

# Basic Local Budget Law: Proposing the Budget

March 12, 2024  
Finance, Taxation & Exemptions

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## Finance, Taxation & Exemptions Team

-  Trains Local Officials on Local Budget Law
-  Answers Questions about Local Budget Law and Property Taxes
-  Provides Budget Manuals and Forms
-  Reviews Tax Certifications
-  Reviews District Budgets
-  Advises County Assessors and Tax Collectors on Property Tax Law

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

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

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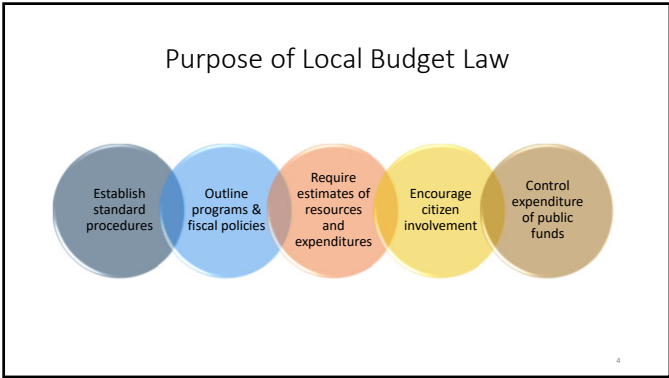
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Why you should follow LBL



- 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 other than authorized by law, shall be civilly liable for the return of the money, if there is malfeasance in office or willful or wanton neglect of duty.

ORS 294.338, 294.461, & 294.100

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Districts Not Subject to Local Budget Law

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

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

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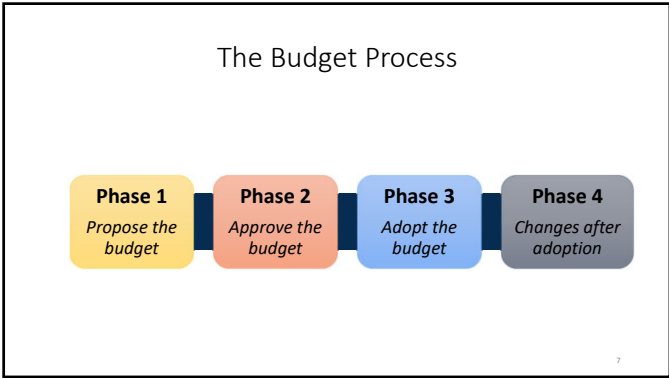
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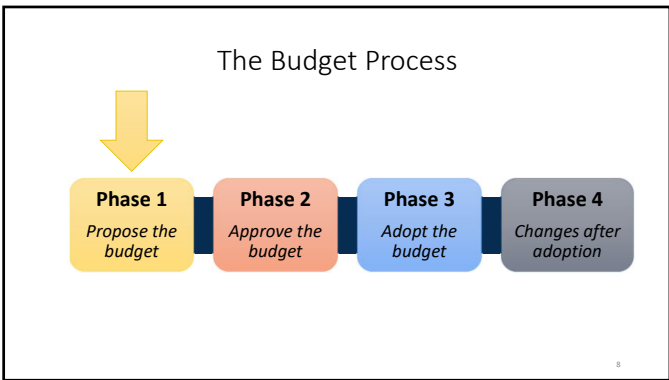
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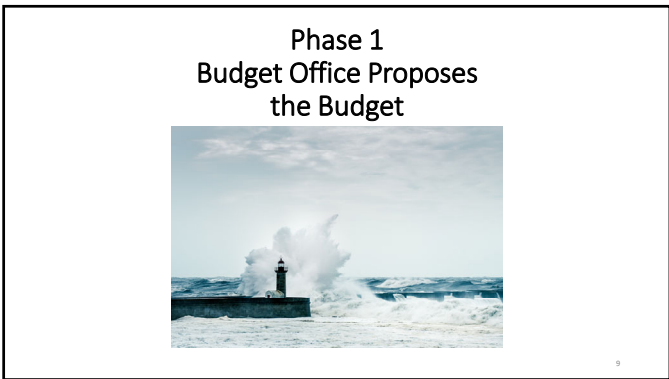
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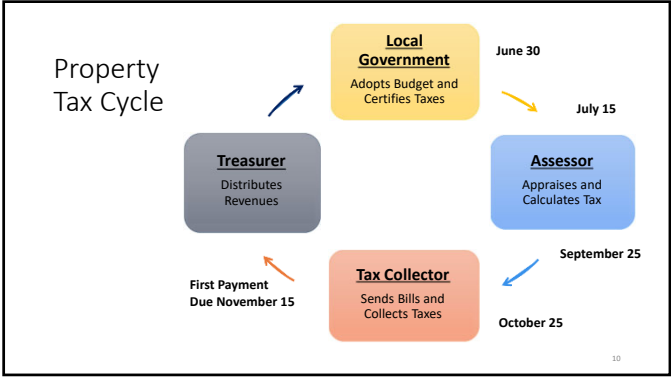
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Sample Budget Calendar

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

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

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Prepare Proposed Budget

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

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What is a budget?

A financial plan

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

Based on estimates of revenues and expenditures and other requirements

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

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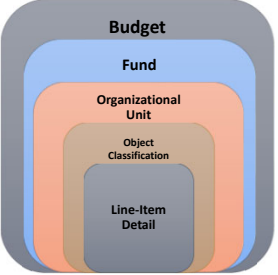
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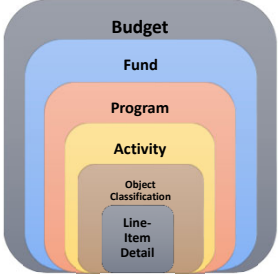
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Budget Layers



Organizational Unit Budget



Program & Activity Budget

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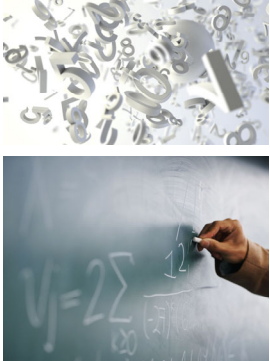
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Budget is Prepared by Fund

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

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### Types of Funds

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

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### Types of Funds( cont.)


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

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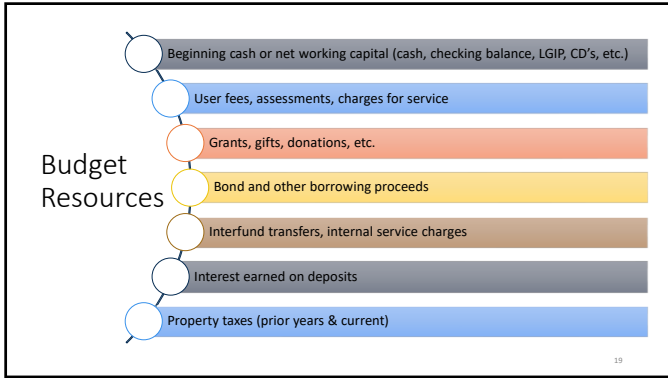
### Estimate Resources and Requirements for Each Fund

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

**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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**Estimating Property Taxes**

Tax Rate x Taxable Value\* = Tax Amount

Reduced by:

- Compression losses (Measure 5 limitation)
- Discounts
- Uncollectables

\*"frozen value" in urban renewal area

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**A brief history of Oregon property tax**

[https://youtu.be/\\_1YU8s34U](https://youtu.be/_1YU8s34U)  
Source: OACTC, November 2, 2020

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### Constitutional Limitations on Property Taxes

Article XI, s. 11 and 11b

#### Measure 50

Established Permanent Rate System

Taxes based on property's Assessed Value (AV)

#### Measure 5

Established limits on operating taxes

- \$5 per \$1000 of RMV for Education
- \$10 per \$1000 of RMV for General Government

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

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### How Does M5 Compression Loss Work?

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



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### M5 Compression Example



Neighbor 1

**M50 Tax Calculation:**


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

**M5 Limit Calculation:**

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

Gen. Gov. Loss due to M5 Compression = \$547.55

The tax calculated under M50 was higher than the M5 limit.



Neighbor 2

**M50 Tax Calculation:**

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

**M5 Limit Calculation:**

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

NO loss to compression

The tax calculated under M50 was lower than the M5 limit.

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How Can You Estimate Compression Loss?

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

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

Also consider levies of other districts

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The three types of *ad valorem* taxes

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

Permanent Rate



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

Local Option Tax



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

General Obligation Bond Levy



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

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Estimating Taxes Levied as a Rate

Tax rate: \$1.5340/ \$1,000  
Estimated Assessed Value in district: \$98,769,946

1. Tax rate ( <i>per \$1.00 of AV</i> )	x	<u>.0015340</u>
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	<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

-

\$ 2,500

3. Tax to be billed

\$ 42,500

4. County collection average

x

.94

5. Tax amount to budget

=

\$ 39,950

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Estimating Bond Debt Service Taxes

Taxes budgeted for debt service

\$ 250,750

Estimated compression losses

- 0

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

Amount to raise

\$ 250,750

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

County collection average

÷ .95

Taxes to be levied

\$ 263,947

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

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Discussion: Proposed Budget

1. What is the basic formula used to estimate the amount of property tax to be received? What other factors should be considered?

2. True or False: When levying for G.O. bond debt, your levy amount should be equal to the amount needed to pay principal and interest.

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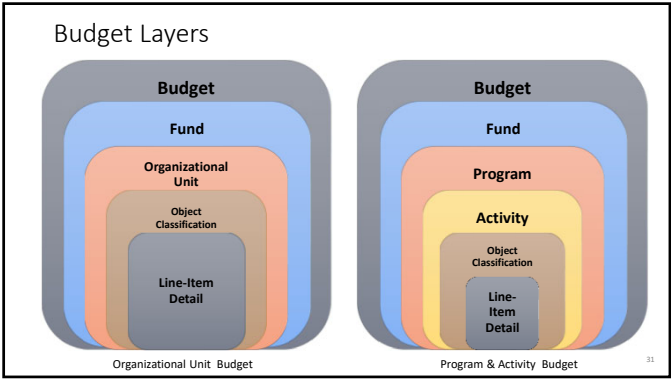
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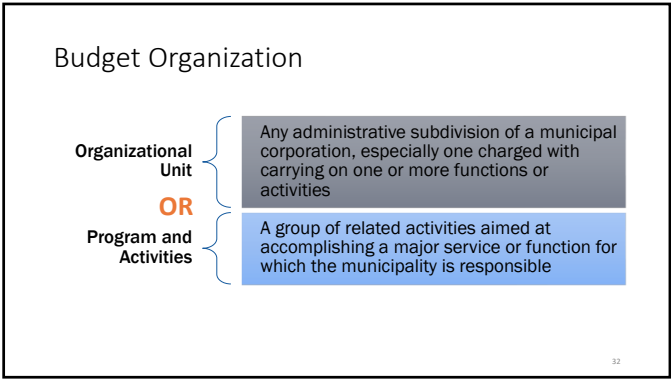
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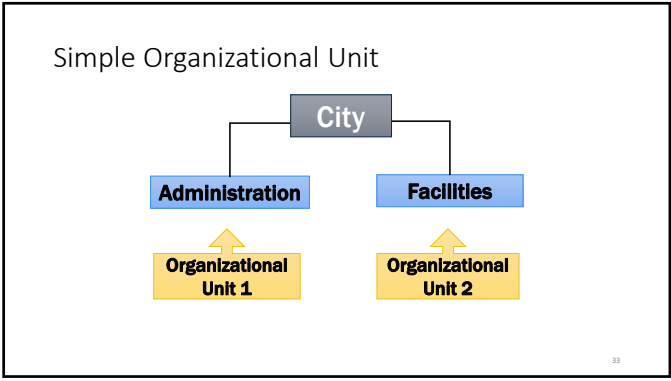
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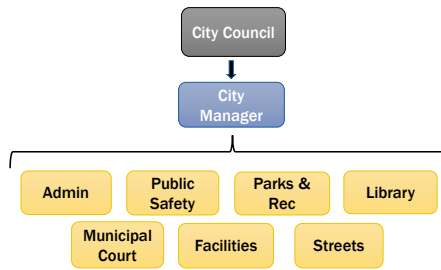
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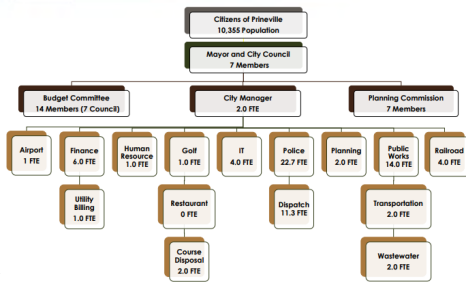
### Foulweather's Organizational Chart



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### Organizational Unit example

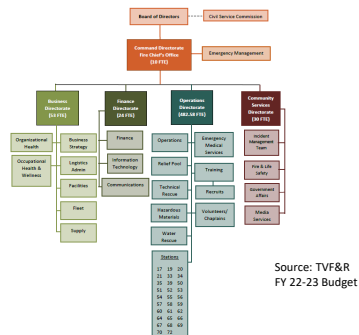


City of Prineville  
Organizational Chart  
Adopted Biennial Budget July  
1, 2021-June 30, 2023

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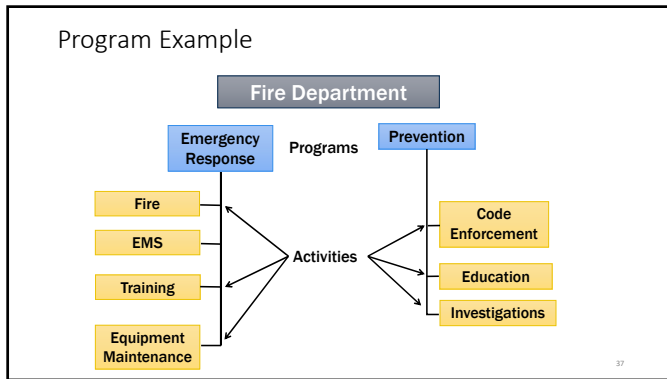
### Organizational Unit Example



Source: TVF&R  
FY 22-23 Budget

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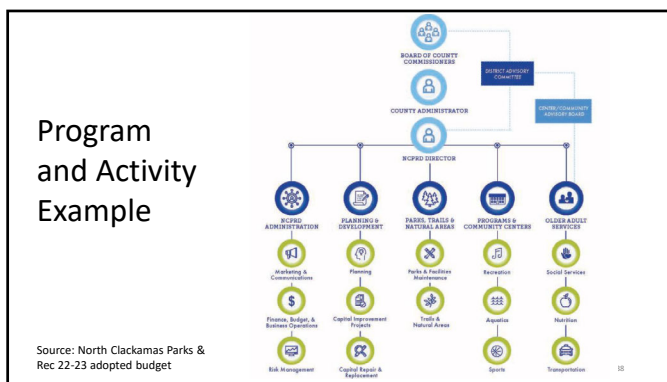
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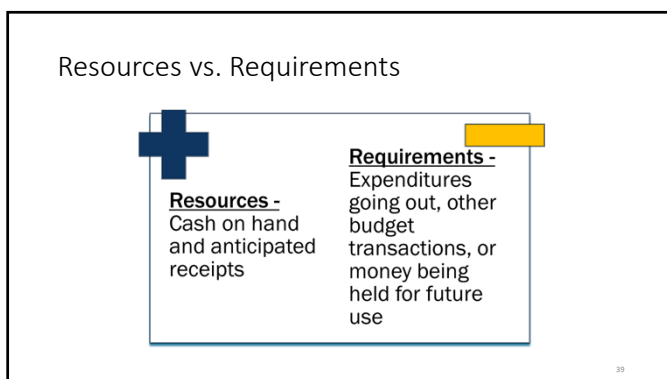
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Object Classifications (Allocated)

Personnel Services

- Expenses related to employees
- Must include associated FTE

Materials and Services

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

Capital Outlay

- Items with useful life of a year or more

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

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Object Classifications (Not Allocated)

Interfund Transfers

- Transfer of resources from one fund to another
- All transfers out require a corresponding transfer in

Debt Service

- The repayment of any loan, bond, or other borrowing

Special Payments

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

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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

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

ORS 294.388  
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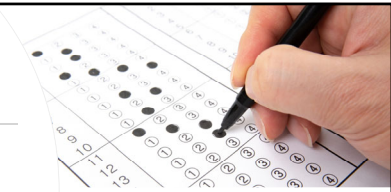
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Discussion: Proposed Budget

1. True or False: Debt service must always be budgeted in a debt service fund.

2. Which object classifications are defined as operational expenditures?



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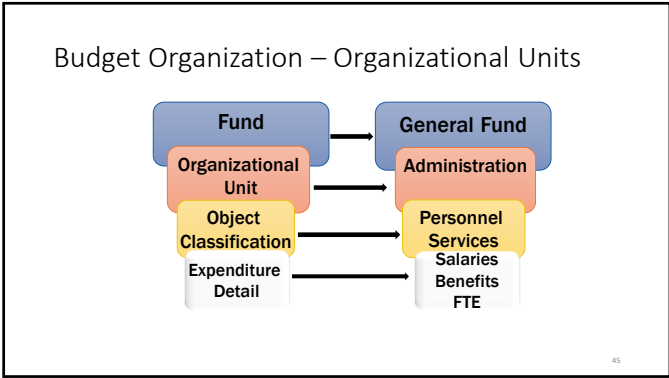
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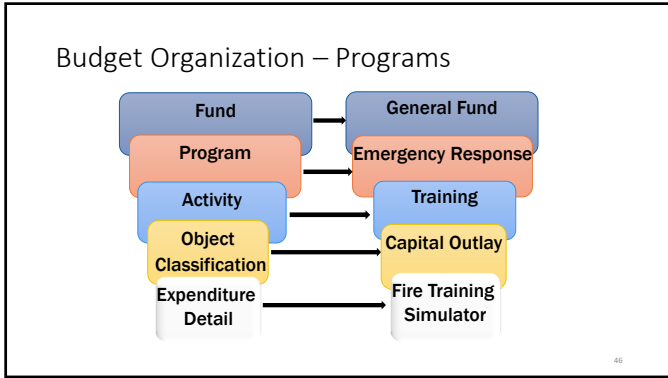
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### Discussion: Proposed Budget

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

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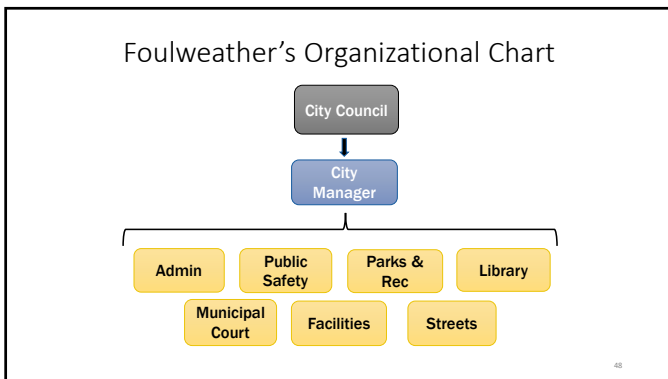
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Sample Budget Organization

**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

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Review Sample Budget



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Budget Detail: Statutory Minimum

Actual information for two prior years  
(Use actual / audited #'s)

Budgeted amount for current fiscal period

Proposed amount for next year

Historical data			Requirements for (Name of program or organizational unit)	Budget for next year 20__		
Actual Second preceding year 20__	First preceding year 20__	Adopted budget this year year 20__		Proposed by Budget Officer	Approved by Budget Committee	Adopted by Governing Body
1			Personnel services			
2						
3						
4						
5						
6						

Line item descriptions

Once BC approves, complete "Approved" column

Once Governing Body adopts, complete "Adopted" column

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## Discussion: Proposed Budget



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

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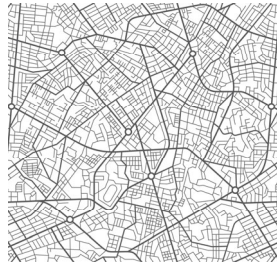
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## Boundary Changes

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



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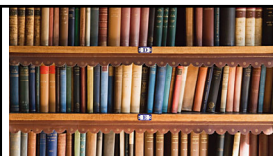
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## Property Tax Resources

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



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### Local Budget Law Resources

Local Budget Forms and Manuals on Internet:  
<http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx>

Subscribe to our email list for email notices of future training workshops and news on any changes to Local Budget Law. Sign up through this link:  
<http://lists.mart.osl.state.or.us/mailman/listinfo/localbudget>

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



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### Questions?

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

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Your feedback is important to us

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



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