

# Sixteen Budget Questions

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January 2019

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Rebecca Hall, Oregon Department of Revenue, has made significant contributions to this presentation

# Property Taxes

$$\text{Tax Rate} \times \text{Property Value} \\ = \text{Taxes}$$

# COMPRESSION

Compression is the **reduction in taxes** required **on individual properties** by the constitutional tax rate limits of:

\$5 for education

\$10 for general government

Calculated on the **Real Market Value** of each property

Tax Code	District	School	Government	Unlimited
088.31 RAILROAD	Washington County	-	2.6225	0.0626
	NW Regional ESD	0.1357	-	-
	Portland Community College	0.2494	-	0.3489
	Sherwood School District	4.2432	-	3.4084
	Port of Portland	-	0.0619	-
	City of Sherwood	-	2.9075	0.5084
	Tri-Met	-	-	-
	Metro	-	0.1812	0.1804
	Clean Water Services	-	-	-
	Urban Renewal - Sherwood	-	1.9004	-
	<b>Total Tax Rate</b>		<b>4.6283</b>	<b>7.6735</b>

**But, Wait!**

Tax Code	District	School	Government	Unlimited
<b>052.28</b>	Washington County	-	2.8884	0.0709
	NW Regional ESD	0.1538	-	-
	Portland Community College	0.2513	-	0.3547
	Beaverton School District	5.9430	-	1.9775
	City of Portland	-	6.7319	0.2393
	Port of Portland	-	0.0633	-
	Metro	-	0.1831	0.1856
	Tri-Met	-	-	-
	Urban Renewal - Portland	-	1.1069	-
	<b>Total Tax Rate</b>		<b>6.3481</b>	<b>10.9736</b>



# Sample Property

Real Market Value = \$300,000

Assessed Value = \$300,000

	Rate	AV Taxes Extended	RMV Taxes Extended
Permanent Rate			
Education Service Dist	\$ 0.4141	\$ 124	\$ 124
Community College	0.2538	76	76
K-12 School District	4.7264	1,418	1,418
Local Option Levy			
k-12 School District	1.1311	339	339
Education District Subtotal	\$ 6.5254	\$ 1,957	\$ 1,958
<b>Constitutional Limit</b>	<b>\$ 5.0000</b>		<b>\$ 1,500</b>

	<u>Tax Rate</u>	<u>Taxes Extended</u>
<b>Constitutional Limit</b>	<b>\$ 5.0000</b>	<b>\$ 1,500</b>
Over Limit by		\$ 458
Reduce LOL First		(339)
Remaining Taxes		<u>\$ 1,618</u>

**\$118 is 7% of \$1,618**

**So each Permanent Levy is reduced by 7%**

	Taxes Extended	Loss to Compression	Taxes Imposed
Edu Service District	\$ 124	\$ 9	\$ 115
Community College	76	6	71
K-12 School District	1,418	104	1,314
K-12 School District LOL	<u>339</u>	<u>339</u>	<u>-</u>
<b>Totals</b>	<b>\$ 1,958</b>	<b>\$ 458</b>	<b>\$ 1,500</b>

**Compression Loss - Local Option Levies (\$000) Tax Year 2017**

	<b>Taxes Extended</b>	<b>Compression Loss</b>	<b>Taxes Imposed</b>	<b>Percent Lost to Compression</b>
SAUVIE ISLAND RFPD #30 LOC OPT	\$ 59	\$ -	\$ 59	0%
RIVERDALE FIRE DIST #11J LOC OPT	155	0	154	0%
RIVERDALE SCHOOL DIST LOC OPT	898	42	857	5%
MULTNOMAH COUNTY HIST SOC LOC OPT	3,978	792	3,185	20%
METRO - OPEN LANDS LOC OPT	7,549	1,521	6,028	20%
CITY OF PORTLAND CHILDRENS LOC OPT	26,339	6,115	20,224	23%
PORTLAND PUBLIC SD LOC OPT	<u>110,995</u>	<u>18,623</u>	<u>92,372</u>	17%
<b>Total All Local Option Levies</b>	<b>\$ 149,973</b>	<b>\$ 27,094</b>	<b>\$ 122,879</b>	<b>18%</b>

**When we formed our district ten years ago we got a permanent rate of \$0.50. That is not enough. Can we increase that rate?**

No.

A district can not increase its permanent levy. Your district has two options.

1. Dissolve the district and ask voter approval for a new district and a new permanent rate.
2. Ask the voters to approve a local option levy.

**Why is the Assessed Value for our local option levy higher than the Assessed Value for our permanent rate?**

<b>TAXING DISTRICT</b>	<b>TAX DIST. CODE</b>	<b>ASSESSED VALUE FOR COMPUTING TAX RATES (MULTNOMAH CO)</b>
MULTNOMAH COUNTY	170	68,831,685,323
MULTNOMAH COUNTY BONDS	170	68,831,685,323
MULTNOMAH COUNTY HIST SOC LOC OPT	170H	75,636,627,007

## Because of Urban Renewal.

Urban renewal districts get their tax revenue by reducing other districts' levies.

But, in general, local option levies are exempt from reduction for urban renewal taxes. So the Assessor does not reduce the assessed value or rate of local option levies for Urban Renewal.



# Budget Committees

**We have a problematic Budget  
Committee member and we  
would like to remove him from  
the committee.**

**Can we do that?**

Yes, but only with caution.

This is a personnel issue, not a  
budget law issue.

But note 294.428(3)

**It is difficult to recruit Budget Committee members. Can we offer compensation or mileage or cover childcare costs or something of value?**

**294.414 (3)** The members of the budget committee shall receive no compensation for their services as members of such committee.

**Then what do we do if we can  
not find enough citizen budget  
committee members?**

**294.414 (2)** ...if there are electors fewer than the number required, the governing body and the electors who are willing to serve shall be the budget committee...

# Budget Tech



**During budget committee  
deliberation we found an  
error in the Proposed Budget.**

**Can we change the Proposed  
Budget?**

No.

Make the correction as part of the Committee's approval process.

Correct errors in the Approved Budget when the Governing Board adopts the budget.

**Next year our new City Manager would like to have a Council work session on the budget after it is approved by the budget committee and before it goes forward to the final Public Hearing during the Council Meeting.**

**Can we do that?**

There is no statutory probation  
against this work session.

But is it good public policy?

What is the reason for the meeting?

What is the message to the citizen  
budget committee?

**Is there a specific ORS budget law  
around position control?**

No.

Position control is up to the district

The ORS requires only that the estimate for Personnel Services include the number of associated FTE. 294.388 (5).

**Our Budget Committee discussed an issue and decided not to include it in the Approved Budget. The Board concurred and did not include the item in the Adopted Budget.**

**Can the Board change its mind mid-year and change the budget to allow for the purchase?**

Yes, if:

1. Appropriation is available, or
2. If the purchase qualifies for a supplemental budget



**....And what is the general rule for qualifying for a supplemental budget?**

“...an occurrence or condition not  
ascertained when preparing original  
budget...”

ORS 294.471(1) (a)

**I am working on the ED-1 for my district. The examples/samples show me to use the Adopted Budget for the second column. It seems to me more transparent to use the Amended Budget for that column.**

**Which I should use?**

**FORM  
ED-1**

**NOTICE OF BUDGET HEARING**

A public meeting of the \_\_\_\_\_ will be held on \_\_\_\_\_ at \_\_\_\_\_  a.m. at  
(Governing body) (Date)  p.m.  
 \_\_\_\_\_,  
(Location) Oregon. The purpose of this meeting is to discuss the

budget for the fiscal year beginning July 1, 20\_\_\_\_ as approved by the \_\_\_\_\_ Budget Committee.  
(District name)

A summary of the budget is presented below. A copy of the budget may be inspected or obtained at \_\_\_\_\_  
(Street address)  
 \_\_\_\_\_ between the hours of \_\_\_\_\_ a.m., and \_\_\_\_\_ p.m., or online at \_\_\_\_\_.

This budget is for an  annual;  biennial budget period. This budget was prepared on a basis of accounting that is:  the same as;  
 different than the preceding year. If different, the major changes and their effect on the budget are:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Contact	Telephone number ( )	E-mail
_____	_____	_____

**FINANCIAL SUMMARY – RESOURCES**

TOTAL OF ALL FUNDS	Actual Budget 20____–20____	Adopted Budget This Year: 20____–20____	Approved Budget Next Year: 20____–20____
1. Beginning Fund Balance .....			
2. Current Year Property Taxes, other than Local Option Taxes .....			
3. Current Year Local Option Property Taxes .....			
4. Other Revenue from Local Sources .....			
5. Revenue from Intermediate Sources .....			
6. Revenue from State Sources .....			
7. Revenue from Federal Sources .....			
8. Interfund Transfers .....			
9. All Other Budget Resources .....			
10. Total Resources .....			

**FINANCIAL SUMMARY – REQUIREMENTS BY OBJECT CLASSIFICATION**

Yes, if you have amended  
the budget, use the  
Amended Budget on the  
ED/LB-1.

**What is the purpose of the  
Adopted Budget book?**

The purpose of the adopted budget book is to show the world that the district followed state law in preparing its budget and to show the amounts and sources of revenues to pay for the appropriations.

Many jurisdictions expand upon that requirement and provide additional information.

**What information and documents have to be in the Adopted Budget book?**



# The Adopted Budget Document

- a) The two budget committee notices
- b) Budget hearing notice
- c) Budget detail sheets
- d) Resolution imposing property taxes
- e) Resolution categorizing the taxes
- f) Notice of property tax levy form
- g) Samples of ballots of any new property tax approved by voters, for first time levy

OAR 150-294.0310

**The Appropriations in the budget resolution are the legal spending limits. But what about the categories in those appropriations?**

**Are the Personnel Services, Materials and Services, and Capital Outlay levels in the budget also legal spending limits?**

<b>Budget Summary</b>		
<b>General Fund</b>		
	<b>FTE</b>	<b>Adopted Budget</b>
Adminstration		
Personnel Services	2.0	164,000
Materials and Services		12,000
Total Administration		176,000
Finance and HR		
Personnel Services	2.5	150,000
Materials and Services		16,000
Total Fin & HR		166,000
Legal		
Personnel Services	0.5	50,000
Materials and Services		14,000
Total Legal		64,000
Police		
Personnel Services	7.5	652,000
Materials and Services		256,000
Capital Outlay		55,000
Total Police		963,000
Library		
Personnel Services	8.0	300,000
Materials and Services		75,000
Capital Outlay		55,000
Total Library		430,000
Transfers Out		95,000
Contingency		100,000
Ending Fund Balance		450,000
<b>Total Budget</b>	<b>20.5</b>	<b>2,444,000</b>

<b>Budget Resolution</b>		
<b>General Fund</b>		
Adminstration	\$	176,000
Finance and HR		166,000
Legal		64,000
Police		963,000
Library		430,000
Transfers Out		95,000
Contingency		100,000
<b>Total Appropriations</b>	<b>\$</b>	<b>1,994,000</b>
Ending Fund Balance		450,000
<b>Total Budget</b>	<b>\$</b>	<b>2,444,000</b>

No, budget category and line item amounts are not spending limits in the eyes of Local Budget Law.

The budget resolution is the sole source of legal spending limitations for Local Budget Law purposes.

**Can appropriations be transferred  
from another fund into the  
General Fund?**

Yes, appropriations can be transferred to the General Fund. Appropriations are, after all, just the authority to spend money.

But what about Revenues? Most other funds exist because of restrictions on the revenue sources. Transferring the revenues would violate those restrictions. So, transfer appropriations, yes. Transfer revenues, no.

There are exceptions. Revenues can be transferred into the General Fund when:

- Closing out a fund and sending the remnant resources to the General Fund,
- Paying back an Interfund loan, and
- Paying for services provided by the General Fund

**We have:**

- **Unforeseen occurrence.**
- **Will increase fund's expenditure budget by 25%.**
- **Will be paid for with user fees.**

**We need to do a supplemental budget, right?**

Not Necessarily.

You can use an appropriation resolution  
in this situation. ORS 294.338 (3)(a)

It appears that because tax money is not involved, the legislature allows this simplified process for districts to modify budgets. **Unless.....**



.....you need to create a new appropriations category. That will require a supplemental Budget.

OAR 150-294-0550

# Mrs. Smith from Ashland Oregon and the house on Terwilliger Place.

<b>4,000 Sq Ft House on 1 Acre on Terwilliger Place</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Tax Levied</b>	\$8,004	\$8,887	\$9,625	\$10,882	\$11,354
Annual Increase		\$883 11%	\$738 8%	\$1,257 13%	\$472 4%

Is this a mistake?

	2014	2015	2016	2017	2018
AV	\$398,550	\$410,500	\$422,810	\$435,490	\$448,550

No. 3% annual AV increase.

Well, then, what about bonds?  
When will they come off?

<b>Tax rates Levy Code Area 001</b>			
	<b>Limited</b>		<b>Bonds</b>
Education	\$	7.3080	\$ 2.4438
General Gov		<u>14.8170</u>	<u>0.4193</u>
Totals	\$	22.1250	\$ 2.8631
		89%	11%
Total Rate			\$ 24.9881

Then, what is going on? What will happen to my taxes in the future?

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Tax Extended</b>	\$9,551	\$9,696	\$9,958	\$10,882	\$11,354
<b>Compression</b>	<u>(\$1,547)</u>	<u>(\$810)</u>	<u>(\$333)</u>		
<b>Tax Levied</b>	\$8,004	\$8,887	\$9,625	\$10,882	\$11,354

# TSCC Budget Manual

[http://www.tscmultco.com/wp-content/uploads/budget\\_manual.pdf](http://www.tscmultco.com/wp-content/uploads/budget_manual.pdf)

## Post-Adoption Budget Changes

<http://www.tscmultco.com/wp-content/uploads/Jan-2017-Post-Adoption-Bud-Changes-Handout.pdf>

## Post-Adoption Budget Changes Flowchart

<http://www.tscmultco.com/wp-content/uploads/Jan-2017-Post-adoption-changes-11x17.pdf>

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