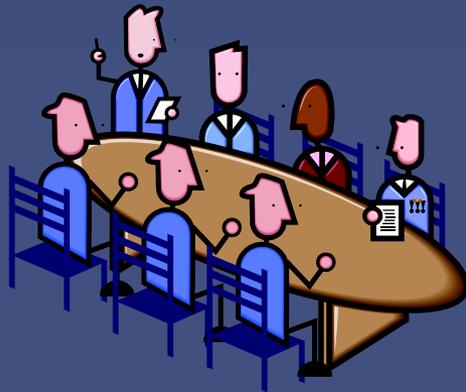


Local Budget Law

2008



Oregon Department of Revenue
Finance and Taxation Team

Knowing the Language

Glossary is in *Appendix C*
(pages 59 to 64)

What is Local Budget Law?

- Sets standard procedures
- Encourages citizen involvement
- Gives a method for estimating the budget
- Outlines programs, services and fiscal policies

Some local governments are not subject to LBL

(Appendix A, p.53)

What is a budget?

- Financial plan
- One fiscal period
- Estimates of income and expenditures

How is the Budget Prepared?

- Phase 1 – proposing
- Phase 2 – approving
- Phase 3 – adopting
- Phase 4 - living with it

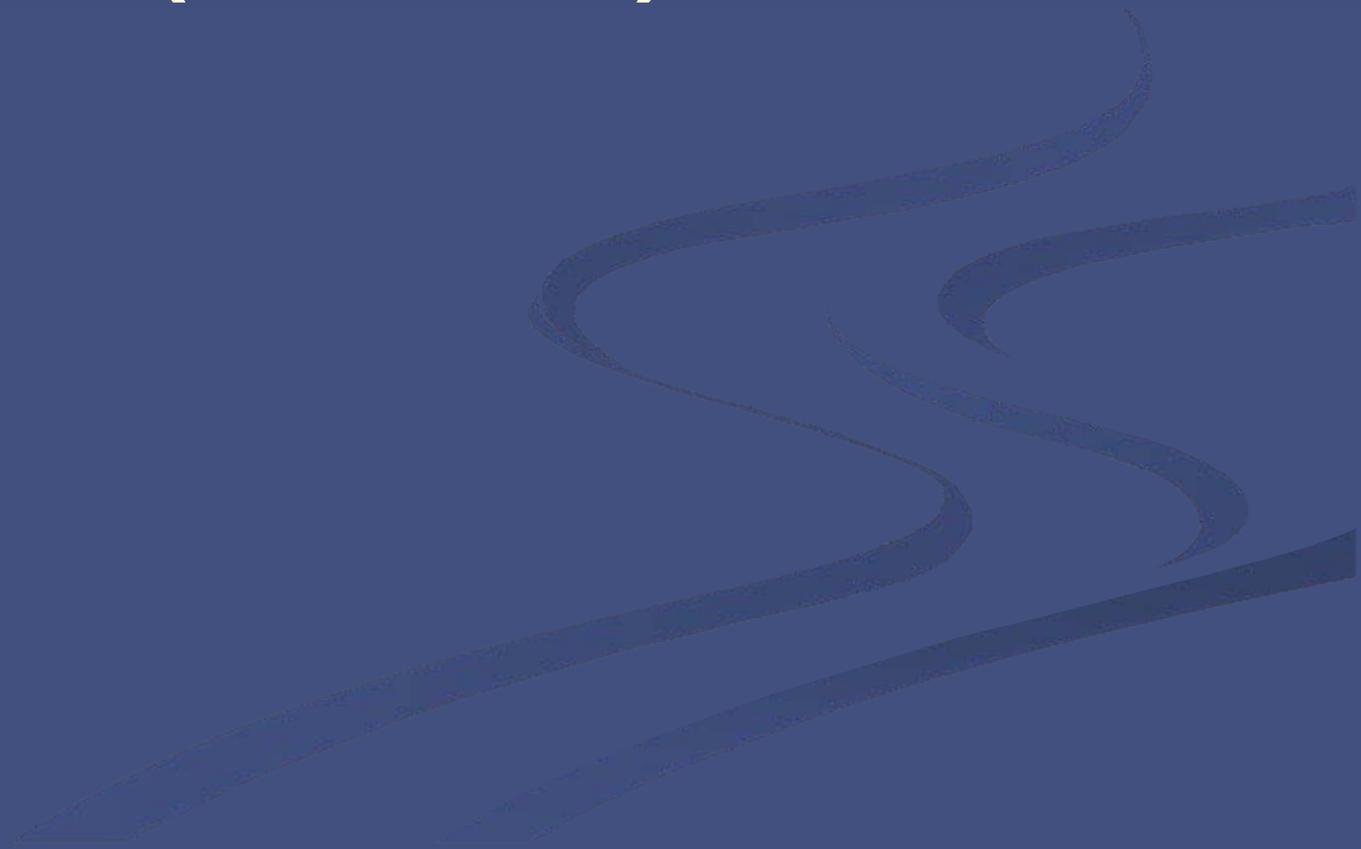
Sample Budget Calendar

1. Appoint budget officer December 7
2. Appoint Budget Committee members January 5
3. Prepare proposed budget February 28
4. Publish 1st notice of budget committee meeting March 16
(no more than 30 days before)
5. Publish 2nd notice of budget committee meeting March 24
(at least 5 days after 1st notice & 5 days before meeting)
6. Budget committee meeting March 30

Sample Budget Calendar

7. Subsequent budget committee meetings *(if needed)* April 6-18
8. Publish notice of budget hearing *(5 to 30 days before hearing)* April 19
9. Hold budget hearing May 4
10. Enact resolutions to:
 adopt budget
 make appropriations
 impose & categorize tax June 29
11. Submit tax certification documents to assessor July 12

Proposing the Budget (Phase 1)



Preparing the Proposed Budget

- Budget Officer oversees process at direction of Executive Officer or Governing Body
- Almost anyone can be Budget Officer
- Review forms and instructions, anticipated resources and requirements, and funds

Good faith estimates

Budget Organization

Fund

Program/Organizational Unit

Object Classification

Expenditure
Detail

Types of Funds

(OAR 150-294.352(1)-(A))

- General Fund
- Special Revenue Fund
- Capital Project Fund
- Debt Service Fund
- Reserve Fund
- Enterprise Fund

Budget Forms:

Required Elements

- Item description
- Two prior years' actual amounts
- Budgeted amount this year
- Proposed amount
- Approved amount
- Adopted amount

Budgeting Resources

- All anticipated resources, in detail
 - Beginning balance
 - Interest
 - Fees
 - Property taxes
 - Other resources: grants, sales receipts, etc.

Estimating Property Taxes

- How much tax authority do you have?
 - Permanent Rate limit?
 - Dollar amount or rate
 - Local Option?
 - Dollar amount or rate
 - Amount needed for Bond payments?

Property Tax Losses

- Compression Loss
- Discounts
- Uncollected Taxes

Permanent Rate Tax Example

1. Permanent Rate Limit	\$4.2379 / \$1000	
2. Est. Assessed Value		\$26,902,950
3. Tax rate (per dollar)	x	<u>.0042379</u>
4. Amount rate would raise	=	\$114,012
5. Est. Measure 5 loss	-	<u>\$7,981</u>
6. Tax to be billed	=	\$106,031
7. Avg. Collection Factor	x	<u>.96</u>
8. Taxes Est. to be Received	=	\$101,790
9. Loss due to discount & uncollectables (line 6 minus 8)	=	\$4,241

Expenditure Object Classifications

- Personal services (e)
- Materials & services (e)
- Capital outlay (e)
- Debt service (e)

- Transfers out (r)
- Operating contingency (r)
- Reserved for future expenditure (r)
- Unappropriated ending fund balance (r)

Debt Service Fund

- Required if taxing for a G.O. bond.
- Principal and interest by issue and payment due date.
- Determine tax to balance, then the levy amount.

Bond Levy Tax Example

1. Tax needed to be received		93,500
2. Est. Measure 5 loss	-	0
3. Amount to raise	=	93,500
4. Avg. collection factor	÷	.96
5. Tax to be levied	=	97,396

*Loss due to discount & uncollectables
(line 5 minus line 3) = \$3,896*

Local Option Levy Example

(not in book)

1. Local Option \$ amount limit		\$150,000
2. Tax levy amount	=	150,000
3. Est. Measure 5 loss	-	37,500
4. Tax to be billed	=	112,500
5. Avg. Collection Factor	x	.96
6. Taxes Est. to be Received	=	\$108,000

Loss due to discount & uncollectables
(line 4 minus 6) = \$4,500

Estimate Local Option rate levies like a Perm Rate levy.

Approving the Budget (Phase 2)

Who? The Budget Committee

What is a Budget Committee?

the Governing Body

+

Equal Number of Appointees

Appointed Members

Are Voters in the District ✓

Are **Not**: Officers, Agents, or Employees of
the municipal corporation.

What is the Purpose of the Budget Committee?

- Hear budget message
- Hold public meeting(s)
- Consider public comment
- Discuss and may revise the budget
- Approve the budget
- Approve property tax rates or amounts

How do they function?

- Follow public meeting law
- Quorum required for a meeting
- Majority required for action
- May demand and receive information
- May compel attendance of any officer or employee

Budget Committee 1st Meeting Notice

- Twice in the newspaper
(5-30 days ahead & at least 5 days apart)

Or

- Mail or hand deliver to each street address
(Once at least 10 days ahead)

Which Meetings Need Notice?

- First meeting (budget message is given)
- First meeting with public comment
- Can be the same meeting, or two or more
- Subsequent meetings noticed like board meetings

Approving the Budget

- Pass a motion by majority
 - Approve the budget
 - *Specify the total amount of resources*
 - Approve the amount or rate of each property tax levy
- *Document in the meeting minutes*

After Budget is Approved: Budget Hearing Notice

- Publish once by newspaper, mail, or hand delivery

(5-30 days before hearing)

- Hearing time and location
- Summary of approved budget

LB-1, LB-2, LB-3 etc.

Do not need to print blank lines

Forms

LB-1 to LB-4

ED-1 to ED-3

UR-1 and UR-2

Narrative Publication Option

- Summarize in a commentary instead of using the forms.

See ORS 294.418 for required content.

Errors in Publication

- If error made in good faith, correction usually sufficient,
- Advise governing body in writing and testimony about:
 - Typos
 - Math errors
 - Improper property tax calculations
- May have to reschedule hearing

Adopting the Budget (Phase 3)

Who? The Governing Body

Purpose of Budget Hearing

- First: Hold hearing on budget as approved
- Then: Adjust budget if needed

But

- Re-publication & 2nd hearing required if:
 - Increasing a fund's expenditures by
more than \$5,000 or 10% (biennial 10% or \$10,000)
- Or
- Increasing property taxes by any amount

Budget Resolutions

What's Required

- Adopt the budget
- Make appropriations
- Impose property taxes
- Categorize property taxes

Lets Review the Resolution example

Resolutions

2. Make appropriations **by fund** and
 - Program or Organizational Unit
with separate entries for:
 - debt service
 - special payments
 - transfers
 - capital outlay
 - other un-allocable expenses
 - operating contingency

Resolutions – example

Or

2. Make appropriations by **fund** and

■ Object Classification Exp:

- Personal Services
- Materials & Services
- Capital Outlay
- Debt Service
- Special Payments
- Transfers
- Contingency

Appropriation by Organizational Unit - example

General Fund

City Administration Dept.	\$ 100,000
Public Works Dept.	1,500,000
Fire Dept.	750,000
Non-departmental Material & Services	50,000
Transfer to Debt Service Fund	93,500
Contingency	<u>100,000</u>
Total Appropriation	\$ 2,593,500

Appropriation by Object Classification - example

General Fund

Personal Services		\$	10,000
Materials & Services			
Office Supplies	10,000		
Utilities	10,000		
Fuel	<u>10,000</u>		
	Total M & S		30,000
Capital Outlay			10,000
Contingency			<u>5,000</u>
Total Appropriations		\$	55,000

School Appropriation - example

General Fund

1000	Instruction	1,000,000
2000	Support Services	200,000
3000	Enterprise and Community Services	80,000
4000	Facilities Acquisition and Construction	50,000
5000	Other Uses	
	5110 Debt Service	6,700
	5200 Interagency/Fund Transactions	4,200
6000	Contingency	<u>400,000</u>
Total Appropriation		1,740,900

Appropriations Tips

- Lawful categories are required
- Finer detail within categories is allowed
- Do not appropriate unappropriated or reserved for future amounts
- Match to adopted budget figures

Certifying the Taxes

LB 50 / ED-50

- Certify to assessor using the right form.
 - ED-50 for schools, ESD, community colleges
 - UR-50 for urban renewal agencies
 - LB-50 for all other local governments

See example in the Instructions & Forms Booklet.

Filing Requirements: With a Tax Levy

- If imposing tax:

- Resolutions

- Adopting budget
 - Making appropriations
 - Imposing and categorizing tax

- Tax certification

- New tax ballot measure

By July 15
File 2 copies of
each with each
county assessor

By September 30

- File one copy of entire budget with county clerk.

Filing Requirements: Without a Tax

■ If no tax is imposed:

- Resolutions
 - Adopting budget
 - Making appropriations

By July 15

Send one copy to DOR
(nothing to county assessor)

By September 30

- File one copy of entire budget with county clerk.

School Districts and ESDs

- Hard copy of budget to Dept. of Education **by July 15**
- Electronic budget files to Dept. of Education **by August 15**
- **ODE – Archived Video Training – 2-7-2008:**

<https://district.ode.state.or.us/training/documents/VTe10708/default.aspx>



Community Colleges

- Copy of budget to DCCWD.

Budget Retention

- Local Budget Law Requires a District to Retain at least 2 “budget periods” after the end of the “budget period”.

Examples:

2008-09 annual budget
2008-10 biennial budget

Retain Through

June 30, 2011
June 30, 2014

There May Be Other Retention Requirements –

*i.e. Public Mtg Laws – Retain for at least 3 Budget Periods
or Your Own District’s Policy, **whichever is longer**, etc*

The Budget and Real Life (Phase 4)

Changing the Budget

Changing the Adopted Budget

- Budgets may be changed after adoption:
- By supplement budget or resolution depending on the situation
- Must be in place before expenditure

Appropriation is a Limitation

- No greater expenditure or encumbrance of public money shall be made for any purpose other than the amount appropriated, except as provided in...[specific statutes]. *ORS 294.435(4)*
- The governing body shall make additional appropriations and may thereafter make additional expenditures as authorized by such appropriations. *ORS 294.480(3)*

Civil Liability

- ORS 294.100

Any public official who expends any public moneys in excess of the amounts or for any other purpose than authorized by law shall be civilly liable for the return of the money.

- Creating a resolution or supplemental budget after the expenditure does not protect the governing body from suit.

When to use a Supplemental Budget

- Unknown occurrence or condition requires a change or prompt action
- Unanticipated money from Federal, State or Local governments
- Request for services to be paid by others

When to use a Supplemental Budget

- Destruction or sale requires immediate replacement.
- Greater amount of property taxes received
- Local Option approved in September Election
- Sometimes NOT at all

Supplemental Budget

- Modifies adopted budget
- Effective through the end of the fiscal year or period
- To create appropriation categories or funds
- To transfer from funds other than General

Prepare Supplemental Budget

- Two processes
 - Less than 10% change in expenditures
 - 10% or more change in expenditures
- In determining expenditures do NOT include:
 - Transfers
 - Contingency

Less than 10% Change

- Adopted at regularly schedule board meeting
- Notice of supplemental budget
 - Published at least 5 days before meeting
 - Shows each fund adjusted
 - Amount of change to each fund
- Adopted by resolution or ordinance

10% or More Change

- Public hearing is required
- Notice:
 - Published 5-30 days before hearing
 - Public comment will be taken
 - Summarize each fund as adjusted
 - Where copy is available
- Adopted by resolution or ordinance

Amounts being changed do not necessarily add up to new total in fund

Show new total for object classification. Use same object classifications as Form LB-1, lines 1-8

SUMMARY OF SUPPLEMENTAL BUDGET
PUBLISH ONLY THOSE FUNDS BEING MODIFIED

FUND: General Fund

RESOURCE	AMOUNT	REQUIREMENT	AMOUNT
1. <u>Grant</u>	<u>\$20,000</u>	1. <u>Capital Outlay</u>	<u>\$31,000</u>
2. _____	_____	2. <u>Contingency</u>	<u>\$22,370</u>
3. _____	_____	3. _____	_____
Revised Total Resources	\$206,790	Revised Total Requirements	\$206,790

Comments: Authorizes expenditure in general fund of \$20,000 from grant, plus \$5,000 transferred from contingency for total of \$25,000 for purchase of new “jaws of life”. Increase general fund capital outlay expenditures \$25,000 to new total of \$31,000 and reduces contingency \$5,000 to \$22,370. Total general fund requirements now \$206,790.

Show new total resources and requirements for fund (must balance)

To compare to original budget, see Form LB-30 sample, page 16, Basic Budgeting Book

Unexpected Moneys

- Receipt of “specific purpose” grants, gifts, etc
 - If you intend to spend the money this year, it must be appropriated
 - Can appropriate by resolution
- General purpose moneys to be spent this year require a supplemental budget

Unexpected Situations

- Gov. body declares unforeseen occurrence or pressing necessity
 - Request for services and requestor pays
 - Appropriate by resolution, but only from non-tax money

Bond Exceptions

- No budget action is required to expend bond proceeds or make debt service payments in the current year for:
 - Revenue bonds.
 - Bonds approved by voters in the budget period
 - Refunding bonds issued in the budget period

Reducing Appropriations

- Reduce Appropriations

- Optional

- Hearing required

- Resolution or ordinance required

OR

- Just spend less than appropriated

School/Community College Emergency

- Board may expend beyond appropriations if:
 - Board declares emergency exists
 - Expenditures are for specific purposes
 - Additional money is made available by:
 - Federal Government
 - ESD under ORS 334.370

Resolution Transfer

- Moving appropriations in a fund, between existing categories
- Resolution must state:
 - Need
 - Purpose
 - Amount
- Used to transfer appropriations and resources from general fund to other funds

Transfer of Contingency

- To another existing appropriation
- Transfer by resolution is limited to 15% of total fund appropriations
- 15% is cumulative
- More than 15% requires supplemental budget

Interfund Loans

- By resolution or ordinance
 - Which fund is making the loan and receiving the loan
 - Type and purpose of loan
 - Principal loan amount
 - Interest to be charged (if applicable)
- Not allowed from some funds (debt service fund, dedicated moneys)

Interfund Loan Repayment

- Loan for operations
 - Paid back by end of this year or the next
 - Pay back next year budgeted as debt service
- Loan for capital projects
 - Paid back within 5 years
 - Pay back in future years budgeted as debt service

Elimination of Unnecessary Fund

- Declared unnecessary by ordinance or other order
- Transfer balance to General Fund unless other provision was made when the fund was established.

Natural Disaster

- Involuntary conversion, civil disorder, fire, flood, earthquake, or other calamity
- Appropriate from any available source, including unappropriated ending fund balance
- For public safety/health, executive office may authorize

Resolution or Supplemental Budget

- If there is authority to make the change by resolution, then it may be made, regardless of amount or percentage of budget.
 - (EXCEPT CONTINGENCY)
- If there is no resolution authority, then a supplemental budget is required regardless of amount or percentage of budget.

Questions?

- Contact a Finance & Taxation Analyst:

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- Local Budget forms and publications:

<http://www.oregon.gov/DOR/PTD/LocalB.shtml>