Basic Local Budget Law

Linn County Fair & Expo Center
February 7, 2023
Finance, Taxation & Exemptions

Agenda

Phase 1 Proposing the Budget
Phase 2 Approving the Budget
Phase 3 Adopting the Budget
Phase 4 Changes After 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
- Reviews Tax Certifications
- Reviews District Budgets
- Advises County Assessors and Tax Collectors on Property Tax Law

Purpose of Local Budget Law

- Establish standard procedures
- Outline programs & fiscal policies
- Require estimates of resources and expenditures
- Encourage citizen involvement
- Control expenditure of public funds
Why you should follow LBL

1. A district that doesn’t follow Local Budget Law may not lawfully:
   • Expend money (with some exceptions)
   • Certify property taxes to the county assessor

2. 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

3. 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 294.338, 294.461, & 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

Phase 1: Propose the budget
Phase 2: Approve the budget
Phase 3: Adopt the budget
Phase 4: Changes after adoption
Phase 1
Budget Office Proposes the Budget

Property Tax Cycle

- **Local Government**
  - June 30
  - Adopts Budget and Certifies Taxes

- **Tax Collector**
  - Oct. 25
  - Sends Bills and Collects Taxes

- **Treasurer**
  - First Payment Due Nov. 15
  - Distributes Revenues

- **Assessor**
  - Sept. 25
  - Appraises and Calculates Tax

First Payment Due Nov. 15
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.

<table>
<thead>
<tr>
<th>Action</th>
<th>Example Due Date</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Appoint budget officer</td>
<td>January 17</td>
<td></td>
</tr>
<tr>
<td>2 Appoint budget committee (BC)</td>
<td>January 24</td>
<td></td>
</tr>
<tr>
<td>3 Prepare proposed budget</td>
<td>February 28</td>
<td></td>
</tr>
<tr>
<td>4 Publish 1st notice of BC meeting</td>
<td>March 10</td>
<td></td>
</tr>
<tr>
<td>5 Publish 1st notice of BC meeting</td>
<td>March 20</td>
<td></td>
</tr>
<tr>
<td>6 BC meeting &amp; subsequent meetings if needed</td>
<td>March 30</td>
<td></td>
</tr>
<tr>
<td>7 Publish notice of budget hearing</td>
<td>April 19</td>
<td></td>
</tr>
<tr>
<td>8 Hold budget hearing</td>
<td>May 5</td>
<td></td>
</tr>
<tr>
<td>9 Enact Resolutions to adopt, etc.</td>
<td>June 15</td>
<td></td>
</tr>
<tr>
<td>10 Submit tax certification documents</td>
<td>By July 15*</td>
<td></td>
</tr>
<tr>
<td>11 Send copy of all budget documents to county clerk</td>
<td>By September 30*</td>
<td></td>
</tr>
</tbody>
</table>

Prepare Proposed Budget

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

A financial plan

For one fiscal year (July 1- June 30), or biennial budget period (July 1, 2022 – June 30, 2024)

Based on estimates of revenues & expenditures and other requirements

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

Budget Layers

Budget

Fund

Organizational Unit

Object Classification

Line-Item Detail

Program

Activity

Object Classification

Line-Item Detail

Organizational Unit Budget

Program & Activity Budget
Budget is Prepared by Fund

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

Types of Funds

**General Fund**
- 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.

**Special Revenue Fund**
- Dedicated to local option levy money, specific purpose grants, or other money required to be segregated by statute, charter, or terms.

**Capital Projects Fund**
- Revenue from GO bonds proceeds, local option levy for capital projects or grant monies to finance a capital project.

**Debt Service Fund**
- 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.
Types of Funds, cont.

- **Internal Services Fund**
  - Revenue from services provided from one department to another department. Ex. Fleet Management.

- **Enterprise Fund**
  - For revenue received in fees or charges used to cover expenses of a business type entity such as running a parking garage or pool.

- **Trust and Agency Fund**
  - Grants, gifts or transfers from general fund received in a fiduciary capacity to be used for a specified purpose.

- **Reserve Fund**
  - 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.

Estimate Resources and Requirements for Each Fund

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

**Requirements** - Expenditures going out, other budget transactions, or money being held for future use.

**Resources** - Cash on hand and anticipated receipts.
Budget Resources

- Beginning cash or net working capital (cash, checking balance, LGIP, CD’s, etc.)
- User fees, assessments, charges for service
- Grants, gifts, donations, etc.
- Bond & other borrowing proceeds
- Interfund transfers, internal service charges
- Interest earned on deposits
- Property taxes (prior years & current)

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
A brief history of Oregon property tax

https://youtu.be/-LIYU8s34U
Source: OACTC, November 2, 2020

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 the 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)
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).

M5 Compression Example

**Neighbor 1**

- **M50 Tax Calculation:**
  - Total Combined Gen. Gov. Tax: $14/$1,000 AV
  - Property’s Assessed Value: $267,682
  - 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: $267,682
  - 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.
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

The three types of \textit{ad valorem} taxes

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

- \textbf{Temporary}:
  - In addition to the permanent rate
  - 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

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

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

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
### Estimating Bond Debt Service Taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes budgeted for debt service</td>
<td>$250,750</td>
</tr>
<tr>
<td>Estimated compression losses</td>
<td>0</td>
</tr>
</tbody>
</table>

*(GO bond taxes are exempt from M5 limits)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to raise</td>
<td>$250,750</td>
</tr>
</tbody>
</table>

*(Amount shown in the budget as a resource)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>County collection average</td>
<td>÷ .95</td>
</tr>
<tr>
<td>Taxes to be levied</td>
<td>$263,947</td>
</tr>
</tbody>
</table>

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

---

### 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.
Budget Layers

Organizational Unit Budget

Program & Activity Budget

Budget Organization

Organizational Unit

Program & 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
Simple Organizational Unit

City

Administration

Organizational Unit 1

Facilities

Organizational Unit 2

Foulweather’s Organizational Chart

City Council

City Manager

Admin
Public Safety
Parks & Rec
Library
Municipal Court
Facilities
Streets
Organizational Unit example

City of Prineville
Organizational Chart
Adopted Biennial Budget July 1, 2021-June 30, 2023

Source: TVF&R FY 22-23 Budget
Program Example

Fire Department

Emergency Response

Programs

Prevention

Activities

Fire

EMS

Training

Equipment Maintenance

Code Enforcement

Education

Investigations

Program & Activity Example

Source: North Clackamas Parks & Rec 22-23 adopted budget
Resources vs. Requirements

**Resources** - Cash on hand and anticipated receipts

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

Object Classifications (Allocated)

- **Personnel Services**
  - Expenses related to employees
  - Must include associated FTE

- **Materials & 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***
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

---

Object Classifications (Not Allocated)

**Operating Contingency**
- Unidentified operating expenses
- Only budgeted in operating fund

**Reserved for Future Expenditure (RFE)**
- Saved for future spending

**Unappropriated Ending Fund Balance (UEFB)**
- Carry-over for next year’s budget to cover requirements prior to resources being available
## Budget Requirements

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Object Classifications</th>
<th>Allocated or Not Allocated to an Organizational Unit or Program?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements</td>
<td>Personnel Services</td>
<td><strong>Usually Allocated</strong></td>
</tr>
<tr>
<td></td>
<td>Materials &amp; Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital Outlay</td>
<td><strong>Not Allocated</strong></td>
</tr>
<tr>
<td></td>
<td>Special Payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transfers (out)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operating Contingency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reserved for Future Expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unappropriated Ending Fund Balance</td>
<td></td>
</tr>
</tbody>
</table>

**Discussion: Proposed Budget**

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

Budget Organization – Programs
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?

Foulweather’s Organizational Chart

City Council

City Manager

Admin Public Safety Parks & Rec Library

Municipal Court Facilities Streets
Sample Budget Organization

**General fund**
- Admin
- Public Safety
- Parks & Rec
- Library
- Municipal Court
- Facilities

**Debt Service Fund**

**Arch Cape Streets Fund**
- Street Department

**Lookout Library Special Revenue Fund**
- Library

**Heceta Head Lighthouse Reserve Fund**
- Facilities

Review Sample Budget
Budget Detail: Statutory Minimum

Two prior year actual information (Use actual/audited #’s)

Budgeted amount for current fiscal period

Proposed amount for next year

Line item descriptions

Once BC approves, complete “Approved” column

Once Governing Body adopts, complete “Adopted” column

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.
Phase 2
Budget Committee Approves the Budget

The Budget Process

Phase 1
Propose the budget

Phase 2
Approve the budget

Phase 3
Adopt the budget

Phase 4
Changes after adoption
The Budget Process

Phase 1: Propose the budget
Phase 2: Approve the budget
Phase 3: Adopt the budget
Phase 4: Changes after adoption

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 3-year terms
- All members have the same authority
- If you can’t fill all appointed positions, committee can be fewer

ORS 294.414
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)

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
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

Public Comment at First 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, 2023 to June 30, 2024, will be held at Foulweather City Hall,
(Location)

511 Waterspot Way, Foulweather, The meeting will take place on ___May 5, 2023___ at ___6:30___ □ am
(Address) (Date) (Time)

x pm

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, 2023___ at ___511 Waterspot Way, Foulweather
(Date) (Location)

8:30 AM □ am and ___5:00___ x pm

between the hours of ___8:30 AM___ (Time) □ pm and ___5:00___ (Time) x pm

X am □ am
Public Comment at Later Meeting

61

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
Quorum

**Budget Committee of 10**

- Full Budget committee
  - Quorum = 6
- 8 Filled – 2 Vacancies
  - Quorum = 5
- 7 Filled – 3 Vacancies
  - Quorum = 4

Majority

**5 Governing Body**

- Majority = 6

**5 Electors**

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

- Elector vacancies are *removed* from total.
  - Majority = 4
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

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)
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

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
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.
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 2023-24 fiscal year in the amount of $13,910,076.”

(motion and vote recorded in the minutes)

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 2023-24 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!!!
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?

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?
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?

Phase 3
Adopting the Budget
The Budget Process

Phase 1: Propose the budget
Phase 2: Approve the budget
Phase 3: Adopt the budget
Phase 4: Changes after adoption
Publish Budget Hearing Notice & 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 3 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

---

LB-1 Form and Review Hearing Notice
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

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.
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

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
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% or more (or $5,000 – whichever is greater)

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

## Budget Requirements

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Object Classifications</th>
<th>Allocated or Not Allocated to an Organizational Unit or Program?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>Personnel Services</td>
<td>Usually Allocated</td>
</tr>
<tr>
<td></td>
<td>Materials &amp; Services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital Outlay</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Special Payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Debt Service</td>
<td>Not Allocated</td>
</tr>
<tr>
<td></td>
<td>Transfers (out)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operating Contingency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reserved for Future Expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unappropriated Ending Fund Balance</td>
<td></td>
</tr>
</tbody>
</table>

ORS 294.388
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)

---

**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 2023-2024 in the total amount of $XXXXX. This budget is now on file at (address).**”
2: Resolution Making Appropriations *Based on Organizational Units or Programs*

One amount for each Organizational Unit or Program.

Include only Personnel Services, Materials & Services, and Capital Outlay

Separate amounts for any:
- Personnel Services, Materials & Services, or Capital Outlay not allocated to an organizational unit or program
- Debt Service
- Special Payments
- Transfers
- Operating Contingency

---

**Budget Organization – Organizational Units**

Appropriate one amount at this level for Personnel Services + Materials and Services + Capital Outlay
Budget Organization – Programs

Appropriate one amount at this level for Personnel Services + Materials and Services + Capital Outlay

Statutory Appropriations

One amount for each organizational unit that is the total of:
- Personnel Services
- Materials & Services
- Capital outlay

Object classifications not allocated to an Organizational Unit or Program

(Not allocated to Organizational Unit or Program)
- Personnel services
- Materials & services
- Capital outlay
- Debt Service
- Special Payments
- Interfund transfers
- Operating contingency
### Appropriating to Greater Detail

<table>
<thead>
<tr>
<th>Statutory Minimum Standard</th>
<th>Greater detail allowed by Admin Rule</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>General Fund</td>
</tr>
<tr>
<td>Administration $5,000</td>
<td>Administration</td>
</tr>
<tr>
<td></td>
<td>Personnel Services $2,000</td>
</tr>
<tr>
<td></td>
<td>Materials &amp; Services $2,000</td>
</tr>
<tr>
<td></td>
<td>Capital Outlay $1,000</td>
</tr>
</tbody>
</table>

OAR 150-294-0510

### Organization of Appropriations

<table>
<thead>
<tr>
<th>General fund</th>
<th>GO Bond Debt Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin</td>
<td>Debt Service</td>
</tr>
<tr>
<td>Public Safety</td>
<td></td>
</tr>
<tr>
<td>Parks &amp; Rec</td>
<td>Streets Fund</td>
</tr>
<tr>
<td>Library</td>
<td>Street Department</td>
</tr>
<tr>
<td>Municipal Court</td>
<td>Library Special Revenue Fund</td>
</tr>
<tr>
<td>Facilities</td>
<td>Library</td>
</tr>
<tr>
<td>Personnel Services</td>
<td>Facilities Reserve Fund</td>
</tr>
<tr>
<td>Transfers</td>
<td></td>
</tr>
<tr>
<td>Contingency</td>
<td></td>
</tr>
</tbody>
</table>

93

94
Appropriations Example

**General Fund**
- 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
- **Total**: $7,187,890

Schools Appropriate by ODE Function

For each fund:
- **1000** Instruction
- **2000** Support Services
- **3000** Enterprise & Community Services
- **4000** Facilities Acquisition and Construction
- **5000** Other Uses
  - **5100** Debt Service
  - **5200** Transfers
- **6000** Contingency

ORS 294.393
Community Colleges Appropriate

• by Higher Education Coordinating Commission (HECC) Function;
• by ODE Function; or
• by Organizational Unit

Appropriations

<table>
<thead>
<tr>
<th>Appropriated</th>
<th>Never Appropriated</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Personnel Services</td>
<td>• Reserved for Future Expenditure</td>
</tr>
<tr>
<td>• Materials &amp; Services</td>
<td>• Unappropriated Ending Fund Balance (UEFB)</td>
</tr>
<tr>
<td>• Capital Outlay</td>
<td></td>
</tr>
<tr>
<td>• Debt Service</td>
<td></td>
</tr>
<tr>
<td>• Special Payments</td>
<td></td>
</tr>
<tr>
<td>• Transfers Out</td>
<td></td>
</tr>
<tr>
<td>• Contingency</td>
<td></td>
</tr>
</tbody>
</table>
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

Appropriation Question 1

What’s wrong with these appropriations?

<table>
<thead>
<tr>
<th>FUND</th>
<th>Administration/Finance</th>
<th>Court</th>
<th>Community Development</th>
<th>Police</th>
<th>Fire</th>
<th>Non-Departmental: Transfer-Out</th>
<th>Contingency</th>
<th>Fund Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUND</td>
<td>432,600</td>
<td>28,950</td>
<td>114,940</td>
<td>533,505</td>
<td>742,200</td>
<td>647,000</td>
<td>0</td>
<td>2,498,200</td>
</tr>
<tr>
<td>STREET FUND</td>
<td>82,800</td>
<td>172,570</td>
<td>3,500</td>
<td>33,500</td>
<td>0</td>
<td></td>
<td></td>
<td>292,170</td>
</tr>
<tr>
<td>STREET CAPITAL IMPROVEMENT FUND</td>
<td>1,971,000</td>
<td>130,100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,101,100</td>
</tr>
<tr>
<td>STREET RESERVE FUND</td>
<td>46,300</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>46,300</td>
</tr>
</tbody>
</table>
Appropriation Question 2

What's wrong with these appropriations?

Appropriation Question 3

What's wrong with these appropriations?
### Appropriation Question 4

What’s wrong with these appropriations?

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Road Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>Personnel Services</td>
</tr>
<tr>
<td>Materials &amp; Services</td>
<td>Materials &amp; Services</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>Capital Outlay</td>
</tr>
<tr>
<td>Transfers</td>
<td>Transfers</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>Other Expenditures</td>
</tr>
<tr>
<td>Contingencies</td>
<td>Contingencies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$47,550</td>
<td>$15,450</td>
</tr>
<tr>
<td>$73,500</td>
<td>$27,100</td>
</tr>
<tr>
<td>$16,000</td>
<td>$110,000</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$80,110</td>
<td>$9,950</td>
</tr>
<tr>
<td><strong>$217,160</strong></td>
<td><strong>$162,500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Water Fund</th>
<th>Transfer Station Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>Personnel Services</td>
</tr>
<tr>
<td>Materials &amp; Services</td>
<td>Materials &amp; Services</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>Capital Outlay</td>
</tr>
<tr>
<td>Transfers</td>
<td>Transfers</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>Other Expenditures</td>
</tr>
<tr>
<td>Contingencies</td>
<td>Contingencies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$23,500</td>
<td>$17,400</td>
</tr>
<tr>
<td>$16,300</td>
<td>$26,750</td>
</tr>
<tr>
<td>$39,644</td>
<td>$7,500</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$17,856</td>
<td>$9,850</td>
</tr>
<tr>
<td><strong>$100,300</strong></td>
<td><strong>$61,500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Golf Fund</th>
<th>Sewer Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>Personnel Services</td>
</tr>
<tr>
<td>Materials &amp; Services</td>
<td>Materials &amp; Services</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>Capital Outlay</td>
</tr>
<tr>
<td>Transfers</td>
<td>Transfers</td>
</tr>
<tr>
<td>Other Expenditures</td>
<td>Other Expenditures</td>
</tr>
<tr>
<td>Contingencies</td>
<td>Contingencies</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$1,100</td>
<td>$25,400</td>
</tr>
<tr>
<td>$12,800</td>
<td>$32,900</td>
</tr>
<tr>
<td>$0</td>
<td>$105,000</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$400</td>
<td>$82,800</td>
</tr>
<tr>
<td><strong>$14,300</strong></td>
<td><strong>$246,100</strong></td>
</tr>
</tbody>
</table>

### Appropriation Question 5

What’s wrong with these appropriations?

<table>
<thead>
<tr>
<th>10 General</th>
<th>$1,985,838</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>351,609</td>
</tr>
<tr>
<td>City Services</td>
<td>346,131</td>
</tr>
<tr>
<td>Public Safety</td>
<td>483,000</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>20,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>3,500</td>
</tr>
<tr>
<td>Reserves</td>
<td>801,599</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>11 Parks</th>
<th>$ 25,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingency</td>
<td>25,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>20 Streets</th>
<th>$ 308,089</th>
</tr>
</thead>
<tbody>
<tr>
<td>Street Operations</td>
<td>123,883</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>-0-</td>
</tr>
<tr>
<td>Grant</td>
<td>0-</td>
</tr>
<tr>
<td>Transfer Out</td>
<td>10,519</td>
</tr>
<tr>
<td>Contingency</td>
<td>167,687</td>
</tr>
</tbody>
</table>
Discussion: Adopting and Appropriating

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

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***
4: Resolution Categorizing the Tax

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Subject to General Gov’t Limit</th>
<th>Excluded from Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent rate limit</td>
<td>$4.4143/$1,000</td>
<td></td>
</tr>
<tr>
<td>Local option levy</td>
<td>$0.1213/$1,000</td>
<td></td>
</tr>
<tr>
<td>GO Bond levy</td>
<td>$496,315</td>
<td></td>
</tr>
</tbody>
</table>

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”

---

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.*

- Permanent Rate Tax $4.01/$1,000

294.456(1)(a)
Categorizing Tax Questions

What’s wrong with resolutions categorizing the tax?

<table>
<thead>
<tr>
<th></th>
<th>GENERAL GOVERNMENT LIMIT</th>
<th>EXCLUDED FROM LIMIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUND NO. 11</td>
<td>$7,995/$1,000</td>
<td>-</td>
</tr>
</tbody>
</table>

Categorizing the Tax

General Government Limitation

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Limitation</th>
<th>Excluded from Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$6,086/$1,000</td>
<td>$316,626</td>
</tr>
<tr>
<td>GO/FF&amp;C Bonded Debt Fund</td>
<td>$800/$1,000</td>
<td></td>
</tr>
</tbody>
</table>
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?

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.
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

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)
Additional Requirements for Schools, ESD’s & Community Colleges

School Districts & 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

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?
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?*

Adopting a Budget Question 3

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

*What can the district do in this situation?*
Phase 4
Changes After Budget Adoption

The Budget Process

Phase 1
Propose the budget

Phase 2
Approve the budget

Phase 3
Adopt the budget

Phase 4
Changes after adoption
The Budget Process

Phase 1
Propose the budget

Phase 2
Approve the budget

Phase 3
Adopt the budget

Phase 4
Changes after adoption

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 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.
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

ORS 294.463(1)
Appropriation Transfer Example

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

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing</td>
<td>Change</td>
<td>Adjusted</td>
</tr>
<tr>
<td>Administration</td>
<td>$400,000</td>
<td>$(100,000)</td>
<td>$300,000</td>
</tr>
<tr>
<td>Police</td>
<td>$1,900,000</td>
<td>$100,000</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Library</td>
<td>$400,000</td>
<td>$0</td>
<td>$400,000</td>
</tr>
<tr>
<td>Transfer Out</td>
<td>$50,000</td>
<td>$0</td>
<td>$50,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>$500,000</td>
<td>$0</td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Total Appropriations</strong></td>
<td><strong>$3,250,000</strong></td>
<td><strong>$0</strong></td>
<td><strong>$3,250,000</strong></td>
</tr>
</tbody>
</table>

Transferring appropriations between funds

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

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Existing</td>
<td>Change</td>
<td>Adjusted</td>
</tr>
<tr>
<td>Admin</td>
<td>$2,000,000</td>
<td>$(200,000)</td>
<td>$1,800,000</td>
</tr>
<tr>
<td>Transfer Out*</td>
<td>$0</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Library Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource: Transfer in</td>
<td>$0</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Appropriation Library</td>
<td>$300,000</td>
<td>$200,000</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

*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% is 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:

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Existing</th>
<th>Change</th>
<th>Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$400,000</td>
<td>$0</td>
<td>$400,000</td>
</tr>
<tr>
<td>Police</td>
<td>$1,750,000</td>
<td>$0</td>
<td>$1,750,000</td>
</tr>
<tr>
<td>Library</td>
<td>$400,000</td>
<td>$50,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>Transfer Out</td>
<td>$50,000</td>
<td>$0</td>
<td>$50,000</td>
</tr>
<tr>
<td>Contingency*</td>
<td>$650,000</td>
<td>$(50,000)</td>
<td>$600,000</td>
</tr>
<tr>
<td>Total Appropriations</td>
<td>$3,250,000</td>
<td>$0</td>
<td>$3,250,000</td>
</tr>
</tbody>
</table>

*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

• 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
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

<table>
<thead>
<tr>
<th>Object Classifications</th>
<th>Allocated or Not Allocated to an Organizational Unit or Program?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
<td>Usually Allocated</td>
</tr>
<tr>
<td>Materials &amp; Services</td>
<td>Not Allocated</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td></td>
</tr>
<tr>
<td>Special Payments</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td></td>
</tr>
<tr>
<td>Transfers (out)</td>
<td></td>
</tr>
<tr>
<td>Operating Contingency</td>
<td></td>
</tr>
<tr>
<td>Reserved for Future Expenditure</td>
<td></td>
</tr>
<tr>
<td>Unappropriated Ending Fund Balance</td>
<td></td>
</tr>
</tbody>
</table>

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 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

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
Go to Supplemental Notice in sample budget

Hearing

- Change is over 10% of fund expenditures*
- Publish notice and summary of changes

No Hearing

- Change is 10% or less of fund expenditures*
- Publish notice of meeting, indicating a supplemental budget will be considered

*Expenditures do not include Transfers, Contingency, Reserved for Future Expenditure or UEFB
Appropriation Transfer or Supplemental Budget

<table>
<thead>
<tr>
<th>Appropriation Transfer ORS 294.464</th>
<th>Supplemental Budget ORS 294.471 &amp; 294.473</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Transfers appropriation authority from one existing category to another.</td>
<td>• Creates a new appropriation category or fund.</td>
</tr>
<tr>
<td>• No change to the overall appropriation expenditure authority.</td>
<td>• Changes overall appropriation authority (i.e. changes the overall footprint of the budget).</td>
</tr>
<tr>
<td>• Contingency transfers of up to 15% of total fund appropriations</td>
<td>• Contingency transfers of over 15% of total fund appropriations</td>
</tr>
<tr>
<td></td>
<td>• May or may not require a hearing.</td>
</tr>
</tbody>
</table>

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 more than 10%

• Option 2: You could just spend less than appropriated
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.*

ORS 294.338(2)

---

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 the
  - 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)
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 debt service, redeem, or fund an escrow/trust account to defease or pay the bonds

ORS 294.338(4) & (5)

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)
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

ORS 294.468
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

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
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 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?
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?*

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 for.

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

- The Cadastral Information Systems Unit (CISU) webpage 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:


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
Local Budget Law Resources

Local Budget Forms and Manuals on Internet:

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://listsmart.osl.state.or.us/mailman/listinfo/localbudget

Scan the QR code below to sign up for Local Budget Law announcements:

Questions?

Danette Benjamin  (971) 301-1149  danette.m.benjamin@dor.oregon.gov
Melanie Cutler    (971) 301-1128  melanie.cutler@dor.oregon.gov
Jean Jitan        (971) 600-4097  jean.jitan@dor.oregon.gov
Arlen Stewart     (971) 209-9970  arlen.r.stewart@dor.oregon.gov
Scott Smith       (503) 428-4284  scott.ethan.smith@dor.oregon.gov

FT&E Message Phone #  (503) 945-8293
Email
finance.taxation@dor.oregon.gov
Your feedback is important to us

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