

# Basic Local Budget Law

Linn County Fair & Expo Center  
March 6, 2024  
Finance, Taxation & Exemptions

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# Agenda

Phase 1

Proposing the Budget

Phase 2

Approving the Budget

Phase 3

Adopting the Budget

Phase 4

Changes After Adoption

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# Finance, Taxation & Exemptions Team


Trains Local Officials on Local Budget Law

Answers Questions about Local Budget Law and Property Taxes

Provides Budget Manuals and Forms

Reviews Tax Certifications

Reviews District Budgets

Advises County Assessors and Tax Collectors on Property Tax Law

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### What's New in Local Budget Law for 2024

- Newspapers can now include digital newspapers (HB 3167).
- ORS 294.476 on local bond measures scheduled for after adoption now references August election (HB 2094).

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### Purpose of Local Budget Law

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### Why you should follow LBL

- A district that doesn't follow Local Budget Law may not lawfully:**
  - Expend money (with some exceptions)
  - Certify property taxes to the county assessor
- A property tax made contrary to LBL is voidable by the Oregon Tax Court if appealed by:**
  - County Assessor
  - County Court
  - County Board of Commissioners
  - The Department of Revenue
  - Ten or more interested taxpayers
- Civil Liability:**
  - Any public official who expends public monies in excess of the amounts, or for any other purpose other than authorized by law, shall be civilly liable for the return of the money, if there is malfeasance in office or willful or wanton neglect of duty.

ORS 294.338, 294.461, & 294.100

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### Districts Not Subject to Local Budget Law

<b>ORS 261</b> People's utility districts	<b>ORS 568</b> Soil and water conservation districts*
<b>ORS 440</b> Health districts	<b>ORS 371</b> Special and Assessment road districts
<b>ORS 545</b> Irrigation districts	<b>ORS 371</b> County Road district*
<b>ORS 551</b> Diking districts	<b>ORS 372</b> Highway lighting districts
<b>ORS 553</b> Water control districts*	<b>ORS 547</b> Drainage districts
<b>ORS 554</b> District improvement companies or corporations	<b>ORS 221</b> Historic ghost towns

\* That will not impose taxes during the ensuing year. If district does impose property tax any year, it is subject to Local Budget Law.

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### The Budget Process



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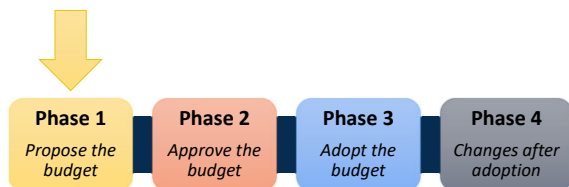
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### The Budget Process



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Phase 1  
Budget Office Proposes  
the Budget



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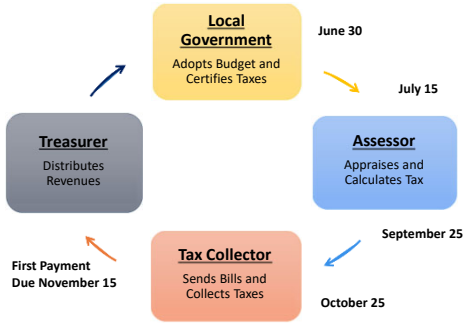
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Property  
Tax Cycle



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Sample Budget  
Calendar

\* *ORS 305.820(2)* states that if any deadline that needs to be filed to tax collector or county falls on a weekend or holiday, then the deadline is extended to the next business day.

	Action	Example Due Date	Complete
1	Appoint budget officer	January 12	
2	Appoint budget committee (BC)	January 26	
3	Prepare proposed budget	February 28	
4	Publish 1st notice of BC meeting	March 8	
5	Publish 2nd notice of BC meeting	March 18	
6	BC meeting & subsequent meetings if needed	March 28	
7	Publish notice of budget hearing	April 17	
8	Hold budget hearing	May 3	
9	Enact Resolutions to adopt, etc.	June 3	
10	Submit tax certification documents	By July 15*	
11	Send copy of all budget documents to county clerk	By September 30*	

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### Prepare Proposed Budget

- Designate budget officer (Who can serve?)
- Budget Officer prepares budget under direction of Executive Officer or Governing Body



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### What is a budget?



A financial plan



For one fiscal year (July 1- June 30), or biennial budget period (July 1, 2024 – June 30, 2026)



Based on estimates of revenues and expenditures and other requirements

The budget is the basis for appropriations, which create the authority to spend public money

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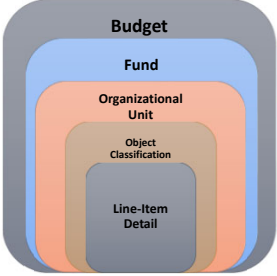
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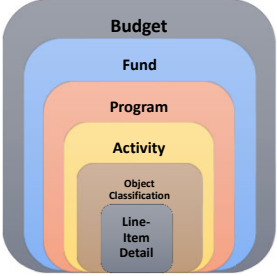
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### Budget Layers



Organizational Unit Budget



Program & Activity Budget

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### Budget is Prepared by Fund

- A self-balancing set of accounts
- Used to record estimated resources and requirements for specific activities and objectives

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### Types of Funds

General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
<ul style="list-style-type: none"><li>• Revenue from permanent rate, local option levy for operations, interest and other charges/fees received to cover general operations with no restrictions on how resources are used</li></ul>	<ul style="list-style-type: none"><li>• Dedicated to local option levy money, specific purpose grants, or other money required to be segregated by statute, charter, or terms</li></ul>	<ul style="list-style-type: none"><li>• Revenue from GO bonds proceeds, local option levy for capital projects, or grant monies to finance a capital project</li></ul>	<ul style="list-style-type: none"><li>• Revenue comes from special property tax levy (such as Revenue Bonds or GO bonds) to budget for payment of principal and interest on long-term debt</li></ul>

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### Types of Funds( cont.)

Internal Services Fund	Enterprise Fund	Trust and Agency Fund	Reserve Fund
<ul style="list-style-type: none"><li>• Revenue from services provided from one department to another department Example: Fleet Management</li></ul>	<ul style="list-style-type: none"><li>• For revenue received in fees or charges used to cover expenses of a business type entity such as running a parking garage or pool</li></ul>	<ul style="list-style-type: none"><li>• Grants, gifts or transfers from general fund received in a fiduciary capacity to be used for a specified purpose</li></ul>	<ul style="list-style-type: none"><li>• Transfers from general funds or grants used to accumulate money for financing the cost of a service, project, property or equipment Resolution required to create fund.</li></ul>

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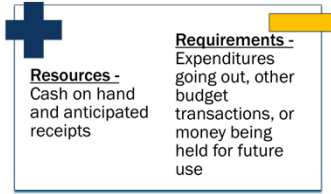
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Estimate Resources and Requirements for Each Fund

- Estimate resources and requirements in line-item detail.
- All resources and requirements must be budgeted.
- Resources and requirements must balance.
- Estimates of resources and requirements must be made in "good faith."



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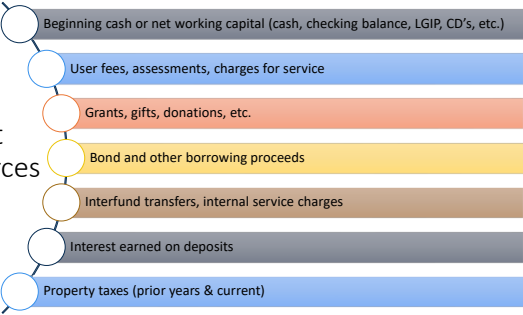
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Budget Resources



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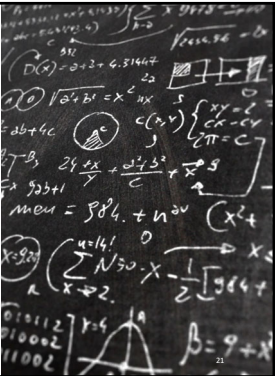
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Estimating Property Taxes

Tax Rate x Taxable Value\* = Tax Amount

- Reduced by:
- Compression losses (Measure 5 limitation)
  - Discounts
  - Uncollectables

\*"frozen value" in urban renewal area



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## A brief history of Oregon property tax



[https://youtu.be/\\_LIYU8s34U](https://youtu.be/_LIYU8s34U)  
Source: OACTC, November 2, 2020

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## Constitutional Limitations on Property Taxes

Article XI, s. 11 and 11b

### Measure 50

Established Permanent  
Rate System

Taxes based on  
property's  
Assessed Value (AV)

### Measure 5

Established limits on operating taxes  
• \$5 per \$1000 of RMV for Education  
• \$10 per \$1000 of RMV for General  
Government

"Compression" based on  
the property's Real  
Market Value (RMV)

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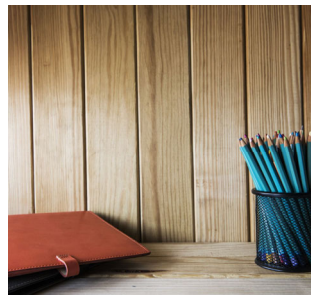
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## How Does M5 Compression Loss Work?

- If a property's tax is higher than its M5 limit, the tax must be reduced ("compressed") to fall within the limit
- This loss is shared by all taxing districts (local option taxes reduced first)



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### M5 Compression Example



**Neighbor 1**


**M50 Tax Calculation:**

Total Combined Gen. Gov. Tax	\$14/\$1,000 AV
Property's Assessed Value	\$287,682
Tax on Property	\$3,747.55

**M5 Limit Calculation:**

Gen. Gov. limit	\$10/\$1,000 RMV
Property's Real Market Value	\$320,000
Maximum tax under M5 limit	\$3,200.00

Gen. Gov. Loss due to M5 Compression = \$547.55  
The tax calculated under M50 was higher than the M5 limit.



**Neighbor 2**

**M50 Tax Calculation:**

Total Combined Gen. Gov. Tax	\$14/\$1,000 AV
Property's Assessed Value	\$287,682
Tax on Property	\$3,747.55

**M5 Limit Calculation:**

Gen. Gov. limit	\$10/\$1,000 RMV
Property's Real Market Value	\$380,000
Maximum tax under M5 limit	\$3,800.00

NO loss to compression  
The tax calculated under M50 was lower than the M5 limit.

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### How Can You Estimate Compression Loss?

Summary of Assessments and Levies Report (SAL) Table 4a:

- Assessor prepares report in October
- Often mailed to every taxing district
- Reports taxes imposed, compression loss, taxes extended
- Save report and use it next spring for your budget estimate of M5 loss

*Also consider levies of other districts*

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### The three types of *ad valorem* taxes


- M50 Rate limit for \$1,000/AV
- Limit can not be changed (may impose less)
- Can be imposed as a dollar or rate

**Permanent Rate**




- In addition to the permanent rate
- Temporary
  - Operations 1-5 years
  - Capital projects lesser of 10 years or life of item
- Imposed as dollar or rate based on how voters approved
- First to be compressed

**Local Option Tax**



- Voter approval of bond sale gives authority to tax for annual debt service
- For capital construction
- Principal and interest ONLY
- Always imposed as a dollar amount
- Exempt from compression

**General Obligation Bond Levy**



All tax elections require a double majority if held in March or August

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Estimating Taxes Levied as a Rate

Tax rate:

\$1.5340/ \$1,000

Estimated Assessed Value in district:

\$98,769,946

1. Tax rate (per \$1.00 of AV)

x

.0015340

2. Value x rate

=

\$151,513

3. Minus est. Measure 5 loss

-

\$ 736

4. Tax to be billed

\$150,777

5. County collection average

x

.94

6. Tax amount to budget

=

\$141,730

28

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Estimating Taxes Levied as an Amount

1. Total dollar amount to levy

=

\$ 45,000

2. Minus est. compression loss

-

\$ 2,500

3. Tax to be billed

\$ 42,500

4. County collection average

x

.94

5. Tax amount to budget

=

\$ 39,950

29

29

Estimating Bond Debt Service Taxes

Taxes budgeted for debt service

\$ 250,750

Estimated compression losses

- 0

(GO bond taxes are exempt from M5 limits)

Amount to raise

\$ 250,750

(Amount shown in the budget as a resource)

County collection average

÷ .95

Taxes to be levied

\$ 263,947

(This is the amount you will certify to the assessor)

30

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### Discussion: Proposed Budget

1. What is the basic formula used to estimate the amount of property tax to be received? What other factors should be considered?
2. **True or False:** When levying for G.O. bond debt, your levy amount should be equal to the amount needed to pay principal and interest.

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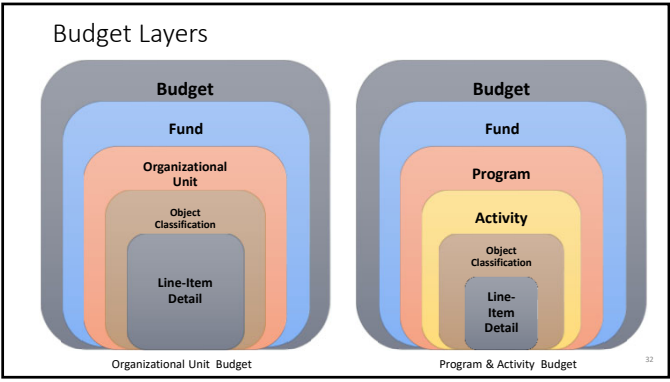
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### Budget Organization

Organizational Unit

OR

Program and Activities

Any administrative subdivision of a municipal corporation, especially one charged with carrying on one or more functions or activities

A group of related activities aimed at accomplishing a major service or function for which the municipality is responsible

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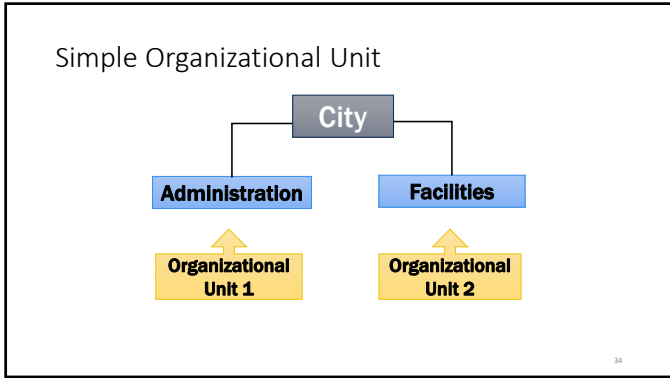
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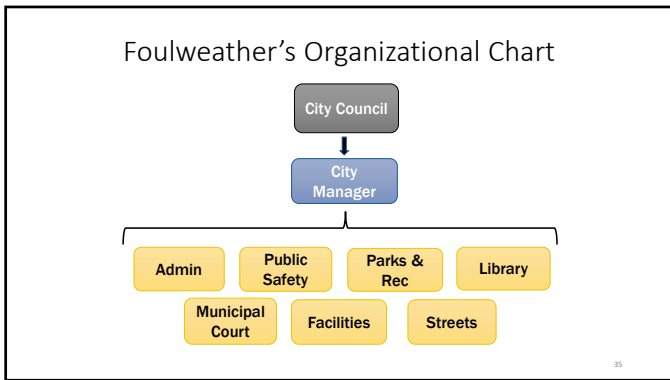
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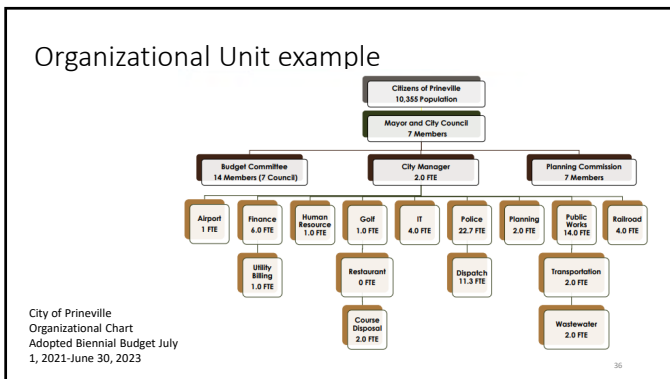
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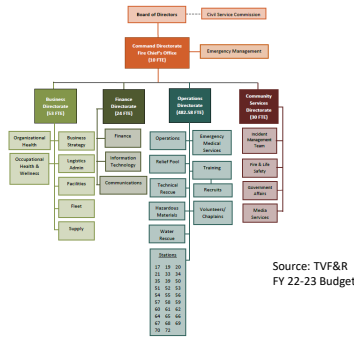
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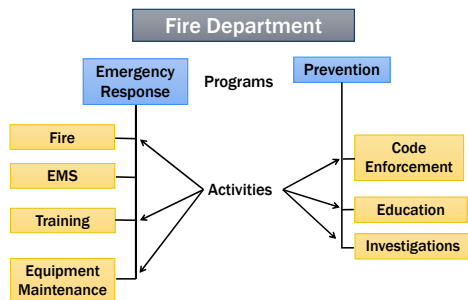


## Organizational Unit Example



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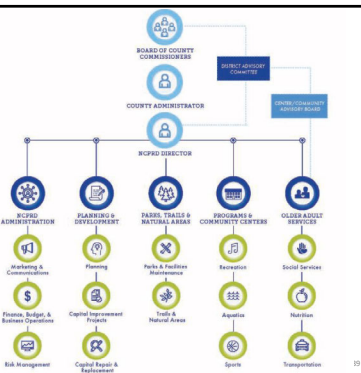
## Program Example



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## Program and Activity Example


Source: North Clackamas Parks & Rec 22-23 adopted budget



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Resources vs. Requirements



Resources -

Cash on hand and anticipated receipts

Requirements -

Expenditures going out, other budget transactions, or money being held for future use

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Object Classifications (Allocated)

Personnel Services

- Expenses related to employees
- Must include associated FTE

Materials and Services

- Consumables and service expenses:
- Contract services
- Supplies
- Other operating expenses

Capital Outlay

- Items with useful life of a year or more

\*\*\*Always include line-item detail\*\*\*

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Object Classifications (Not Allocated)

Interfund Transfers

Transfer of resources from one fund to another

All transfers out require a corresponding transfer in

Debt Service

The repayment of any loan, bond, or other borrowing

Special Payments

Pass-through payments, grants made to other organizations, or other one-time or unusual payments that do not fit into any other expenditure category

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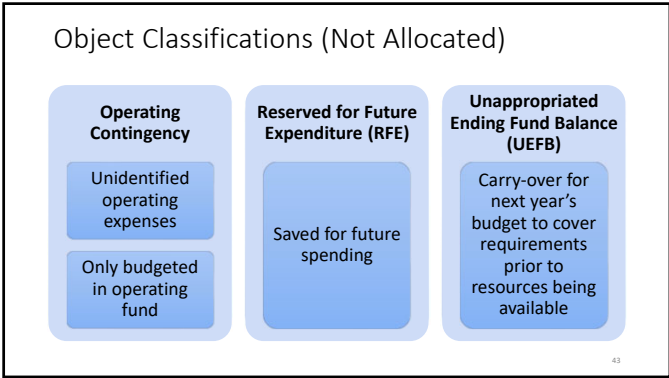
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Budget Requirements

Requirements	Object Classifications	Allocated or Not Allocated to an Organizational Unit or Program?
Expenditures	Personnel Services	Usually Allocated
	Materials and Services	
	Capital Outlay	
	Special Payments	
	Debt Service	Not Allocated
	Transfers (out)	
	Operating Contingency	
	Reserved for Future Expenditure	
	Unappropriated Ending Fund Balance	

ORS 254.388

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Discussion: Proposed Budget

The image is a composite of two photographs. The top photograph shows a close-up of a hand using a black pen to fill out a budget form with a grid of circles. The bottom photograph shows a group of people in a meeting room, with several people raising their hands in a gesture of agreement or voting.

1. True or False: Debt service must always be budgeted in a debt service fund.
2. Which object classifications are defined as operational expenditures?

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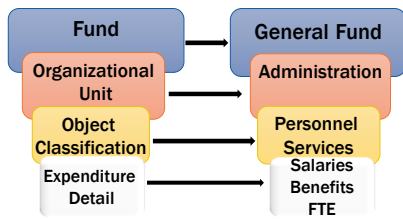
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## Budget Organization – Organizational Units



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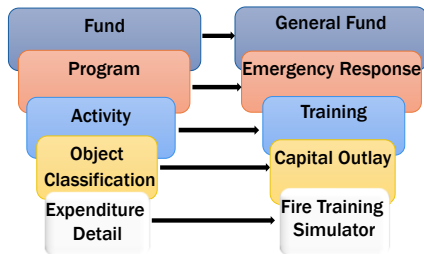
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## Budget Organization – Programs



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## Discussion: Proposed Budget

1. What's the difference between an organizational unit and a program?
2. True or False: If your budget has only one fund, you don't need to budget by organizational unit or program.
3. Which object classifications should never be allocated to an organizational unit?



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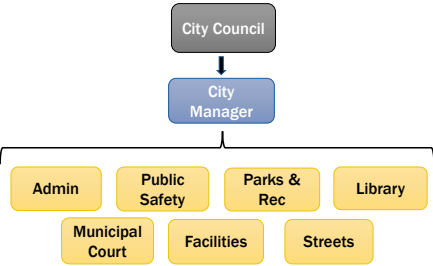
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Foulweather’s Organizational Chart



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Sample Budget Organization

<u><b>General fund</b></u>	<u><b>Arch Cape Streets Fund</b></u>
Admin	Street Department
Public Safety	
Parks & Rec	<u><b>Lookout Library Special Revenue Fund</b></u>
Library	Library
Municipal Court	
Facilities	<u><b>Heceta Head Lighthouse Reserve Fund</b></u>
<u><b>Debt Service Fund</b></u>	Facilities

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Review Sample Budget



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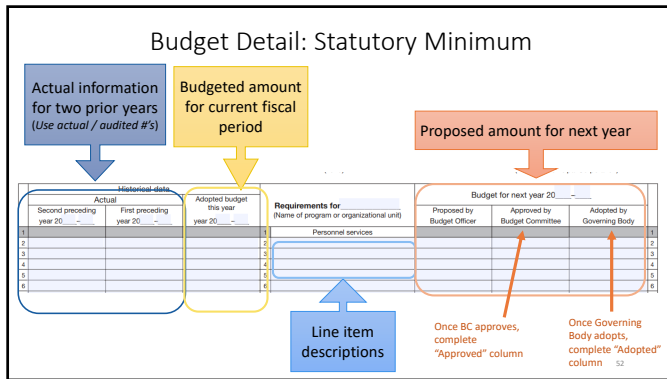
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### Discussion: Proposed Budget

1. What information do you have to include in your budget if you estimate expenditures for Personnel Services?
2. **True or False:** "Non-Departmental" is an appropriate name for an organizational unit within the General Fund.

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## Phase 2

### Budget Committee Approves the Budget



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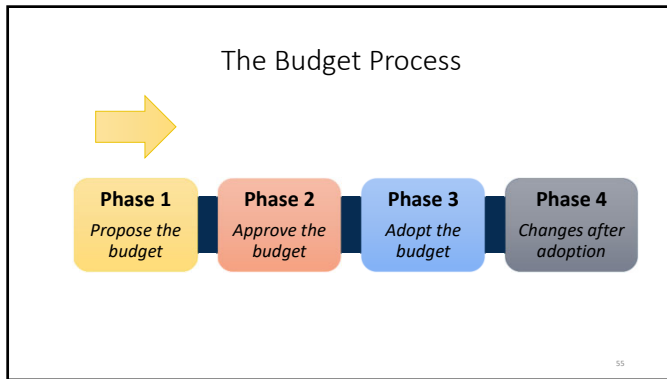
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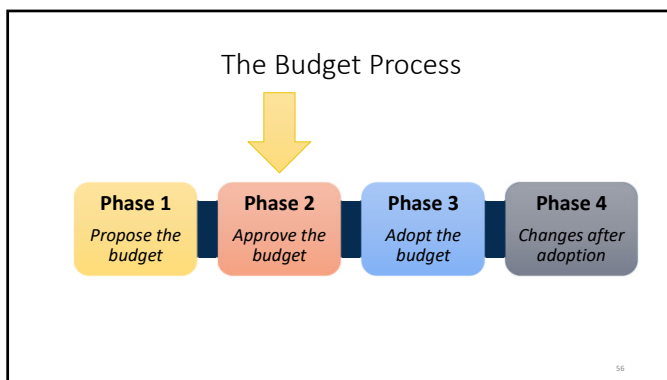
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Who's on the Budget Committee

**The Governing Body**  
**+**  
**an Equal Number of Appointed Electors**

Appointed Members

- "Electors" are registered voters in the district
- Cannot be officers, agents or employees
- Appointed for staggered three-year terms
- All members have the same authority
- If you can't fill all appointed positions, committee can be fewer

ORS 294.414  
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### Who's on the Budget Committee

School Districts and 2021 SB 732

- Creates Educational Equity Advisory Committees
- Requires school districts to include at least one member of the educational equity advisory committee of the school district on the budget committee.
- Took effect July 1, 2022 (first year's budget process) and after an elector vacancy occurs on the committee

ORS 328.542 (2)

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### Notice of Budget Committee Meeting

- Publish notice of the first meeting at which the budget and the budget message are presented, and public comments and questions are heard.
- If public comments are not heard at the first meeting, give notice of both meetings.
- In Washington County, also submit summary of proposed budget for publication on the county website (contact the Finance Department).

ORS 294.426



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### Publication Methods

- Printing twice in a newspaper of general circulation:  
*5 - 30 days before meeting*
- Posting notice on your website:  
*At least 10 days before meeting, AND Printing once in a newspaper 5 - 30 days before meeting*
- Mailing by U.S. Postal Service first class:  
*To each street address, PO Box and RRN in district at least 10 days before Meeting*
- Hand delivery  
*To each street address in district at least 10 days before meeting*

ORS 294.426



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What is a newspaper?

- Print or Digital format
- Consistent and regular coverage of local news
- Published in English
- Paid subscribers of at least a year accounting for more than half the total distribution of printed newspapers and paid-for digital newspapers\*
- Has been published at least once a week for the preceding 12 consecutive months\*

\*Does not apply for up to 12 months after newspaper of record ceases to publish and there is no reasonable alternative.

ORS 193.010

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Public Comment at First Meeting

A

Use this notice if public comment will be taken at this meeting.

NOTICE OF BUDGET COMMITTEE MEETING

A public meeting of the Budget Committee of the City of Foulweather, Storm County, State of Oregon,  
(District Name) (County)

to discuss the budget for the fiscal year July 1, 2024 to June 30, 2025, will be held at Foulweather City Hall,  
(Location)

511 Waterspout Way, Foulweather, The meeting will take place on May 5, 2024 at 8:30 ☐ am ☒ pm  
(Address) (Date) (Time)

The purpose of the meeting is to receive the budget message and to receive comment from the public on the budget.

This is a public meeting where deliberation of the Budget Committee will take place. Any person may appear at the meeting and discuss the proposed programs with the Budget Committee.

A copy of the budget document may be inspected or obtained on or after May 1, 2024 at 511 Waterspout Way, Foulweather  
(Date) (Location)

☒ am ☐ am  
between the hours of 8:30 AM ☐ pm and 5:00 ☒ pm  
(Time) (Time)

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Public Comment at Later Meeting

B

Use this notice if public comment will be taken at a later meeting.

NOTICE OF BUDGET COMMITTEE MEETING

A public meeting of the Budget Committee of the City of Foulweather, Storm County, State of Oregon,  
(District Name) (County)

on the budget for the fiscal year July 1, 2024 to June 30, 2025, will be held at Foulweather City Hall,  
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(Address) (Date) (Time)

The purpose of the meeting is to receive the budget message. This is a public meeting where deliberation of the Budget Committee will take place.

An additional, separate meeting of the Budget Committee will be held to take public comment. Any person may appear at the meeting and discuss the proposed programs with the Budget Committee. The meeting for public comment will be on:  
☐ am  
Date: May 12, 2024 Time: 6:00 ☒ pm Location: 511 Waterspout Way, Foulweather  
(Date) (Time) (Location)

A copy of the budget document may be inspected or obtained on or after May 1, 2024 at 511 Waterspout Way, Foulweather  
(Date) (Location)

☒ am ☐ am  
between the hours of 8:30 AM ☐ pm and 5:00 ☒ pm  
(Time) (Time)

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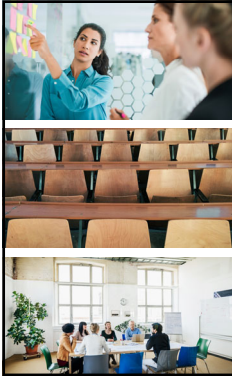
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### Budget Committee's Meeting Process

- All meetings are subject to Public Meetings Law
- Presiding officer must be elected at first meeting
- Quorum is required to conduct business
- Majority of committee is required to take action
- Committee may request and receive additional information from district officials

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Quorum

Budget Committee of 10

Full Budget committee  
Quorum = 6

8 Filled – 2 Vacancies  
Quorum = 5

7 Filled – 3 Vacancies  
Quorum = 4

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Majority

5 Governing Body      5 Electors

Majority = 6

Vacancies on the governing body are not removed from total.  
Majority = 6

Elector vacancies are removed from total.  
Majority = 4

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## What the Budget Committee Does

1. Receives the budget document
2. Hears the budget message
3. Hears and considers public comment
4. Discusses and revises the budget as needed
5. Approves the budget
6. Approves the property taxes

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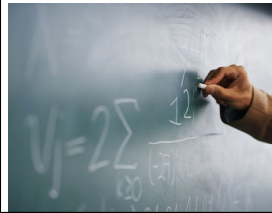
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### 1: Receives the Budget Document



- Budget is a public document when released to the committee
- Available to the public at the same time as the committee
- Public has right to inspect
- Must provide means for public to copy (can also charge for copies)

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### 2: The Budget Message

- Prepared by or under direction of executive officer
- Explains budget document
- Describes financial policies
- Explains any changes since last year
- Must be in writing
- Anyone can deliver it

ORS 294.403



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### 3: Hear Public Comment

- On the date and time in the published notice
- Any person may ask questions about and comment on the budget ORS 294.426(4)(c)
- Can establish time limits and other policies for public comment period
- Add additional meetings if desired



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### Town of Litchfield, NH – Mosquito Control District



<https://www.youtube.com/watch?v=RTXUIVmJQmQ>

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### 4: Discuss and Revise the Budget

- Discuss and (if a majority feels necessary) revise the proposed budget.
- May reduce or increase the estimate of resources and requirements.
- May approve budget at first meeting or it may take several meetings.

*May provide same notice as a regular meeting of governing body for additional meetings following the meeting at which budget message is read and public comment is heard*



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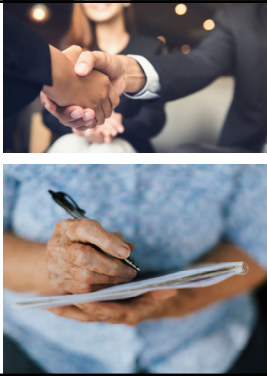
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### 5: Approve the Budget

**Sample Motion to Approve Budget:**  
*"I move that the budget committee of the City of Foulweather approve the budget for the 2024-25 fiscal year in the amount of \$13,910,076."*  
*(motion and vote recorded in the minutes)*

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### 6: Approve Each Tax Levy

**Sample Motion to Approve Taxes:**  
*"I move that the budget committee of the City of Foulweather approve property taxes for the 2024-25 fiscal year at the rate of \$4.4143 per \$1,000 of assessed value for the permanent rate tax levy, in the amount of \$0.1213 for the local option tax levy, and in the amount of \$496,315 for the general obligation bond levy."*  
*(motion and vote recorded in the minutes)*  
**The Budget Committee is now finished!!!**



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### Budget Committee Question 1

The Foulweather City Council is supposed to have six members, but one position is vacant. There are supposed to be six appointed members of the budget committee, but the council can only find four people willing to serve.

*How many people must be at a budget committee meeting for there to be quorum?*

*How many votes are required to pass a motion?*



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### Budget Committee Question 2

The Foulweather City Council receives a resignation from one of the appointed budget committee members. The member has only served 2 years and 6 months of their 3-year term.

*What should the City Council do?*



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### Budget Committee Question 3

The City of Foulweather publishes a notice that their first budget committee meeting would be held on April 7 and that they would take public comment at that meeting. On April 7 three of the budget committee members can't make it to the meeting because of the flu. As a result, there isn't a quorum at the meeting.

*Can an alternate member fill in for an absent member?*



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### Phase 3 Adopting the Budget



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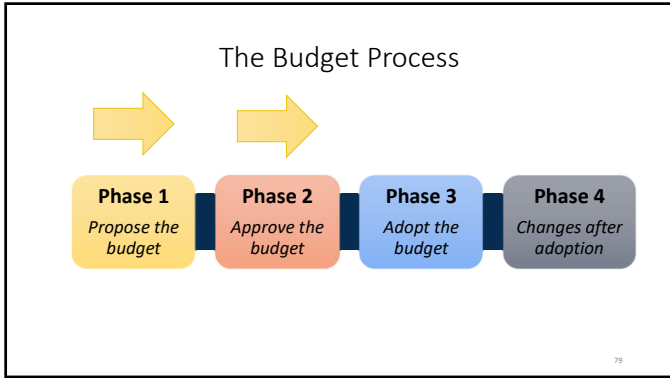
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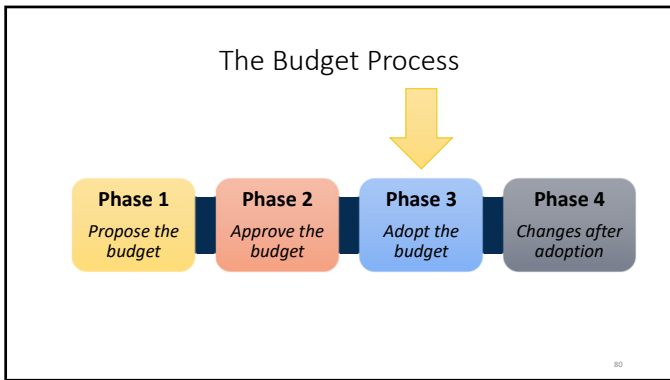
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**Publish Budget Hearing Notice and Summary of Budget**

- Print once in newspaper 5-30 days before hearing
- Mail or hand deliver to each street address, PO Box and RRN 5-30 days before hearing
  - There is no Internet option for this notice
  - If budget < \$100,000 and no newspaper published in the district, can post in three places for at least 20 days prior to hearing

In Multnomah County, submit budget to Tax Supervising Conservation Commission, if subject to its jurisdiction.

ORS 294.438



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## LB-1 Form and Review Hearing Notice



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## Alternative Publication Format



- Optional Narrative Format
- Same information as on the LB-1 form
- Same timeline as with LB-1 form
- Can use narrative, charts, pictures, etc.

ORS 294.438

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## Correcting Publication Errors

- Publication is considered sufficient if the budget officer makes a "good faith" effort.
- If you know your notice will be late, re-schedule the hearing and publish timely.
- If you know your hearing won't be on the date published, publish another notice.



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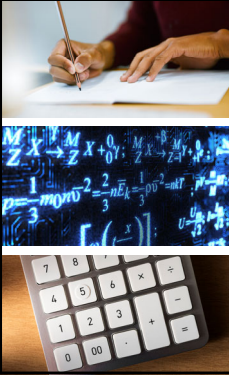
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### Correcting Publication Errors

- If these errors occur:
  - Typographical error
  - Math error
  - Error in calculating the tax
- Then at first meeting after the error is discovered, the budget officer must:
  - Advise the governing body in writing, and
  - Give testimony correcting the error

ORS 294.451

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### Governing Body Holds Budget Hearing

- Hold the hearing on the date published, or rescheduled and publish a revised notice
- Hearing is on the budget "as approved" by budget committee
- Any person may comment on the budget

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### Changes After Budget Hearing

After the hearing, the governing body can change the budget estimates and tax levy approved by the budget committee.

However, if they want to:

- increase tax by any amount, OR increase expenditures in any fund by 10 percent or more (or \$5,000 – whichever is greater)

They must republish the amended budget summary and hold another budget hearing.



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Budget Requirements

	Object Classifications	Allocated or Not Allocated to an Organizational Unit or Program?
Requirements	Expenditures	
	Personnel Services	Usually Allocated
	Materials and Services	
	Capital Outlay	
	Special Payments	
	Debt Service	Not Allocated
	Transfers (out)	
	Operating Contingency	
	Reserved for Future Expenditure	
	Unappropriated Ending Fund Balance	

ORS 294.388

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Resolutions

After the hearing and ***on or before June 30***, the governing body must enact a resolution to:

1. Adopt the budget
2. Make Appropriations
3. Impose each tax levy
4. Categorize each tax by its Measure 5 category (Education or General Government)

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1: Resolution Adopting the Budget

- State the fiscal year or biennial budget period
- State the total \$ amount of budget resources  
*(Be sure to include all resources and all funds)*

Sample of Resolution Adopting the Budget:

*"BE IT RESOLVED that the Board of Directors of (district name) hereby adopts the budget for fiscal year 2024-2025 in the total amount of \$XXXXX. This budget is now on file at (address)."*

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## 2: Resolution Making Appropriations *Based on Organizational Units or Programs*

One amount for each Organizational Unit or Program.  
*Include only Personnel Services, Materials and Services, and Capital Outlay*

Separate amounts for any:

- Personnel Services, Materials and Services, or Capital Outlay not allocated to an organizational unit or program
- Debt Service
- Special Payments
- Transfers
- Operating Contingency

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## Budget Organization – Organizational Units

The diagram shows a hierarchical structure of budget organization. On the left, a column of boxes contains 'Fund' (blue), 'Organizational Unit' (orange), 'Object Classification' (yellow), and 'Expenditure Detail' (white). On the right, a column contains 'General Fund' (blue), 'Administration' (orange), 'Personnel Services' (yellow), 'Salaries' (yellow), 'Benefits' (yellow), and 'FTE' (white). Arrows point from 'Fund' to 'General Fund', 'Organizational Unit' to 'Administration', 'Object Classification' to 'Personnel Services', and 'Expenditure Detail' to 'FTE'. A red rectangle highlights the 'Organizational Unit' and 'Administration' boxes. Below the diagram, text reads: 'Appropriate one amount at this level for Personnel Services + Materials and Services + Capital Outlay'.

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## Budget Organization – Programs

The diagram shows a hierarchical structure of budget organization. On the left, a column of boxes contains 'Fund' (blue), 'Program' (orange), 'Activity' (blue), 'Object Classification' (yellow), and 'Expenditure Detail' (white). On the right, a column contains 'General Fund' (blue), 'Emergency Response' (orange), 'Training' (blue), 'Capital Outlay' (yellow), and 'Fire Training Simulator' (white). Arrows point from 'Fund' to 'General Fund', 'Program' to 'Emergency Response', 'Activity' to 'Training', 'Object Classification' to 'Capital Outlay', and 'Expenditure Detail' to 'Fire Training Simulator'. A red rectangle highlights the 'Program' and 'Emergency Response' boxes. Below the diagram, text reads: 'Appropriate one amount at this level for Personnel Services + Materials and Services + Capital Outlay'.

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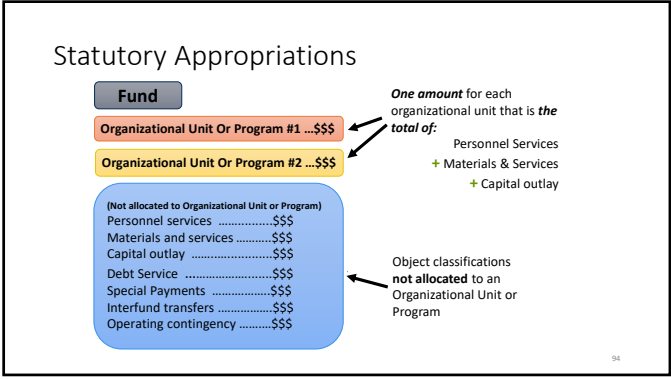
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Appropriating to Greater Detail

<b>Statutory Minimum Standard</b>	<b>Greater detail allowed by Admin Rule</b>
<u>General Fund</u>	<u>General Fund</u>
Administration \$5,000	Administration
	Personnel Services \$2,000
	Materials and Services \$2,000
	Capital Outlay \$1,000

OAR 150-294-0510

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Organization of Appropriations

<u>General fund</u>	<u>GO Bond Debt Service Fund</u>
Admin	Debt Service
Public Safety	
Parks and Rec	<u>Streets Fund</u>
Library	Street Department
Municipal Court	
Facilities	<u>Library Special Revenue Fund</u>
Personnel Services	Library
Transfers	
Contingency	<u>Facilities Reserve Fund</u>
	Facilities

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Appropriations Example	
<b>General Fund</b>	
Administration	\$557,540
Public Safety	4,575,600
Parks and Rec	304,500
Library	424,650
Municipal Court	178,000
Facilities	334,000
Personnel Services	150,000
Transfers	170,000
Contingency	75,000
<b>Total</b>	<b>\$7,187,890</b>

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Schools Appropriate by ODE Function	
For each fund:	
<b>1000</b>	Instruction
<b>2000</b>	Support Services
<b>3000</b>	Enterprise & Community Services
<b>4000</b>	Facilities Acquisition and Construction
<b>5000</b>	Other Uses
	5100 Debt Service
	5200 Transfers
<b>6000</b>	Contingency

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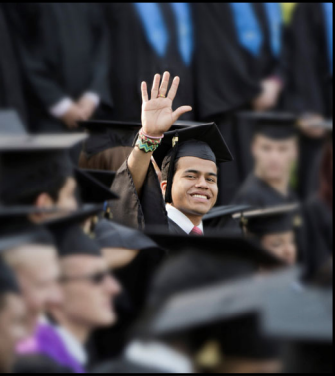
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Community Colleges Appropriate

- By Higher Education Coordinating Commission (HECC) Function;
- By ODE Function; or
- By Organizational Unit



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Appropriations

Appropriated

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

Never Appropriated

- Reserved for Future Expenditure
- Unappropriated Ending Fund Balance (UEFB)

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Common Appropriation Errors

- ✗ No organizational units or programs or only in general fund
- ✗ “Non-departmental” identified as a “department”
- ✗ Contingency appropriated in a non-operating fund
- ✗ Reserves for Future Expenditure and Unappropriated Ending Balances appear to be appropriated

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Appropriation Question 1

What’s wrong with these appropriations?

GENERAL FUND		
Administration/Finance	432,600	
Court	28,350	
Community Development	114,940	
Police	533,505	
Fire	742,200	
Non-Departmental:		
Transfers-Out	647,000	
Contingency	0	
Fund Total		2,498,200
STREET FUND		
Personnel Services	82,800	
Materials & Services	172,370	
Capital Outlay	3,500	
Transfers	33,500	
Contingency	0	
Fund Total		292,170
STREET CAPITAL IMPROVEMENT FUND		
Capital Outlay	1,971,000	
Debt Service	130,100	
Fund Total		2,101,100
STREET RESERVE FUND		
Capital Outlay	46,300	
Fund Total		46,300

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Appropriation  
Question 2

What's wrong with  
these appropriations?

<b>GENERAL FUND - 001</b>		<b>Capital Improvement Fund - 017</b>	
Administration	159,845	Facility Special Projects	6,250,000
Finance	22,800	Park Projects	75,000
Planning/Land Use	175,580	Transportation Projects	270,000
Municipal Court	3,620	Water Projects	1,700,000
Police Department	782,200	Sewer Projects	1,645,000
Park Department	68,575	Stormwater Projects	300,000
Pool Department	80,410	Transfers	0
Transfers	150,000	Operating Contingencies	550,728
Operating Contingencies	293,750	<b>Total CIP Appropriations</b>	<b>10,985,728</b>
<b>Total General Appropriations</b>	<b>3,865,690</b>		
<b>Tourism Fund - 005</b>		<b>System Development Fund - 009</b>	
Materials & Services	113,884	Water SOCs	1,100,000
<b>Total Tourism Appropriations</b>	<b>113,884</b>	Sewer SOCs	1,464,886
		Transportation SOCs	754,277
		Drain SOCs	169,492
		Stormwater SOCs	889,679
		<b>Total SDC Appropriations</b>	<b>3,414,354</b>
		<b>GO Bond 2015 - Pool Project - 024</b>	
		Debt Service	64,426
		Operating Contingencies	2,491
		<b>Total GO Bond 2015 Appropriations</b>	<b>66,917</b>
		<b>Debt Service Fund - 126</b>	
		Debt Service	286,387
		Operating Contingencies	763,854
		<b>Total Debt Service Appropriations</b>	<b>1,050,241</b>
		<b>Vehicle Replacement Fund - 027</b>	
		Capital Outlay	77,000
		Operating Contingencies	36,189
		<b>Total VRF Appropriations</b>	<b>113,189</b>

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Appropriation  
Question 3

What's wrong with  
these appropriations?

<b>General Fund</b>		<b>County Road Fund</b>	
Personal Services	\$ 12,558	Personal Services	\$ 13,488
Materials & Services	\$ 41,570	Materials & Services	\$ 24,648
Capital Outlay	\$ 37,500	Capital Outlay	\$ 15,000
Transfers	\$ -	Contingency	\$ 71,970
Contingency	\$ 30,522	<b>Total</b>	<b>\$ 125,116</b>
<b>Total</b>	<b>\$ 122,150</b>		
		<b>Transfer Station Fund</b>	
		Personal Services	\$ 12,674
		Materials & Services	\$ 23,952
		Capital Outlay	\$ -
		Contingency	\$ 124
		<b>Total</b>	<b>\$ 36,750</b>
		<b>Water Bond Debt</b>	
		Principal Requirements	\$ -
		Interest Requirements	\$ -
		<b>Total Requirements</b>	<b>\$ -</b>
		<b>Sewer Repair Bond Debt</b>	
		Principal Requirements	\$ 4,423
		Interest Requirements	\$ 874
		<b>Total Requirements</b>	<b>\$ 5,297</b>
		<b>State Street Fund</b>	
		Personal Services	\$ 5,930
		Materials & Services	\$ 8,184
		Capital Outlay	\$ 5,000
		Transfers	\$ 6,786
		<b>Total</b>	<b>\$ 25,900</b>
		<b>Water O &amp; M Fund</b>	
		Personal Services	\$ 16,040
		Materials & Services	\$ 22,428
		Capital Outlay	\$ 5,000
		Transfers	\$ -
		Contingency	\$ 1,066
		<b>Total</b>	<b>\$ 44,540</b>
		<b>Road Fund</b>	
		Personnel Services	\$15,450
		Materials & Services	\$27,100
		Capital Outlay	\$110,000
		Transfers	\$0
		Other Expenditures	\$0
		Contingencies	\$9,950
		<b>Total</b>	<b>\$162,500</b>
		<b>Transfer Station Fund</b>	
		Personnel Services	\$17,400
		Materials & Services	\$26,750
		Capital Outlay	\$7,500
		Transfers	\$0
		Other Expenditures	\$0
		Contingencies	\$9,850
		<b>Total</b>	<b>\$61,500</b>
		<b>Sewer Fund</b>	
		Personnel Services	\$25,400
		Materials & Services	\$32,900
		Capital Outlay	\$105,000
		Transfers	\$0
		Other Expenditures	\$0
		Contingencies	\$82,800
		<b>Total</b>	<b>\$246,100</b>

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Appropriation  
Question 4

What's wrong with  
these appropriations?

<b>General Fund</b>		<b>Road Fund</b>	
Personnel Services	\$47,550	Personnel Services	\$15,450
Materials & Services	\$79,500	Materials & Services	\$27,100
Capital Outlay	\$16,000	Capital Outlay	\$110,000
Transfers	\$0	Transfers	\$0
Other Expenditures	\$0	Other Expenditures	\$0
Contingencies	\$80,110	Contingencies	\$9,950
<b>Total</b>	<b>\$217,160</b>	<b>Total</b>	<b>\$162,500</b>
		<b>Transfer Station Fund</b>	
		Personnel Services	\$17,400
		Materials & Services	\$26,750
		Capital Outlay	\$7,500
		Transfers	\$0
		Other Expenditures	\$0
		Contingencies	\$9,850
		<b>Total</b>	<b>\$61,500</b>
		<b>Sewer Fund</b>	
		Personnel Services	\$25,400
		Materials & Services	\$32,900
		Capital Outlay	\$105,000
		Transfers	\$0
		Other Expenditures	\$0
		Contingencies	\$82,800
		<b>Total</b>	<b>\$246,100</b>

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### Appropriation Question 5

*What's wrong with these appropriations?*

<b>10 General</b>	<b>\$1,985,838</b>
Administration	351,609
City Services	346,131
Public Safety	463,000
Capital Outlay	20,000
Contingency	801,598
Reserves	3,500
<b>11 Parks</b>	<b>\$ 25,000</b>
Contingency	25,000
<b>20 Streets</b>	<b>\$ 308,089</b>
Street Operations	123,883
Capital Outlay	-0-
Grant	-0-
Transfer Out	16,519
Contingency	167,687

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### Discussion: Adopting and Appropriating

- Can the resolution making appropriations include any of these appropriation categories: Miscellaneous, other, UEFB?
- Which object classifications can be included in the appropriation amount for an organizational unit/program?
- Which statutory appropriation categories must be appropriated separately from a program or organizational unit?
- In what type of fund are you allowed to budget and appropriate for contingency?
- Should the total adopted budget amount include the unappropriated amounts?



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### 3: Resolution Imposing the Tax

- Impose each tax levy separately.
- Impose permanent rate per \$1,000 or a dollar amount (not both).
- Impose local option levy as approved by voters.
- Impose bond levy as a dollar amount.

\*\*\*Cannot exceed rate/amount approved by Budget Committee unless you republish budget summary and hold another hearing\*\*\*

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4: Resolution Categorizing the Tax

Type of Tax	Subject to General Gov't Limit	Excluded from Limitation
Permanent rate limit	\$4.4143/\$1,000	
Local option levy	\$0.1213/\$1,000	
GO Bond levy		\$496,315

Categorize each tax (permanent rate limit, local option, G.O. bond levy) by its [Measure 5](#) category:

- Subject to "General Government" limit
- Subject to "Education" limit
- "Excluded from constitutional limits"

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Common Categorizing Tax Errors

☐

Subject to General Government Limitation  
General Fund      \$4.01/\$1,000

The resolution categorizing the tax should be done by [tax levy](#), not by fund.

☒

Subject to General Government Limitation  
Permanent Rate Tax      \$4.01/\$1,000

294.456(1)(a)  
110

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110

Categorizing Tax Questions

What's wrong with resolutions categorizing the tax?

	GENERAL GOVERNMENT LIMIT	EXCLUDED FROM LIMIT
GENERAL FUND NO. 11	\$7.9950/\$1,000	-0-

Categorizing the Tax

	General Government Limitation	Excluded from Limitation
General Fund	\$6.0860/\$1,000	
GO / FF&C Bonded Debt Fund		\$316,626

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## Go to Resolutions and LB-50 Example



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## Discussion: Imposing and Categorizing

1. Is it acceptable to impose both a tax rate and a total tax amount for the same levy?
2. Can a GO Bond levy be imposed as a rate?
3. What are the three options when categorizing taxes by constitutional limitation?
4. Should taxes be categorized by each fund? Or, by each levy imposed?



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## Documents Taxing Districts Submit

By **July 15**, send the Assessor :

- 2 copies of the tax certification form,
- 2 copies of the resolutions,
- 2 copies of ballot measure for any new tax.

OAR 150-294-0520

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### Documents Taxing Districts Submit

**By September 30, send the County Clerk:**  
Copy of complete budget document, including:

- Budget Message,
- Budget detail sheets,
- Meeting notices or affidavits of publication,
- Resolutions adopting, appropriating, imposing, etc.,
- Tax certification, and
- Sample ballot for any new tax

OAR 150-294-0310

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### Documents Non-taxing Districts Submit

**By July 15, send to Department of Revenue one copy of the resolutions.**

**Keep on file a copy of complete budget document, including:**

- Budget Message
- Budget detail sheets
- Meeting notices or affidavits of publication
- Resolutions adopting, appropriating, imposing, etc.

ORS 294.458(1)

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### Additional Requirements for Schools, ESDs and Community Colleges

**School Districts and ESDs:**

- Hard copy of budget to Dept of Education by July 15
- Electronic copy to Dept of Education financial data collection by August 15

**Community Colleges:**

- Copy of budget to Higher Education Coordinating Commission (HECC) by July 15

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### Adopting a Budget Question 1

The City of Foulweather has extra money in their budget that they don't need for anything. They just put it into "Contingency."

*Is that OK? If no, what should they do instead?*



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### Adopting a Budget Question 2

Foulweather received a late donation and has more money than anticipated for next year. As a result, the council wants to change the budget approved by the budget committee before the council adopts it.

*Can they do that?*  
*If so, what do they have to do?*



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### Adopting a Budget Question 3

There's only one person who knows how to complete the LB-50 and he's on a fishing trip until the first of August.

*What can the district do in this situation?*



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Phase 4  
Changes After Budget Adoption



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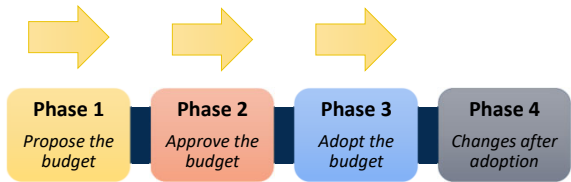
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The Budget Process



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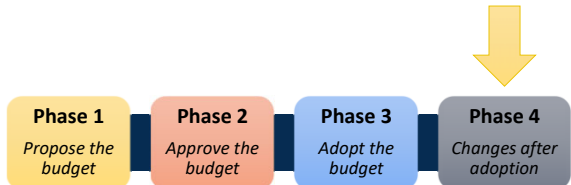
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The Budget Process



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### Changes to Budget After Adoption

- A budget is a plan based on estimates.
- The budget provides the foundation for appropriations.
- Appropriations are authority to spend public money.

-AND-

- Appropriations are limitations on expenditures.

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### An Appropriation is a Limitation

[Do not overspend your appropriations!](#)

ORS 294.456(6):

*Except as provided in . . . 294.471, 294.473 . . . an expenditure . . . of public money may not be made for any purpose in an amount greater than the amount appropriated.*



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### Make Changes to Appropriations Before Overspending

- The change must be in place **before** an over-expenditure is made
- Adopting a resolution or supplemental budget after an over-expenditure does not correct the violation of Local Budget Law

[ORS 294.471\(3\)\(c\): Additional expenditures contained in a supplemental budget ...may not be made unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditures.](#)

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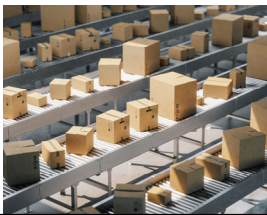
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## 127

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ORS 294.463(1)

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## 120

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Transferring appropriations between funds

Transfer \$200,000 of appropriations from the General Fund to the Library Fund:

General Fund	Existing	Change	Adjusted
Admin	\$2,000,000	\$(200,000)	\$1,800,000
Transfer Out*	\$0	\$200,000	\$200,000

Library Fund	Existing	Change	Adjusted
Resource: Transfer in	\$0	\$200,000	\$200,000
Appropriation Library	\$300,000	\$200,000	\$500,000

\*A Transfer Out may be created when transferring between funds by resolution.

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Transfer Contingency

Transfer to another existing appropriation

- Transfer by resolution is limited to 15 percent of total fund appropriations.
- 15 percent limit is cumulative for the fiscal period.
- If more than 15 percent is transferred in a year, a supplemental budget is required for the excess.

ORS 294.463(2)



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Moving Contingency of Less Than 15 Percent of Appropriations

Increase library appropriations by transferring \$50,000 out of contingency:

General Fund	Existing	Change	Adjusted
Administration	\$400,000	\$0	\$400,000
Police	\$1,750,000	\$0	\$1,750,000
Library	\$400,000	\$50,000	\$450,000
Transfer Out	\$50,000	\$0	\$50,000
Contingency*	\$650,000	\$(50,000)	\$600,000
Total Appropriations	\$3,250,000	\$0	\$3,250,000

\*Contingency transfer as a percent of adopted appropriations = 1.5percent

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### A Supplemental Budget

- Modifies the currently adopted budget
- Effective through the end of the fiscal year
- Used to:
  - Increase or decrease appropriations,
  - Create a new appropriation category, or
  - Create a new fund



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### Can I do a supplemental budget?



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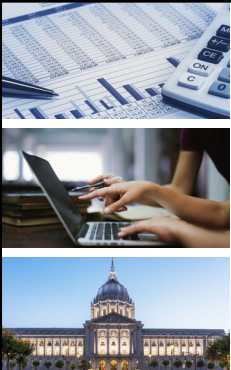
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### Supplemental Budget Justification

- Occurrence or condition not known during the regular budget process
- Unforeseen pressing necessity requires prompt action
- Unanticipated money from federal, state or local government
- Request for services, to be paid for by others

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### Supplemental Budget Justification

- Destruction, involuntary conversion or sale requires immediate replacement
- More property taxes received than estimated
- Local Option approved in August election
- Add Debt Service when GO bonds are approved in May election

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### Supplemental Budget Process

Two Processes:

- Change in expenditures in a fund is 10 percent or less
- Change in expenditures in a fund more than 10 percent

When determining expenditures, do not include:

- × Transfers
- × Contingency
- × Reserves for future expenditure, or
- × Unappropriated Ending Fund Balance

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### Budget Requirements

Requirements	Object Classifications	Allocated or Not Allocated to an Organizational Unit or Program?
Expenditures	Personnel Services	Usually Allocated
	Materials & Services	
	Capital Outlay	
	Special Payments	
	Debt Service	Not Allocated
	Transfers (out)	
	Operating Contingency	
	Reserved for Future Expenditure	
	Unappropriated Ending Fund Balance	

ORS 294.388

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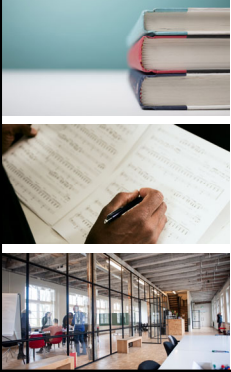
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### Supplemental Budget Process

If change is 10 percent **or less**

- Adopt at a regular meeting (no hearing required)
- Publish notice of the regular meeting:
  - At least five days before the meeting
  - In newspaper, by first-class mail or by hand-delivery
  - Include a statement that a supplemental budget will be considered at the meeting
- Adopt by resolution
- Appropriate by resolution that states the need for, the purpose and the amount of the appropriation

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### Supplemental Budget Process

If change is **more** than 10%

- Public hearing is required
- Publish notice of the hearing:
  - At least 5 days before the hearing
  - In newspaper, by first-class mail or by hand-delivery
  - Summarize changes in each fund changing more than 10%
- After hearing, adopt by resolution
- Resolution must state the need for, the purpose and the amount of the appropriation

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Go to Supplemental Notice in sample budget



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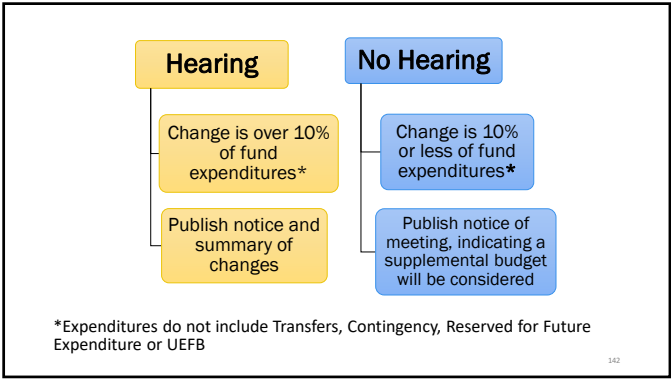
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Appropriation Transfer or Supplemental Budget

Appropriation Transfer ORS 294.464	Supplemental Budget ORS 294.471 & 294.473
<ul style="list-style-type: none"><li>Transfers appropriation authority from one existing category to another</li><li>No change to the overall appropriation expenditure authority</li><li>Contingency transfers of up to 15 percent of total fund appropriations</li></ul>	<ul style="list-style-type: none"><li>Creates a new appropriation category or fund.</li><li>Changes overall appropriation authority (i.e. changes the overall footprint of the budget).</li><li>Contingency transfers of over 15 percent of total fund appropriations</li><li>May or may not require a hearing.</li></ul>

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### Resources less than budgeted?

- Option 1: You may reduce appropriations
  - It's optional
  - By supplemental budget:
    - At regular meeting if 10 percent or less
    - After public hearing if more than 10 percent
- Option 2: You could just spend less than appropriated

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### Exceptions to Local Budget Law


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**Expenditure of specific purpose grants, gifts, etc.**

- Appropriate by resolution or ordinance
- Unexpected carry-over from prior year may also be appropriated by resolution or ordinance

*General purpose grants require a supplemental budget.*

ORS 294.338(2)



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### Exceptions to Local Budget Law

Unforeseen Occurrence

- If "non-tax," or self-insurance reserves as authorized in ORS 294.373 money is available
- Appropriate by resolution
- Resolution must declare:
  - Unforeseen occurrence or condition, or
  - Pressing necessity, or
  - That a request for services to be paid for by others, requires additional expenditures

ORS 294.338(3)



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### Exceptions to Local Budget Law

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**Supplemental budget not required to expend proceeds or make debt service payments for:**

- Bond redemption expenditures
  - Expenditure of funds irrevocably placed in escrow for defeasing and paying bonds
- Expenditure of assessments or other revenues to redeem bonds when received as a prepayment
- Expenditure of debt service reserves to pay debt service, redeem, or fund an escrow/trust account to defease or pay the bonds

ORS 294.338(4) & (5)



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### Exceptions to Local Budget Law

**Supplemental budget not required to expend proceeds or make debt service payments for:**

- Revenue bonds sold in the current year
- G.O. bonds approved by voters in the year
- Refunding bonds issued in the year

ORS 294.338(4) & (5)



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### Other Exceptions to Local Budget Law

- Expenditure of assessments for local improvements *ORS 294.338(6)*
- Payment of deferred compensation *ORS 294.338(7)*
- Refunds when purchased items are returned (must appropriate by resolution) *ORS 294.338(9)*
- Newly formed municipal corporation *ORS 294.338(10)*

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### Interfund Loans

- Resolution must state:
  - Funds making and receiving the loan
  - Purpose of the loan
  - Principal loan amount
  - Repayment schedule (capital loan)
  - Interest to be charged (capital loan)
- Loans not allowed from some funds (*debt service fund, constitutionally dedicated moneys like gas taxes*).
- **Be sure there is appropriation authority.**

ORS 294.468

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## Repaying Interfund Loans

- **Loan for Operations:**
  - Pay back by end of this year or the next
  - If paid back next year, must be budgeted
- **Capital Loan:**
  - Pay back within 10 years
  - Payments in future years must be budgeted



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## Eliminate Unnecessary Fund

- If a fund becomes unnecessary during fiscal year, a resolution must declare it unnecessary.
- Transfer balance to **General Fund** unless other provisions were made when fund was established.

ORS 294.353

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## Emergency Situation

To respond to involuntary conversion or destruction of property, civil disturbance, natural disaster or public calamity, governing body may:

- Receive grants or borrow money
- Appropriate from any available source, including unappropriated ending fund balance
- Appropriate by resolution or supplemental

*For public safety or health, executive officer may authorize expenditure if not practical to convene meeting*



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## Scenario 1

The budget adopted by the Foulweather City Council included expenditures for three new fire rescue boats as public safety equipment. However, the board only appropriated the expenditure for two rescue boats and forgot the third.

*What options does the district have to purchase the third rescue boat as the winter storm season typically requires at least three rescue boats being available to respond to emergency calls?*



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## Scenario 2

Timmy Tidalwave won the lottery and has given the city of Foulweather a large cash donation that the city can use for whatever is needed most, excluding spending on jet skis for the town's summer celebration.

*What options does the city have to legally spend this money?*



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## Scenario 3

In an unfortunate turn of events, the residents of Foulweather are now painfully aware that sea monsters are real. They find themselves with several destroyed bridges. The city needs to repair the bridges ASAP. There will be insurance proceeds for part of the cost of the repairs, but to make up the difference the board will need to increase their appropriations in the General Fund. The expenditure wasn't anticipated or budgeted.

*What actions will the city need to take to pay for the repairs?*



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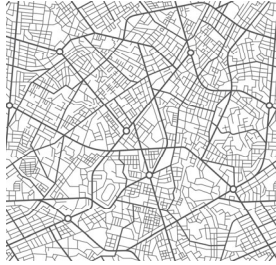
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## Boundary Changes

- The Cadastral Information Systems Unit (CISU) web page explains how to comply with ORS 308.225 when making changes to your boundaries has been updated.
- For assistance in how to comply with the statute, please review the information at: [https://www.oregon.gov/DOR/forms/FormsPubs/boundary-change\\_504-405.pdf](https://www.oregon.gov/DOR/forms/FormsPubs/boundary-change_504-405.pdf).



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## Property Tax Resources

- Oregon Revised Statutes (ORS 294.305 to 294.565)
- Oregon Administrative Rules (OAR 150-294-0300 to 150-294-0550)
- Local Budget Law Manuals and Publications
  - Property Tax Research Reports
  - Tax Expenditure Report
- Property Tax Statistics Report
- Online Videos
- DOR Local Budget Law Training Videos
  - YouTube Deschutes Property Tax Fairy
  - Property Taxes: The Tax Fairy explains, what's in it for me?
  - Why Property Values Fluctuate?
  - YouTube Clackamas County RMV vs MAV in Oregon



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## Local Budget Law Resources

### Local Budget Forms and Manuals on Internet:

<http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx>

Subscribe to our email list for email notices of future training workshops and news on any changes to Local Budget Law. Sign up through this link:

<http://lists.smart.osl.state.or.us/mailman/listinfo/localbudget>

Scan the QR code at right to sign up for Local Budget Law announcements.



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**Questions?**

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FT&E Message phone number	(503) 945-8293	
Email		<a href="mailto:finance.taxation@dor.oregon.gov">finance.taxation@dor.oregon.gov</a>

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**Your feedback is important to us**

- Please scan the QRCODE to take our survey:
- Thank you for attending the Local Budget Law Training



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