

Post-Adoption Budget Changes

December 19, 2016 Update

Craig Gibbons

Tax Supervising & Conservation Commission



Post-Adoption Budget Changes

Overview

- It is illegal to overspend Appropriations.
- Appropriations can be increased or decreased only by following specific rules.
- The rules for changing appropriations are complex and can be confusing.
- The rules for changing appropriations are designed to afford the public notice and the opportunity to weigh in on budget changes, that is commiserate with the financial significance of the change being considered.

Why is this important?

- A district that has not followed local budget law cannot expend money or certify a property tax. 294.338(1)
- Unless a governing body has followed the rules for changing budget appropriations, public money cannot be used for any purpose in an amount greater than the original budget appropriations. 294.456(6)
- Public Officials can be held liable for return of money spent in excess of or for a different purpose than that provided by law. 294.100
- Following local budget law provides a means of engaging citizens at a level appropriate to the significance of the financial issue at hand.

What are post-adoption budget changes?

- The Budget Resolution creates the governing body's Appropriations. 294.456(1)(a)
- Appropriations are the legal authority to make expenditures. 294.311(3)
- A governing body cannot exceed budget appropriations. 294.456(6)
- Post-Adoption Budget Changes are the means by which districts can change Appropriations during the fiscal year. 294.456(6).

Creating and changing appropriations is a public process

Just as the budget process requires opportunity for public participation, the post-adoption budget change process includes public participation. The complexity of the public participation process increases as the financial impact of the changes increase.

Post Adoption Budget Changes					
Connecting Increased Financial Impact to Public Participation					
	Appropriation Resolution	Transfer Resolution	Supplemental Budget	Supplemental Budget with Hearing	
Hearing				Required	Increased Public Participation ----->
Notice			Required	Required	
Resolution	Required	Required	Required	Required	
Increased Financial Impact ----->					

The Budget Resolution

The budget resolution sets out a district’s legal appropriations for the fiscal year.

General Government

Budget Resolution Format		
XYZ Fund		
Appropriation Category	Appropriations	Un-Appropriated
Org Unit 1	\$ XXX,XXX	
Org Unit 2	XX,XXX	
Org Unit 3	XXX,XXX	
Transfers Out	X,XXX	
Contingency	XX,XXX	
Total Fund Appropriations	\$ X,XXX,XXX	
Unappropriated EFB		\$ XX,XXX

Education

Budget Resolution Format		
XYZ Fund		
Appropriation Category	Appropriations	Un-Appropriated
Instruction	\$ XXX,XXX	
Support Services	XX,XXX	
Enterprise & Community Services	X,XXX	
Facilities Acq & Construction	XXX,XXX	
Debt Service	XX,XXX	
Transfers Out	X,XXX	
Contingency	XX,XXX	
Total Fund Appropriations	\$ X,XXX,XXX	
Unappropriated EFB		\$ XX,XXX

Ground Rules for Changing Budget Appropriations

The statutes present four methods for changing Adopted Budget Appropriations

1. Appropriation Resolution 294.338
2. Transfer Resolution 294.463
3. Supplemental Budget 294.471
4. Supplemental Budget with Hearing 294.473

- If you want to:
 - Increase pass through fund appropriations 294.466
 - Increase expenditure appropriations due to a dedicated purpose donation or grant 294.338(2)
 - Increase expenditure appropriations based on unanticipated expenditure and unanticipated non-tax revenue 294.338(3)
 - Receive grants or borrow or spend money in response to a public emergency 294.478 and 481

Use an Appropriation Resolution

- If you want to:
 - Move appropriations (inter- or intra-fund) 294.463
 - Access contingency (limited to 15% of adopted budget fund appropriations) 294.463(2)

Use a Transfer Resolution

- If you want to:
 - Create a new appropriation category 150-294-0550 and 0550(3)
 - Increase or decrease fund expenditure appropriations by up to 10% of fund expenses 294.471(3)
 - Access contingency in excess of 15% of adopted budget fund appropriations 294.463(2)

Use a Supplemental Budget

- If you want to:
 - Create a new fund OAR-294-0550(6)
 - Increase or decrease appropriations by more than 10% of fund expenses 294.473

Use a Supplemental Budget with Hearing

Definitions

Object Classifications: Summary groups for line item rollups

Object
Personal Services
Materials and Services
Capital Outlay
Debt Service
Special Payments
Transfers out
Contingency
Ending Fund Balance

Expenditures: Cash leaving the organization to pay for liabilities

Expenditures	
Expenditures	Personal Services
	Materials and Services
	Capital Outlay
	Debt Service
	Special Payments
Non-Expenditures	Transfers out
	Contingency
	Ending Fund Balance

Appropriations: Authority to spend money

Appropriations	
Appropriations	Personal Services
	Materials and Services
	Capital Outlay
	Debt Service
	Special Payments
	Transfers out
Un-Appropriated	Ending Fund Balance

Allocations: Organizing some expenditures into organizational units or programs

Allocations	
Allocated	Personal Services
	Materials and Services
	Capital Outlay
Unallocated	Debt Service
	Special Payments
	Transfers out
	Contingency
Ending Fund Balance	

The Different Requirement Groups Summarized

General Government Requirements			
Allocated (to Org Units)	Expenditures	Personal Services	Appropriations
		Materials and Services	
		Capital Outlay	
		Debt Service	
		Special Payments	
Not Allocated	Non-Expenditures	Transfers out	
		Contingency	
		Ending Fund Balance	
			Un-Appropriated

Appropriation Resolution

Uses:

- Increase pass-through fund appropriations 294.466
- Increase appropriations due to a dedicated purpose donation or grant 294.338(2)
- Increase appropriations for an unanticipated expenditure and unanticipated non-tax revenue 294.338(3)
- Receive grants or borrow or spend money in response to a public emergency 294.478 & 481

Requires

A resolution or ordinance.

Example 1:

Use an Appropriation Resolution to increase the appropriations for pass-through amounts.

Increase Pass Through Appropriations by \$150,000			
	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Resources			
Pass Through	\$ 250	\$ 150	\$ 400
Requirements			
Pass Through	\$ 250	\$ 150	\$ 400
There are no dollar limitations on this action.			

Example 2:

Use an Appropriation Resolution to create appropriations for a specific purpose donation

Recognize receipt of a \$500,000 donation "for the purpose of building a Swimming Pool."			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Resources:			
Donations	\$ -	\$ 500	\$ 500
Requirements:			
Administration	\$ 400	\$ -	\$ 400
Recreation	120	500	620
Transfer Out	50	-	50
Contingency	500	-	500
Total Appropriations	\$ 1,070	\$ 500	\$ 1,570
There are no dollar limitations on this action.			

Example 3:

Use an Appropriation Resolution to recognize unanticipated non-tax revenue and increase appropriations for an unanticipated expenditure.

Recognise \$200,000 in unanticipated non-tax revenue and increase appropriations for unanticipated expense			
	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Total Resources:	\$ 2,500	\$ 200	\$ 2,700
Requirements:			
Administration	\$ 400	\$ -	\$ 400
Police	1,200	150	1,350
Library	500	50	550
Transfers Out	100	-	100
Contingency	300	-	300
Total Appropriations	\$ 2,500	\$ 200	\$ 2,700
There are no dollar limitations on this action.			

Example 4:

Use an Appropriation Resolution to recognize borrowed funding to pay for an emergency situation.

Recognize receipt of a \$300,000 loan to fund earth quake cleanup			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Resources:			
Debt Proceeds	\$ -	\$ 300	\$ 300
Requirements:			
Public Works	\$ 400	\$ 300	\$ 700
There are no dollar limitations on this action.			

Transfer Resolutions

Used to:

- Move appropriations (inter- or intra-fund) 294.463, 294.353
- Access contingency (limited to 15% of adopted budget fund appropriations) 294.463(2)

Requires:

A resolution that states the need for the transfer, the purpose for the authorized expenditure, and the amount transferred. 294.463

Example 1:

Use a Transfer Resolution to move existing appropriations between existing categories. 294.463(1)

Increase Police Appropriations by transferring \$100,000 from Administration Appropriations			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$ 400	\$ (100)	\$ 300
Police	1,900	100	2,000
Library	400	-	400
Transfer Out	50	-	50
Contingency	500	-	500
Total Appropriations	\$ 3,250	\$ -	\$ 3,250
There are no dollar limitations on this action.			

Example 2:

Use a Transfer Resolution to transfer Appropriations to another fund. 294.463(3)

Transfer \$200,000 of Appropriations from the General Fund to the Water Fund			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$ 2,000	\$ (200)	\$ 1,800
Transfer Out*	-	200	200
Total Appropriations	\$ 2,000	\$ -	\$ 2,000
<u>Water Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Resources: Transfer In	\$ -	\$ 200	\$ 200
Requirements: Capital Outlay	\$ 300	\$ 200	\$ 500
There are no dollar limitations on this action.			

*Transfers Out are the only appropriation category that can be created without a supplemental budget.

Example 3:

Use a Transfer Resolution to move contingency of less than 15% of appropriations. 294.463(2)

Increase Library Appropriations by transferring \$50,000 out of Contingency			
<u>General Fund</u>	<u>Adopted</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$ 400	\$ -	\$ 400
Police	1,900	-	1,900
Library	400	50	450
Transfer Out	50	-	50
Contingency	500	(50)	450
Total Appropriations	\$ 3,250	\$ -	\$ 3,250
Contingency Xfer as a % of Adopted Appropriations		1.5%	

Example 4:

Use a Transfer Resolution to close out a fund and transfer balance. 294.353

Eliminate the GO Bond Debt Service Fund and Transfer \$20,000 Remnant to General Fund			
<u>GO Bond Debt Service Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Transfers Out	\$ -	\$ 20	\$ 20
<hr/>			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Transfers In	\$ -	\$ 20	\$ 20
Contingency	\$ 500	\$ 20	\$ 520

Districts are limited in the use of Supplemental Budgets

294.471 Supplemental budget in certain cases; no increase in property taxes permitted. (1)the governing body of a municipal corporation may make one or more supplemental budgets under any of the following circumstances:

(a) An occurrence or condition that is not ascertained when preparing the original budget or a previous supplemental budget for the current year or current budget period and that requires a change in financial planning.

(b) A pressing necessity that could not reasonably be foreseen when preparing the original budget or a previous supplemental budget for the current year or current budget period and that requires prompt action.

(c) Funds that are made available by another unit of federal, state or local government and the availability of which could not reasonably be foreseen when preparing the original budget or a previous supplemental budget for the current year or current budget period.

(d) A request for services or facilities the cost of which is to be supplied by a private individual, corporation or company or by another governmental unit and the amount of which could not be accurately estimated when preparing the original budget or a previous supplemental budget for the current year or current budget period.

(e) Proceeds from the involuntary destruction, involuntary conversion, or sale of property that necessitates the immediate purchase, construction or acquisition of different facilities in order to carry on governmental operations.

(f) Ad valorem property taxes that are received during the fiscal year or budget period in an amount sufficiently greater than the amount estimated to be collected such that the difference will significantly affect the level of government operations to be funded by the taxes as provided in the original budget or a previous supplemental budget for the current year or current budget period.

(g) A local option tax described in ORS 294.476 that is certified for extension on the assessment and tax roll under ORS 310.060 for the fiscal year or budget period in which the local option tax measure is approved by voters.

(h) A reduction in available resources that requires the governing body to reduce appropriations in the original budget or a previous supplemental budget for the current year or current budget period.

Supplemental Budget

Used to:

- Create a new appropriation category 150-294-0550 and 0550(3)
- Increase or decrease fund expenditure appropriations by up to 10% of fund expenses 294.471(3)
- Access contingency in excess of 15% of adopted budget fund appropriations 294.463(2)

Requires:

- A Resolution plus a Meeting Notice that must include statement that a supplemental budget will be considered. 294.471(3)(b)
- The Meeting notice must be published no less than five days before meeting. 294.471(3)(b)

Example 1:

Use a Supplemental Budget to create new appropriation category 150-294-0540 & 0550(3)

Create new Org Unit and Appropriations for it by reducing Police Appropriations by \$100,000			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$ 400	\$ -	\$ 400
Police	1,900	(100)	1,800
Library	400	-	400
Recreation	-	100	100
Transfer Out	50	-	50
Contingency	500	-	500
Total Appropriations	\$ 3,250	\$ -	\$ 3,250

Example 2:

Use a Supplemental Budget to increase Expenditures \leq 10% of existing Expenditures.
294.471(3)(a)

	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Recognise \$180,000 in unanticipated Ptax revenue and increase appropriations for unanticipated expense			
Resources:			
Property Taxes	\$ 500	\$ 180	\$ 680
Other Revenues	1,500	-	1,500
Total Resources	\$ 2,000	\$ 180	\$ 2,180
Requirements:			
Administration	\$ 400	\$ -	\$ 400
Police	1,200	180	1,380
Transfers Out	100	-	100
Contingency	300	-	300
Total Appropriations	\$ 2,000	\$ 180	\$ 2,180
	Appropriation Increase	9%	

Supplemental Budget with Hearing

Use To:

- Create a new fund OAR-294-0550(6)
- Increase or decrease appropriations by more than 10% of fund expenses 294.473

Requires:

- An Appropriation Resolution authorizing the expenditures, stating the need for, purposes, and amount of the appropriation. 294.473(1)(c)
- A Meeting Notice that includes a summary of the changes proposed in the funds that differ by more than 10% of budget. 294.473(1)(b)
- The Meeting Notice must be published no less than five days before meeting and a public hearing must be held. 294.473(1)(b)

Example 1

Use a Supplemental Budget with Hearing to create a new Fund. 150-294-0550(6))

Transfer \$200,000 from General Fund to create a new fund			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$ 2,000	\$ -	\$ 2,000
Transfer Out	-	200	200
Contingency	500	(200)	300
Total Appropriations	\$ 2,500	\$ -	\$ 2,500
<hr/>			
<u>Vehicle Replacement Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Resources: Transfer In	\$ -	\$ 200	\$ 200
Requirements: Capital Outlay	\$ -	\$ 200	\$ 200

Example 2

Use a Supplemental Budget with Hearing to increase Expenditures by more than 10%.
294.473(1)(a)

Recognise \$300,000 in unanticipated revenue and increase appropriations			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Total Resources:	\$ 2,500	\$ 300	\$ 2,800
Requirements:			
Administration	\$ 400	\$ -	\$ 400
Police	1,200	250	1,450
Library	500	50	550
Transfers Out	100	-	100
Contingency	300	-	300
Total Appropriations	\$ 2,500	\$ 300	\$ 2,800
Expenditure Increase		14.3%	

Example 3:

Use a Supplemental Budget to access Contingency in excess of 15% of Adopted Appropriations and 10% of most recently amended budget expenditures. 294.463(2)

Increase Police Appropriations by Transferring \$500,000 out of Contingency			
<u>General Fund</u>	<u>Adopted</u>	<u>Change</u>	<u>Adjusted</u>
Administration	\$ 800	\$ -	\$ 800
Police	1,900	600	2,500
Library	400	-	400
Transfer Out	50	-	50
Contingency	600	(600)	-
Total Appropriations	\$ 3,750	\$ -	\$ 3,750
Contingency Xfer as a % of Adopted Appropriations		16.0%	
Expenditure Increase		19.4%	

Example 4

Use a Supplemental Budget with hearing to recognize a general purpose donation that increases expenditures by more than 10%. 294.473(1)(a)

Recognize receipt of a \$300,000 donation "for the City Council to use as it deems worthy"			
<u>General Fund</u>	<u>Existing</u>	<u>Change</u>	<u>Adjusted</u>
Resources:			
Donations	\$ -	\$ 300	\$ 300
Requirements:			
Administration	\$ 400	\$ -	\$ 400
Police	1,900	-	1,900
Library	400	-	400
Recreation	120	300	420
Transfer Out	50	-	50
Contingency	500	-	500
Total Appropriations	\$ 3,370	\$ 300	\$ 3,670
Expenditure Increase		10.6%	

Hierarchy of Post Adoption Budget Change Processes and Requirements

Post Adoption Budget Changes				
Connecting Increased Financial Impact to Public Participation				
	Appropriation Resolution	Transfer Resolution	Supplemental Budget	Supplemental Budget with Hearing
Hearing				Required
Notice			Meeting Notice must include statement that a supplemental budget will be considered and must be published no less than five days before meeting	Meeting Notice must include a summary of the changes proposed in the funds that differ by more than 10% of budget and must be published no less than five days before meeting
Resolution	Resolution must enact the Appropriation and authorize the Expenditure.	Resolution must state the need for the transfer, the purpose for the authorized expenditure, and the amount transferred	Resolution must authorize the expenditures and state the need for, purpose, and amount of Appropriation.	Resolution must authorize the expenditures and state the need for, purpose, and amount of Appropriation.
Increased Financial Impact ----->				
Increased Public Participation ----->				

Post Adoption Budget Change Hierarchy								
Level	Mechanism	Process	Statutes	Limitations			Create New Appropriation Category?	Create New Fund?
				Expenditures	Appropriations	Contingency		
1	Appropriation Resolution	Resolution or Ordinance	294.338, 466, 478, & 481	No limits, but must be supported by non-tax revenues only.			No	No
2	Transfer Resolution	Resolution or Ordinance	294.463	No limits on size of change but no real increase or decrease in total budget allowed	Cumulative total utilized must be ≤ 15% of Original Adopted Fund Appropriations		No	No
3	Supplemental Budget	Adds notice requirement	294.471(3)(a)&(b)	Maximum change ≤ 10% of current Budget	No limitation	Use for changes > 15% (annual cumulative total) of Original Adopted Fund Appropriations	Yes	No
4	Supplemental Budget with Hearing	Adds notice requirement & Hearing	294.473(1)(a)&(b)	For Changes > 10%			Yes	Yes

clg TSCC 12-19-16