



# Basic Local Budget Law

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Changes After Budget Adoption

2023

Finance, Taxation & Exemptions

# Housekeeping

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



# Agenda

**Phase 1**

Proposing the Budget

**Phase 2**

Approving the Budget

**Phase 3**

Adopting the Budget

**Phase 4**

Changes After Adoption





# 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

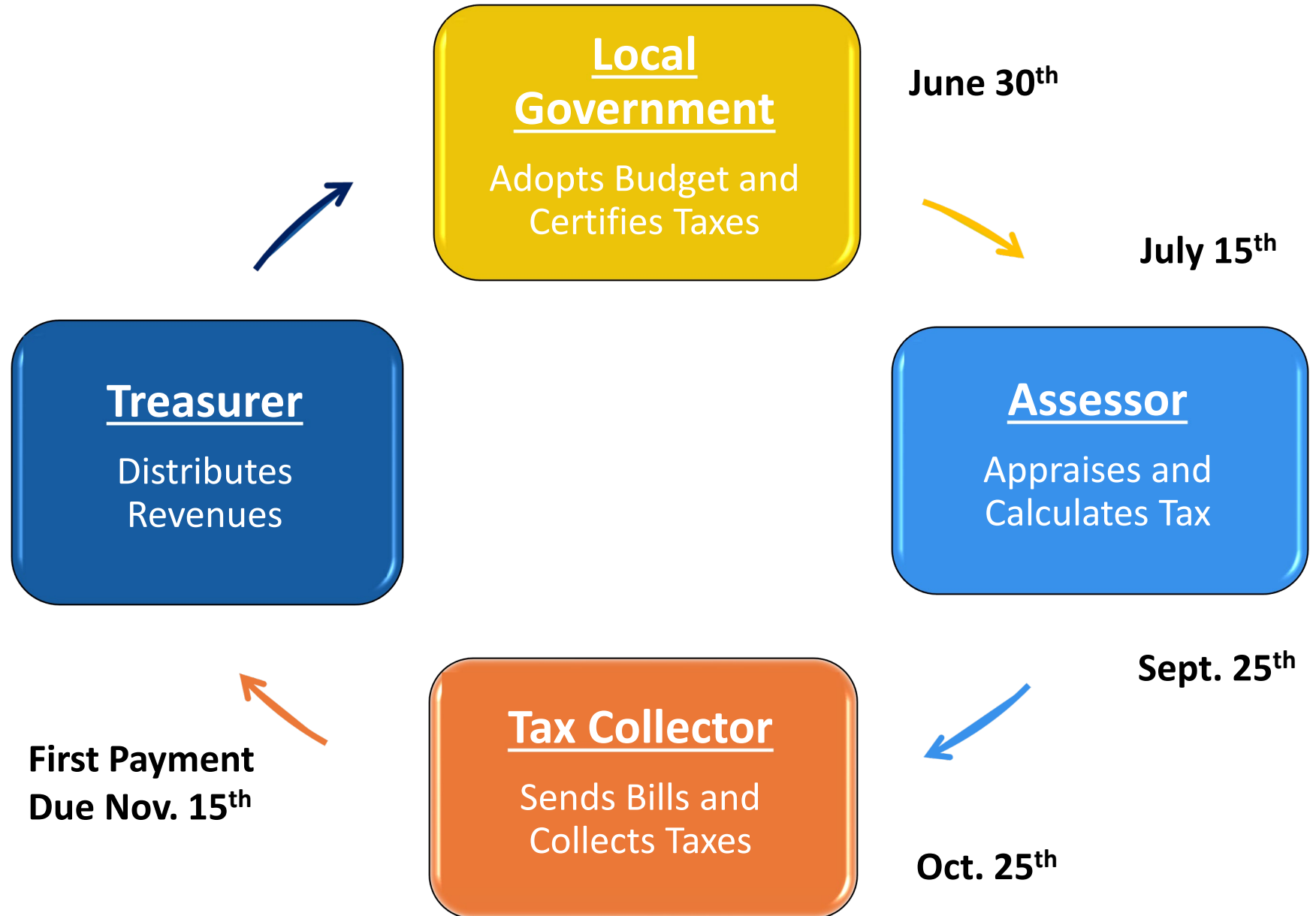


Reviews District Budgets



Advises County Assessors & Tax Collectors on Property Tax Law

# Property Tax Cycle





# Purpose of Local Budget Law



Establish standard procedures



Outline programs & fiscal policies

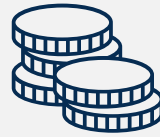


Require estimates of resources and expenditures

# Purpose of Local Budget Law



Encourage citizen involvement



Control expenditures 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



ORS 294.338





# 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\*

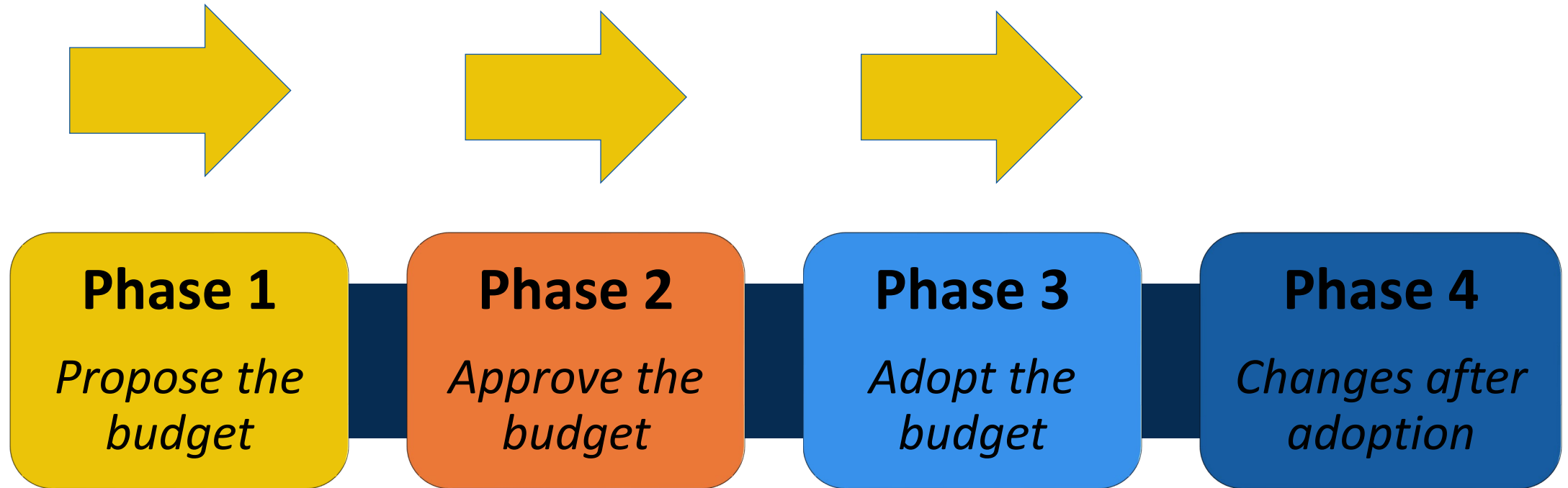
**ORS 372** Highway lighting districts

**ORS 547** Drainage districts

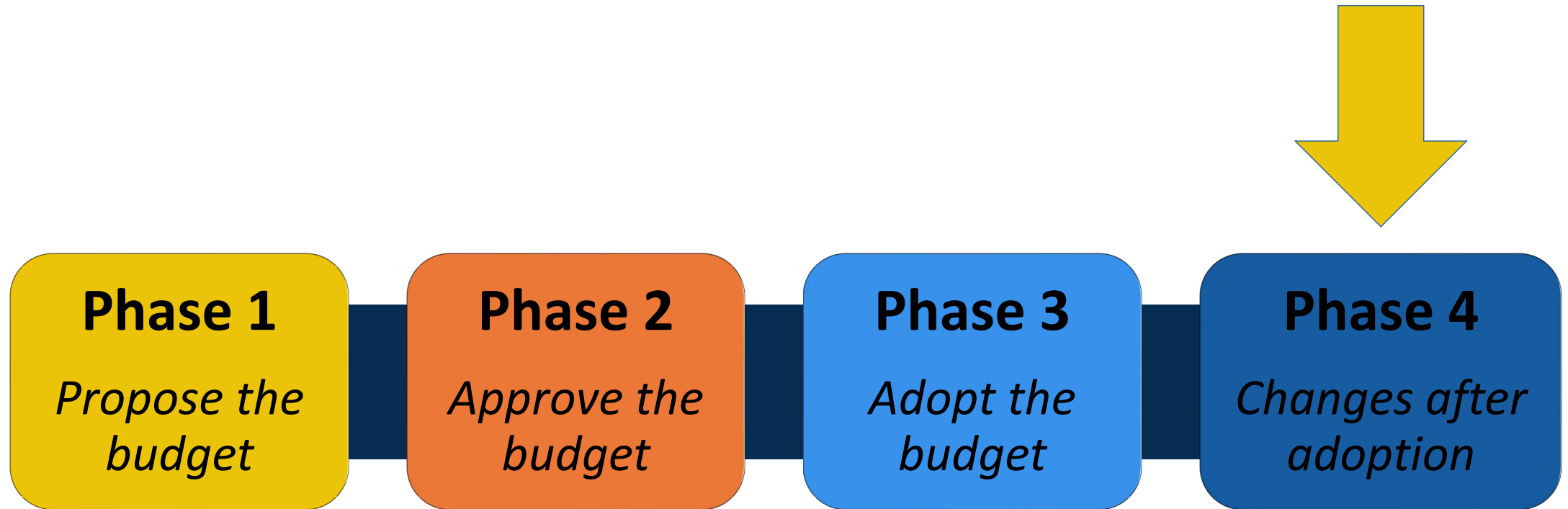
**ORS 221** Historic ghost towns

\* 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

ORS 294.463(1)





# 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
<b>Total Appropriations</b>	<b>\$3,250,000</b>	<b>\$0</b>	<b>\$3,250,000</b>

# Transferring appropriations between funds

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

<b>General Fund</b>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Admin	\$2,000,000	<b>\$(200,000)</b>	<b>\$1,800,000</b>
Transfer Out*	\$0	<b>\$200,000</b>	<b>\$200,000</b>
<hr/>			
<b>Library Fund</b>			
Resource: Transfer in	\$0	<b>\$200,000</b>	<b>\$200,000</b>
Appropriation Library	\$300,000	<b>\$200,000</b>	<b>\$500,000</b>

***\*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
<b>Library</b>	<b>\$400,000</b>	<b>\$50,000</b>	<b>\$450,000</b>
Transfer Out	\$50,000	\$0	\$50,000
<b>Contingency*</b>	<b>\$650,000</b>	<b>\$(50,000)</b>	<b>\$600,000</b>
<b>Total Appropriations</b>	<b>\$3,250,000</b>	<b>\$0</b>	<b>\$3,250,000</b>

*\*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

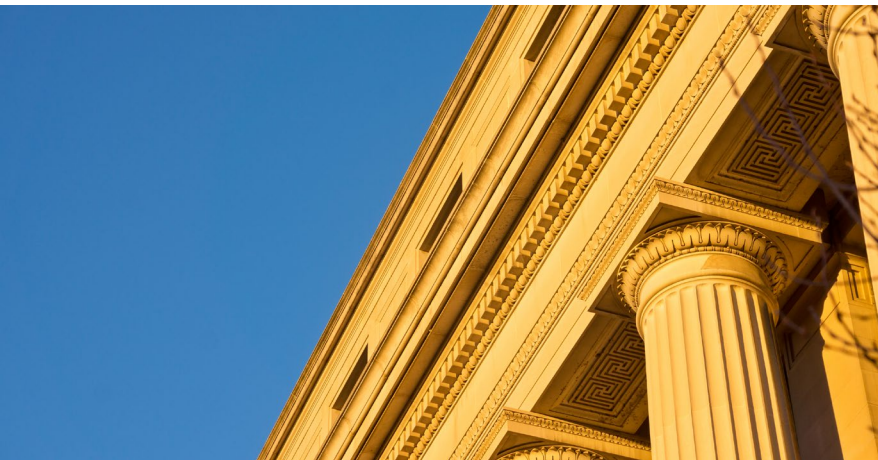




# Supplemental Budget Justification



- Destruction, involuntary conversion or sale requires immediate replacement
- More property taxes received than estimated
- Local Option approved in 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

		Object Classifications	Allocated or Not Allocated to an Organizational Unit or Activity?
Requirements	Expenditures	Personnel Services	<b>Usually Allocated</b>
		Materials & Services	
		Capital Outlay	
		Special Payments	<b>Not Allocated</b>
		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 1<sup>st</sup> 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



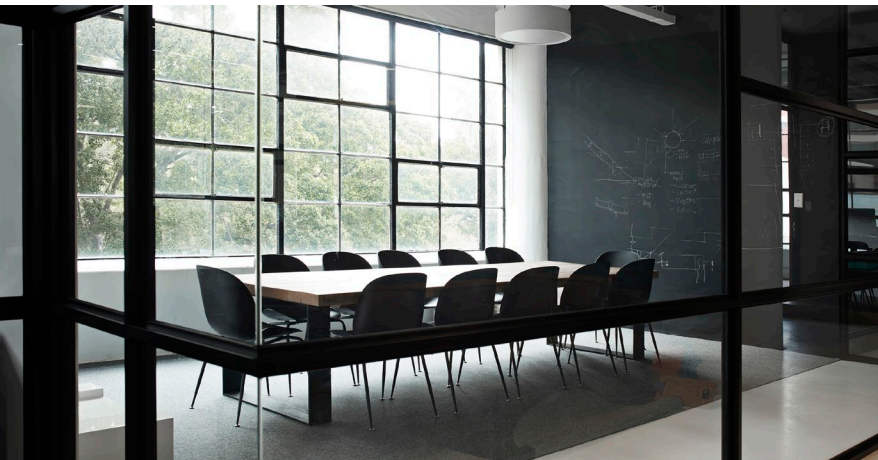


# Supplemental Budget Process



If Change is more than 10%

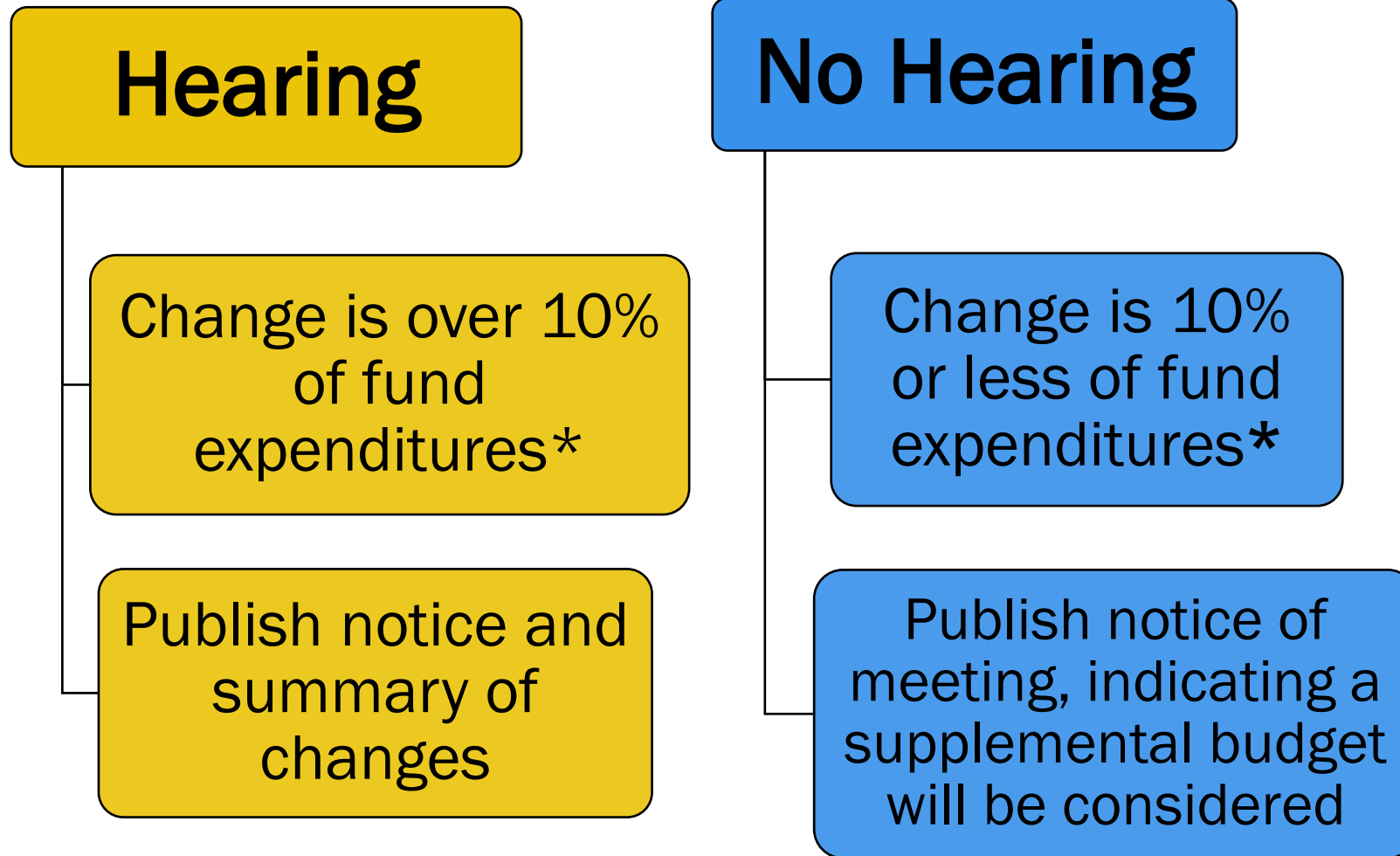
- Public hearing is required
- Publish notice of the hearing:
  - At least 5 days before the hearing
  - In newspaper, by 1<sup>st</sup> class mail or by hand-delivery
  - Summarize changes in each fund changing > 10%
- After hearing, adopt by resolution
- Resolution must state the need for, the purpose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

<b>Appropriation Transfer ORS 294.464</b>	<b>Supplemental Budget ORS 294.471 &amp; 294.473</b>
<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% 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% of total fund appropriations</li><li>• May or may not require a hearing.</li></ul>





# 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





# 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)





# 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

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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

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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

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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.

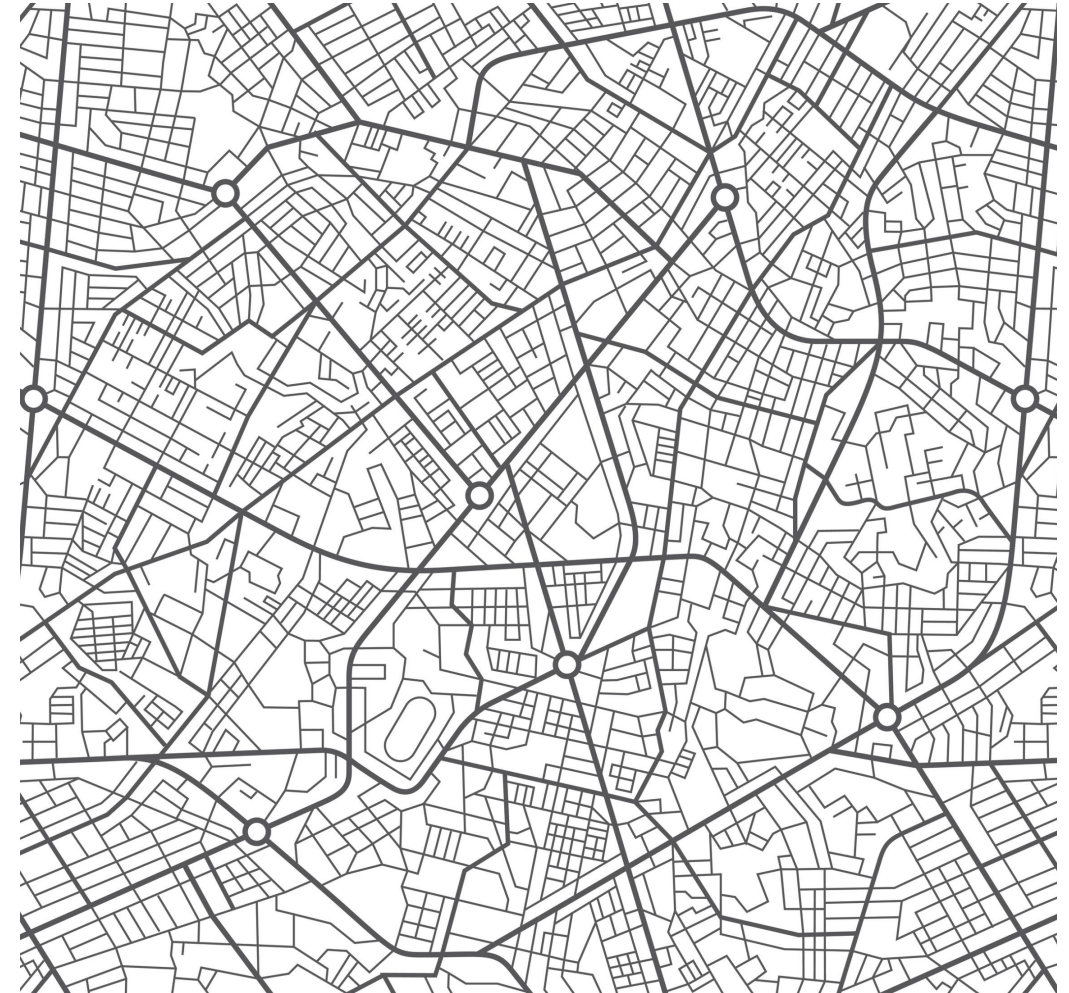
*What actions will the city need to take to pay for the repairs?*



# Boundary Changes

- The Cadastral Information Systems Unit (CISU) 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](https://www.oregon.gov/DOR/forms/FormsPubs/boundary-change_504-405.pdf)







# 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

**Access our Local Budget website for 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://listsmart.osl.state.or.us/mailman/listinfo/localbudget>





## Questions?

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# Your feedback is important to us

- Please take our survey:
  - <https://www.surveymonkey.com/r/ZZB5586>
- Thank you for attending the Local Budget Law Training