

Basic Local Budget Law 2020

***Presented by Oregon Department of Revenue
Finance, Taxation & Exemptions***

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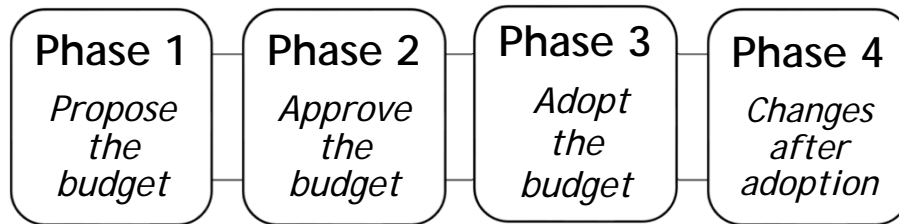
Finance, Taxation & Exemptions Team

- ✓ Trains Local Officials on Local Budget Law
- ✓ Answers Questions about Budget Law & Property Taxes
- ✓ Provides Budgeting Manuals & Forms
- ✓ Reviews Tax Certifications
- ✓ Reviews District Budgets
- ✓ Advises County Assessors & Tax Collectors on property tax law
- ✓ and more

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The Budget Process

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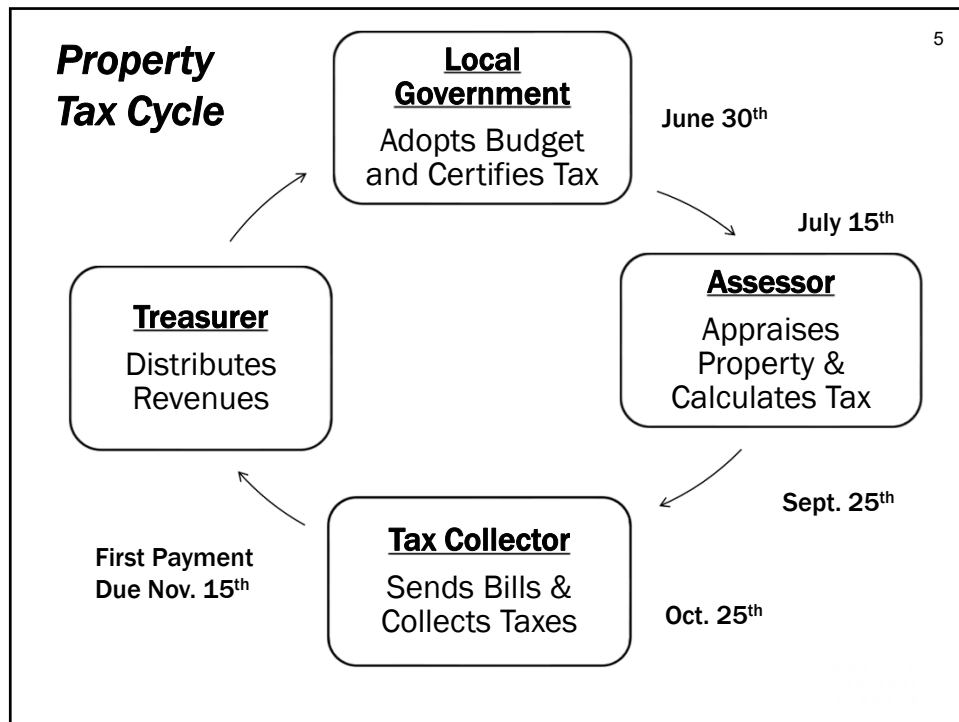
Districts Not Subject to Local Budget Law

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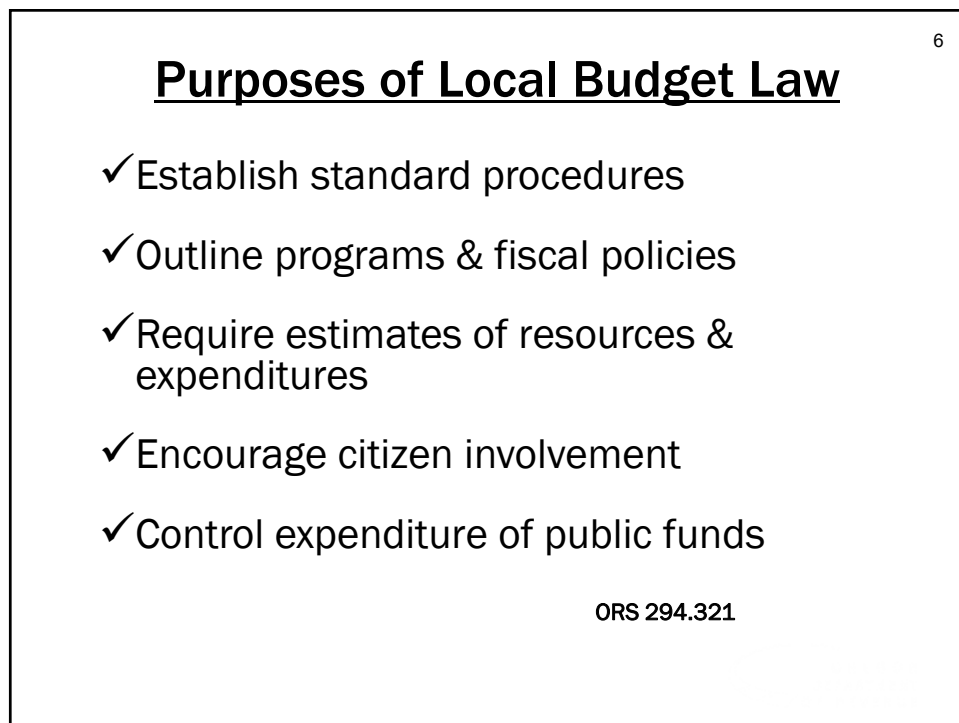
ORS 261 People's utility districts
ORS 440 Health districts
ORS 545 Irrigation districts
ORS 551 Diking districts
ORS 553 Water control districts*
ORS 554 District improvement companies or corporations
ORS 568 Soil and water conservation districts*
ORS 371 Special and Assessment road districts
ORS 371 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.*

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Why Follow Local Budget Law?

A district that doesn't follow LBL may not lawfully:

- ✓ Expend money (with some exceptions)
- ✓ Certify property taxes to the county assessor

ORS 294.338

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

Phase 1

Budget Officer Proposes the Budget

Sample Budget Calendar

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	Action	Example Due Date	Complete
1	Appoint budget officer	Jan. 10	✓
2	Appoint budget committee (BC)	Jan. 31	
3	Prepare proposed budget	March 6	
4	Publish 1 st notice of BC meeting	March 20	
5	Publish 2 nd notice of BC meeting	April 3	
6	BC meeting & subsequent mtgs. if needed	April 10	
7	Publish notice of budget hearing	May 15	
8	Hold budget hearing	May 22	
9	Enact Resolutions to adopt, etc	June 26	
10	Submit tax certification documents	By July 15*	
11	Send copy of all budget documents to county clerk	By Sept. 30*	

* 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.

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Prepare Proposed Budget

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

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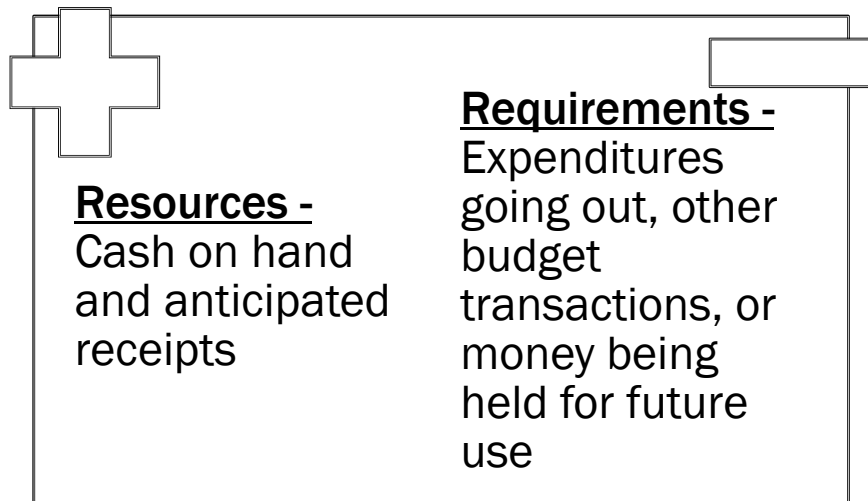
What is a Budget?

- ✓ A financial plan
- ✓ For one fiscal year (July 1 – June 30), or biennial budget period (July 1, 2018 – June 30, 2020)
- ✓ Based on estimates of revenues & expenditures and other requirements

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

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Resources vs Requirements



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Estimate Resources and Requirements for Each Fund

15

- ✓ 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.”*

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Budget Resources



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- + 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 and current)

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Budgeting for Marijuana Tax Revenue

Resources can be co-mingled with other non-restricted resources, except property tax.

Property tax revenue must be estimated separately from other tax revenue (ORS 294.438)

Local government **are** allowed to disclose payment distribution.

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Estimating Property Taxes

Tax Rate x Taxable Value* = Tax Amount

However...

Amount received is reduced by:

- ✓ **Compression Losses** (Measure 5 Limitation)
- ✓ **Discounts** (Taxes paid in full or 2/3rds by Nov 15)
- ✓ **Uncollectibles** (Delinquent taxes)

*** “frozen value” in urban renewal plan area**

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Constitutional Limitations

Article XI, s. 11 and 11b

Measure 50: Tax calculation is based on
Assessed Value (AV)

Measure 5: Operating tax on a property is limited to:

- ✓ \$5 per \$1,000 of **RMV** for Education,
- ✓ \$10 per \$1,000 of **RMV** for Gen. Government

M5 limit is based on ***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

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Neighbor 1

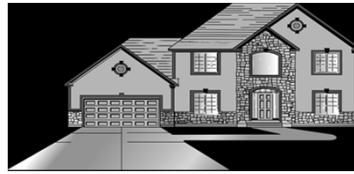
M50 Tax Calculation:

Total Combined Gen. Gov. Tax:	\$14/\$1,000 AV
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$2469.38

M5 Limit Calculation:

General Gov. limit	\$10/\$1,000 <i>RMV</i>
Property's Real Market Value	<u>\$220,000</u>
Maximum tax under M5 limit	\$2,200.00

Gen. Gov. Loss due to M5 Compression=\$269.38



Neighbor 2

M50 Tax Calculation:

Total Combined Gen. Gov. Tax:	\$14/\$1,000 AV
Property's Assessed Value	<u>\$176,384</u>
Tax on Property	\$2469.38

M5 Limit Calculation:

General Gov. limit	\$10/\$1,000 <i>RMV</i>
Property's Real Market Value	<u>\$280,000</u>
Maximum tax under M5 limit	\$2,800.00

NO loss to compression

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How Can You Estimate Compression Loss?

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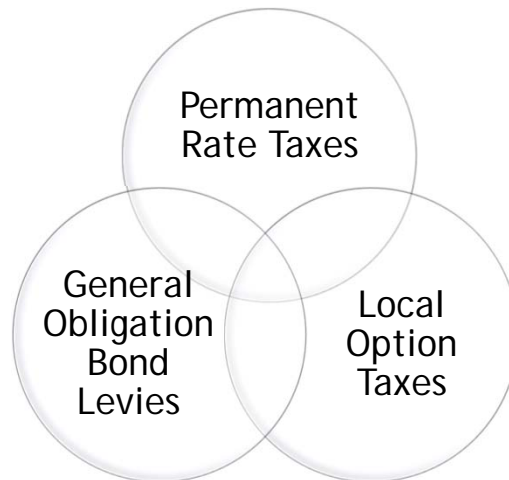
Summary of Assessments and Levies Report (SAL) Table 4a:

- ✓ 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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Estimating tax receipts for the 3 types of ad valorem taxes



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Permanent Rate Taxes

- ✓ **Measure 50** rate limit per \$1,000 of **assessed value**
- ✓ Limit cannot be changed by district or its patrons
- ✓ Imposed as rate per **\$1,000** or a dollar amount
- ✓ Double majority required in March or Sept. election

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Local Option Taxes

- ✓ In addition to the permanent rate levy
- ✓ Temporary:
 - For Operations - 1 to 5 years
 - For Capital Project - Lesser of 10 years or useful life (Defined in ORS 280.060)
- ✓ Voters approve rate per \$1,000 or fixed dollar amount per year*
- ✓ First to be compressed
- ✓ Budget options for September election (280.060)

**Double majority required in March or September*

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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 (<i>per \$1.00 of AV</i>)	x	<u>.0015340</u>
2. Value x rate	=	\$ 151,513
3. Minus est. Measure 5 loss	-	\$ <u>736</u>
4. Tax to be billed		\$ 150,777
5. County collection average	x	<u>.94</u>
6. Tax amount to budget	=	\$ 141,730

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Estimating Taxes Levied as an Amount

1. Total dollar amount to levy	=	\$ 45,000
2. Minus est. compression loss	-	\$ <u>2,500</u>
3. Tax to be billed		\$ 42,500
4. County collection average	x	<u>.94</u>
5. Tax amount to budget	=	\$ 39,950

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G.O. Bond Debt Service Levy

- ✓ Voter approval of bonds gives authority to tax for annual debt service*
- ✓ **Principal & interest (only)** on voter-approved general obligation bonds for capital construction
- ✓ Always imposed as a dollar amount
- ✓ Exempt from **compression**

* Double majority required in March or September

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Estimating Bond Debt Service Taxes

Taxes budgeted for debt service	\$ 60,150
Estimated compression losses	= <u>0</u>
<i>(GO bond taxes are exempt from M5 limits)</i>	
Amount to raise	60,150
<i>(Amount shown in the budget as a resource)</i>	
County collection average	÷ <u>.94</u>
Taxes to be levied	= \$ 63,989
<i>(This is the amount you will certify to the assessor)</i>	

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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

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<div>General Fund</div> <div>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</div>	<div>Special Revenue Fund</div> <div>Dedicated to local option levy money, specific purpose grants, or other money required to be segregated by statute, charter, or terms.</div>
<div>Capital Project Fund</div> <div>Revenue from GO bonds proceeds, local option levy for capital projects or grant monies to finance a capital project.</div>	<div>Debt Service Fund</div> <div>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.</div>

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Types of Funds, continued...

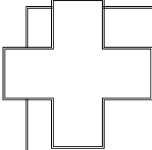
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<div>Internal Services Fund</div> <div>Revenue from services provided from one department to another department. ex. Fleet Management.</div>	<div>Enterprise Fund</div> <div>For revenue received in fees or charges used to cover expenses of a business type entity such as running a parking garage or pool.</div>
<div>Trust & Agency Fund</div> <div>Grants, gifts or transfers from general fund received in a fiduciary capacity to be used for a specified purpose.</div>	<div>Reserve Fund</div> <div>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.</div>


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Resources vs Requirements



Resources -
Cash on hand
and anticipated
receipts



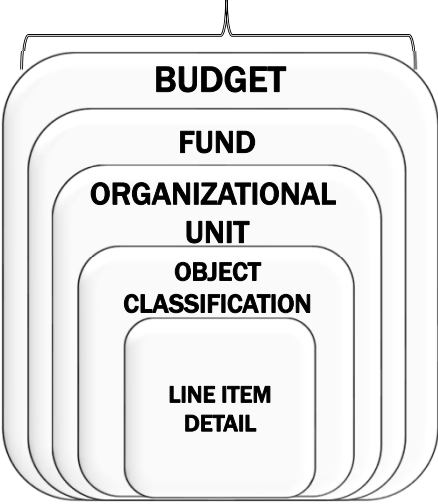
Requirements -
Expenditures
going out, other
budget
transactions, or
money being
held for future
use

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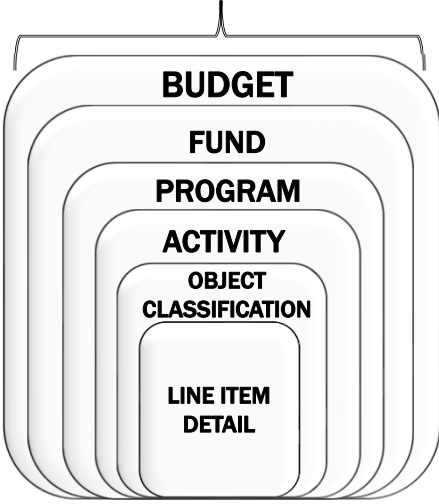
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Budget Layers

ORGANIZATIONAL UNIT BUDGET



PROGRAM & ACTIVITY BUDGET



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Budget Organization

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Organizational unit

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

OR

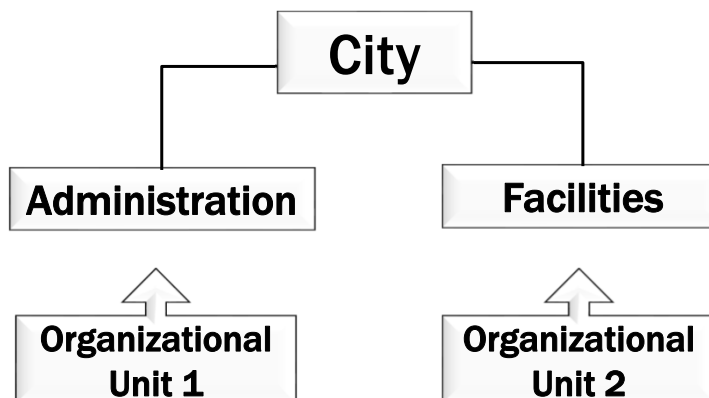
Program and Activities:

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

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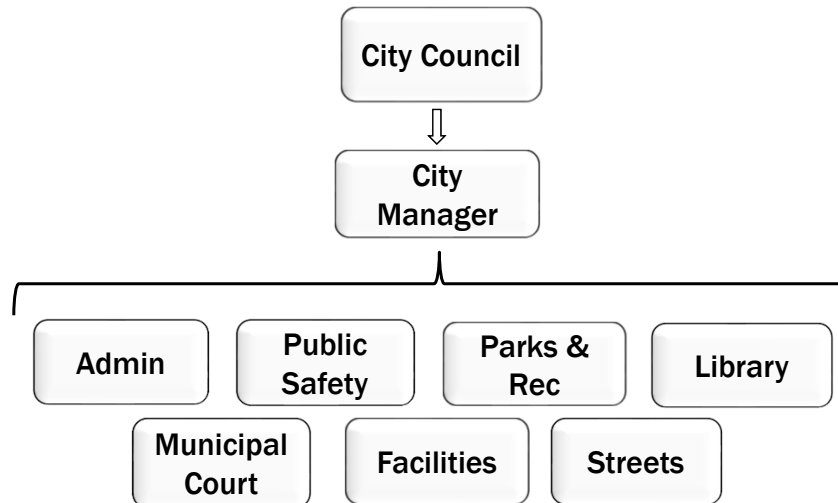
Simple Organizational Unit Example

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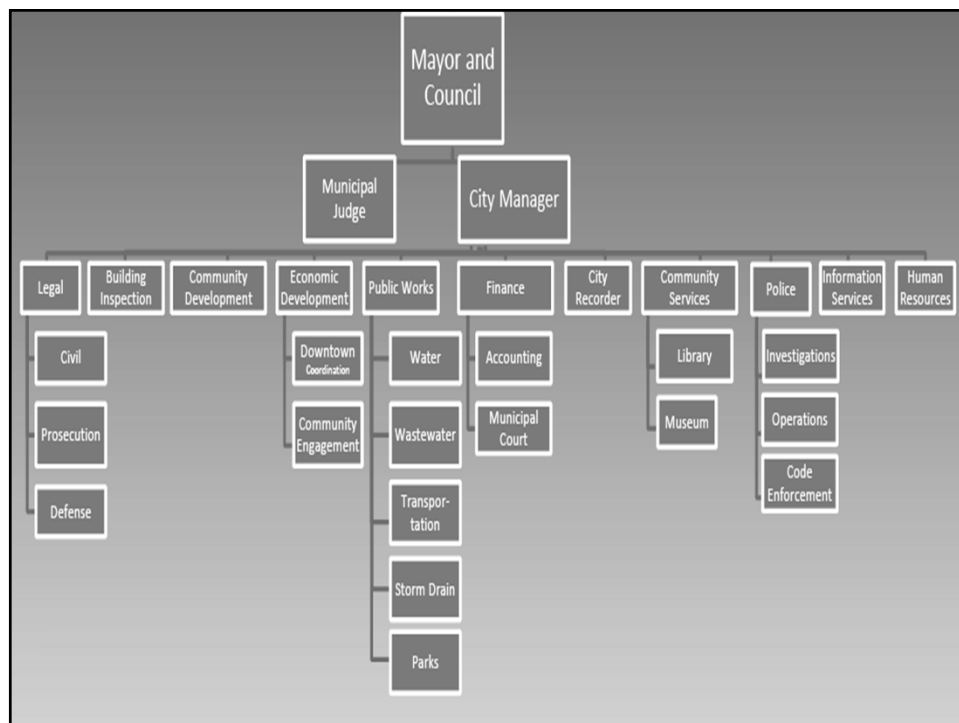


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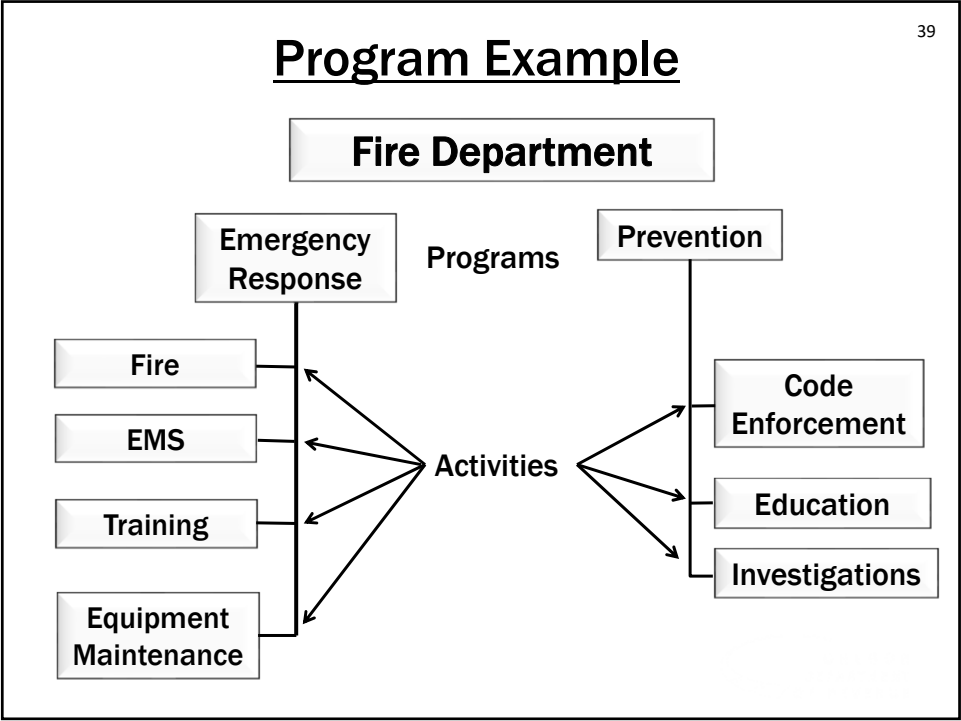
Sample City's Organizational Chart



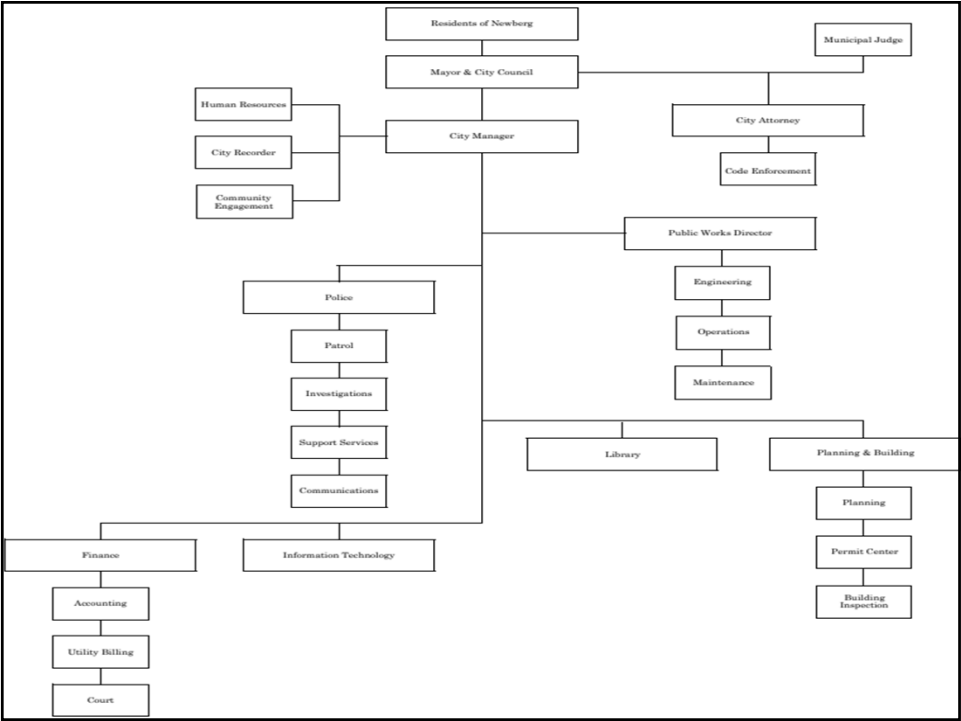
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Object Classifications (Allocated)

Personnel Services	Materials and Services	Capital Outlay
Expenses related to employees Must include associated FTE	Consumables and service expenses - Contract services - Supplies - Other operating expenses	Items with useful life of a year or more

*****Always include line item detail*****

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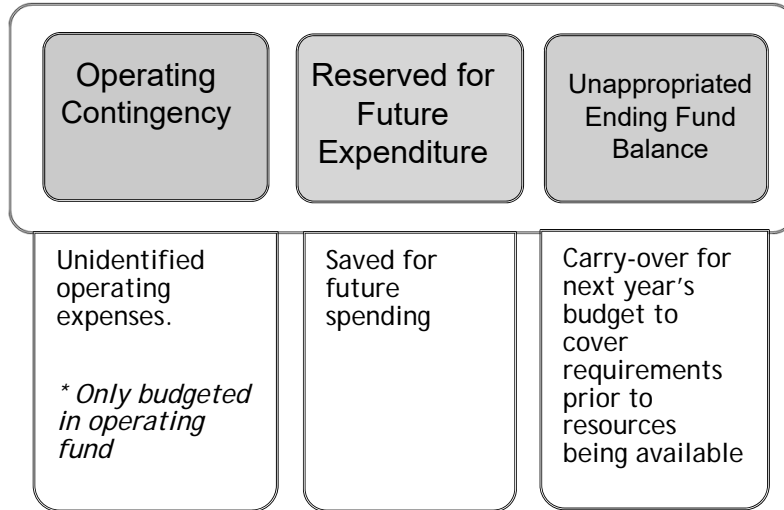
Object Classifications (Not Allocated)

Interfund Transfers	Debt Service	Special Payments
Transfer of resources from one fund to another <i>* All transfers out require a corresponding transfer in</i>	The repayment of any loan, bond, or other borrowing.	Pass-through payments, grants made to other organizations, or other one-time or unusual payments that do not fit into any other expenditure category

*****Always include line item detail*****

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Object Classifications (Not Allocated)



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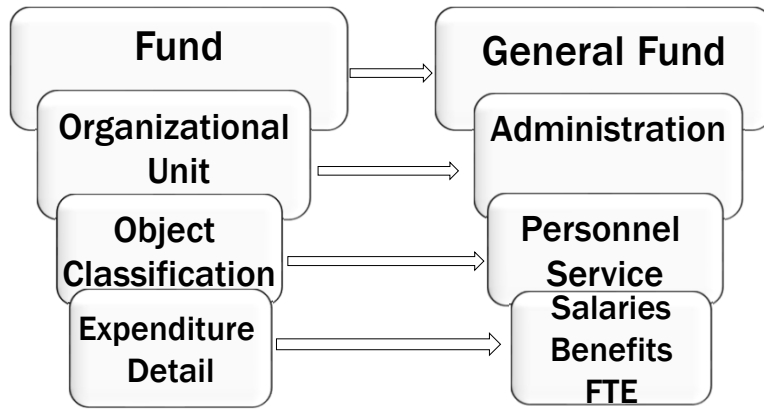
Budget Requirements

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

ORS 294.388

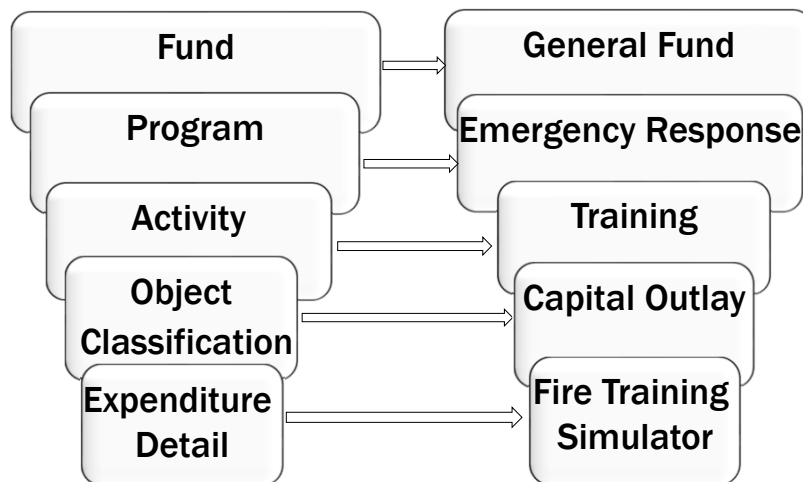
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Budget Organization – Organizational Units



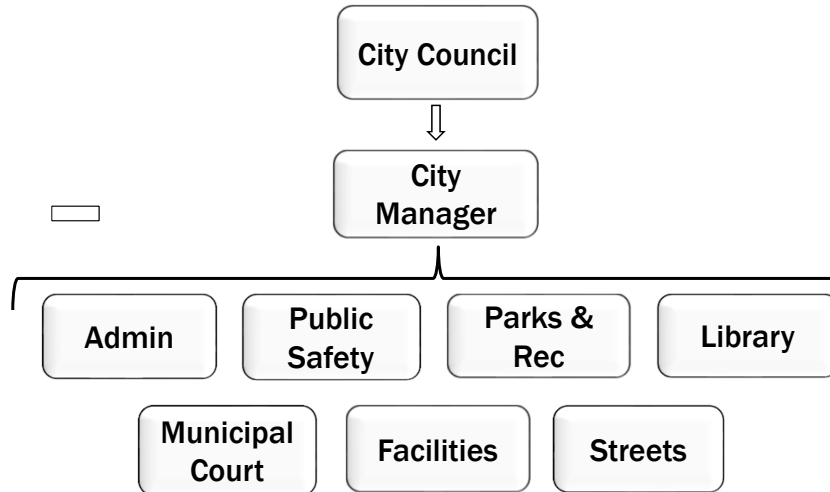
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Budget Organization – Programs



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Sample City's Organizational Chart



Sample Budget Organization

General fund

Admin
Public Safety
Parks & Rec
Library
Municipal Court
Facilities

Debt Service Fund

Streets Fund

Street Department

Library Special Revenue Fund

Library

Facilities Reserve Fund

Facilities

Budget Detail: Statutory Minimum

- ✓ Line item description
- ✓ 2 prior years actual information
(Use *actual* / *audited* #'s)
- ✓ Budgeted amount for current fiscal period
- ✓ Proposed amount for next year
 - ✓ Once BC approves, complete "Approved" column
 - ✓ Once Governing Body adopts, complete "Adopted" column

Phase 2

Budget Committee Approves the Budget

Who's on the Budget Committee?

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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

51

Notice of Budget Committee Meeting

52

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*****

ORS 294.426

In Washington County, also submit summary of proposed budget for publication on the county website (contact the Finance Department).

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Publication Methods

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- ✓ **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

53

Public Comment at First Meeting

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A	Use this notice if public comment will be taken at this meeting.
NOTICE OF BUDGET COMMITTEE MEETING	
<p>A public meeting of the Budget Committee of the <u>Sample City, State of Oregon</u> <small>(District Name)</small></p> <p>to discuss the budget for the fiscal year July 1, 2020 to June 30, 2021, will be held at <u>Sample City Hall</u>, <small>(Location)</small></p> <p><u>12345 Oregon Way, Sample, OR</u>. The meeting will take place on <u>May 6, 2020</u> at <u>6:00</u> <input type="checkbox"/> am <input checked="" type="checkbox"/> pm <small>(Address) (Date) (Time)</small></p> <p>The purpose of the meeting is to receive the budget message and to receive comment from the public on the budget.</p> <p>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.</p> <p>A copy of the budget document may be inspected or obtained on or after <u>May 1, 2020</u> at <u>12345 Oregon Way, Sample, OR</u>. <small>(Date) (Location)</small></p> <p style="text-align: center;">X am <input type="checkbox"/> am between the hours of 8:00 AM <input type="checkbox"/> pm and <u>4:30</u> X pm <small>(Time) (Time)</small></p> <p><small>(Location)</small></p>	

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Public Comment at Later Meeting

55

B	Use this notice if public comment will be taken at a later meeting.
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NOTICE OF BUDGET COMMITTEE MEETING

A public meeting of the Budget Committee of the Sample City, Oregon,
(District Name)

on the budget for the fiscal year July 1, 2020_ to June 30, 2021_, will be held at Sample City Hall,
(Location)

12345 Oregon Way, Sample. The meeting will take place on May 6, 2020 at 6:00
(Address) (Date) (Time) ☐ am ☒ pm

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, 2020 Time: 6:00 ☒ pm Location: 12345 Oregon Way, Sample

A copy of the budget document may be inspected or obtained on or after May 1, 2020 at 12345 Oregon Way,
(Date) (Location)

☒ am ☐ am
between the hours of 8:00 AM ☐ pm and 4:30 ☒ pm
(Time) (Time)

(Location)

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Budget Committee's Meeting Process

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- ✓ 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 example

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Governing Body



If your full budget committee is 10 people, quorum = 6



Vacancies on the governing body side still count toward the quorum. Quorum = 6



Vacancies on the electors side are not counted. Quorum = 4

Electors



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What the Budget Committee Does

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

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1. Receives the Budget Document

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- ✓ Budget is a public document when released to 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

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- ✓ 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

60

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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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

ORS 294.428(2)

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5. Approve the Budget

Sample Motion to Approve Budget:

*"I move that the budget committee of **Sample City** approve the budget for the **2020-21** 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 **Sample City** approve property taxes for the **2020-21** 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!!!

Phase 3

Governing Body Adopts the Budget

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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

66

Alternative Publication Format

- ✓ Optional Narrative Format
- ✓ Same information as on 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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Correcting Publication Errors (cont.)

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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

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- ✓ Hold the hearing on the date published, or reschedule & 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

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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.

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Resolutions

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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 2020-2021 in the total amount of \$XXXXX. This budget is now on file at (address).”

2. Resolution Making Appropriations ***Based on Organizational Units or Programs***

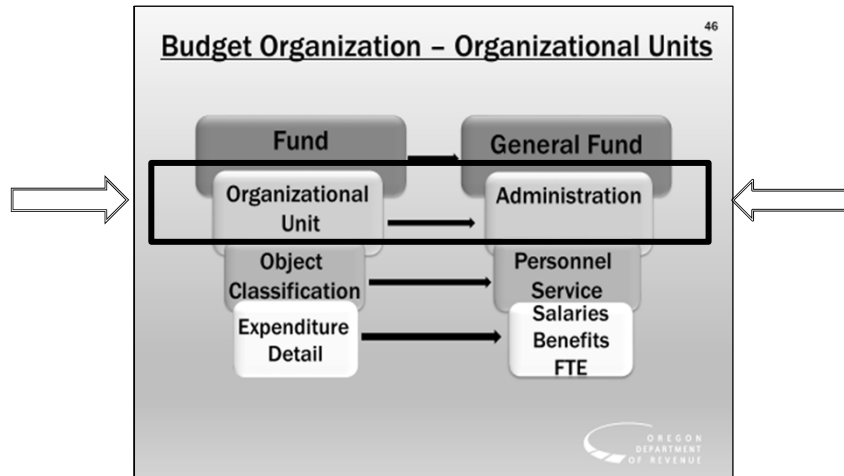
One amount for each Organizational Unit or Program:

- ✓ 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

ORS 294.388



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



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

Statutory Appropriations

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Fund

Organizational Unit Or Program #1 ...\$\$\$

Organizational Unit Or Program #2 ...\$\$\$

(Not allocated to Organizational Unit or Program)

Personnel services\$\$\$

Materials & services\$\$\$

Capital outlay\$\$\$

Debt Service\$\$\$

Special Payments\$\$\$

Interfund transfers\$\$\$

Operating contingency\$\$\$

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

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Appropriating to Greater Detail

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Statutory Minimum Standard

General Fund

Administration \$5000

Greater detail allowed by Admin Rule

General Fund

Administration

Personnel Services \$2000

Materials & Services \$2000

Capital Outlay \$1000

OAR 150-294-0510

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Organization of Appropriations

General fund

Admin
Public Safety
Parks & Rec
Library
Municipal Court
Facilities
Personnel Services
Transfers
Contingency

GO Bond Debt Service Fund

Debt Service

Streets Fund

Street Department

Library Special Revenue Fund

Library

Facilities Reserve Fund

Facilities

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	<u>75,000</u>
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 CCWD Function;
- ✓ by ODE Function; or
- ✓ by Organizational Unit

ORS 294.456(5)

Appropriations

Appropriated	<ul style="list-style-type: none"> • Personnel Services • Materials & Services • Capital Outlay • Debt Service • Special Payments • Transfers Out • Contingency
Never Appropriated	<ul style="list-style-type: none"> • Reserved for Future Expenditure • Unappropriated Ending Fund Balance (UEFB)



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

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

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	
G.O. 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"

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)

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

By Sept 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
 - Sample ballot for any new tax

OAR 150-294-0310

Documents Non-taxing Districts Submit

By July 15, send to Dept. of Revenue:

- ✓ 1 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 & ESD's:

- ✓ Hard copy of budget to Dept of Education by July 15th
- ✓ Electronic copy to Dept of Education by August 15th

Community Colleges:

- ✓ Copy of budget to Department of Community Colleges & Workforce Development by July 15

Discussion: Adopting and Appropriating

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- ? 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 org. 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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Discussion: Imposing & Categorizing

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

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Phase 4

Governing Body may make Changes After Adoption

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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

Don't 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 transfer
 - Purpose of expenditure
 - Amount

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
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

<u>General Fund</u>	<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
<u>Library Fund</u>			
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)

101

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

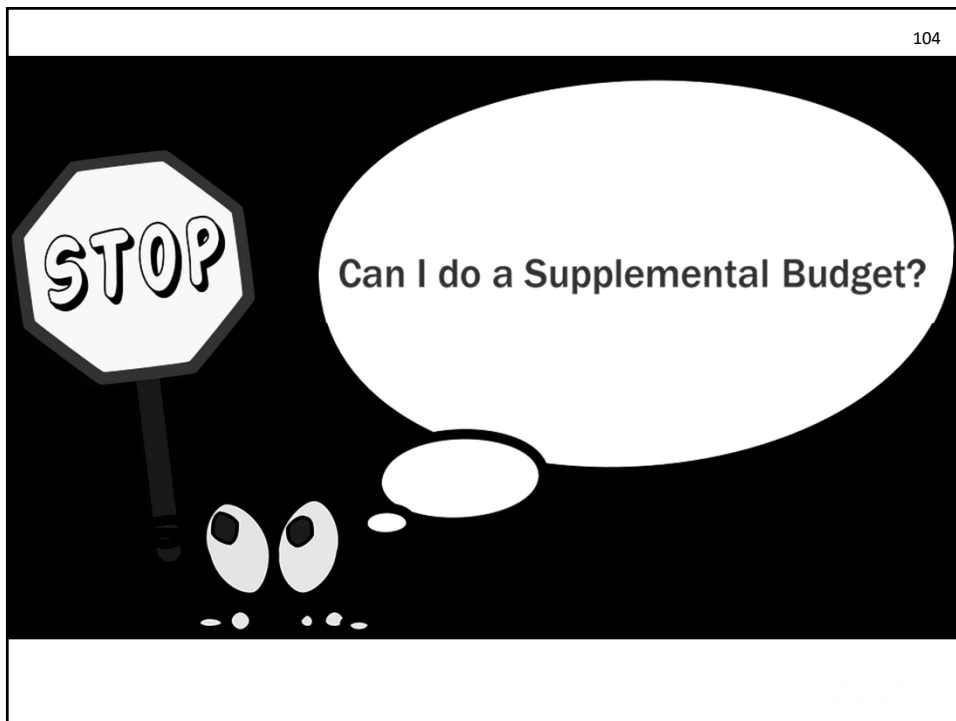
*Contingency transfer as a % of adopted appropriations = 1.5%

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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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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

ORS 294.471

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Supplemental Budget Justification **(cont.)**

- ✓ 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

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Supplemental Budget Process

Two Processes:

1. Change in expenditures in a fund is 10% or less
2. Change in expenditures in a fund > 10%

When determining expenditures, do not include:

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

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Budget Requirements

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

ORS 294.388

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If Change is 10% or less

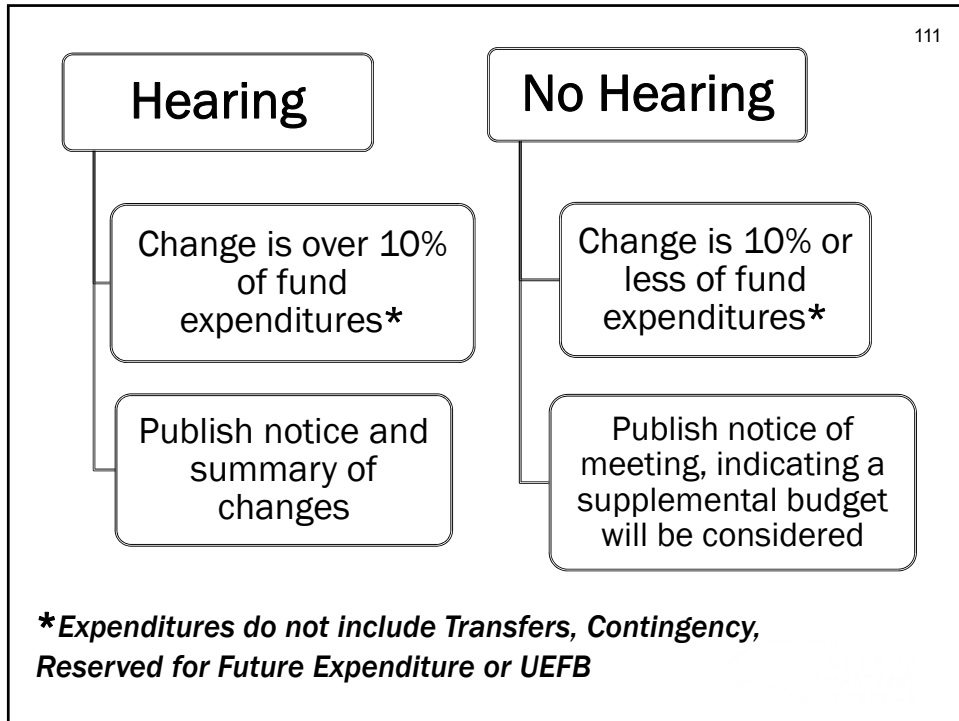
- ✓ Adopt at a regular meeting (no hearing required)
- ✓ Publish notice of the regular meeting:
 - At least 5 days before the meeting
 - In newspaper, by 1st class mail or by hand-delivery
 - Include a statement that a supplemental budget will be considered at the meeting
- ✓ Adopt by resolution
- ✓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

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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

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<u>Appropriation Transfer or Supplemental Budget</u>	
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.

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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% or less
 - After public hearing if > 10%

Option 2: You could just spend less than appropriated

ORS 294.471(1)

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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)

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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.

ORS 294.338(3)

115

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
- ✓ 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

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Other Exceptions to Local Budget Law

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

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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

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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

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

Property Tax Resources

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- ✓ 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?

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Boundary Changes

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- 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

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Local Budget Forms and Manuals on Internet:

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

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