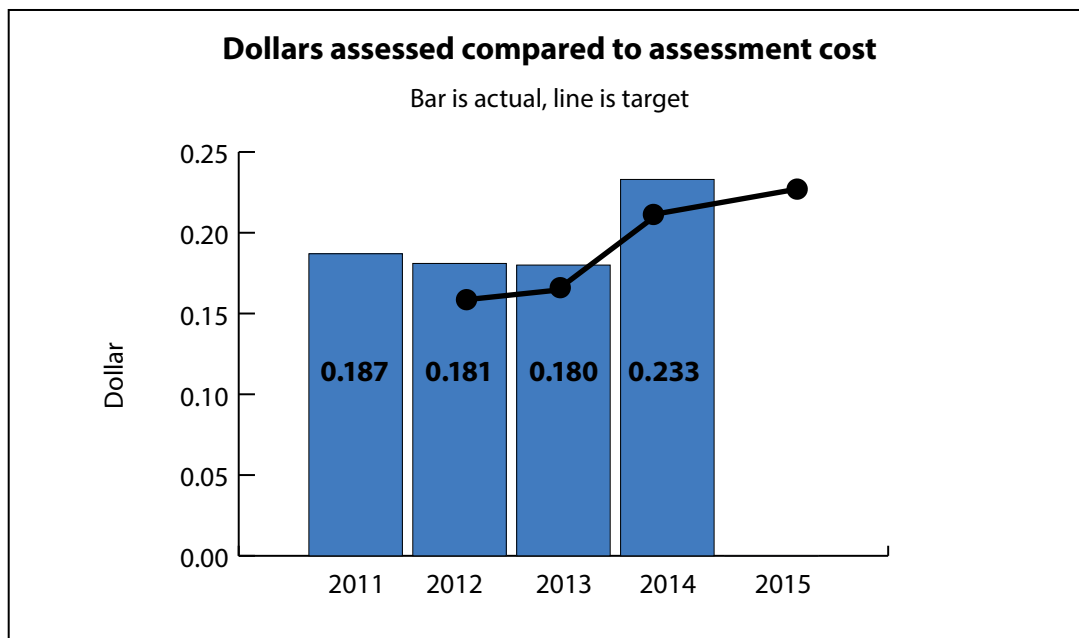
Measure since: FY 2013

Goal: Enforcement: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.

Oregon context: This goal links directly to the department's mission.

Data source: The measure will compare dollars we assess to what we spend to assess those dollars. Our baseline, or annual target, is Revenue's Legislatively Adopted Budget (LAB) for our audit and filing enforcement functions divided by the total audit and filing enforcement dollars assessed. This measure will be collected quarterly and reported annually.

Owner: JoAnn Martin, Personal Tax and Compliance Division administrator.



1. **Our strategy:** Our long-term goal is to drive down the cost of each dollar generated from enforcement functions. Our strategy is to focus on the greatest areas of risk, use data and systems for enforcement activities, and use tools and opportunities to enhance enforcement efforts. By implementing tactics that align with these strategies, we will make the best use of our resources, resulting in a lowered cost per assessment dollar.
2. **About the targets:** Our current targets are set using the agency's LAB, as allocated to the audit, suspense, and filing enforcement functions; and the dollars assessed per audit and filing enforcement positions from FY2014. Our new target for FY2015 of 0.233 recognizes the time and resources that will be dedicated to CSR.

This measure is related to the value of assessments issued from the department's enforcement actions. While economic conditions play a role in overall compliance rates, the overall impact is related to resource availability and management decisions (see Department of Revenue Research Section, "Enforcement Revenue Identification and Modeling." January 2012). The strategies that are currently being in use focus on the successful implementation of GenTax over the next four years. This leads to increased hiring and training ahead of resource shifts and a less experienced.

3. **How we are doing:** In 2014, our cost of assessments increased slightly to 0.233, in large part because of the CSR project. Assessed dollars have increased from \$177.6 million in 2013 to \$179.9 million in 2014. In addition, the enforcement-related budget increased from \$30.6 million in 2013 to \$41.8 million in 2014. The Business Division's programs saw particularly productive years, but those strong numbers appeared to be skewed by two abnormally large assessments. Single filers can have a far greater impact in business tax programs than in personal tax programs. There are far more filers in personal tax than in business tax, and those additional filers can better "absorb" outliers. With those outliers, Business Division assessments showed only modest growth.

Personal income tax assessments remained relatively stable from auditing. Filing enforcement assessments declined this fiscal year, leading to an overall decline for the program. Those variations better reflect the situation at the department, demonstrating the factors that increased cost of funds. The department has shifted resources to CSR, while still attempting to maintain consistency in billings to meet commitments in the tax compliance POP.

The corporation program was in Rollout 1 of the CSR project, and shifted a large percentage of its staff to project. The full impact of this shift will most likely be seen in FY2015. For personal income tax, we anticipate assessed dollars in 2015 will remain fairly consistent with previous years, even with resources shifting to CSR. Production will be supported by staff who are currently in training, and we expect they will become more productive as they gain experience.

4. **How we compare:** Comparable data is not available. It is difficult to compare Oregon's performance with other states due to the widely diverse tax structures among states and differences in enforcement staffing levels. It is also not an equivalent comparison to use the cost of funds model used in financial industries, as this measure tracks the dollars assessed as opposed to the dollars collected.

5. **Factors affecting results:** Several factors contributed to the increased cost of assessments in 2014:
Core Systems Replacement: Existing staff are needed to help refine business processes, system testing, and user training. Many of these staff are in enforcement positions and, therefore, not setting up assessments. Fewer assessments means an increase in the cost per assessment.

Training and mentoring new tax auditors: Auditors are hired in groups and require the efforts of experienced audit staff to train, mentor, and review their work. Since the beginning of 2013, we have hired 42 new auditors. These new auditors are the result of a 2013 POP that added 12 auditor positions, and the end of a multiple year hiring freeze. These factors have led to more work training and mentoring. Production losses from shifting experienced staff to other duties are temporary.

IRS budget cuts and shifting of resources: IRS budget cuts and redirecting of staff to Affordable Care Act responsibilities have resulted in fewer IRS audits sent to the states that impact state tax returns. Federal audits on Oregon taxpayers nearly always result in additional tax due to Oregon. These audits translate to approximately \$15 to \$25 million in additional Oregon assessments each year.

Decline in filing enforcement: There was a period of increases in this area during 2012 and 2013, because of program changes made following a 2011 Secretary of State audit. This audit recommended a different approach to identifying non-filing taxpayers.

In addition, during 2010 and early 2011, almost all PIT filing enforcement staff were redirected to a collection speed-up effort, resulting in fewer assessments. This fiscal year we've experienced a high level of turnover, including losing several veteran staff members to retirement. This has caused a stable staff base to shift into training and mentoring mode, further reducing production.

Both the withholding and corporation sections had unusually large assessments, causing an increase in assessed dollars. These types of anomalies are difficult to anticipate and can't be routinely expected.

External factors. We also recognize that there are a variety of external factors that impact the amount of non-compliance. We don't have a way to measure these impacts or determine if they are positive

or negative. Factors such as the overall economy, the employment rate, and external policy decisions can impact enforcement rates.

Shifting resources. Several enforcement audit staff were shifted to work on compliance at the return filing stage. This work resulted in reduced refunds and additional tax due from both fraudulent and incorrect tax returns. Reduced refunds are not reflected in this measure.

6. **What needs to be done:** The department's broad strategies are geared toward increasing efficiency. We must continue to focus on the greatest areas of risk and account for those risks when selecting and prioritizing cases.

Our central strategy is to increase voluntary filing compliance, and to improve non-compliance on filed returns. We need to continue our efforts to make it easier for people to comply and file, and provide assistance to taxpayers. We will also communicate the consequences of non-compliance through direct outreach to businesses and individuals.

We need to maintain our production while assisting with the successful implementation of CSR. The true impact of CSR on our production goals is currently unknown. To somewhat mitigate the impact, we are hiring ahead to minimize training and hiring occurring during the greatest allocation of resources to CSR.

Lastly, we need to evaluate the COA on an annual basis to measure the effectiveness of our business. This measure will help the department compare the dollars we are receiving from enforcement revenue each year to the costs to bring in those dollars. This will help us focus on work that best uses our limited resources.

7. **About the data:** The reporting cycle is Oregon's fiscal year. The dollars assessed comes from our Research Section's Enforcement Revenue data and includes tax and penalty dollars assessed due to direct audit and filing enforcement efforts and from adjustments made during the processing of returns. The costs are from the agency's LAB, as allocated to the audit, suspense, and filing enforcement functions (agency overhead costs are allocated based on enforcement revenue costs versus the agency's other costs), and are gathered by our Finance Section budget officers.

Key performance measure 19

Employee engagement

(Index of employees considered actively engaged by a standardized survey.)

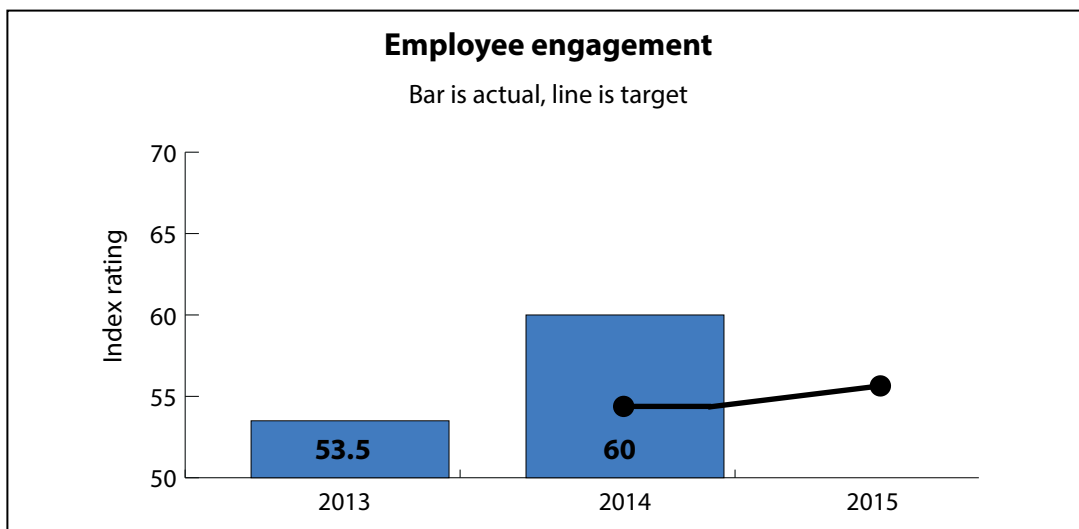
Measure since: 2014.

Goal: Employee engagement: We engage employees so they care about their work and the performance of the organization, and they recognize how their efforts make a difference.

Oregon context: This goal links directly to the department's mission.

Data source: We are surveying staff annually to measure employee engagement. The standardized survey is coordinated by DAS through a third-party vendor. The first two surveys were sent to all staff in February and August of 2013. In 2014, the agency chose to go to an annual survey, which was administered in May 2014.

Owner: Kris Kautz, deputy director.



1. **Our strategy:** Our strategy for employee engagement is five-fold. When our employees are engaged, they:
 - Feel valued and understand their role in the organization.
 - Have access to the data and tools necessary to do their work.
 - Participate in continuous improvement initiatives as opportunities are identified.
 - Have the skills and training to be successful in their career.
 - Clearly understand work expectations and receive regular feedback.
2. **About the targets:** The agency initially chose an increasing target to 62 in five years, which is consistent with other state agencies. We established our baseline index of 53 in February 2013.
3. **How we are doing:** The agency initiated the standardized employee engagement survey in February 2013. The results established our baseline index of 53. We completed the survey again in September 2013. Those results showed slight improvement in the index to 54. In May 2014, the agency's employee engagement index increased to 60, which exceeded the target.

From the August 2013 survey, the highest engagement drivers were:

- I know what I am accountable for achieving.
- I understand my agency's mission and how it connects to what I do.

While the agency is moving in the right direction regarding employee engagement, we still lag behind some other state agencies and the private sector. We review the results of each survey, both

the data elements and the written comments, to determine how to both maintain current progress and continue to improve.

4. **How we compare:** Our latest employee engagement survey results were similar to other public sector organizations, but behind private sector organizations in similar fields. Other public sector organizations show an average index score of 62. Other state agencies that use this survey tool score between 55 and 66. Comparable private sector organizations in the finance/insurance arena average an index of 71.
5. **Factors affecting results:** At the agency level, the leadership team has committed to making training and development for staff a priority this biennium. In addition, the agency is continuing its commitment towards transparency in communications through monthly town hall meetings, bi-weekly Revenue TV videos, a weekly blog, and information from administrators and managers. These communication channels provide good information to staff about what is going on in the organization, what is changing, and what can be expected. Studies also show that organizations may receive a boost in employee engagement due to large investments and/or projects in an organization, such as our Core Systems Replacement project.
6. **What needs to be done:** The agency recognizes that engaged employees can improve organizational performance. We are committed to providing employees opportunities to engage in the CSR project. We've reiterated our commitment to skills and development training. We will continue to provide various forms of communication about what's going on in the organization. The survey results show each division has a different critical engagement tactic needing attention. We believe the most effective employee engagement is between a manager and their employees, and what works best for one unit may be different than what another work unit needs. We continue to encourage managers and staff to find new opportunities to engage.
7. **About the data:** The employee engagement survey will be conducted annually. The survey is conducted through a third-party vendor contract managed by DAS, which allows for completely anonymous feedback. The results are provided at the division level, so administrators and staff can focus on the strategies that concern them most.

Using performance data

The following questions indicate how performance measures and data are used for management and accountability purposes.

Inclusivity

Staff: Staff are increasingly involved in reviewing our agency mission, vision, and values, which are supported by these key performance measures. There is increasing participation and input on review and requests for modifying and/or changing measures.

Elected officials: Elected officials review the performance measures as part of the legislative process.

Stakeholders: Stakeholders are consulted regarding the measures as appropriate.

Citizens: Citizens review the performance measures on the department's website and submit questions and comments.

Managing for results

Performance measures are used as key indicators of the agency's progress toward achievement of its long-term vision. They are also used as indicators of progress made in projected efficiency gains as a result of automation. The agency uses additional internal measures and division and agency level dashboards to track internal indicators to assist in using output data to more effectively manage to identified outcomes.

Staff training

Various agency managers have previously, and continue to, attend targeted training classes, with topics related to public sector performance measurement and have brought the knowledge gained at those classes back to the agency. In addition, managers have reviewed training and information posted on the Department of Administration's website. The department has begun offering internal training on process performance metrics and the tools of quality.

Communicating results

Staff: Staff have the capability to review key performance measures on the department's internal website. Managers are engaged in multiple levels of review of each updated annual performance progress report. Based upon their reviews, work processes may be changed or problems/trends identified, which are then addressed.

Elected officials: Elected officials review the performance measures and evaluate the department's effectiveness as part of the department's budget process. The measures are also included in the agency business plan provided to the legislature and other elected officials.

Stakeholders: Stakeholders review the measures on the department's external website and may ask questions or make suggestions.

Citizens: Citizens review the measures on the department's external website and may ask questions or make suggestions.

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Appendix A

Achievements and efficiencies, 2013–15

Personal Tax and Compliance Division

Enforcement

Audit process improvement

This project implemented consistent procedures and letters for use in the audit process. One goal of the project was to decrease the time to close an audit, which will increase the number of audits that can be completed over time. Another goal was to increase payments made before collection efforts begin, which allows collectors to focus on other debt owed to the agency.

Reduced filing enforcement review

We reduced the amount of lead worker review necessary on failure-to-file setups performed by administrative specialist 1s and 2s who have demonstrated a low error rate (between 5 and 20 percent). This action allows lead workers to complete more of their own cases, which leads to higher overall production.

Criteria to reduce auditor review to 20 percent

Once an auditor is proficient in a category of work, the level of review of their completed cases drops from 100 percent to 20 percent. Criteria were recently developed to evaluate auditors' proficiency on a consistent basis. These criteria include understanding of tax law, appropriate use of judgment, and clear communication. This action will streamline the review process and increase overall audit production.

Audit review process improvement

We're continuing to improve the audit review process. We're evaluating the purpose of each review and identifying areas to streamline. The goal is to have a more effective and efficient review process that minimizes resource use while ensuring that we provide quality service to taxpayers.

Employee engagement

Technology

We have reduced field office travel by increasing our use of Mondopads and webcams for training, meeting, and mentoring. While the savings from the reduction in travel is difficult to quantify, providing this option to staff has many benefits, including more time spent on enforcement activities.

Rebuilding bench strength

This biennium has been a time for the Compliance Section to rebuild our auditor classification. The tax auditor entry (TAE) classification is an entry-level position and a way for many people to enter the agency workforce. People who are successful as tax auditors have gone on to many other positions in the agency including policy, IT, management, and appraisal. We hired more

than 40 TAEs this biennium and implemented new strategies to get them into productive work sooner. In general, it takes a full year to train a new auditor. However, we've implemented ways to expedite the training, including:

- Condensing the classroom training allows staff from our field offices to travel less. Based on class feedback, auditor training is more effective when held in this manner.
- Shortening the timeline for training on advanced topics, such as business auditing. This allows more time for new auditors to complete advanced cases and shifts the focus of their first year onto more productive subjects.
- Standardizing our mentoring program so that mentors are at a 2:1 ratio with new auditors. This has required some resource shifting away from audits. However, it is a valuable investment in the future success of the auditing program.

The Collections Section has also focused more time this year on hiring revenue agent 1s. The RA1 classification is a way for many people to enter into the agency workforce. Since August 2013, we've been filling vacant positions within the Collections Section and double-filling when appropriate. We have hired more than 50 RA1s in the past year. Hiring larger classes of RAs lessens the impact on our existing staff by shortening the amount of time spent training and mentoring new staff. Our RA training program is continually being reviewed and improved based on mentor/mentee feedback. We rely on our lead workers for training and review of new agents.

Some other changes made over the past year include:

- Modified RA1 training, enabling new staff to answer calls within a month of hire.
- New staff receive laptops, meaning less wasted time when the computer lab is not available. Staff is able to use Wi-Fi in any conference room.
- A mentoring program that provides standards and an outline for mentors to review with all mentees to ensure a similar training experience for all new staff.

Team changes

Over the past year, we have modified the collections process as it relates to the RA1s. As a result, all RA1s now manage an active caseload while simultaneously being available for incoming calls on the automated call distributor (ACD). In the past, they were either assigned to a queue or the ACD, but not both. The result has been shorter call wait times for taxpayers, account queue size reduction, and touching the majority of our accounts within 90 days of assignment. Performance standards and training are the same for all agents within the section. Prior to the change, the standards and training depended on which team the agent was on.

Customer experience

We upgraded the call center's Interactive Voice Response (IVR) system and put it in the cloud. The new system allows callers to self-transfer to a revenue agent if their call is collections-related. It also has a virtual hold feature that allows callers to get a call back when it's their turn in the queue without staying on the phone. This feature is popular with both taxpayers and staff. We also changed the ACD hours of operation from 8 a.m. to 5 p.m. to 7:15 a.m. to 5 p.m. to better accommodate taxpayers' schedules.

Future

The department's goal is to improve customer service through increasing availability of self-help options and to improve the quality of direct customer service. The goal is long-term and involves investment in technology and training of staff.

In the technology arena, the department plans to replace its outdated ACD when the state implements an enterprise-wide telephone system. Upgrading the ACD will allow the department to be more efficient in routing callers and improve tracking and reporting capabilities.

Another tool being considered is an instant messaging device. It allows a back and forth interaction with the department without tying up the phones. One representative can engage in multiple chats simultaneously. The tool is successfully used by other public and private call centers; one state reports the tool gave them a one-for-one reduction in calls (each chat resulted in one less call).

With GenTax, the department is also expanding online self-help options. Revenue Online became available with the first programs migrated to GenTax. Revenue Online provides more online payment options, more options for filing returns, the ability to appeal or submit an authorization to represent, and the ability to place cigarette stamp orders. The system can be tailored, and the department will add features to meet the needs of the various programs.

Equity and uniformity

eFile platform

The department has fully converted to the IRS' modernized eFile return platform. Oregon had been one of the pilot states, receiving half of the e-filed returns in the new system. The modernized version decreased processing time by about a day for non-suspended returns. It also allows taxpayers to send PDF attachments (schedules and explanations).

Process change

We shifted resources to help with the processing of suspended tax returns. We used tax auditors for the more complex issues. We also used individuals from the Compliance Section who specialize in the Working Family Tax Credit to help process those returns. The learning curve in the suspense system negated any positive affects, but efficiency should improve in the next processing season. Finally, we changed the business rules for refund returns that don't suspend for other adjustments so that they process faster. The goal is to process within 45 days (interest is paid on refunds processed after 45 days).

Income Tax Booklets

Paper filing of tax returns has become the exception (7 percent of the returns received in 2014 were paper). As taxpayers move to e-filing their tax returns (either professionally or on their own), we have adjusted the printing and mailing of income tax booklets. Printing has decreased by 35 percent from the previous biennium. In 2015, we will discontinue the automatic printing and mailing of tax booklets altogether.

Process improvement

As of December 10, 2014, the department has saved approximately \$868,000 through SB184 (garnishments by regular mail) and SB185 (no warrant with garnishment, no signing of garnishment).

Savings is based on:

- Sending garnishments via regular mail instead of certified mail.
- Issuing garnishments without having to attach a copy of the warrant before mailing. Ordering a copy of the warrant added additional personal service and printing costs.

Business Division

Voluntary compliance

Voluntary Disclosure Agreement (VDA) process

With GenTax, the VDA process used for our corporate excise tax becomes more efficient because the documents are created in a manner that requires less data entering. GenTax also identifies the account as a VDA, so with business rules we can automate accounting transactions that were previously completed manually.

Outreach events

We have placed emphasis on reaching out to stakeholders and customers and have maintained a dedicated resource who proactively engages with professional and community groups for outreach and educational activities. As of December 10, 2014, we have presented information at 52 educational events. We continue to work with our partners and stakeholders to ensure that we are providing the taxpayer community with the information that they need to comply with their tax filing and payment requirements.

Revision of production reporting and performance measures

Our legacy computer system poses various challenges in mastering the access and manipulation of the data that it contains. We have invested in staff and devoted resources to gain a better understanding of how to extract data and turn it into meaningful production reporting and performance measures. We have increased our knowledge and skills by continued training, and those efforts have resulted in the creation of new reports, measures, and refining and reconciling previous data analysis activities. These reports allow our decision makers to identify areas where we can increase effectiveness in our operations. This information will also give us a solid foundation for developing business rules within GenTax.

Enforcement

Expanded use of third-party data warehouse tool

We've broadened our use of a third-party tool to help us identify debtors and income sources. Through the third-party tool, we've been able to identify 80 percent of debtors who we previously couldn't identify in our other agency account collection tool.

Information and Wage Information Return E-services (iWire) compliance

The department has statutory authority to require the electronic submission of information returns (1099 and W2 returns) through iWire, with the ability to impose penalties for late, incomplete, or erroneous returns. We have conducted an analysis of non-compliance in this area and have initiated projects aimed at identifying, contacting, and resolving outstanding return submissions. We have also proactively engaged in communication activities to inform the return-filer community of their responsibility to file the information returns electronically with the department. Our payroll section has been actively involved in providing notice to non-compliant filers to ensure that future voluntary compliance is achieved. For the upcoming tax filing season, the department will impose penalties on the non-compliant population to promote filing compliance.

State lands, WageVu matching

We continue to look for ways to maximize the use of our data for recovery and fraud detection. We used Audit Command Language (ACL) software to manipulate and mine data. For example, we cross referenced our open billing inventory against the Department of State Lands' unclaimed property list. We found \$250,000 in unclaimed funds that could be applied to existing debt.

With ACL, we can also analyze large data sets to identify opportunities to resolve outstanding liquidated and delinquent debt. This data analysis allows for a better understanding of debt and assists our revenue agents in determining the best way to collect on that debt.

Employee engagement

We have focused our hiring processes to identify the behaviors and decision-making skills that will improve the department. This has brought in agents with positive energy who have increased production and motivated other staff.

In our collection areas, we have developed strong collection standards and recognition programs for agents who exceed the standards.

Customer Experience

Other tobacco products (OTP) agreement with the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians

We entered into a revenue sharing agreement with the Confederated Tribes of Coos, Lower Umpqua, and Siuslaw Indians. They've agree to sell taxed tobacco products on tribal lands if we return a portion of the revenues received by taxed tobacco products. This return is proportional to tribal membership and tobacco use rates. This results in lower administration costs for the department, a positive working relationship with the tribe, and, ultimately, ensuring the tribes receive the tax-free tobacco products due to them.

Online services for cigarette and tobacco taxpayers

On November 12, 2014, Revenue Online went live for for cigarette and tobacco taxpayers. Cigarette distributors can now submit their cigarette stamp orders online, track their order, and view their account. Prior to this automation, they were required to submit a paper copy to us and could not track their order or view their account. This improves our accuracy when filling the stamp order, and offers additional customer service options.

Online payments for special tax programs

In February 2013, we implemented the ability for our hazardous substance fee payers, 911 taxpayers, transient lodging taxpayers, petroleum load fee payers, and amusement device fee payers, to pay their fee and/or tax bill online. Prior to this implementation, they were required to send us a check and we processed it manually. This will allow for more accurate posting of payments, less time to process payments, and offers additional customer service options.

Automated Call Distributor (ACD) implementation and use

We have an ACD system and have effectively implemented the tool in various areas. The ACD receives incoming calls and distributes them to revenue agents. It has proven to be an enhancement to workflow and caseload management. This tool allows our agents to answer more calls and provide more efficient and effective customer service, which subsequently results in enhanced debt resolution. By utilizing real-time data, we can apply strategies and deploy resources to further reduce the abandoned call rate and the wait times for incoming calls. It has allowed us to evaluate the technology and the performance of our work groups to maximize efficiency. In some areas of the agency, we have also provided:

- Recordings of information commonly repeated to allow agents to do multiple tasks.
- A streamlined incoming telephone menu. We reduced the number of options and reorganized the menu so the most common option is the first option.
- The caller-elected call back feature; minimizing the time a customer waits to speak to an employee.
- Real-time displays showing the incoming telephone traffic so resources can be allocated to the area that requires attention.

Equity and uniformity

Processing changes with implementation of GenTax

With the implementation of GenTax, the number of returns that previously suspended for manual processing due to payment mismatch errors is expected to decrease substantially. For example: payments will no longer be assigned to either corporate income tax or excise tax until the return showing which tax is being reported is filed. Payments made by corporate affiliates of the filing entity will be transferred to the return filed within which the affiliate is listed, as part of the consolidated return filing. We are still transitioning to the new system and do not yet have precise numbers for the total change in suspended returns.

Case resolution group process changes

We have made changes to the process used to review and evaluate corporate case resolution. For some cases, the previous amount of resources used are not needed. Using a specific set of criteria, we are now more strategic in our use of resources for this task.

Change to written objection process

Prior to GenTax, a corporate tax appeal would be scanned and an electronic file created on a network drive to store files, such as the objection, any related emails, and the final Letter of Determination. All appeal activity was tracked separately on a spreadsheet and assigned to staff using email. With GenTax, the appeal is scanned, logged, assigned, and tracked through

one entry. This not only saves time, but provides a single location for staff to access all appeal information.

Modern e-file (MeF) XML data cleaning

Starting in January the manual process used to clean corporate tax data will no longer be necessary for current and future returns. MeF data will be input directly into GenTax, and it will no longer have to fully be cleaned and validated. Currently the process takes several steps using a third-party application.

Property Tax Division

Customer experience

Minimum training and experience standards for appraisers

PTD partnered with the assessors association to develop a long-term strategic plan that will update the Oregon appraiser registration and continuing education program. The plan provides for development of minimum training and experience standards for appraisers to ensure uniform practices and improve equitable property valuation.

Working with tribes and counties on tribal taxation matters

We have committed to working with tribal representatives through the tribal tax work group to proactively address tax-related matters. We met with tribal and county representatives several times during 2013 and 2014 to discuss property tax issues related to Bureau of Indian Affairs regulations and court cases outside of Oregon.

Surveying counties to determine support needs

We conduct biennial customer surveys of county assessors and tax collectors to help us identify ways to improve service delivery and to address future training needs. In 2013, we changed the survey focus to issues that are important to the counties and included more opportunities for the respondents to provide input regarding improvements they would like to see us make. We used the results to inform our division strategic plan developed in Spring 2014.

Improving speed, accuracy, and consistency in our processes

We implemented new or enhanced processes in several areas to ease certain filing requirements for customers and reduce costs. Examples include:

- A new process for tracking, reporting, and notifying districts that file for boundary changes under ORS 308.225. This will ease the filing process for filers and the department.
- Conversion of the nine counties whose assessor maps we maintain to a single ARC-GIS application (ESRI platform). This will provide for greater uniformity and reduced costs (fewer licensed seats required).

Utilizing technology to improve the service quality, timeliness, and affordability

We've increasingly integrated online training options into our package of appraiser continuing education course offerings. We also use WebEx videoconferencing to communicate with counties, which significantly reduces travel costs, and increases outreach opportunities.

Providing improved support to property tax deferral program participants

Using mostly limited-duration employees, we increased our support services to senior and disabled property tax deferral participants. This reduced response times, increased customer satisfaction, and resulted in timely completion of the 2014 application processing season in a cost-effective manner.

Voluntary compliance

Streamline filing and reporting

To assist taxpayers with filing their Industrial Property Returns (IPR), the department has developed fillable electronic forms. This allows taxpayers with large inventories of machinery and equipment to upload information into an electronic document and submit it electronically for appraisal and processing purposes.

Training

At the beginning of each valuation season, the industrial appraisers provide training to taxpayers. This training especially benefits taxpayers with complex property and returns.

Modernize systems and improve processes

The Valuation Section was realigned to better address new and existing objectives. To aid our staff in their appraisal work, we have subscribed to hosted data and reporting development software. This system is a near-term fix until a more comprehensive IT solution platform is implemented.

Employee engagement

Increase staff skills

We have developed training and professional development guidelines to identify appropriate educational pathways for appraisers. Additionally, the section has provided classes on appraisal and leadership.

Increasing staff technical proficiency through training and development

We completed the identification of basic knowledge and training requirements for each employee and posted the results in each individual's performance management plan.

Providing multiple forums for engaging staff

We provided formal and informal forums for gathering ideas, soliciting feedback, recognizing group and individual successes, and maintaining line-of-sight with overall section, division, and agency goals.

Equity and uniformity

Strengthen competency of staff

Near- and long-term training plans are developed for each appraiser. Earning professional designations are encouraged and promoted for all staff.

Working with stakeholders to simplify the forestland valuation process

In August 2014, we organized a stakeholder group and initiated a process to evaluate the current methodology for valuing forestland with the objective of simplifying the process and obtaining administrative efficiencies, while retaining the rigor and industry acceptance of the existing methodology. Meetings will continue during 2015, with the goal of adopting the new methodology by 2016.

Maintaining standards within the assessment and taxation system

We developed a tool that will enable us to evaluate whether county mapping programs are meeting certain minimum standards for accuracy and completeness. Since property assessment begins with an accurate property tax description, conformity with certain standards is essential. We will introduce a pilot program in early 2015 to gather information to use in targeting future training and assistance efforts.

County data review

Working with our Research Section, we initiated a four county pilot study using data already provided to the department to determine whether such a “data dump” could help us easily identify potential issues with assessment and tax calculation. We will evaluate the results in 2015 to determine possible broader application of the study to ensure statewide equity and uniformity.

Appendix B

2015 Legislation with possible fiscal impacts for Department of Revenue

Potential impacts		Savings	Low (\$50,000– \$100,000)	Medium (\$100,000– \$500,000)	High (>\$500,000)
Agency-wide bills					
HB 2137	Creates a sales and use tax on artworks with a sale price over \$250,000. The department will administer this new tax program.			X	
HB 2164	Makes tax compliance project for licensees permanent with an automated method developed by January 1, 2016.			X	
HB 2167	Requires a business entity to be in compliance with tax laws of the state before getting a business license from the Secretary of State.			X	
HB 2169	Requires state agencies that issue grants to make sure grant applicants are in compliance.			X	
HB 2590	Enacts sales and use tax.				X
HB 2732	Enacts sales and use tax. Reduces rates of income tax. Increases EIC. Creates credit for business investment.				X
Corporation-related bills					
HB 2822	Creates a tax credit for capital improvement projects. The department will determine eligibility for the tax credit.			X	
Payroll tax-related bills					
HB 2960	Retirement security.				X
SB 56	Statewide lien register.		X		
SB 615	Retirement security.				X
Personal income tax-related bills					
HB 2068	Increases the amount of the Earned Income Credit to equal the federal earned income credit if a taxpayer has a dependent under the age of three (tax years 2016-19) (ORS 315.266).		X		
HB 2073	Disallows the mortgage interest deduction for non-personal residences if the AGI is greater than \$250,000 (\$125,000 MFS) beginning with tax year 2015 (ORS 316.695).		X		
HB 2076	PTE reduced tax rate is limited to \$1 million of nonpassive income. Decreases the employee's hours to 1,000. Raises PIT rate to 10.8 percent or 11 percent if over \$125,000 or \$250,000 of income beginning with tax year 2016 (ORS 316.043 and 316.037).		X		
HB 2091	Doubles the percentage allowed for the Working Family Child Care Credit (changes from 40 percent to 80 percent) for tax year 2015.			X	

		Savings	Low (\$50,000– \$100,000)	Medium (\$100,000– \$500,000)	High (>\$500,000)
Potential impacts					
HB 2101	Eliminates the standard and itemized deductions, the blind and severely disabled exemption credit, federal tax subtraction, and the foreign tax subtraction limitations. Allows a standard deduction of 33 percent of the federal amount before tax year 2018.		X		
HB 2104	Eliminates the standard and itemized deductions, the blind and severely disabled exemption credit, federal tax subtraction, and the foreign tax subtraction limitations. Allows a standard deduction of 33 percent of the federal amount before tax year 2018.		X		
HB 2136	Limits the amount of home mortgage interest allowed on the Oregon return to \$10,000 beginning with tax year 2015 (ORS 316.695).		X		
HB 2139	Directs DOR to calculate a net federal itemized deduction ratio average over five years and if the projected ratio is greater than the ratio calculated, the itemized deductions would be reduced.		X		
HB 2146	Add collection fee for missing income or corporate excise tax installment payment.		X		
HB 2152	Limits amount of certain tax expenditures connected to economic development allowed corporate-rate excise taxpayer to 1 percent of Oregon taxable income. Begins with tax year 2016 (ORS 285C.309, 315.141, 315.331, 315.336, 315.341, 315.507, 315.514, 315.533, 316.778, 317.124, 317.391, and 317.394).		X		
HB 2156	Allows the taxpayer to get a refund of the exemption credit if their federal taxable income is under a dollar limitation. Reduces the taxpayer's itemized deductions if the federal taxable income is over a dollar limitation. Begins with tax year 2016 (ORS 316.085 and 316.695).		X		
HB 2158	Increases/decreases the tax rate if the high school graduation rate falls or exceeds a certain percentage.		X		
HB 2239	Creates a new credit for hiring at-risk or disadvantaged youth at 25 percent of the wages paid to the employee beginning with tax year 2015.		X		
HB 2242	Increases the dependent exemption credit to \$250 per dependent child beginning tax year 2015 (ORS 316.085).		X		
HB 2289	Creates a new credit for cleanup of Brownfield property beginning with tax year 2016.			X	
HB 2747	Increases limitation on subtraction for contributing to college savings network to amount per designated beneficiary. Creates refundable credit for contributions to college savings.		X		

		Savings	Low (\$50,000– \$100,000)	Medium (\$100,000– \$500,000)	High (>\$500,000)
Potential impacts					
HB 2751	Reduces rate of tax on capital gains of personal income and corporate income and excise taxpayers if amount equal to gain is invested in Oregon business during tax year.		X		
HB 2859	Creates reduced rate of PIT capital gains attributable to benefit companies (ORS 316.037).			X	
SB 195	Reduces personal income tax rates for certain taxpayers by modifying income tax brackets beginning with tax year 2015 (ORS 316.037).		X		
SB 197	Modifies provisions allowing for optional reduced rates of PIT on nonpassive income. Makes available to all PTEs. Adds cost-of-living adjustments (ORS 316.043).		X		
SB 200	Creates subtraction from taxable income for net capital gain that is invested in certain businesses beginning with tax year 2015.		X		
SB 433	Reduces rate on capital gains to half the tax rate beginning with tax year 2015 (ORS 316.037).			X	
SB 530	Creates a new tax credit for interest on qualified education loans beginning with tax year 2015.		X		
Property tax-related bills					
HB 2078	Imposes state property tax on property subject to local ad valorem property taxation.		X		
HB 2083	Changes eligibility criteria to senior and disabled property tax deferral programs, authorizes the department to purchase insurance on behalf of participants.			X	
HB 2085	Authorizes Multnomah County to establish a property tax deferral program; requires the department to transfer accounts under state program.		X		
HB 2588	Creates new timber severance tax \$19/MBF.		X		
SB 58	Same as HB 2085. Authorizes Multnomah County to establish a property tax deferral program; requires the department to transfer accounts under state program.		X		
SB 60	Same as HB 2083. Changes eligibility criteria to senior and disabled property tax deferral programs, authorizes the department to purchase insurance on behalf of participants.			X	
Small programs administration					
HB 2066	Increases cigarette tax by \$1.25/pack of 20 (total tax \$2.56); imposes floor tax; modifies current tax distribution; and prescribes distribution for additional tax.		X		
HB 2074	Expands definition of “tobacco products” to include electronic cigarettes and nicotine solutions. Makes electronic cigarettes, vape pens, and nicotine solutions taxable as tobacco products.			X	

		Savings	Low (\$50,000– \$100,000)	Medium (\$100,000– \$500,000)	High (>\$500,000)
Potential impacts					
HB 2082	Creates carbon tax on carbon-based fuel supplied to Oregon consumers and electricity generated from carbon-based fuel. Imposes carbon tax on fuel suppliers and utilities.			X	
HB 2086	Imposes fee on fossil fuels or electricity generated from fossil fuels.			X	
HB 2134	Expands definition of “tobacco products” to include electronic cigarettes and nicotine solutions. Makes electronic cigarettes, vape pens, and nicotine solutions taxable as tobacco products.			X	
HB 2147	Requires DOR to study taxation of marijuana and report to interim legislature on or before September 15, 2015.			X	
HB 2159	Creates carbon tax on carbon-based fuel supplied to Oregon consumers and electricity generated from carbon-based fuel. Imposes carbon tax on fuel suppliers and utilities.			X	
HB 2166	Increases cigarette tax by \$1.82/pack of 20 (total tax \$3.13); imposes floor tax; modifies current tax distribution; and prescribes distribution for additional tax.		X		
HB 2555	Increases cigarette tax by \$1/pack of 20 (total tax \$2.31); imposes floor tax; tax distribution percentages blank.		X		
SB 55	Directs state agencies to impose collection fee on accounts transferred to private collection agency; directs DOR/OAA to impose collection fee on accounts collected for state agencies; directs state agencies to request SSN from applicant when they own the state agency more than \$100.		X		

Appendix C

House Bill 2020/4131

House Bill 4131 report

Since 2013, the Department of Revenue has not needed to perform any additional administrative actions to achieve the 11 to 1 ratio target. We continue to consider our ratio when making any management hiring decisions that would affect current ratio levels. We also keep this ratio in mind when considering reduction option packages or policy option packages.

	Total positions	Supervisory positions	Non-supervisory positions	Ratio
As of 4-11-12	1,051	89	962	1–11
As of 11-01-14	1,065	84	981	1–12

Appendix D

Ten-percent reduction options

The agency continues to identify its ten percent reduction options with an eye toward maintaining the long-term health of the tax system. Because 97 percent of personal and income tax returns are submitted voluntarily, we continue to look at enforcement resources as the first level of reductions. The majority of positions in the first five percent of reductions are collectors, auditors, and filing enforcement positions. These reductions total 71 positions (61.78) FTE. The agency is estimating the direct General Fund impact of these positions at \$32 million and the Other Funds revenue loss at \$3.5 million. While the majority of positions are enforcement positions, other programs and functions have positions within this first option, as well.

The second five percent of reductions total 67 positions (59.92) FTE. The General Fund loss associated with the second five percent reduction is \$23.7 million and \$6.0 million in Other Funds. Again, we have enforcement positions on the second five percent reduction list. There are additional reductions in positions in the property tax valuation programs and agency administrative areas, such as the processing center, information technology, and human resources.

Another factor we considered in identifying the reduction options was the impact reductions would have on the Core Systems Replacement project, especially in information technology. Because we have chosen to use subject matter experts from program and information technology to staff the project, reducing the positions that are backfilling the subject matter experts would impact core administrative functions of the organization. We tried to maintain the balance of both program and project success in light of any potential resource reductions.

Appendix E

Long-term vacancies

The agency does have some areas with vacancies over 6 months old. The vacancies generally fall into three categories: funding issues, recruitment issues, and core systems replacement project position issues. These are further outlined below.

For the 2013–15 biennium, the legislature approved 32 full-time, limited-duration positions to support the core systems replacement project. These positions were filled through temporary work assignments with permanent staff from department program areas. To ensure that permanent staff do not lose their employment rights due to this employment arrangement, the project positions appear vacant, although the funding provided for the positions is being used to support the staff in their project roles. We have used the program funding in our base budget to double-fill these positions to ensure the agency continues to meet program expectations for processing, auditing, and collecting debt from taxpayers.

The Property Tax Division has some structural funding issues between General Fund allocation and Other Fund limitation on positions in the Valuation Program. The agency has submitted a policy option package for the 2015–17 biennium to resolve the funding issues and fill the positions to meet program requirements. In the 2013–15 biennium, they held positions vacant to avoid overspending their existing GF allocation.

We have experienced significant recruitment challenges for a number of information technology positions. We have solicited for some positions as many as five times without finding a qualified applicant pool or a candidate we could hire at the pay range of the classification for the position. We have been actively addressing these issues all biennium and continue to look for solutions to recruitment challenges. We believe that other state agencies are experiencing similar challenges. We find that we often move the recruiting issues between agencies as IT employees change jobs. Promoting staff from outside the IT programs or from outside of state government may alleviate some of these issues.

Appendix F

Audit response

Secretary of State audit

Statewide single audit report for the year ended June 30, 2010

Recommendation: We recommend department management perform effective reviews over the year-end calculations of the taxes receivable estimates to ensure accrual calculations are accurate.

Department response: Management agrees with the recommendation and is in the process of improving the review process of year-end tax receivable calculations.

Recommendation: We recommend department management ensure accounting staff have the requisite knowledge and skills to perform their assigned duties and ensure accounting transactions are accurately recorded to the proper accounts.

Department response: Management agrees with the recommendation and has implemented processes which address improving staff knowledge and skills and ensuring accounting transactions are accurately recorded to the proper accounts.

Strategies for increasing personal income tax compliance and revenue collections, August 2010

Recommendation: We recommend that DOR better identify and address the backlog of non-filers, increase tax compliance efforts, and increase the effectiveness and efficiency of its collections process.

Department response: Management agrees with the recommendations and will continue to develop better methods for identifying people who do not file Oregon personal income tax returns. Management will also continue to develop performance management strategies in collections.

Statewide single audit report for the year ended June 30, 2011

Recommendation: We recommend department management develop and implement effective monitoring procedures to ensure all accounting transactions are entered in the state accounting system for financial reporting purposes.

Department response: Management agrees with the recommendation and has begun implementing improved procedures.

Recommendation: We recommend department management comply with state policy and ensure the cash accounts in its subsidiary system are routinely reconciled to the state accounting system and to Oregon State Treasury accounts.

Department response: Management agrees with the recommendation and has begun the process of improving cash account reconciliations.

Recommendation: We recommend department management ensure accounting staff have the requisite knowledge and skills to perform their assigned duties and ensure all accounting transactions result in accurate financial reporting.

Department response: Management agrees with the recommendation and has begun implementing staff training and will enhance said training with additional in-depth accounting and technical guidance.

Statewide single audit report for the year ended June 30, 2012

There were no findings or material weaknesses found for the period ending June 30, 2012. The Secretary of State commented on the findings and recommendations from the previous year's financial audit (ending June 30, 2011).

The agency has taken corrective action on the recommendation above regarding ensuring all accounting transactions are entered into the state accounting system for financial reporting purposes. The agency has made progress toward completing the other two recommendations.

Statewide Single Audit Report for the Year Ended June 30, 2013

There were no findings or material weaknesses found for the period ending June 30, 2013.

Secretary of State Property Tax Deferral Program: Financial Review, August 2013

Recommendation: We recommend department management develop and implement procedures to ensure interest receivable for the Senior and Disabled Property Tax Deferral Program is reported in SFMA.

Department response: Management agrees with the recommendation and a process has been implemented to record a monthly accrual of interest receivable in SFMA.

Recommendation: We recommend department management consider performing its lien adjustment process on a more frequent schedule to ensure sufficient liens exist to cover participants' liabilities.

Department response: Management agrees with the recommendation and a process has been implemented which includes performing the lien adjustment process on a more frequent schedule to ensure sufficient liens exist to cover participants' liabilities.

Appendix G

New hires and reclassifications

New hires

Effective: 7/1/2013 through 12/1/2014

Report date: 12/15/2014

Asset class 2 data

Report no.: EHR50841

Agency	Pos No	Sal Rng	Repr	Repr Desc	Class	Class Desc	Base rate	Step	Appt Pa	Eff Date	Justification
15000	5145	28X	MMS	Mgt Svc Supervisory	X7004	Principal Executive/Manager C	6226	09	141	1/13/2014	Hired At Step 9 To Be Competitive With Previous Non-State Salary
15000	4243	31	OA	SEIU Local 503 OPEU-strikeable	C0728	Appraiser Analyst 4	6885	09	141	1/13/2014	Hired At Step 9 To Be Competitive With Previous Non-State Salary
15000	3604	33I	OA	SEIU Local 503 OPEU-strikeable	C1488	Info Systems Specialist 8	7582	09	141	10/28/2013	Hired At Step 9 To Be Competitive With Previous Non-State Salary
15000	3083	29I	OA	SEIU Local 503 OPEU-strikeable	C1486	Info Systems Specialist 6	6379	09	141	5/19/2014	Hired At Step 9 To Be Competitive With Previous Non-State Salary
15000	4206	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser Analyst 3	5688	08	141	3/31/2014	Hired At Step 8 To Be Competitive With Previous Non-State Salary
15000	6409	25I	OA	SEIU Local 503 OPEU-strikeable	C1484	Info Systems Specialist 4	4794	07	141	11/5/2013	Hired At Step 7 To Be Competitive With Previous Non-State Salary
15000	2405	23	OA	SEIU Local 503 OPEU-strikeable	C1216	Accountant 2	4079	06	141	8/11/2014	Hired At Step 6 To Be Competitive With Previous Non-State Salary
15000	3080	25I	OA	SEIU Local 503 OPEU-strikeable	C1484	Info Systems Specialist 4	4647	06	141	2/18/2014	Hired At Step 6 To Be Competitive With Previous Non-State Salary
15000	6019	21	OA	SEIU Local 503 OPEU-strikeable	C5112	Revenue Agent 3	3781	06	141	9/2/2014	Hired At Step 6 To Be Competitive With Previous Non-State Salary
15000	4206	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser Analyst 3	4929	05	141	3/17/2014	Hired At Step 5 To Be Competitive With Previous Non-State Salary
15000	5448	27	OA	SEIU Local 503 OPEU-strikeable	C0871	Operations & Policy Analyst 2	4697	05	141	1/6/2014	Hired At Step 5 To Be Competitive With Previous Non-State Salary
15000	4261	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser Analyst 3	4929	05	141	3/10/2014	Hired At Step 5 To Be Competitive With Previous Non-State Salary
15000	1018	31	MMN	Mgt Svc Nonsupervisory	X5618	Internal Auditor 3	5927	04	141	4/28/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	6050	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2775	04	141	8/5/2013	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	6002	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2636	04	141	9/2/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	5473	27	OA	SEIU Local 503 OPEU-strikeable	C0871	Operations & Policy Analyst 2	4479	04	141	1/21/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	3596	29	MMN	Mgt Svc Nonsupervisory	X1322	Human Resource Analyst 3	5384	04	141	6/30/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	5538	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	3225	04	141	2/10/2014	Hired At Step 4 Based On Previous Non-State Experience In The Field
15000	5522	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	3225	04	141	7/7/2014	Hired At Step 4 Based On Previous Non-State Experience In The Field

15000	2145	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2873	04	141	12/1/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	6238	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2360	04	141	10/13/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	2219	14	OA	SEIU Local 503 OPEU-strikeable	C0758	Supply Specialist 1	2451	04	141	8/1/2013	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	5145	28X	MMS	Mgt Svc Super- visory	X7004	Principal Executive/ Manager C	4881	04	141	4/14/2014	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	4130	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser Analyst 3	4628	04	141	9/9/2013	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	3577	27	OA	SEIU Local 503 OPEU-strikeable	C0871	Operations & Policy Analyst 2	4479	04	141	12/9/2013	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	4284	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser Analyst 3	4628	04	141	8/1/2013	Hired At Step 4 To Be Competitive With Previous Non-State Salary
15000	6005	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2488	03	141	1/27/2014	Hired At Step 3 To Be Competitive With Previous Non-State Salary
15000	6555	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2702	03	141	12/16/2013	Hired At Step 3 Based On Previous Non-State Experinece In The Field
15000	5454	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	3077	03	141	2/11/2014	Hired At Step 3 To Be Competitive With Previous Non-State Salary
15000	6272	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2662	03	141	10/7/2013	Hired At Step 3 Based On Previous Non-State Experinece In The Field
15000	5485	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2662	03	141	10/7/2013	Hired At Step 3 Based On Previous Non-State Experinece In The Field
15000	5070	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	3077	03	141	2/10/2014	Hired At Step 3 To Be Competitive With Previous Non-State Salary
15000	6556	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2584	02	141	5/1/2014	
15000	5564	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2188	02	141	11/3/2014	
15000	3173	19	OA	SEIU Local 503 OPEU-strikeable	C0108	Administrative Specialist 2	2873	02	141	10/13/2014	
15000	6354	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2188	02	141	11/10/2014	
15000	4242	28	OA	SEIU Local 503 OPEU-strikeable	C0727	Appraiser Analyst 3	4273	02	141	3/17/2014	
15000	3582	29I	OA	SEIU Local 503 OPEU-strikeable	C1486	Info Systems Specialist 6	4619	02	141	3/24/2014	
15000	5565	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2188	02	141	11/3/2014	
15000	6344	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2546	02	141	10/7/2013	
15000	6488	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2584	02	141	5/1/2014	
15000	3090	25I	OA	SEIU Local 503 OPEU-strikeable	C1484	Info Systems Specialist 4	3869	02	141	12/1/2013	
15000	6551	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2584	02	141	5/1/2014	
15000	5296	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2145	02	141	8/25/2014	
15000	5557	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013	

15000	5450	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5520	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/10/2014
15000	6121	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	7/21/2014
15000	6552	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	6315	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2314	01	141	3/24/2014
15000	6297	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	5469	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5423	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5469	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	3/24/2014
15000	3158	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2360	01	141	11/3/2014
15000	2366	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2280	01	141	10/7/2013
15000	3492	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2280	01	141	11/18/2013
15000	3533	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2280	01	141	10/7/2013
15000	6303	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	5541	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	3177	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2280	01	141	7/1/2013
15000	6260	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	6255	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	3/3/2014
15000	3136	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	9/23/2013
15000	6556	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014
15000	5422	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	5549	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	3/3/2014
15000	5107	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	3532	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2488	01	141	1/6/2014
15000	5624	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/10/2014
15000	2398	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2280	01	141	10/7/2013

15000	6570	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5421	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	6386	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014
15000	3213	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2488	01	141	1/6/2014
15000	4017	27	OA	SEIU Local 503 OPEU-strikeable	C1244	Fiscal Analyst 2	3896	01	141	1/7/2014
15000	6363	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	5421	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	6002	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2280	01	141	8/1/2013
15000	6059	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	5493	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2110	01	141	11/3/2014
15000	2173	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2280	01	141	8/19/2013
15000	6014	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	5541	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5559	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	6364	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/27/2014
15000	5522	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	6418	25I	OA	SEIU Local 503 OPEU-strikeable	C1484	Info Systems Specialist 4	3696	01	141	12/5/2013
15000	6263	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	3/3/2014
15000	5119	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/10/2014
15000	6560	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014
15000	6496	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	5522	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5621	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/11/2014
15000	5557	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	5025	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2538	01	141	11/3/2014
15000	5274	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/10/2014

15000	6380	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	6371	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/28/2013
15000	5498	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	5433	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	2405	23	OA	SEIU Local 503 OPEU-strikeable	C1216	Accountant 2	3177	01	141	10/14/2013
15000	5440	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	5085	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/11/2014
15000	2398	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2280	01	141	10/7/2013
15000	2173	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2280	01	141	9/9/2013
15000	5476	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5434	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5374	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	6015	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	5550	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	6285	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	8/1/2014
15000	6389	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	6357	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5229	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2488	01	141	3/31/2014
15000	6013	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2110	01	141	11/3/2014
15000	6570	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/9/2013
15000	5556	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	6361	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	5522	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/10/2014
15000	2366	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2360	01	141	10/20/2014
15000	6257	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	3/3/2014
15000	5502	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013

15000	2240	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2360	01	141	10/20/2014
15000	5083	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5486	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5608	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	9/23/2013
15000	6031	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014
15000	5422	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	2229	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2360	01	141	10/20/2014
15000	6133	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	6257	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	5433	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	5441	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	6490	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	2407	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2314	01	141	3/24/2014
15000	6499	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	8/1/2014
15000	3532	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2488	01	141	1/6/2014
15000	6379	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	5555	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	5086	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5421	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	3214	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	9/23/2013
15000	5486	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	6285	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	8/1/2014
15000	5374	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5086	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5030	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2488	01	141	8/18/2014
15000	6011	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2069	01	141	12/30/2013

15000	5434	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	6113	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/6/2014
15000	6303	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/2/2013
15000	5116	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5486	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	9/15/2014
15000	6498	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014
15000	2885	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2360	01	141	10/20/2014
15000	6239	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	6384	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	7/15/2013
15000	3384	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	10/1/2013
15000	6019	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	2366	15	OA	SEIU Local 503 OPEU-strikeable	C0323	Public Service Rep 3	2280	01	141	10/7/2013
15000	6362	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	5014	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2280	01	141	9/16/2013
15000	6384	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2069	01	141	4/21/2014
15000	5476	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	6134	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	6013	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	10/7/2013
15000	6026	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/2/2013
15000	6420	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/2/2013
15000	6489	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	5086	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	3464	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2038	01	141	9/23/2013
15000	6516	30	OA	SEIU Local 503 OPEU-strikeable	C0872	Operations & Policy Analyst 3	4479	01	141	3/10/2014
15000	6420	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	6504	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014

15000	6393	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	6502	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2538	01	141	10/1/2014
15000	6279	15	OA	SEIU Local 503 OPEU-strikeable	C0104	Office Specialist 2	2314	01	141	3/31/2014
15000	5434	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	6504	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/1/2014
15000	5469	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	10/7/2013
15000	6260	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	5469	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	5/5/2014
15000	5450	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	3/3/2014
15000	5555	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2451	01	141	8/5/2013
15000	5478	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	6442	17	OA	SEIU Local 503 OPEU-strikeable	C0107	Administrative Specialist 1	2451	01	141	10/21/2013
15000	6560	17	OA	SEIU Local 503 OPEU-strikeable	C5110	Revenue Agent 1	2488	01	141	12/16/2013
15000	5083	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	7/7/2014
15000	5210	20	OA	SEIU Local 503 OPEU-strikeable	C5630	Tax Auditor/Entry	2817	01	141	2/11/2014
15000	6384	12	OA	SEIU Local 503 OPEU-strikeable	C0103	Office Specialist 1	2069	01	141	12/30/2013

Reclassifications

Effective: 7/1/2013 through 12/1/2014

Report date: 12/11/2014

Asset class 2 data

Report number: dr000111

Date	Classification from					Classification to				
	Class	Name	Range	Step	Salary	Class	Name	Range	Step	Salary
Apr 14	X0103	Office Specialist 1	12		2872	X0107	Administrative Specialist 1	17	4	3012
Apr 14	X1320	Human Resource Analyst 1	23		4429	X1321	Human Resource Analyst 2	26	5	4881
Aug 14	C0871	Ops/Policy Analyst 2	27		5604	C0872	Ops/Policy Analyst 3	30	7	5961
Oct 14	C5111	Revenue Agent 2	19		3139	C5112	Revenue Agent 3	21	3	3290
Oct 14	C5111	Revenue Agent 2	19		3972	C5112	Revenue Agent 3	21	8	4161
Oct 14	C5111	Revenue Agent 2	19		3139	C5112	Revenue Agent 3	21	3	3290
Dec 13	C5111	Revenue Agent 2	19		2942	C5112	Revenue Agent 3	21	2	3077
May 14	C5630	Tax Auditor/Entry	20		3382	C5631	Tax Auditor 1	25	1	3536
Oct 13	C5630	Tax Auditor/Entry	20		3032	C5631	Tax Auditor 1	25	1	3484
Oct 13	C5630	Tax Auditor/Entry	20		3032	C5631	Tax Auditor 1	25	1	3484
Jan 14	C5630	Tax Auditor/Entry	20		4079	C5631	Tax Auditor 1	25	5	4273
May 14	C5630	Tax Auditor/Entry	20		2817	C5631	Tax Auditor 1	25	1	3536
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
May 14	C5630	Tax Auditor/Entry	20		2942	C5631	Tax Auditor 1	25	1	3536
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
May 14	C5630	Tax Auditor/Entry	20		2817	C5631	Tax Auditor 1	25	1	3536
Oct 13	C5630	Tax Auditor/Entry	20		3032	C5631	Tax Auditor 1	25	1	3484
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
Oct 13	C5630	Tax Auditor/Entry	20		3838	C5631	Tax Auditor 1	25	5	4210
May 14	C5630	Tax Auditor/Entry	20		3382	C5631	Tax Auditor 1	25	1	3536
Oct 13	C5630	Tax Auditor/Entry	20		3032	C5631	Tax Auditor 1	25	1	3484
Oct 13	C5630	Tax Auditor/Entry	20		3032	C5631	Tax Auditor 1	25	1	3484
May 14	C5630	Tax Auditor/Entry	20		3382	C5631	Tax Auditor 1	25	1	3536
Oct 13	C5630	Tax Auditor/Entry	20		3032	C5631	Tax Auditor 1	25	1	3484
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
May 14	C5630	Tax Auditor/Entry	20		3896	C5631	Tax Auditor 1	25	4	4079
Jan 14	C5630	Tax Auditor/Entry	20		3536	C5631	Tax Auditor 1	25	2	3707
May 14	C5630	Tax Auditor/Entry	20		2817	C5631	Tax Auditor 1	25	1	3536
May 14	C5630	Tax Auditor/Entry	20		2817	C5631	Tax Auditor 1	25	1	3536
May 14	C5630	Tax Auditor/Entry	20		2817	C5631	Tax Auditor 1	25	1	3536
May 14	C5630	Tax Auditor/Entry	20		3707	C5631	Tax Auditor 1	25	3	3896
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
Jan 14	C5630	Tax Auditor/Entry	20		3077	C5631	Tax Auditor 1	25	1	3536
Sep 14	C5631	Tax Auditor 1	25		3781	C5632	Tax Auditor 2	28	1	4161
Sep 14	C5631	Tax Auditor 1	25		3707	C5632	Tax Auditor 2	28	1	4161
Sep 14	C5631	Tax Auditor 1	25		3781	C5632	Tax Auditor 2	28	1	4161
Sep 14	C5631	Tax Auditor 1	25		3781	C5632	Tax Auditor 2	28	1	4161
Sep 14	C5631	Tax Auditor 1	25		3781	C5632	Tax Auditor 2	28	1	4161

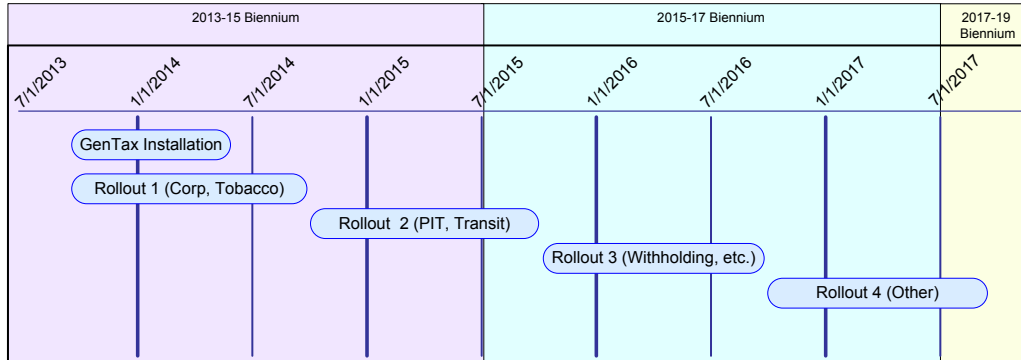
Appendix H

Proposed IT projects costing \$1 million or more

Core Systems Replacement

The Department of Revenue is in the midst of replacing the majority of its core tax systems to mitigate the growing risks of not being able to support its aging legacy systems and maintain current service levels.

Planned implementation road map



Project costs (in millions), as of December 2014

	2009-13	2013-15	2015-17*	2017-19	Totals
DOR contribution					
Ongoing agency operating costs	\$7.3	\$0.7	\$0.9	\$0.3	\$9.1
General Fund					
Non-bond eligible general services/supplies		\$0.2	\$0.2	\$0.1	\$0.5
Project costs		\$1.8	\$4.2	\$1.5	\$7.0
Total General Fund		\$2.0	\$4.4	\$1.6	\$8.0
Other Funds (bonds)					
Debt financed project costs		\$18.9	\$26.7	\$9.1	\$54.7
Project totals (excluding debt service)	\$7.3	\$21.6	\$32.1	\$10.9	\$71.8

Note: Component figures may not total accurately due to rounding.

*Agency Requested Budget

Project team FTE

	2015-17	2017-19
Core systems replacement		
DOR project team:		
Project management team (three from PMO)	9	4.5
Technical team	14	7
Business team	13	6.5
Total FTE	36	18

Note: Does not include testing and training activities which will involve most agency staff at certain times.

Property Valuation System (PVS)

Overview

The Department of Revenue is responsible for assessing real market value (RMV) on properties identified as central assessment (e.g. companies such as airlines, utilities, railroads, telecommunications, etc), and those defined as principal and secondary industrial (i.e. valued at over \$1 million and engaged in processing or manufacturing activities). In current property tax administration, the department relies on antiquated applications, and internally developed databases, spreadsheets, and paper files to manage the complex effort of annually valuing 850 industrial sites and 600 central assessment companies. Because of the system's limited capabilities and its fragmented and increasingly unsupportable architecture, many of our processes are manual, paper-driven, and prone to both error and inefficiency. This combination of manual processes and less reliable, fragmented, and limited technology poses a risk to our long-term ability to develop accurate and timely RMVs for department accounts.

Proposal

Based on our analysis, we believe the appropriate way to address the problem identified above is to fund and deploy a commercial off-the-shelf computer-assisted mass appraisal (CAMA) software system. The proposed funding mechanism is debt financing through Article XI-Q bonds.

The following chart is an estimated four-year cost breakdown:

	2015	2016	2017	2018	Total cost
Software	\$1,000,000	\$500,000	\$150,000	\$150,000	\$1,800,000
Staff	\$312,000	\$326,000	\$340,000	\$354,000	\$1,332,000
Hardware	\$50,000				\$50,000
Quality assurance	\$75,000	\$75,000			\$150,000
Total	\$1,437,000	\$901,000	\$490,000	\$504,000	\$3,332,000

The projected four-year cost of ownership is anticipated to be \$3,332,000 (\$2,338,000 for 2015–17) for system acquisition, installation, temporary staffing, maintenance, and for the additional IT infrastructure necessary to support the new system.

Project timeline

2013-15 Biennium			2015-17 Biennium			2017-19 Biennium
prior to	1/1/2014	7/1/2014	7/1/2015	12/31/2015	7/1/2016	7/1/2017
Complete: System Evaluation Business Process CAMA Review	Develop: Business Case POP	Develop: Business Case POP	Develop: RFP Vendor Selection	Implement: Roll out Conversion Testing	Implement: Data Entry Conversion Testing	Finalize: Go Live Conversion Finalize

Appendix I

Key performance measures

REVENUE, DEPARTMENT of

Annual Performance Progress Report (APPR) for Fiscal Year (2013-2014)

Original Submission Date: 2014

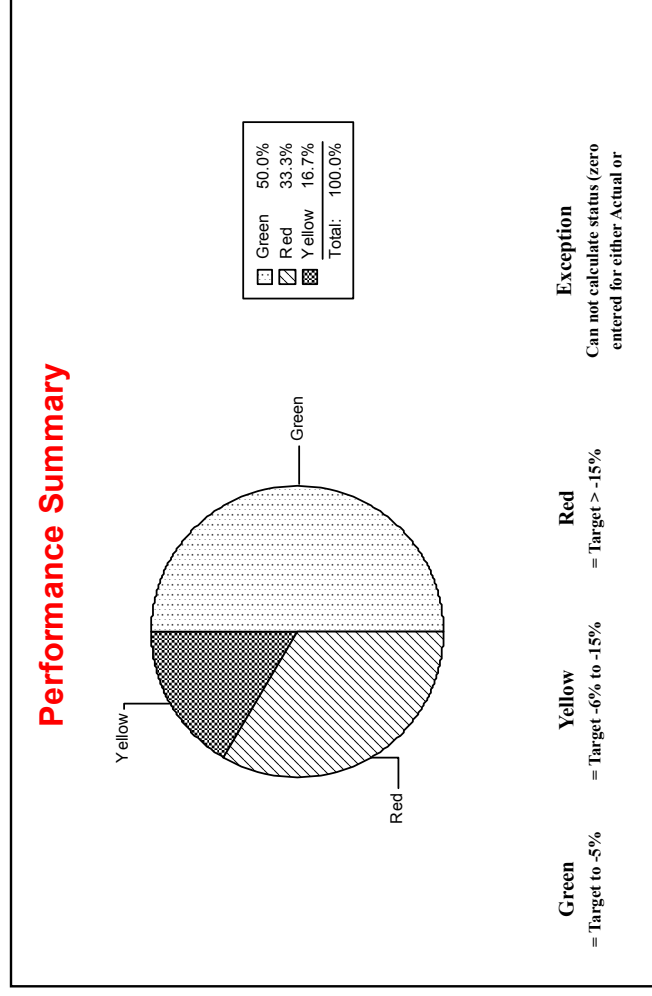
Finalize Date: 9/30/2014

2013-2014 KPM #	2013-2014 Approved Key Performance Measures (KPMs)
1	Dollars Collected Per Revenue Agent Per Month (Personal Income Tax)
2	Percent of Property Taxes Collected.
3	Percent of Assessor's Maps Digitized in a GIS Format.
5	Personal Income Tax Non-Filer Assessments Issued Per Employee Per Month.
6	Personal Income Tax and Corporation Tax Cases Closed Per Revenue Agent Per Month.
7	Delinquent Returns Filed After Compliance Contact Per Filing Enforcement Employee Per Month.
8	Average Days to Process Personal Income Tax Refund.
9	Percent of Personal Income Tax Returns Filed Electronically
10	Employee Work Environment (based upon a scale of 1-6)
11	Employee Training Per Year (percent receiving 20 hours per year).
12	Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.
13	Effective Taxpayer Assistance: Provide the most effective taxpayer assistance services by a data-driven combination of direct assistance and electronic self-help services.

New Delete	Proposed Key Performance Measures (KPM's) for Biennium 2015-2017	
NEW	<p>Title: Appraisal Value Uniformity - We will demonstrate our ability to deliver high quality business results by measuring appraisal equity and uniformity for DOR industrial accounts.</p> <p>Rationale: This is a replacement measure. The previous measure, KPM#3 - Percent of Assessors' Maps Digitized in a GIS Format, was too narrowly focused and did not reflect our core work. The Property Tax Division (PTD) is proposing this replacement measure as a way to gauge our ability to deliver statutory real market value (RMV) to county assessors.</p>	<p>Title: 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.</p> <p>Rationale: This measure is being proposed to replace current KPM#7. This new measure is a more holistic view of the efficiencies of our direct enforcement work including audit, filing enforcement, and collections functions. We will show the effectiveness of our direct enforcement processes and strategies by measuring the cost of each direct enforcement dollar we receive.</p>
NEW	<p>Title: 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.</p> <p>Rationale: This measure is being proposed to replace current KPM #6. This new measure is a more holistic view of the efficiencies of our collections function. We will show the effectiveness of our collections processes and strategies by measuring the cost of each dollar we collect.</p>	<p>Title: Employee Engagement - Index of employees considered actively engaged by a standardized survey.</p> <p>Rationale: We've chosen to replace the workplace environment measure, KPM #10 with employee engagement. This change will allow us to compare standardized survey data with other public and private sector organizations. A third-party administers the survey, increasing objectivity.</p>
NEW	<p>Title: 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.</p> <p>Rationale: This is a replacement measure. The previous KPM #2 - Percent of Property Taxes Collected, was largely outside our influence and didn't accurately reflect the work we do in a meaningful way. This new measure directly evaluates conformity with accepted appraisal standards, and targets our plan for action (training, assistance, support) when counties do not meet those standards.</p>	<p>Title: 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.</p> <p>Rationale: This measure is being proposed to replace current KPM #5. This measure is a more holistic view of the efficiencies of our audit (including adjustments made to returns during processing) and filing enforcement work. We will show the effectiveness of our audit and filing enforcement processes and strategies by measuring the cost of each of those dollars assessed.</p>

New Delete	Proposed Key Performance Measures (KPM's) for Biennium 2015-2017	
DELETE	<p>Title: Dollars Collected Per Revenue Agent Per Month (Personal Income Tax)</p>	<p>Rationale: This measure is being proposed for deletion. The sampling methods developed for gathering the data for this measure are no longer measuring the representative work of all collectors, but a non-representative sample. This is resulting in numbers that do not accurately reflect the work of our collections staff. In addition, because it focuses only on one classification of employee, the measure is not representative of the collection function as a whole since the function requires managers and support staff as well as all levels of revenue agents in order to produce effective and efficient collections functions. We propose this measure be deleted because it is no longer effective in helping us run our business, nor is it sharing a realistic picture of the collections function.</p>
DELETE	<p>Title: Percent of Property Taxes Collected.</p> <p>Rationale: This is being replaced with a new KPM #14, See page 3 for title and rationale.</p>	
DELETE	<p>Title: Percent of Assessor's Maps Digitized in a GIS Format.</p> <p>Rationale: This is being replaced with a new KPM #15. See page 3 for title and rationale.</p>	
DELETE	<p>Title: Personal Income Tax Non-Filer Assessments Issued Per Employee Per Month.</p> <p>Rationale: This is being replaced with a new KPM #18. See page 3 for title and rationale.</p>	
DELETE	<p>Title: Personal Income Tax and Corporation Tax Cases Closed Per Revenue Agent Per Month.</p> <p>Rationale: This is being replaced with a new KPM #17. See page 3 for title and rationale.</p>	
DELETE	<p>Title: Delinquent Returns Filed After Compliance Contact Per Filing Enforcement Employee Per Month.</p> <p>Rationale: This is being replaced with a new KPM #16. See page 3 for title and rationale.</p>	
DELETE	<p>Title: Employee Work Environment (based upon a scale of 1-6)</p> <p>Rationale: This is being replaced with a new KPM #19. See page 3 for title and rationale.</p>	

REVENUE, DEPARTMENT of		I. EXECUTIVE SUMMARY
Agency Mission: We make tax systems work to fund the public services that preserve and enhance the quality of life for all citizens.		
Contact:	Kris Kautz	Contact Phone: 503-945-8213
Alternate:	Jan Hunt	Alternate Phone: 503-945-8466



1. SCOPE OF REPORT

Our Key Performance Measures (KPMs) are intended to represent our major business outcomes in the income tax and property tax programs. These measures address major functions that include collecting revenue, auditing returns, and assisting taxpayers.

2. THE OREGON CONTEXT

The Department of Revenue is a key strategic and operational partner in providing healthy tax systems and long-term revenue stability for the State of Oregon. Our mission of making revenue systems work to fund public services includes strong work values around operational excellence and fiscal responsibility. The experience and skills required to support our mission significantly contributes to the governor and legislature providing the best possible future for all Oregonians.

Our performance is guided by the agency's vision that emphasizes the importance of tax administration and service and operational excellence. We currently have 12 department performance measures that tell us how well we are doing in these areas. Our organizational strategic vision is designed to move and motivate us for many years. To continue making this vision a reality we are committed to innovating, streamlining, and using the most appropriate tools and technology available to us.

We continually collect, analyze, and exchange information with stakeholders to build healthy relationships, better understand stakeholder needs, and drive continuous improvement in our operations.

3. PERFORMANCE SUMMARY

We have 12 key measures of performance linked to our mission and vision. Successes during the past year include a significant increase in the dollars collected per revenue agent per month. Success in this area is at least partially due to increased staffing and process changes, including a focus in the spring of 2014 on issuing garnishments.

We also saw an increase in the number of personal and business income tax cases closed per revenue agent per month. Again, success was due to increased staffing in the programs overall, including the support provided by phone agents.

We continue to see growth in the number of personal income tax returns filed electronically. More and more taxpayers are filing electronic returns, improving speed and efficiency of processing and reducing costs (KPM #9). However, the number of days to process a return changed from trending downward due to additional emphasis on tax return review to reduce refund fraud (KPM #8).

The department's leadership team made a commitment to increased employee training and development at the beginning of the 2013-15 biennium. The result is a significant increase in the percentage of employees that received over 20 hours of training in FY 2014. In FY 2013, the percentage of employees receiving over 20 hours of training was 27, and in FY 2014 the percentage was 46. Although a significant increase, it is still short of the goal of 60 percent of employees with over 20 hours of training.

We saw the effective taxpayer assistance measure (KPM #13) remain relatively the same as FY 2013. This measure rolls up results from three different, weighted components: call wait times, successful self-help, and customer service satisfaction. While all three components saw changes, the more heavily weighted components of reduced wait time and successful self-help drove this measure upward. The most significant change was in reduced call wait time due to factors including full staffing, a new Interactive Voice Response system, and initiating caller elected call back in the spring of 2014.

We had some challenges in meeting some performance measures, including the personal income tax non-filer assessments issued per employee per month (KPM

#5) and delinquent returns filed after compliance contract per filing enforcement employee per month (KPM #7). In both of these measures, the targets were not met and the results dropped between fiscal year 2014 and fiscal year 2013. Some factors that may be affecting results may include significant staffing turnover in these areas and a better economy that may be increasing the number of people filing voluntarily and paying on time. The percent of assessor's maps digitized in GIS format (KPM #3), has made some progress, but has struggled to meet goals. In addition, the agency's customer service measure (KPM #12) declined significantly from 2013 to 2014. We implemented new technology for FY 2014 to capture customer service survey information on an on-going basis, rather than once per year. This change resulted in a much greater sample of customers responding to the survey during all parts of our business cycles. Due to results, the program has implemented short-term and long-term plans to increase customer service including adding questions to the survey to determine why people are calling, which will allow us to pinpoint problem areas and tailor improvements. Longer-term options for increasing customer service include customer service training for staff, more self-sufficiency options via the web with the implementation of new core systems, and piloting a "live chat" option via instant messaging with the public. Some measures stayed essentially the same between 2013 and 2014. The percentage of property taxes collected is up slightly. We expected this is based on the positive changes in the economy.

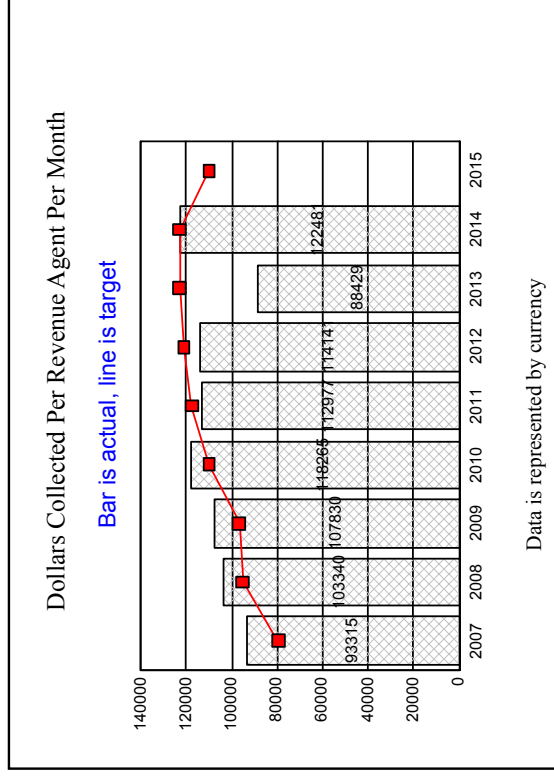
4. CHALLENGES

Over the next 4 years, we will be replacing our core information technology systems. This investment will allow for increased efficiency in our income tax programs and update the tools and data that our employees use to do their work. The project will have 4 phases in the next 5 years, and different programs will implement the software at each phase. We anticipate that program efficiency and effectiveness may dip at various points in time as employees learn the new systems and still have to operate in the old environment through the transition periods. In addition, as the agency has reviewed its KPMs and strategic plan, we have found that some of the measures we currently have are not the best measures to track our performance over time. The agency believes that KPMs #1, #2, #3, #5, #6, #7 and #10 need to be deleted. New KPMs have been discussed during the 2014 Legislative Session and will be reviewed through the 2015-17 budget development process. We believe the changes to the KPMs proposed by the department will provide better information to our programs to adjust resources to meet strategic outcomes.

5. RESOURCES AND EFFICIENCY

The agency's Legislatively Approved Budget for the 2013-15 biennium is \$230,534,006; which represents a significant increase from the previous biennium. The increase is mainly due to two policy option packages adopted for the 2013-15 biennium including the core system replacement project and an additional 31 positions for increased tax compliance. The department had mixed results on its key measures, including its efficiency measures, over the last year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #1	Dollars Collected Per Revenue Agent Per Month (Personal Income Tax)	2000
Goal	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Agent Production Reports ACTF007, PTAC Performance Measures, Cost Allocation System (CAS); based on productivity per position.	
Owner	Joann Martin, Personal Tax and Compliance Division Administrator	



1. OUR STRATEGY

Our strategy is to maintain a workforce of skilled employees and provide them with essential collection tools and technology. We evaluate the effectiveness of collection staff in collecting delinquent tax debt; analyze the type and age of delinquent debt; and evaluate the use of

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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additional collection tools.

2. ABOUT THE TARGETS

The target measures the productivity of collection staff based on the dollars collected per position . The higher the level achieved; the greater the productivity.

Due to the following factors, we are adjusting our target for 2015 to \$110,000 per agent:

The Collection section changed unit structures at the beginning of FY2015. Previously, three of the units were “phone agents” and did not have a caseload assigned specifically to them. As a result, the total revenue collected by all RAIs was only credited to the other two units staffed by “queue agents” that were assigned all of the cases. Currently, all RAIs have a caseload assigned to them as well as phone duties; therefore, the distinctions between the types of unit have been eliminated.

As we go through Rollout 1(Fall 2014) and gear up for Rollout 2 (Fall 2015), CSR is going to have an escalating impact on our production in FY2015. Members of the Collections staff will be moved to CSR to help with implementation and training. In most cases, the staffing resources provided will be agents that are most proficient. This is expected to decrease the overall collections revenue; however, the impact on this KPM is dependent on the units chosen for inclusion in the calculation and the number of unit staff working on CSR. The reduced goal of \$110,000 per Revenue Agent per month is reflects that we anticipate a level of production loss.

3. HOW WE ARE DOING

The actual dollars collected per revenue agent per month for 2014 were \$122,481 and our target was \$123,000. In 2013, the actual dollars collected per revenue agent per month were \$88,429 and our target was \$123,000. The actual dollars collected per revenue agent per month for 2012 were \$114,141 and our target was \$121,000.

4. HOW WE COMPARE

Comparable data is not available. It is difficult to compare Oregon's performance with other states due to the widely diverse tax structures among states.

5. FACTORS AFFECTING RESULTS

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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The data source for this measure is the production of five out of seven work units in the Collection Section. The measure is personal income tax revenue attributed to the specified group divided by the number of agents in this group.

Overall, collections revenue improved due to increased staffing, changes in the economy, and process changes. The units selected for inclusion in this KPM were fully staffed for the fiscal year. The improving economy allows more taxpayers to pay immediately as opposed to going through the Collections process. (*see* Department of Revenue Research Section, “Enforcement Revenue Identification and Modeling,” January 2012). The Collections Section made adjustments to increase efficiencies as well as did several speed-up projects, including a focus this spring on increasing garnishments when appropriate. All of this led to an increase in the dollars collected per agent per month for the KPM for FY2014.

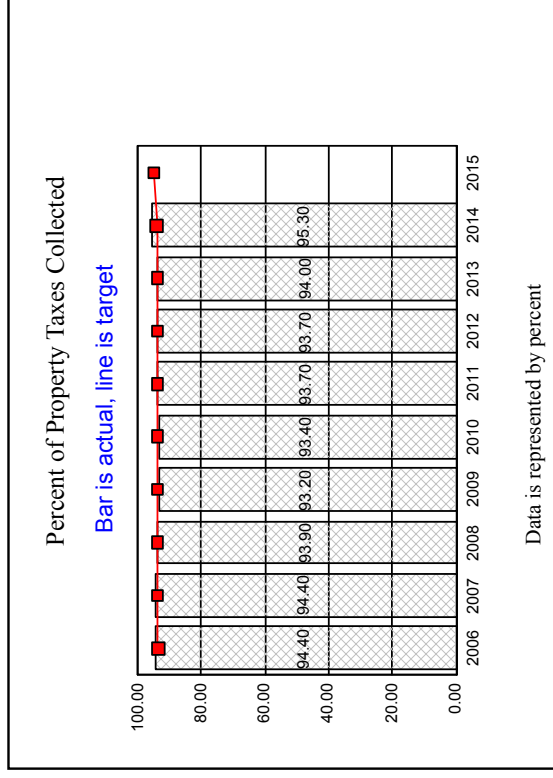
6. WHAT NEEDS TO BE DONE

We're proposing replacing this measure with one that doesn't limit the population being measured so we can measure the overall effectiveness of our collections functions. In the future, Core System Replacement implementation will introduce additional automation and the scoring of accounts for collectability. We must also keep our vacancy rate down to maximize production and minimize short-term impacts from work related to Core System Replacement implementation.

7. ABOUT THE DATA

The reporting cycle is Oregon's fiscal year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #2	Percent of Property Taxes Collected.	2000
Goal	Tax Administration: Partner with local governments to promote a healthy and consistent property tax system.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Oregon Property Tax Statistics (various years); Property Tax certified, Property Tax Collection, and Total Uncollected report.	
Owner	Mark Kinslow, Property Tax Division Administrator	



1. OUR STRATEGY

Our strategy is to provide training of county collection staff, and develop and maintain support materials to help counties collect identified property taxes.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

The target measures the degree to which counties are able to timely collect identified property taxes. The higher the percentage of taxes collected, the better, as most units of local government rely heavily on property taxes to fund local services. Each data point (by calendar year) represents the tax collections as of June 30 of that year.

3. HOW WE ARE DOING

The 2014 target was 94.0 percent. Actual measured performance was 95.3%. The increase above target is largely attributable to increased use of the deferred billing credit as provided under ORS 305.286 and resulting from large value property tax appeals.

4. HOW WE COMPARE

Comparable data is not available.

5. FACTORS AFFECTING RESULTS

Data reveals the counties are collecting a high percentage of the total property taxes that are due and are managing their accounts receivable effectively . Additional research has shown that, by the end of the third year following the initial billing, the counties have received about 99.7 percent of the taxes due for that year.

The statistics show a high degree of effectiveness in maintaining timely collection activities for the property tax year .

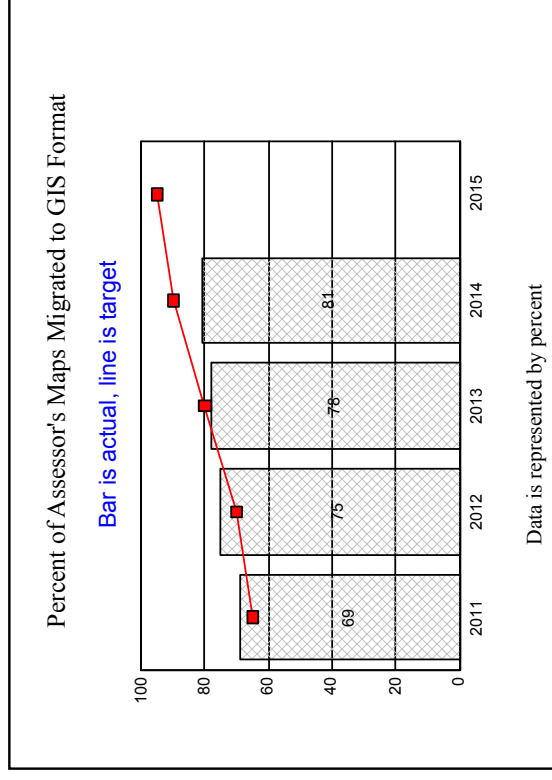
6. WHAT NEEDS TO BE DONE

Continue partnerships with county collection offices.

7. ABOUT THE DATA

The reporting cycle is the Oregon fiscal year. The data is self-reported by each of the 36 counties and uses the same methodology as is used for the Health of the Property Tax System publication.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #3	Percent of Assessor's Maps Digitized in a GIS Format.	2004
Goal	Operational Excellence: Adopt best business practices, taking advantage of technology to improve our system and processes.	
Oregon Context	This goal links directly to the department's mission	
Data Source	Oregon Map Project (ORMAP).	
Owner	Mark Kinslow, Property Tax Division Administrator	



1. OUR STRATEGY

Our strategy is to partner with counties to migrate digitized property tax maps into GIS format, providing employees and business partners with easy access to accurate property tax map information.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

The ORMAP Advisory Committee (as provided under ORS 306.135), has established a target of 90% for October 2014. As of July 1, 2014, we are approximately 9% below the target. The target represents the percentage of maps that are produced using ORMAP mapping methodology and meeting ORMAP Technical specifications.

The long-term target is to have a totally digital statewide property tax map by October 2016. This will require transforming all the county assessor maps into a GIS format by that date. The higher the percentage, the better the performance.

3. HOW WE ARE DOING

As of this reporting period, we have completed 81 percent of the tax maps, and 87 percent of the tax lots. The long-term target is at-risk of not being met due to diminished funding (funding is received from recording fees arising from real estate activity; real estate activity has declined).

4. HOW WE COMPARE

This measure is difficult to evaluate across jurisdictions because of differing technology and terminology . Jurisdictions in many states are in the process of converting their tax lot base data to GIS-enabled format. Few, however, are doing it from the statewide level.

5. FACTORS AFFECTING RESULTS

Funding challenges and a scarcity of skilled staff at both the state and local level present ongoing challenges to meeting the targets.

6. WHAT NEEDS TO BE DONE

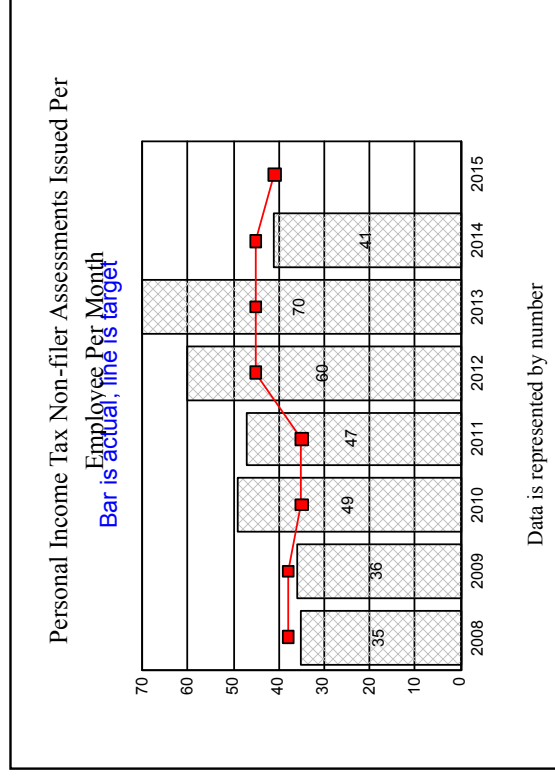
The department needs to continue to partner with counties and others to manage and fund remapping efforts aimed at improving access to assessor map information.

7. ABOUT THE DATA

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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The reporting cycle is Oregon's fiscal year. Recommendations from our internal auditor who reviewed the 2006 and 2007 cycles have been adopted into the reporting and management of this measure.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #5	Personal Income Tax Non-Filer Assessments Issued Per Employee Per Month.	2000
Goal	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
Oregon Context	This goal links to the department's mission.	
Data Source	Cost Allocation System (CAS) and Filing Enforcement Monthly Reports, based on productivity per position.	
Owner	Joann Martin, Personal Tax and Compliance Division Administrator	



1. OUR STRATEGY

Our strategy is to develop filing enforcement tools, techniques and data sources that will improve the accuracy of our information and help us assist taxpayers to file.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

There are many factors affecting why taxpayers don't file tax returns, including the overall economy, taxpayer satisfaction with the government, and employment rates. When economic conditions improve, direct enforcement revenue decreases as taxpayers are able to pay on time and are less likely to underestimate the necessary withholding (see Department of Revenue Research Section, "Enforcement Revenue Identification and Modeling," January 2012). Assuming that our resources remain at their current level, we expect the number of failure-to-file tax assessments issued to grow somewhat over time, accounting for population growth. That being said, our target for 2015 is 41 failure- to- file assessments closed per employee per month. This reflects a decrease from the 2014 target related to the expected impact of Core System Replacement. The full extent of the impact is unclear at this time. While rollout 2 (personal income tax program) will conclude during FY 2016, there is much work to be done in preparation for migrating to a new computer system that will impact the filing enforcement program. Following implementation of the new system we expect increased efficiency, consistency, and accuracy in our process that will begin to impact this measure in 2016.

3. HOW WE ARE DOING

In 2014, the number of failure-to-file assessments closed per employee per month was 41. In 2013, the number of failure-to-file assessments closed per employee per month was 70. In 2012, the number closed per employee per month was 60. In 2011, the number closed per employee per month was 47.

4. HOW WE COMPARE

Comparable data is not available. It is difficult to compare Oregon's performance with other states due to their widely diverse tax structures.

5. FACTORS AFFECTING RESULTS

The results reflect changes made to the program based on a 2011 Secretary of State (SOS) audit that recommended a different approach to identifying non-filing taxpayers. In addition, during 2010 and early 2011, almost all filing enforcement staff were redirected to a collection speed-up effort, which meant fewer assessments were issued. The staff was transitioned back to their filing enforcement duties in early 2011, along with the changes suggested by the SOS audit which resulted in higher numbers during 2012-13. During the last year, we have experienced a high level of turnover, including losing several veteran ASI/2s to retirement. This turnover has caused a relatively stable group of employees to shift into training and mentoring mode, which has decreased production. We expect the number of failure to file assessments to increase once staff has been fully trained and are operational.

As mentioned in section 2 above, there are other economic factors that impact the number of taxpayers who do not file, which has some impact on this measure; however the impact is difficult to quantify. Economic impacts are more closely related to the amount of money paid or collected.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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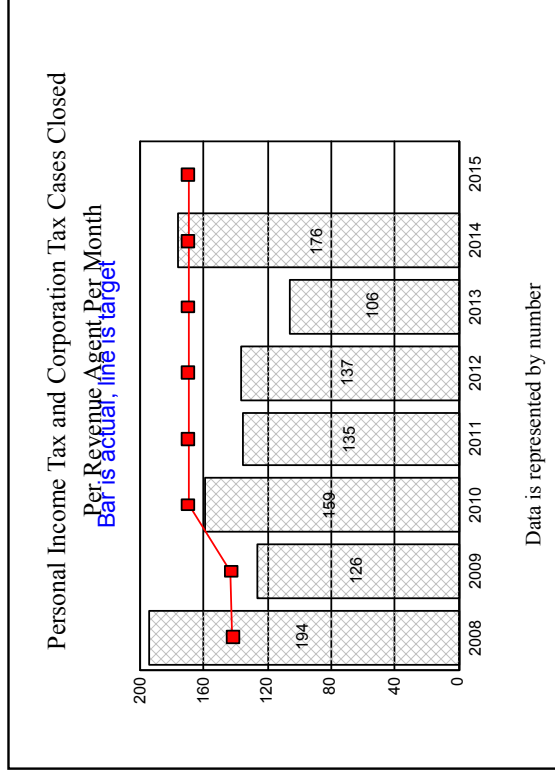
6. WHAT NEEDS TO BE DONE

We believe the strategies we currently have in place are important for improving long-term voluntary compliance. Improved enforcement is an integral part of our larger strategy of voluntary compliance. Unfortunately, this measure only focuses on one strategy for affecting voluntary compliance when we actually focus on multiple strategies. In the future, we will examine additional strategies that offer more education and assistance to non-filers and we will seek replacing this measure with one that takes a holistic approach and will encompass all of the strategies we've adopted into our business. In addition, we do not yet know what tools the new system will provide and how they will impact this body of work. We do believe that once in place the new system will result in an increased level of filing enforcement activity. Over the next two years as staff are needed to provide input, test, and learn about the new system there will be a period of decreased production.

7. ABOUT THE DATA

The reporting cycle is the Oregon fiscal year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #6	Personal Income Tax and Corporation Tax Cases Closed Per Revenue Agent Per Month.	2000
Goal	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance, and compliance.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Data from Agent Production Reports ACTF007 and FTE from Cost Allocation System (CAS), based on productivity per position.	
Owner	Joann Martin, Personal Tax and Compliance Division Administrator	



1. OUR STRATEGY

Our strategy is to provide collection staff with tools and training to resolve collection cases quickly. The measure evaluates the effectiveness of staff in working with taxpayers to close cases.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

The target reflects steady growth in cases closed per revenue agent. A higher number is better.

Our current target reflects stabilization in cases closed per revenue agent due to several factors:

The Collection section changed unit structures at the beginning of FY2015. Previously, three of the units were “phone agents” and did not have a caseload assigned specifically to them. As a result, the total revenue cases closed by all RA1 s was only credited to the other two units staffed by “queue agents” that were assigned all of the cases. Currently, all RA1s have a caseload assigned to them as well as phone duties; therefore, the distinctions between the types of unit have been eliminated.

As we go through Rollout 1(Fall 2014) and gear up for Rollout 2 (Fall 2015), CSR is going to have an escalating impact on our production in FY2015. Members of the Collections staff will be moved to CSR to help with implementation and training. In most cases, the staffing resources provided will be agents that are most proficient. This may impact the number of cases closed per month; however, the impact on this KPM is dependent on the units chosen for inclusion in the calculation and the number of unit staff working on CSR.

In preparation for Rollout 2 and as part of a 2013-15 Policy Option Package, the Collections Section will be focused on writing off or cancelling qualified aged debt which may increase the cases closed per month for FY2015 depending on the units selected for this measure next year.

The improving economy allows more taxpayers to pay immediately as opposed to going through the Collections process. (see Department of Revenue Research Section, “Enforcement Revenue Identification and Modeling.” January 2012).

3. HOW WE ARE DOING

For 2014, the number of cases closed is 176 (104 percent of target). For 2013, the number of cases closed is 106 (59 percent of target). For 2012, the number of cases closed was 137 (81 percent of target).

4. HOW WE COMPARE

Comparable data is not available.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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5. FACTORS AFFECTING RESULTS

The data source for this measure is the production of five out of seven work units in the Collection Section. The measure is personal income tax cases closed attributed to the specified group divided by the number of agents in this group.

In this reporting period, some agents specialize in fielding phone calls; some agents have an assigned caseload and specialize in issuing collection actions such as garnishments. Agents that issue collection actions close more cases, but require the support of and benefit from the work of the phone agents for that production. In this reporting period, the agents tracked by this measure were assigned collection duties were primarily phone agents. Beginning in FY2015, all RAs have a caseload assigned to them as well as phone duties; therefore, the distinctions between the types of unit have been eliminated. This change in unit structure may impact the number of cases closed since all cases are distributed to all agents; thus, each revenue agent has less cases to handle and close.

6. WHAT NEEDS TO BE DONE

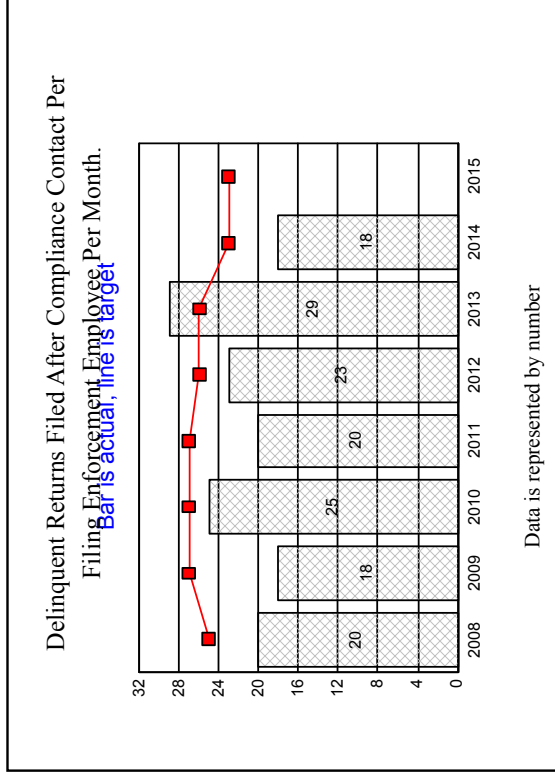
We’re proposing replacing this measure with one that doesn’t limit the population being measured so we can measure the overall effectiveness of our collections functions. In the future, Core System Replacement implementation will introduce additional automation and the scoring of accounts for collectability.

We must also keep our vacancy rate down to maximize production and minimize short-term impacts from work related to Core System Replacement implementation.

7. ABOUT THE DATA

The reporting cycle is the Oregon fiscal year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #7	Delinquent Returns Filed After Compliance Contact Per Filing Enforcement Employee Per Month.	2001
Goal	Tax Administration: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
Oregon Context	This goal links to the department's mission.	
Data Source	Cost Allocation System (CAS) and Filing Enforcement Monthly Reports, based on productivity per position	
Owner	Joann Martin, Personal Tax and Compliance Division Administrator	



1. OUR STRATEGY

Our strategy is to identify non-filing taxpayers and encourage them to file their own returns. If taxpayers voluntarily comply by filing their own returns, we believe there is a higher likelihood of their future tax compliance.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

The target for this measure is 23 delinquent returns filed after compliance contact. Higher is better. We expect this measure to increase over time. With implementation of the new system there will be increased efficiency, consistency, and accuracy in our processes that will begin to impact this measure in 2016.

3. HOW WE ARE DOING

In 2014, the number of filed returns per employee per month was 18. In 2013, the number of filed returns per employee per month was 29. In 2012, the number of filed returns per employee per month was 23.

4. HOW WE COMPARE

Comparable data is not available. It is difficult to compare Oregon's performance with other states due to their widely diverse tax structures.

5. FACTORS AFFECTING RESULTS

The results reflect changes made to the program based on a 2011 Secretary of State (SOS) audit that recommended a different approach to identifying non-filing taxpayers. In addition, during 2010 and early 2011 almost all filing enforcement staff were redirected to a collection speed-up effort, which meant fewer assessments were issued. The staff was transitioned back to their filing enforcement duties in early 2011 along with the changes suggested by the SOS audit which resulted in a higher number of taxpayers contacted, leading to more returns filed.

Employers are now required to submit wage and withholding information electronically to us. This has allowed us to provide that information directly to wage-earning taxpayers when they don't have it, allowing them to file their returns themselves. We continue to analyze data from the IRS to find filing enforcement leads. It's assumed the more taxpayers we contact, the more returns we receive. We believe the reduction in this measure is due to a high level of staff turnover, especially with more experienced staff retiring. This turnover has caused a relatively stable group of employees to shift into training and mentoring mode which has decreased production.

As mentioned in KPM 5, there are other economic factors that impact the number of taxpayers who do not file, which has some impact on this measure, however the impact is difficult to quantify. Economic impacts are more closely related to the amount of money paid or collected.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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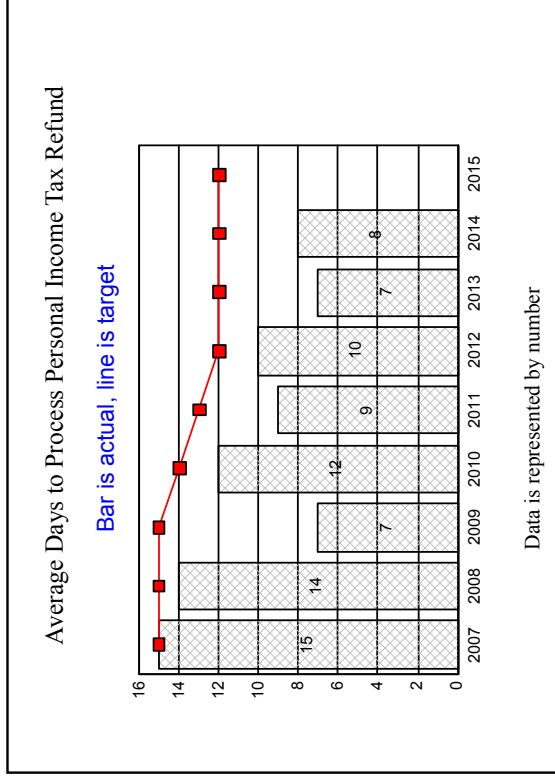
6. WHAT NEEDS TO BE DONE

We believe the strategies we currently have in place are important for improving long-term voluntary compliance. Improved enforcement is an integral part of our larger strategy of voluntary compliance. Unfortunately, this measure only focuses on one strategy for affecting voluntary compliance when we actually focus on multiple strategies. In the future, we will examine additional strategies that offer more education and assistance to non-filers and we will seek replacing this measure with one that takes a holistic approach and will encompass all the strategies we've adopted into our business. In addition, we do not yet know what tools the new system will provide and how they will impact this body of work. We do believe that once in place the new system will result in an increased level of filing enforcement activity, which should in turn increase voluntary filing. Over the next two years as staff are needed to provide input, test, and learn about the new system there will be a period of decreased production.

7. ABOUT THE DATA

The reporting cycle is the Oregon fiscal year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #8	Average Days to Process Personal Income Tax Refund.	1999
Goal	We adopt best business practices to make tax systems work better, and take full advantage of opportunities presented by new technology.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Personal income tax return processing system.	
Owner	Terrence Woods, ASD Administrator	



1. OUR STRATEGY

Our strategy is to issue personal income tax refund requests in a timely manner, through efficient use of people, processes, and systems.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

The target is to issue refunds within 12 days from the receipt of the tax return. The department is keeping current targets until more data is available from changes in fraud and suspense program work through the implementation of the core system replacement project.

3. HOW WE ARE DOING

Actual performance for 2014 is eight days, four days fewer than the target. Performance for 2013 was seven days.

4. HOW WE COMPARE

Oregon's targets and performance are comparable with other states. The IRS reports that nine out of ten refunds are issued within 21 days.

5. FACTORS AFFECTING RESULTS

Refunds on electronically filed (e-filed) returns are issued the quickest. As more taxpayers e-file, the average time to issue a refund is reduced (82.5% of our personal income tax returns were e-filed—see KPM #9). In 2014, e-filed returns both refund and tax to pay, averaged 4.28 days to process, two days slower than the previous year. The volume of returns received in the mail decreased by about 16,500, and took an average of just over 29 days to process. Processing delays by the IRS and/or the timeliness of Congress enacting legislation also has an effect on our ability to process timely. This year, it only affected the processing start date.

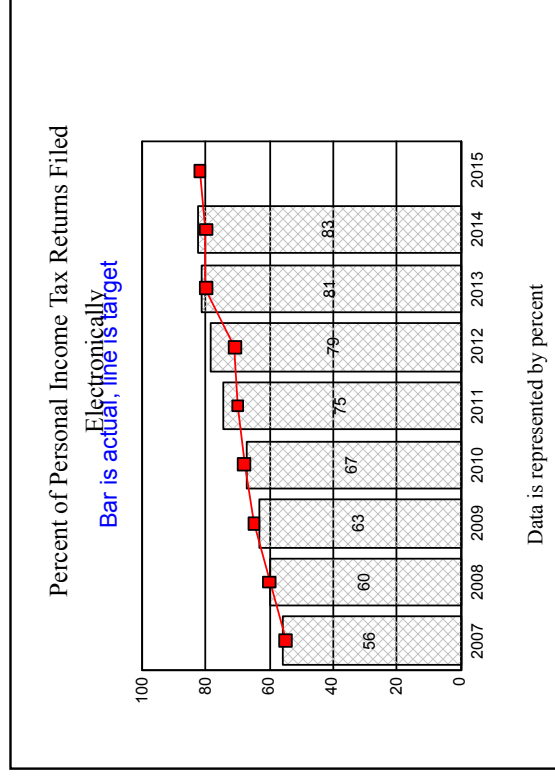
6. WHAT NEEDS TO BE DONE

We need to continue process improvement that balances efficiency with accuracy verification and fraud detection. We also need continued education on the benefits of filing electronically. In addition, we do not yet know what tools the new system will provide and how they will impact this body of work.

7. ABOUT THE DATA

The reporting cycle is calendar year, in which returns for the preceding tax year are processed (example: 2013 returns processed in 2014). This data reports on tax returns that do not suspend for errors or additional review from the automated process. Refunds from returns that do suspend take an average of 60 days to process primarily due to intentional changes to the review procedures aimed at fraud prevention.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #9	Percent of Personal Income Tax Returns Filed Electronically	2002
Goal	Operational Excellence: Adopt best business practices, taking advantage of technology to improve our system and processes.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Personal income tax return processing system statistics for electronically filed returns.	
Owner	Joann Martin, Personal Tax and Compliance Administrator	



1. OUR STRATEGY

Our strategy is to improve customer service and efficiency by increasing the percent of personal income tax returns filed electronically . Electronically filed (e-filed) returns are faster and less expensive to process.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

The targets were revised upward in 2011 to reflect the continued growth in e-filing at the state and federal level. For 2014, the target was 80%. Higher is better.

3. HOW WE ARE DOING

We are above target with 82.5% of tax returns filed electronically. The numbers for the e-file have consistently risen each year, though the rate of growth has slowed.

4. HOW WE COMPARE

Historically, Oregon's rate of e-filing has been comparable with other states. According to the latest full year Federation of Tax Administrator's survey (November 25, 2013), states with filing volume similar to Oregon were at an 82.4% e-file rate.

State	Returns	eFile %	Practitioner Mandate
Oregon	1.8 million	82%	Yes
Alabama	1.9 million	82%	Yes
Connecticut	1.8 million	84%	Yes
Iowa	1.6 million	85%	No
Kentucky	1.8 million	80%	Yes
Oklahoma	1.7 million	83%	Yes

The national average was 81%. The IRS expects to receive about 85% of their returns electronically in calendar year 2014.

5. FACTORS AFFECTING RESULTS

Oregon's e-filing is linked to the federal system; we benefit as more taxpayers choose to file their federal tax returns electronically.

Revenue implemented a tax practitioners e-file mandate in 2011, which matches the IRS mandate. However, there is no penalty for non-compliance; DOR sends a reminder letter each year to those practitioners who should have filed their client's returns electronically. (We have yet to achieve 100% participation by practitioners in the e-file mandate).

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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Oregon participates in the Free File Alliance that allows taxpayers to e-file for free if they meet certain criteria. Typically, the participation criteria are tied to income level, age, veteran status and type of federal return filed.

Oregon allows taxpayers to enter their return information into an on-line fillable form and file the return directly with us for free.

Unlike other states, Revenue has not put much emphasis on advertising e-file to taxpayers because the growth has been steady over the years.

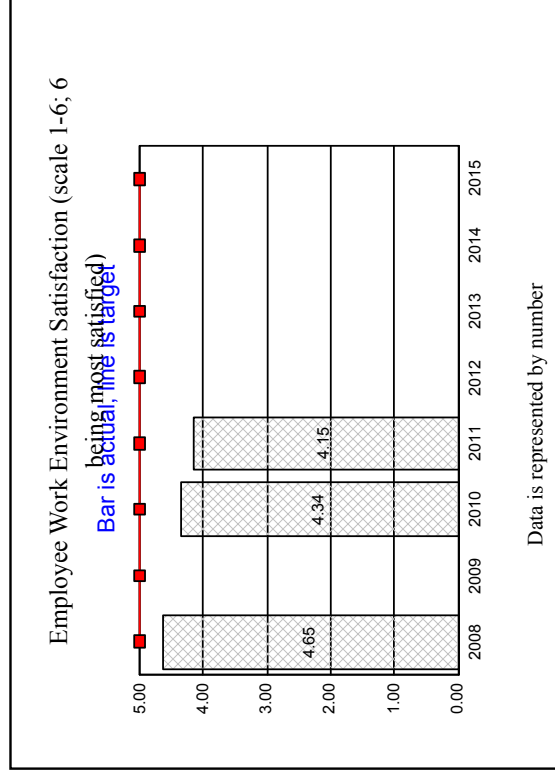
6. WHAT NEEDS TO BE DONE

We will continue to emphasize the benefits of electronic filing to taxpayers and practitioners through our forms, booklets, and publications; including information on our website; and by discussing e-file benefits with taxpayers when we interact with them.

7. ABOUT THE DATA

This data is only for personal income tax returns. The reporting cycle for e-file percentages is the calendar year.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #10	Employee Work Environment (based upon a scale of 1-6)	2002
Goal	Work Environment: Provide a positive, productive, and welcoming work environment.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Employee survey conducted by the agency's Workforce Environment Council.	
Owner	Kimberly Dettwyler, Human Resources Section Manager	



1. OUR STRATEGY

Provide our employees with the physical environment, support, and resources they need to do their jobs well.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

Employees rate the work environment on a scale of 1-6. Higher is better.

3. HOW WE ARE DOING

We did not provide the survey to staff in FY 2012, 2013 or 2014. In late spring 2012, the agency's leadership team discussed a different measurement tool for employee work environment/engagement. We have implemented a new tool for the FY 2013 and 2014.

4. HOW WE COMPARE

Comparable data is not available.

5. FACTORS AFFECTING RESULTS

As previously indicated, no survey was conducted in 2012, 2013 or 2014 to compare with the previous year results.

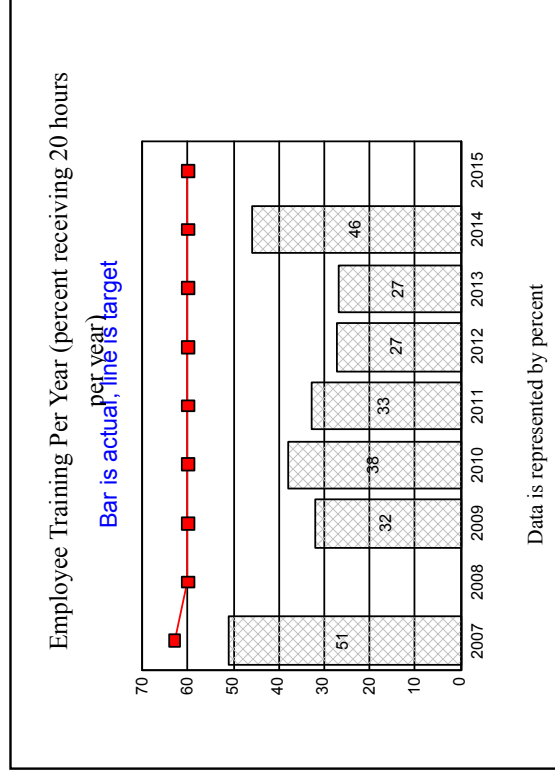
6. WHAT NEEDS TO BE DONE

We are recommending this KPM be eliminated and a new one developed to replace it that is comparable and sustainable.

7. ABOUT THE DATA

The reporting cycle is the Oregon fiscal year. Data in previous years was collected through an agency-wide electronic survey. All employees had the opportunity to respond anonymously.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #11	Employee Training Per Year (percent receiving 20 hours per year). 2000	
Goal	Work Environment: Provide a positive, productive, and welcoming work environment.	
Oregon Context	This goal links to the department's mission.	
Data Source	Agency Cost Allocation System (CAS) for the period before 2011. iLearn Oregon for 2012 and ongoing.	
Owner	Kimberly Dettwyler, Human Resources Manager	



1. OUR STRATEGY

Our strategy is to advance our workforce by using creative training and development activities to get the most out of training resources.

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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2. ABOUT THE TARGETS

Oregon Benchmark 29: Labor Force Skills Training - this benchmark measures the percentage of Oregon's state labor force who receive at least 20 hours of skills training during the year. Oregon's Benchmark is that 75 percent of employees receive a minimumum of 20 hours of training per year. Our interim target is lower than the statewide target, at 60 percent. We will revise the target upward when we meet the interim target.

3. HOW WE ARE DOING

In 2014 the target was 60%; actual performance was 45%. We are not meeting our training target, though we have seen improvement in this area.

4. HOW WE COMPARE

There is no state-wide system for means of comparison.

5. FACTORS AFFECTING RESULTS

There continues to be an issue with under reporting or late reporting of training for tracking the data in the collection source (iLearn).

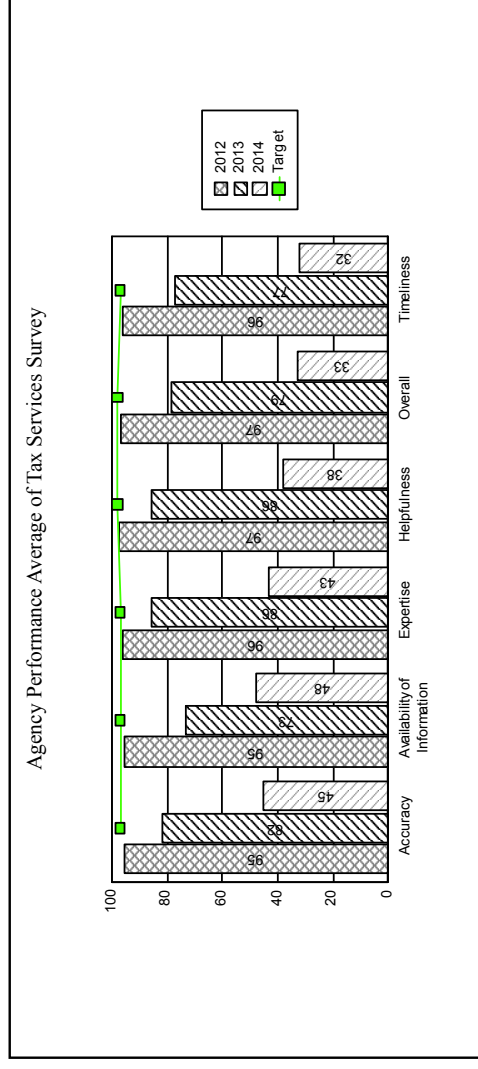
6. WHAT NEEDS TO BE DONE

We will continue to seek creative, low-cost ways to deliver training to the general employee base. We're working to identify and capture standard on boarding training for new employees and specialized training for specific classifications. Our Procurement Office will inform Human Resources of all contracted training provided by vendors to ensure it is recorded in the iLearn system. We'll also continue to partner with managers to make sure we receive training information.

7. ABOUT THE DATA

The reporting cycle is Oregon's fiscal year. The data comes from iLearn Oregon.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #12	Customer Service: Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, and availability of information.	2006
Goal	Tax Administration: Provide excellent service to taxpayers in a timely manner.	
Oregon Context	This goal links to the department's mission.	
Data Source	Written surveys of walk-in customers at our field offices or main building; telephone surveys of randomly selected taxpayer calls.	
Owner	Joann Martin, Personal Tax and Compliance Division Administrator	



1. OUR STRATEGY

Our strategy is to provide the best possible customer service to taxpayers who visit our field offices or call our Tax Services Unit for assistance, as measured by surveys of our customers.

2. ABOUT THE TARGETS

REVENUE, DEPARTMENT of	II. KEY MEASURE ANALYSIS
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This target is the percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent” in these categories: accuracy, availability of information, expertise, helpfulness, timeliness, and overall experience. We have set the targets for all components at 90%. Higher percentage is better.

3. HOW WE ARE DOING

The customer service ratings were down in 2014. The Department’s overall score is 33%. While the drop is dramatic from 2013, the exact cause is not clear (see “Inconsistent data” in the factors affecting results below). That said, this number does indicate there is a general dissatisfaction with DOR’s customer service from the majority of those who responded to the survey which we are focused on addressing (see “What Needs to be Done”).

4. HOW WE COMPARE

A state-wide system hasn’t been built for agencies to compare themselves against each other.

5. FACTORS AFFECTING RESULTS

Nature of the business.

The Department of Revenue administers very complicated tax laws. We review, audit and change tax returns and send billing notices. We are the state’s collection agency. People don’t tend to contact DOR unless they are confused, waiting on a refund, we’ve sent them a billing notice or we are attempting to collect debt. Inherently, DOR’s customers are interacting with the agency personnel on a sensitive subject.

Inconsistent data.

Revenue has been inconsistent in the gathering of survey information, both in reporting periods and method of gathering information. The numbers reported in 2012 and 2013 are not statistically viable. In 2012, it was conducted for one month (December). The survey in August 2013 was limited to just two weeks due to technical and workload issues. There were less than 200 responses in 2013.

In 2014, Revenue made the survey available for 11 months of the fiscal year. This substantially increased the number of respondents (from 182 to 3,072), but the results were less optimistic. It should be noted that the total represents about 2% of the calls taken by Tax Services in the reporting period (it doesn’t count the number of in person contacts).

Processing Season delays.

A federal government shut down in late 2013 caused nearly a month delay in the start of the 2014 processing season. The federal government has delayed the

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start of the processing season for the last few years. Because our e-file system is reliant on the IRS's system, we have no control over when we start to process returns. By compressing the filing season, refunds were delayed for many taxpayers. This impacts how taxpayers feel about us but we are unable to impact decisions the IRS makes in this area.

Internal Processes.

For the last two years, DOR made intentional changes to reviewing refund returns to be more effective in addressing refund fraud. We've reviewed more returns because we're looking at more issues. The result (in addition to catching fraud) has significantly increased the time it takes to get a valid refund selected for enhanced review to a taxpayer (averaging 60 days for enhanced review and processing, up from 26 days two years ago). Longer refund times are not popular with DOR customers

The survey.

The survey does not have a question to help identify the nature of the call or who answered it. Although the performance measure is tied to DOR's main call center (Tax Services), callers are routinely routed to other areas for resolution. For example, callers who input they have a collection issue are automatically transferred to a Collection area yet they are given the survey contact information for Tax Services at the initiation of the call . Survey responses connected with transferred calls don't reflect the quality of service in the call center, but cannot be culled out of the measure due the survey design. Moreover, there is no connection between time of service and the completion of the survey. In fact, the survey does not capture the date of service on which the agency is being evaluated.Change in delivery method of survey. In 2012 and 2013, the surveys were conducted by the tax services representative prior to the end of a call or handed to taxpayer receiving in-person services. It is likely that having a tax service representative administer the survey may have had some influence over the nature of the responses due to the personal interactions and the potential discomfort for a taxpayer to provide a negative response. Beginning in fiscal year 2014, the survey was made available to taxpayers via telephone in a manner that guaranteed full anonymity. We expect that taxpayers are more comfortable giving full feedback in this environment.

6. WHAT NEEDS TO BE DONE

The department's goal is to improve customer service through increasing availability of self-help options and quality direct customer service. The goal is long term and should involve investment in technology as well as training of staff. The initiatives and strategies the Department is planning on using to increase satisfaction with customer service include:

Short term.

- Evaluating the ability to add clarifying questions to the survey; questions that would give us better information of why the taxpayer has contacted us (general tax question, billing notice, collection activity, etc.) This would allow DOR to focus on problem areas and tailor improvements.
- Analyzing refund review processes, including eliminating edits that have proven to be fraud free, evaluating resources and adjust ing to improve workflow.

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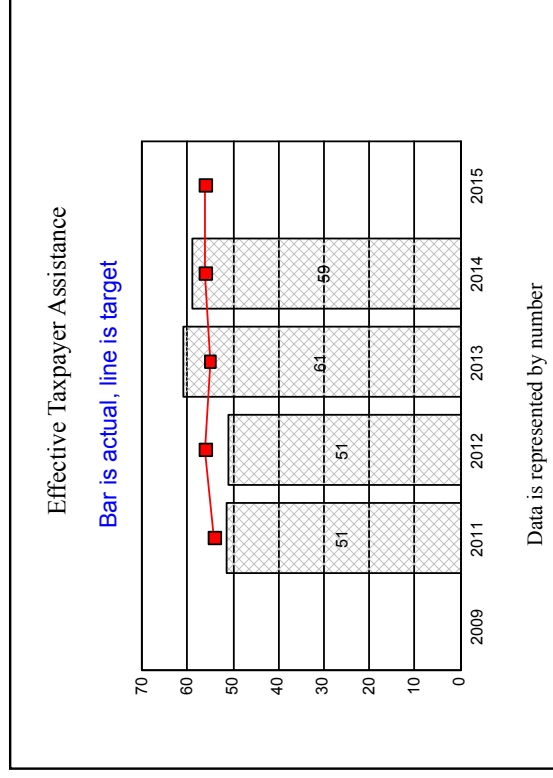
Long term:

- Continuing to invest in technology. The department’s Automated Call Distributor is outdated and in need of replacing. The department will look for ways to use new tools, including nvestigating “live chat” – an instant messaging product that is successfully used by other public and private call centers.
- Upgrading the on-line tools available for self-help service. Revenue has the opportunity to offer more sophisticated and comprehensive on-line tools with the core system replacement project. DOR intends to create a focus group to build the service for the 2015 personal income tax roll-out.
- Researching and implementing continued customer service training of DOR staff.
- Understanding that there are many legs to good customer service, efforts to improve should connect with the initiatives in KPM 13.

7. ABOUT THE DATA

The data for this report was collected for eleven months of the fiscal year. Taxpayers who called in were directed to a phone survey through the IVR. Walk-in taxpayers were given a stamp on their receipt with the number to call and take the survey through the IVR. Email customers received the survey invitation with their email response. The results were downloaded into a spreadsheet for tabulation.

REVENUE, DEPARTMENT of		II. KEY MEASURE ANALYSIS
KPM #13	Effective Taxpayer Assistance: Provide the most effective taxpayer assistance services by a data-driven combination of direct assistance and electronic self-help services.	
Goal	Effective Taxpayer Assistance: Provide excellent service, helping taxpayers meet their commitments with education, assistance and compliance.	
Oregon Context	This goal links directly to the department's mission.	
Data Source	Revenue Department automated systems.	
Owner	Joann Martin, Personal Tax and Compliance Division Administrator.	



1. OUR STRATEGY

We have a two-part strategy: increase access to electronic services, and provide effective one-on-one assistance where necessary. We provide electronic

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self-help options (web and phone based) for taxpayers to get quick answers or perform common tasks (e.g. Where's My Refund?). We must also provide effective assistance to those who lack access to the web, or from whom direct contact is the only or preferred method. We use customer service surveys as "checks" to ensure we provide the proper balance between direct and self-help service options.

2. ABOUT THE TARGETS

We're using a composite measure that "rolls up" individual results from three specific component measures: call wait times, successful self-help, and direct customer service satisfaction surveys. Individually, these are operational measures. In aggregate, they tell us the degree to which we are providing efficient, effective taxpayer services. Since each portion of the measure is weighted differently (wait times = 40% of the measure, successful self-help look ups = 50%, and customer service ratings = 10%) and the data forms are somewhat different, targets and actuals are normalized into a common expression; a scale of 1-100. A higher aggregate score is better.

3. HOW WE ARE DOING

Overall score: 59 (out of 100). This is down slightly from the 2013 score of 61. Call wait times were down significantly, that offset the decline in successful web look-ups and customer service rating.

Wait-Time: Calls with less than five minutes wait time = 68% of total calls (versus 50.3% in 2013). The decrease in wait times for 2014 over 2013 was due to a number of factors.

- The call center was fully staffed for most of the year and the number of Spanish speaking representatives increased from three to four.
- The new Interactive Voice Response (IVR) system installed in mid-2013 allowed callers to "self-transfer" to collections without the intervention of a representative.
- The Department also installed a "virtual hold" system with a soft launch in March of 2014. This feature gives the caller the option to hang up and get a call back when a representative becomes available. Calls where the caller chose to be called back later are not included in this statistic. This feature was popular with both the taxpayer and the DOR representatives. The taxpayer tended to be calmer as they weren't tied to the phone waiting to talk to a representative.

General factors that cause longer wait times:

- Call volume was up about 24,000 calls over 2013. Even though we added an additional Spanish speaking representative, the call wait time for Spanish speaking taxpayers continues to be longer than the average wait time for an English speaking representative (we don't track other language requests).
- Wait times are typically increased by other, specific one-time factors. Changes to our refund review processes (refunds took longer because of fraud review) had the biggest potential to increase call volume this year. Also, the season started later because of the late 2013 federal shutdown, putting more calls into a condensed timeframe.

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Percentage of successful "Where's My Refund?" inquiries made through IVR or web applications:56.7% (down from 64% in 2013). Successful inquiries are defined as any response other than "not-found," meaning, we haven't begun processing the return and it's not found in our system when the taxpayer asks. An unknown number of inquiries are unsuccessful because taxpayers don't wait the suggested two-weeks from when they file the return to allow us to begin processing. Taxpayer expectations on processing don't change year to year, but we do have events that affect the start of processing season. This last reporting period, processing season started several weeks late related to the federal government shut down in late 2013. In addition, this season had significant web and maintenance issues. Increased weekend maintenance during the height of the season allowed taxpayers onto the web, but made their attempts unsuccessful

Percentage of customer service ratings of "good" or "excellent": 40% (down from 80.4% in 2013). It's difficult to tie the dramatic decrease in this sub-measure to any one factor and the exact cause not clear (see Inconsistent Data for this measure in KPM #12..But, this sub-measure indicates there is a general dissatisfaction with DOR's customer service from those who respond to our survey which we are focused on addressing. See KPM 12 for more detailed information about this measure.

4. HOW WE COMPARE

Comparable data is not available.

5. FACTORS AFFECTING RESULTS

See comments in "How We Are Doing" section.

6. WHAT NEEDS TO BE DONE

We now have consistent sources for the data that feeds this measure. We need to continue monitoring the data as we introduce more self-help tools to our customer service model.

In addition to adding self-help tools, there are a number of short and long-term initiatives that DOR should pursue to improve the overall customer service. Those initiatives are detailed in KPM 12.

7. ABOUT THE DATA

Reporting cycle is the Oregon fiscal year. During this reporting period the customer service survey data was collected from August 2013 to June 30, 2014. Our IVR now has the standard customer service KPM survey running all year. Call wait time data is gathered directly from our phone system. Self-service

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successful look ups are measured as any inquiry from our phone system or web application that provides a response other than "not found" .

REVENUE, DEPARTMENT of		III. USING PERFORMANCE DATA	
Agency Mission: We make tax systems work to fund the public services that preserve and enhance the quality of life for all citizens.			
Contact:	Kris Kautz	Contact Phone:	503-945-8213
Alternate:	Jan Hunt	Alternate Phone:	503-945-8466
The following questions indicate how performance measures and data are used for management and accountability purposes.			
1. INCLUSIVITY	<p>* Staff : Staff are increasingly involved in reviewing our agency mission, vision and values, which are supported by some of these Key Performance Measures. There is increasing participation and input on review and requests for modifying and/or changing measures.</p> <p>* Elected Officials: Elected Officials review the performance measures as part of the legislative process.</p> <p>* Stakeholders: Stakeholders are consulted regarding the measures as appropriate.</p> <p>* Citizens: Citizens review the performance measures on the department's Web site and submit questions and comments.</p>		
2 MANAGING FOR RESULTS	<p>Performance measures are used as key indicators of the agency's progress toward achievement of its long-term vision. They are also used as indicators of progress made in projected efficiency gains as a result of automation. The agency uses additional internal measures and division and agency level dashboards to track internal indicators to assist in using output data to more effectively manage to identified outcomes.</p>		
3 STAFF TRAINING	<p>Various agency managers have previously, and continue to attend targeted training classes, with topics related to public sector performance measurement and have brought the knowledge gained at those classes back to the agency. In addition, managers have reviewed training and information posted on the Department of Administration Website. The department has begun offering internal training on process performance metrics and the tools of quality.</p>		
4 COMMUNICATING RESULTS	<p>* Staff : Staff have the capability to review Key Performance Measures on the department's internal Web site. Managers are engaged in multiple levels of review of each updated Annual Performance Progress Report. Based upon their reviews, work processes may be changed or problems/trends identified, which are then addressed.</p> <p>* Elected Officials: Elected Officials review the performance measures and evaluate the department's effectiveness as part of the department's budget process. The measures are also included in the Agency Business Plan provided to</p>		

	<p>the legislature and other elected officials.</p> <p>* Stakeholders: Stakeholders review the measures on the department's external Web site and may ask questions or make suggestions.</p> <p>* Citizens: Citizens review the measures on the department's external Web site and may ask questions or make suggestions.</p>
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