BUDGET COMMITTEE ORIENTATION
PURPOSES OF LOCAL BUDGET LAW

• Establish standard procedures
• Outline programs & fiscal policies
• Require estimates of resources & expenditures
• Encourage citizen involvement
• Control expenditure of public funds

ORS 294.321
WHY FOLLOW LOCAL BUDGET LAW?

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

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

(ORS 294.338)

A property tax made contrary to LBL is voidable by the Oregon Tax Court if appealed by:

- County Assessor
- County Court
- County Board of Commissioners
- The Department of Revenue
- Ten or more interested taxpayers

(ORS 294.461)
BUDGET COMMITTEE ROLES
AND RESPONSIBILITIES
WHO’S ON THE BUDGET COMMITTEE?

The Governing Body
+

an Equal Number of Appointed Electors

Appointed Members

• “Electors” are registered voters in the district
• Cannot be officers, agents or employees of this district
• Appointed for staggered 3–year terms
• All members have the same authority
• If you can’t fill all appointed, committee can be fewer

ORS 294.414
NOTICE OF BUDGET COMMITTEE MEETING

Publish notice of the first formal meeting at which:

• The budget and budget message are presented, and public comments and questions are heard.

• If public comments are not heard at the first meeting, give notice of both meetings.

ORS 294.426
BUDGET COMMITTEE’S MEETING PROCESS

• All meetings are subject to Public Meetings Law
• Presiding officer must be elected at first meeting
• Quorum is required to conduct business
• Majority of committee is required to take action
• Committee may request and receive additional information from district officials
**QUORUM EXAMPLE**

**Governing Body**

- Smiley faces: 6
- Crossed out faces: 2

If your full budget committee is 10 people quorum = 6

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

**Elector**

- Smiley faces: 7
- Crossed out faces: 2

Vacancies on the electors side are not counted. Quorum = 5
WHAT THE BUDGET COMMITTEE DOES

• Receives the budget document
• Hears the budget message
• Hears & considers public comment
• Discusses and revises the budget as needed
• Approves the budget
• Approves the property taxes
RECEIVES THE BUDGET DOCUMENT

• Budget is a public document when released to committee
• Available to the public at the same time as the committee
• Public has right to inspect
• Must provide means for public to copy (can also charge for copies)
THE BUDGET MESSAGE

• Prepared by/under direction of executive officer (superintendent)
• Explains budget document
• Describes financial policies
• Explains any changes since last year
• Must be in writing

ORS 294.403
HEAR PUBLIC COMMENT

• On the date and time in the published notice

• Any person may ask questions about and comment on the budget ORS 294.426(4)(c)

• Can establish time limits and other policies for public comment period

• At additional meetings if desired

ORS 294.428(2)
Sample Motion to Approve Budget:

“I move that the budget committee of Marvel City approve the budget for the 2017–18 fiscal year in the amount of $13,910,076.”

(motion and vote recorded in the minutes)
Sample Motion to Approve Taxes:

“I move that the budget committee of Marvel City approve property taxes for the 2017–18 fiscal year at the rate of $4.4143 per $1,000 of assessed value for the permanent rate tax levy, in the amount of $0.1213 for the local option tax levy, and in the amount of $496,315 for the general obligation bond levy.”

(motion and vote recorded in the minutes)

The Budget Committee is now finished.
GOVERNING BODY HOLDS BUDGET HEARING

• Hold the hearing on the date published, or reschedule & publish a revised notice

• Hearing is on the budget “as approved” by budget committee

• Any person may comment on the budget
After the hearing, the governing body can change the budget estimates and tax levy approved by the budget committee.

However, if they want to:

• increase tax by any amount,  

• increase expenditures in any fund by 10% or more (or $5,000 – whichever is greater),

They must republish the amended budget summary and hold another budget hearing.
After the hearing and on or before June 30, the governing body must enact a resolution to:

• Adopt the budget
• Make Appropriations
• Impose each tax levy
• Categorize each tax by its Measure 5 category (Education or General Government)
RESOLUTION ADOPTING THE BUDGET

• State the fiscal year or biennial budget period

• State the total $ amount of budget resources

*Be sure to include all resources and all funds*
APPROPRIATIONS BASED ON OREGON DEPARTMENT OF EDUCATION FUNCTION

For each fund:

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

ORS 294.393
RESOLUTION IMPOSING THE TAX

• Impose each tax levy separately.
• Impose permanent rate per $1,000 or a dollar amount (not both).
• Impose local option levy as approved by voters.
• Impose bond levy as a dollar amount.

Cannot exceed rate/amount approved by Budget Committee unless you republish budget summary and hold another hearing
## Resolution Categorizing the Tax

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>Subject to Education Limit</th>
<th>Excluded from Limitation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent rate limit</td>
<td>$4.7485/$1,000</td>
<td></td>
</tr>
<tr>
<td>Local option levy</td>
<td>$1.50/$1,000</td>
<td></td>
</tr>
<tr>
<td>G.O. Bond levy</td>
<td></td>
<td>$3,824,301</td>
</tr>
</tbody>
</table>

Categorize each tax (permanent rate limit, local option, G.O. bond levy) by its Measure 5 category:

- Subject to “General Government” limit
- Subject to “Education” limit
- “Excluded from constitutional limits”
AN APPROPRIATION IS A LIMITATION

Don’t overspend your appropriations!

ORS 294.456(6): Except as provided in . . . 294.471, 294.473 . . . an expenditure . . . of public money may not be made for any purpose in an amount greater than the amount appropriated.
MAKE CHANGES TO APPROPRIATIONS BEFORE OVER--SPENDING

• The change must be in place **before** an over--expenditure is made

• Adopting a resolution or supplemental budget **after** an over--expenditure does not correct the violation of Local Budget Law

ORS 294.471(3)(c): Additional expenditures contained in a supplemental budget ...may not be made unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditures.
APPROPRIATION TRANSFERS

• To move appropriations between existing categories within a fund or between two funds

• To transfer appropriations and resources from a fund to any other fund

• Resolution must state:
  ▪ Need for transfer
  ▪ Purpose of expenditure
  ▪ Amount

ORS 294.463(1)
BUDGET IS PREPARED BY FUND

• A self-balancing set of accounts

• Used to record estimated resources and requirements for specific activities and objectives
TYPES OF FUNDS

- General Fund
- Special Revenue Fund
- Capital Project Fund
- Debt Service Fund
- Reserve Fund
- Enterprise Fund
- Trust & Agency Fund
- Internal Services Fund
TYPES OF FUNDS

• **General Fund** – For general operations with no restrictions on how resources are used.

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

• **Capital Project Fund** – To finance a building or acquisition of capital facilities that are nonrecurring major expenditures.

• **Debt Service Fund** – Used to budget for the payment of principal and interest on long–term debt
TYPES OF FUNDS, CONT.

• **Internal Services Fund** – To account for services furnished by one department to another department of the same local government

• **Enterprise Fund** – To account for activities that are primarily self-supporting from user charges and fees

• **Trust & Agency Fund** – For revenue received in a fiduciary capacity to be used for a specified purpose

• **Reserve Fund** – Used to accumulate money for financing the cost of a service, project, property or equipment
BUDGET DETAIL FORMAT

- Line item description
- 2 prior years actual information
  - (Use actual / audited #’s)
- Budgeted amount for current fiscal period
- Proposed amount for next year
  - Once BC approves, complete “Approved” column
  - Once Governing Body adopts, complete “Adopted” column
ESTIMATE RESOURCES AND REQUIREMENTS FOR EACH FUND

• Estimate resources & requirements in line item detail.

• All resources & requirements must be budgeted.

• Resources & requirements must balance.

• Estimates of resources & requirements must be made in “good faith.”
BUDGET RESOURCES

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

ORS 294.361
ESTIMATING PROPERTY TAXES

\[ \text{Tax Rate} \times \text{Taxable Value}^* = \text{Tax Amount} \]

But,

Amount you receive is reduced by:

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

* "frozen value" in urban renewal plan area
**CONSTITUTIONAL LIMITATIONS**

**ARTICLE XI, S. 11 AND 11B**

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

**Measure 5:** Operating tax on a property is limited to:
- $5 per $1,000 of RMV for Education,
- $10 per $1,000 of RMV for Gen. Government

M5 limit is based on **Real Market Value (RMV)**
HOW DOES M5 COMPRESSION LOSS WORK?

- If a property’s tax is higher than its M5 limit, the tax must be reduced (“compressed”) to fall within the limit.

- This loss is shared by all taxing districts (local option taxes reduced first).
M5 COMPRESSION EXAMPLE

**Neighbor 1**

**M50 Tax Calculation:**
- Total Combined Gen. Gov. Tax: $14/$1,000
- Property’s Assessed Value: $176,384
- Tax on Property: $2,469.38

**M5 Limit Calculation:**
- General Gov. limit: $10/$1,000
- Property’s Real Market Value: $220,000
- Maximum tax under limit: $2,200.00

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

**Neighbor 2**

**M50 Tax Calculation:**
- Total Combined Gen. Gov. Tax: $14/$1,000
- Property’s Assessed Value: $176,384
- Tax on Property: $2,469.38

**M5 Limit Calculation:**
- General Gov. limit: $10/$1,000
- Property’s Real Market Value: $280,000
- Maximum tax under limit: $2,800.00

NO loss to compression
PERMANENT RATE TAXES

• Measure 50 rate limit per $1,000 of assessed value
• Limit cannot be changed by district or its patrons
• Imposed as rate per $1,000 or a dollar amount
• Double majority required in March or Sept. election
ESTIMATING PERMANENT RATE TAXES

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

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

In addition to the permanent rate levy:

• Temporary:
  • For Operations -- 1 to 5 years
  • For Capital Project -- Lesser of 10 years or useful life (Defined in ORS 280.060)

• Voters approve rate per $1,000 or fixed dollar amount per year

• Double Majority required in March or Sept.

• First to be compressed

• Budget options for September election (280.060)
G.O. BOND DEBT SERVICE LEVY

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