

Basic Budgeting Book

An introductory guide to creating local budgets



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INTRODUCTION

Welcome to the *Basic Budgeting Book!*

It is brought to you by the Property Tax Division of the Oregon Department of Revenue. It is designed to guide you through the budgeting process following Oregon's local budget law. The book follows the sequence of events as they proceed from budget preparation to budget use. These events are broken down into four phases.

You can find more detailed information on the local budget process in the *Local Budgeting Manual* (Revenue Publication 150-504-420). This manual is available from the Department of Revenue, Finance and Taxation Unit. You can call 503-945-8293 or find it on our website at www.oregon.gov/DOR/PTD.

We at the Department of Revenue hope you find the *Basic Budgeting Book* a useful tool. Your comments and observations are important to us. Please let us know what you think of this book. You can reach us via email at finance.taxation@state.or.us, or by phone at 503-945-8293.

What is local budget law?

Oregon's local budget law is a group of statutes that require local governments to prepare and adopt annual or biennial budgets following a very specific process.

Local budget law does several specific things:

- It sets standard procedures for preparing, presenting, and using budgets for most of Oregon's local governments.

- It encourages citizen involvement in the preparation of the budget before it's formally adopted.
- It gives a method for estimating expenses, resources, and proposed taxes.
- It offers a way of outlining the programs and services provided by the local governments, and the fiscal policy used to carry them out.

What is a local government?

Local governments include:

- Counties.
- Cities.
- Schools.
- Education services districts.
- Community colleges.
- Special districts:
 - Cemetery.
 - Diking and drainage.*
 - Health.*
 - Irrigation.*
 - Library.
 - Mass transit.
 - Park and recreation.
 - Port.
 - Road.*
 - Rural fire protection.
 - Sanitary.
 - Soil conservation.*
 - Vector control.
 - Water.*

* *May not be required to follow the local budget law process under certain conditions. See Appendix A for a list of local governments that do not have to follow local budget law.*

ORS 294.316 lists the local governments that don't have to follow the local budget law process.

ORS 294.305–294.565: The full text of the statutes can be found on the Oregon Legislature's Web site at www.leg.state.or.us.

What is the governing body of a local government?

The elected officials responsible for a local government's administration make up its "governing body." The board may be a school board, board of directors, city council, county commission, or county court.

What's a budget?

Each local government operates within a fiscal year beginning on July 1 and ending on the following June 30.

Local governments can also choose to budget and operate on a biennial basis. A biennium is a 24-month period beginning on July 1 of the first fiscal year and ending on June 30 of the second fiscal year. For example, a budget adopted for the 2002–04 biennium is in effect from July 1, 2002, through June 30, 2004. See the *Local Budgeting Manual* for more details about biennial budgeting.

A budget is a financial plan for one fiscal year. It shows the estimated costs of items or services the local government wants to purchase in the coming fiscal year. These are called "expenditures." It shows other budget requirements that must be planned for, but that won't actually be spent. It also shows the money, called "resources," that the local government estimates will be available to pay for these expenditures.

The budget authorizes the local government to spend money and limits how much money can be spent. The budget also justifies the levy of property taxes. In order to submit its property taxes to the county

assessor, most local governments must prepare a budget following the local budget law process.

Preparing a budget allows a local government to look at its needs in light of the money available to meet those needs. In Oregon all local governments must plan a budget that has equal resources and requirements, in other words, a balanced budget. A local government can't plan to purchase more items or services than it has money to pay for them.

What's the local budget law process?

Local budget law process requires that certain, specific actions must happen as a local government prepares its annual or biennial budget. The process can be broken down into four phases.

- **Phase 1** begins the process. The budget officer puts together a proposed budget. In larger local governments, department heads or program managers may help. The budget officer must prepare the proposed budget in a format designed by the Department of Revenue. The format meets the requirements set out in the statutes.
- **Phase 2** is when the budget committee approves the budget. Statutes spell out who can be on the budget committee and who cannot. The budget committee reviews the proposed budget, listens to comments from citizens, and then approves the budget. Special public notices are required before the budget committee's first meeting.

ORS 294.326 requires that local budget law be followed before a local government can spend money and impose a property tax.

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- **Phase 3** includes adopting the budget and, when appropriate, certifying property taxes to the county tax assessor. This phase includes a special hearing of the governing body and specific public notices, including a summary of the approved budget. Special forms must also be used to notify the county assessor of the local government's property tax levy.
 - **Phase 4** occurs during the fiscal year or biennial budget period when the local government is operating under the adopted budget. This phase includes changes to the adopted budget. Changes to the adopted budget must be made before additional money is spent or money is spent for a different purpose than described in the adopted budget.

We talk about each of these phases in detail later in this book. Appendix B shows a general timeline for the first three phases. It also includes statutory references.

Sample Budget Calendar

	Sample Dates	Your Dates
1. Appoint budget officer.	December 7	_____
2. Appoint budget committee members.	January 5	_____
3. Prepare proposed budget.	February 28	_____
4. Print 1 st notice of budget committee meeting (not more than 30 days before the meeting).	March 16	_____
5. Print 2 nd notice of budget committee meeting (at least 5 days after 1 st notice, but not less than 5 days before the meeting).	March 24	_____
6. Budget committee meets.	March 30	_____
7. Budget committee meets again, if needed.	April 6	_____
8. Publish notice of budget hearing (5 to 30 days before the hearing).	April 19	_____
9. Hold budget hearing (governing body).	May 4	_____
10. Enact resolutions to: Adopt budget Make appropriations Impose and categorize taxes.	June 29	_____
11. Submit tax certification documents to the assessor by July 15.	July 12	_____

PHASE 1

PREPARING THE PROPOSED BUDGET

Who is responsible for preparing the proposed budget?

You, the budget officer, are responsible for preparing the budget or supervising its preparation.

You are also responsible for overseeing the budgeting process from beginning to end, including certification of property taxes to the county assessor. Most budget officers are also responsible for monitoring budget expenditures during the budget year and for making any budget changes required after adoption.

Each local government must have someone designated as the budget officer. You may be appointed by the governing body or designated by the local government's charter. You are under the supervision of either the executive officer or the governing body of the local government.

You do not have to live within the boundaries of the local government, unless required by the local government's charter. You can't serve as an appointive member of the budget committee.

How do I begin the budgeting process?

We, the Department of Revenue, recommend that you first prepare a budget calendar. The calendar maps out all the steps that must occur to legally adopt a budget. It allows you to plan enough time so that the

budget is adopted by June 30.

The best way to develop a budget calendar is to set the date for the adoption hearing in late May or early June and then work backward. Allow enough time for the required public notices and extra budget committee meetings. Build in some extra time so you can respond to unexpected situations.

We have included a sample budget calendar. Appendix B can also help you plan your budget calendar.

Once my calendar is set, what's my next step?

Now you begin developing the estimates of resources and requirements for the coming year. The estimates of resources and expenditures are recorded on forms called budget detail sheets. The detail sheets meet all the requirements of the statutes. These detail sheets are available from the Department of Revenue Web site at www.oregon.gov/DOR/PTD/localform.shtml. You can also call us at 503-945-8293 to order the forms. Many budget officers prefer to create their own budget detail sheets in a spreadsheet program. If you decide to do this, remember to follow the formats we provide.

Each budget detail sheet is designed to be used for a certain type of budget fund.

ORS 294.396 requires that the budgeting process be planned with enough time to adopt the budget by June 30.

Oregon Administrative Rule 150-294.352(1)-(A) defines a fund as a fiscal or accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances, and changes—all segregated for specific regulated activities and objectives.

What is a budget fund?

A budget fund is a place to record estimated expenditures, requirements, and the resources to pay for them. Each fund has a purpose. Your budget should have enough different funds to clearly show what your local government is doing and how it is paying for things. But you don't want too many funds. This makes the budget harder to read and understand.

Are there different types of funds?

Yes. Here are the types of budget funds you will probably use most often:

- **General fund**—records expenditures needed to run the daily operations of the local government such as wages, rent, and utilities. It also shows the money that is estimated to be available to pay for these general needs. Property tax money raised from your permanent rate limit usually goes into a general fund.
- **Special revenue fund**—accounts for money that must be used for a specific purpose. It also records the expenditures that are made for that purpose.
- **Capital project fund**—records the money and expenses used to build or acquire capital facilities, such as land or buildings. It is a type of special revenue fund. Capital project funds are used only while a project is being done. Once the building is built or the land acquired, the fund is closed. The money for this type of fund usually comes from the sale of general obligation bonds, a special local option tax, or a grant.
- **Debt service fund**—records the repayment of general obligation bonds. In most cases, the money for the fund comes from a special property tax levy for bonds. The expenditures in the fund are the bond principal and interest payments. Money dedicated to repay bonds cannot be used for any other purpose. For more detailed information about debt service funds, refer to Chapter 5 of the *Local Budgeting Manual*.
- **Trust and agency fund**—accounts for money for a specific purpose that you hold in trust for someone else. For example, investments or securities may be given to you with provisions that the income be used to aid the library or park system.
- **Reserve fund**—accumulates money to pay for any service, project, property, or equipment that your local government can legally perform or acquire. It functions as a savings account. A special resolution or ordinance of the governing body is needed to set up a reserve fund. The reserve fund must have a specific purpose, such as the purchase of road maintenance equipment. Once money is placed in a reserve fund, it can only be spent for the specific purpose of the fund. Purchases are made directly out of the reserve fund. Money cannot be transferred out of the reserve fund to another fund.
- **Enterprise fund**—records the resources and expenses of acquiring, operating, and maintaining a self-supporting facility or service—such as a parking garage or swimming pool.

More details about budget funds can be found in Chapter 5 of the *Local Budgeting Manual*.

ORS 294.525 explains the steps required to set up a reserve fund.

How do I know when I need a certain type of fund?

- You must set up a special revenue fund when required by law, by a contract, or by agreement. If you receive a special purpose grant or have voter approval to impose a special purpose local option tax, you need a special revenue fund.
- You need a capital project fund if you have a major project to build or remodel, or you need to acquire land. In many cases the money for the project comes from the sale of general obligation bonds. It is illegal to spend money from a bond issue for unauthorized purposes, so a separate fund is set up to account and budget for the bond proceeds. Tax money received from a local option tax for a capital project must be budgeted into a capital project fund. All the expenses associated with the project are also budgeted in the capital project fund.
- You must set up a debt service fund if you need to pay principal and interest on general obligation bonded debt.
- You need a trust and agency fund if you receive money from someone to hold in trust.
- You should establish a reserve fund if your local government wants to save money over a period of years for a specific purpose.

- You may choose to set up an enterprise fund if there is a facility for which you charge fees to support the operation and maintenance of that facility. A separate enterprise fund allows you to compare the revenue from the fees to the cost of operating the facility.

Are there forms that must be completed for each type of fund?

Yes. There are different forms for the different types of funds. The forms, called budget detail sheets, are designed to meet all the legal requirements of local budget law.

All the detail sheets have common elements. The law requires that each year the budget shows a short history of each fund. The actual resources and expenditures for the prior two years must be shown. The detail sheets have columns to show the actual or audited numbers. For a basis of comparison, the detail sheets have a column that shows the current year's budget estimated expenditures and resources. All detail sheets have a column for descriptions of expenditures and resources.

All the budget detail sheets have columns to record the progress of the budget as it moves through the various required phases.

- The "Proposed by Budget Officer" column is where the budget officer shows the proposed budget estimates. The budget committee uses this column as the starting point for its work.

ORS 294.376 requires that the budget detail sheets for expenditures and resources include actuals for two preceding fiscal years.

**FORM
LB-20**

RESOURCES

GENERAL

SAMPLE RURAL FIRE PROTECTION DIST.

Fund

(Name of Municipal Corporation)

	Historical Data			RESOURCE DESCRIPTION	Budget for Next Year 2001-02			
	Actual		Adopted Budget This Year 2000-01		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year 1998-99	First Preceding Year 1999-00						
				Beginning Fund Balance:				
1	51,112	38,172	40,000	1. Available cash on hand* (cash basis), or	40,000	40,000	40,300	1
2				2. Net working capital* (accrual basis)				2
3	10,007	9,179	9,000	3. Previously levied taxes estimated to be received	9,500	9,500	9,500	3
4	2,018	1,654	1,500	4. Interest	1,500	1,500	1,200	4
5				5. OTHER RESOURCES				5
6	25,347	23,858	25,000	6. Ambulance service	28,000	28,000	28,000	6
7	6,000	6,000	6,000	7. County — 911 Revenue	6,000	6,000	6,000	7
8				8.				8
9				9.				9
10				10.				10
11				11.				11
12				12.				12
13				13.				13
14				14.				14
15				15.				15
16				16.				16
17				17.				17
18				18.				18
19				19.				19
20				20.				20
21				21.				21
22				22.				22
23				23.				23
24				24.				24
25				25.				25
26				26.				26
27				27.				27
28				28.				28
29	94,484	78,863	81,500	29. Total resources, except taxes to be levied	85,000	85,000	85,000	29
30			92,828	30. Taxes necessary to balance	101,790	101,790	101,790	30
31	88,172	91,881		31. Taxes collected in year levied				31
32	182,656	170,744	174,328	32. TOTAL RESOURCES	186,790	186,790	186,790	32

- The “Approved by Budget Committee” column is where the budget committee decisions are recorded. The numbers may be the same as the proposed budget or they can differ greatly.
- The last column, “Adopted by Governing Body,” records the final decisions of the governing body. This column contains the final adopted budget figures.

School districts use a budget detail sheet format required by the Department of Education. This format contains the same elements as the detail sheets for other districts, the columns are just arranged in a different order.

Can you tell me more about the detail sheets for a general fund?

For a general fund, you need to complete budget detail sheets LB-20 showing the estimated resources, and LB-30 showing the estimated expenditures and requirements.

The general fund has two detail sheets because it is the fund that usually has the most variety of resources and expenditures. The LB-20 has lots of room to list all the different types of resources that can be placed in the general fund. The LB-30 also gives plenty of room to record expenditures.

The left side of both detail sheets is the historical information. The two left columns labeled “Actual” show actual, audited data.

Where do I find actual or audited data?

Good question. If during the fiscal year, your local government has less than \$150,000 as a combined total of cash received and cash

paid out, then your **financial report** contains the data. You submit that report—called an “in-lieu of audit”—to the Secretary of State’s Audits Division.

If during the fiscal year your local government has a combined total of cash received and cash paid out of between \$150,000 and \$500,000, your **audit review** performed by a qualified municipal auditor contains the actual data.

If during the fiscal year your local government has a combined total of cash received and cash paid out of more than \$500,000, then your **audit report** performed by a qualified municipal auditor contains the audited data.

The other column under “Historical Data” is “Adopted Budget This Year.” Where do I find this data?

This data is found in the general fund detail sheets LB-20 and LB-30 for the current year. Use the numbers in the far right column, “Adopted by Governing Body.”

If you did a supplemental budget during the current year, you need to make those changes to the adopted numbers. The current year information is supplied to give the budget committee an idea of what was planned for the current year. They also need to know what changes have been made to the initial plan.

ORS 294.361 requires that each local government estimate in detail its budget resources. It also describes things that are not resources.

The column in the center of the LB-20 is “Resource Description.” How do I know what kind of general fund resources my local government will receive?

Most local governments have an ending balance, money left unspent or unobligated, in the general fund at the end of each fiscal year. This becomes the “available cash on hand” on line 1 if you are on the cash basis of accounting, or the “net working capital” on line 2 if you are on the accrual basis of accounting. You will need to estimate how much money you think will be available in the fund on July 1.

If your local government has been levying taxes for awhile, you will need to estimate the amount of taxes that will be received next year from taxes levied in past years. These taxes are called “previously levied taxes” and your estimate goes on line 3. Previously levied taxes are the taxes that aren’t collected in the year billed. They are received in later years as the county tax collector pursues collection of delinquent taxes. You can use the actual amounts received in past years to help you make your estimate.

Line 4 of the LB-20 is for interest earned. Local governments must place their money in some type of interest-bearing account. If there is money available to the general fund during the year, then the interest earned on that money is a resource to the general fund. You need to estimate what you think those interest earnings will be. Again, you can make your estimate by looking at the actual amounts of interest earned in past years. Be sure to adjust for changes in interest rates.

Under the heading of “Other Resources” the lines are blank. How do I know what kind of other resources my local government might have?

The current year’s general fund will give you ideas of the type of other resources available to your local government. Be sure to include money that is invested or held in a savings account as a budget resource. If your local government has applied for a general-purpose grant, include that money as a resource, even if it hasn’t been approved yet.

General-purpose fees or assessments can be resources to the general fund. If the local government has used equipment that will be sold in the upcoming fiscal year, the proceeds from the sale can be resources to the general fund.

Revenue sharing money sent to you by the state is also shown under other resources.

On line 29, total all the estimated resources that you have identified.

Line 30 is called “Taxes necessary to balance.” Where does that number come from?

Taxes necessary to balance are the **taxes estimated to be received** next year. They can come from taxes levied under the local government’s permanent rate limit and taxes levied under a local option tax. Property tax revenue is considered the “balancing” resource. If the other resources are sufficient to pay for the estimated expenditures, then no property taxes are needed.

How do I know what my local government's permanent rate limit is?

The permanent rate limits are available in several places. There is a listing in the *Local Budgeting Manual*, Appendices D and E. These appendices are arranged alphabetically by county and then by type of local government. The *Local Budgeting Manual* can be found on our Web site at www.oregon.gov/DOR at "Publications." If you don't have access to a manual, you can call either the assessor's office for your county or one of the property tax analysts at the Department of Revenue for your local government's permanent rate limit.

It's a good idea to **verify your permanent rate limit each year**. Legislative action can reduce permanent rate limits. If your local government merged or consolidated with another local government, the permanent rate limit will have changed. If your local government paid off its gap bond obligation, its permanent rate limit may have changed.

Now that I know my local government's permanent rate limit, how do I estimate the amount of revenue I will receive under that limit?

There are three steps you follow to estimate taxes to be received. The first step is to estimate tax revenue to be raised from your permanent rate limit. To do this, you multiply your rate limit by the estimated assessed value of your local government for the coming year. The Oregon Constitution limits the value on which property may be taxed. In many cases

this value is less than the market value of the property. The value at which property is taxed is called the "assessed value."

How do I estimate the assessed value for next year?

You will probably need to talk to your local county assessor to get an estimate of the coming year's assessed value. The assessor will not know the actual assessed value on which your tax will be computed until the end of September.

The Oregon Constitution allows the taxable assessed value of property to grow at no more than 3 percent a year. However, there are exceptions to this growth limit, which include building new structures, adding a major addition, subdividing land, etc. In addition, personal property account values or utility values may actually decline because of depreciation or retirement of equipment. In this case the taxable assessed value also declines. So, it's a good idea to talk with your county assessor.

How does an urban renewal plan area affect my district's assessed value?

When a city or county adopts an urban renewal plan, the assessor determines the assessed value of the properties in the plan area. This is called the "frozen value." From then until the plan ends, a taxing district estimating its total assessed value should only use the frozen value for that part of its territory that is within the plan area. For the rest of the territory, use the full assessed value.

ORS 294.381 explains the method of estimating tax revenues.

My permanent rate limit is shown as a rate per \$1,000 of assessed value. Do I just multiply that number by the estimated assessed value?

No. You have to convert your rate limit per \$1,000 of assessed value into a rate limit per dollar. To do this, divide the rate limit by 1,000.

This will give you a number that is seven places to the right of the decimal point. For example, a rate limit of \$4.2379 would look like this:

$$\begin{aligned} \$4.2379 \div 1,000 &= 0.0042379 \\ &\text{rate limit per dollar} \end{aligned}$$

Now, multiply this rate limit per dollar by the estimated assessed value:

$$\begin{aligned} \$26,902,950 \text{ est. assessed value} \times .0042379 \\ = \$114,012 \text{ taxes estimated to be raised} \end{aligned}$$

You now have an estimate of the tax revenue that can be raised from your permanent rate limit.

Is that all I have to do?

No. You're not quite finished. The amount of taxes estimated to be raised needs to be adjusted for loss due to the other constitutional limit—known as Measure 5 compression—and loss due to discounts and failure to pay. These are Steps 2 and 3 of the process for estimating the property taxes to be received.

What is Measure 5 compression?

Measure 5, which is Article XI, section 11b of the Oregon Constitution, limits the amount of property tax an individual property must

pay. Taxes billed to an individual property are first placed into the categories of general government, education, and unlimited. The general government category is for taxes imposed by all non-education local governments. The education category is for taxes imposed by school districts, education service districts, and community colleges. The unlimited category is usually for taxes imposed to repay general obligation bonds.

If the taxes extended against a property are more than allowed in any category, then the taxes in that category are reduced to the limit. This process of reduction is called "Measure 5 compression." Local option taxes are reduced first. If the taxes in the category are still too high, then permanent rate limit taxes are reduced proportionately. The limit for the general government category is \$10 per \$1,000 of **real market value**. The education limit is \$5 per \$1,000 of **real market value**.

What makes estimating the compression loss so difficult is that your permanent rate limit is an assessed value rate, not a real market value rate. So if you add up all the rates in a category, that doesn't tell you if a Measure 5 limit has been reached or exceeded. It is best to check your local government's taxing history. If Measure 5 compression occurred in previous years, it will probably occur again.

Where do I find Measure 5 compression history?

If you don't already receive one, you can ask your assessor to supply you with a copy of Table 4a from the annual Summary of

Assessments and Levies (SAL) Report. This table shows your local government's compression loss and assessed value from the prior year. Copies of this table from several years can be used to form a taxing history for your local government.

You can figure the percentage of taxes lost each year and create an average of the amount of loss. Taxes extended are the taxes before the Measure 5 limits are applied. Taxes imposed are the taxes actually billed to property owners.

Example:

1998-99

Taxes extended	\$106,772
Taxes imposed	- <u>99,358</u>
Taxes lost	\$ 7,414

1999-00

Taxes extended	\$110,136
Taxes imposed	- <u>102,426</u>
Taxes lost	\$ 7,710

Average:

Total taxes extended	\$216,908
Total taxes imposed	- <u>201,784</u>
Total tax lost	\$ 15,124

$\$15,124 \div \$216,908 = 7$ percent average loss each year to Measure 5 compression

How do I use the average percentage lost each year to Measure 5 compression?

You multiply the amount of taxes estimated to be raised by the loss percentage.

Estimated taxes to be raised $\$114,012 \times .07$
 $= \$7,981$ estimated Measure 5 loss

The estimate of taxes to be lost is subtracted from the estimated amount to be raised. This is the estimate of taxes to be imposed, or actually billed to taxpayers.

Taxes estimated to be raised	\$114,012
Estimated loss from M5	- <u>7,981</u>
Tax estimated to be imposed	\$106,031

Is that all I have to do?

No. You have one more step. Remember, there are two conditions that you have to take into account. The first is Measure 5 compression loss. The second is loss due to discount and failure to pay, called uncollectibles.

What are losses from discount and uncollectibles?

Oregon statutes grant a discount to taxpayers who pay their property taxes on time. If the full amount is paid by November 15, a 3 percent discount is granted. If two-thirds of the total amount is paid by November 15, a 2 percent discount is granted. So even if every taxpayer paid property taxes on time, you would never receive 100 percent of the taxes imposed, or billed.

As you know, not all taxpayers pay their property tax bills. The amounts not paid in the year billed are called "uncollectibles." These uncollectibles become the delinquent taxes that flow in later as the previously levied taxes.

Your county tax collector should be able to tell you the county's annual collection percentage. The collection percentage tells you what percentage of property taxes billed each year is collected in that same year. Take an average of the collection percentage for the past two or three years. This is a reasonable method of making an estimate.

For example, if the county-wide collection percentage averages 96 percent:

Taxes estimated to be billed	\$106,031
Collection percentage average	× <u>0.96</u>
Taxes to be received	\$101,790
Taxes estimated to be billed	\$106,031
Taxes estimated to be received	– <u>101,790</u>
Estimated loss due to discounts & uncollectibles	\$ 4,241

You now have an estimate of property tax money that will be lost because of the discounts and failure to pay. In this example, about 4 percent of the estimated taxes billed will be lost. In planning your budget, you would use the final estimate of \$101,790 in taxes to be received as the approximate amount of tax money your local government will have to pay its expenses.

Would you do a recap?

Take your permanent rate limit converted to a rate per dollar and multiply it by the estimated assessed value for next year that you got from the assessor. This gives you an estimate of the amount of revenue the rate limit will raise.

This amount of revenue is then adjusted for loss due to Measure 5 compression. Do this by figuring the average percentage of loss each year and multiplying the average percentage by the estimated amount of the revenue the rate limit will raise. This gives you an estimate of the taxes that will be lost because of Measure 5 limits. Subtract the estimated amount of loss from the amount the rate limit will raise. Now you have an estimate of the amount of property taxes that will be imposed or billed.

The estimate of the amount imposed is further adjusted by multiplying it by the county's collection percentage. The final amount is an estimate of tax money you will receive during the coming fiscal year. This is the "Taxes necessary to balance" amount you use in preparing your proposed budget. On Form LB-20, it is line 30.

In our example, we estimated the rate limit would raise \$114,012. After making adjustments of \$12,222 for Measure 5 compression loss and loss due to discounts and uncollectibles, we have estimated tax revenues of \$101,790 that we can use in our proposed budget.

Here is a worksheet that you can use to keep track of your calculations:

Property Tax Worksheet

1. Fund Name: _____

Rate Certified Taxes

2. Taxing Category

- Permanent Rate
 Local Option Rate

3. Rate Limit _____

4. Estimated Assessed Value _____

5. Tax rate (rate per dollar) × _____

6. Estimated amount rate would raise = _____

7. Estimated loss due to Measure 5 - _____

8. Tax to be billed for district = _____

9. Average Collection Factor × _____

10. Estimated amount for budget = _____

11. Loss due to discounts and uncollectibles (Line 8 minus Line 10.) - _____

Note: Be sure to keep the numbers for the loss due to Measure 5 and discounts and uncollectibles. You will need them later when you publish the summary of the approved budget.

Now that I have an estimate of general fund resources, what do I do?

You need to finish filling out the “Proposed by Budget Officer” column on the LB-20. Add together all the estimated resources. Write the total on line 32. Next, you need to begin planning the expenditures of the general fund.

The reason you completed the resources first is that you can’t plan to spend more money than the amount of resources you have estimated.

Now you move on to the LB-30, Expenditure Summary for the general fund. The LB-30 has the same basic layout as the LB-20. The source of the actual data is the same as you used to complete the LB-20. The adopted budget figures come from this year’s LB-30, far right column.

**FORM
LB-30**

**EXPENDITURE SUMMARY
BY FUND, ORGANIZATIONAL UNIT OR PROGRAM**

GENERAL

SAMPLE RURAL FIRE PROTECTION DISTRICT

Name of Organizational Unit—Fund

Name of Municipal Corporation

	HISTORICAL DATA			EXPENDITURE DESCRIPTION	Budget For Next Year <u>2001-02</u>			
	Actual		Adopted Budget This Year 2000-01		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year <u>1998-99</u>	First Preceding Year <u>1999-00</u>						
				PERSONAL SERVICES				
1	17,782	17,796	18,534	1. Fire Chief	19,677	19,677	19,677	1
2	3,464	3,592	3,749	2. Clerk	4,048	4,048	4,318	2
3	6,754	2,570	3,000	3. Workers' Compensation	5,100	4,000	4,700	3
4	-0-	2,080	2,000	4. Employee benefits	2,400	2,400	2,400	4
5				5.				5
6				6.				6
7	28,000	26,038	27,283	7. TOTAL PERSONAL SERVICES	31,225	30,125	31,095	7
				MATERIALS AND SERVICES				
8	14,543	14,359	16,000	8. Insurance	18,000	18,000	18,000	8
9	5,018	5,383	6,000	9. Office supplies/travel	6,500	7,000	7,000	9
10	2,142	3,378	5,000	10. Utilities	6,000	6,000	6,000	10
11	9,284	10,556	13,600	11. Gas, tires, batteries	14,000	14,500	14,500	11
12	11,760	9,064	14,150	12. Maintenance & repairs—vehicle	15,000	15,000	15,000	12
13	15,579	16,377	20,500	13. Contract services	13,500	12,600	12,600	13
14	58,326	59,117	75,250	14. TOTAL MATERIALS AND SERVICES	73,000	73,100	73,100	14
				CAPITAL OUTLAY				
15	-0-	2,931	5,000	15. Fire hose	5,000	6,000	6,000	15
16				16.				16
17				17.				17
18				18.				18
19				19.				19
20				20.				20
21		2,931	5,000	21. TOTAL CAPITAL OUTLAY	5,000	6,000	6,000	21
				TRANSFERRED TO OTHER FUNDS				
22	58,108	45,000	18,000	22. Site & Station Special Fund	10,000	10,000	10,000	22
23	50	-0-	24,500	23. Equipment Reserve Fund	15,000	15,000	15,000	23
24				24.				24
25			7,500	25. General Operating Contingency	28,340	28,340	27,370	25
26	58,158	45,000	50,000	26. TOTAL TRANSFERS & CONTINGENCIES	53,340	53,340	52,370	26
27	144,484	133,086	157,533	27. TOTAL EXPENDITURES	162,565	162,565	162,565	27
28	38,172	37,658	16,795	28. UNAPPROPRIATED ENDING FUND BALANCE	24,225	24,225	24,225	28
29	182,656	170,744	174,328	29. TOTAL	186,790	186,790	186,790	29

ORS 294.352 requires that estimates of expenditures be prepared each year.

The middle column of the LB-30 is called “Expenditure Description.” Where do I get that information?

You can get information about the type of expenditures you may need from this year’s budget, LB-30. It can also come from requests and information provided to you by the governing body, chief executive office, and department heads.

The expenditure descriptions are broken down into what are called “object classifications.” They include:

- **Personal services**, which are employee wages, health insurance costs, worker’s compensation charges, and any other employee benefits.
- **Materials and services**, which include a wide range of expenses such as: fire and theft insurance, utilities, building rent, office supplies, vehicle maintenance, and gas. This object classification should also include the cost of professional services, such as the contract for a municipal auditor or attorney.
- **Capital outlay**, which includes the purchase of items that are considered to be capital assets. Your local government needs to decide how it defines a capital asset. Some local governments set a dollar limit while others use useful life. Capital outlay can include the purchase of furniture, vehicles, buildings, land, and other types of equipment.

There are other types of expenditures, or fund requirements, that are not included in the object classifications just listed. These include:

- **Transfers** to other funds. The governing body may want to use some of the resources from the general fund to pay for expenditures in another fund. To do this, a transfer of money is budgeted from the general fund to the other fund. The transfer is a requirement of the general fund. The actual expenditure will happen in the fund receiving the transfer. The transfer amount becomes a resource to the receiving fund.
- **General operating contingency**. This is where money is placed for use during the year to deal with unexpected operating situations.
- **Unappropriated ending fund balance**. This is how you plan to have a certain amount of money left in the general fund at the end of the year for which you are budgeting. You may need to do this to ensure that your local government begins the following fiscal year with enough cash to operate until tax money is received in November. The money in the unappropriated ending fund balance becomes part of the cash on hand or net working capital to begin the next following fiscal year. Money budgeted in an unappropriated ending fund balance can’t be spent in the year budgeted, except under special conditions.

How do I decide how much to budget for the expenditures I identify?

That's a good question. As with the resources, history can be a good starting point.

- Expenditure estimates for **personal services** need to reflect the number of employees and current wage information. You will also need to consider what your insurance premiums will be in the coming year. If your local government is planning on adding personnel or raising wages, that needs to be included.
- Expenditures for **materials and services** can be estimated by looking at the routine items that occur each year, such as rent and utilities, and adjusting for any known increases. Direction from the governing body, chief executive officer, or department heads will help determine if new items need to be planned. The head of the police department, for example, may know that new vests need to be purchased for the officers.
- Expenditures for **capital outlay** may also be estimated from historical information. It may be that every year your local government plans to replace one-sixth of a certain type of equipment. New expenditures may be required to acquire new office furniture. Again, the governing body, chief executive officer, and department heads may have items they would like to purchase in the coming year.

For the other types of expenditures, or requirements, history may be helpful. For example, every year the general fund may transfer money to the reserve fund. An unappropriated ending fund balance item may be needed each year to manage the local government's cash flow at the beginning of each following year.

Most general funds have some money set aside in the contingency line item. Again, history is a good starting place for making this estimate. If in the past, \$10,000 was budgeted in contingency but actual expenditures show only about \$5,000 was used, you may want to reduce the budgeted amount.

When do I need to plan a transfer of money out of the general fund?

You can plan a budgeted transfer of money out of the general fund when you have another fund in need of resources. For example, you may have a reserve fund in which you are saving money to purchase grounds maintenance equipment. Each year general fund money is placed in the reserve fund using a budgeted transfer. Or you could have a capital project fund that receives money from a local option tax, but also needs money from the general fund.

Remember, when you budget a transfer out of the general fund (requirement), you need to also budget the receipt of the money (resource) as a transfer into the receiving fund.

ORS 294.450(2) limits the amount that can be transferred out of a contingency line item.

Is there a limit to the amount of money that can be budgeted in the contingency line item?

No. But there is a limit on how much money can be moved out of that line item using a resolution. No more than 15 percent of the total appropriations of the fund can be transferred out of contingency with a resolution. For example, if the appropriations of the fund are \$100,000, (including \$20,000 for operating contingency), only \$15,000, or 15 percent, of the appropriations may be transferred out using a resolution. In this example, the remaining \$5,000 can be transferred out only by adopting a supplemental budget. For more information about resolution transfers, see the chapter entitled “Phase 4—Changing the Adopted Budget.”

The size of the operating contingency should be based on past experiences and on the purpose of the fund. Don’t use it as an estimate for miscellaneous expenditures or to cover up improper or poor estimating practices. Funds where the costs can be very accurately predicted (a non-operating fund) can’t include a general operating contingency amount.

Can money budgeted in an unappropriated ending fund balance be spent during the year it’s budgeted?

No, unless certain conditions occur. Money budgeted in an unappropriated ending fund balance cannot be spent during the year budgeted, except in emergency situations caused by a natural disaster or civil disturbance.

After I have estimated all the expenditures, what do I do next?

On Form LB-30 you need to subtotal each expenditure category, or object classification, and show the subtotals on lines 7, 14, 21, and 26. Finally, add all the subtotals together to get the total of all estimated expenditures for the proposed budget. Add to this the unappropriated ending fund balance from line 28. The grand total goes on line 29.

The total expenditures on line 29 of the LB-30 should equal the total resources on line 32 of the LB-20.

Do the general fund expenditures and resources have to balance?

Yes. The proposed budget you prepare must balance resources to expenditures and requirements for all funds. If there are more expenditures and requirements than there are resources, you must revise the budget until it’s balanced. Don’t be tempted to unrealistically inflate the estimated resources in order to balance.

You can provide the budget committee with information about the additional expenditures that were not included in the proposed budget. It’s the budget committee’s responsibility to decide which expenditures to approve and which to reduce or eliminate. The committee also has a say in deciding to seek voter approval for additional tax revenue to balance the budget.

OAR 150-294.352(2) requires that resources and expenditures in each fund must balance.

ORS 294.455 allows money in the unappropriated ending fund balance to be used in certain, limited conditions.

ORS 287.007 explains how to calculate taxes needed for debt service fund.

My local government has a debt service fund. How do I estimate the taxes for the bonded debt levy?

When your voters approved the bonds, they also agreed to repay those bonds with property taxes. The amount of tax that you impose each year for bonded debt payments is based on the amount of the principal and interest payments that the bond contract requires you to make during the budget year. Just like the permanent rate limit taxes, you need to compensate for the loss from discounts and failure to pay. Bonded debt levies are not subject to the limits of Measure 5, so compression loss adjustments are not needed.

Take the total amount of principal and interest payments that must be made in the year for which you are budgeting. Add any amounts that will be required for principal and interest payments coming due in the following fiscal year before tax revenue is distributed in November. This amount must be added to the amount required this year. It is budgeted as an unappropriated ending fund balance (UEFB). You may also add any amounts needed to reimburse another fund for the payment of principal and interest on exempt bonded indebtedness that you made from other monies because collections of taxes levied for debt service were not sufficient to pay that debt service. Subtract from the total all the other resources available to the debt service fund, such as cash carry forward and interest earnings. Next, divide the total by the collection factor for the county.

Example:

Interest	\$57,000
Principal	\$52,000
UEFB	+ <u>\$27,000</u>
Total P&I	= \$136,000
Other resources	- <u>\$42,500</u>
Taxes needed to be received	= \$93,500
estimated collection factor	÷ <u>0.96</u>
Taxes to be imposed	= \$97,396

In order to receive the needed \$93,500 to pay the principal and interest, you must impose \$97,396. **The budget committee must approve this larger tax amount.** If you impose \$93,500, you would receive only 96 percent of that or \$89,760, which wouldn't provide enough money to make the payments.

Bonded debt taxes are always imposed as a dollar amount—never a tax rate. The assessor will compute the bond rate at the time the taxes are placed on the roll. The assessor will also adjust the rate for any urban renewal plan in the area, so you get the full amount of the debt service levy you ask for.

Which budget detail sheets do I use for my other types of funds?

There are different detail sheets for different types of funds. As we mentioned earlier, all the detail sheets have common elements. When completing detail sheets for your other types of funds, you follow the same process that you used for the general fund—estimate the resources and then estimate the expenditures.

Some of your other funds may also receive tax money directly into the fund. An example might be a special fund set up to track the receipt and expenditure of money from a local option tax. If a fund received tax money directly, estimate the amount needed to be imposed in order to balance.

Some of your other types of funds may not receive property tax money directly into the fund. When this is the case, you won't have to make tax revenue estimates. The other funds may receive money transferred in from the general fund. Transfers-in are budget resources. For every amount budgeted to be transferred out, there should be an equal amount budgeted to be transferred in.

The detail sheets for other types of funds are formatted to include estimates of both resources and expenditures on one page. Resources are shown on the top half of the forms, and requirements, which include expenditures, are shown on the bottom half of the forms.

Here are the types of funds and the detail sheet for each:

- Special Revenue Fund—LB-10.
- Capital Project Fund—LB-10.
- Debt Service Fund—LB-35.
- Trust and Agency Fund—LB-10.
- Reserve Fund—LB-11.
- Enterprise Fund—LB-10 or LB-20 and LB-30.

**FORM
LB-10**

**SPECIAL FUND
RESOURCES AND REQUIREMENTS**

SITE AND STATION

SAMPLE RURAL FIRE PROTECTION DIST.

Fund

(Name of Municipal Corporation)

	Historical Data			DESCRIPTION RESOURCES AND REQUIREMENTS	Budget for Next Year _____ 2001-02 _____			
	Actual		Adopted Budget This Year 2000-01		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year 1998-99	First Preceding Year 1999-00						
				RESOURCES				
				Beginning Fund Balance:				
1	61,951	152,278	900	1. Cash on hand* (cash basis), or	3,000	3,000	3,000	1
2				2. Working capital* (accrual basis)				2
3				3. Previously levied taxes estimated to be received				3
4	9,623	3,554	1,500	4. Earning from temporary investments	1,000	1,000	1,000	4
5	85,308	45,000	18,000	5. Transferred from other funds General	10,000	10,000	10,000	5
6				6.				6
7				7.				7
8				8.				8
9	156,882	200,832	20,400	9. Total resources, except taxes to be levied	14,000	14,000	14,000	9
10			-0-	10. Taxes necessary to balance	-0-	-0-	-0-	10
11	-0-	-0-		11. Taxes collected in year levied				11
12	156,882	200,832	20,400	12. TOTAL RESOURCES	14,000	14,000	14,000	12
				REQUIREMENTS				
1	4,604	199,549	17,400	1. Expansion/Improvements	12,000	12,000	12,000	1
2	-0-	-0-	3,000	2. Furnishings	2,000	2,000	2,000	2
3				3.				3
4				4.				4
5				5.				5
6				6.				6
7				7.				7
8				8.				8
9				9.				9
10				10.				10
11				11.				11
12				12.				12
13				13.				13
14				14.				14
15				15.				15
16	152,278	1,283	-0-	16. UNAPPROPRIATED ENDING FUND BALANCE	-0-	-0-	-0-	16
17	156,882	200,832	20,400	17. TOTAL REQUIREMENTS	14,000	14,000	14,000	17

**FORM
LB-11**

This fund is authorized and established by resolution / ordinance number
9-90 May 8, 1999

specified purposes:
To purchase fire suppression equipment

**RESERVE FUND
RESOURCES AND REQUIREMENTS**

EQUIPMENT

Fund

Year this reserve fund will be reviewed to be continued or abolished.
Date can not be more than 10 years after establishment.

Review Year 2009

SAMPLE RURAL FIRE PROTECTION DIST.

(Name of Municipal Corporation)

	Historical Data			DESCRIPTION RESOURCES AND REQUIREMENTS	Budget for Next Year <u>2001-02</u>			
	Actual		Adopted Budget This Year 2000-01		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year <u>1998-99</u>	First Preceding Year <u>1999-00</u>						
				RESOURCES				
				Beginning Fund Balance:				
1		27,200	48,000	1. Cash on hand* (cash basis), or	33,400	33,400	34,300	1
2				2. Working capital* (accrual basis)				2
3				3. Previously levied taxes estimated to be received				3
4	661	1,604	1,700	4. Earning from temporary investments	2,000	2,000	1,900	4
5	26,539	20,000	24,500	5. Transferred from other funds General	15,000	15,000	15,000	5
6				6.				6
7				7.				7
8				8.				8
9	27,200	48,804	74,200	9. Total resources, except taxes to be levied	50,400	50,400	51,200	9
10			-0-	10. Taxes ^{on (date)} necessary to balance _____ for the following	-0-	-0-	-0-	10
11	-0-	-0-		11. Taxes collected in year levied				11
12	27,200	48,804	74,200	12. TOTAL RESOURCES	50,400	50,400	51,200	12
				REQUIREMENTS				
1	-0-	-0-	26,220	1. Ambulance	26,300	26,300	26,300	1
2	-0-	-0-	10,500	2. Fire apparatus	4,000	4,000	4,000	2
3	-0-	-0-	4,000	3. Turnout gear	-0-	-0-	-0-	3
4				4.				4
5				5.				5
6				6.				6
7				7.				7
8				8.				8
9				9.				9
10				10.				10
11				11.				11
12				12.				12
13				13.				13
14				14.				14
15				15.				15
16	27,200	48,804	33,480	16. RESERVED FOR FUTURE EXPENDITURE	20,100	20,100	20,900	16
17	27,200	48,804	74,200	17. TOTAL REQUIREMENTS	50,400	50,400	51,200	17

**FORM
LB-35**

**BONDED DEBT
RESOURCES AND REQUIREMENTS**

Bond Debt Payments are for:

- Revenue Bonds or
- General Obligation Bonds

DEBT SERVICE
Fund

SAMPLE RURAL FIRE PROTECTION DIST.
Name of Municipal Corporation

HISTORICAL DATA				DESCRIPTION OF RESOURCES AND REQUIREMENTS	Budget For Next Year <u>2001-02</u>				
Actual		Adopted Budget This Year <u>2000-01</u>	Proposed By Budget Officer		Approved By Budget Committee	Adopted By Governing Body			
Second Preceding Year <u>1998-99</u>	First Preceding Year <u>1999-00</u>								
Resources									
Beginning Fund Balance:									
1	34,100	31,400	30,000	1. Cash on Hand (Cash Basis), or	29,500	29,500	31,500	1	
2				2. Working Capital (Accrual Basis)				2	
3	10,564	9,789	8,400	3. Previously Levied Taxes Estimated to be Received	9,000	9,000	9,000	3	
4	4,397	3,487	3,400	4. Earnings from Temporary Investments	4,000	4,000	6,000	4	
5				5. Transferred from Other Funds				5	
6				6.				6	
7	49,061	44,676	41,800	7. Total Resources, Except Taxes to be Levied	42,500	42,500	46,500	7	
8			99,200	8. Taxes Necessary to Balance *	93,500	93,500	89,500	8	
9	97,939	99,924		9. Taxes Collected in Year Levied *				9	
10	147,000	144,600	141,000	10. TOTAL RESOURCES	136,000	136,000	136,000	10	
Requirements									
				Bond Principal Payments					
				Issue Date	Budgeted Payment Date				
1	24,000	24,000	24,000	1. 1987 (equip.)	3-1-02	24,000	24,000	24,000	1
2	28,000	28,000	28,000	2. 1987 (bldg.)	3-1-02	28,000	28,000	28,000	2
3				3.					3
4	52,000	52,000	52,000	4. Total Principal		52,000	52,000	52,000	4
				Bond Interest Payments					
				Issue Date	Budgeted Payment Date				
5	31,200	30,800	29,200	5. 1987 (equip.)	9-1-01 & 3-1-02	27,500	27,500	27,500	5
6	32,400	31,600	30,800	6. 1989 (bldg.)	9-1-01 & 3-1-02	29,500	29,500	29,500	6
7				7.					7
8	63,600	62,400	60,000	8. Total Interest		57,000	57,000	57,000	8
				Unappropriated Balance for Following Year By					
				Issue Date	Payment Date				
9			14,000	9. 1987	9-1-02	12,900	12,900	12,900	9
10			15,000	10. 1989	9-1-02	14,100	14,100	14,100	10
11				11.					11
12				12.					12
13	31,400	30,200	29,000	13. Total Unappropriated Ending Fund Balance		27,000	27,000	27,000	13
14	147,000	144,600	141,000	14. TOTAL REQUIREMENTS		136,000	136,000	136,000	14

150-504-035 (Rev. 12-95)

* If this form is used for revenue bonds, resource lines 8 and 9 may not be used.
The district does not have authority to levy for these bonds.

ORS 294.401(6) provides that the proposed budget can be released to the budget committee members at any time before the first budget committee meeting.

When can I release the proposed budget to the budget committee members?

You may release the proposed budget to the budget committee at any time prior to or at the budget committee meeting where the budget message will be presented. This is the first budget committee meeting for which prior public notification is required.

The proposed budget is released before the budget committee meeting for the use of the individual budget committee members. It's

not intended that the committee get together in person, by telephone or via email before the public meeting to discuss or deliberate on the proposed budget. Any deliberation on the proposed budget must take place at a properly advertised public meeting. When the proposed budget is released to the budget committee, it becomes a public document and must be made available to anyone who asks to see it.

Notes:



PHASE 2

ORS 294.336 specifies that a budget committee must be established.

APPROVING THE BUDGET

What is a budget committee?

The budget committee is an advisory group established by statute. The committee is made up of the governing body of the local government and an equal number of appointed members. If the governing body can't find enough citizens willing to serve on the budget committee, then the committee is made up of the citizens who will serve *and* all the members of the governing body.

The appointed members must be electors of the local government. That means they must be qualified voters of the local government who have the right to vote on the adoption of any measure. They cannot be employees, officers, or agents of the local government. They are appointed for staggered, three-year terms. No member of the budget committee (governing body members included) can receive compensation for serving on the committee. They can receive reimbursement for expenses incurred while serving.

What is the purpose of the budget committee?

The budget committee has several purposes. It conducts public meetings to hear the budget message and review the budget proposed by the budget officer. One of its most important purposes is to listen to comments and questions from interested citizens. It considers this public input as it deliberates on the budget. It can revise the

ORS 294.401(1) explains the purposes of the budget committee.

proposed budget to reflect changes it wants to make in the local government's fiscal policy. When it is satisfied, the committee approves the budget. The budget committee doesn't have the authority to negotiate employee salaries.

What is the budget message?

The budget message explains the budget. It gives the budget committee and the public information that will help them understand the proposed budget.

The statute requires that the budget message contain a brief description of the financial policies reflected in the proposed budget and, in connection with the financial policies, explain the important features of the budget.

Sample of a Partial Budget Message

The proposed budget contains a reserve fund for equipment purchase. Our financial policy is to set aside money each year so that there will be money available to replace or purchase new fire suppression equipment when the need arises. We hope this fund will allow us to keep equipment up-to-date without having to ask our voters for additional tax revenue.

The budget message must also explain proposed changes from the prior year's budget and explain any major changes in financial policies.

The budget message is prepared by or under the direction of the chief executive officer (CEO), i.e., city manager, or the chair of the governing body if the local government doesn't have a CEO. It needs to be in writing so it can become part of the budget committee's records. It is delivered at the first meeting of the budget committee. It can be delivered by the budget officer, the chief executive officer, or the governing body chair.

ORS 294.406

requires the committee to approve the budget and specify the property taxes.

The budget committee also must approve the property tax rate or tax amounts that will be submitted to the assessor.

We recommend that the budget committee make a motion to approve the property taxes so that the action is documented in the minutes of the committee.

Sample Motion to Approve Taxes

I move that the Sample Rural Fire Protection District budget committee approve taxes for the 2001–2002 fiscal year at the rate of \$4.2379 per \$1,000 of assessed value for operating purposes, and in the amount of \$97,396 for payment of bond principal and interest.

OAR 150-294.336

requires that a quorum of the total budget committee members be present to hold a meeting.

How many budget committee members must be present to hold a meeting and take action?

There must be a quorum present to hold a meeting. A quorum is one more than half the committee membership. For example, if

there are six members of the budget committee, four must be present to hold a meeting.

To take action requires an affirmative vote of the majority of the membership, not just a majority of the members present. A majority is one more than half of the committee membership. So if there is just a quorum present, then all members must vote in the affirmative to take any action. In the example above, all four members would have to vote in the affirmative to approve the budget or take any other action.

How many meetings must the budget committee have?

Local budget law requires that the budget committee hold at least one meeting for the purpose of:

1. Receiving the budget message and budget document, and
2. Providing members of the public with an opportunity to ask questions about and comment on the budget.

You must give prior public notice of the meeting(s) held for these two purposes. If you plan to have more than one budget committee meeting for these purposes, the first meeting must be to receive the budget message and the budget document (unless the budget document has been released before the meeting). You can also plan to hear public comments and questions at the first meeting.

You have the option of not taking public comments at the first meeting. This is a policy decision that you should make with

ORS 294.401(3)

specifies the number of meetings and what kind of notice must be given.

the budget committee. Here are some reasons why you may choose not to take public comments at the first meeting:

- To give the budget committee time to hear and discuss the budget message,
- To allow the committee time to understand the proposed fiscal policy reflected in the proposed budget, and
- To give the committee and public time to walk through the budget document to understand how it is arranged.

If the budget committee does not invite the public to comment during the first meeting, the committee must provide that opportunity in at least one subsequent meeting. The notice of the committee meeting must tell the public at which meeting comments and questions will be taken. The budget committee can establish rules for public comment. The rules should be explained at the beginning of the first meeting at which the public is invited to speak. The rules should be reasonable and apply to everyone who has comments. Remember, one of the major reasons to have a budget committee meeting is to hear what your patrons have to say.

If several meetings are planned to take public comments and questions, only the first of the series must be published using the forms and dates required by local budget law. However, notice for the subsequent meetings must also be given. You can choose to give notice in the same time frame and manner as the regular meeting of the governing body, or you can use one of the local budget law publication methods.

How do I give public notice of the budget committee meeting?

Local budget law provides three publication methods for giving public notice:

- Printing in a newspaper of general circulation within the boundaries of the local government,
- Mailing through the United States Postal Service by first class mail, postage prepaid to each street address in the boundaries of the local government, or
- Hand delivering to each street address in the boundaries of the local government.

For the budget committee meeting, if you choose to give notice in a newspaper, it must be published twice, with at least five days between each printing. The first printing cannot be more than 30 days before the meeting and the second printing cannot be less than five days before the meeting.

If you choose to mail or hand deliver the notice, it must be mailed or delivered not later than 10 days before the meeting.

What qualifies as a “newspaper” for the purposes of local budget law?

The law defines a “newspaper” for public notices as a newspaper of general circulation, published in English for the dissemination of local or other news, or legal news. General circulation refers to a newspaper that is intended for a diverse audience. The newspaper must consist of at least four pages of at least five columns each. It must have subscribers representing more than

ORS 294.311(32) defines “publication” for the purposes of local budget law.

ORS 193.010(2) defines “newspaper” for the purpose of public notices.

half of the number of papers distributed. It must be published at least once a week and have been in publication for at least 12 consecutive months before the first printing of the public notice.

How do I count the days for local budget law purposes?

You count the days by excluding the date of the publication, mailing, or hand delivery and including the date of the meeting. This is the same counting method you use when you play a board game. Use calendar days, which include weekends and holidays. For example, if your notice appeared in the newspaper on April 15 and your meeting is on April 25, you would have given 10 days notice. Count April 25, but not April 15.

ORS 193.060 explains how to count days for public notices.

<i>April</i>					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15 Notice	16
17	18	19	20	21	22	23
24	25 Meeting	26	27	28	29	30

When the budget committee has finished its work, what is the next step?

After the budget committee is finished, complete the “Approved by Budget Committee” column on the detail sheet for each fund. Be sure to fill in all the lines in the column, even if the amounts are the same as the proposed budget. You will need this information later. Now it’s time to schedule the budget hearing. More public notices are required before the hearing.

What kind of notice is given before the budget hearing?*

You must publish a *summary of the approved budget*. The summary contains information on the approved budget, the current year’s budget, and the preceding year’s budget. You must also provide information on the *basis of accounting* that your local government uses. At the same time you publish the budget summary, you must publish notice of the hearing, giving the *time, date, and location*. All this information is **published not less than five days or more than 30 days before the hearing**. Only one publication is needed. Use the same publication method you used to give notice of the budget committee meeting.

* If your local government is located in Multnomah County you have different publication and hearing requirements. You need to refer to Budget Manual for Local Governments in Multnomah County produced by the Tax Supervising and Conservation Commission (TSCC). You can contact TSCC through its Web site at www.co.multnomah.or.us/orgs/tsccl or by telephone at 503-988-3054.

ORS 294.416 requires that a budget summary, financial summary, hearing notice, and basis of accounting be published.

In addition, you must publish a *financial summary by fund*. This summary gives the estimated budget resources and expenditures, the *outstanding indebtedness*, the *indebtedness authorized* but not yet incurred, and the *estimated tax levy*.

We know this can seem like an overwhelming task. So to help you with it, each year we provide you with the forms to publish the approved budget and financial summary and the notice of the hearing. The forms contain all the information required by the statutes.

If you are a general local government, the forms are the LB-1, LB-2, LB-3, and LB-4. If you are an education district, your forms are the ED-1, ED-2, and ED-3.

The publication forms are mailed to you each year in January. They come as part of a booklet called *Local Budget Law and Notice of Property Tax Forms and Instructions*. There are individual booklets for general local governments, education districts, and urban renewal agencies. The booklets contain detailed instructions and samples for completing all the forms. You can create all of the publication forms on your computer. Use the format of the forms we provide. Excel spreadsheet versions that you can download from our website are found at www.oregon.gov/DOR/PTD/localform.shtml.

Where do I get the numbers to complete the publication forms?

The numbers come from the budget detail sheets of the approved budget. School districts, education services districts, and most community colleges use publication forms

designed just for them. In this manual we are going to walk through the forms designed to be used by all other local governments. The basic principles for completing the forms apply to all local governments.

Which publication form do I fill out first?

Most of you will start with Form LB-3. If your general fund contains organizations or departments, you may need to complete Form LB-4. Instructions and an example of LB-4 are in the *Local Budget Law and Notice of Property Tax Form and Instructions* booklet.

What is the purpose of Form LB-3?

Form LB-3 is used to summarize each of your funds that directly receive property tax money. This usually includes the general fund, debt service fund, and any special revenue funds receiving local option taxes. Two funds can be summarized on one LB-3. If you have more than two funds receiving property taxes, simply use additional LB-3 forms.

The LB-3 has four columns. In the first column on the left, put the name of the fund that you are summarizing. Under the fund name is a listing of expenditure categories and resources. If a line item doesn't apply to your budget, just leave it blank.

The second column from the left is the "Actual Data Last Year" column. The information for this column is found in the approved budget detail sheets (see page 16) in the second column from the left, "First Preceding Year." Use the numbers from the total lines. When you get to the line for the

LB-3 PROPERTY TAX TO BE LEVIED

Publish ONLY completed portion of this page.

Name of Fund	General	Actual Data Last Year 1999-2000	Adopted Budget This year 2000-01	Approved Budget Next Year 2001-02
1. Total Personal Services.....		26,038	27,283	30,125
2. Total Materials and Services.....		59,117	75,250	73,100
3. Total Capital Outlay.....		2,931	5,000	6,000
4. Total Debt Service.....				
5. Total Transfers.....		45,000	42,500	25,000
6. Total Contingencies.....			7,500	28,340
7. Total Reserves and Special Payments.....				
8. Total Unappropriated Ending Fund Balance.....		37,658	16,795	24,225
9. Total Requirements.....		170,744	174,328	186,790
10. Total Resources Except Property Taxes.....		78,863	81,500	85,000
11. Property Taxes Estimated to Be Received.....		91,881	92,828	101,790
12. Total Resources (add lines 10 and 11).....		170,744	174,328	186,790
13. Property Taxes Estimated to be Received (line 11)			92,828	101,790
14. Estimated Property Taxes Not to be Received.....				
A. Loss Due to Constitutional Limit.....			7,710	7,981
B. Discounts, Other Uncollected Amounts.....			1,888	4,241
15. Total Tax Levied (add lines 13 and 14).....			102,426	114,012
			Rate or Amount	Rate or Amount
16. Permanent Rate Limit Levy (rate limit <u>4.2379</u>).....			4.2379	4.2379
17. Local Option Taxes.....				
18. Levy for Bonded Debt or Obligations.....				

From "Approved" column of budget detail sheets.

From Property Tax Worksheet.

Rate approved by budget committee.

Name of Fund	Debt Service	Actual Data Last Year 1999-2000	Adopted Budget This year 2000-01	Approved Budget Next Year 2001-02
1. Total Personal Services.....				
2. Total Materials and Services.....				
3. Total Capital Outlay.....				
4. Total Debt Service.....		114,400	112,000	109,000
5. Total Transfers.....				
6. Total Contingencies.....				
7. Total Reserves and Special Payments.....				
8. Total Unappropriated Ending Fund Balance.....		30,200	29,000	27,000
9. Total Requirements.....		144,600	141,000	136,000
10. Total Resources Except Property Taxes.....		44,676	41,800	42,500
11. Property Taxes Estimated to Be Received.....		99,924	99,200	93,500
12. Total Resources (add lines 10 and 11).....		144,600	141,000	136,000
13. Property Taxes Estimated to be Received (line 11)			99,200	93,500
14. Estimated Property Taxes Not to be Received.....				
A. Loss Due to Constitutional Limit.....			0	0
B. Discounts, Other Uncollected Amounts.....			3,968	3,896
15. Total Tax Levied (add lines 13 and 14).....			103,168	97,396
			Rate or Amount	Rate or Amount
16. Permanent Rate Limit Levy (rate limit _____).....				
17. Local Option Taxes.....				
18. Levy for Bonded Debt or Obligations.....			103,168	97,396

Bond levy amount approved by budget committee. This amount includes the loss estimated from discounts and uncollectibles.

unappropriated ending fund balance, use the actual ending fund balance for that year from the appropriate detail sheet. For example, the general fund information would be on Form LB-30, line 28, "First Preceding Year" column. This column doesn't require actual data for the breakdown of property tax losses, so lines 14 through 18 are left blank.

Let's look at column three, "Adopted Budget This Year." The information for this column also comes from the approved budget detail sheets. The column on the detail sheets has the same name. Again, use the numbers from the total lines. For example, on the LB-30 use the numbers from lines 7, 14, and 21. If the fund has more than one budgeted transfer, add all the transfer amounts together for the total amount to place on line 5 of the LB-3. The amount of contingency on line 6 of the LB-3 is taken from the contingency line of the appropriate detail sheet.

To get the numbers for lines 14 through 18, you need to look at another form. These numbers are found on last year's LB-3 in the fourth column from the left, "Approved Budget Next Year."

**FORM
LB-2**

**FUNDS NOT REQUIRING A
PROPERTY TAX TO BE LEVIED**

Publish ONLY completed portion of this page. Total Anticipated Requirements **must equal** Total Resources

Name of Fund	Site & Station Special Fund	Actual Data Last Year 1999-2000	Adopted Budget This year 2000-01	Approved Budget Next Year 2001-02
1. Total Personal Services.....				
2. Total Materials and Services.....			3,000	2,000
3. Total Capital Outlay.....		199,549	17,400	12,000
4. Total Debt Service.....				
5. Total Transfers.....				
6. Total Contingencies.....				
7. Total Reserves and Special Payments.....				
8. Total Unappropriated Ending Fund Balance.....		1,283		
9. Total Requirements.....		200,832	20,400	14,000
10. Total Resources Except Property Taxes.....		200,832	20,400	14,000
Name of Fund	Equipment Reserve	Actual Data Last Year 1999-2000	Adopted Budget This year 2000-01	Approved Budget Next Year 2001-02
1. Total Personal Services.....				
2. Total Materials and Services.....			4,000	
3. Total Capital Outlay.....			36,720	30,300
4. Total Debt Service.....				
5. Total Transfers.....				
6. Total Contingencies.....				
7. Total Reserves and Special Payments.....		48,804	33,480	20,100
8. Total Unappropriated Ending Fund Balance.....				
9. Total Requirements.....		48,804	74,200	50,400
10. Total Resources Except Property Taxes.....		48,804	74,200	50,400

Includes "Reserved for future expenditure" amounts

The final or fourth column on the LB-3 is where you summarize the recently approved budget. The numbers for lines 1 through 13 are from the budget detail sheets “Approved by Budget Committee” column. Again, pick up only the numbers from the total lines on the detail sheets. If a line item doesn’t apply, leave it blank.

The numbers for lines 13 and 14 come from the calculations that you did when estimating taxes to be received for the proposed budget. The *Property Tax Worksheet* and the bond levy calculation that we did in Phase 1 should have the information needed to complete the LB-3.

Lines 16 through 18 are used to report the type of taxing authority your local government is using.

- The permanent rate limit in column 1, line 16, is filled in to show your maximum limit. The rate that you fill in on line 16 in column 4 shows how much of that limit you plan to use for the approved budget. You have the option of imposing less tax than your permanent rate limit allows.
- Line 17 is where you show the rate or amount of any local option taxes approved by the budget committee that you plan to impose.
- Line 18 is the amount of taxes needed to pay the coming year’s bonded debt. Use the amount that was approved by the budget committee that includes the factor for losses from discounts and uncollectibles. In Phase 1 we discussed how to calculate

bonded debt levies.

Now do I fill out the LB-2?

Yes. The LB-2 is very similar to the LB-3. The difference is that it doesn’t contain information about property taxes. You use the LB-2 to summarize funds that do not directly receive property taxes. Reserve funds, trust funds, and enterprise funds are funds that may not receive direct property tax money.

The LB-2 has four columns like the LB-3. The first column on the left is where you record the name of the fund being summarized. It also contains a listing of expenditures and resources.

Column 2 is where last year’s actual data is shown. These data come from the approved budget detail sheets, second column from the left, “First Preceding Year.” Use the numbers from the total lines. When you get to the line for the unappropriated ending fund balance, use the actual ending fund balance for that year from the appropriate detail sheet. Line 10 is the total of all the resources used by the fund, such as cash carry forward and interest earnings.

Column 3 is where you show the information from the “Adopted Budget This Year.” The information for this column also comes from the current year’s budget detail sheets. The column on the detail sheets has the same name. Again, use the numbers from the total lines.

FORM LB-1 NOTICE OF BUDGET HEARING

A meeting of the _____ Board of Directors _____ (governing body) will be held on _____ May 29 _____, 2000 at _____ 7:00 pm at _____ 123 Cinder St., Sample, Oregon _____. The purpose of this meeting will be to discuss the budget for the fiscal year beginning July 1, 2000, as approved by the _____ Sample Rural Fire Protection District _____ Budget Committee. A summary of the budget is presented below. A copy of the budget may be inspected or obtained at _____ 1234 E. Main, Sample, OR _____ between the hours of _____ 8:00 a.m. _____ and _____ 4:30 p.m. _____. This budget was prepared on a basis of accounting that is _____ X _____ consistent _____ not consistent with the basis of accounting used during the preceding year.

Major changes, if any, and their effect on the budget, are explained below. This budget is for: Annual Period 2-Year Period

County	City	Chairperson of Governing Body	Telephone Number
Green	Sample	F.R. Hose	(540) 223-9931

FINANCIAL SUMMARY

<input type="checkbox"/> Check this box if your budget only has one fund		TOTAL OF ALL FUNDS	Adopted Budget This Year 2000-2001	Approved Budget Next Year 2001-2002
Anticipated Requirements	1. Total Personal Services		27,283	30,125
	2. Total Materials and Supplies		82,250	75,100
	3. Total Capital Outlay		59,120	48,300
	4. Total Debt Service		112,000	109,000
	5. Total Transfers		42,500	25,000
	6. Total Contingencies		7,500	28,340
	7. Total Reserves and Special Payments.....		33,480	20,100
	8. Total Unappropriated Ending Fund Balance		45,795	51,225
	9. Total Requirements - add Lines 1 through 8		409,928	387,190
Anticipated Resources	10. Total Resources Except Property Taxes		217,900	191,900
	11. Total Property Taxes Estimated to be Received		192,028	195,290
	12. Total Resources - add Lines 10 and 11		409,928	387,190
Estimated Ad Valorem Property Taxes	13. Total Property Taxes Estimated to be Received (line 11)		192,028	195,290
	14. Plus: Estimated Property Taxes Not To Be Received			
	A. Loss Due to Constitutional Limits		7,710	7,981
	B. Discounts Allowed, Other Uncollected Amounts		5,856	8,137
15. Total Tax Levied - add Lines 13 and 14		205,594	211,408	
Tax Levies By Type	16. Permanent Rate Limit Levy (rate limit \$4.2379)		Rate or Amount 4.2379	Rate or Amount 4.2379
	17. Local Option Taxes			
	18. Levy for Bonded Debt or Obligations		103,168	97,396

From LB-2 and LB-3

From LB-3

STATEMENT OF INDEBTEDNESS

<input type="checkbox"/> None	Debt Outstanding <input checked="" type="checkbox"/> As Summarized Below	<input checked="" type="checkbox"/> None	Debt Authorized, Not Incurred <input type="checkbox"/> As Summarized Below
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PUBLISH BELOW ONLY IF COMPLETED

Long-Term Debt	Estimated Debt Outstanding at the Beginning of the Budget Year	Estimated Debt Authorized, Not Incurred at the Beginning of the Budget Year
	July 1 2000	July 1 2000
Bonds	345,800	
Interest Bearing Warrants		
Other		
Total Indebtedness	345,800	0

Short-Term Debt

This budget includes the intention to borrow in anticipation of revenue ("Short-Term Borrowing") as summarized below:

Fund Liabile	Estimated Amount to be Borrowed	Estimated Interest Rate	Estimated Interest Cost

The final or fourth column on the LB-2 is where you summarize the recently approved budget. The numbers are from the budget detail sheets, “Approved by Budget Committee” column. Again, pick up only the numbers from the total lines on the detail sheets. If a line item doesn’t apply, leave it blank.

I have completed LB-3 and LB-2. Now do I complete LB-1?

Yes. Form LB-1 combines the information of the funds summarized on the LB-3 and LB-2 forms. Those forms summarized the approved budget by fund. The LB-1 will now summarize the entire budget.

The top portion of the LB-1 is the notice of the budget hearing. It is also the notice of the basis of accounting that you are required to publish each year. The basis of accounting is the accounting method used by your local government to record transactions. Local budget law recognizes three basis of accounting—cash, accrual, and modified accrual. To read more about the basis of accounting, see chapter 6 of the *Local Budgeting Manual*.

The center of the form is the financial summary and the information about the property taxes. The amounts on lines 1 through 12 in both columns come from the information in the corresponding columns of the LB-3 and LB-2. For example, the amount of personal services on line 1 is the total of all personal services (lines 1) from all the funds summarized on the LB-3 and LB-2.

The amounts on lines 13 through 18 in both columns come from the corresponding columns of the LB-3 only. For example, the amount for loss due to constitutional limits (lines 14A) is the total loss from all funds shown on the LB-3.

The bottom third of the LB-1 is your statement of indebtedness. If your local government has no long-term debt, check the boxes labeled “None.” If you do have long-term debt, check the “As summarized below” box or boxes and complete the rest of the form. Long-term debt is debt that will not be fully repaid by the end of next fiscal year.

The “Estimated debt outstanding” is the amount of debt that the local government will have at the beginning of the year for which you are budgeting. “Debt authorized, not incurred” is usually from voter-approved bonds that have not been sold yet. Since the debt hasn’t been incurred, your budget would not show any debt service payments.

These three forms are now published by one of the publication methods explained earlier. Publish not less than five days or more than 30 days before the hearing. Only one publication is needed.

Must I use these forms to give notice of the budget hearing?

No. There is an alternate method of giving notice called a “narrative publication.” The purpose of this method is to give meaning to the budget figures while highlighting significant features of the budget. To read more

ORS 294.418 allows for narrative publication of the approved budget.

about narrative publication, see Chapter 8 of the *Local Budgeting Manual*.

ORS 294.425 provides the way to correct errors in publication.

What happens if I make a mistake on the publication forms?

Errors in publishing are bound to happen. The statutes anticipated this and provide you with a process to correct errors. Correctable errors include such things as typographical errors, failure to mail or hand deliver to each street address, math errors, errors in estimating tax revenue, and failure to publish within the required time periods. Errors can be corrected as long as you made a good faith effort to publish correctly.

If an error occurs you can correct it as follows: At the first regularly scheduled meeting of the governing body after the

error is discovered, inform the governing body in writing of the error. Give testimony before the governing body about what the error was and what the correct information should have been. For example, if the amount of personal services printed on the LB-1 didn't include the personal services from all funds, explain the mistake and then tell the governing body what the correct amount should have been.

It should be noted that these errors are errors in the published documents. You can't change the expenditures, resources, or taxes approved by the budget committee. If the committee approved an incorrect amount, the governing body can make the correction at the budget hearing.

PHASE 3

ORS 294.430 requires the governing body to conduct a hearing on the approved budget.

ORS 294.435 allows for adjustments to the approved budget with certain limitations.

ADOPTING THE BUDGET AND CERTIFYING TAXES

What is the purpose of the budget hearing?

The purpose of the hearing is to deliberate on the budget approved by the budget committee and to consider any additional public comments. The governing body conducts the hearing.*

What types of changes can the governing body make to the approved budget?

The governing body can make any adjustments that it deems necessary to the approved budget before July 1.

- The governing body can increase expenditures of any fund up to \$5,000 or 10 percent, whichever is greater. Increases greater than these limits can be made only after the amended budget is republished and a second hearing is held before July 1.
- The governing body can reduce expenditures of any fund without republishing the budget.
- The governing body can increase the amount or rate of taxes to be imposed above what the budget committee approved after the amended budget is republished and a second hearing held. The governing body can't, however, increase taxes above legal limits—permanent rate limit, voter-approved local option tax rate or dollar amount, and bond principal and interest requirements.

- The governing body can reduce the tax rate or amount approved by the budget committee. No republication of the budget is needed to make this adjustment.
- The governing body can adjust the other resources in each fund.

What is meant by republication?

Republication means that the budget, as amended with changes the governing body wants to make, is published in the same manner as the approved budget was originally published. The LB-1, LB-2, LB-3, and LB-4 forms are redone to reflect the changes to the budget. If the approved budget was published in a newspaper, then the amended budget would also be published in a newspaper. The amended budget is published one time not more than 30 days or less than five days before the second hearing.

** If your local government is located in Multnomah County you have different publication and hearing requirements. You need to refer to Budget Manual for Local Governments in Multnomah County produced by the Tax Supervising and Conservation Commission (TSCC). You can contact TSCC through its website at www.co.multnomah.or.us/orgs/tsccl or by telephone at 503-988-3054.*

Is the budget adopted at the hearing?

The budget doesn't have to be adopted at the hearing. The governing body can wait until closer to the end of the fiscal year to formally adopt the budget. The required resolutions or ordinances can be enacted at a regular meeting of the governing body. By waiting until closer to the end of the fiscal year, the budget can contain better estimates of resources. But you must make sure that the budget is adopted by June 30.

To adopt the budget, the governing body enacts a resolution or ordinance. At the same time, the governing body also enacts resolutions or ordinances to make appropriations and to impose and categorize property taxes.

What is a resolution or ordinance?

A resolution is a formal expression of the opinion or will of an official body. An ordinance has the character of an enactment of law by an established authority. Counties, cities, and certain special districts have the power to enact ordinances. Most other special districts do not have this power and instead use resolutions.

For the purposes of local budget law, a resolution or ordinance by the governing body provides the legal authority to establish or dissolve funds, make appropriations for expenditures, adopt a budget, impose and categorize taxes, and perform all other legal actions pertaining to budgeting and making tax levies.

What is the purpose of the resolution to adopt the budget?

As its name implies, this resolution (or ordinance) formally adopts the budget for the coming fiscal year. We recommend that the resolution statement adopting the budget state the fiscal year to which the budget pertains and the total amount of budget requirements.

Sample Resolution Statement Adopting the Budget

BE IT RESOLVED that the Board of Directors of the Sample Rural Fire Protection District hereby adopts the budget for fiscal year 2001–2002 in the sum of \$387,990 now on file at the Fire Hall, 123 N. Cinder St., Sample, Oregon.

What is the purpose of the resolution making appropriations?

The resolution (or ordinance) making appropriations gives your local government the authority to spend money and incur obligations in the coming year. The schedule of appropriations also sets limits on the amount of money that can be spent in each object classification within each fund.

During the budget year, spending can't exceed the amounts specified in this resolution unless additional budgeting steps are taken. Exceeding appropriation authority, at the least, can result in a comment in your audit report. At the worst, it can result in litigation against the governing body under ORS 294.100. Under

ORS 294.435(3) requires that appropriations be made and specifies the minimum level of appropriations.

this statute, the officials of a local government can be held personally liable for spending money in excess of the amount authorized or for a different purpose than authorized.

What is the minimum level of appropriations?

The statute requires that a minimum level of appropriations be made within each fund. If your fund contains organizational units or programs, the minimum level to which you must appropriate is the organization unit (department) or program. For funds without organizational units or programs, the minimum appropriation level is to the object classification. As you remember, in Phase 1 we talked about object classifications when we were preparing the proposed budget:

- Personal services,
- Materials and services, and
- Capital outlay.

The statute further requires that other items be appropriated separately. These include interfund transfers, debt service amounts, and operating contingency amounts. The listing of appropriations by fund is called the schedule of appropriations.

You can choose to appropriate to a finer level of detail; however, most local governments do not. Within an object classification, the governing body can choose to appropriate by line item. For example, under Materials and Services you can make separate appropriations for rent, utilities, service contracts, etc. During the budget year you are held to spending within the amount appropriated

for each item. To exceed the appropriated amount, the governing body must take official action such as enacting a resolution transfer or adopting a supplemental budget. We will talk more about these actions in the chapter on “Changing the Adopted Budget.”

You **do not include** “unappropriated ending fund balances” and “reserved for future expenditures” in the schedule of appropriations because these amounts are not going to be spent during the budget year. If you want to read more about appropriations, refer to Chapter 12 in the *Local Budgeting Manual*.

Sample Resolution Statement Making Appropriations	
BE IT RESOLVED that for the fiscal year beginning July 1, 2001, the amounts for the purposes shown below are hereby appropriated.	
General Fund	
Personal Services	\$31,095
Materials & Services	73,100
Capital Outlay	6,000
Transfers	25,000
Contingency	<u>27,370</u>
Total	\$162,565
Debt Service Fund	
Debt Service	\$109,000
Equipment Reserve Fund	
Capital Outlay	\$30,300
Site & Station Fund	
Capital Outlay	<u>\$14,000</u>
Total Appropriations	<u><u>\$315,865</u></u>

ORS 310.060 requires that the resolution imposing taxes accompany the tax certification given to the assessor.

Why do I need a resolution to impose and categorize taxes?

Since local governments have the option of imposing no property taxes or imposing less tax than their taxing authority allows, each year they must officially state their intent to impose taxes. A resolution (or ordinance) that states this intent must accompany the notice of property tax certification form that is submitted to the assessor in July.

The resolution imposing and categorizing taxes must state the taxes in the exact form and amount that the local government wants to certify to the assessor. If it is the local government's intent to impose taxes to its full permanent rate limit, then that rate must be included in the resolution. Don't show a dollar amount of property taxes for operations in the resolution if you intend to certify a tax rate for operations.

If you have local option tax authority, state this in the resolution using the dollar amount or tax rate that was approved by the voters. When you have a local option tax approved for operations and one approved for capital projects, state each type of tax separately in the resolution.

Remember that taxes to pay bonded debt are always imposed as a dollar amount. The full dollar amount of the taxes needed, including the amount for loss due to discounts and uncollectibles, must be shown in the resolution.

Sample Resolution Statement Imposing and Categorizing Taxes

BE IT RESOLVED that the Board of Directors of the Sample Rural Fire Protection District hereby imposes the taxes provided for in the adopted budget at the rate of \$4.2379 per \$1,000 of assessed value for general operations; and in the amount of \$97,396 for bonds; and that these taxes are hereby imposed and categorized for tax year 2001–2002 upon the assessed value of all taxable property in the district.

	General Government Limit	
<i>General Fund</i>	\$4.2376/\$1,000	
		Excluded from Limit
<i>Debt Service Fund</i>		\$97,396

Do I have to make three separate resolutions?

No. If you want, all the resolution statements can be combined into one resolution. Make sure at least one of the governing body members sign the resolutions before they are submitted to the assessor's office.

What is the purpose of the LB-50 and ED-50?

Their purpose is to inform the county assessor of your intent to impose taxes, qualifying fees, special assessments, or charges on the property within your boundaries. They contain all the information required by statute and needed by the assessor to place your taxes, fees, assessments, or charges on the tax roll.

General local governments use the notice called Form LB-50. Education districts use the notice called Form ED-50. The certification forms are mailed to you each year. They are included in the booklets that also contain the publication forms. Urban renewal agencies have their own notice called Form UR-50. Instructions on how to complete the UR-50 are provided in the forms booklet so we won't discuss them here.

Where do I get the information needed to fill out the LB-50 or ED-50?

The information comes from several different places. Samples of the current year's LB-50 and ED-50 are included in the booklets *Local Budget Law* and *Notice of Property Tax Forms and Instructions* sent to you each year. Let's look at the top of the form first. The information needed here comes from the records of your local government. This section identifies your local government and the county to which you are certifying your taxes. It asks for the name of a contact person. This needs to be a person who is available between July and September to

answer specific questions about the forms and accompanying resolutions.

Part I is where you show the taxes that your local government intends to impose for the coming year. The information for this part comes from the resolution (or ordinance) imposing and categorizing taxes. The tax rate or dollar amount you enter in this part must be **exactly the same** as the tax rate or dollar amount stated in the resolution.

- If the resolution imposes taxes as a rate under the permanent rate limit, show the same rate on line 1 of the LB-50 or ED-50. If your local government decides to impose taxes in a dollar amount under the permanent rate limit, show the dollar amount from the resolution on line 1 of the LB-50 or ED-50.
- If you have local option tax authority, show the dollar amount or the tax rate as approved by the voters and recorded in the resolution. You must separate local option taxes for operations from local option taxes for capital projects. To read more about local option taxes, refer to Chapter 10 of the *Local Budgeting Manual*.
- If you have what is commonly called "gap bond" authority, show the dollar amount of the tax from the resolution that you intend to impose for this purpose. More information about gap bonds can be found in Appendix F of the *Local Budgeting Manual*.
- Only the city of Portland has the authority to impose property taxes specifically for pension and disability obligations. The amount

to be imposed for this purpose is contained as a separate clause in the resolution.

- If you intend to impose taxes to pay bonded indebtedness, show the dollar amount as recorded in the resolution.

The “certification” portion of the form is where you certify that the budget committee approved the taxes you intend to impose, or that the governing body changed the taxes after the budget was republished and a second hearing held. This information comes from the minutes of the budget committee meetings or the governing body hearing. One of these boxes must be checked or the assessor’s office can’t accept your form.

Part II, line 7, is where you tell the assessor the full permanent rate limit of your local government. The rate shown on line 1 must be equal to or less than the rate you show on line 7. Your permanent rate limit is found in the records of your local government, and in Appendices D and E of the *Local Budgeting Manual*.

If you are a newly formed district that is imposing taxes for the first time, line 8 is where you show the date voters approved your permanent rate limit. This information comes from the ballot measure that the voters approved. You only have to complete this line in the first year you impose taxes.

Also in the first year, include two copies of the ballot measure voters approved when you file the LB-50.

Line 9 is used by local governments that have merged or consolidated in the preced-

ing fiscal year. If your local government has merged or consolidated and you have questions about how this affects the permanent rate limit, contact the Finance and Taxation Team via e-mail at finance.taxation@state.or.us or by phone at 503-945-8293.

Part III is a schedule of the local option taxes you are imposing on lines 2 and 3. You can find this information in the voter-approved ballot measure(s). If you are imposing a local option tax you must complete this portion of the form. This schedule tells the assessor what kind of local option tax authority the voters approved, the date voters gave their approval, the length of time the tax can be imposed, and the amount of tax or tax rate that can be imposed each year.

Part IV only appears on the LB-50. This is where you show the special assessments, fees, or charges that you intend to impose. Only certain assessments, fees, and charges can be collected through the property tax system. You must have statutory authority to place these amounts on the tax roll. More detailed information about certifying special assessments, fees, and charges is found in the *Local Budget Law and Notice of Property Tax Forms and Instructions* booklet.

What do I submit to the assessor’s office?

By July 15 of each year you must give the assessor’s office **two copies** of:

- The resolution(s) or ordinance(s) adopting the budget, making appropriations and imposing and categorizing tax,

ORS 310.060 requires taxing entities to give the assessor written notice of their intent to impose property taxes, accompanied by a resolution imposing taxes.

ORS 294.555 requires local governments subject to local budget law to submit copies of their resolutions adopting the budget and making appropriations with the tax certification documents.

- The notice of property tax certification (LB-50, ED-50, or UR-50), and
- Successful ballot measures for local option taxes or permanent rate limits.

What do I submit if we do not levy property taxes?

If your local government is subject to local budget law, but does not levy taxes, submit two copies of your resolutions adopting the budget and making appropriations.

What if we aren't subject to local budget law, but do levy taxes?

In that case, submit two copies of the resolutions imposing and categorizing the tax and two copies of your LB-50. Also submit two copies of any ballot measure authorizing a new tax levy.

What do I do if can't make the filing deadline?

If you aren't able to submit your tax certification documents by July 15, you must send a written request to the assessor by July 15 asking for an extension of time to file the documents. The assessor will give you written notice of the date to which you have been granted an extension. This is an extension of time to file the tax certification documents. It does not give you an extension of time to adopt a budget.

Where do I send the city council resolution or ordinance electing to receive state revenue sharing?

Send the resolutions required by ORS 221.770 to Oregon Department of Administrative Services by July 31.

Do I give a copy of the budget to anyone?

Yes. Give a copy of the complete budget document, including publication and tax certification forms, to the county clerk by September 30. In addition, school districts must submit complete hard-copy budgets to their Education Service District and the Department of Education. An electronic version of the budget is also required. It is due to the Department of Education by August 15. You don't submit your budget to the assessor's office unless you have received a specific request from the assessor.

How long does a local government have to keep a budget?

You must retain a complete copy of each budget for two fiscal years after the year to which the budget pertains. If you prepared a biennial budget, you must keep a complete copy of each budget for two budget periods after the budget period to which the budget pertains.

ORS 310.060(7) requires that a copy of the complete budget be given to the county clerk by September 30.

ORS 294.555(4) requires that the budget be kept for two fiscal years after the year to which the budget pertains.

PHASE 4

CHANGING THE ADOPTED BUDGET

ORS 294.100 makes it unlawful to spend public money in excess of the amount provided by law, or for a different purpose than provided by law.

ORS 294.450 allows the transfer of appropriations within a fund during the fiscal year.

OAR 150-294.450(3) further explains transferring appropriations with a resolution.

After July 1 can the adopted budget be changed?

Yes. After you begin operating within the adopted budget, changes can be made under certain circumstances. Resolution transfers and supplemental budgets can change the adopted budget. One of these actions must be taken before more money is spent than appropriated in the adopted budget, or before money is spent for a different purpose than appropriated in the adopted budget. It is unlawful to spend public money in excess of the amounts budgeted or for a different purpose than budgeted. Public officials can be sued for such actions if the expenditure is found to be malfeasance in office or willful or wanton neglect of duty. Creating a supplemental budget or a resolution transfer after the expenditure is made does not protect the governing body members from suit.

What is a resolution transfer?

A resolution transfer is a way to move appropriations from one existing category to another, usually within the same fund, during the fiscal year. To transfer appropriations, and in some cases resources, the governing body must pass a resolution. The resolution must state the need for the transfer, the purpose of the expenditure, and the amount to be transferred. If you

want to create a new appropriation category or spend additional money that wasn't included in the adopted budget, you will probably need to do a supplemental budget.

Resolution transfers are used within a fund. For example, within the general fund you can use a resolution to transfer appropriation authority out of the existing materials and services area into the existing personal services area. You must decrease appropriations in materials and services the same dollar amount that you increase appropriations in personal services. The total appropriations for the general fund don't change. A resolution can also be used to transfer resources and appropriation authority from the general fund to any other fund in your budget. A resolution transfer is used to move appropriations from contingency to other appropriation categories within the same fund. Contingency line items are discussed in "Phase 1—Preparing the Proposed Budget" on pages 17-19.

You can't, however, use a resolution to transfer appropriations and resources from a special revenue fund to the general fund. For the purposes of resolution transfers, all funds except the general fund are considered special revenue funds. To move resources and appropriations from a special revenue fund to the general fund, you must

ORS 294.480 allows for a supplemental budget to be prepared under certain conditions.

use a supplemental budget. Be sure to check that your charter, ordinances, contracts, or other restrictions allow the money from a special revenue fund to be used for general purposes.

What is a supplemental budget?

A supplemental budget is a budget prepared during the fiscal year that modifies the adopted budget. If you need to pay expenses that were not included in the adopted budget or you receive money during the year that you were not expecting, preparing a supplemental budget allows you to make the needed expenditures.

Supplemental budgets, like the budgets they modify, are valid through June 30 of the fiscal year in which they are prepared. The appropriations created by a supplemental budget are also valid to the end of the fiscal year.

If you have adopted a biennial budget, the supplemental budget would be effective through the 24-month budget period. The appropriations created by the supplemental budget would be valid to the end of the budget period.

Supplemental budgets are used to create new appropriations to spend increased resources. They can be used for other purposes, too. As mentioned earlier, they can be used to transfer resources and appropriations from a special revenue fund to the general fund. They can also be used to create a new appropriation category within a fund. For example, in the

adopted budget a special revenue fund has no expenditure planned for capital outlay. A supplemental budget can be used to establish a category for capital outlay and transfer appropriations from another category into it. A supplemental budget can also be used to establish a new fund.

When can I prepare a supplemental budget?

You can prepare a supplemental budget when:

- An occurrence or condition that was not known at the time the adopted budget was prepared requires a change in your financial planning,
- A situation that was not foreseen at the time the adopted budget was prepared requires prompt action,
- Money that was not anticipated when the adopted budget was prepared is made available by another unit of federal, state, or local government,
- A request for services or facilities is received, the cost of which will be paid for by a private individual, corporation, or another governmental unit and was not known at the time the adopted budget was prepared,
- Property taxes are received in an amount much greater than the amount estimated in the adopted budget and the difference in resources will significantly affect the level of service your local government could provide.

When is supplemental budget *not* allowed?

You can't prepare a supplemental budget to deal with a situation that was known at the time the adopted budget was prepared. For example, if the budget committee discussed budgeting money to buy a piece of property but decided not to include the purchase in the budget, a supplemental budget can't be used later to make the purchase.

Also, you can't use a supplemental budget to spend money in an unappropriated ending fund balance, except when needed because of a natural disaster, civil disturbance, or involuntary conversion. Involuntary conversion happens when property is unintentionally damaged or destroyed.

How do I prepare a supplemental budget?

There are two processes for preparing and adopting a supplemental budget. The process you must follow depends on how big of a change you intend to make to the adopted budget. If you plan to adjust a current budget fund by less than 10 percent of that fund's expenditures, then the process to adopt the supplemental budget is fairly simple. If the supplemental budget will be adjusting more than one fund, the change to each fund must be less than 10 percent to use the simpler process.

If the change that needs to be made to a fund of the adopted budget is 10 percent or more of the expenditures of the fund, then a longer budgeting process must be followed.

Neither process requires the involvement of the budget committee.

What is considered an expenditure for the purpose of supplemental budgeting?

Expenditures include all the amounts appropriated in the resolution making appropriations, except interfund transfer amounts and contingency amounts. Of course, unappropriated ending fund balance amounts are not expenditures.

Resolution Statement Making Appropriations

BE IT RESOLVED that for the fiscal year beginning July 1, 2001, the amounts for the purposes shown below are hereby appropriated:

General Fund

Personal Services	\$ 95,000
Materials & Services	220,000
Capital Outlay	100,000
Contingency	<u>35,000</u>
Total	\$450,000

In this example, the total qualifying expenditures for the general fund would be \$415,000, since the contingency amount would not be included. An adjustment to this fund of \$41,499 or less would qualify for the simpler supplemental budget process. An adjustment in the amount of \$41,500 or more would be 10 percent or greater, thus requiring the more involved budgeting process.

OAR 150-204.480 defines expenditures for the purpose of supplemental budgeting.

What is the supplemental budgeting process for a change of less than 10 percent?

When the change to an individual fund of the adopted budget is less than 10 percent of the expenditures of that fund, use the following process:

1. The governing body adopts the supplemental budget at a regularly scheduled board meeting. The budget committee is not required.
2. Notice of the regular meeting at which the supplemental budget will be adopted is published by one of the publication methods described earlier in Phase 2. The notice is published **not less than five days before the meeting**. The notice includes the following:
 - The name of each fund being adjusted, and
 - The amount of change to each fund's resources and expenditures.
3. At the meeting, a resolution adopting the supplemental budget and making appropriations is approved.

What is the supplemental budgeting process for changes of 10 percent or greater?

When the supplemental budget will adjust a current budget fund by 10 percent or more of the expenditures of that fund or create a new fund, then a longer process must be used to adopt the supplemental budget.

1. A special hearing must be held to discuss and adopt the supplemental budget. The governing body holds the hearing. The budget committee is not required to be involved.
2. Five to 30 days before the hearing, a notice of the hearing and a summary of the supplemental budget are published using one of the publication methods described in Phase 2. The notice form is included in the booklet containing the local budget law forms and instructions, which is sent to you each January. The form is titled Notice of Supplemental Budget Hearing. It can also be found on our website at www.oregon.gov/DOR/PTD/localform.shtml.
3. The governing body enacts a resolution to adopt and appropriate the supplemental budget after the hearing.

Are there situations where unappropriated money can be spent?

Yes, there are. These situations are referred to as exceptions to local budget law. The most common are:

- Receipt of grants, gifts, bequests, or devises during the fiscal year for a **specific** purpose. Expenditure of these moneys can be made in the fiscal year received after enactment of a resolution or ordinance. If you plan to spend all or part of a grant, gift, bequest, or devise in the fiscal year following its receipt, it must be included in the budget for that year. However, expenditure in the year of receipt of undesignated **general** purpose grants,

ORS 294.326 lists the situations that have been excepted from local budget law.

ORS 294.455 allows for money to be spent to deal with a natural disaster or civil disturbance.

ORS 294.483 excepts certain bonds from local budget law.

gifts, bequests, or devises can only be made after adoption of a supplemental budget.

- Voter approval of general obligation bonds during the fiscal year. Expenditure of the proceeds from the sale of the bonds may be made during the fiscal year without a supplemental budget. We recommend that you set up a capital project fund to account for the expenditures of the bond proceeds. It is also a good idea for the governing body to enact a resolution to appropriate the money.

Expenditures can also be made during the fiscal year to pay debt service (principal and interest) on these bonds without further budgeting steps. Of course, you can't impose a property tax during the year to pay the debt service, but you can use other resources that are available. Again, if you plan to do this, we recommend that you establish a debt service fund to account for the payments. For more information about bonds and local budget law, see ORS 294.483.

- Occurrence of a natural disaster or civil disturbance. Expenditure of money to deal with the damage or destruction of property can be made after enactment of a resolution or ordinance.
- Return of purchase items for refund. The refunded money can be spent after the governing body holds a hearing and enacts a resolution or ordinance authorizing the expenditure.

What can I do during the fiscal year if resources don't come in as planned, but I have expenditures that must be made?

Even with an appropriation, you must always have a source of money before you can make an expenditure. Local budget law allows you to loan money from one fund to another under certain conditions. You can borrow internally, provided that the loans are authorized by a resolution or ordinance. The resolution or ordinance must state the fund from which the loan is made, the fund to which the loan is made, the purpose of the loan, and principal amount of the loan. If interest is to be charged, this fact should also be stated in the resolution or ordinance.

When must interfund loans be repaid?

That depends on the purpose of the loan. If the loan was for operations, then it must be repaid in the same fiscal year it was made or be budgeted for repayment no later than the following fiscal year. Capital loans must be repaid in full within five years from the date of the loan. The resolution or ordinance authorizing a capital loan must set forth a schedule under which the principal and interest are to be budgeted and repaid. It must also state the rate of interest.

If the loan is to be repaid in the fiscal year in which it is made, no other action by the governing body is necessary to repay the loan. Loans that are made and repaid in the same fiscal year are not shown in the budget. Your accounting records will show the loan and the repayment.

If the loan will be repaid in coming fiscal years, the loan repayment must be budgeted and a separate appropriation created for the repayment. An interfund loan repayment is budgeted as a debt service requirement in the fund that received the loan. Do not show a loan repayment as a deficit resource.

Example:

In August of 2002 the general fund loans the Capital Project Fund \$100,000. The Capital Project Fund will repay a portion of the loan, \$50,000, in November 2002 after current year tax money is received. The budget for 2002–03 doesn't show the loan transaction. The following year, 2003–04, the Capital Project Fund will repay the balance of the loan. So in 2003–04 budget, the general fund will show as a resource the \$50,000 repayment amount, and the Capital Project Fund will show as a debt service requirement the \$50,000 repayment.

Can loans be made out of any fund?

No. There are restrictions on which funds can make interfund loans. Loans **cannot** be made from:

- A debt service fund that accounts for the money to make annual debt service payments on bonds or other borrowing obligations.
- A fund that receives money whose use is restricted by constitutional provisions to specific uses, unless the purpose for the loan is a use allowed by the constitution. Such funds may include special revenue

funds that receive local option tax money, special revenue funds that receive gas tax money, etc.

- A debt service reserve fund set up to create additional security for outstanding bonds or other borrowing obligations.

For more details on interfund loans, see Chapter 14 of the *Local Budgeting Manual*.

Can a local government borrow money from a bank?

Yes, but there are restrictions. A local government can secure short-term notes to pay current expenses or retire bonds or warrants and their interest whenever provided for in the adopted budget. These short-term notes are often referred to as tax anticipation notes, or TANs.

Loan amounts are limited to 80 percent of the property taxes not yet received by the local government in that fiscal year. The loan amount may also include up to 80 percent of the full amount of any other budgeted or unpledged revenues that will be received during that fiscal year. Before the governing body takes any action, you should study ORS 288.165 for more information.

The interest payments of the short-term loan must be budgeted in the year the loan is expected to be made. The interest is shown as a requirement of the fund receiving the loan. The loan proceeds and the repayment of the principal are not shown in the budget. The loan and repayment schedule may be reported in either a narrative form or as

ORS 288.165 allows local governments to do short-term borrowing.

ORS 294.460 allows for interfund loans and lists the funds that can't make loans.

a footnote to the budget. The narrative or footnote must indicate that the principal repayment is a liability of the fund from which it is made. There is a place on the LB-1 and ED-1 publication forms to show any short-term borrowing anticipated in the budget.

If the governing body obligates a local government beyond a 12-month period, the indebtedness could be considered additional outstanding debt. The Oregon Constitution, statute, or charter restricts outstanding debt.

Can a local government enter into an installment contract?

Local budget law has no limitations on any local government entering into an installment contract. However, local budget law doesn't authorize any local government to obligate itself to pay money over a period of more than one year. If you want to enter into a multiple-year installment contract, authority to do so must be found in the statutes or charter of your local government.

Appendix A: Exceptions to local budget law

Most local governments in Oregon must prepare and adopt an annual budget. There are a few exceptions. The following districts are either totally or partially exempted from local budget law requirements (ORS 294.316):

1. Diking districts organized under ORS Chapter 551.
2. District improvement companies organized under ORS 554.
3. Drainage districts organized under ORS 547.
4. Export trading corporations organized under ORS 777.755 to 777.800.
5. Health districts organized under ORS 440.315 to 440.410.
Note: Health districts must adopt an annual budget, but their budget process is outlined in ORS Chapter 440.
6. Highway lighting districts organized under ORS 372.
7. Hospital financing authorities organized under ORS 441.525 to 441.595.
8. Housing authorities organized under ORS Chapter 456 that are not carrying out urban renewal activities using tax increment financing under ORS 457.440 during the ensuing year.
9. Irrigation districts organized under ORS 545.
10. Municipal public utilities operating under separate boards or commissions, authorized under ORS Chapter 225 and

city charters, and people’s utility districts organized under ORS Chapter 261, both operating without ad valorem tax support during the ensuing year.

11. Organizations formed under the provisions of ORS 190.003 to 190.110 that will not impose taxes during the ensuing year. These organizations, referred to as “councils of governments,” are subject to separate budget requirements under ORS 294.900 to 294.930.
12. Road districts organized under ORS 371.
Note: Road districts that impose a property tax must submit tax certification documents. County road districts organized under ORS 371.097 are subject to local budget law.
13. Soil and water conservation districts organized under ORS Chapter 568 that will not impose an ad valorem tax during the ensuing year.
14. Water control districts, organized under ORS 553, that will not impose taxes during the ensuing year.

In addition to the local governments listed here, a newly formed local government is not required to prepare a budget under local budget law during the first fiscal year it is formed. If a local government is formed between March 1 and June 30, it does not have to prepare a budget for the upcoming fiscal year [ORS 294.326(11)].

Appendix B: Budget process checklist

Note: Local governments in Multnomah County may have a slightly different process involving the Tax Supervising and Conservation Commission.

Action	ORS/OAR
<p>1. The governing body appoints the budget officer. The budget officer does not have to live within the boundaries of the district, unless the district's charter requires it.</p>	294.331
<p>2. The governing body appoints the budget committee. The budget committee is made up of the governing body and an equal number of appointed registered voters of the district who are appointed for three-year terms. The appointed members cannot be officers, agents or employees of the district. All members of the budget committee are equal in authority.</p>	294.336
<p>3. The budget officer prepares the proposed budget. The proposed budget must be in balance with resources equaling requirements.</p>	294.331
<p>4. The budget officer publishes the Notice of Budget Committee Meeting. Publish notice of the first budget committee meeting(s) scheduled for the purposes of 1) receiving the proposed budget and hearing the budget message, and 2) taking public questions and comments on the budget.</p>	294.401 294.311(32)
<p>To publish the notice:</p>	
<ul style="list-style-type: none"> • Print the notice twice in a newspaper of general circulation in the boundaries of the district. Print the first notice no more than 30 days before the meeting. Print the second notice no less than five days before the meeting. Allow at least five days between the two notices; or, • Mail one notice through the U.S. Postal Service by first class mail to each street address within the district. Mail no less than 10 days before the meeting; or, 	

- Hand-deliver one notice to each street address within the boundaries of the district. Deliver no less than 10 days before the meeting.
5. **The budget officer provides a copy of the proposed budget to each member of the budget committee.** 294.401(6)
 This may be done at any time prior to the first meeting of the budget committee for which notice is published, or at that meeting. Committee members must not discuss or deliberate on the budget outside of a public meeting.
 6. **The budget officer files a copy of the budget in the district office.** 294.401(8)
150-294.401(7)
 This must be done immediately after providing copies of the budget to the budget committee. The budget becomes a public record at this point. The district must make copies of the budget or the means of duplicating it readily available to any interested person. The district may charge a reasonable fee for a copy of the budget.
 7. **The executive officer of the district prepares or directs the preparation of the budget message.** 294.391
 The budget message explains the budget. The explanation should include a brief description of the district’s fiscal policies and any major changes in the policy, resources or requirements, or staffing from the previous year.
 8. **The budget committee meets at the time and place in the notice to receive the proposed budget and the budget message, and hear public comment and questions from any interested person.** 294.336
150-294.336
294.401
 At its first meeting, the budget committee elects a presiding officer from among its members. The budget committee must have a quorum, or majority, of the total membership of the committee present in order to hold a meeting or to take any formal action.
 9. **The budget committee approves the budget.** 294.406
 Before approving the budget, the budget committee can make any changes to the budget on which a majority of the committee members agree.

- | | |
|--|---------------------------|
| <p>10. The budget committee establishes and approves the amount or rate of the tax the district will impose.
This approval should be in the form of a motion, which is recorded in the minutes of the committee. Approval is by majority vote of the whole committee. The work of the budget committee is now complete.</p> | 294.406 |
| <p>11. The budget officer publishes one Notice of Budget Hearing and a summary of the approved budget.
This notice must be published between five and 30 days before the hearing by one of the publication methods above. The information for the publication forms comes from the budget detail sheets "Approved by budget committee" column.</p> | 294.416 |
| <p>12. The governing body conducts the budget hearing and takes public comment from any interested person.
The governing body must have a quorum, or majority, of the total membership of the governing body present at the public hearing. The governing body considers the comments of all interested parties about the budget and the fiscal policy decisions reflected in the budget. The governing body can establish procedures for taking testimony. Time limits can be set as long as all parties or sides on issues are treated equally.</p> | 294.430
150-294.430(1) |
| <p>13. After the hearing the governing body can make adjustments to the approved budget.
It can:</p> <ul style="list-style-type: none"> • Reduce the tax rate or amount. • Adjust estimates of resources and requirements. • Raise expenditures in any fund up to \$5,000 or 10 percent, whichever is greater. | 294.435 |
| <p>14. If the governing body wants to raise expenditures more than \$5,000 or 10 percent, or increase the tax, it must republish the adjusted budget and notice of a second budget hearing.
The notice of the second hearing must be published by one of the methods above between five and 30 days before the second hearing.</p> | 294.435 |
| <p>14A. The governing body holds a second budget hearing if required.</p> | |
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15. After the budget hearing, the governing body enacts resolutions or ordinances to adopt the budget, make appropriations, impose tax, and categorize the tax.

294.435(2)
150-294.435(3)
310.060

These actions can be taken at any regularly scheduled public meeting of the governing body after the budget hearing at which a quorum is present.

The resolution adopting the budget should state the total amount of all budget requirements. The budget must be adopted by June 30.

The resolution making appropriations creates the authority to make expenditures and to incur obligations for specific purposes. Appropriations must be made by June 30. Each fund must have its own appropriations. Appropriations are limited to one fiscal year or a 24-month budget period.

The resolution imposing taxes provides the information used to complete the tax certification form (LB-50 or ED-50). It declares the method of the tax (rate and/or dollar amount) and the amount.

The resolution categorizing taxes is required every year that you impose taxes. The Measure 5 categories must be declared.

16. The budget officer submits the certification documents to the assessor's office by July 15.

150-294.435(1)-(A)
310.060

The assessor gets:

- Two copies of the tax certification form LB-50 or ED-50.
- Two copies of the resolution statements.
- Two copies of the successful ballot measure for any tax to be imposed for the first time.

Do not send the entire budget document to the assessor unless specifically requested.

The amount or rate of tax certified to the assessor cannot exceed the amount or rate approved by the budget committee, unless the budget was republished and a second hearing held.

The county clerk gets:

- One copy of the entire budget document including the notices, resolutions and approved ballot measures by September 30.

If the district cannot meet the July 15 deadline, a written request for an extension of time to certify must be submitted by July 15. If the assessor agrees, he or she will respond in writing to grant an extended filing deadline.

The taxes shown on the LB-50 or ED-50 **must be the same** as the taxes declared and categorized in the resolutions. If the resolution imposing taxes declares taxes in a dollar amount, then the LB-50 or ED-50 must also show the same dollar amount. If the resolution imposes a rate, the LB-50 or ED-50 must show the same rate.

Incomplete certifications or inconsistent certifications may not be accepted by the assessor's office. The assessor's office has no authority to alter your resolutions or your certification forms. If there is an error, the district must correct it and resubmit the documents. With approval of the assessor, you may have until October 1 to correct certification errors. Failure to meet the deadline could prevent the assessor from extending your taxes on the tax roll.

Appendix C—Glossary

Accrual basis. Method of accounting recognizing transactions when they occur without regard toward cash flow timing [ORS 294.311(1)].

Adopted budget. Financial plan that forms the basis for appropriations. Adopted by the governing body (ORS 294.435).

Ad valorem tax. A property tax computed as a percentage of the value of taxable property. See “Assessed value.”

Appropriation. Authorization for spending a specific amount of money for a specific purpose during a fiscal year. It is based on the adopted budget, including supplemental budgets, if any. It is presented in a resolution or ordinance adopted by the governing body [ORS 294.311(3)].

Approved budget. The budget that has been approved by the budget committee. The data from the approved budget is published in the Financial Summary before the budget hearing (ORS 294.406).

Assessed value. The value set on real and personal property as a basis for imposing taxes. It is the lesser of the property’s maximum assessed value or real market value.

Assessment date. The date on which the real market value of property is set—January 1.

Audit. The annual review and appraisal of a municipal corporation’s accounts and fiscal affairs conducted by an accountant under contract or the Secretary of State (ORS 297.425).

Audit report. A report in a form prescribed by the Secretary of State made by an auditor expressing an opinion about the propriety of a local government’s financial statements, and compliance with requirements, orders and regulations.

Bequest. A gift by will of personal property; a legacy.

Biennial budget. A budget covering a 24-month budget period.

Budget. A written report showing the local government’s comprehensive financial plan. It must include a balanced statement of actual revenues and expenditures during each of the last two years, or budget periods, and estimated revenues and expenditures for the current and upcoming year or budget period [ORS 294.311(4)].

Budget committee. Fiscal advisory board of a local government, consisting of the governing body plus an equal number of registered voters appointed from within the boundaries of the local government. (ORS 294.336).

Budget detail sheets. Forms designed to record the resources and requirements of budget funds.

Budget message. Written explanation of the budget and the local government's financial priorities. It is prepared and presented by the executive officer or chairperson of the governing body (ORS 294.391).

Budget officer. Person appointed by the governing body to assemble budget material and information and to physically prepare the proposed budget (ORS 294.331).

Budget period. A 24-month period beginning July 1 of the first fiscal year and ending June 30 of the second fiscal year.

Budget transfers. Amounts moved from one fund to finance activities in another fund. They are shown as expenditures in the originating fund and revenues in the receiving fund.

Capital outlay. Items which generally have a useful life of one or more years, such as machinery, land, furniture, equipment, or buildings [ORS 294.352(6)].

Capital project fund. A fund used to account for resources, such as bond sale proceeds, to be used for major capital item purchase or construction [OAR 150-294.352(1)].

Cash basis. System of accounting under which revenues are accounted for only when received in cash, and expenditures are accounted for only when paid [ORS 294.311(7)].

Category of limitation. The three categories in which taxes on property are placed before the constitutional limits can be tested—education, general government, excluded from limitation (ORS 310.150).

Compression, Measure 5. Reduction of property taxes imposed on an individual property as a result of the constitutional limits of Article XI, section 11b.

Constitutional limits. The maximum amount of tax on property that can be collected from an individual property in each category of limitation (Art. XI, sect. 11b, Or Const.).

Debt service fund. A fund established to account for payment of general long-term debt principal and interest [OAR 150-294.352(1)].

Devise. A gift by will of the donor of real property.

District. See “Local government.”

Education category. The category for taxes that will be used to support the public school system and are not used to pay exempt bonded indebtedness [ORS 310.150(2)].

Encumbrance. An obligation chargeable to an appropriation and for which part of the appropriation is reserved [ORS 294.311(10)].

Enterprise fund. A fund established to account for operations that are financed and operated in a manner similar to private business enterprises. They are usually self-supporting. Examples of enterprise funds are those for water, gas, and electric utilities, swimming pools, airports, parking garages, transit systems, and ports [OAR 150-294.352(1)].

Excluded from limitation category. The category for taxes used to pay principal and interest on exempt bonded indebtedness [ORS 310.150(2)].

Exempt bonded indebtedness. 1) Bonded indebtedness authorized by a specific provision of the Oregon Constitution, or 2) bonded indebtedness issued as a general obligation on or before November 6, 1990, incurred for capital construction or capital improvements, or 3) bonded indebtedness issued as a general obligation after November 6, 1990, incurred for capital construction or capital improvements with the approval of the electors of the local government. Bonded indebtedness issued to refund or refinance any bonded indebtedness described above is also included [ORS 310.140(15)].

Expenditures. Total amount incurred if accounts are kept on an accrual basis; total amount paid if accounts are kept on a cash basis [ORS 294.311(12)].

Fiscal year. A 12-month period to which the annual operating budget applies. At the end of the period, a government determines its financial position and the results of its operations. It is July 1 through June 30 for local governments [ORS 294.311(13)].

Fund. A fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives.

Fund balance. The fund equity of government funds.

Fund type. One of nine fund types: General, special revenue, debt service, capital

projects, special assessment, enterprise, internal service, trust and agency, and reserve [OAR 150-294.352(1) and ORS 280.100].

Gap bonds. Any portion of a local government's property tax levy that is used to repay qualified taxing district obligations. Qualified taxing district obligations include principal and interest on any bond or formal, written borrowing of moneys issued before December 5, 1996, for which ad valorem property tax revenues have been pledged or explicitly committed or that are secured by a covenant to levy. Also included are pension and disability plan obligations that commit property taxes and impose property taxes to fulfill those obligations.

General fund. A fund used to account for most fiscal activities except for those activities required to be accounted for in another fund [OAR 150-294.352(1)].

General government category. The category for taxes used to support general government operations that are not for the purposes of paying exempt bonded indebtedness [ORS 310.150(2)].

Governing body. County court, board of commissioners, city council, school board, board of trustees, board of directors, or other managing board of a local government unit [ORS 294.311(15)].

Grant. A donation or contribution in cash by one governmental unit to another unit which may be made to support a specified purpose or function, or general purpose [ORS 294.311(16)].

Interfund loans. Loans made by one fund to another and authorized by resolution or ordinance (ORS 294.460).

Levy. Amount of ad valorem tax certified by a local government for the support of governmental activities.

Local government. Any city, county, port, school district, community college, public or quasi-public corporation (including a municipal utility or dock commission) operated by a separate board or commission; a municipal corporation or municipality [ORS 294.311(19)].

Local option tax. Taxing authority voter-approved by a double majority that is in addition to the taxes generated by the permanent tax rate. Local option taxes can be for general operations, a specific purpose or capital projects. They are limited to five years unless they are for a capital project, then they are limited

to the useful life of the project or 10 years, whichever is less.

Maximum assessed value (MAV). The maximum taxable value limitation placed on real or personal property by the constitution. It can increase a maximum of 3 percent each year. The 3 percent limit may be exceeded if there are qualifying improvements made to the property, such as a major addition or new construction.

Municipal corporation. See “Local government.”

Municipality. See “Local government.”

Net working capital. The sum of the cash balance, accounts receivable expected to be realized during the ensuing year, inventories, supplies, prepaid expenses less current liabilities and, if encumbrance method of accounting is used, reserve for encumbrances [ORS 294.311(20)].

Object classification. A grouping of expenditures, such as personal services, materials and services, capital outlay, debt services, and other types of requirements [ORS 294.311(22)].

Ordinance. A formal legislative enactment by the governing board of a municipality.

Payroll expenses. Expenses related to the compensation of salaried employees, such as, health and accident insurance premiums, Social Security and retirement contributions, civil service assessments.

Permanent rate limit. The maximum rate of ad valorem property taxes that a local government can impose. Taxes generated from the permanent rate limit can be used for any purpose. No action of the local government or its voters can increase or decrease a permanent rate limit.

Prior years’ tax levies. Taxes levied for fiscal years preceding the current one.

Property taxes. Ad valorem tax certified to the county assessor by a local government.

Proposed budget. Financial and operating plan prepared by the budget officer. It is submitted to the public and the budget committee for review.

Publication. Public notice given by publication in a newspaper of general circulation within the boundaries of the local government; mailing through the U.S. Postal Service by first class mail to each street address within the boundaries of the local government; and hand delivery to each street address within the boundaries of the local government.

Real Market Value (RMV). The amount in cash which could reasonably be expected by an informed seller from an informed buyer in an arm's-length transaction as of the assessment date. In most cases, the value used to test the constitutional limits (ORS 308.205).

Reserve fund. Established to accumulate money from year to year for a specific purpose, such as purchase of new equipment (ORS 294.525).

Resolution. A formal order of a governing body; lower legal status than an ordinance.

Resource. Estimated beginning money on hand plus any anticipated money (ORS 294.361).

Special revenue fund. A fund used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specific purposes [OAR 150-294.352(1)].

Supplemental budget. A financial plan prepared to meet unexpected needs or to spend revenues not anticipated when the regular budget was adopted. It cannot be used to authorize a tax (ORS 294.480).

Tax on property. Any tax, fee, charge or assessment imposed by any government unit upon property or upon a property owner as a direct consequence of ownership of that property [ORS 310.140(1)].

Tax rate. The amount of tax stated in terms of a unit of tax for each \$1,000 of assessed value of taxable property.

Tax roll. The official list showing the amount of taxes imposed against each taxable property.

Tax year. The fiscal year from July 1 through June 30.

Trust fund. A fund used to account for fiscal activities of assets held in trust by a local government.

Unappropriated ending fund balance. Amount set aside in the budget to be used as a cash carryover to the next year's budget. It provides the local government with cash until tax money is received from the county treasurer in November. This amount cannot be transferred by resolution or used through a supplemental budget, unless necessitated by a qualifying emergency (ORS 294.371).

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Questions?

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