



Basic Local Budget Law

Changes After Budget Adoption

2022

Finance, Taxation & Exemptions

Housekeeping

- Mute Audio/Video
- Update Display Name to your First & Last Name (Joe Smith)
- Send Questions to “Questions”
- CE Credits – Certificate will come via email





Phase 4

Changes After Budget Adoption

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

Finance, Taxation & Exemptions Team



Reviews Tax Certifications



Reviews District Budgets



Advises County Assessors & Tax Collectors on Property Tax Law

Local Budget Law Changes for 2022

Covid-19 and Chapter 12 Oregon Laws 2020 First Special Session (HB 4212)

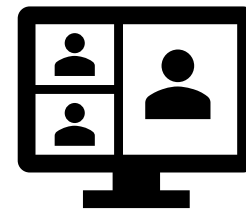
- Meetings may be held virtually
 - No requirement of physical space for public
 - Record meetings if technology available
- Social distancing for in person meetings
- Allows for alternative methods of testimony



Local Budget Law Changes for 2022

Covid-19 and Chapter 12 Oregon Laws 2020 First Special Session (HB 4212)

- Quorum excludes absences due to COVID
- Allows for emergency expenditures
- Expires 30 days after end of emergency



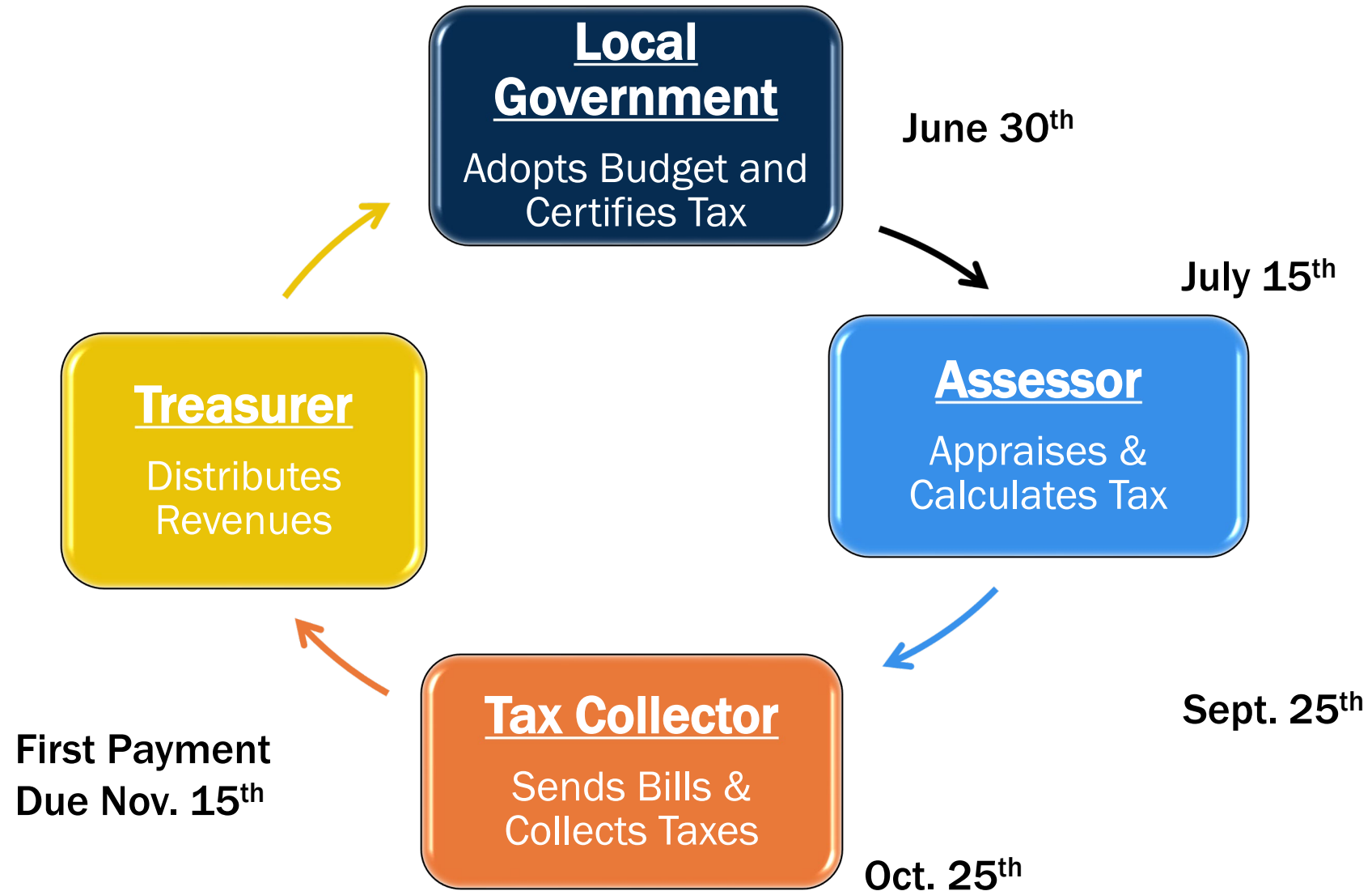
Local Budget Law Changes for 2022

Chapter 493 Oregon Laws 2021
(SB 732)

- Educational Equity Advisory Committee for school districts
- School District Budget Committees must include at least one member



Property Tax Cycle



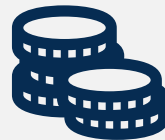
Purpose of Local Budget Law



Establish standard procedures



Outline programs & fiscal policies



Require estimates of resources and expenditures

Purpose of Local Budget Law



Encourage citizen involvement



Control expenditure of public funds



ORS 294.321



Why Follow Local Budget Law?

- A district that doesn't follow local budget law may not lawfully:
 - Expend money (with some exceptions)
 - Certify property taxes to the county assessor





Why follow Local Budget Law?

- 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

ORS 294.461



DOR v Umatilla County, otc2519 (1986)

A portion of the 1986-87 tax levy was voided by the court.

Umatilla County failed to republish its budget summary to allow the board to impose a levy amount higher than the amount published in its budget summary.



Civil Liability

Any public official who expends public monies in excess of the amounts or for any other purpose 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 294.100

Districts Not Subject to Local Budget Law

ORS 261 People's utility districts

ORS 440 Health districts

ORS 545 Irrigation districts

ORS 551 Diking districts

ORS 553 Water control districts*

ORS 554 District improvement companies or corporations

ORS 568 Soil and water conservation districts*

ORS 371 Special and Assessment road districts

ORS 371 County Road district*

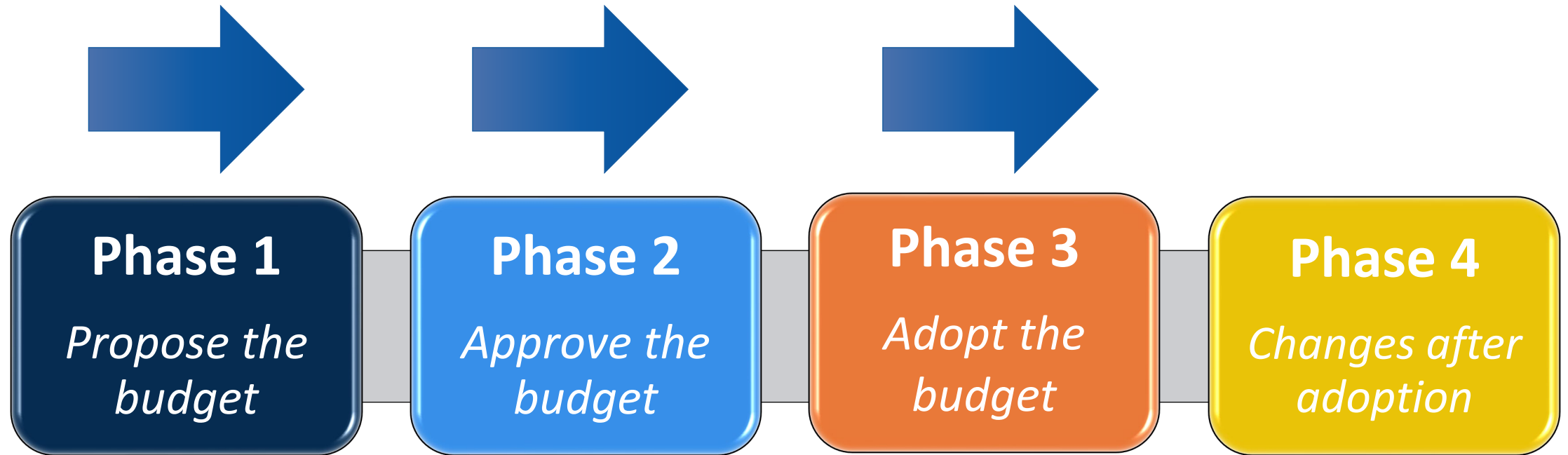
ORS 372 Highway lighting districts

ORS 547 Drainage districts

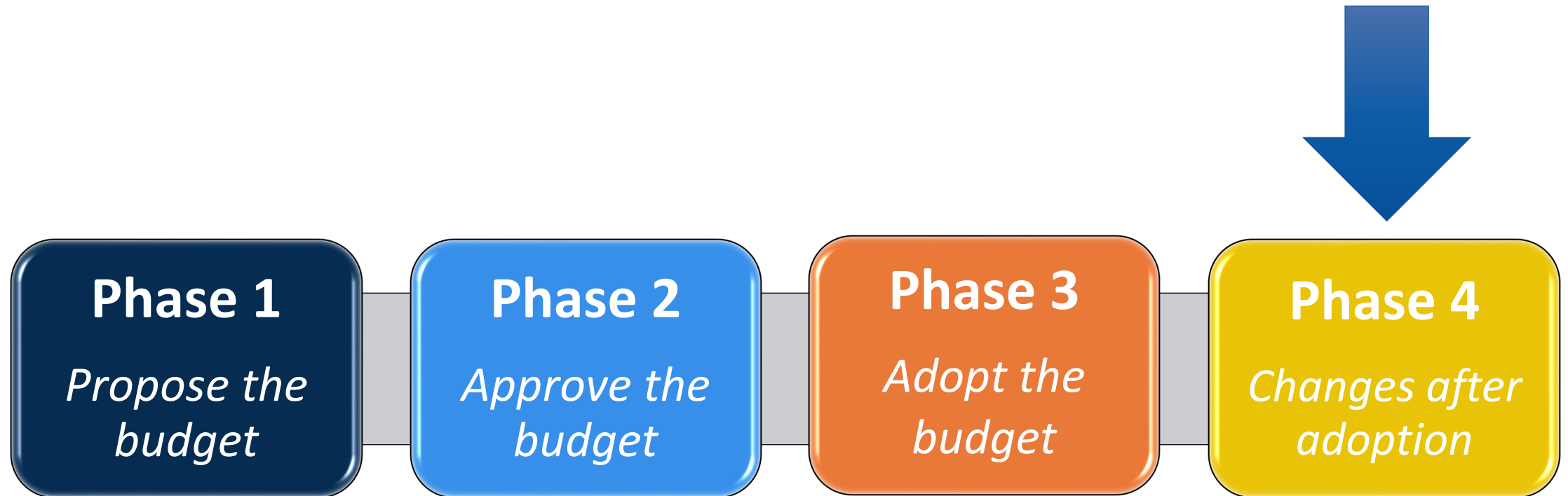
ORS 221 Historic ghost towns

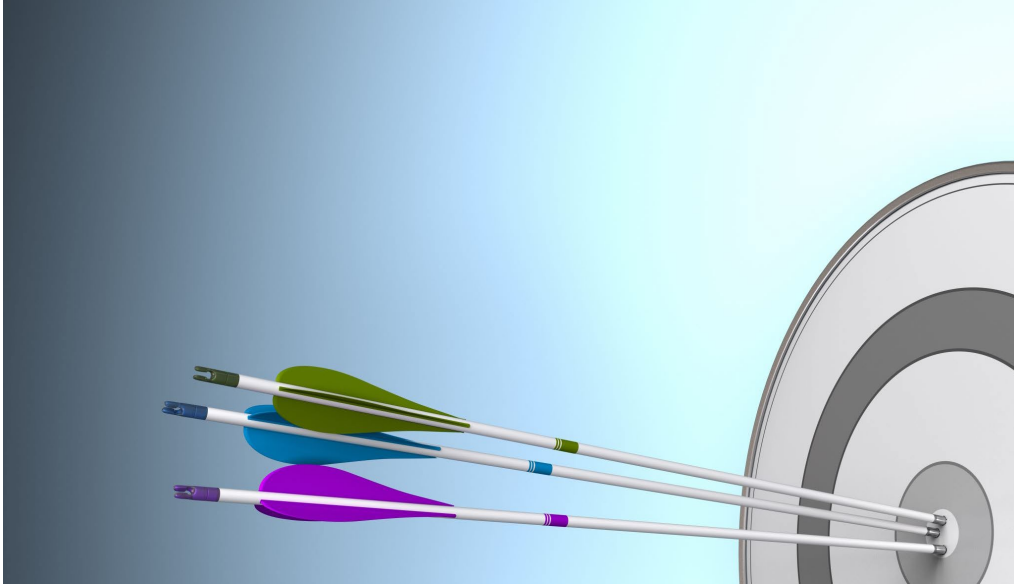
** That will not impose taxes during the ensuing year. If district does impose property tax any year, it is subject to Local Budget Law.*

The Budget Process



The Budget Process





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





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.

Make Changes to Appropriations Before Over-Spending

- 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

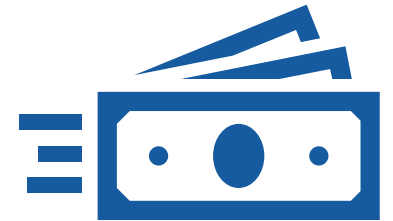
ORS 294.471(3)(c): Additional expenditures contained in a supplemental budget ...may not be made unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditures.



Actions Possible after Adoption

Budget law provides several **LEGAL** ways to adjust your budget after adoption if your needs change, including:

- Appropriation transfer (*ORS 294.463*)
- Supplemental budget (*ORS 294.471 & 294.473*)
- Expenditures outside of budget law (*ORS 294.338*)
- Other fiscal tools:
 - Interfund loans (*ORS 294.468*)
 - Eliminate unnecessary fund (*ORS 294.353*)
 - Emergency authorizations (*ORS 294.481*)





Appropriation Transfers

- To move appropriations between existing categories within a fund or between two funds
- To transfer appropriations and resources from a fund to any other fund

Resolution must state:

- Need for the transfer
- Purpose of the expenditure
- Amount transferred



Appropriation Transfer Example

Increase Police appropriations by transferring \$100,000 from Administration appropriations:

| <u>General Fund</u> | <u>Existing</u> | <u>Change</u> | <u>Adjusted</u> |
|-----------------------------|--------------------|---------------|--------------------|
| Administration | \$400,000 | \$(100,000) | \$300,000 |
| Police | \$1,900,000 | \$100,000 | \$2,000,000 |
| Library | \$400,000 | \$0 | \$400,000 |
| Transfer Out | \$50,000 | \$0 | \$50,000 |
| Contingency | \$500,000 | \$0 | \$500,000 |
| Total Appropriations | \$3,250,000 | \$0 | \$3,250,000 |

Transferring appropriations between funds

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

| General Fund | <u>Existing</u> | <u>Change</u> | <u>Adjusted</u> |
|-----------------------|-----------------|--------------------|--------------------|
| Admin | \$2,000,000 | \$(200,000) | \$1,800,000 |
| Transfer Out* | \$0 | \$200,000 | \$200,000 |
| <hr/> | | | |
| Library Fund | | | |
| 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.***

Transfer Contingency

Transfer to another **existing** appropriation

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

ORS 294.463(2)



Moving contingency of **less than 15%** of Appropriations

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

| <u>General Fund</u> | <u>Existing</u> | <u>Change</u> | <u>Adjusted</u> |
|-----------------------------|--------------------|-------------------|--------------------|
| 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 % of adopted appropriations = 1.5%*



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

Can I do a supplemental budget





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





Supplemental Budget Justification



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



Supplemental Budget Process

Two Processes:

- Change in expenditures in a fund is 10% or less
- Change in expenditures in a fund > 10%

When determining expenditures, do not include:

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

Budget Requirements

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

ORS 294.388



Supplemental Budget Process

If Change is 10% or less

- Adopt at a regular meeting (no hearing required)
- Publish notice of the regular meeting:
 - At least 5 days before the meeting
 - In newspaper, by 1st class mail or by hand-delivery
 - Include a statement that a supplemental budget will be considered at the meeting
- Adopt by resolution
- Appropriate by a resolution that states the need for, the purpose and the amount of the appropriation



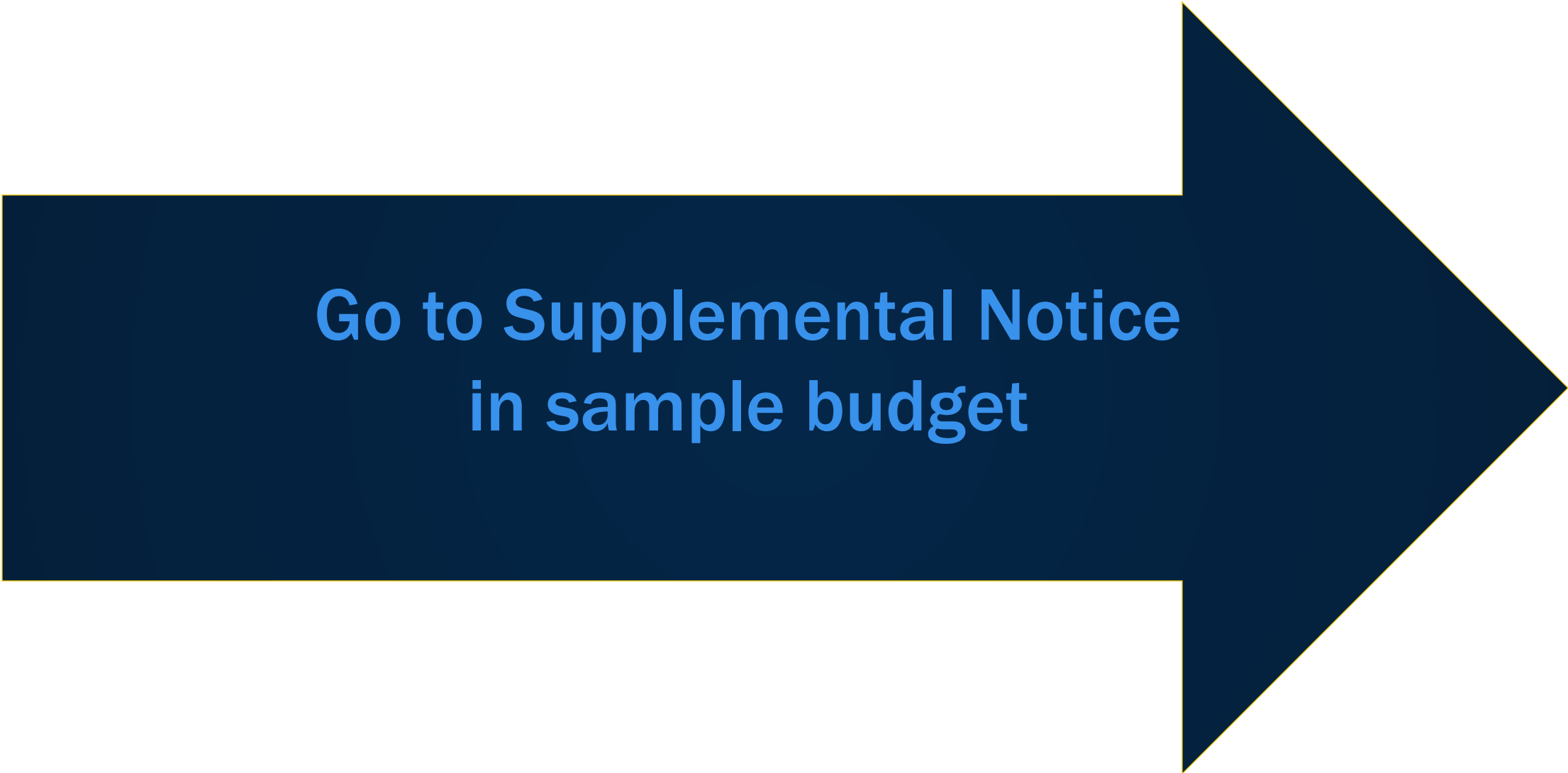


Supplemental Budget Process

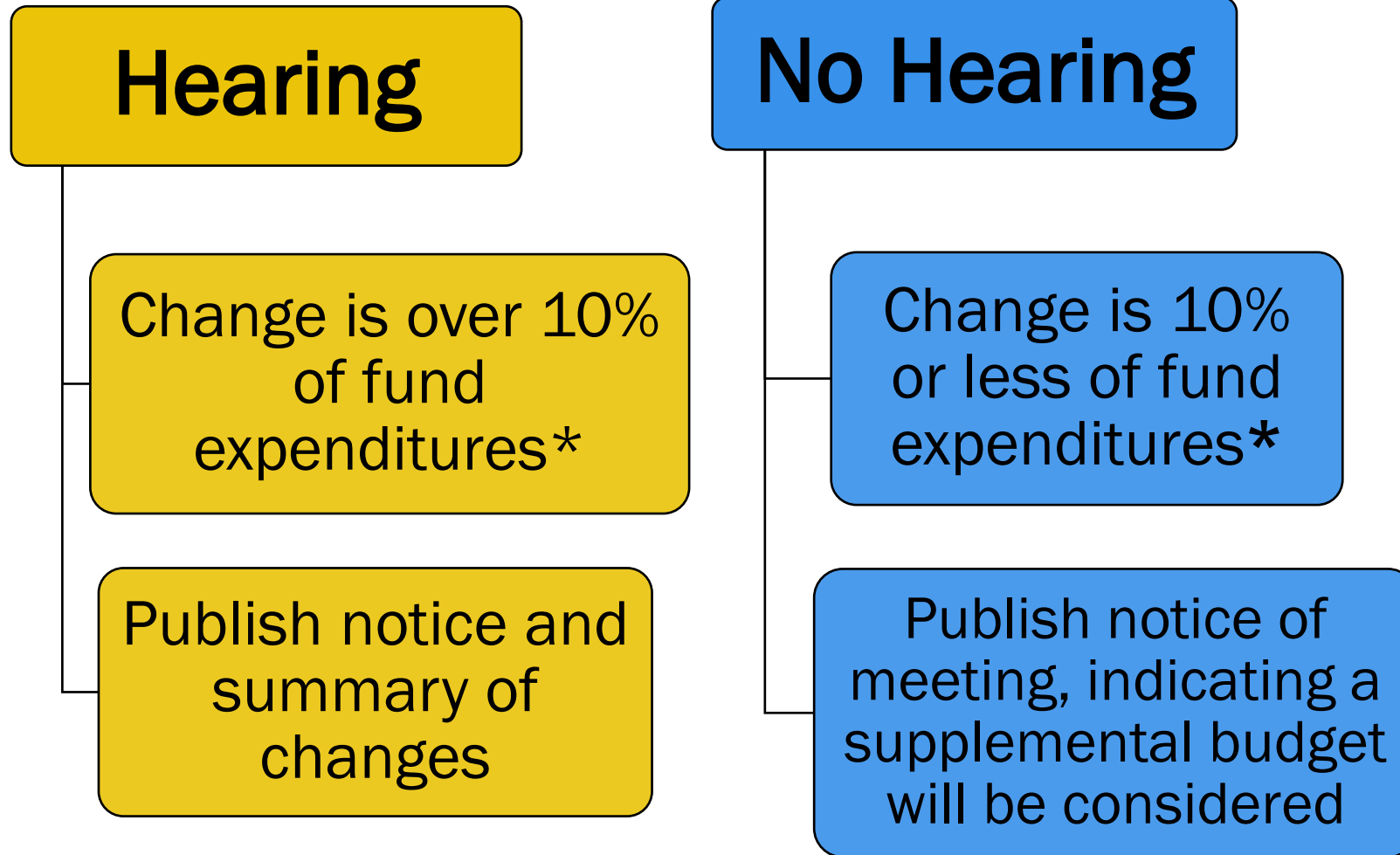
If Change is more Than 10%

- Public hearing is required
- Publish Notice of the hearing:
 - At least 5 days before the hearing
 - In newspaper, by 1st class mail or by hand-delivery
 - Summarize changes in each fund changing > 10%
- After hearing, adopt by resolution
- Resolution must state the need for, the purpose and the amount of the appropriation





**Go to Supplemental Notice
in sample budget**



*Expenditures do not include Transfers, Contingency, Reserved for Future Expenditure or UEFB

Appropriation Transfer or Supplemental Budget

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



Resources less than budgeted?

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



Resolution does not
reflect district intent?

A Correction Resolution may
be made at your regular
meeting .

*You **must** provide supporting
documents to correct
resolution.*

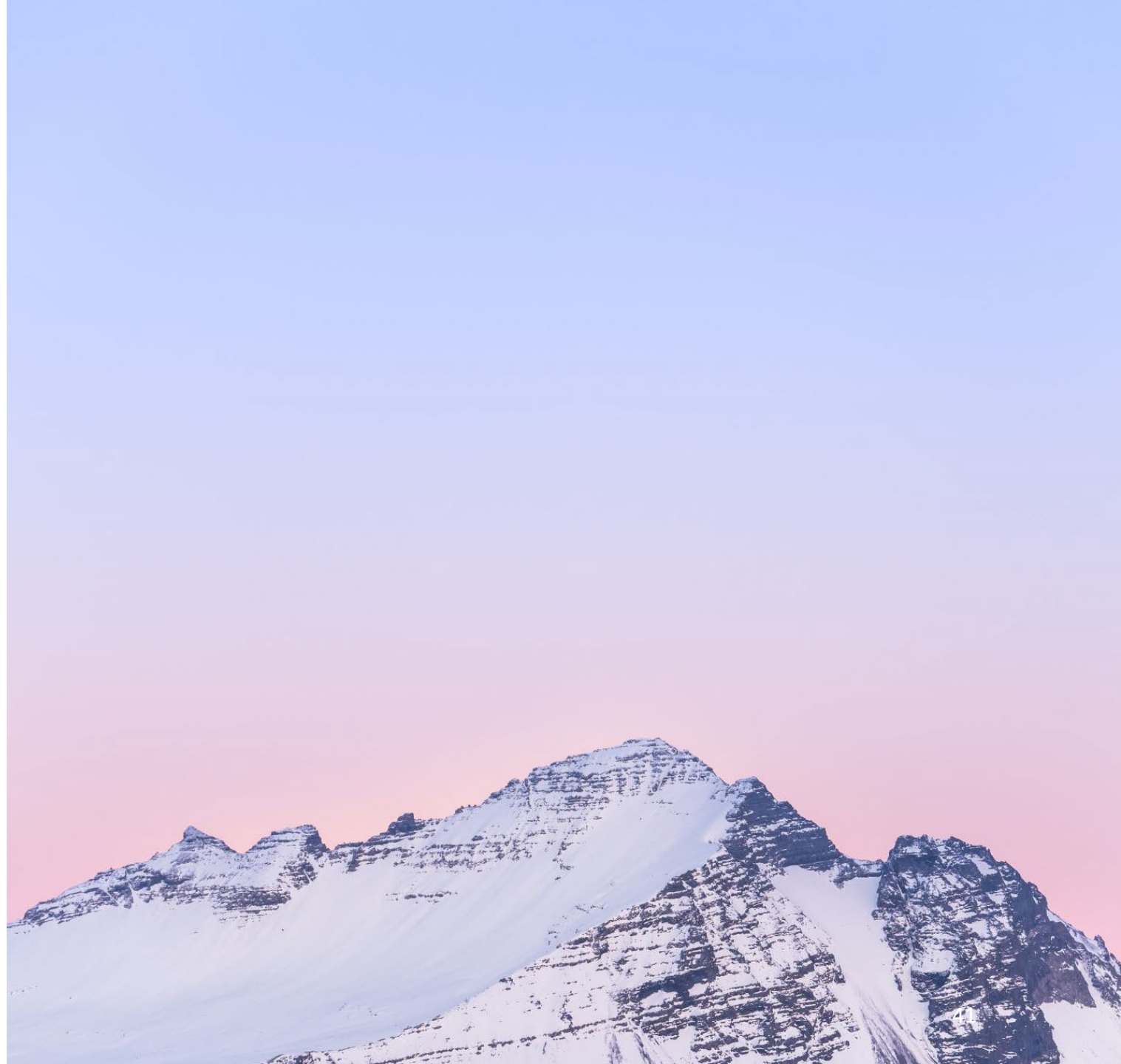


Exceptions to Local Budget Law

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.



Exceptions to Local Budget Law

Unforeseen Occurrence

- If 'non-tax,' or self-insurance reserves as authorized in 294.373 money is available
- Appropriate by resolution
- Resolution must declare the
 - unforeseen occurrence or condition, or
 - pressing necessity, or
 - that a request for services to be paid for by others, requires additional expenditure



Exceptions to Local Budget Law

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 deb service, redeem, or fund an escrow/trust account to defease or pay the bonds



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





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)*






Interfund Loans

- Resolution must state:
 - Funds making & 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**

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





The End.

Eliminate Unnecessary Fund

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

ORS 294.353

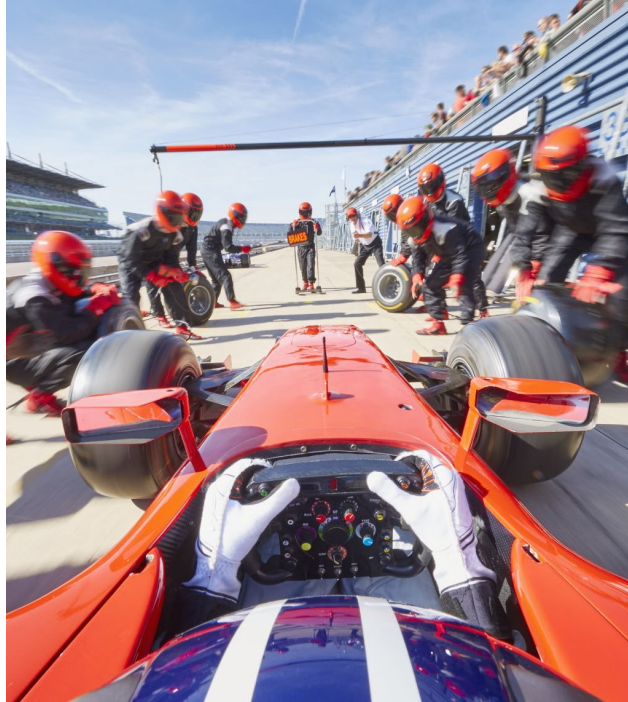
Emergency Situation

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





Scenario 1

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

What options does the district have to purchase the third engine as the yearly beginner drag race results in at least three engines being called?





Scenario 2

Johnny Racelot won the lottery and has given the city of Speedway a large cash donation that the city can use for whatever is needed most, excluding spending on scooters for the town summer extravaganza.

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



Scenario 3

In an unfortunate turn of events, the residents of Speedway are now painfully aware that Decepticons are real. They find themselves with several destroyed public buildings. The city needs to repair the buildings 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 for.

What actions will the city need to take to pay or the repairs?



Boundary Changes



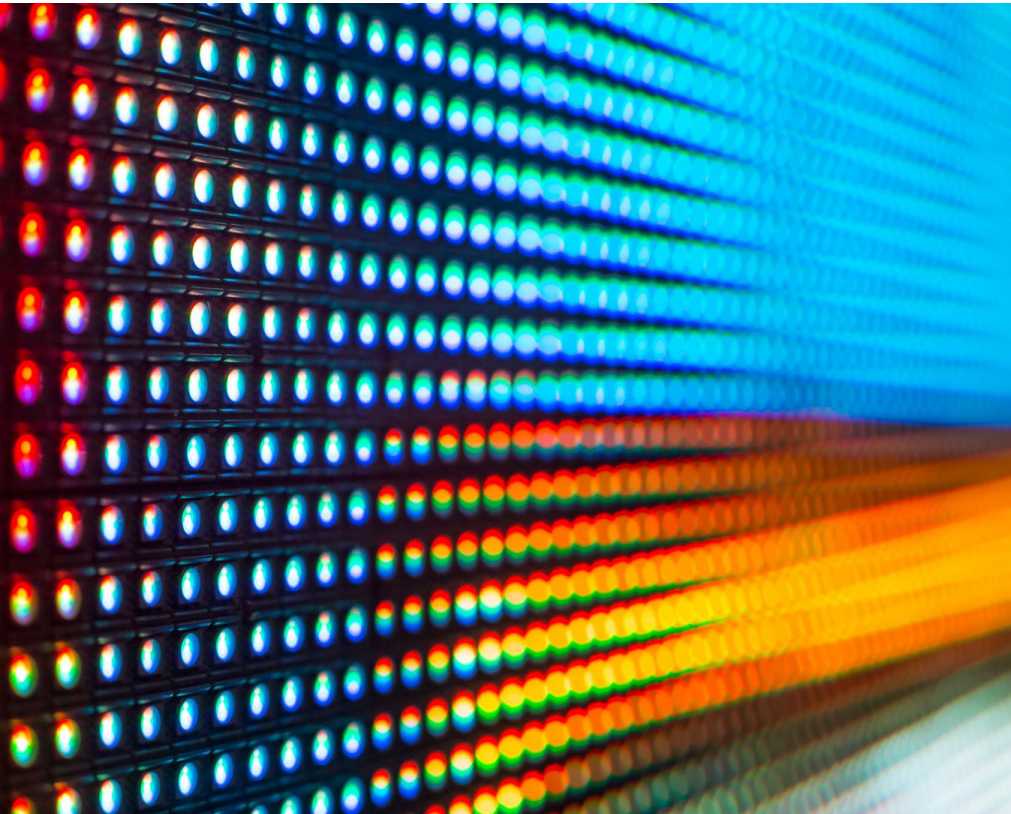
- The Cadastral Information Systems Unit (CISU) web page about how to comply with ORS 308.225 when making changes to your boundaries has been updated.
- For assistance in how to comply with the statute, please review the information at:

https://www.oregon.gov/DOR/forms/FormsPubs/boundary-change_504-405.pdf



Property Tax Resources

- Oregon Revised Statutes (ORS 294.305-294.565)
- 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?



Questions?

| | | |
|-------------------------|----------------|--|
| Danette Benjamin | (971) 301-1149 | danette.m.benjamin@dor.oregon.gov |
| Melanie Cutler | (971) 301-1128 | melanie.cutler@dor.oregon.gov |
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FT&E Message Phone # (503) 945-8293

Email finance.taxation@dor.oregon.gov

Local Budget Forms and Manuals on Internet:

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

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