

Budget Manual

For Local Governments in Multnomah County

Cities

City of Portland
City of Gresham
City of Maywood Park

College

Mt. Hood Community College
Portland Community College



Regional

Multnomah County
Metro
Port of Portland
TriMet
East Multnomah Soil & Water CD
West Multnomah Soil & Water CD



Urban Renewal Districts

Gresham Redevelopment Commission
Portland Development Commission



ESD

Multnomah Education Service District

Rural Fire Protection Districts

Multnomah RFPD #10
Riverdale RFPD #11J
Sauvie Island RFPD #30

Schools

Portland School District
Corbett School District



Water Districts

Alto Park Water District
Burlington Water District
Corbett Water District
Lusted Water District
Palatine Hill Water District
Valley View Water District



Service Districts

Dunthorpe-Riverdale Sewer District
Mid-County Street Lighting District



January 2013

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**Tax
Supervising
&
Conservation Commission**

Telephone (503) 988-3054

Fax: (503) 988-3053

E-Mail: TSCC@multco.us

Web Site: www.tscmultco.com

Introduction

This Budget Manual is being published by the Multnomah County Tax Supervising and Conservation Commission (TSCC) to assist local governments in Multnomah County with the preparation, adoption and execution of budgets in accordance with Oregon's Local Budget Law, as required by Oregon Revised Statutes (ORS) 294.305 to 294.565. Particular attention is paid to the process of budgeting and levying of property taxes. This is because property taxes comprise one of the larger sources of revenue for local governments but also because taxes most directly affect citizens that are served by local governments. In addition, property taxes are at risk of being voided by the Oregon Tax Court if local budget law provisions are not closely followed.

Most local governments in Multnomah County are subject to local budget law and the jurisdiction of TSCC. These municipal corporations, or taxing districts as they are more commonly referred to, have additional requirements to follow throughout the budget process. In addition, taxing districts with a population greater than 200,000 follow a different process under TSCC than those taxing districts with a population under 200,000.

As such, this manual differs from the Local Budgeting Manual produced by the Oregon Department of Revenue, which is used by some 1,500 taxing districts in the other 35 Oregon counties. While most aspects of local budget law are the same and are detailed in both publications, the Budget Manual for Local Governments in Multnomah County highlights and provides greater detail of the unique processes that taxing districts under the jurisdiction of a

tax supervising and conservation commission must follow.

One of TSCC's most valuable services is providing training to local officials responsible for preparing and executing budgets. The goal is to prevent errors and to encourage budget documents and processes that not only comply with local budget law but that are also understandable and transparent for citizens. This manual, along with formal training sessions and one-on-one meetings, is the primary tool in that effort.

TAX SUPERVISING AND CONSERVATION COMMISSION

The Tax Supervising and Conservation Commission (TSCC) is an independent, impartial panel of citizen volunteers appointed by the governor to monitor the financial affairs of local governments. Oregon law created the Commission in 1919. Prior to that time, the Oregon Legislature controlled local governments' budgets. Oregon law requires a Commission in counties of over 500,000 population unless the county adopts an alternate method of publishing summary budget information for all its districts (ORS 294.608). TSCC has jurisdiction over all local governments that are required to follow local budget law and which have a higher real market value in Multnomah County than in any other county.

Starting in 2010-11, local governments with a population of 200,000 or less have the option of opting out of TSCC's jurisdiction. As of the 2012-13 fiscal year, 11 taxing districts have elected not to be under TSCC's jurisdiction.

The Commission annually serves the taxpayers by providing an extensive review of the budgets of the local governments within its jurisdiction. The reviews are both procedural and substantive in nature. Procedural checks establish compliance with the various laws governing local finance, particularly local budget law. They include such steps as verifying that the approved tax levies are within the constitutional limits and substantiated by budgets, ensuring that public notice requirements have been met, and validating that financial information is included in adequate detail.

A substantive review of program content, the reasonableness of estimates and coordination of financial planning among various units is also performed. All budgets must be certified by the Commission after approval by the budget committee and prior to adoption by the local governing body. These types of review and the certification process distinguish TSCC from other regulatory bodies, such as the Oregon Department of Revenue or county assessors, who do not receive copies of the budget documents.

The Commission provides an independent and objective forum, by way of public hearings, at which citizens may obtain information and express their views regarding the budget. Commission members represent the public at these hearings by asking questions indicative of the community at large. These public hearings are mandatory for entities with populations exceeding 200,000, and may be requested by the other taxing districts.

The Commission holds additional public hearings throughout the year on every new property tax measure placed before the voters. The Commission may also call joint meetings of the levying bodies to discuss tax coordination or any other area of common interest.

The Commission is required by law to publish a comprehensive *Annual Report* of all Multnomah County local government budgets, indebtedness, property taxes and other financial information each year.

In Multnomah County 28 districts are subject to Local Budget Law and to the supervision of TSCC: the county, two county service districts, three regional districts, two soil and water conservation districts, three cities, two community colleges, an education service district, three school districts, three rural fire protection districts, six water districts and two urban renewal agencies. Each of these districts, formed under Oregon law, has specific legal limitations that provide differing authority and responsibilities. However, when it comes to the preparation and execution of the budget, all of the districts are subject to the same statewide budget provisions. Each must prepare and adopt a budget under Oregon Local Budget Law prescribed in ORS 294.305 to 294.565.

Contact Information

We hope this manual is informative and useful. TSCC staff is available to answer questions regarding local budget law, Oregon's property tax system, election law and other issues that might affect a district's budget. This can be done over the phone, via e-mail or in person. We are always willing to assist in any way that we can.

Phone: 503-988-3054

Address: PO Box 8428
Portland, OR 97207

E-Mail: tsc@multco.us

Web Site: www.tscmultco.com

Multnomah County Local Governments Subject to TSCC *

County

Multnomah County

Regional Districts

Metro

Port of Portland

TriMet

East Multnomah SWCD

West Multnomah SWCD

Urban Renewal Agencies

Gresham Redevelopment
Commission

Portland Development
Commission

Cities

City of Portland

City of Gresham

City of Maywood Park

Community Colleges

Mt. Hood Community College

Portland Community College

K-12 Education Districts

Education Service District

Portland SD 1J

Corbett SD 39

Fire Districts

Multnomah RFPD No. 10

Riverdale RFPD No. 11J

Sauvie Island RFPD No. 30J

Water Districts

Alto Park Water

Burlington Water

Corbett Water

Lusted Water

Palatine Hill Water

Valley View Water

County Service Districts

Dunthorpe-Riverdale Sewer

Mid-County Street Lighting

*As of January 2013

Links

Oregon Revised Statutes can be accessed at: <http://www.leg.state.or.us/ors/home.html>

Oregon Administrative Rules are found at: <http://arcweb.sos.state.or.us/pages/rules/index.html>

Department of Revenue Local Budget Law forms are found at:

<http://www.oregon.gov/DOR/PTD/LocalB.shtml>

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January 2013

Section 1

Framework

LOCAL BUDGET LAW

Many states have specific laws that require local governments to prepare and adopt annual budgets. Yet Oregon's budgeting system is considered to be one of the most progressive in the nation. Oregon's Local Budget Law (ORS 294.305 to 294.565) applies to approximately 1,500 local governments throughout the state by:

- Establishing standard procedures for preparing, presenting and administering the budgets of Oregon's local governments.
- Encouraging citizen involvement in the preparation of the budget before its formal adoption.
- Providing a method of estimating revenues, expenditures and proposed taxes.
- Offering a way of outlining the programs and services provided by local governments and the fiscal policy used to carry them out.

Excluded from Local Budget Law

Not all municipal corporations are subject to local budget law, as specified in statute. Moreover, TSCC has jurisdiction over only municipal corporations that are subject to local budget law. For example, a soil and water conservation district that does not have authority to levy property taxes is not subject to local budget law. As a result, it would not be under the jurisdiction of TSCC. On the other hand, if a soil and water conservation district does have the authority to levy property taxes then it would be subject to local budget law and as a consequence would also be under the jurisdiction of TSCC. A complete list of municipal corporations that are not subject

to local budget law can be found in ORS 294.316.

Citizen Involvement

One of the bedrocks of local budget law is the principal of not only allowing citizen involvement but also actually requiring citizens to be involved. This progressive ideal is found throughout the process: from public notification requirements to appointing citizens with an equal vote to the budget committee to limiting changes to the budget without additional public notification and citizen input.

Citizens can even initiate challenges to the budget process and the levying of property taxes as noted below.

Generally, all steps in the budget process or changes to the budget during the fiscal year need to be publicly noticed. When local budget law does not specify notification requirements, the usual notification requirements, similar to regular meetings of the governing body, apply.

Certain actions during the budget process have unique notification requirements. This includes notification of the first meeting of the budget committee, which requires two public notices, and the notice of the governing body public hearing, that requires a detailed summary of the Approved Budget and the property tax levies approved by the budget committee.

These public notices inform citizens when and where deliberations on the budget will take place and inviting public comment and questions. Failure to provide proper notice is considered a serious violation of local budget law.

BUDGET LAW VIOLATIONS

There are two ways the budget process can be violated. ORS 294.461 addresses violations of the local budget law process and ORS 310.070 addresses the violations of certifying a property tax in excess of the constitutional or statutory limitations.

Failure to Follow Local Budget Law

If local budget law is thought to be violated the county assessor, county court, board of county commissioners, Department of Revenue, tax supervising and conservation commission or 10 or more interested taxpayers may file an appeal to the regular division of the Oregon Tax Court. If an appeal is filed the local government has the responsibility of defending itself before the court. If the tax court finds that the local government has not “substantially complied” with local budget law, it can order that the local government reduce its tax levy. The appeal to the tax court must be made within 30 days from the time the notice of tax is submitted to the county assessor. ORS 294.461.

Certification of Tax in Excess of Statutory or Constitutional Limits

The assessor and the Department of Revenue use the information on the tax certification forms (LB-50, ED-50 or UR-50) to verify that the local government’s tax is within constitutional and statutory limits. If it is found that the tax exceeds the constitutional or statutory limits, the Department of Revenue notifies the local government and the county assessor that the tax must be reduced. The local government will be asked to submit a new certification form. The department has the authority to order the reduction if the district fails to resubmit the form as requested. If the local government does not agree with the department’s decision, it has the right to appeal the action to the Oregon Tax Court. The 30-day time limit does not apply to these types of violations. ORS 310.070.

Expenditures Contrary to Law

Citizens of taxing districts which have a population exceeding 100,000 and that are located in a county having a tax supervising and conservation commission have an additional avenue to air grievances. A separate statute, ORS 294.100(3), provides that 10 “taxpayers” may demand in writing that the commission investigate and take legal action if “a public official has unlawfully expended public moneys in excess of the amount or for any other or different purpose than provided by law and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty.” The commission can pursue court action for the return of any money so spent from the public official.

This statute has been used twice in the last five years. While in both cases, the commission determined that the allegations made in the “demand letter” were without merit, taxing districts need to be mindful of this opportunity for citizens to participate in the budget process.

WHO’S INVOLVED

Obviously, it takes a great many people and organizations throughout the year to develop and execute a budget. The number may vary depending on the size of the district but the roles will not vary significantly.

- Budget Officer. Each municipal corporation is required to appoint a Budget Officer. ORS 294.331. This person is responsible for developing the Proposed Budget for presentation to the budget committee.
- District Staff. This could be a single individual who is responsible for other duties or a large office dedicated solely to the budget. This can also be contracted out. It is staff’s responsibility, under the direction of the budget officer, to prepare the budget document, guide the budget through the process, ensure publication notices are submitted timely and all filings are completed prior to the deadlines. Staff is also responsible for tracking the budget during the year to avoid spending more

money than what is available or to spend more than what is legally authorized.

- **Budget Committee.** This committee, comprised of members of the governing body and citizens, plays a crucial role in the budget process and ensures the budget is developed with as much input from the public as possible. The committee, by statute, must approve the budget and the property tax levy. The governing body is restricted as to how much the budget can change from what the budget committee has approved and there are restrictions as to increasing the property tax levy over what the committee has approved.
- **Governing Body.** The board, council or commission, whether elected or appointed, is ultimately responsible for all actions of the district. They have the direct responsibility of serving on the budget committee and for adopting the budget prior to July 1.
- **County Assessor.** The assessor, or assessors if a district's boundary extends beyond Multnomah County, is responsible for reviewing the filings under ORS 310.060 from each district and alerting the Oregon Department of Revenue of any irregularities. The assessor extends levies, including calculating tax rates for dollar-based levies and determining the property taxes for each property. The assessor also tracks and maps the boundary of each district.
- **County Tax Collector.** The tax collector receives the assessment roll from the county assessor and proceeds to prepare and mail property tax statements. The tax collector also prepares a distribution schedule that indicates how much each district in the county is to receive from every dollar in property taxes paid. The tax collector distributes taxes as they come in using these distribution percentages.
- **Oregon Department of Revenue.** The Department is granted authority in statute to "construe" local budget law and to

"(m)ake such rules and regulations and prescribe such forms as it considers proper" to carry out local budget law. ORS 294.495. It has the authority to instruct the assessor to adjust a property tax levy that is contrary to law or the Oregon Constitution. ORS 310.070.

- **TSCC.** Most taxing districts in Multnomah County are required to follow all of the provisions in local budget law. However, there are differences in that districts are also under the jurisdiction of the Multnomah County Tax Supervising and Conservation Commission. The biggest difference is that each district is required to submit its Approved Budget to TSCC prior to conducting a public hearing. TSCC reviews the Approved Budget and certifies whether it has any "objections" or "recommendations" to make with respect to the budget. Other differences in the budget process are noted throughout this manual.
- **Oregon Secretary of State.** State law requires most districts to have an annual audit of financial statements. ORS 297.405 to 297.555. The Secretary of State's Audits Division oversees this process and districts are required to submit a copy of the annual audit to the Secretary of State's office.

BOUNDARY CHANGES

While district's boundaries do not change very often, there are times when annexations occur to add territory to a district or property is removed from a district. In addition, new districts are formed and districts dissolve or merge with other districts. Obviously, this influences the budget process and can have significant implications for property tax levies.

The Oregon Department of Revenue and county assessors are responsible for approving and tracking changes in districts' boundaries. The Department has a separate manual that covers the process for changing a district's boundaries and can be found on

the Department's web site or by calling the Department at 503-945-8293.

It should be noted that boundary changes are required by statute to be filed "in final approved form" with the county assessor and the Department of Revenue by March 31. Filings prior to March 31 will go into effect for the next fiscal year (tax bills due the following November). Filings after March 31 will not be reflected on the assessment and tax roll until the following fiscal year. Therefore, a district that files an annexation of territory in April 2012 will start providing services to that area as soon as the annexation is effective. However, it will not receive property taxes from those new properties until November 2013.

BIENNIAL BUDGET

Most districts operate on a fiscal year basis. For taxing districts with the power to impose *ad valorem* (property) taxes, that means a budget period beginning on July 1 and ending the following June 30. Districts that do not have the power to impose property taxes can designate an accounting period of 12 months. The fiscal year must end on the last day of the month. ORS 294.311(17).

The 2001 Legislature amended local budget law to allow districts to provide for a 24 month, or biennial, budget period. This must be authorized by resolution, ordinance or charter. ORS 294.323. Like a fiscal year, a budget period is defined as beginning on July 1 and ending on June 30 if the district has the power to impose property taxes or any 24-month period if no such power is available.

The process of preparing, adopting and executing a biennial budget is very similar to a fiscal year budget process. One obvious difference is that the steps to prepare and adopt the budget are undertaken only every other year. Once the budget has been adopted and the budget period is underway then the process is pretty much the same.

Despite the 24-month period, two important actions still must be taken annually. The first is that if the district levies property taxes then the certification to the county assessor required by ORS 310.060 must be filed each fiscal year. The second is that the independent accountant's audit of the district's financial statements is still made on a fiscal year basis.

To accommodate the certification of the property tax levy annually, local budget law provides that revenue from current year property taxes be determined for each of the two fiscal years. The two amounts are then added together as the resource to be used in the budget. Oregon Administrative Rule (OAR) 150-294.368(2). In addition, the resolution or ordinance the governing body adopts to levy and categorize taxes required by ORS 294.456 must specify the property tax levy for each fiscal year of the budget period.

The decision to move to a biennial budget must be made carefully by the governing body, in consultation with budget staff, citizens, the district's independent accountant and TSCC. The reduced workload of not having to go through the budget process every year must be weighed against the greater uncertainty of estimating resources and requirements over a longer period of time.

BUDGET CYCLE

Budgeting is a continuous process. Before one fiscal year or budget period's budget is completed, the process of developing the next budget is already well under way. A fiscal year budget, from July 1 to June 30, can encompass nearly two years of work on the part of those involved, particularly budget staff. The following is a general schedule of the budget cycle. Time frames may vary from district to district.

- December: the governing body appoints the budget officer, appoints citizens to vacancies on the budget committee and adopts the budget calendar.

- January: budget staff, under the direction of the budget officer, begins the work of preparing the budget document.
- February thru April: budget staff compiles estimates of resources and requirements for the upcoming fiscal year or budget period.
- April: the Proposed Budget is presented to the budget committee and the public. After receiving public comment and deliberating on the budget, the budget committee approves the budget and the maximum property tax levy.
- May: a summary of the Approved Budget and the time and place for the public hearing is published. The governing body conducts the public hearing.
- June: the governing body formally adopts the budget, including authorizing appropriations and levying and categorizing property tax levies.
- July thru June: budget staff and the governing body operate in accordance with the budget and track expenditures to ensure appropriation authority is not exceeded. Governing body amends the budget through formal action as needed to react to changing situations.
- August: budget staff prepares year-end reports of final revenues and expenditures from prior fiscal year.
- December: independent accountant submits final report of audit of financial statements, including comparison of budget to actual revenue and expenditures.

BUDGET CALENDAR

While it is not required by local budget law, a budget calendar is an invaluable tool and it is strongly recommended. The calendar is based on the sequence of steps in preparing the budget, allowing sufficient time to complete the entire budget process before June 30. ORS 294.408. It should include scheduled meetings and hearings, publication requirements and TSCC filing requirements to ensure compliance with budget laws. It can be particularly helpful to smaller districts that may publish notices in newspapers that only come out once per week. Tax elections need to be included on the calendar if known at the time of preparation.

Since budget calendars are built around mandated requirements, it is important to review the calendar annually.

There is no requirement for the governing body to formally approve the budget calendar, although the members should certainly be apprised of the upcoming events as part of the budget process.

A copy of the budget calendar is sent to TSCC as soon as possible after approval. TSCC staff review the calendar to ensure that publication dates adhere to local budget law and allow enough time for future actions, such as filing the Approved Budget with TSCC.

A sample budget calendar is included at the end of this section.

Sample Budget Calendar

Appoint Budget Officer	December 14	
Prepare Budget Calendar	January 7	
Send TSCC Copy of the Calendar	January 14	
Prepare Proposed Budget	February 25	
Publish 1 st Notice of Budget Committee Meeting (or post on internet website)	March 14	(5-30 days prior to the meeting or 10 days prior for internet website posting)
Publish 2 nd Notice of Budget Committee Meeting	March 21	(5-30 days prior to the meeting, include Internet website address of 1 st posting)
Budget Committee 1 st Meeting	March 28	
Budget Committee Meeting	March 29	
Budget Committee Meeting	March 30	
File Budget with TSCC	April 16	(By May 15)
Publish Notice of Budget Hearing	May 30	(5-30 days prior to the hearing)
Budget Hearing Date	June 13	
Adopt the Budget via Resolutions	June 27	(By June 30)
File Adopted Budget with TSCC	July 12	(Include response to Certification Letter)
Certify Levy with Assessor's Office	July 12	(By July 15)

This calendar should also include any meetings or events that are unique to your district such as local option or bond levy elections. This calendar can be expanded to include appointment of committee members or training sessions. Some districts add more descriptive detail under the various headings. TSCC will ask for your calendar in January so that the budget review process can be scheduled.

Section 2

Funds

The requirement to budget by fund, a principle of good accounting, can be found in state and federal laws, as well as local charters. A fund is defined as “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”. OAR 150-294.388(1)-(A).

A budget is comprised of one or more funds. The estimates of expenditures and revenues for the day-to-day operation of a local government are usually shown in the General Fund.

Cities operating under home rule charters usually provide for several special funds, in addition to a general fund. The number and type of funds budgeted depend upon the activities of the city and how it was organized when the charter was adopted. When cities engage in activities authorized by state law, funds should be set up as required by those statutes. The local government governing body may create other funds to control the use of restricted or dedicated revenues.

New funds can be created by resolution, by including the new fund in the budget document as it is developed, or by supplemental budget. Local governments should maintain only those funds that are required to meet legal and operating requirements. Too many unnecessary funds complicate the budget.

There are different types of funds that may be used, depending upon the complexity and level of activity for each local government. A summary of the major fund

types used in setting up budget and accounting records follows.

GENERAL FUND

The General Fund records financial transactions relating to all activities for which specific types of funds are not required. It is the day-to-day operating fund for the local government. All Multnomah County governments have a General Fund, although they may be called something other than the “General Fund”. Some small local governments have only a General Fund.

All revenue that is not dedicated or legally obligated to a specific purpose should be budgeted in the General Fund. Revenue that would not be budgeted in the General Fund may include property taxes to pay principal and interest on general obligation bonds authorized by voter approval, state gas tax funds dedicated to roads and charges for self contained enterprises such as water and sewer systems.

SPECIAL REVENUE FUNDS

Special Revenue Funds are created when required by law or contractual agreement. Statutes require a special revenue fund be created to account for certain receipts. The use of this type of fund ensures that dedicated revenues are spent accordingly. Examples include: grants, state gas taxes, System Development Charges (SDC’s), and airport revenue.

Specific Purpose Local Option Tax Fund

A separate fund must be established for each local option tax providing money for a specific purpose, such as police services, parks or library operations. The money received must be retained and spent only for

the purpose for which the tax was approved by voters, as detailed in the measure. Creating a special revenue fund provides fiscal integrity for the local option tax revenue. Local option taxes for capital projects should be placed in a capital projects fund. Local option taxes for general operations should be budgeted directly into the General Fund. ORS 287.070.

CAPITAL PROJECT FUNDS

Capital Project Funds record all resources and expenditures used to finance acquisition or construction of major capital facilities. Resources include proceeds from the sale of general obligation bonds or tax revenue from a capital projects local option levy. Also included are any grants, transfers from other funds, or other revenues authorized for financing capital projects. ORS 287.070. If the capital project is being funded from general operating revenue, such as a district's permanent tax rate, it is not necessary to create a separate Capital Projects Fund.

Capital Project Fund for General Obligation Bond Issue

A capital projects fund is established to receive and disburse the proceeds from a general obligation bond issue authorized by the voters. Bonds are authorized for specific purposes. Spending money from a bond issue for other than authorized purposes is illegal, so a separate fund is set up to account for bond proceeds. The capital projects fund is temporary. When the project for which the bonds were issued is completed, any remaining money must be transferred to the debt service fund unless otherwise authorized by law. Several related projects financed from one bond issue may be accounted for in one fund if there are no provisions to the contrary in the authorization to sell the bonds.

Administrative Expenses

Bond proceeds may be used to pay attorney, consultant, paying agent, trustee or other professional fees and expenses related to the preparation, authorization,

issuance and sale of the bonds. ORS 287A.300(2).

While these expenses can be paid from a capital projects fund, they **cannot** be paid from a General Obligation Debt Service Fund.

When the Capital Project Fund is Established

If the bond sale receives voter approval **prior** to the adoption of the regular budget, then the expenditure of the proceeds must be included in the regular budget.

If the bonds were sold in the preceding fiscal year or budget period and the proceeds are being carried forward to the current fiscal year or budget period, then the expenditure of the proceeds must be included in the regular budget.

If voter approval is received **after** the regular budget is adopted and bonds are sold during the fiscal year or budget period, a supplemental budget is not required to expend the proceeds. ORS 294.338(4). However, the governing body should establish a special fund to account for the proceeds and adopt a resolution authorizing the creation of the fund and the expenditures.

DEBT SERVICE FUNDS

A Debt Service Fund is established to account for the payment of principal and interest on certain long-term debt, including debt payable exclusively from revenue producing enterprises. There may be several bond issues accounted for in one debt service fund. Separate accounts should be established for each bond issue within the fund. Transactions to record the redemption of existing bonds with proceeds of refunding bonds are also recorded in debt service funds. Long-term debt for general operations can be paid out of the general fund without setting up debt service fund.

The General Obligation Bonds Debt Service Fund can only be used to pay bond principal

and interest. Expenses for administration, or any other annual expenses, cannot be paid from this fund. An exception occurs if an interfund loan has been made to the Debt Service Fund due to a revenue shortfall. The “loan repayment” can be budgeted, but never as a transfer.

Resources of the General Obligation Bonds Debt Service Fund cannot be diverted or used for any other purpose. ORS 287A.140(2). Money in a Debt Service Fund cannot be used to make interfund loans.

Once all of the principal and interest payments have been made no additional property tax levies can be certified. It is recommended that resources and requirements be budgeted within the fund the first fiscal year after all payments have been made. The following fiscal year the budget should transfer any remaining balance to the General Fund or any other fund originally designated by the governing body or the bond covenants. Prior year taxes would then be budgeted directly into the new fund.

Refunding Bonds

Local governments have the authority to refund outstanding bond issues. ORS 287A.360 to 287A.380. If the bonds to be refunded are “callable”, meaning they can be pre-paid, the refunding bonds are referred to as “current refunding bonds”. If the bonds to be refunded are to be pre-paid before their call dates, the bonds are referred to as “advance refunding bonds”.

The proceeds of the advance refunding bond sale are used to buy low-risk government securities to place in escrow to secure the old bonds. A tax cannot be levied to make debt service on the old bonds after the amount owed is secured by investing in government securities. A tax may be levied to pay the principal and interest on the new bonds only if there was voter approval to levy a tax on the old bonds. ORS 287A.380.

Refunding bond proceeds may be used to pay administrative costs, expenses, or fees in connection with the refunding transaction. ORS 287A.360(4). However, these expenditures should be paid out of the General Fund not the debt service fund if the debt is general obligation bonds.

Debt service on the new bonds must be included in the budget, because it will be paid by a tax levy.

Revenues irrevocably placed in escrow for the purpose of defeasing and paying the bonds, or revenues received as a result of prepayments or other unforeseen circumstances used to redeem bonds or other obligations, are not required to be included in the budget. ORS 294.338(5)(b).

Bancroft Bond Redemption Fund

The Bancroft Bonding Act (ORS 223.205 and 223.210 to 223.295) is a financing method that may be used by cities, counties, and certain special districts with specific statutory bonding authority. The purpose of the Bancroft Bonding Act is to provide a way for property owners to pay for improvements, such as streets, water supply systems, storm sewers, etc., in equal annual installments spread out over a period of years. A “Bancroft Bond Redemption Fund” must be established to record the debt payments for principal and interest. This is a special type of Debt Service Fund.

INTERNAL SERVICE FUNDS

An Internal Service Fund finances and accounts for services furnished by one department or agency to another department or agency of the local government on a cost-reimbursement basis. OAR 150-294.388(1)-(A). Examples include fleet services, printing and mail distribution. Amounts expended from the fund are restored from either operating earnings or as operating expenditures from other funds to the internal service fund. The original working capital is then kept intact.

ENTERPRISE FUNDS

An Enterprise Fund is established to finance and account for acquiring, operating, and maintaining facilities and services that are self-supporting from user charges and fees. OAR 150-294.388(1)-(A). Examples of enterprise fund activities include government-owned utilities, swimming pools, airports, parking garages, bookstores, cafeterias and transit systems. Districts should establish separate funds for each enterprise in order to segregate operations data. This information can be used to establish charges or fees. It can also provide better controls and information on the management of the resources and expenditures.

TRUST AND AGENCY FUNDS

Assets are sometimes held, or revenue is received, by local governments in a trustee capacity to be used for a certain specified purpose. These include: Expendable Trust Funds, Nonexpendable Trust Funds, Pension Trust Funds, and Agency Funds. For example, investments or securities may be given to the local government with provisions that the income be used to aid libraries or parks. In other cases, the municipality may charge a certain amount for perpetual upkeep of cemetery lots, with such amount to be invested and only the earnings used for the designated purposes. These revenues and expenditures are accounted for in Trust and Agency Funds.

Most Trust and Agency Funds are required to be included in the budget. There are certain situations where the funds are exempt from this requirement. Estimates of expenditures and resources are not required to be included in the budget if **all** of the following three criteria are met under OAR 150-294.388(1)-(A):

- The municipal corporation holds the resources merely for safekeeping;
- Expenditures are not under the control of the municipal corporation or a third party chosen by the municipal corporation; and

- The resources are expended for a purpose other than that for which the municipal corporation levies a tax or expends funds.

Schools often serve as trustees for funds of the various clubs or activities of the student body. In this capacity, all three requirements are met, and the associated resources are not required to be budgeted. However, some districts choose to include them.

RESERVE FUNDS

A local government may set up a Reserve Fund specifically under ORS 294.346 to accumulate money for financing the cost of any service, project, property or equipment that the district can legally perform or acquire. Money in a Reserve Fund can only be expended for the purpose for which the fund was established, unless the fund is dissolved. Expenditures are made directly from the Reserve Fund.

Any local government, by resolution or ordinance, may establish a Reserve Fund under ORS 294.346. The governing body may specify a time limit in which money can be added to the fund. At least every ten years after the establishment of a reserve fund, the governing body must review the fund to decide if it should be continued or abolished. If the governing body abolishes the fund by resolution, any unexpended or un-obligated balance left in the fund is transferred to the General Fund or to the fund designated by the governing body at the time the reserve fund was originally established.

Other Reserve Funds

Often contracts or statutory authority require the establishment of reserve funds. These Reserve Funds established under other authority or requirements are not subject to the same ten-year review process as those established under ORS 294.346. It is important to distinguish between the two types as other restrictions or procedures may apply.

School districts have special statutory authority to set up reserve funds for the purchase of automotive equipment. ORS 328.470.

DISSOLVING A FUND

When a fund is no longer needed the governing body should take action through either a resolution or ordinance to dissolve the fund. When a fund is dissolved the fund balance is transferred to the General Fund unless other provisions were made at the time the fund was originally established. ORS 294.353.

If expenditures from a specific purpose local option tax fund are no longer needed, the governing body may abolish the fund and transfer the balance to the General Fund or any other fund designated by the governing body. However, any remaining levy authority

is lost. Any future collections for prior years' taxes are deposited directly into the fund designated to receive the fund balance.

The Capital Projects Fund established as a result of a general obligation bond sale is temporary and should be closed when the project or projects for which the bonds were issued is completed. Any remaining money must be transferred to the General Obligation Bond Debt Service Fund unless otherwise authorized by law.

The history of resources and requirements of closed funds will continue to be shown in the budget detail columns of future budgets until such time as the column drops off of the form. Generally, this means the resources and requirements will be displayed for an additional two years.

Section 3

The Budget Document

STATUTORY REQUIREMENTS

Local Budget Law dictates what must be included in the budget document. Surprisingly, the requirements are quite minimal. Districts are encouraged to add material to the budget that provides more in-depth information for the public.

Local budget law defines a budget document as “estimates of expenditures and budget resources as set forth on the estimate sheets, tax levy and the financial summary”. ORS 294.311(6). ORS 294.358 requires the estimate sheets to include: actual resources and requirements from the two preceding fiscal years or budget periods, estimates for the current fiscal year or budget period and the estimates for the ensuing fiscal year or budget period.

Other statutes within local budget law detail resources (ORS 294.361) and expenditures (ORS 294.388) that must be detailed on the estimate sheets. These set the minimum standards. A district can choose to provide a greater level of detail than what is required.

Local budget law also requires the preparation of a “budget message” that is to be delivered to the budget committee. ORS 294.403.

BUDGET OFFICER DESIGNATED

In addition, local budget law requires each local government to have a designated budget officer. The budget officer, or the person or position designated by charter and acting as budget officer, prepares or supervises the preparation of the budget document. (ORS 294.331)

The budget officer, unless the charter specifies otherwise, acts under the direction of the executive officer of the municipal

corporation or under the direction of the governing body. The budget officer:

- Does not have to live within the boundaries of the local government, unless required by the local government’s charter. OF 448-V; 12-26-63.
- Cannot be an appointive member of the budget committee, because appointed members of the budget committee cannot be officers, agents, or employees of the local government. ORS 294.414(4).

The budget officer is also responsible for publishing the Notice of Budget Committee meeting. ORS 294.426(3)

BUDGET MESSAGE

Local budget law requires the executive officer or governing body presiding officer of every municipal corporation to prepare a budget message. ORS 294.403. The budget message is “delivered” to the budget committee at the same time the Proposed Budget is delivered. ORS 294.426.

The budget message is required by ORS 294.403 to contain six items:

- Explanation of the budget document.
- “Brief” description of the proposed financial policies for the ensuing fiscal year.
- In connection with those financial policies, a description of the important features of the budget document.
- Explanation or reason for “salient” changes in expenditures or resources
- Explanation of “major” changes in financial policies.
- Explanation of any contemplated changes in the basis of accounting, the reasons for

the change and the effect of the change on operations.

THE BUDGET

A budget is a financial plan that includes estimates of expenditures and resources for either a single fiscal year or a 24-month period. For taxing districts with the power to impose ad valorem (property) taxes, the fiscal year begins on July 1 and ends on either the following June 30 or on June 30 of the second fiscal year of a budget period. Municipal corporations that do not have the power to impose property taxes can designate an accounting period of 12 months. The fiscal year must end on the last day of the month. 294.311(17).

The budgeting process provides procedures for evaluating local government needs and identifying revenue sources to meet those needs. The completed budget also provides the justification for imposing *ad valorem* taxes.

The budget must be completed by June 30, the day before the start of the fiscal year or budget period to which the budget applies. Compliance with local budget law is critical for local governments. Without a budget for the new fiscal year or budget period in place, a local government has no authority to spend money or to incur obligations when the previous budget expires on June 30.

The style of budget selected by the local government is a policy decision made by the governing body. However, the budget must comply with all the requirements of local budget law and the format established by the Department of Revenue.

The budget will be the guide to the management of the local government. It also provides information and encourages public participation in the governmental process. The goal should be to develop a document that is:

- Informative,

- As uncomplicated as possible, and
- Understandable by the reader.

BASIS OF ACCOUNTING

Municipal corporations are required to maintain accounting records by fund using a cash, modified accrual, or accrual basis of accounting. ORS 294.333. The selection of the basis of accounting is up to each local government.

Any change in the basis of accounting must be explained in the budget message for the fiscal year or budget period in which the change is planned. ORS 294.403(6). The explanation must include the reasons for the change and its impact on the fiscal operations of the district. Once a new basis of accounting is adopted, the basis is used in the fiscal year or budget period for which the budget was prepared.

Commingling Cash

Cash can be commingled as long as the budget document and the accounting records keep the funds segregated. ORS 294.468(4).

PROPOSED BUDGET

A single Proposed Budget should be prepared, including first and second preceding year's data, current year budgeted estimates and proposed estimates. If the budget officer wants to present different options in terms of Resources and Requirements, these should be presented separately from the Proposed Budget detail sheets as handouts or "change memos."

First and Second Preceding Year's Data

Expenditure and resource estimate detail sheets are a required part of the budget document. These detailed estimate sheets show the actual expenditures and resources for the two preceding fiscal years or budget periods for each fund. ORS 294.358. This requirement provides a two fiscal year or budget period record of what actually happened. It compares the earlier actual

resources and expenditures with those estimated and budgeted for both the current fiscal year or budget period and the upcoming fiscal year or budget period.

The historical data are the audited figures. The total resources in the budget should match the audit total for revenues, other financing sources and beginning fund balance. Total requirements in the budget should match the audit total for expenditures, other financing uses and ending fund balance. Historical data provides a basis for estimating the upcoming fiscal year or budget period expenditures and resources.

A fund dissolved by the governing body must remain a part of the budget's historical record until it drops off the historical portion of the form. If two funds are created from one previously existing fund, reflect the previous historical data so previous resources and expenditures for each fund can be easily understood. For some situations this may be combining the two funds into one. For others, data may be shown as three funds; two with history columns only and one with only ensuing fiscal year or budget period data. The dissolution or combination of funds should be explained in the budget message and footnoted on the detail sheets to allow for clear understanding by the reader.

Current Year Budgeted Resources and Expenditures

On the estimate sheets, show the estimated expenditures and resources adopted for the current fiscal year or budget period. These amounts come from the current budget document, but should be updated to reflect any changes authorized by governing body resolutions or ordinances, including supplemental budgets adopted during the current fiscal year or budget period.

ESTIMATING RESOURCES

The budget document is a formal display of what the district expects to receive and expend in the upcoming fiscal year or

budget period. It is a fiscal plan for the district, not an accounting record. ORS 294.361(1) states: "Each municipal corporation shall estimate in detail its budget resources for the ensuing year or ensuing budget period by funds and resources." A generally accepted definition of an estimate is: to "calculate roughly or form an opinion from imperfect data". All resources should be based upon a "good faith" estimate. DOJ File No. 150-04-0305-71.

The budget must be constructed so that the total resources equal the total requirements for each fund. ORS 294.388(1) and OAR 150-294.352(1)-(B).

Budget resources include but are not limited to: the cash balance, cash equivalents and investments or net working capital that will be carried forward from the current fiscal year; current year taxes; prior year taxes; fees; licenses; fines; interest; endowments; annuities; sales of property or other assets; grants; interfund transfers; and revenues from any other source. ORS 294.361(2).

Budget resources do not include moneys accumulated under an approved employee deferred compensation plan and the interest earned on such moneys or the discounts or uncollectibles for the year. ORS 294.361(3). Certain trust and agency funds may also be exempt from inclusion in the budget.

Estimating Property Tax Revenue

For many municipal corporations property taxes represent the single largest source of revenue. Generally, the General Fund will receive current year property taxes from the permanent tax rate limit and possibly local option levy taxes if those taxes were approved for general operations.

If voters have approved a local option levy for a specific, operating purpose or for capital projects, a Special Revenue Fund will have been created and the current year property taxes will be shown in that fund. ORS 280.040(2).

Property taxes levied to pay principal and interest on general obligation bonds approved by voters must be budgeted in a General Obligation Debt Service Fund. ORS 287A.140.

See Section 4, Property Taxes for additional information on estimating revenues from *ad valorem* taxes.

Estimating Non-Tax Revenue

Taxes Levied in Prior Years

Prior years' taxes are always treated as **non-tax resources** in the budget. Most local governments that impose a property tax will collect revenue from previous year's taxes as a result of the collection of delinquent taxes. These prior years' taxes should always be calculated separately from the taxes estimated to be received from the current year levies.

Each fund that levied taxes in a prior year should show revenue for prior years' taxes, even if the district is using the full accrual method of accounting. When county treasurers disburse tax moneys to local governments a statement accompanies each payment. The statement breaks down the payment to show the amount collected for the current year and the respective amounts for each prior year. The amount of prior years' taxes can be estimated using the historical schedules of tax collections. TSCC can also help estimate the amount of prior years' taxes.

If a district is levying more than one type of tax, prior year property tax revenues may need to be allocated to the various funds that originally levied the taxes, such as a specific purpose local option levy fund or General Obligation Debt Service Fund. This allocation can be done using a ratio of the imposed tax for each levy. No fund can receive a greater allocation than the amount of the certified tax for that fund. ORS 310.170.

Districts levying small dollar amounts may receive an advance recovery distribution

from the county and therefore never have any prior year taxes.

Grants

Grants for general or specific purposes must be included in the budget as a resource if the district is aware of the grant before the budget is adopted.

When preparing the budget, if a grant application has been made and there is a reasonable expectation the grant will be received it must be included in the budget.

All specific purpose grants that are applied for and received on a yearly basis must be included in the budget. While specific purpose grants can be an exception to local budget law, grants received annually do not qualify for this exception.

Bond Proceeds

If bonds are sold in one fiscal year or budget period and the proceeds are to be spent in the ensuing fiscal year or budget period, the amounts must be included in the regular budget. For example, if bonds are sold in May and will be spent in July, both the bond proceeds (shown as beginning fund balance) and the expenditures must be included in the budget. The bond proceeds and any expenditures made in May or June would not have to be included in the current fiscal year's or budget period's budget if the bonds are revenue bonds, Bancroft Bonds or general obligation bonds. ORS 294.338(3) and (4).

A separate fund for general obligation bond proceeds must be established. However, no taxes can be levied for repayment of the bonds until the debt service is included in the budget. The only exception to this limitation is if voters approved general obligation bonds during the first fiscal year of a budget period and a property tax levy is needed to pay debt service on those bonds during the second fiscal year. In this situation the governing body can approve the debt service levy by resolution or

ordinance and file the necessary documents with the county assessor. ORS 294.476(2).

Insurance Proceeds

Funds received to repair or replace property, such as insurance proceeds, do not have to be included in the budget if the money is used to return the property to its original condition or to purchase a comparable replacement. To spend the money, the governing body must enact an ordinance or resolution. ORS 294.481.

If the funds received for repair or replacement are to be spent for another purpose, they must be included in the budget. For example, insurance proceeds that are anticipated to be received at the beginning of the upcoming fiscal year or budget period and will not be used to repair the damaged property must be included in the budget.

Short Term Borrowing

Local governments are authorized to contract indebtedness by issuing short-term promissory notes for the purposes of meeting current expenses, retiring outstanding bonds, or paying the interest on the bonds. ORS 287A.180.

Anticipation notes are one form of short-term borrowing. They are issued in anticipation of the collection of property taxes, other revenues, bonds or grants. The anticipated loan proceeds and the related principal repayments within a fiscal year or budget period are not included in the budget as resources or expenditures. However, they must be reported in narrative form or by footnoted schedules to the adopted budget. ORS 294.378.

The interest due on the principal must be included in the budget as an anticipated expenditure. Likewise, any interest anticipated to be earned from the principal must be included in the budget as a resource.

Refunded Money

When a district returns merchandise that has been paid for, the money refunded for the merchandise does not have to be included in the budget. The governing body can spend this refunded money after adopting a resolution or ordinance to appropriate the money. ORS 294.338(9).

Estimating other resources

Beginning Cash Estimates

The beginning cash or net working capital is estimated by:

- Establishing the cash balance on hand at the time the budget is prepared.
- Adding the amount of revenue estimated to be received from all sources to the end of the current fiscal year or budget period.
- Subtracting a reasonable estimate of expenditures for the rest of the current fiscal year or budget period.

The resulting number is the estimate of the beginning balance to be used in preparing the budget for the next fiscal year or budget period.

Budget Transfers

The budget may include the transfer of revenue between funds. ORS 294.361(2). Money received in a fund through a transfer from another fund must be included in the budget as a resource to the receiving fund. The originating fund budgets the transfer as a requirement. This way the total budget stays in balance.

Districts should prepare a summary of budget transfers to ensure all transfers are in balance.

Interfund Loans for Operations

During the fiscal year or budget period the governing body may loan money from one fund to another to cover a revenue shortfall, through an ordinance or resolution. ORS 294.468. If the loan is to be repaid in the same fiscal year or budget period it does not have to be included in the budget. If the

repayment is not going to be made until the ensuing fiscal year or budget period in which the loan was made then it must be included in the budget.

The fund that received the loan budgets the repayment as a requirement. The fund that made the loan budgets the repayment as a resource.

Interfund Loans for Capital

The governing body may loan money from one fund to another through an ordinance or resolution for capital purposes for up to ten years. The repayment, including interest, must be included in the budget in the upcoming fiscal year(s) or budget period(s). ORS 294.468.

The fund that received the loan budgets the repayment as a requirement. The fund that made the loan budgets the repayment as a resource.

Budgeting a Deficit Resource

Negative resources should never be budgeted. OAR 150-294.361(1)-(B). A deficit line item entry distorts the actual total of revenues. Only the amount of net revenue estimated to actually be received by the fund should be included in the budget. An example is property tax levies. With discounts and some property owners not paying at all, the full amount of the levy will not be received. Rather than budgeting the full amount and then showing a negative number for amounts not to be collected, only the net amount estimated to be received is shown in the budget.

If actual resources fall short of the amount estimated expenditures must be reduced accordingly. Expenditures cannot be made in excess of the available revenues. Deficit fund balances are a violation of local budget law. An interfund loan must be made to prevent a fund from reaching a negative balance.

Determine Property Tax Levy

One of the duties of the budget committee will be to set the maximum amount of the tax levy. This amount is never shown on any of the budget detail sheets. The only forms that show the total levy amount are the publication forms LB-1, ED-1 and CC-1 that are completed after the budget committee approves the budget. The levy rate or amount can and should be noted in the budget message.

The budget officer will want to have the levy calculations prepared for use by the budget committee at the time they approve the budget. The calculation should show the amount of each levy the district needs to certify in order to balance the budget. If the district is preparing a two-year budget the levies for each of the fiscal years within the two-year budget period must be set at the time the budget is prepared and approved by the budget committee. The budget officer will want to ensure the budget committee has calculation for both years.

See Section 4, Property Taxes for additional information on how to determine property tax levies.

ESTIMATING EXPENDITURES

Each local government must prepare estimates of expenditures and budget requirements for the upcoming fiscal year or budget period. Expenditures are defined as "decreases in net financial resources and may include encumbrances." ORS 294.311(16). This includes payments for personnel services, materials and services, capital outlay and debt service. Requirements include all expenditures plus interfund transfers, general operating contingencies and ending balances (unappropriated).

The expenditures for each fund must be identified in one of two ways: organizational unit or program, depending on how the district is structured. Subdividing a fund into organizational units or programs is important for proper management and accountability.

Organizational Unit

Some local governments are structured by organizational units. An organizational unit is an administrative subdivision of the local government that is responsible for specific services, functions or activities. These are usually identified as departments, divisions, offices, etc. ORS 294.311(31). For example, a city may be structured into organizational units such as: Police Department, Public Works Department, Administration Department, etc.

School Districts and Community Colleges

K-12 school districts and education service districts cannot use organizational units when preparing expenditure estimates. They must prepare expenditure estimates according to the chart of accounts prescribed by the Oregon Department of Education (ODE), in consultation with the Department of Revenue. ORS 294.393(1). Districts should refer to ODE's *Program Budgeting and Accounting Manual for School Districts*.

Community colleges also cannot use organizational units when preparing expenditure estimates. These districts must prepare expenditure estimates according to accounting codes prescribed by the Oregon Department of Community Colleges and Workforce Development (CCWD), in consultation with the Department of Revenue. ORS 294.393(2).

Program

Some districts are structured by program. A program is a group of related activities aimed at accomplishing a major service or function. ORS 294.311(33). Programs could include services and functions such as: fire control, sewage disposal, instruction, road maintenance, etc. Many special districts are formed to provide one or two major services and have a program structure.

In accordance with ORS 294.388(3) and (4), whether a local government is structured by

organizational units or programs, the budget must contain the following:

- The estimated expenditures of the General Fund and all special revenue funds arranged by organizational unit or program and activity. The budget must provide detail under each organizational unit or program by object classifications for personnel services, materials and services and capital outlay.
- Separate estimates for special payments, debt service, interfund revenue transfers, and operating expenses and general capital outlay that cannot be allocated to a specific organizational unit or program.

Expenditures for Personnel Services

Personnel services includes salaries, payroll taxes, fringe benefits, and miscellaneous costs associated with salary expenditures, such as overtime. Federal program employees and part-time employees are included when figuring personnel services.

A total amount for all personnel services must be shown for each organizational unit or program, along with the estimated number of full-time equivalent employees (FTE). ORS 294.388(5).

While details such as individual employees' salaries is not required to be shown in the budget, this information has to be provided to anyone that requests the information. The information must include the **current** salary for each officer and employee, other than persons who work on an hourly or part-time basis. For groups of employees in a similar job classification, the detail can indicate the number of employees in each classification, the highest and lowest salaries in the range and the total amount of all salaries in each range. ORS 294.352(5).

A separate schedule should be provided that details the salaries of persons who perform services for two or more organizational units, programs, or activities. Form LB-40. For instance, one of the city's clerical staff

may provide services to the administration office and the police department.

Expenditures for Materials and Services

Materials and services includes a variety of expenditures such as materials (office supplies), equipment that falls below the district's threshold for capital outlay, contractual services and other charges (utilities, education, travel). Estimates should be detailed and itemized to disclose all proposed expenditures.

Expenditures for Capital Outlay

Capital outlay includes expenditures for land, buildings, improvements, machinery or equipment with a useful life of greater than one year and a single item cost that exceeds the district's threshold for capital outlay. For purposes of estimating expenditures, only a single number for capital outlay is required. There is no need to break out the individual components.

Expenditures for Debt Service

Estimated expenditures for paying principal and interest on debt incurred by the district are shown with separate estimates for each principal and interest payment by bond issue or borrowing. Each bond issue or borrowing is identified by both the issue date and the exact payment date. Any unappropriated ending fund balance associated with the bond issue must be separately identified and itemized by issue date, payment dates and amount of principal and interest. ORS 294.388(6).

General Operating Contingency

An estimate for general operating contingency may be included in any operating fund. The general operating contingency is not a fund. It is a line item appropriation within an operating fund. ORS 294.388(7). The estimate for general operating contingency is based on the assumption that unforeseen spending may become necessary in an operating fund.

Each operating fund is allowed one appropriation for a general operating

contingency. A non-operating fund cannot have an appropriation for a general operating contingency. A Debt Service Fund is an example of a non-operating fund. OAR 150-294.388(7).

The contingency estimate must be reasonable, based on past experience, and in line with the purpose of the particular fund involved. It cannot be made in place of an estimate for expenditures that are known to be necessary and can be anticipated. It must not be used to cover up improper or negligent budgeting practices.

The general operating contingency is shown in the budget as a line item, separate from any of the other major object classifications. For example, in the general fund it would be in a non-departmental category along with interfund transfers and the unappropriated ending fund balance.

Reserve for Future Expenditure in an ORS 294.346 Reserve Fund

An estimate of an amount "reserved for future expenditure" may be included in a Reserve Fund, officially established by resolution under ORS 294.346. This is a line item requirement that identifies money to be "saved" for use in a future fiscal year or budget period.

The amount reserved for future expenditure is not appropriated in the resolution or ordinance-making appropriations since the intent is to not spend it. If a need arises during the fiscal year or budget period, a supplemental budget must be prepared. If there is a possibility that the funds might be needed during the fiscal year or budget period the amount should be included in the budget as a line item, such as capital outlay rather than as reserved for future expenditure.

For example, a fire district is saving for a new fire truck in an ORS 294.346 Reserve Fund. Once enough money has been saved and it is anticipated that the fire truck will be purchased in the upcoming fiscal year the

amount would be budgeted as capital outlay. If a truck becomes available on short notice the district may be able to make the purchase thru a supplemental budget even though the amount had been budgeted as reserved for future expenditure.

Since the budget is only a plan, budgeting the amount as Fire Truck Purchase does not obligate the district to make the purchase; it simply makes the funds accessible should the opportunity arise.

Reserves in Other Funds

Reserves are used to earmark all or a portion of a fund's requirements to indicate that it is not appropriated for expenditure during the upcoming fiscal year or budget period. Often contracts, bond covenants, statutory authority or board policy requires a reserve to be identified in a fund. For example funds that will be used in year two and three of a three-year project may be reserved and not appropriated until the year of use.

Identifying the amount as a reserve keeps the original identity and purpose from being commingled with the unappropriated ending fund balance. If a need arises during the fiscal year or budget period, a supplemental budget must be prepared.

Unappropriated Ending Fund Balance

A local government may include an estimate for unappropriated ending fund balance in its budget. The purpose of this estimate is to provide the local government with a cash or working capital balance with which to begin the following fiscal year or budget period. ORS 294.398.

When calculating the amount of the unappropriated ending fund balance, determine the cash requirements of the local government between July 1 and the time sufficient revenues become available. If the district relies heavily on property taxes it may need enough cash to operate until current year taxes are received, usually December 15. The unappropriated ending

fund balance is not included in the resolution making appropriations.

BUDGET DETAIL FORMS

The Department of Revenue has the authority to make rules and prescribe budget forms. Local governments are allowed to create facsimile forms using computer spreadsheets. The basic information on the spreadsheet must be the same as those prescribed by the Department of Revenue, or local budget law is violated.

The budget document detail sheets are the heart of the budget. They show in detail the planned requirements and resources the local government needs to carry out its purpose. Each form provides two previous audited fiscal years or budget period detail, current budget detail, and columns for the proposed, approved and adopted budget for the upcoming fiscal year or budget period.

While respective state departments require expenditures to be broken down in a certain way for school districts and community colleges, the budget forms are the same as for general governments, determined by the Department of Revenue. ORS 294.393.

Examples of the budget detail forms are included in Appendix C - Forms of this manual. The forms most commonly used are described below.

Form LB-10 is used primarily for special funds, except ORS 294.346 reserve funds. Special funds include specific purpose funds for local option taxes and other special project funds. Resources and expenditures are specific to the fund and generally limited to just a few line items. These items can be listed and totaled on one page, which serves as the fund summary.

Form LB-11 is used to show the resources and expenditures specific to an ORS 294.346 reserve fund. In the case of reserve funds, all or part of the amount in the fund may be "reserved for future expenditure."

Form LB-20 is used to list all estimated budget resources, including the taxes necessary to balance the budget, for each fund requiring property taxes. All resources must be included in the budget and totaled for each fund. The amount estimated to be on hand as beginning fund balance, all moneys in saving accounts, time certificates of deposit, all earned interest and all transfers in from other funds must be included in the budget resources.

Form LB-30 is designed to show fund summaries by major object classifications and non-departmental appropriations separately. An LB-30 summary should immediately follow each fund in the detailed budget document. Placing the summary with each fund provides continuity and a standardized format that makes the budget document easier to understand.

Funds with organizational units should be summarized by major object classification. Non-departmental appropriations, which cannot be included in the budget as part of any organizational unit (such as contingencies, transfers or unappropriated ending fund balances) are listed separately.

Form LB-31 is used for detailed expenditure estimates that should be listed by category and by major object classification. How this form is completed depends on the size of the budget. Major object classifications could be detailed on separate LB-31 forms, or continuously on one form with a fund total on the final page. The fund should then be summarized on Form LB-30.

Budgets with long, detailed expenditures should have subtotal categories within the major object classifications. The primary objective is to provide easily understood expenditure estimates.

Form LB-35 is designed for bonded debt principal and interest payments. Each payment must be listed individually as a line item, showing the payment due date and the

corresponding issue date of the bonds. This fully discloses all of the expenditures.

In the unappropriated portion of the form list the principal and interest payments that will come due between July 1 and when the first tax revenues are received, usually December 15. Itemize all payments showing the bond issue date, payment due dates, and the exact payment amounts. This form can be used for general obligation, revenue and Bancroft bonds. Be sure to check the box on the top of the form to indicate the type of bonds. A local government's outstanding general obligation bonds can all be combined in one fund. Revenue bonds must be included in the budget separately from general obligation bonds. Bancroft bonds must be budgeted in a fund entitled "Bancroft Bond Redemption Fund". ORS 223.285.

Form LB-36 is a supplement to Form LB-35. If there is not enough room on Form LB-35 to disclose all bond interest and principal payments, use Form LB-36 to show detailed information. Show the bond issue date, due date, and the exact amount for each payment. The unappropriated ending fund balance that will pay principal and interest in the following fiscal year or budget period should be shown in the lower portion of the form. Summarize the totals of principal payments, interest payments and unappropriated fund balance on Form LB-35.

Form LB-40 is prescribed for supplemental information only, and not for budget resource or expenditure requirements. It shows total salaries for specific positions that are allocated on a cost basis to more than one fund or organizational unit. For example, portions of a city manager's salary may be allocated in part to the general fund and in part to the utility fund.

All budget forms are available on the Department of Revenue's web site, in both PDF and Excel spreadsheet format.

THE COMPLETED PROPOSED BUDGET DOCUMENT

The local government can determine the policy it will use for making the budget document available. The budget officer can make the proposed budget available to members of the budget committee at any time before the first meeting. If the budget document is released prior to the first meeting, it must also be made available to the public at the same time. Once the document is given out it is a public record of the district. ORS 294.426(7). Anything connected with the budget is a public record and therefore subject to inspection.

Filing the Budget Document

The budget officer must file a copy of the budget document in the office of the governing body of the municipal corporation immediately following presentation of the budget document to members of the budget committee. The copy becomes a public record of the municipal corporation.

Copies of the Budget Document

"The governing body of the municipal corporation must provide to individuals upon request a copy of the budget document or the means of readily obtaining a copy of the budget document." ORS 294.426(8).

A local government may charge a reasonable fee for photocopying the budget document. ORS 192.440(3) and OAR 150-294.426(8). The charge for the budget document is established by the governing board.

Section 4

Property Taxes

Most local governments rely on local property taxes to finance services they offer. In some cases, property taxes represent over ninety percent of total revenue. And regardless of the extent to which a local government relies on property taxes, it is the paying of taxes that can be the most direct contact between citizens and local government. A family may not have school age kids at home but they still pay property taxes to the local school district. A property owner may pay property taxes to the local fire district every year without ever having a need to contact the department in an emergency.

It is therefore important that the amount of property taxes a local government asks its citizens to pay be as accurate as possible. Under or overestimating revenue from another source could have serious consequences for the budget. This same inaccuracy in estimating property taxes also impacts citizens and could jeopardize positive public relations built up over the years.

STATUTORY TAX LIMITS

Property taxes can only be levied if explicit authority is granted in the Oregon Constitution or Oregon law. Statutory limits do not automatically authorize a local government to impose a tax; taxing authority comes from voter approval. Each local government should refer to the statutes it was formed under to determine its taxing authority.

Some local governments are subject to specific Constitutional and/or statutory limitations. This can apply to taxes for operations or to the amount of debt that can be incurred, including general obligation bonds. Statutory limits are

usually a percentage of the local government's real market value.

If a local government is subject to a limitation on the amount of property taxes that can be levied for general operations, the maximum amount of tax it could impose is the lesser of the amount that would be raised from the permanent rate and any local option levy taxes, or the amount allowed under the statutory limit.

While most local government's property taxes are well below the Constitutional and statutory limits, each local government should refer to the statutes it was formed under to determine if it is subject to any limitations.

TYPES OF PROPERTY TAXES

The property tax system has changed substantially over the years, primarily due to voter approved constitutional changes. The current system is the product of Ballot Measure 50, which was approved by Oregon voters in May 1997. In addition, there are provisions still in place from Ballot Measure 5, adopted by a vote of the people in 1990.

Measure 50 converted Oregon's property tax system from one that was primarily a "levy based system" to one that is primarily a "rate based system". In doing so it created three new kinds of levies and retained levies for repayment of general obligation bonds and urban renewal taxes (although the method of collecting urban renewal taxes changed substantially).

These levies are considered *ad valorem* (Latin for "according to value") taxes because the amount to collect from each property is based on the assessed value.

Permanent Rate Limit Taxes

The constitutional provisions of Measure 50 required all operating levies imposed by local governments in 1997-98 to be reduced and then converted to a rate per \$1,000 of assessed value. The assessed value was also reduced as part of the Measure. The resulting tax rate became the local government's permanent tax rate limit. Each local government is allowed to annually collect, through its permanent rate limit, the amount of property taxes generated when that rate is applied to the assessed value within the boundaries of the district. Revenue from the permanent rate may be used for any purpose. A district's permanent rate cannot be increased or decreased by the voters, although the actual amount to be levied in any given year can be less than the full amount. This does not lower the permanent rate. Taxes from the permanent rate are subject to the constitutional limits of Measure 5.

Local Option Taxes

When the permanent rate does not provide enough revenue to meet estimated expenditures, the local government may ask voters to approve a local option tax. Local option taxes can be used for general operations, a specific operating purpose or to fund capital projects. Local option taxes used for operating purposes can be imposed from one to five years. Local option taxes used for capital projects may be imposed for the expected useful life of the capital project, or 10 years, whichever is less. Local option taxes are subject to the constitutional limits of Measure 5 and are reduced before any other taxes.

Bonded Debt Taxes

The Oregon Revised Statutes allow local governments to impose taxes for payment of general obligation bond principal and interest without annual voter approval. Levy approval is considered to have been gained when voters originally approved the bonds. The debt service levy is limited to the repayment of principal and interest

necessary to retire the bonds. ORS 287A.140(2). Taxes from general obligation bonds are not subject to the constitutional limits of Measure 5.

Other Qualified Obligations

When Measure 50 amended the Constitution certain existing qualified obligations were identified as "Gap Bonds" or "Other Qualified Obligations". The portion of the taxing authority that was used to repay the qualified obligations, typically to pay off debt, was not reduced when Measure 50 was implemented in 1997-98. Taxes under this authority can continue to be imposed until the obligation is no longer needed. When the obligation is no longer needed, the taxing authority for the levy will be incorporated into the local government's permanent rate.

Districts must notify the county assessor in writing when "other qualified obligations" are no longer needed. A copy of the letter is required to be sent to the Department of Revenue, which will re-certify the district's permanent rate to reflect the rate that would have been established in 1997 without the special treatment for "other qualified obligations". A copy of the letter should also be sent to TSCC.

The only remaining other qualified obligations is the City of Portland's Fire and Police Disability and Retirement (FPD&R) Levy. The FPD&R levy is the amount required to pay the estimated benefits each year. Portland Public Schools paid off its gap bonds in 2004 but have received legislative authority to have the amount raised from the gap bond portion of the permanent rate limit treated differently for both the State School Fund and urban renewal calculations.

Other qualified obligations were unique to the implementation of Measure 50; new levies cannot be placed in this category. Taxes from other qualified obligations are subject to the constitutional limits of Measure 5.

Urban Renewal Taxes

Measure 50 substantially changed the way urban renewal taxes are collected and legislation and court cases since 1997-98 have made additional changes. There are two ways urban renewal taxes can be collected. The most common way is “division of tax” collections. This is also referred to as “tax increment financing” or TIF revenue. The total of all taxing district’s tax rates that levy within the plan area are multiplied times the “excess value” or the value that has increased over the “frozen base” that was established when the plan area was formed. This amount is dedicated to the urban renewal agency rather than the local governments.

The second urban renewal tax is a “special levy”. Only plan areas that existed prior to December 6, 1996 are eligible and then only if the urban renewal agency established the plan area as an Option 1 or Option 3 plan area. No plan areas established after December 6, 1996 can certify a special levy. And once a plan area that is eligible for a special levy undergoes a major plan amendment, it loses its authority to certify a special levy.

History or Oregon’s Property Tax System

For a more detailed discussion of changes in the property tax system used in Oregon, refer to TSCC’s publication *Recent History of Oregon’s Property Tax System, With an Emphasis on its Impact on Multnomah County Local Governments*, December 2011. This document is available from the TSCC office or on its Internet website at www.tscmultco.com.

PROPERTY TAX PROCESS

The process for budgeting property taxes for the upcoming fiscal year or budget period can be extremely complicated, more so than other revenue that is estimated to be received. This is due to the fact that not all of the amounts that can be levied will actually be received (taxes not to be received), the process to follow is different

for different types of levies and there are a number of steps that have to be completed.

It should be noted here that property taxes detailed in this section refer to “current year taxes”, which are those based on levies that will be certified to the county assessor for the ensuing fiscal year. Delinquent property taxes from prior years are always considered the same as any other non-tax revenue and are never considered as “property taxes” for budget purposes.

The amount of tax that will be raised by the various types of levies is not the amount of tax that will actually be received by the local government during the fiscal year. There are three reasons for this. First, discounts are given for timely property tax payments. Second, not all taxpayers pay their taxes in the year billed. Third, the Oregon Constitution sets limits on the amount of property tax that can be collected from an individual property (Ballot Measure 5, 1990). These are more fully explained later in this section.

Measure 50 created primarily a “rate based” property tax system. However, there are still some “levy based” levies. Also, some levies start with a certain levy authority while others require the levy amount to be calculated.

Authority to levy property taxes is expressed in three different ways, each requiring a slightly different process. They are:

1. Levy authority is expressed as a rate per \$1,000 of assessed value.
2. Levy authority is expressed as a dollar amount.
3. Levy authority is not a set rate or dollar amount but rather is whatever is needed to balance the fund.

These different types of levies make for different methods and calculations for arriving at the amount to budget as current year property taxes and the levy amount.

Regardless of the type of levy there are three distinct steps in the process of budgeting for current year property taxes:

Step 1. Estimate tax resource (amount to be received and shown on budget detail sheets).

Step 2. Determine property tax levy rate or dollar amount.

Step 3. Approval, adopting and certifying the tax levy.

And the process for completing the first two steps is slightly different depending on the property tax levy authority. In theory, all levies proceed from step 1 to 2 above. Unfortunately, this is a holdover from the pre-Measure 5 property tax system and the current system of levies does not always lend itself to this process. Some levies (general obligation bond levies for example) still use this process. However, other levies actually start with Step 2 and then work backward to Step 1.

Prior to the 2012-13 fiscal year, taxing districts could use Department of Revenue Form LB-3 (for general governments) and Form ED-3 (for education districts) to make these calculations. However, changes in Oregon's Local Budget Law by Chapter 473, Oregon Laws 2011 (HB 2425) eliminated the need for these forms. Districts will now have to find alternate methods of showing how the calculations were made to complete steps 1 and 2.

STEP 1. ESTIMATING TAX RESOURCES

Calculations for estimating revenue from property taxes are detailed in ORS 294.368.

All but one district in Multnomah County has authority to levy some form of property tax. In some cases, resources from property taxes approaches 100% of total

revenue for the district. Like most other resources, revenue from property taxes are estimated since an exact amount cannot be determined.

If a district is proposing a biennial budget, resources from property taxes need to be estimated for each fiscal year of the two-year budget period. This is because the district is required to certify property tax levies to the county assessor each fiscal year. ORS 294.323(2).

Permanent Rate

Most operating tax revenue comes from permanent rate limit levies. Authority is expressed as a rate per \$1,000 of assessed value. The most accurate way to estimate the amount of tax revenue that will be generated by the permanent rate is to multiply the permanent rate by the estimated assessed value of the local government for the upcoming fiscal year or fiscal years within the budget period.

The difficulty is determining what the assessed value will be. Generally, assessed value will grow at approximately 3 percent each year, as allowed by Measure 50. In areas with substantial new construction, the annual increase in assessed value will be higher than 3 percent. In areas with little new construction or where a large valued property has seen a dramatic increase or decrease in market value the assessed value may increase substantially more than 3 percent or may increase less than 3 percent. In some extreme case the assessed value may actually decline. If a district has annexed territory the assessed value of those properties need to be added in as well.

After estimating assessed value (including value from "joint counties"), calculate the budget amounts by multiplying the assessed value by the permanent rate (converting the rate to a rate per dollar by dividing by 1,000). This will produce the gross amount of taxes or "taxes extended". As noted above and detailed below, not all of this amount will be collected and

distributed to the district. It is therefore necessary to deduct “amounts not to be received” from Measure 5 compression loss, discounts allowed for early payment and other uncollected amounts.

First, deduct a dollar amount estimated to be lost due to Measure 5 compression. The remaining amount is then multiplied by the collection percentage to arrive at an amount to budget as a resource.

Example:

Taxes Extended (AV * Rate)	\$ 100,000
Minus Measure 5 Loss	\$ <u>1,000</u>
Equals Taxes Imposed	\$ 99,000
Times Collection %	.945
Equals Taxes to be Received	\$ 93,555

The difference between taxes extended and taxes to be received is the amount of property taxes not to be received. This amount is never shown in the budget as a negative resource. OAR 150-294.361(1)(B)

Another option for estimating the amount to be received from the permanent rate is to simply look at the recent history of how much has been received from the permanent rate levy over the last several years and by what percentage that amount has been increasing. This has to be the actual collections distributed by the county tax collector for the current year. Be sure to add any additional taxes from “cancelled and omitted” but **do not** add prior year taxes. The detail of the distribution from the tax collector will break out the amounts by year.

The amount to be received in the ensuing fiscal year will be different depending on changes in the assessed value and any change in Measure 5 compression loss due to new levies or expiring levies that cause the total category (education or general government) tax rate to change. If there have been no significant changes then a typical change in receipts from the last several years can be applied to the most recent year’s property tax collections to arrive at an estimate for the current and

ensuing year’s property taxes to be received.

Imposing Less Than Full Permanent Rate

A local government may need less tax revenue for operating purposes than its permanent rate is estimated to raise. In this case, the local government may choose to budget less than what the full rate would bring in and to certify less than its full taxing authority to the county assessor.

The process of determining the amount of taxes needed for operating purposes is the reverse of determining the amount to be received from the permanent rate described previously. All non-tax resources of the fund are subtracted from the total requirements of the fund. The difference is the amount to be budgeted as a resource from current year property taxes necessary to balance the fund.

Example:

Total Requirements	\$ 420,000
Less Non-Tax Resources	\$ <u>336,000</u>
Equals Amount to Balance	\$ 84,000

When less than the full permanent rate is needed the amount can be certified to the county assessor as a whole dollar amount, or the district can calculate a rate to certify. However, it is strongly recommended that a dollar amount be used since this is more precise than a rate (by removing the variable of what the assessed value will be). Also, if an amount has been budgeted to balance the budget, a rate-based levy will likely produce something other than that amount, either lower or higher.

If a dollar amount is certified the county assessor will calculate a tax rate based on the assessed value of the district. If the calculated rate exceeds the district’s permanent tax rate the assessor will reduce the rate so that it is no more than the permanent rate authority of the district.

Local Option Levy

Voters can approve a local option levy as either a rate or a dollar amount. This obviously changes the process of estimating the amount to be received. To estimate the amount of tax revenue that will be generated by a local option rate levy, the same process that was used for a permanent rate limit tax rate is used. Multiply the rate by the estimated assessed value of the local government for the upcoming year. Then deduct an estimated amount for Measure 5 compression loss. The last step is to multiply that amount by a percentage of taxes not to be received.

If the voters approved a dollar amount, that dollar amount is the maximum amount that can be certified each year. To determine the amount that actually will be collected, the amount of tax must be reduced by Measure 5 loss, if any is anticipated, and the amount uncollectible due to discounts and failure to pay.

Example:

Levy (dollar amount)	\$ 100,000
Minus Measure 5 Loss	<u>\$ 6,000</u>
Equals Taxes Imposed	\$ 94,000
Times Collection %	.945
Equals Taxes to be Received	\$ 88,830

Notice that in the example above there is considerably more Measure 5 compression loss than what was estimated for the permanent rate levy. This is because Measure 50 requires that local option levies be reduced before any reduction is made to other levies. If taxes exceed the \$5 education or \$10 general government limitation per \$1,000 of real market value, the local option will be reduced first. Only when the local option levy has been reduced to zero will there be any compression of other levies. However, since this is done on a property-by-property basis, it is extremely difficult to estimate.

If the approved tax rate of a multiple-year local option levy raises more than the

estimated amount shown in the Ballot Title summary, the amount over the estimate cannot be spent in the current fiscal year but must be treated as a budget resource in the fund for the following fiscal year. ORS 280.075(2).

A local government can certify less than the maximum amount of a local option tax. ORS 280.060(2). Only the dollar amount necessary to balance the budget should be levied. Again, this process would be similar to levying less than the full permanent tax rate.

A local option levy for general purpose operations will be budgeted in the General Fund, along with revenue from the local government's permanent tax rate. The amount can be separated on the budget detail sheets or combined with the revenue from the permanent rate. If the local option levy is for a specific purpose, such as library operations or police services, or it is for capital projects, it must be budgeted in a separate, Special Revenue Fund. ORS 280.040(2). This makes it easier to track whether the property taxes are spent only on those services approved by the voters.

If no levy is certified in any given year the authority to impose the levy is not extended for additional years. Future levies would be limited to only the remaining years originally approved by voters, if any.

Other Qualified Obligations Levies

These levies are based on the amount needed to balance the fund that the revenue is dedicated to. To determine the amount to be received, first estimate all of the requirements needed, such as principal and interest payments, fees and other charges, contingency and ending fund balance. From the total requirements deduct all of the estimated non-tax resources such as beginning fund balance, prior year property taxes, interest earnings, interfund transfers from other funds and any other revenue. The result is how much

revenue is needed from current year property taxes to balance the fund.

Example:

Total Requirements	\$ 60,000
Less Non-Tax Resources	<u>\$ 10,000</u>
Equals Amount to Balance	\$ 50,000

The property tax levy is then determined like other dollar based levies as discussed below. Other qualified obligations are subject to Measure 5's limits: so an amount may need to be added for loss due to Measure 5 compression.

The temporary, other qualified obligation authority for Portland Public Schools has been satisfied and the authority has returned to the District's permanent tax rate limit by increasing that rate from \$4.7743 per \$1,000 of assessed value to \$5.2781. However, legislation established that the property taxes collected from the increase in the rate is not to be considered "local revenue" for purposes of the State School Fund formula and the additional rate is not subject to urban renewal division of tax calculations for some urban renewal plan areas. As such, the District will have to account for the revenue from the increase in its tax rate limit separately from the revenue generated by the original portion. The District will have to request that the county assessors separate out the rate when running urban renewal division of tax calculations.

Debt Service Levy

The tax to pay debt service is the amount needed to pay the principle and interest on general obligation bonds approved by the voters. Exact payments can be determined from the debt schedules for each bond issue. Each interest and principal payment should be listed separately and should include all payments due for the fiscal year or each year of a budget period. There should also be included an unappropriated ending fund balance that itemizes the principal and interest payments due from July 1 to December 15 of the following fiscal year or

budget period. This will provide funds to make the required payments before the tax revenues for that fiscal year or budget period are distributed. The total requirements, less any non-tax resources such as beginning fund balance, interest earned and prior year's taxes, is the amount necessary to balance the fund.

Example:

Principal Payments	\$ 67,000
Interest Payments	\$ 30,000
Unappropriated Ending Balance	<u>\$ 5,000</u>
Equals Total Requirements	\$112,,000
Less Non-Tax Resources	<u>\$ 25,000</u>
Equals Amount to Balance	\$ 87,000

Taxes from a general obligation bond debt service levy are excluded from the Measure 5 limitation so no deduction for Measure 5 compression loss will be necessary. It is still necessary to account for amounts not to be collected due to discounts and other amount that will not be collected.

STEP 2. DETERMINE PROPERTY TAX LEVY

Now that the amount of current year property taxes has been estimated and included in the Proposed Budget, the next step in the process is to determine the property tax levy for each fund in the budget. The budget committee will be asked to approve the levy for each fund that is to receive current year property taxes. This is one of the most critical points in the budget process.

In most cases, once the budget committee has completed its work, the municipal corporation cannot increase the property tax levy above what the budget committee established as the maximum amount of each levy.

In some cases the property tax levy is easy to determine since there are no calculations to be made. This is the case with the permanent rate limit levy and local option levies (assuming the full amount of the authority is being levied). The levy is

simply the rate per \$1,000 of assessed value or the amount of the dollar based local option levy.

In other cases calculations are required to determine how much needs to be levied in order to ensure the amount that has been budgeted to be received is actually received in the upcoming year(s). This applies to those cases where less than the full authority of the permanent rate limit or local option levy is being levied as a dollar amount, other qualified obligations and exempt bonded indebtedness levies.

Full Permanent Rate

Most districts will levy the full permanent rate. This will allow the district to collect all of the revenues available.

Caution: Be sure to use the permanent rate shown in **Appendix B**. Do not round the rate. Do not attach a whole dollar amount to the rate at the time the budget committee approves the rate.

Less Than Full Permanent Rate

Some districts will not need all of the funds that the permanent rate will raise. The portion of the rate that is needed can be levied as either a dollar amount or as a rate.

Caution: Be sure to take into consideration the amount not to be received for discounts, failure to pay and Measure 5 loss in determining the dollar amount needed. If a lower rate is being levied do not attach a whole dollar amount to the levied rate.

Example:

Taxes to Balance Budget	\$ 83,555
Divided by Collection %	/ .945
Plus Measure 5 Loss	+ <u>500</u>
Total Levy to be Certified	\$ 88,918

Caution: When going from the amount to be received to the taxes imposed amount always divide by the collection percentage. Multiplying to add the uncollectible portion will result in a tax

shortfall. In this example, \$83,555 x 1.055 + \$500 would only equal \$88,651. The fund would be short \$267. This could be a significant amount when a bond payment comes due.

To calculate the rate, the total levy to be certified is divided by the estimated assessed value of the local government for the coming year. This will result in a rate that is carried out to the seventh decimal place and multiplied by 1,000. This is the rate that is certified to the assessor in place of the local government's permanent rate.

Option 1:

Certify \$88,918 for Permanent Rate

Option 2:

Certify a Rate of \$3.5453 per \$1,000 AV
 \$88,918 / \$25,080,500 Est. AV
 = .0035453 x 1,000 = \$3.5453

The actual assessed value for the ensuing year or years will be different from the estimated assessed value used in Option 2. If the assessed value is greater, more tax revenue will be generated than the local government needed to balance its budget. This additional revenue can be used to make up for other revenue shortfalls, become cash carry forward, or it may be appropriated through a supplemental budget. If the assessed value is lower than anticipated, there will be a tax revenue shortfall, and the budget will need to be reduced accordingly.

It is strongly recommended that if less than the full permanent rate limit authority is used that a dollar amount be certified rather than a rate.

Local Option

Local option levies can be authorized by the voters as either a rate or a whole dollar amount. The levy to be approved by the budget committee is simply the rate or dollar amount approved by the voters. If the full amount of the levy is not needed a lower amount can be certified. If a dollar

amount was authorized by voters then a lesser dollar amount can be levied. If the voters authorized a local option levy rate then a lower amount can be levied as either a rate or a whole dollar amount. Like the permanent tax rate limit, it is strongly recommended that a dollar amount be used since this is more accurate and more closely follows the budget balancing process.

Caution: If levying the full authority, either a rate or dollar amount, no adjustment is made in determining the levy amount. However, if a lower amount is needed be sure to take into consideration the amounts not to be received due to discounts, failure to pay and the fact that any Measure 5 loss first applies to the local option levy.

Qualified Pension or Gap Bond

The City of Portland will levy the whole dollar amount needed to pay the obligation.

Caution: Be sure to include the amount not to be received for discounts, failure to pay and Measure 5 loss.

The amount of the tax levy is computed by adding together the amount of taxes needed to balance the budget, the amount of tax that will not be collected because of discounts and failure to pay, and the amount not to be received because of the Measure 5 constitutional limit. Adding these amounts is important because the tax that will be certified to the county assessor is not the amount of tax that will actually be collected and distributed. If only the tax necessary to balance the budget is certified, the district will not have sufficient funds to operate or to pay debt service.

Example:

Taxes Needed to Balance	\$ 93,555
Divided by Collection %	.945
Equals Taxes Imposed	\$ 99,000
Plus Measure 5 Loss	<u>\$ 1,000</u>
Equals Tax Levy	\$ 100,000

Debt Service

Debt Service levies can only be certified as a dollar amount.

Caution: Be sure to include the amount not to be received for discounts and failure to pay. Bonds are not subject to any Measure 5 loss.

Calculating the levy for a general obligation bonds debt service levy is similar to the calculation described above, with the exception that there would be no Measure 5 compression loss, since these levies are exempt from the limits of Measure 5.

Example:

Taxes Needed to Balance	\$ 93,555
Divided by Collection %	.945
Equals Tax Levy	\$ 99,000

STEP 3. APPROVING, ADOPTING and CERTIFYING the LEVY

Once the amount of current year property taxes has been calculated for each fund that includes property taxes as a resource (and those amounts are included in the Proposed Budget) and the rate or dollar amount of the levy has been determined in order to raise that amount of taxes, the levies need to be approved by the budget committee, adopted by the governing body and certified to the county assessor.

Even if revenue from property taxes are included in the budget as resources, additional actions are required to authorize those levies and to allow the county assessor to include those taxes on the assessment and tax roll for the upcoming year. All such actions need to be carried out completely and accurately or the levy may be voided, either by the county assessor, the Department of Revenue or the Oregon Tax court.

Approving

When presenting the Proposed Budget to the budget committee, the current year property taxes to be received in each fund will be shown in the budget detail sheets. But again, this is not the levy rate or

amount that will be certified to the county assessor. The budget committee needs to be made aware, either in the budget message or some other communication, what the levy or levies need to be in order to raise that amount of property taxes.

One of the primary responsibilities of the budget committee is to approve the property tax levy for each fund. ORS 294.428(1). When the governing body adopts the budget the property tax levies are limited to no more than what the budget committee approved unless the revised budget summary is republished and a second budget hearing is held. ORS 294.456(1) and (2).

The budget committee should formally approve each of the property tax levies and specify the exact rate or amount. It is not acceptable to simply “approve the levies as presented in the Proposed Budget”. The formal action is typically by a motion made, seconded and voted on by the committee. The result of the action should be clearly presented in the minutes of the meeting and can also be presented in a separate document.

Adopting

Once the budget committee has completed its work in approving the budget and the property tax levies for each fund, the governing body completes the process by holding a public hearing (or attending a public hearing conducted by TSCC) and then adopting the budget. An important part of the adopting process is passing a resolution to “make and declare the property tax amount or rate to be certified to the county assessor.” ORS 294.456(1). The governing body must also pass a resolution to categorize each property tax levy under one of the three categories of the Measure 5 limitation – education, general government or exempt.

While the governing body cannot increase a property tax levy from what the budget committee approved (unless the revised

budget is submitted for a second budget hearing), it is always acceptable to adopt a lower property tax levy. If more recent estimates of resources and requirements indicate that the full amount of property taxes to be received is more than what is needed to balance the fund, the property tax levies can be reduced. Go back through steps 1 and 2 to determine the amount of property taxes to be received and calculate the rate or amount necessary to raise that amount.

Certifying

The last step in the process is certifying the property tax levies that have been approved by the budget committee and adopted by the governing body. The certification is done on forms prescribed by the Department of Revenue. ORS 310.060(8). Filing of the prescribed form fulfills the requirements of both ORS 294.458 and 310.060.

There are three different forms: one for education districts (Form ED-50), one for general government districts (Form LB-50) and one for urban renewal agencies (Form UR-50). It is important to file the correct form. See Section 10 Certifying and Filing for more detailed information on filing these forms.

The certification forms are required to be filed with the county assessor in each county no later than July 15. If the form is not filed timely, the county assessor is not to include the levy in the calculations of taxes to be added to the assessment and tax roll. ORS 310.065.

TAXES NOT TO BE COLLECTED

Not all of the taxes certified for collection will be collected. The three factors that can reduce collections must be taken into consideration when calculating tax revenues on which the budget will be built.

Constitutional Limit

Article XI, section 11b, of the Oregon Constitution, also known as Ballot Measure

5, limits the amount of taxes that can be collected from an individual property. The constitution breaks property taxes into two categories based on the kind of services that the taxes are supporting: “revenues raised specifically to fund the public school system” and “revenues raised to fund government operations other than the public school system”. It also provides that certain property taxes used to pay principal and interest on certain bonded indebtedness will not be limited.

It is the responsibility of each municipal corporation that levies taxes to determine which category revenue from the levy will be used for or if the levy is exempt from Measure 5’s limits. While it is possible for a levy to be used partially for both education and general government, it is assumed for purposes here that levies fall entirely into one category or another.

Once the tax categories have been determined, the local government can estimate the loss of tax revenue, if any, that will result because of the constitutional limits.

Calculating Loss Due to Constitutional Limit

Determining the amount of property taxes that will be lost because of the constitutional limit can be a complicated process. The amount of taxes lost because of the constitutional limit may vary among funds. A local option levy fund may have a significant loss, the general fund could have a minor loss and the bonded debt fund will have no loss since it is outside of the Measure 5 limitation.

The simplest method is to use the prior year’s loss with an adjustment for anticipated tax revenue growth and value increases. Late in October or early November each year after the assessment and tax roll has been finalized, the tax collector sends local governments information on how much tax was actually billed or imposed for the year. ORS

311.391. The county assessor also prepares detailed tables that provides even greater detail of these calculations. These are known as “Table 4a” from the Summary of Assessment and Levies Report (SAL Report Tables).

When you receive these reports, it is strongly recommended that you make a copy of them to put into the budget preparation file for the following year’s budget.

“Measure 5 loss” is the difference between the amount of the tax revenue estimated to be raised by multiplying the assessed value times the levy rate (taxes extended) and the amount of tax actually imposed on individual properties after the Measure 5 limitations are calculated (taxes imposed). It is often referred to as “compression loss” because if the taxes extended exceed either of the category limits, the taxes are compressed until the total category amount no longer exceeds the limit.

There are several factors that affect Measure 5 compression. The first is the tax rate of all other municipal corporations that are within the same category, i.e., all other education districts or all other general government districts that share common boundaries. For education districts that will be the tax rate for the K-12 district, the ESD and the community college. For general government districts it will be the county, regional districts such as Metro, Port of Portland, TriMet, possibly a city and any special districts such as a soil and water conservation district, a fire district and/or a water district.

The second factor is the difference between real market value (RMV) and assessed value (AV). Taxes are calculated on AV but the Measure 5 limits are based on RMV. If RMV is higher than AV, there can be rates that exceed the limits of \$5 per \$1,000 of RMV for education districts and \$10 per \$1,000 for general

government districts and not have any Measure 5 compression.

Example (RMV double AV)

AV * Rate (187,000 * 12.0000) \$ 2,244
 RMV * Limit Rate (374,000 * 10.0000) \$ 3,740
 Difference is M-5 Compression Loss \$ 0

Example (RMV greater than AV)

AV * Rate (325,000 * 12.0000) \$ 3,900
 RMV * Limit Rate (374,000 * 10.0000) \$ 3,740
 Difference is M-5 Compression Loss \$ 160

Example (RMV = AV)

AV * Rate (374,000 * 12.0000) \$ 4,488
 RMV * Limit Rate (374,000 * 10.0000) \$ 3,740
 Difference is M-5 Compression Loss \$ 748

If these two factors stay relatively the same from one year to the next for all of the local governments which share common territory, the percent of loss due to the constitutional limits should remain stable. However, if the taxing situation is changing, the percentage of loss will change for each government. The amount of Measure 5 loss will increase if new levies are approved or RMV is growing more slowly than the 3% allowed for AV. The opposite could occur. If levies are expiring and the RMV on which the limits are tested is increasing faster than the 3% AV growth, less loss could be experienced.

TSCC attempts to alert districts to these factors prior to starting budget preparation each year.

Discounts and Other Amounts Not to be Received

Some taxpayers fail to pay their property taxes on time. Others pay on time and receive a discount. The assessor also makes adjustments during the year, both to add assessed value to the roll as well as to reduce assessed values. All of these factors result in taxes collected being different than taxes imposed for the year.

As a result, local governments that impose property taxes must consider these adjustments when they estimate the taxes to be received. The amount of tax revenue

lost varies from year to year and there is no precise formula to determine the amount that will not be collected.

Rather than estimate a dollar amount that will be lost, a percentage is typically used based on historical collections. This percentage is relatively stable, but changes can occur over time with changes in the economy or even with the property tax system itself.

While the focus is on amounts not to be received, the percentage that is used in most calculations is the percentage of taxes estimated that will actually be collected. Rather than using 6% not to be received, a factor of 94% of taxes to be collected is used.

If the estimate of the percentage of taxes to be collected is too low or too high, the amount of taxes received will be lower or higher than the amount estimated in the budget.

In the following examples, a collection percentage of .93 results in an estimate of \$87,420 to be received while a .96 collection percentage would bring in \$90,240. Assuming a .945 collection percentage is more accurate, using a lower percentage reduces the estimate of the amount to be received and the higher percentage increases the amount.

Example (% too low):

Levy (dollar levy or Rate x AV) \$ 100,000
 Minus Measure 5 Loss \$ 6,000
 Equals Taxes Imposed \$ 94,000
 Times Collection % .93
Equals Taxes to be Received \$ 87,420

Example (% too high):

Levy (dollar levy or Rate x AV) \$ 100,000
 Minus Measure 5 Loss \$ 6,000
 Equals Taxes Imposed \$ 94,000
 Times Collection % .96
Equals Taxes to be Received \$ 90,240

Example (% just right):

Levy (dollar levy or Rate x AV) \$ 100,000
 Minus Measure 5 Loss \$ 6,000

Equals Taxes Imposed	\$ 94,000
Times Collection %	.945
Equals Taxes to be Received	\$ 88,830

The impact is just the opposite when calculating a levy based on the amount of property taxes needed to be received to balance the fund. A percentage that is too low results in a levy that is higher than needed and a high collection percentage reduces the levy.

Example (% too Low):

Taxes Needed to Balance	\$ 93,555
Divided by Collection %	.93
Equals Tax Levy	\$ 100,597

Example (% too High)

Taxes Needed to Balance	\$ 93,555
Divided by Collection %	.96
Equals Tax Levy	\$ 97,453

Example (% Just Right)

Taxes Needed to Balance	\$ 93,555
Divided by Collection %	.945
Equals Tax Levy	\$ 99,000

Note: If a local government has more than one fund receiving tax revenue, every fund should use the same percentage when calculating the amounts to be collected after discounts and other amounts not to be received.

It is important to note that this percentage is calculated on a county wide basis since that is the way property taxes are distributed. So districts can use the same percentage and not have to be concerned about collection rates from individual neighborhoods. Districts with boundaries that extend beyond Multnomah County need to consider the percentage of taxes not to be collected in those counties. The percentage is different for each county.

TSCC analyzes this information and typically will recommend a percentage of taxes not to be received for the upcoming tax year. This is done early in the budget process to assist districts in estimating property taxes to be received.

The percentage ranges from 5% to 6%. And while it fluctuates from year to year, changes are usually small.

Advance Recovery

State law provides that a county can distribute the entire amount of property taxes up front. This is usually done for small amounts and is more efficient than keeping track of minor collections over several years. The county retains all taxes that are received. This is called "advance recovery".

Multnomah County has adopted a policy of advancing property taxes when the total amount to collect is under \$75,000. Prior to issuing the amount the county is allowed to deduct 3%. This represents the amounts not to be received by the county.

For those districts that will receive an advance recovery amount from the county, the percentage of taxes not to be received is simple and accurate. It is simply the 3% that the county will retain before it sends 97% of taxes imposed to the district.

Example:

Taxes Extended (AV * Rate)	\$ 100,000
Minus Measure 5 Loss	\$ 1,000
Equals Taxes Imposed	\$ 99,000
Times Collection %	.97
Equals Taxes to be Received	\$ 96,030

However, since the district receives all of its property taxes up front (less the three percent that the county keeps), there will be no revenue in subsequent years from prior year taxes.

ESTIMATING URBAN RENEWAL TAXES

Urban renewal agencies have no direct taxing authority: no permanent tax rate limit and no authority to seek voter approval of local option levies or general obligation bond measures.

Taxes come from the increase in value, called "excess value", over the frozen base

value that was established when the plan area was first formed. If there is no increase in value the agency will not collect any property taxes.

Urban renewal taxes come in two ways: 1) division of tax revenue, and 2) special levies for certain plan areas that were formed prior to December 6, 1996. Both are subject to Measure 5's limits for general governments.

Division of Tax Revenue

Similar to the calculations for rate base levies, division of tax revenue estimates start with a tax rate multiplied by an estimated assessed value. The difference is that the tax rate is the sum of all of the other taxing districts' rates (permanent rates, local option levies and bonds) within

the plan area and the assessed value is only the estimated excess value.

Example:

Excess Value * Total Rate	
(\$1,813,500 x 16.5432)	\$ 30,000
Minus Measure 5 Loss	<u>\$ 500</u>
Equals Taxes Imposed	\$ 29,500
Times Collection %	.945
Equals Taxes to be Received	\$ 27,878

Special Levies

Under the provisions of Measure 50 some plan areas can certify a special levy, which again is dependent on value in the plan area increasing. Special levies are typically certified as a dollar amount. As such the process of estimating how much will be received is similar to other dollar based levies discussed above.

Section 5

The Budget Committee

FOR DISTRICTS WITH 200,000 OR LESS POPULATION

GOVERNING BODY APPOINTS BUDGET COMMITTEE

The governing body of each local government in Multnomah County must establish a budget committee. ORS 294.414. For districts with a population of 200,000 or less, the budget committee is composed of the governing body and an equal number of electors appointed by the governing body. An "elector" is defined as "an individual qualified to vote under section 2, Article II, Oregon Constitution." ORS 250.005(2).

Even if there are vacancies on the board of the governing body at the time the budget committee is appointed the full number of budget committee members will be appointed. For example a five member governing body with one vacancy would appoint five electors to serve on the committee.

The appointive members of the budget committee cannot be officers, agents or employees of the local government. ORS 294.414(4). Spouses of officers, agents or employees of the local government can serve on the budget committee if they are qualified electors.

Appointive members of the budget committee serve three year terms if a fiscal year budget is prepared or four year terms if a biennial budget is prepared. The terms must be staggered so that about one-third or one-fourth of the terms expire each year. ORS 294.414(5) and (6).

When a new local government is appointing its first budget committee, the terms will be for one year, two years and three years (or

one, two, three and four years if a two year budget is prepared) for each third (or one-fourth) of the appointive members. After the first two (or three) years, the local government will then be able to appoint all new members to three (or four) year terms. OF 444-V; 3-6-64.

If the governing body cannot find a sufficient number of appointive members who are willing to serve, those who are willing and the governing body become the budget committee. If no willing appointive members can be found, the governing body will serve as the budget committee. ORS 294.414(2).

If an appointive member of the budget committee is unable to complete the term, or resigns mid-term, the governing body must appoint another elector to serve out the unexpired portion of the term. ORS 294.414(7).

All members of the budget committee have equal authority. No member of the budget committee may receive any compensation for services as a member of the committee. ORS 294.414(3).

FOR DISTRICTS WITH MORE THAN 200,000 POPULATION

GOVERNING BODY ACTS AS BUDGET COMMITTEE

The governing body of each local government in Multnomah County with greater than 200,000 population acts as the budget committee, without citizen members, unless the governing body has adopted a resolution formally declaring their intent to add citizens to the budget committee. ORS 294.423(1). Since the members also act as the governing body it is important to be aware of what role the body is acting under throughout the process. Separate meetings

of the budget committee need to be convened and adjourned prior to the governing body acting on regular district business.

The governing body of any city with a population exceeding 400,000 also acts as the budget committee of its urban renewal agency established under ORS Chapter 457. ORS 294.423(2).

PURPOSE OF THE BUDGET COMMITTEE

The budget committee meets publicly to review the budget document as proposed by the budget officer. The budget committee receives the budget document and budget message and provides an opportunity for the public to ask questions about and comment on the budget. The committee also approves the budget document and specifies an amount or rate of *ad valorem* taxes for all funds that receive property taxes.

Fiscal Powers of the Budget Committee

The budget committee, through majority action, has the power to:

- Specify the amount of tax revenue for all funds;
- Establish the maximum total expenditures for each fund;
- Approve the *ad valorem* property tax levy for each fund as an amount or rate; and
- Approve the budget.

When the budget committee has approved the budget and the property tax levies, their work as the budget committee is complete.

NOTICE OF BUDGET COMMITTEE MEETING

Publishing budget information is one of the most important steps in the budget process. The notification of the budget committee meeting provides the public the opportunity to be involved in the process. Local budget law expands the public meeting laws by specifying what must be included in the

notice of the budget committee meeting. It sets the number of times the notice must be published and the number of days that a notice must be published prior to the budget committee meeting.

The budget officer must publish a "Notice of Budget Committee Meeting" by one of the following methods prescribed in ORS 294.426(5):

- Publication in a newspaper of general circulation within the boundaries of the local government. It must be published twice, five to 30 days before the committee meeting, **or**

Publication once in a newspaper of general circulation, not less than five days nor more than 30 days prior to the committee meeting and once on the local government's Internet website, in a "prominent manner", not less than 10 days prior to the committee meeting.

- Mailing through the U.S. Postal Service by first class mail to each street address within the boundaries of the local government. Only one notice is required, not later than 10 days before the meeting.
- Hand delivery to each street address within the boundaries of the local government. Only one notice is required, not later than 10 days before the meeting.

The notice must contain the purpose, dates, times and locations of the scheduled budget committee meetings and where the public can inspect the budget document. It must also state when questions and comments will be received from the public.

Note: If a notice is to be published on the district's Internet website in lieu of one of the newspaper publications, the newspaper notice must provide the Internet website address that contains the website notice.

If more than one meeting is planned, the budget committee may decide that the purpose of the first meeting is only to hear the

budget message and receive the budget document, and that no public comment will be taken. If public input is not scheduled to be received until subsequent meetings the public must be made aware of when public testimony will be heard. The published notice needs to alert citizens that they must attend a subsequent meeting if they wish to ask questions or make comments on the budget.

When the budget officer prepares the budget calendar, several budget committee meetings can be scheduled. The public notice may, but is not required to, include the dates of these additional meetings. If more meetings are needed than were published the meeting can be continued without adjournment if necessary. The budget officer may also provide notice of additional meetings in the same manner as notice of meetings of the governing body or by one of the publication methods used for the initial budget committee meetings. ORS 294.428(2).

How to Count Days for Publication

The time for the publication of the notices is computed so as to exclude the first day of publication and to include the day on which the meeting is to happen. ORS 193.060. For example, if a notice appeared in the paper on April 11 and again on April 18, and the meeting was on April 25, 14 days notice would be given for the first publication and 7 days notice would be given for the second publication. Count the day of the meeting April 25, but not the days of publication April 11 or April 18. If the notice is mailed or hand delivered, do not count the day postmarked or delivered but count the day of the meeting.

Publication by Newspaper

If the district chooses to use a newspaper as the means of publication the newspaper must meet the following criteria:

- Be the newspaper designated by the governing body as the newspaper in which public notices will be published. The newspaper must meet the requirements found in ORS 193.020.

- Be of general circulation within the boundaries of the district.

The notice may be, but is not required to be published in the legal notice section of the paper.

Sample Budget Committee Notice

Two samples of the Budget Committee Notice can be found in the *Local Budget Law and Notice of Property Tax Forms and Instructions* booklet produced each year by the Department of Revenue. One can be used if public comment is to be taken at the first meeting and the other can be used if public comment will be taken a meeting after the first meeting. This packet can be obtained from TSCC or directly from the Department of Revenue.

BUDGET DOCUMENT DISTRIBUTED

The formal presentation of the budget is made at the first budget committee meeting. The budget officer is required to make the budget available no later than the first budget committee meeting. ORS 294.426(1)(a) and (6)(b). The budget officer may make the proposed budget available to the budget committee members at any time before the first budget committee meeting advertised in the notice. If the budget document is released before the budget committee meeting, the proposed budget is intended “solely for the information and use of the individual members.” The budget committee “may not deliberate on the budget document as a body before the first meeting.” ORS 294.426(6).

Immediately following the release of the proposed budget to the budget committee, whether before or at the first meeting, the budget officer must file a copy of the budget in the office of the governing body. This copy becomes a public record. ORS 294.426(7).

QUORUM NEEDED TO HOLD MEETING

The budget committee must have a quorum, or majority of the total membership of the committee, present in order to hold a meeting. A majority is one more than half the number of the membership, not just a majority of those present. OAR 150-294.414. For example, if the budget committee has 10 members, six must be present to hold a meeting.

Counting Membership for Meeting

Unfilled positions on the budget committee affect the number of members required to hold a meeting depending on where the vacancy occurs.

Vacancy in Appointed Members

If there are vacancies on the budget committee because a sufficient number of appointive members who are willing to serve could not be found, the total membership of the committee is reduced. For example:

5 Elected Members
3 Appointed Members
8 Total Members - 5 of which must be present to hold a meeting

Vacancy in Elected Board Members

If there are vacancies on the governing board, a full number of electors are appointed, and the membership is not reduced. A vacancy on the governing body also does not reduce the number used to calculate a quorum. For example:

3 Elected Members
2 Elected Positions are Vacant
5 Appointed Members
10 Total Members - 6 of which must be present to hold a meeting

BUDGET COMMITTEE MEETINGS

First Budget Meeting Requirements

The budget committee elects a presiding officer from among the members at the first meeting. ORS 294.414(9).

The budget committee also receives the budget message that was prepared by the executive officer of the local government or the governing body chair.

The budget committee receives the budget document from the budget officer.

Election of Presiding Officer

The presiding officer can be elected from any of the members of the committee. Appointed members can hold this position. Other officers may be elected if the committee so desires but this is not required by local budget law.

Receive Budget Message

The budget message is delivered to the budget committee at its first meeting to deliberate on the budget. ORS 294.426(1). A budget message is prepared by the executive officer of the district. If there is no executive officer, the budget message is prepared by the presiding officer of the governing body. The budget officer may prepare the message under the direction of the executive officer or governing body presiding officer. The extent of the budget message depends upon the size and complexity of the budget. Major changes in financial policies and/or in resources and requirements are required to be noted in the budget message. Also, any change in the basis of accounting for the fiscal year or budget period in which the change is planned must be noted in the budget message. ORS 294.403.

It was once felt that the budget message had to be read out loud at the budget committee meeting. More recent interpretations have opined that simply providing the budget committee members with a written copy of the budget message is sufficient. Of course district staff may want to give an oral report of the highlights of the budget message and the budget document for the benefit of the budget committee members.

Public Input Requirement

One of the budget committee's most important requirements is to hear and consider any testimony presented by the public about the budget. This can be done at the first meeting and/or subsequent meetings.

The budget committee can establish procedures for taking testimony. Time limits can be set as long as all parties or sides on issues are treated equally.

First and/or Subsequent Meetings

The budget committee may approve the budget at the first meeting. However, it can take several meetings to do so. The budget committee may reduce or increase the estimates proposed by the budget officer. The budget committee reviews and, if necessary, revises the proposed budget. Budget committee members should develop a general understanding of the budget process, the departments and programs included in the budget document, and the legal constraints imposed on the local government's property tax levy or levies.

The budget committee generally studies the budget by comparing the actual data from two previous fiscal years or budget periods, the current budgeted data, and the figures proposed by the budget officer for the upcoming year or budget period. The budget committee may ask questions of the executive officer or other staff, and request additional information. The committee may demand and receive any information it needs in order to make decisions about the budget. ORS 294.428(3). The committee uses the information to approve expenditures and balance each fund.

Minutes of the Budget Committee Meetings

Detailed minutes should be kept of all budget committee meetings. TSCC will request a copy of the minutes to be filed with the approved budget. The minutes will be used to verify that the required formal actions were taken by the committee.

Since the budget committee does not meet again until the following year, there may be a question as to how the minutes from the last budget committee meeting should be approved. There is no provision for this in local budget law so it is up to each municipal corporation to determine how this is done.

BUDGET COMMITTEE FORMAL ACTIONS

The budget committee must take two formal actions on the budget. First, the expenditures for each fund must be approved. To do so the fund must be balanced. Total requirements must equal total resources. The method for approving the budget is discretionary. Some budget committees approve the budget as a whole, others approve it fund by fund and others break the approval process down to a more finite level.

Second, the budget committee must take formal action to set the maximum tax levy for each fund. If the full permanent rate is to be levied along with a levy for bonds, the question voted on by the committee would read: "The district shall levy its full permanent rate of \$2.6754 per \$1,000 of assessed value and \$89,483 for the payment of general obligation bonds principal and interest." Do not round the amount for the permanent rate, it must be specific. Do not attach a dollar amount to the permanent rate or the collections could be limited by the dollar amount. Bond levies are always stated in whole dollars.

If the budget committee is approving a bonded debt levy it must include the amount necessary for the principal and interest and an amount for uncollectibles. Otherwise the levy may not be sufficient to pay the amount owed.

Levies in a Two Year Budget

The levies for each of the fiscal years within the two year budget period must be set at the time the budget is approved. The budget committee motion should list each levy and

the tax year to which it applies. The motion to approve the levies would be:

First Year (give fiscal year):
Permanent Rate; \$2.6754 / \$1,000
Bonded Debt; \$89,483

Second Year (give fiscal year):
Permanent Rate; \$2.6754 / \$1,000
Bonded Debt; \$90,983

Majority Needed For Formal Action

Any budget committee action must have the approval of a majority of its members, not just a majority of those present. To take action requires the affirmative vote of a majority of the total membership. OAR 150-294.414. If only six members of a 10 member committee are present, then all six must vote in the affirmative to take action.

Counting Membership for Action

Vacant positions on the budget committee impact the number of members required to take action depending on where the vacancy occurs.

Vacancy in Appointed Members

If there are vacancies on the budget committee because a sufficient number of appointive citizen members who are willing to serve could not be found, the total membership of the committee is reduced. For example:

5 Elected Members
3 Appointed Members
8 Total Members - 5 of which must vote yes to approve a motion

Vacancy in Elected Board Members

If there are vacancies on the governing board, a full number of electors are appointed, and the membership is not reduced. A vacancy on the governing board does not reduce the number required to take action. For example:

3 Elected Members
2 Elected Positions are Vacant
5 Appointed Members

10 Total Members - 6 of which must vote yes to approve a motion

Limitations on Approved Budget

The governing body's power to change the approved budget is limited. Therefore, it is extremely important for the budget committee to make careful decisions.

The governing body cannot increase expenditures in a fund by more than \$5,000 (\$10,000 for a biennial budget) or 10 percent, whichever is greater. Also, it cannot increase the tax levy amounts or rates approved by the budget committee. "Expenditures do not include ending fund balances, general operating contingencies or interfund transfers.

If the governing body wants to exceed either of the limits established by the budget committee, it must approve a revised budget after the public hearing is held on the budget approved by the budget committee. A summary of the new revised budget and hearing notice must be published, the revised budget must be submitted to TSCC and a second public hearing must be held. ORS 294.456.

The Tax Supervising and Conservation Commission, through objections in the certification letter, may require the governing board to make changes in the approved budget. Re-publication and a second hearing are not required in this case.

OTHER BUDGET COMMITTEE MEETINGS

Generally, the budget is approved by the budget committee only once. If any changes are necessary after the budget committee approves the budget, the governing body must take action to reconvene the entire committee. The budget committee cannot call itself back into session.

Due to the need to publish a summary of the budget as approved by the budget committee as part of the Notice of Budget Hearing, there is a limited amount of time in

which the budget committee could be reconvened.

After the budget process the budget committee may meet from time to time throughout the year at the discretion of the governing body for purposes such as training or to provide updates on the financial condition of the district. All of these meetings are open to the public and notice of the meeting must be given in the same manner as notices for meetings of the governing body, or through one of the local

budget law publication methods. ORS 294.428(2).

Note: There is no need to convene or to even consult with the budget committee when adopting a supplemental budget. The governing body can choose to inform the budget committee of changes being made to the budget during the fiscal year or budget period, but there is nothing in statute that would require such notification.

Section 6

Filing Approved Budget With TSCC

Filing the Proposed Budget

While the filing of the Proposed Budget is not required by statute, many of the larger districts in Multnomah County file proposed budgets with TSCC. This step allows the Commission staff to start the review process earlier and helps significantly in handling the budget season workload.

Once the budget committee has completed its work and has approved the budget document, a complete copy of the budget must be filed with the TSCC. ORS 294.431 and 294.635

The filing requirements are based on whether the TSCC Commissioners conduct the public hearing for the district or the district's governing board conducts the hearing.

For districts with populations greater than 200,000 the law requires TSCC to hold the hearing. ORS 294.431(2). In Multnomah County those districts are: Multnomah County, East Multnomah Soil and Water Conservation District, Metro, Port of Portland, TriMet, Portland Development Commission, City of Portland, Mt. Hood Community College, Portland Community College, Multnomah Education Service District and Portland School District No.1J.

All other districts in Multnomah County have the governing body conduct the public hearing. Districts under TSCC's jurisdiction also have the option of requesting that TSCC conduct the hearing. ORS 294.453(3).

FILING DEADLINES

There are two deadlines for filing the approved budget with TSCC, both of which

need to be met. One deadline is May 15. ORS 294.635. The other deadline depends on whether TSCC is conducting the public hearing or the governing body is conducting the public hearing. ORS 294.431.

May 15 Date

All districts under TSCC's jurisdiction must file the approved budget with TSCC not later than May 15. ORS 294.635(1). It is acceptable if the document is mailed and the post mark is May 15. Also, anytime a filing date falls on a weekend the deadline is automatically extended to the following Monday.

Filing Date Extensions with TSCC

Upon written request for "good and sufficient reasons", an extension can be granted for filing the Approved Budget with TSCC later than May 15. ORS 294.635(1). Any request will be answered in writing, either to approve the new filing date, or some other date. Every effort will be made to accommodate special circumstances.

Failure to File Penalties

Unless an extension is granted by TSCC any municipal corporation that fails, neglects or refuses to submit its budget to the commission on or before May 15 prior to the start of the fiscal year or budget period shall forfeit \$50 for each day of such failure, refusal or neglect. ORS 294.990(2).

WHEN THE GOVERNING BODY CONDUCTS THE PUBLIC HEARING

Filing Date

Districts that are conducting their own budget hearing must submit the Approved Budget at least **30 days prior to the public hearing**. ORS 294.431(1). When planning

the budget calendar the 30 day period and the May 15 date must both be taken into consideration. For example:

If the budget hearing is to be held on June 20, the approved budget would need to be submitted to TSCC not later than May 15. The May 15 date would satisfy both deadlines since it would be more than 30 days prior to the public hearing.

If the public hearing is scheduled for June 10, the approved budget would need to be submitted to TSCC no later than May 11. This satisfies the 30 day prior to the hearing deadline as well as the May 15 deadline.

WHEN TSCC COMMISSIONERS CONDUCT THE PUBLIC HEARING

Filing Date

Districts that are having the budget hearing conducted by TSCC, either required by virtue of population or upon request, must submit the Approved Budget at least **20 days prior to the public hearing**. ORS 294.431(2). When planning the budget calendar the 20 day period and the May 15 date must both be taken into consideration. For example:

If the public hearing is to be held on June 20, the approved budget would need to be submitted to TSCC not later than May 15. The May 15 date would satisfy both deadlines since it would be more than 20 days prior to the hearing.

If the public hearing is scheduled for June 1, the approved budget would need to be submitted to TSCC not later than May 12. This satisfies the 20 day prior to the hearing deadline as well as the May 15 deadline.

THE DOCUMENT FILED WITH TSCC

Prior to the start of the budget process, TSCC sends out a checklist that districts should use when submitting the Approved Budget. This will ensure that all documents

and information needed for a thorough and complete review are filed timely.

The budget document that is filed with TSCC includes the following:

Budget message. ORS 294.403.

Proof of publication of budget committee meeting. ORS 294.426(5).

If published only in a newspaper two notices are required. Send copies of the actual publications that includes the date published **OR** an affidavit of publication from the newspaper which includes the notices and the dates.

If only one notice is published in a newspaper a second notice is require to be prominently displayed on the district's Internet website. Send a copy of the actual newspaper publication that includes the date published **OR** an affidavit of publication from the newspaper which includes the notice and the date. Also indicate the date the notice was added to the Internet website.

If mailed or hand delivered, a copy of the notification and an explanation of how delivery was accomplished.

A draft of the Form LB-1, ED 1, CC-1 or UR 1. TSCC will review these forms for accuracy and completeness. TSCC staff will alert districts if there are problems. In this way the form can be corrected before it is published in the newspaper.

Budget detail sheets of resources and requirements with the proposed and approved columns filled in. ORS 294.358, 294.361 and 294.388.

Evidence that the Budget Committee approved the Budget. ORS 294.428.

This can be the minutes of the budget committee meeting or a copy of the motion or resolution passed.

Evidence that the budget committee set the tax levy for each fund that is to receive current year property taxes.

This can be the minutes of the budget committee meeting or a copy of the motion or resolution passed.

Summary of all transfers out of funds and the corresponding transfers into funds to ensure both sides are in balance.

Debt schedules for any new debt issued since June 30 of previous year and information on any debt that was refunded or defeased since June 30.

A draft of the LB-50, ED-50 or UR-50 certification form if the district wants it reviewed by TSCC.

Answers to the following questions:

If taxes are being levied, what percentage of assessed value growth was used?

If taxes are being levied, what uncollectible rate was used?

Has the current year Adopted Budget column been updated to include any changes made since adoption through the supplemental budget or resolution process? If so, through what date have the changes been incorporated into the budget document?

TSCC REVIEW

TSCC staff will review the Approved Budget and the related documents for completeness and accuracy. Budget details of resources and requirements are entered into a spreadsheet, by fund and totals are summarized. The LB 1, ED 1, CC -1 or UR 1 forms will be reviewed and compared with the Approved Budget numbers.

Districts will be contacted if information is missing or there are questions concerning the budget document.

Any discrepancies or inaccuracies will be noted and district staff will be contacted to resolve the issue. It is the intent to identify any corrections prior to the Financial Summary being published.

Section 7

Budget Hearing and Financial Summary

Each local government in Multnomah County must publish a notice of the budget hearing and a summary of the budget as approved by the budget committee. This must be accomplished before the governing body can formally adopt the budget for the upcoming fiscal year or budget period. There are public notice requirements that must be closely followed. For this reason, it is extremely important that the budget committee fulfill all its statutory requirements early enough to allow time to meet these public notice requirements. This in turn will allow enough time for the governing body to adopt the budget prior to the start of the fiscal year or budget period on July 1.

NOTICE OF BUDGET HEARING AND FINANCIAL SUMMARY

ORS 294.438(1) requires the "Notice of Budget Hearing" to be published by one of the following methods:

- Publication in a newspaper of general circulation within the boundaries of the local government not less than 5 days nor more than 30 days before the hearing.
- Mailing through the U.S. Postal Service by first class mail to each street address within the boundaries of the local government not later than 10 days before the hearing.
- Hand delivery to each street address within the boundaries of the local government not later than 10 days before the hearing.

Exception to Publication Requirement

There is an exception to the publication requirements just described. The notice may be posted if:

- No newspaper of general circulation is published within the boundaries of the district, **and**

- The estimate expenditures budgeted for the ensuing fiscal year do not exceed \$100,000, or \$200,000 for the ensuing budget period.

If the district meets both of the above criteria the notice can be posted in three conspicuous places within the boundaries of the local government at least 20 days before the hearing. ORS 294.448(1). These are places where many people are likely to go - such as the post office or grocery store. The notice must comply with the same format and contain all of the same information as if the noticed had been published.

How to Count Days for Publication

The time for the publication of the notice is computed so as to exclude the first day of publication (or posting) and to include the day on which the public hearing is to take place. ORS 193.060. For example, if the notice appeared in the paper on June 15 and the meeting was on June 20, there would be 5 days notice for the publication. Count the day of the meeting, June 20, but not the day of publication, June 15. If the notice is mailed, hand delivered or posted, do not count the day postmarked, delivered or posted, but count the day of the public hearing.

WHEN THE GOVERNING BODY CONDUCTS THE BUDGET HEARING

Financial Summary Portion of the Notice

The local government is required to prepare a financial summary which states the total estimated budget resources and total estimated requirements, as well as other information pertinent to the budget. ORS 294.438(2) to (8). The summary that must be published contains information on the budget for the ensuing fiscal year or budget period as approved by the budget

committee, the current fiscal year or budget period adopted budget and the preceding fiscal year or budget period actual expenditures and resources. ORS 294.438(1).

Budget Hearing Portion of the Notice

At the same time the budget summary is published, a notice of the budget public hearing is published. The hearing notice gives the date, place and time of the budget hearing and the place where the public may inspect the budget document.

PUBLICATION FORMAT

There are two format options for publishing the financial summary and notice of budget hearing. The first format option for publishing is to use forms provided by the Oregon Department of Revenue. Each year all of the required publication forms with instructions are provided in the *Local Budget Law and Notice of Property Tax Forms and Instructions* booklet. The Department of Revenue updates this booklet every year and makes it available on its Internet website. The Department will also send it to any municipal corporation that requests a copy.

The second option for publishing the notice of budget hearing and financial summary is a narrative publication format. This allows the district the alternative of presenting the budget information in a format of its own design, as long as all the same information required to be included on the DOR prescribed form is included. ORS 294.438(1).

PUBLICATION FORMS

The Department of Revenue supplies the following forms used to publish and to present the financial summary and notice of budget hearing:

- For non-education districts, Form LB-1.
- For education districts (K-12 districts and education service districts), Form ED-1.
- For community college districts, Form CC-1.

- For Urban Renewal Agencies, Form UR-1.

When preparing the form for publication it is important to complete it carefully and accurately. **Every fund** of the district must be included, even if there is data for only one or two years rather than all three years being displayed.

The numbers in each column must match the budget document. The “Actual Amounts” column would match the first prior fiscal year or budget period column in the budget document and therefore match the audit for that year.

The “Adopted Budget This Year” column would match the current fiscal year or budget period column in the budget document. These numbers can be either the original budget estimates adopted by the governing body or they can be the numbers as revised by any supplemental budgets or other changes approved by the governing body since adoption. Whatever numbers that were used in the budget document as approved by the budget committee must be the same numbers displayed on the financial summary.

Finally, the “Approved Budget Next Year” numbers must match the Approved by Budget Committee column from the budget document.

The three columns on the forms allow patrons to compare the current financial plan and the proposed financial plan for the coming fiscal year or budget period for the district with the actual data from the previous year.

These forms, in both PDF and Excel spreadsheet files, can be found on the Department of Revenue’s website.

All four of the forms follow the same basic format and require the same basic information. The only exception is that the Form UR-1 does not include a section for listing the property tax levies, since urban

renewal agencies do not receive property taxes from express levy authority such as a rate or dollar amount. Urban renewal agencies only receive property taxes if the value within a given plan area increased over the frozen base value established when the plan was activated.

There are seven sections to each form:

- Notice of Budget Hearing
- Financial Summary – Resources
- Financial Summary – Requirements by Object Classification
- Financial Summary – Requirements and Full-Time Equivalent Employees (FTE) by Organizational Unit, Program or Function
- Summary of Changes in Activities and Sources of Financing.
- Property Tax Levies
- Statement of Indebtedness.

The requirements as to what needs to be included in the Notice of Budget Hearing and Financial Summary are detailed in two statutes: ORS 294.438 for non-education districts, including urban renewal agencies and 294.441 for K-12 districts, ESDs and community colleges.

Notice of Budget Hearing

The upper portion of this form, Notice of Budget Hearing, notifies the public of the budget hearing date, time, and place and where members of the public can go to inspect or obtain a copy of the budget document. The local government should always use street addresses on this form and not a post office box. The public must know where a copy of the budget can be inspected and where the hearing will be held. The form also addresses whether there has been a change in the basis of accounting for the district and if so how that basis has changed and what effect it will have on the financial operation of the municipal corporation.

Financial Summary - Resources

This section provides detailed information on where the municipal corporation receives the revenue and other resources it relies on to support its operations, including beginning fund balances. How resources are broken out on the form should be the same as how resources are broken out in the budget document. If the budget does not include revenue from a source listed on the form for any of the three years, then that line can be deleted. For example, if there is no revenue from bond proceeds or other debt proceeds then there is no reason to show that resource with zeros in all three columns.

The Total Resources on the bottom line of the section should be the same as the total resources and requirements, all funds, from the budget document for each of the three years.

Financial Summary – Requirements by Object Classification

The information in this section is similar to what used to be displayed on the old Form LB-1. All requirements are presented by the object classifications of personnel services, materials & services, capital outlay, debt service, interfund transfers, general operating contingencies, special payments (such as pass-through amounts) and unappropriated ending fund balances. All three columns need to match the budget document.

The Total Requirements amount from each column needs to be the same as the corresponding column in the Total Resources section.

Financial Summary – Requirements and Full-Time Equivalent Employees (FTE) by Organizational Unit, Program or Function

This last section of budget information details requirements by organizational unit, program or function. In addition, the number of employees budgeted for each of those organizational units, programs or functions is given, expressed as full-time equivalent or FTE.

For many small districts, there is only one organizational unit, program or function. In this case, all lines may be deleted and only the Total Requirements and Total FTE lines would remain. There would be only one number in each column. This number must be the same as the number in the corresponding column in the Total Resources section and the Total Requirements by Object Classification section.

Some districts may have more organizational units or programs than the five lines provided on the form. These districts will have to add lines so that each organizational unit or program is shown.

For requirements that do not fall under any organizational unit or program, such as debt service, interfund transfers, contingencies and unappropriated amounts, aggregate all of those requirements on the Non-Departmental/Non-Program line.

Education districts (K-12 districts and ESDs) will report requirements and FTE according to the Oregon Department of Education's chart of accounts, such as instruction, support services, enterprise & community service and so on. However, local budget law requires that the "other" function be broken out into debt service and interfund transfers. Only report requirements on the 5000 Other Uses line that are not debt service (5100) or interfund transfers (5200).

Community colleges will report requirements and FTE according to the Oregon Department of Community Colleges and Workforce Development' accounting codes, such as instruction, instructional support, student services, community services and college support. However, financial aid is broken out from student services and facility acquisition, construction and maintenance is broken out from college support services.

The Total Requirements in each column must match the corresponding column in the

Total Resources and Total Requirements by Object Classification sections.

Statement of Changes in Activities and Sources of Financing

This section is new and requires a narrative description of the "prominent changes" from the current budget. The narrative can be as short or long as the municipal corporation chooses. It should be detailed and complete while at the same time being as short as possible.

If there are no prominent changes a statement to that effect should be included.

Lines can be added as necessary. Any unused lines should be deleted to reduce the size and therefore the publication costs.

Property Tax Levies

This section informs citizens of what the property tax levies are that support the budget as presented in the other sections. What were the levies last year, what are the current levies and what levies did the budget committee approve for the ensuing fiscal year or budget period? Note that only the actual levies are displayed. It is no longer necessary to display the property taxes to be received since that amount is given in the section on Total Resources above. Also, amounts that will be lost due to Measure 5 compression and uncollectable amounts are not displayed.

The actual permanent rate limit of the district will be entered in the first column to the left on the "Permanent Rate Levy" line in the "(rate limit ___ Per \$1000)" area. The permanent rates can be found in Appendix B of this manual. In the middle two columns, report the property tax levies that were certified for the first prior year and the current year. Under the Rate or Amount Approved column to the far right, report the permanent tax rate limit levy as approved by the budget committee.

Local option levies can either be a rate or dollar amount depending on how the levy

was approved by the voters. If a district has more than one local option levy both need to be reported. If both local option levies are a rate or both a dollar amount, simply add the rates or dollar amounts together and display the total. If one local option levy is a rate and another is a dollar amount, then both need to be displayed.

The bonded debt levy will always be shown as a whole dollar amount.

The levies in the Approved Budget Next Year column need to match exactly with what the budget committee approved.

Statement of Indebtedness

All local governments must disclose the status of indebtedness by showing the debt outstanding and debt authorized but not yet incurred as of June 30. Debt that has been defeased is not included. If a local government has no debt to disclose, all lines except the Total line may be deleted. Zeros would be displayed on the Total line.

Bottom of Page 2

All four forms have several lines at the bottom of the back page, with a note that states “If more space is needed to complete any section of this form, use the space below or add sheets.” This assumes a “paper copy” of the form is being used such that areas above this section for narrative explanations of either the change in the basis of accounting or the prominent changes in activities is limited to what is provided on the paper copy. In this case, the balance of the narrative would be provided in this bottom section.

However, if using the Excel or some other electronic version of the form, it would be clearer to the reader to simply add lines (rows) within the original narrative section and complete the narrative there. In that case all of the lines (rows) in this bottom section can be deleted.

WHEN TSCC COMMISSIONERS CONDUCT THE PUBLIC HEARING

Publication Requirements

For those districts where the TSCC Commissioners will be conducting the public hearing, either as required by virtue of the population of the district exceeding 200,000 or because the district has requested that TSCC Commissioners conduct the public hearing, only a summary version of the Notice of Budget Hearing and Financial Summary is required. ORS 294.448(2). The notice must be published not less than 5 days and not more than 30 days prior to the budget hearing.

The published notice states that a budget hearing will be held by the Tax Supervising and Conservation Commission and must include the following information:

- The date, time and place of the budget hearing conducted by TSCC;
- The place where the budget document can be inspected or obtained by the public during regular office hours;
- The total approved budget requirements and proposed tax levy amounts; and
- Any changes in the tax rate or amount from the prior year.

The following is a sample notice:

NOTICE OF BUDGET HEARING

A public hearing will be held by the Tax Supervising and Conservation Commission on the budget approved by the budget committee for _____ (district name) _____, Multnomah County, State of Oregon, for the (fiscal year or budget period) July 1, 20__ to June 30, 20__. The hearing will be held at _____ (location) on the _____ day of _____, 20__ at _____ am/pm. The purpose of the hearing is to discuss the budget with interested persons. A copy of the budget document may be inspected or obtained at _____ (location) between the hours of _____ am/pm and _____ am/pm.
Total Budget Requirements: \$ _____
Last Year's Total Levy (Rate/Amount): \$ _____
This Year's Total Levy (Rate/Amount): \$ _____
Change from Last Year (Rate/Amount): \$ _____

Careful coordination is required between the municipal corporation and TSCC to schedule the budget hearing and provide the proper public notice. Once the budget hearing has been scheduled, TSCC will send out a confirmation letter.

CORRECTING PUBLICATION ERRORS

A local government should be careful when publishing the financial summary. All anticipated property tax revenues approved by the budget committee must be published and summarized. The budget officer should verify that publication occurred and that the correct numbers were published.

Some errors occurring in the published budget summary do not jeopardize the budget. ORS 294.451(1). Such errors include:

- Typographical errors;
- Failure to mail or hand deliver the notice and summary to each street address;
- Arithmetic errors;
- Calculation of *ad valorem* property taxes not made according to law; and
- Failure to publish within the time periods required by law.

Some errors, once identified, require the budget officer to notify the governing body of the error at the first meeting of the governing body following discovery of the error. The budget officer corrects the error by providing testimony before the governing body. ORS 294.451(2). Errors that are required to be corrected are:

- Typographical errors;
- Arithmetic errors; and
- Calculation of *ad valorem* property taxes not made according to law.

It should be noted that these correctable errors are errors in the published documents. The budget officer cannot

change any errors made in the estimates of expenditures, revenues or taxes made or approved by the budget committee.

If the error relates to the calculation of the tax amount certified to the assessor, the budget officer must also notify the assessor and TSCC in writing that an error occurred. If necessary the budget officer submits a corrected tax certification document with the notification. Corrections must be submitted to the assessor before October 1.

In no case may the property tax levy be “corrected” so that it exceeds the levy approved by the Budget Committee.

Budget Document Available for Public Inspection

The complete budget document must be made available during regular business hours for inspection by the general public. ORS 294.438(8)(b).

Anyone may examine any portion or all of the budget document. The budget is kept on file at the district office or at a place readily accessible to the public, such as a public library.

THE BUDGET HEARING

WHEN THE GOVERNING BODY CONDUCTS THE PUBLIC HEARING

TSCC Certification Letter

Budget concerns of the TSCC will be outlined in the Certification Letter that will be sent to the governing body following the TSCC review of the approved budget. The Certification Letter is sent to the district approximately one week prior to the hearing. After the “Notice of Budget Hearing and Financial Summary” is published and the TSCC Certification Letter is received, the budget hearing takes place. If an error is found in the budget between the time of the approval of the budget committee and the time of the hearing, the originally scheduled hearing must still be held.

Quorum Needed to Hold Meeting

The governing body must have a quorum, or majority of the total membership of the governing body, present in order to hold a meeting. A majority is one more than half the number of the membership, not a majority of those present. OAR 150-294.453(1). For example, if the governing body has five members, three must be present to hold a meeting or conduct a public hearing.

Public Testimony

The governing body conducts the hearing and receives testimony from persons present. They respond to questions from all interested parties about the budget and the fiscal policy decisions reflected in the budget document. 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.

The budget certification letter from TSCC should be reviewed at the public hearing. The letter may contain objections or recommendations that will require action before the budget can be adopted.

Additional Meetings Needed

Occasionally an additional meeting is needed to receive all of the public testimony on the budget. The meeting can be continued without adjournment if necessary. Or if more meetings are needed, each meeting is noticed in the same manner as a regular meeting of the governing body or by the publication method used to announce the first hearing.

Public Hearing Closed

Once all of the public testimony and any additional information is presented the budget hearing can be closed. The formal adoption process is done in a regular business meeting of the governing body.

Careful minutes of the budget hearing proceedings should be kept.

WHEN TSCC COMMISSIONERS CONDUCT THE PUBLIC HEARING

After the Budget Hearing Notice is published, the actual budget hearing will be conducted by the Tax Supervising and Conservation Commissioners.

The Governing Body

The governing body of the district should have a quorum of its membership present at the public hearing. An overview of the budget is usually presented by the district. The governing body or staff of the district will be asked to respond to questions from the TSCC Commissioners and all interested parties about the budget and the fiscal policy decisions reflected in the budget document.

If a governing body fails, neglects or refuses to attend or be represented by counsel at the TSCC budget hearing the fine to be forfeited is \$25 per each person responsible for the failure, neglect or refusal. ORS 294.990.

Public Testimony

TSCC conducts the public hearing and receives testimony from any persons present.

Public Hearing Closed

Once all of the public testimony and any additional information are presented the TSCC Commissioners will close the budget hearing. TSCC staff will prepare minutes of the meeting to be kept on file in TSCC's permanent records

TSCC Certification Letter

Budget concerns of TSCC will be outlined in the Certification Letter that will be issued to the governing body following the hearing.

Section 8

The Adopted Budget

ADOPTING THE BUDGET

The governing body can adopt the budget only after the budget hearing has been completed. However, it does not have to take any action on the same day the public hearing is held. If the governing body refrains from adopting the budget until as close as possible to June 30, the budget can be adjusted to reflect changes in the resources or expenditures from earlier estimates. Formally adopting the budget, making appropriations, declaring and categorizing the taxes, and responding to the TSCC Certification Letter can be done at any regularly scheduled and properly noticed public meeting of the governing body after the budget hearing and before July 1.

Considerations in Adopting the Budget

The governing body must take all information available into consideration when adopting the budget. This information includes the public testimony presented at the budget hearing and any objections or recommendations in the TSCC Certification Letter that will require action before the budget can be adopted. The governing body must also take into account any new information affecting the resources or expenditures.

It is important that the governing body carefully consider the budget it adopts. Only limited changes to the budget are allowed after it has been adopted. Generally, changes are not allowed for resources and expenditures that the governing body had knowledge of before adopting the budget. It is for this reason that all information must be collected during the budget process and included in the budget document upon final adoption.

The governing body has the final responsibility for allocating the resources of the budget to the programs or departments of the local government. This authority is part of the responsibility given the governing body to adopt the budget and to make appropriations from which the budget is administered during the fiscal year or budget period. ORS 294.456.

The governing body may inform the appointive members of the budget committee if different figures are approved when the budget is adopted. This is a policy decision of the local government and not a statutory requirement.

Changing the Approved Budget

The governing body of the local government has the power to change anything within the approved budget. Some changes to the budget can be made by vote of the governing body; other changes will require a much more detailed process.

Changes that can be made by vote:

- Reductions to resources, expenditures or tax levies. There are no restrictions on any budget decreases.
- If the budget is a one year budget increase expenditures in an individual fund by up to \$5,000 or 10 percent, whichever is greater.
- If the budget is a two year budget increase expenditures in an individual fund by up to \$10,000 or 10 percent, whichever is greater.
- Adjustments necessary to bring the budget into compliance with any objections listed in the Certification Letter from TSCC.

Changes that can be made only if the budget is resubmitted to TSCC, republished, and another budget hearing held:

- Increase the tax levy approved by the budget committee.
- If the budget is a one year budget, increase expenditures in an individual fund by more than \$5,000 or 10 percent, whichever is greater.
- If the budget is a two year budget, increase expenditures in an individual fund by more than \$10,000 or 10 percent, whichever is greater.

Testing Expenditure Increase Limitation

To test for the 10 percent or dollar limitation the following calculation should be done for each individual fund where expenditures are increased:

Total Requirements in Fund:\$100,000

LESS:

Unappropriated Amount;	\$5,000
Interfund Transfers;	\$3,000
Contingency;	\$3,000

Result: Budget Expenditures \$89,000

Limitation, Greater of:

- 10% of Budget Expenditures; \$8,900
- Dollar Amount of \$5,000 or \$10,000

If this was a fiscal year budget the expenditures in the budget could be increased by 10% or \$8,900. If it were a 24 month budget the increase would be limited to the \$10,000 maximum amount.

Republishing the Budget

If the governing body finds that the tax levy must be increased or that any fund is increasing beyond the limitation and these changes are not included in the objections in the TSCC Certification Letter, the budget must be republished. If the budget is republished it will become the budget revised by the governing body, not the budget approved by the budget committee. Wording changes will need to be made on the Notice of Budget Hearing to reflect this.

The governing body's budget will also need to be submitted to TSCC for review before the second budget hearing is held. A second public hearing will be held in the same manner as the first.

Significance of the July 1 Date

An appropriation is the authorization of the governing body to spend money and incur obligations for specific purposes. Appropriations are limited to a single fiscal year or budget period. ORS 294.311(3). This means all spending authority of a local government ends on June 30 of the fiscal year or budget period. A local government does not have legal authority to spend money or incur debt for the new fiscal year or budget period until the budget is adopted and appropriated by resolution or ordinance.

Since July 1 is the beginning of a new fiscal year or budget period, it is critical that a local government have an adopted budget and proper appropriations in place on that date. The governing body must keep this in mind when developing the budget calendar. Adopting the budget on or after July 1 is not an option. Spending by the governing body for the new fiscal year or budget period without proper appropriations is unlawful. Since every district has ongoing costs for day to day operations, if the budget is not adopted and appropriations are not set in place prior to July 1 the district will be spending money unlawfully.

FORMAL ACTION ON THE BUDGET

Sometime after the budget hearing, either at the same meeting or a later, regularly scheduled meeting, the governing body must enact the proper resolutions or ordinances to adopt the budget, make appropriations, declare and categorize the taxes, and respond either by a resolution, ordinance or letter to the Tax Supervising and Conservation Commission's objections and recommendations. This action must be taken on or before June 30.

Quorum Needed to Take Formal Action

Any budget action must have the approval of a majority of its members, not a majority of those present. OAR 150-294.453(1). For example, if the governing body has five members three must vote yes to adopt the budget or levy the taxes.

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. For 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 take all other legal actions pertaining to budgeting or making tax levies. The resolution or ordinance is dated and signed by an authorized official of the municipal corporation.

Each local government in Multnomah County that is levying a tax is required to pass resolutions or ordinances that address up to four budgetary issues: adoption, appropriation, levying and categorizing. They also must respond to the TSCC Certification Letter either by resolution, ordinance or letter. Districts that do not levy a tax will not have resolutions or ordinances levying and categorizing the tax. The governing body can pass one resolution or ordinance with four parts, four separate resolutions or ordinances, or any combination thereof.

To Adopt the Budget

Every district must take action to adopt the budget. ORS 294.456. The resolution or ordinance adopting the budget should state the total amount of all the budget requirements, including unappropriated ending fund balances. Stating an aggregate total for the budget is preferred over a reference to the “attached budget” that gives no total dollar amount.

To Make Appropriations

Every district must specify appropriations in a resolution or ordinance. ORS 294.456. The object classifications or major expenditure categories in the budget serve as a basis for the appropriations. Include a schedule of appropriations in the resolution or ordinance making appropriations. This schedule provides the local government with legal spending authority throughout the fiscal year or budget period.

Each fund must have its own appropriations. Within each fund make a separate appropriation for each organizational unit or program of each fund. Items that cannot be specifically identified to an organizational unit or program such as transfers, debt service, and operating contingency, must be appropriated separately within the fund.

For local governments where the terms “organizational unit” or “program” do not exist, amounts are appropriated for personnel services, materials and services, capital outlay, debt service, transfers, and general operating contingency for each fund. ORS 294.456(3)(c).

To avoid some common errors:

- **Do not** simply refer to the adopted budget when making the appropriations in the resolution. For example: “Be it resolved that appropriations are hereby made as outlined in the adopted budget.”
- **Do not** lump appropriations into “miscellaneous,” “other” or “special” categories. Use the appropriation categories specified by local budget law.
- **Do not** appropriate by line item. This practice will overly complicate the fiscal management of the budget.

Appropriations for Educational Districts

Education districts (K-12 districts and ESDs) must prepare appropriations according to the chart of accounts prescribed by the Department of Education. ORS 294.393(1).

At a minimum K-12 districts and ESDs must appropriate at this same level with **one exception**. The *Program Budgeting and Accounting Manual for School Districts*, combines debt service and transfers under the accounting code "5000 Other Uses." These two items must be appropriated separately. ORS 294.456(4).

For each fund show the relevant appropriations for:

- Instruction
- Support Services
- Enterprise and Community Services
- Facilities Acquisition and Construction
- Other Uses
- Debt Service
- Transfers
- Contingencies

Community colleges budget in accordance with accounting codes developed by the Department of Community Colleges and Workforce Development. ORS 294.393(2).

However, local Budget Law gives community colleges more flexibility in terms of how to appropriate. ORS 294.456(5). There are three options:

- By major function prescribed by CCWD, including;
 - Instruction,
 - Instructional Support
 - Student Services
 - Community Services
 - College Support Services
 - Interfund Transfers
 - Debt service, and
 - Operating Contingencies.
- By the same chart of accounts used by K-12 districts and ESDs, or
- By Program or Object Classification.

Requirements Not Appropriated

Do not appropriate the unappropriated ending fund balance nor the reserved for future expenditure budgetary requirements in the appropriation resolution or ordinance.

Both are budget requirements, and they are included in the total budget amount in the Resolution Adopting the budget. However, they are not intended to be spent and, therefore, should not be appropriated. For balancing purposes only, the unappropriated ending fund balance or reserve for future expenditure may be listed or footnoted in the appropriation resolution, as long as a sub-total of actual appropriations is included.

Limitations Associated with Appropriations

After the budget is adopted, the local government must stay within the appropriations set for the fiscal year or budget period. It is illegal to overspend an appropriation. ORS 294.100 and 294.456(6). It is therefore extremely important to appropriate correctly so as to minimize the situations where over expenditures might occur.

Local budget law directs that appropriations must be made for each fund by organizational unit, program or object classification; however, it is not necessary that each line item be strictly enforced in actually expending those amounts. If one line item is overexpended, then adjusting one or more of the other line items keeps the total expenditures within the limits of the appropriation.

Example:

General Fund Budget Requirements

Materials and Services	
Office supplies	\$ 1,000
Contract services	800
Utilities	<u>2,000</u>
Total	\$ 3,800

Resolution Making Appropriation

General Fund	
Materials and Services	\$ 3,800

If during the fiscal year or budget period the contract services expenses will exceed the budgeted amount by \$100, and the utilities expenses will be \$100 less than budgeted, the total amount for Materials and Services will remain within the appropriation authority. No governing body action is needed to pay

the \$900 contract services expense as long as the total appropriation of \$3,800 for Materials and Services is not exceeded.

ORS 294.456 makes it clear that when proper appropriations have been fixed, no greater expenditure or encumbrance can be made for any purpose other than the amount appropriated unless a specific exception is provided in ORS 294.338, 294.478, 294.463 and 294.471.

ORS 294.100 states: "It is unlawful for any public official to expend any moneys in excess of the amounts provided by law, or for any other or different purpose than provided by law."

To Levy Ad Valorem Taxes

Local governments that are using property taxes to balance the budget must declare the tax amount or rate by resolution or ordinance. The resolution or ordinance should state the total of all property taxes and/or the rate being certified to the county assessor. ORS 294.456. Property taxes are imposed on the assessed value of all taxable property within the district.

When certifying a tax rate no dollar amount is associated with the rate in the resolution. For example a district only certifying the permanent rate would "levy a rate of \$2.6988 per \$1,000 of assessed value."

If a two year budget is prepared the resolution must state the levies for each fiscal year.

To Categorize Tax

If the governing body is levying a tax it must declare through resolution or ordinance the tax limitation category into which the tax is to be placed. ORS 294.456 and 310.145. The tax categories are: taxes "for the purpose of funding the public school system", taxes "for funding government operations other than the public school system", and taxes for "exempt bonded indebtedness". ORS 310.150. This resolution or ordinance is the basis for the certification of tax limitation

category that is submitted to the county assessor. ORS 310.060.

Often the categorization of tax is included in the resolution or ordinance imposing the ad valorem tax. Such a resolution would show the amount of ad valorem tax by fund and by category. For example, a nonschool local government could declare the tax by fund and category as follows:

	General Government	Excluded From Limitation
General Fund	\$ 3.8162	
Debt Service Fund		\$ 111,000

Response to TSCC Certification Letter

Local governments under the jurisdiction of a tax supervising and conservation commission are required to respond to the TSCC Certification Letter by addressing any objections or recommendations in a resolution, ordinance or letter to TSCC.

TAX LEVY ELECTIONS

Property tax measure elections can create unique budget scenarios. Municipal corporations that receive voter approval for a local option levy measure in September of the fiscal year can result in the ability to levy those taxes in that same fiscal year. ORS 294.476(1). For municipal corporations that budgets on a biennial budget period basis, a local option or general obligation bond measure approved by voters during the first fiscal year of the budget period can result in the ability to levy those taxes during the second fiscal year of the budget period. ORS 294.476(2). However, the authority to levy taxes does not happen automatically and the municipal corporation needs to complete certain steps to establish the authority to levy newly approved property tax authority.

There is a distinction between whether or not the municipal corporation anticipated the passage of the measure by including revenue (and corresponding requirements) from the measure in the adopted budget. If during the budget process the district is

planning to ask the voters for approval of a tax measure, that levy revenue is included in the budget as if it had already been passed by the voters. If the measure passes the taxes are extended on the tax roll and the district will receive the levy revenues. If a tax measure is placed on the ballot after the budget process is completed and the voters approve the measure no revenues will be received unless specific action is taken by the district.

Either way, the municipal corporation still needs to adopt the budget prior to July 1, including resolutions adopting the budget and making appropriations. Since the tax levy authority is not known, the resolutions levying taxes and categorizing taxes are delayed until after the election when the full authority is known. However, districts that adopt a biennial budget and will be asking for new property tax authority for the second fiscal year of the budget period will need to pass an ordinance or resolution levying and categorizing taxes for the first fiscal year of the budget period.

Tax Measure Known During Budget Preparation

If revenue from a proposed property tax measure is included in the adopted budget, the governing body will adopt the budget, make appropriations and respond to the TSCC Certification letter before June 30. This will give the local government authority to make expenditures after July 1. The governing body adopts and appropriates the budget in full, anticipating approval of the tax measure.

For districts that have adopted a fiscal year budget and are placing a local option levy on the September ballot, the district should not pass any resolution or ordinance to impose or categorize the tax until after the September election. A meeting must be scheduled immediately following the election date so that the budget process can be finalized by passing a resolution or ordinance levying the taxes and categorizing all of the tax levies, including the newly

approved levy. Only then can the certification be filed with the county assessor's office. If there is not a regularly scheduled meeting of the board a special meeting must be called. Any tax notices submitted after October 1 cannot be placed on the tax roll for the upcoming year. ORS 310.060 (9).

For Districts that have adopted a biennial budget and plan on placing a local option levy on the ballot in September, the same process is used as noted above for fiscal year budgets.

If, during the first fiscal year of the budget period, a local option levy is to be presented at an election later than September or a general obligation bond measure will be presented to voters, the process is somewhat different.

Since the property tax levy or levies are known and authorized for the first fiscal year (without the new levy), resolutions to levy the taxes and categorize the taxes should be passed at the same time as the budget is adopted. Only the tax levies for the first fiscal year should be included. The certification to the county assessor can be filed by the normal July 15 deadline.

After the election, the property tax levies for the second fiscal year can be determined. If a general obligation bond measure was approved the district will need to wait until after the bonds have been sold in order to know how much in property taxes will be needed to begin paying the principal and interest on the bonds during the second fiscal year. The district will need to pass a resolution or ordinance to levy the taxes and categorize the taxes for the second fiscal year of the budget period. These will then be certified to the county assessor by July 15 of the second fiscal year.

Extension to Certify Taxes

When a part of the taxing authority still requires voter approval the local government must request, in writing by July 15, an

extension from the county assessor (or, if the municipal corporation is located in more than one county, a written request to all county assessors) to certify its taxes. The request must state the reason for the request and if the district will be levying to pay for bonded debt. No other documents need to be submitted to the county assessor at that time. OAR 150-294.458(3)-(A). The county assessor may grant an extension in writing up to October 1. ORS 310.060(9).

Failure of September Tax Election

If the property tax measure fails the governing body must either adjust budgeted resources and appropriations to reflect a decrease in revenues or keep the budget as adopted. However, even more care must be taken to avoid spending money that is not available. Amending the budget is strongly recommended. The failure of the election could change the financial plan for the fiscal year or budget period. It is advisable to begin this decision making process with enough time before the election to prepare an amended budget.

The governing body may reduce resources and a corresponding reduction in expenditures only after completing a supplemental budget. ORS 294.471(1)(h). If expenditures in the fund being changed are reduced by more than 10 percent a public hearing conducted by the governing body is required. A notice of the public hearing must provide a summary of the changes being proposed. ORS 294.473.

After the governing body has adopted the supplemental budget, resources and requirements in the adopted column of the budget detail sheets are revised downward to match the figures in the supplemental budget resolution.

The governing body must also pass a resolution to impose and categorize the taxes, without the additional levy authority voted down by the voters. The amended budget, revised appropriations and taxing authority then become the official budget for

the rest of the current fiscal year or budget period.

Tax Measure Determined After Budget Prepared

After the budget process is completed a district can place a local option levy on the September ballot which was not included in the adopted budget. Districts that adopt a biennial budget, in addition to placing a local option levy on the September ballot, can also place a local option levy measure or a general obligation bond measure at any election during the first fiscal year of the budget period, effective for the second fiscal year of the budget period.

If a local option levy is a September election, the following process must be completed before the district may impose any taxes for the current fiscal year:

- Receive from the county assessor of the county in which the municipal corporation is located (or, if the municipal corporation is located in more than one county, from the county assessor of each county in which the municipal corporation is located) written approval to file an amended notice of property tax as described in ORS 310.060 (9);
- Adopt an ordinance or resolution to make and declare the local option tax and to categorize the local option tax amount or rate as provided in ORS 310.060; and
- File, by the extension date granted, with the county assessor of the county in which the municipal corporation is located (or, if the municipal corporation is located in more than one county, with the county assessor of each county in which the municipal corporation is located) two copies of the ordinance or resolution, two copies of the amended notice of property tax required under ORS 310.060 and two copies of the Ballot Title for the approved local option tax measure.
- File with TSCC one copy of each of the above documents.

If the property tax measure is approved during the first fiscal year of a biennial budget period and will be certified for the first time during the second fiscal year, there is no need to receive an extension for filing documents with the county assessor. The filing deadline (July 15) is after the end of the first fiscal year.

The governing body must pass a resolution or ordinance to “determine, make and declare” the property tax amount or rate and to categorize the tax amount or rate. ORS 294.477(2). The resolution or ordinance, the certification form required under ORS 310.060 and two copies of the Ballot Title of the newly approved measure will be filed with the county assessor by the normal deadline of July 15.

Copies also need to be filed with TSCC.

Appropriating Revenues from Newly Approved Measures

Tax revenues from newly authorized local option levies not included in the adopted budget cannot be spent until a supplemental budget is adopted and appropriations are made. ORS 294.476(3). The timing of the supplemental budget is at the discretion of the district but failure to take action prior to expending the funds can result in a serious violation of local budget law.

If voters approve a general obligation bond measure that was not included in the adopted budget the bonds can be sold and the proceeds spent on authorized projects without completing a supplemental budget. Debt service on those bonds can also be made without a supplemental budget. ORS 294.338(4)(b).

EXAMPLES OF RESOLUTIONS

Example 1: Budget Appropriations by Object Classification - Resolutions for levying and categorizing taxes are shown as separate statements.

The appropriations are by category (object classification), since the district has no organizational units.

Resolution Adopting the Budget

Be it resolved that the Board of Directors for Fire District No. 20 hereby adopts the budget for the 20xx-xx (fiscal year or budget period) in the sum of \$172,661 now on file at the District Fire Station.

Resolution Making Appropriations

Be it resolved that the amounts for the (fiscal year or budget period) beginning July 1, 20xx, and for the purposes shown below are hereby appropriated as follows:

General Fund:

Personnel Services	\$ 26,495	
Materials and Services	37,576	
Capital Outlay	51,830	
Transfer to Equipment Reserve	5,000	
General Operating Contingency	<u>4,000</u>	
Total Appropriations		\$ 124,901
Unappropriated Ending Fund Balance		<u>0</u>
Total Requirements		\$ 124,901

Equipment Reserve Fund

Capital Outlay	<u>\$ 27,000</u>	
Total Appropriations		\$ 27,000
Reserved for Future Expenditures		<u>5,000</u>
Total Requirements		\$ 32,000

Debt Service Fund

Debt Service	<u>\$ 10,760</u>	
Total Appropriations		\$ 10,760
Unappropriated Ending Fund Balance		<u>5,000</u>
Total Requirements		\$ 15,760

Budget Totals:

Appropriations	\$162,661
Unappropriated / Reserve Amounts	\$10,000
Total Budget	\$172,661

Resolution Imposing Taxes

Be it resolved that the Board of Directors for Fire District No. 20 hereby levies the taxes provided for in the adopted budget in the amounts of \$1.8934 per \$ 1,000 for operations and \$9,450 for exempt bonds and that these taxes are hereby imposed for tax year 20xx-xx upon the assessed value of all taxable property within the district.

Resolution Categorizing Taxes

Be it resolved that the Board of Directors for Fire District No. 20 hereby categorizes the taxes as follows:

	General Government	Excluded from Limitation
General Fund, Permanent Rate	\$1.8934 / \$1,000 of Assessed Value	
Debt Service Fund		\$9,450

Example 2: Budget With Organizational Units - The resolutions levying and categorizing taxes have been combined into one resolution.

The appropriations are by a combination of organizational unit (General Fund) and category (object classification) in all other funds which have no organizational units.

Resolution Adopting the Budget

Be it resolved that the Council of the City of Multnomah hereby adopts the budget for (fiscal year or budget period) 20xx-xx in the sum of \$846,006 now on file at the City Hall.

Resolution Making Appropriations

Be it resolved that the amounts for the (fiscal year or budget period) beginning July 1, 20xx, and for the purposes shown below are hereby appropriated as follows:

General Fund

Administration Department	\$ 50,703	
Police Department	131,103	
Fire Department	27,170	
Non-Departmental:		
Transfer to Fire Equipment Reserve	7,500	
General Operating Contingency	<u>5,000</u>	
Total Appropriations		\$ 221,476
Unappropriated Ending Fund Balance *		<u>14,600</u>
Total Requirements		\$ 236,076

Utility Fund

Personnel Services	\$ 112,730	
Materials and Services	118,700	
Capital Outlay	1,000	
Transfer to Debt Service Fund	<u>2,462</u>	
Total Appropriations		\$ 234,892
Unappropriated Ending Fund Balance *		<u>3,000</u>
Total Requirements		\$ 237,892

Debt Service Fund

Debt Service	\$ 213,000	
Total Appropriations		\$ 213,000
Unappropriated Ending Fund Balance *		<u>29,238</u>
Total Requirements		\$ 242,238

Community Center Fund

Materials and Services	\$ 7,000	
Transfer to Debt Service Fund	<u>4,300</u>	
Total Appropriations		\$ 11,300
Unappropriated Ending Fund Balance *		<u>2,500</u>
Total Requirements		\$ 13,800

Street Fund

Materials and Services	\$ 38,500	
Capital Outlay	35,000	
Contingency	<u>5,000</u>	
Total Appropriations		\$ 78,500
Unappropriated Ending Fund Balance *		<u>0</u>
Total Requirements		\$ 78,500

Fire Equipment Reserve Fund

Reserved for future Expenditures *	<u>\$37,500</u>
Total Requirements	<u>\$37,500</u>

*Shown for balancing purposes only.

Budget Totals:

Appropriations	\$ 759,168
Unappropriated / Reserve Amounts	\$ 86,838
Requirements	\$ 846,006

Resolution Levying and Categorizing Taxes

Be it resolved that the City of Multnomah hereby levies the taxes provided for in the adopted budget at the rate of \$2.2873 per \$1,000 of assessed value for operations; the rate of \$0.3500 per \$1,000 of assessed value for local option tax; and in the amount of \$ 149,931 for exempt bonds; and that these taxes are hereby imposed for fiscal year 20xx-xx upon the assessed value of all taxable property within the district and categorized as follows:

	General Government	Excluded from Limitation
General Fund, Permanent Rate	\$2.2873 / \$1,000 of Assessed Value	
General Fund, Local Option	\$0.3500 / \$1,000 of Assessed Value	
Debt Service Fund		\$ 149,931

If the district is preparing a 24 month budget the resolutions levying and categorizing the tax would include a separate amount for each levy by fiscal year. For example the permanent rate would be listed twice; once for each fiscal year.

Fiscal Year 20XX-XX

	General Government	Excluded from Limitation
General Fund, Permanent Rate	\$2.2873 / \$1,000 of Assessed Value	
General Fund, Local Option	\$0.3500 / \$1,000 of Assessed Value	
Debt Service Fund		\$ 149,931

Fiscal Year 20XX-XX

	General Government	Excluded from Limitation
General Fund, Permanent Rate	\$2.2873 / \$1,000 of Assessed Value	
General Fund, Local Option	\$0.3500 / \$1,000 of Assessed Value	
Debt Service Fund		\$ 155,793

Section 9

Certifying and Filing

Once the budget is approved, the resolutions passed to adopt, appropriate, levy taxes and categorize taxes, and the budget document updated with the “Adopted Budget Next Year” column filled in, various filings are necessary to complete the process. These are important to report the results of the just completed budget process to the various entities that play a part in local budget law. Failure to file the various forms could result in the loss of property taxes for the year.

Each local government that is subject to local budget law is required to retain a “true copy” of the budget document on file in the district’s office. The budget is to be retained for two fiscal years or two budget periods after the end of the fiscal year or budget period. ORS 294.458(6).

NOTICE OF AD VALOREM PROPERTY TAXES

All local governments that levy *ad valorem* taxes property taxes must notify the county assessor by July 15 of the amount and/or rate of taxes that are being certified. This is done by submitting Form LB-50 for non-education districts, Form ED-50 for education districts or Form UR-50 for urban renewal agencies. These forms are updated each year by the Department of Revenue. Booklets are available on the Department’s website or will be sent to districts upon request. The booklet is entitled *Local Budget Law and Notice of Property Tax, Forms and Instructions* and contain the correct form and instructions.

The form for the correct type of district (education, municipal corporation or urban renewal agency) and the correct fiscal year must be used. These forms may be computer generated as long as they are in

the same basic format as those from the Department of Revenue. This form is not required if the district is not imposing any taxes for the year, although districts are encouraged to file the form even if they are not certifying taxes for the upcoming year. ORS 294.458(3) and 310.060.

The LB-50 is divided into the Heading, Certification, and parts I through IV and the ED-50 has the Heading, Certification, and parts I through III. The UR-50 has a heading and Parts I through V. The UR-50 form follows a different format to conform to the unique nature of urban renewal taxes. Please refer to the *Local Budget Law and Notice of Property Tax* booklet for instructions or contact TSCC if there are questions on filling out the UR-50.

The heading for all three forms is basic information about the district such as name, address and the name and telephone number of the contact person who can answer questions about the document.

The certification of the taxes approved by the budget committee is required as part of the notification of taxes filed with the county assessor. ORS 294.458(3)(b). The budget committee sets a limit on the taxes that the county assessor can extend on the roll, regardless of what the local government’s full taxing authority may be. The governing body can impose more tax than approved by the budget committee only after republishing the amended budget summary and holding another hearing. ORS 294.456. One of the boxes under the Certification must be checked to indicate that the taxes levied are equal to or less than the amount approved by the budget committee or is equal to or less than the amount set by the governing

body after republication of the budget and holding a second public hearing.

Part 1: Total Property Tax Levy

This portion of the form provides the exact amount of levy the district is certifying and the categorization of that tax. The levy placed on this portion of the form must match exactly the levy in the resolution or ordinance passed by the governing body. Care should be taken that each levy is placed on the correct line of the form:

- Permanent rates can be levied as a rate or as a dollar amount. Typically this will simply be the full authority of the district's permanent tax rate limit. A district can certify less than its permanent tax rate limit. If a certified dollar amount results in a tax rate that exceeds the permanent rate the levy will be reduced to the permanent rate level.
- Local option levies can be either a whole dollar amount or a rate, depending on what was approved by the voters. Districts can certify less than the full local option levy authority.
- The City of Portland will always use a whole dollar amount to certify its pension and disability obligations levy.
- All bonded debt levies that are exempted from the Measure 5 limitations will be certified as a whole dollar amount.

As the levies are entered on the form they are automatically categorized into the one of the three categories into which taxes can be placed: taxes imposed to support the public school system go in the "Education" category column, taxes imposed to support other government operations go in the "General Government" category column, and taxes levied to pay exempt bonded indebtedness go in the "Excluded from Limitation" category. Each form has only two columns, so it is important to use the correct form, either the LB-50 or the ED-50. The categories on the form must match exactly the categorization in the resolution or ordinance.

If the proceeds of a levy will be spent in part for education and a portion will be used for general government, it will be necessary to file two certification forms: one LB-50 and one ED-50.

Part II: Rate Limit Certification

Part II of the form is only for information purposes. The full permanent rate of the district is listed here, not the rate being levied. The amount shown here may be higher than the rate being levied. These rates can be found in Appendix B. This amount will always be stated as a rate per thousand carried out four places to the right of the decimal point. The permanent rate should not be rounded.

Part III: Schedule of Local Option Levies

Part III of the form is also for informational purposes only. This portion provides basic information on any local option taxes of the district. The purpose of the levy, the date the voters approved it, the first and last year it can be levied, and the amount approved by the voters. If a rate was approved the full rate will be listed rather than the anticipated dollar amount that the rate will raise.

Part IV: Special Assessments, Fees and Charges on Form LB-50 Only

Certain fees, charges, assessments and non *ad valorem* taxes are allowed by various statutes to be included on property tax statements and collected along with *ad valorem* property taxes.

If a local government determines that a fee, charge, assessment or non *ad valorem* tax can and should be added to property tax statements, the amounts must be certified to the county assessor by July 15 so that it can be included on the assessment and tax roll to be collected by the property tax system. The district must provide the statutory citation (ORS number) that specifically provides them the authority to collect the fee, charge or assessment on the tax roll.

Just like *ad valorem* taxes, charges on property can be either subject to Measure 5

or excluded from its limitations. Measure 5 (Article XI, section 11b of the Oregon Constitution) defines a “tax” that is subject to the \$5 limit per \$1,000 of real market value for education purposes or \$10 per \$,1000 per real market value for non-education purposes as “...any charge imposed by a governmental unit upon property or upon a property owner as a direct consequence of ownership of that property except incurred charges and assessments for local improvements.” ORS 310.140(18) further defines a “tax on property” as “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, but does not include incurred charges or assessment for local improvements.”

When completing the Form LB – 50, the amounts to be collected need to be entered in either the Subject to General Government Limitation column or the Excluded from Measure 5 Limitation column. This instructs the county assessor as to how to treat the charges when calculating each property’s tax bill.

In addition to the certification form the local government must submit to the county assessor a complete listing of the properties, by assessor’s account number, on which fees, charges, or assessments are to be imposed. ORS 310.060(5). It must show the amount of the fee, charge, or assessment that is imposed uniformly to each property, such as, \$3 on each account. If the fee, charge or assessment is not uniform, it must show the amount imposed on each property, such as, \$1.50 per acre fee - Account 12345 \$45, Account 12356 \$40.50.

Error on Certification Form

If an error is made in the tax amount certified to the assessor, the budget officer must immediately notify the county assessor and TSCC in writing that an error occurred. ORS 294.451. The budget officer submits an amended tax certification document with the notification. The box in the top right hand

corner of the form, “Check here if this is an amended form” must be checked. Corrections in certifications must be submitted to the assessor before October 1. ORS 310.060.

FILING THE DOCUMENTS

The filing requirements, dates, and what must be filed vary in accordance with the office to which the filing is being made.

TSCC Filing - 15 days after adoption

Within 15 days after adoption, each local government in Multnomah County that is subject to local budget law and the jurisdiction of TSCC must submit to the Commission a complete copy of the adopted budget document including:

- Budget Message. ORS 294.403.
- Proof of Publication of Budget Hearing. ORS 294.438.
 - Send a copy of the actual publication that includes the date published **OR** an affidavit of publication from the newspaper which includes the notice and the date.
 - If mailed or hand delivered send a copy of the notification and an explanation of how delivery was accomplished.
- All Budget Detail Sheets of Resources and Requirements with all columns filled in. ORS 294.358.
- FTE Recap by Fund. ORS 294.388(5).
- Resolutions to: Adopt; Appropriate; Levy and Categorize Taxes. ORS 294.456.
- Response to any TSCC Objections or Recommendations. ORS 294.456.
- LB/ED/UR-50 - Assessor Certification Form. ORS 310.060.

Filing Date Extension with TSCC

Upon written request an extension can be granted for filing the adopted budget with TSCC. Often districts will be granted an automatic extension for filing the budget document with TSCC until July 15. This is included in the certification letter sent to the

district and corresponds with the other filing requirements.

Assessor Filing - July 15

By each July 15, a local government that is subject to local budget law, and imposes an *ad valorem* tax or a “tax on property,” must submit certain documents to the county assessor. ORS 294.458(3). This includes the following documents:

- Two copies of the notice of property tax: LB-50, ED-50 or UR-50;
- Two copies of the resolution statements that adopt the budget, make appropriations, and levy and categorize taxes; and
- Two copies of the Ballot Title for any new tax levies that received voter approval.

If the boundaries of the district extend into more than one county, the above documents are filed with the county assessor of each county. ORS 310.060(7).

The assessor’s office will forward one of each of these copies to the Department of Revenue.

Do not send a copy of the full budget document or any of the detail sheets. Only send the items listed above unless specifically requested to send additional information.

Filing Date Extension with Assessor

Upon written request an extension can be granted for filing with the county assessor. This is typically done only when the district is proposing a new local option levy to be placed on the following September election ballot. If the district is located in more than one county, the request for an extension must be sent to the county assessor in all of the counties.

Department of Revenue Filing

By July 15 for a fiscal year budget or by the first July 15 of a budget period a local government that is subject to local budget

law but cannot levy or chooses not to certify an *ad valorem* tax, must file a copy of the resolutions adopting the budget and making appropriations with the Department of Revenue. ORS 294.458(1) and (2).

Districts do not send anything to the Department of Revenue if any taxes are being levied or if the documents are filed with the county assessor.

County Clerk Filing

No later than September 30 of each year or by September 30 of the first fiscal year of a biennial budget, each taxing district that certifies a tax on property is required to file a complete copy of the adopted budget with the county clerk of each county that the district is located in. ORS 294.458(5)(a). If there is no county clerk in a county, such as Multnomah County, the district is required to file a complete budget document with the county assessor. ORS 294.458(5)(b).

In lieu of filing the budget document with the county clerk or the county assessor, districts under the jurisdiction of a tax supervising and conservation commission are required to file a complete copy of the budget document with the commission. ORS 294.458(5)(c).

Multnomah County Treasurer

Do not send a copy of the budget to the Multnomah County Treasurer.

School Districts Special Filing Requirements

In addition to the other filing requirements, school districts may be required to submit copies of the complete budget document to the Department of Education and the Multnomah Education Service District.

Community Colleges Special Filing Requirements

In addition to the other filing requirements, community colleges (Mt. Hood Community College and Portland Community College) may be required to submit copies of the complete budget document to the

Department of Community Colleges and Workforce Development.

VIOLATION OF THE PROCESS

There are two ways the budget process can be violated. ORS 294.461 addresses violations of the local budget law process and ORS 310.070 addresses violations of certifying a tax in excess of the constitutional or statutory limitations.

Failure to Follow Local Budget Law

If Local Budget Law is thought to be violated the county assessor, county court, board of county commissioners, Department of Revenue, tax supervising and conservation commission or 10 or more interested taxpayers may file an appeal with the regular division of the Oregon Tax Court. If an appeal is filed the local government has the responsibility of defending itself before the court. If the Tax Court finds that the local government has not substantially complied with local budget law, it can order the local government to reduce its tax levy. The appeal to the Tax Court must be made within 30 days from the time the notice of tax is submitted to the county assessor.

Certification of Tax in Excess of Statutory or Constitutional Limits

The assessor and the Department of Revenue use the information on the LB-50 or ED-50 to verify that the local government's tax is within constitutional and statutory limits. If it is found that the tax exceeds the constitutional or statutory limits, the Department of Revenue notifies the local government and the county assessor that the tax must be reduced. The local government will be asked to submit new certification forms. The department has the authority to order the reduction if the district fails to resubmit the forms as requested. If the local government does not agree with the department's decision, it has the right to appeal the action to the Oregon Tax Court. The 30 day time limit does not apply to these types of violations.

Section 10

Changes After Adoption

Once the budget is adopted for the fiscal year or budget period, the local government is bound by the resources and requirements for each fund as detailed in the budget document and summarized in the resolution or ordinance Adopting the Budget. Perhaps more importantly, local governments must stay within the appropriations as established in the resolution or ordinance Making Appropriations. It is illegal to overspend an appropriation as detailed in the resolution or ordinance. 294.456(6). The fiscal officer must pay close attention to each appropriation throughout the year to avoid overspending.

An appropriation is the authority granted by the governing body to make expenditures and to incur obligations for specific purposes. It is limited to one fiscal year or budget period. ORS 294.311(3). Appropriations are also a legal limitation on the amount of expenditures that can be made during the fiscal year or budget period.

At the same time, it is recognized that the resources and requirements as presented and adopted are only estimates. Actual resources and requirements will most likely vary from what was budgeted. This happens on the first day of the fiscal year or budget period in that the actual beginning fund balance is almost always different than the beginning fund balance that had been estimated in the budget.

Local budget law recognizes this and provides a wide variety of opportunities to adjust the budget during the fiscal year or budget period. There are a number of different statutes dealing with different situations. In fact, there are ten (10) different sections of Local Budget Law that provide

for changes that can be made to a budget during the fiscal year or budget period.

Some changes can be made “automatically”. Some require the governing body to pass a resolution or ordinance. Many changes require a supplemental budget. And some changes require that a public hearing be held before the governing body can make the change.

This section will discuss some of the more common changes that take place during the year. A summary listing of all changes allowed after adoption is included at the end of this section.

LIMITATIONS ON APPROPRIATIONS

ORS 294.456 makes it clear that when proper appropriations have been fixed, no greater expenditure, or encumbrance can be made for any purpose other than the amount appropriated unless a specific exception is provided in ORS 294.338, 294.463, 294.466, 294.471, 294.473 or 294.478.

A resolution or ordinance must be passed **prior to** any action taking place, not after the fact. Spending the money and then authorizing the appropriation or making the resolution transfer is a violation of local budget law and the governing body is at risk of an illegal expenditure.

The penalties for unlawful spending of public money are established under ORS 294.100: “It is unlawful for any public official to expend any moneys in excess of the amounts provided by law, or for any other or different purpose than provided by law.” A public official that expends money unlawfully can be held to be “civilly liable” if the action is deemed to “constitute malfeasance in office or willful or wanton neglect of duty”.

Fiscal Powers of the Governing Body After July 1:

- Approve or disapprove any expenditure.
- Expend specific purpose grants, gifts, bequests, or devises received after the budget was adopted. ORS 294.388(2).
- Expend proceeds of certain bonds or to pay debt service on those same bonds. ORS 294.388(4).
- Expend insurance proceeds received to repair or replace property, if the money is used to return the property to its original condition, or purchase a comparable replacement. ORS 294.481.
- Transfer appropriations and resources within any fund or between funds. ORS 294.463.
- Authorize interfund loans from one fund to another fund. ORS 294.468
- Adopt a supplemental budget to meet unexpected needs or to spend revenues not anticipated when the regular budget was adopted. ORS 294.471.

Budget Adjustment Not Required

Generally districts are encouraged to prepare budget estimates conservatively, which means understating resources and overstating requirements. Then, during the course of the fiscal year or budget period, as resources come in higher than budgeted and expenditures are less than budgeted the need for changes in the budget are lessened. This is the ideal situation.

Local budget law directs that appropriations must be made for each fund by organizational unit, program or object classification. It is not necessary that each line item be strictly enforced as expenditures are made unless the governing body appropriated by line items (which is not recommended). If one line item is overexpended, one or more of the other line items can be under expended to keep expenditures within the limits of the appropriation.

Example:

Resolution Making Appropriation

General Fund
Materials and Services \$ 3,800

General Fund Budget Detail

Materials and Services	
Office supplies;	\$1,000
Contract services;	\$ 800
Utilities;	<u>\$2,000</u>
Total;	\$3,800

If during the fiscal year or budget period the contract services expenses will exceed the budgeted amount by \$100 and the utilities expenses will be less than budgeted, the governing body does not need to take action. The \$900 for contract services can be paid as long as the total appropriation of \$3,800 for Materials and Services is not exceeded.

BUDGET REDUCTIONS

If a local government will not realize the amount of resources it estimated, and this shortfall will not be offset by receipts of another resource in the same fund, the district has a couple of options: leave the budget as originally adopted or amend the budget to reduce both resources and requirements. A shortfall in revenue can be revealed by periodic financial reports: a procedure that should be a fundamental administrative practice of all local governments.

In no situation can a government spend money it does not have. If less revenue is available spending needs to be reduced to stay within the limits of what is available. Just because an expenditure is in the budget and has been legally appropriated does not mean the expenditure can be made if adequate funds are not available.

If it is decided to not amend the budget it is even more important for the fiscal officer to track spending during the year. Not only must spending be tracked against appropriation authority to avoid an overexpenditure but cash flow also needs to be closely monitored.

If a district decides to amend the budget to reflect the reduction in resources and corresponding requirements (to keep each fund in balance) the governing body must complete a supplemental budget. ORS 294.471(1)(h).

COMMON CHANGES AFTER ADOPTION

While local budget law provides for a myriad of changes, only a few are common occurrences. Most districts do not make any changes to its budget after adoption.

A few of the more common changes are:

- Resolution Transfers
- Contingency Transfers
- Interfund Loans
- Supplemental Budgets

These are discussed below. A complete listing of all changes allowed by local budget law is included at the end of this Section.

RESOLUTION TRANSFERS

It often becomes necessary after the budget is adopted to increase the expenditures within a fund for only a specific organizational unit, program or object classification. One way to accomplish this is to transfer appropriation authority and, in some cases, resources. A transfer of appropriation is a decrease of one existing appropriation and a corresponding increase of another existing appropriation. OAR 150-294.463(3).

To transfer appropriations and possibly resources, the governing body must pass a resolution or ordinance. The resolution or ordinance must state the need for the transfer, the purpose of the expenditure, and the amount to be transferred. ORS 294.463(1)&(3).

Transfers can occur either within a fund (Intrafund), or from one fund to another (Interfund).

Intrafund Appropriation Transfers

Appropriations can be transferred within a fund from an existing appropriation to another existing appropriation. ORS 294.463(1) and OAR 150-294.463(3), subsection (2). For example, within a general fund, appropriations can be transferred by resolution from the existing materials and services appropriation to the existing capital outlay appropriation. Materials and services is decreased and capital outlay is increased by a corresponding amount. This same type of change can be made to a fund appropriated by organizational units. Appropriations can be increased in the fire bureau with a corresponding decrease in the police bureau. In both cases, the net change in the fund's total appropriations is zero.

However, appropriations cannot be transferred to a appropriation line item that was not included in the adopted budget. For example, if the original budget did not appropriate an amount for Capital Outlay, then an Intrafund transfer could not transfer appropriation authority from Personnel Services to a (newly created) Capital Outlay appropriation.

These resolution transfers do not require the transfer of resources. No additional revenue is received by the fund, the appropriations are just shifted around. The total requirements of the fund remain the same.

Example:

Resolution Making Appropriation

General Fund	
Personal Services	\$12,600
Materials and Services	\$ 3,800
Capital Outlay	\$ <u>6,750</u>
Total Appropriations	\$23,150

Changes After Adoption

General Fund	
Personal Services	\$14,600
Materials & Services	\$ 3,800
Capital Outlay	\$ <u>4,750</u>
Total Appropriations	\$23,150

Interfund Appropriation Transfers

Appropriations can be transferred during the fiscal year or budget period from one fund to

another fund by a resolution or ordinance. ORS 294.463(3) and OAR 150-294.463(3), sub-section (3). A transfer of resources is usually required when appropriations are moved between funds. Resources by themselves cannot be transferred between funds because the funds involved will become unbalanced. If the general fund does not have an appropriation category for "transfer to other funds," one may be created as part of the resolution or ordinance. This is the only circumstance under which a budget appropriation category may be created by resolution or ordinance during the fiscal year or budget period without completing a supplemental budget.

One or more of the appropriations in the fund transferring authority to a different fund are reduced by the amount of the increase in the interfund transfer (out) appropriation so that the total requirements within the fund stays the same. Expenditures in the fund are then limited by the reduced expenditure appropriation.

Resources in the receiving fund are increased by the amount of the transfer. The appropriations in that fund are also increased by the amount transferred from the fund making the transfer.

CONTINGENCY TRANSFER

Use of a general operating contingency is an example of an intrafund transfer. It is not possible to make an expenditure directly out of a contingency appropriation. A resolution or ordinance must be passed transferring the amount to be expended from contingency to an existing appropriation line item before it may be spent. The transfer must be made to an existing appropriation. The operating contingency is reduced and the receiving line item increased by the same amount so the fund remains in balance.

There is no statutory limit to the amount that may be appropriated for the general operating contingency. However, the amount that may be transferred out of the

contingency line item by resolution is limited to 15 percent of each fund's total appropriations authorized in the original, adopted budget. ORS 294.463(2). This law states that transfers which, in the aggregate, exceed 15 percent may be made only after adopting a supplemental budget for that purpose.

Example:

Resolution Making Appropriation

General Fund	
Personal Services	\$ 55,800
Materials and Services	\$ 13,200
Capital Outlay	\$ 11,000
Contingency	\$ <u>20,000</u>
Sub-Total Appropriations	\$100,000
Unappropriated Balance	\$ <u>2,000</u>
Total Requirements	\$102,000

$$(\$100,000 * .15 = \$15,000)$$

In this example, the total appropriations for the fund is \$100,000, including \$20,000 for the general operating contingency. Only 15 percent of the appropriations, or \$15,000, may be transferred from the contingency appropriation by resolution or ordinance. The remaining \$5,000 can be transferred only through a supplemental budget. Unappropriated requirements such as the unappropriated ending fund balance and reserved for future expenditure are not included when determining the total fund appropriations.

Caution: The 15 percent limitation for contingency transfers is calculated on appropriations while the limitation for supplemental budgets and budget increases at adoption are calculated on expenditures.

If transfers are made throughout the year caution should be taken to ensure the 15 percent limitation is not exceeded.

INTERFUND LOANS

One Year Interfund Loans

Local budget law allows a local government to loan money from one fund to another for any purpose for up to one fiscal year or

budget period. The loan is not a transfer. It must be authorized by an official resolution or ordinance that states the need for the loan, identifies the funds involved, specifies the amount of the loan and indicates if interest is to be charged. A statement must be included that the loan will be repaid to the fund from which it was borrowed by the end of the fiscal year or budget period, or be included in the budget for repayment in the following fiscal year or budget period. ORS 294.468.

If the loan will be repaid in the current fiscal year or budget period, no other action by the governing body is necessary to repay the loan. The current budget is **not** adjusted to show the loan transaction. The loan payable and loan receivable transactions are not items reflected in a budget document. The local government's accounting records will show the loan and repayment. The exception is if interest is to be paid on the loan. Any interest to be paid must be included as a budget expenditure in the fund that received the loan and as a revenue in the fund that made the loan.

If the loan will not be repaid in the coming fiscal year or budget period, the loan repayment must be included in the budget and separate appropriations established for the repayment. ORS 294.468(3). The loan is never shown as a deficit resource. OAR 150-294.361(1)-(B).

Loans cannot be made from:

- Debt service reserve funds established to provide additional security for the repayment of bonds or other borrowings or to cover bond covenants.
- Debt Service Funds to account for money needed to make debt service payments.
- Special revenue funds credited with revenues that are restricted to specific uses by the Oregon Constitution.

Ten Year Interfund Loans

Local budget law allows a local government to loan money from one fund to another for

capital purposes for up to ten years from the date it is borrowed. ORS 294.468(2)(b). Capital purposes are defined as "financing the design, acquisition, construction, installation, or improvement of real or personal property and not for the purpose of paying operating expenses." The loan must be authorized by an official resolution or ordinance and state the need for the loan, identify the funds involved, and provide a schedule of payments for the repayment of principal and interest, including the interest rate to be charged. Interest must be charged on the loan either at the local government investment pool rate or at a rate determined by the governing board. It is acceptable that the interest rate charged is zero.

The loan repayment must be included in the budget and separate appropriations must be established for the repayment. The loan is never shown as a deficit resource. OAR 150-294.361(1)-(B).

SUPPLEMENTAL BUDGETS

During the fiscal year or budget period, a district may receive revenue it did not plan for in its budget, or it may have a need to pay additional expenses that will exceed appropriations. A supplemental budget is required to increase appropriations to allow the extra revenue to be spent. If the district does not want to spend the additional revenue a supplemental budget is not required. The additional amount will simply be included in the beginning fund balance of the next budget.

Supplemental budgets are good only through the end of the fiscal year or budget period in which they are adopted. The supplemental budget must be adopted and appropriated before any additional money can be spent. OAR 150-294.471.

Supplemental budgets can only be done if the occurrence or condition was unknown at the time the regular budget was prepared. The governing board cannot use the supplemental process to override a decision of the budget committee or to appropriate an

expense that was rejected during the regular budget process.

In a November 17, 1967 letter, the Oregon State Tax Commission opined that a supplemental budget could not be used to spend revenues which could have been estimated and adopted in the regular budget. LS V-3899.

Except for certain local option levies approved at a September election or a local option levy or general obligation bond measure approved the first fiscal year of a biennial budget period, preparing a supplemental budget never authorizes the governing body to impose additional *ad valorem* taxes. ORS 294.471(4).

There are specific instances when a supplemental budget is not required to make additional appropriations. See Exceptions to Local Budget Law at the end of this section.

Criteria for Supplemental Budget

A local government may prepare a supplemental budget only if one or more of the following circumstances exists. ORS 294.471:

- An occurrence or condition which was not known at the time the budget was prepared and which requires a change in financial planning. ORS 294.471(1)(a).
- A situation, which was not foreseen at the time the budget was prepared, which requires prompt action. ORS 294.471(1)(b).
- Funds are made available by another unit of federal, state or local government which were not known at the time the budget was prepared. ORS 294.471(1)(c).
- A request for services or facilities is received, the cost of which will be paid for by a private individual, corporation or company or by another governmental unit. The amount of the request could not have been known at the time the budget was prepared. ORS 294.471(1)(d).

- Proceeds from the involuntary destruction, involuntary conversion, or sale of property has necessitated the immediate purchase, construction or acquisition of different facilities in order to carry on the governmental operation. ORS 294.471(1)(e).
- Property taxes are received during the fiscal year or budget period in an amount sufficiently greater than the amount estimated to be collected that the difference will significantly affect the level of government operations to be funded by those taxes as provided in the budget for the current year. ORS 294.471(1)(f).
- A September local option levy approved by the voters or a local option levy approved the first fiscal year of a biennial budget period that was not included in the adopted budget. ORS 294.480(1)(g).
- A reduction in available resources requiring a reduction in appropriations. ORS 294.417(1)(h).

Additional Situations Requiring a Supplemental Budget

In addition to the circumstances listed in ORS 294.471(1) that allow for the adoption of a supplemental budget, other statutes in Local Budget Law provide for changes after adoption, but only after completing a supplemental budget. In the following situations a supplemental budget is required.

Transferring More Than 15 Percent From Contingency

There is no statutory limit to the amount that may be appropriated for the general operating contingency. However, the amount that may be transferred by resolution or ordinance from contingency is limited to 15 percent of the total appropriations authorized in the fund. ORS 294.463(2). This law states that transfers which, in the aggregate, exceed 15 percent may be made only after adopting a supplemental budget for that purpose.

- **Insurance Proceeds**

If insurance proceeds received for repair or replacement are to be spent in the fiscal year or budget period of receipt for a purpose other than returning the property to its original condition or purchasing a comparable replacement, they may only be spent after a supplemental budget has been adopted. ORS 294.481. However, if a meeting of the governing body is not practical in an emergency situation, the chief executive officer may authorize the expenditure without a supplemental budget.

- **Establishment of a New Fund**

When a new fund is established a supplemental budget must be prepared unless there is specific statutory authority that allows the governing body to set up a fund through a resolution or ordinance, as is the case with certain bond funds.

- **Taxes Received From New Property Tax Levies**

If the district places a local option levy on the September ballot that has not been included in the original, adopted budget and the levy is approved by voters, a supplemental budget is required prior to expending any of the revenues from that levy. ORS 294.476(2).

For districts that adopt a biennial budget, proceeds from any new local option levy approved during the first fiscal year of the budget period that was not included in the budget at the time of adoption can only be spent if a supplemental budget is adopted. ORS 294.476(2). If General Obligation bonds are approved by voters the first fiscal year of the budget period both the proceeds of the bonds and debt service on the bonds can be expended without a supplemental budget. ORS 294.338(4). However, the district must pass a new resolution or ordinance to levy and categorize the new taxes and include the new tax in the certification to the county assessor the second fiscal year of the budget period.

PREPARATION OF A SUPPLEMENTAL BUDGET

After it has been decided that a supplemental budget is necessary and appropriate, the amount of change will determine the process to follow. A supplemental budget may adjust one fund or several funds; however, the change in each fund will be looked at individually.

Local budget law never requires the involvement of the budget committee in a supplemental budget.

Calculating the 10 Percent

To determine the process required for the supplemental budget, the total change for each fund must be evaluated to determine if the change is 10 percent or less of total expenditures or more than 10 percent of total expenditures. For the purpose of preparing a supplemental budget, fund expenditures in the current budget do not include unappropriated ending fund balance, reserve for future expenditures, interfund transfers (including service reimbursements) or contingency amounts. The 10 percent is calculated by looking at each fund individually as follows:

Example:

Total Requirements in Fund	\$100,000
LESS:	
Transfers;	\$3,000
Contingency;	\$3,000
Unappropriated Ending Balance;	\$5,000
Reserve for Future Expenditures;	<u> 0</u>

Result: Budget Expenditures \$89,000

10% of Budget Expenditures \$8,900

Caution: The 10 percent limitation for supplemental budgets is calculated on expenditures (the same calculation used for budget increases at adoption). The calculation for a contingency transfer is based on appropriations.

If the amount of change in the proposed supplemental budget is 10 percent or less,

the shorter process can be used for adopting the supplemental.

Unlike transfers for general operating contingencies, the supplemental budget process is not cumulative during the fiscal year or budget period. Each supplemental budget, if more than one is needed during the fiscal year or budget period, is looked at separately. Further, the 10 percent calculation is always made using the expenditures from the most recently adopted amendments to the budget, including any previous supplemental budget adopted by the governing body.

Supplemental of 10 percent or Less

When the supplemental budget will adjust a fund by 10 percent or less of that fund's expenditures, the process used to adopt the supplemental budget is fairly simple. If the supplemental budget is adjusting more than one fund, the adjustment to each fund must be 10 percent or less.

The process for supplemental budgets of 10 percent or less is as follows:

- A notice of the regular meeting at which the supplemental budget will be adopted is published by one of the publication methods, not less than five days before the meeting.

The notice must include a statement that a supplemental budget will be considered at the meeting.

This notice can be made as part of the regular meeting notification if the required information is included and the publication requirements are met.

- The supplemental budget is part of a regularly scheduled public meeting. At the meeting a resolution or ordinance adopting the supplemental budget and making appropriations is approved.

Supplemental of More Than 10 Percent

When the supplemental budget will adjust a fund by more than 10 percent of the

expenditures of that fund, or will create a new fund, a more involved process must be used to adopt the supplemental budget.

- A special public hearing must be held to discuss the supplemental budget prior to adoption.
- Not less than five days before the hearing, a notice of the supplemental budget public hearing is published using one of the publication methods.
- Following the hearing the governing body, at a regularly scheduled public meeting, can pass a resolution or ordinance adopting the supplemental budget and making appropriations.

Notice of Supplemental Hearing

The published notice must state that a supplemental budget hearing will be held and must include the following information:

- The date, time and place of the meeting.
- The place where the supplemental budget document is available for inspection or can be obtained by the general public during regular office hours.
- Proposed changes in the fund or funds that differ by more than 10 percent.

An example of a Notice of Supplemental Budget Hearing can be found in the Department of Revenue's *Local Budget Law and Notice of Property Tax, Forms and Instructions* booklet.

BUDGET CHANGES NOT REQUIRING SUPPLEMENTAL BUDGET

In order to lawfully spend money, a local government must comply with the requirements of local budget law. ORS 294.338(1). However, certain expenditures are exceptions to the requirements of local budget law, including the requirement to complete a supplemental budget. ORS 294.471(5)

Exceptions to Local Budget Law

The exceptions to Local Budget Law are found in ORS 294.338 (2) to (10). The most common of these exceptions are:

- Expenditures of the receipt of grants, gifts, bequests or devises transferred to the local government in trust for a **specific** purpose may be made after enactment of a resolution or ordinance authorizing the expenditure. ORS 294.338(2).

Caution: This exception does not apply to undesignated general purpose grants, gifts, bequests or devises. This exception also does not apply to specific purpose grants, gifts, bequests or devises that are known at the time the budget was prepared.

- Expenditure of maintenance, repair or self-insurance reserves **OR** additional nontax funds, providing the governing body:
 - Adopts an ordinance or resolution to appropriate the expenditures for a specific purpose, and
 - Declares the existence of an occurrence or condition that could not have been foreseen at the time the budget was prepared, or
 - Could not have foreseen a pressing necessity for the expenditure at the time the budget was prepared, or
 - Receives a request for services or facilities the cost of which will be supplied by a private individual, corporation, company or other governmental unit. ORS 294.338(3).
- Expenditure of proceeds from the sale of certain bonds issued during the fiscal year or budget period or to pay debt service on those bonds. ORS 294.338(4). This exception applies to revenue bonds issued under ORS 287A.150, general obligation bonds approved by voters during the fiscal year or budget period and refunding bonds. A capital projects fund can be

established to account for the bond proceeds. ORS 294.388(4)

- Expenditure of proceeds from the sale of conduit revenue bonds or other borrowings which are used for the benefit of private entities or non-profit organizations. ORS 294.388(5)(a),
- Expenditure of funds irrevocably placed in escrow for the purpose of defeasing and paying bonds. ORS 294.338(5)(b).
- Expenditure of assessments or other revenues received as assessment prepayments to redeem bonds or other obligations. ORS 294.338(5)(c).
- Expenditures of funds held as debt service reserves for bonds if the expenditures are used to pay debt service, redeem bonds or fund escrow or trust accounts to make future debt service payments or to redeem bonds. ORS 294.338(5)(d).
- Expenditures of funds received from assessments of benefited property as defined in ORS 223.001. ORS 294.338(6)
- Expenditure of funds accumulated under an approved deferred employee compensation plan. ORS 294.338(7).
- Expenditures by a county of refunds or interest on refunds of property taxes under ORS 311.806. ORS 294.388(8).
- Expenditures of money refunded after a purchase has been returned may be made after enactment of a resolution or ordinance authorizing the expenditure. ORS 294.338(9).
- Expenditures by a newly formed municipal corporation during the fiscal year in which the municipal corporation is formed. If the municipal corporation is formed between March 1 and June 1, Local Budget Law would also not apply to the following fiscal year. ORS 294.338(10).

Summary of Budget Changes After Adoption

ORS 294.100: It is unlawful to expend any money in excess or for any other purpose than provided by law. Public Official can be civilly liable.

ORS 294.338: It is unlawful to expend money or certify taxes unless authorized by Local Budget Law.

ORS 294.456(6): After adopting Resolution Making Appropriations, no greater expenditure can be made for any specific purpose except as provided in ORS 294.338, 294.463, 294.466, 294.471, 294.473 and 294.478.

Supplemental Budgets - 294.471

Supplemental budget to increase appropriation amounts allowed, under the following circumstances:

- Condition was not ascertained when budget was prepared, or
- Unforeseen pressing necessity arises, or
- Unknown state, federal or local funds made available, or
- Unknown funded request for services received, or
- Insurance or property sale proceeds are needed to purchase or construct “different facilities”, or
- Significantly more tax money received than budgeted, or
- Local option levy approved in September or approved at an election other than September during the first fiscal year or a biennial budget, or
- Reduction in available resources that requires a reduction in appropriations.

Supplemental budget must:

- Be adopted before any expenditure exceeds existing appropriation
- Be only for current fiscal year or current budget period
- **Not increase tax levy**

Process if supplemental budget changes any fund’s expenditures by **10% or less**:

- Notice required to be published, not less than 5 days prior to regular meeting.
- Notice published by newspaper, mail or hand delivery.
- Notice includes a statement that a supplemental budget will be considered.
- Governing body adopts supplemental budget by passing resolution or ordinance authorizing the amended expenditures at a regular meeting following discussion of the supplemental budget.

Process if supplemental budget changes any fund’s expenditures by **more than 10%**:

- Notice required to be published, no less than 5 prior to hearing.
- Notice published by newspaper, mail or hand delivery.
- Notice includes a summary of the changes in funds that are changing expenditures by more than 10%.
- Governing body holds public hearing
- Governing body adopts supplemental budget by passing resolution or ordinance authorizing the amended expenditures at a regular meeting following the public hearing.

Changes Allowed by Local Budget Law Without a Supplemental Budget

Situation	Resolution Required	Supplemental Budget Required	No Official Action Required
<u>Exceptions ORS 294.338</u>			
Unforeseen Grant 294.338(2)			
<ul style="list-style-type: none"> • Unknown at time of regular budget: <ul style="list-style-type: none"> ➢ Specific purpose. ➢ General purpose. 	✓	✓	
Funded Unforeseen Occurrence 294.338(3)			
<ul style="list-style-type: none"> • Unforeseen condition/pressing necessity; and • Cost paid with non-tax money, or • Cost paid by outside source requesting service. 	✓		
Bond Proceeds or Debt Service 294.338(4)			
<ul style="list-style-type: none"> • If 60-day period in ORS 287A.150 expired after budget adopted, or • If bonds approved by voters during current year or current budget period, or • If the bonds are to refund previously issued bonds. 			✓*
Bond Related Expenditures 294.338(5):			
<ul style="list-style-type: none"> • Conduit revenue bonds, proceeds or debt service. • Money escrowed for defeasing bonds, or • Prepayment of assessment used to pay bond redemption. • Funds that have been held for debt service. 			✓*
Local Improvement Assessments 294.338(6)			
			✓*
Deferred Employee Compensation 294.338(7)			
			✓
County Refund of Property Taxes & Interest 294.338(8)			
			✓
Expenditures of Money Refunded After a Purchase 294.338(9)			
	✓		
Expenditures of New District in Year Formed 294.338(10)			
<ul style="list-style-type: none"> • Current year or ensuing year if district formed between March 1 and June 30. 			✓*
<u>Others</u>			
Levy to pay General Obligation Bonds approved the first year of a biennial budget 294.476(2)			
<ul style="list-style-type: none"> • Include on LB-50 or ED-50 filed with assessor 	✓		
School/Community College Emergency 294.478			
<ul style="list-style-type: none"> • To spend additional money from Federal Government or ESD under ORS 334.370. • Must declare emergency. 	✓		
Pass-through Adjustment 294.466			
	✓		

* Board Resolution Strongly Recommend

Transfers

Situation	Resolution Required	Supplemental Budget Required	No Official Action Required
Intra-Fund Transfers 294.463(1) From one existing appropriation category to another.	✓		
Contingencies 294.463(2)			
<ul style="list-style-type: none"> • Up to 15% of fund total appropriations. • Over 15% of fund total appropriations. 	✓	✓	
Resource and Appropriation Transfer between funds 294.463(3)	✓		

Inter-fund Loans

Inter-Fund Loans 294.468	✓		
<ul style="list-style-type: none"> • May not be from Debt Service Fund or Debt Service Reserve Fund. • May not be constitutionally dedicated money. • Operating loan limited to current year and next year. • Capital loan limited to 10 years. 			

Other

Involuntary Conversion/Natural Disaster 294.481	✓		
<ul style="list-style-type: none"> • Any available funds may be spent, including unappropriated ending fund balance. • If public health/safety requires prompt action, executive officer may authorize expenditure by written order. 	(If Intrafund transfer only under ORS 294.463(1))	✓	If expenditures increased
Internal Service Fund Increase 294.343(4)	✓		
<ul style="list-style-type: none"> • Fund set up by ordinance or resolution. • Internal Service Fund defined by 294.311(23). 			
Unnecessary Fund Elimination 294.353			
<ul style="list-style-type: none"> • Balance to General Fund unless otherwise provided when fund set up. 	✓		

Section 11

Property Tax Measures

A local government may place a tax measure on the ballot when the taxes to be received are not sufficient to cover the budgetary requirements of the district. The budget committee may recommend a tax levy be placed before the voters, but the final decision is the responsibility of the governing board.

The tax election process is not tied directly to the budget process. However, the two processes are usually closely coordinated. Taxing authority may be voted on **before** the budget process begins, **during** the budget process, or **after** the end of the budget process.

The budget committee should include any anticipated additional tax authority in its approved budget. The amount of additional tax being requested is included even if the election has not been held. Holding the election after the budget committee meetings, but before the adoption hearing, allows the governing body to adopt a budget using known taxing authority. If the tax request passes, no revision to the budget is needed before it is adopted. If the tax fails, the budget can be revised or another election scheduled.

ELECTION AND TAXATION LAWS

An approved ballot measure must follow all election and taxation laws. It is possible for a measure to be placed on the ballot legally, approved by the voters of the district, and not be qualified to be placed on the tax roll for collection due to an error in the process or incorrect wording of the Ballot Title.

Several governmental entities have a direct impact on the election process in Multnomah County.

Elections Division

Laws governing the conduct of elections in Oregon are administered by the Elections Division of the Oregon Secretary of State. Administrative rules and directives are issued by the Secretary of State to provide statewide uniform elections administration.

The state Elections Division distributes a series of election manuals that deal with the specifics of the various types of elections. The manuals provide current election dates and a calendar for special districts showing the final filing dates for various types of elections. Information is also provided on emergency elections for special districts and school districts.

Required forms are also included in the elections manuals and may help answer questions about types of elections, ballot format, and content required by law.

In some local governments, an ordinance or resolution is required declaring the intent to hold an election. There are also publication requirements for the ballot measure. See the Secretary of State's *Local Election Manual* for further information, or contact the Multnomah County Elections Office.

Multnomah County Elections Office

Local governments must conduct tax elections through the local county elections office. A "Notice of Measure Election" is submitted a specified number of days before the election date. The notice gives the election date, the name of the newspaper which will publish the legal notice, and the Ballot Title itself.

For municipal corporations under the jurisdiction of TSCC the local county

elections office is the Multnomah County Elections Office. If a district's boundary crosses over into other counties then the elections office in those counties will also be involved in an election.

Persons responsible for coordinating elections for a local government should work closely with the Multnomah County elections office and other county elections offices so the election runs smoothly.

The Multnomah County elections office will verify that the timing of filing the Ballot Title is met before the measure is placed on the ballot. However, the elections office will not necessarily confirm that the wording of Ballot Title is correct.

Tax Supervising and Conservation Commission

Local Governments in Multnomah County under the jurisdiction of TSCC placing a permanent tax rate limit, local option levy or bond issue tax measure on the ballot must have a public hearing held by the TSCC Commissioners. ORS 294.655.

The Commission must be notified of the measure 30 days prior to the deadline for filing the measure with the Multnomah County Elections Office. In preparation of the hearing TSCC will ask the district to provide certain information regarding the election. The information requested for the various types of measures is included at the end of this section.

TSCC staff will prepare a review of the measure, including suggested questions that may be asked at the public hearing. This review will be provided to the district prior to the public hearing.

TSCC staff are available to assist in the preparation of the Ballot Title language for compliance with election and property tax laws. Estimates of collections, after discounts and other amounts not to be collected and Measure 5 compression loss, can also be provided..

Department of Revenue

The Multnomah County elections office will verify that the proposed ballot measure meets the election law requirements, but that office is not responsible for determining the legality of the measure as it relates to taxation laws. That responsibility rests with the Oregon Department of Revenue.

The Department publishes a booklet to assist municipal corporations in placing property tax measures on the ballot. It is entitled *Tax Election Ballot Measures*.

If an approved measure fails to meet the taxation requirements of the law, the Department of Revenue must void all or a portion of the taxes certified to the county assessor. ORS 310.070(1).

ELECTION DATES FOR TAX PURPOSES

The dates on which tax elections may be held are set in ORS 255.345(1):

- Second Tuesday in March.
- Third Tuesday in May.
- Third Tuesday in September.
- First Tuesday after the first Monday in November.

Voter approved levies at the March, May or September elections can be levied for the fiscal year beginning July 1 of that year. Levies passed in the November election are first levied for the fiscal year beginning July 1 of the following year.

Charts showing the filing deadlines for elections are included at the end of this section. Again, districts should work closely with elections offices to ensure deadlines are met.

TYPES OF LEVIES

There are three types of property tax levies that can be placed before the voters in Multnomah County:

- Permanent Tax Rate Limit

- Local Option Levy
- General Obligation Bonds

Permanent Tax Rate Limit

A permanent tax rate limit measure can only be placed before the voters if a new district is formed or if an existing district has never before imposed a property tax for operating purposes. The levy is always stated as a rate per thousand of assessed value.

Once a permanent rate has been established for a district no action of the local government or the voters can increase or decrease the established rate limit.

Local Option Levies

Local option tax levies can be approved for either operations or capital projects. They can be imposed for up to five years for operations or up to ten years for capital projects. If a local option combines operating and capital projects the levy is subject to the five year limit.

The authorized period for a multiple year local option tax is consecutive years. If it is not levied for one of those years, the authority to levy is not extended beyond the number of years approved by voters. It is assumed that if no tax is certified, the local government intended to impose \$0 for that year.

The levy can be in the form of a rate per thousand dollars of assessed value or a fixed dollar amount that will be levied each year. If a fixed dollar amount is requested, it must be the same each year. However, once approved a district may choose to certify less than the rate or fixed dollar amount in any given year.

The only district in Multnomah County that does not have the authority to ask voters for a local option tax is the Multnomah Education Service District. The two community colleges have limits set on the amount of local option tax they can place before the voters. ORS 280.057. Mt. Hood

Community College is limited to \$974,041 per year and PCC is limited to \$2,941,573. School districts, while they have the authority to seek a local option tax, have additional restrictions on the amount of local option tax revenue it can receive as it relates to the State School Fund distribution. ORS 327.011(2). The limit is the lesser of:

- The amount received from the local option tax, or
- Twenty percent (20%) of the State School Fund grant, including transportation grant and high cost disabilities grant, or
- \$1,000 per extended ADMw.

If the amount actually received from the local option tax exceeds the formula limits, the distribution to the district from the State School Fund will be reduced by the amount over the limit.

Up to four local option levies can be placed on the ballot by a district within a single calendar year. ORS 280.090.

Local Option Levies for Operations

Local option taxes can be used for general operations or for a specific purpose. If they are for general operations they will be receipted directly into the general fund of the district. If they are to be used for a specific purpose a special revenue fund must be established. ORS 280.040(2).

Local option levies for operations can be imposed for a period of one to five years.

Local Option Levies for Capital Projects

Local option levies for capital projects can be imposed for the useful life of the capital project or 10 years, whichever is less.

Capital Project Defined

ORS 280.060(4)(b) defines capital projects for purposes of a local option levy as:

- The acquisition of land upon which to construct an improvement,
- The acquisition of a building,

- The acquisition or construction of improvements,
- The acquisition of an addition to a building which increases the square footage of the building,
- The construction of a building,
- The construction of an addition to an existing building which increases the square footage of the building,
- The acquisition of and installation of machinery and equipment which will become an integral part of a building or an addition to a building,
- The purchase of furnishings, equipment or other tangible property with an expected useful life of more than one year, or
- A combination of those items.

Useful Life

The useful life of each of the components of the capital project must be determined. If the levy only contains one item the local option cannot exceed the life of the item. For example, if the local option levy is for the purchase of a vehicle with a useful life of seven years the maximum length of the local option levy is seven years.

If the local option levy will fund capital projects with different useful lives then the following weighted average formula must be used to determine the maximum length of the local option levy. OAR 150-280.060-(A).

$$\text{Useful life} \times \text{Cost} = \text{Weight}$$

$$\frac{\text{Total Weight}}{\text{Total Cost}} = \text{Maximum Years}$$

Example:

	<u>Cost</u>	<u>Life</u>	<u>Weight</u>
Computers	\$ 25,000	3 yrs	\$ 75,000
Building Addition	400,000	15 yrs	6,000,000
Vehicles	75,000	3 yrs	225,000
Equipment	<u>250,000</u>	3 yrs	<u>750,000</u>
	\$750,000		\$7,050,000

$$\frac{7,050,000}{750,000} = 9.4 \text{ years rounded down to 9 years}$$

The maximum number of years for the local option levy is 9 years. Standard rounding is used to bring the number of years to a whole number.

Regardless of the useful life the levy cannot exceed 10 years.

General Obligation Bonds

Voters can approve general obligation bonds for a local government. With that approval comes the authority to levy the taxes needed to make the annual bond principal and interest payments. Taxes to make debt service payments on general obligation bonds are outside of the limits of Measure 5.

Preparation of Bond Levy

Oregon Revised Statute Chapter 287A relates generally to borrowing and bonding of counties, cities and other local governments. Most Oregon Revised Statute chapters under which local governments are formed allow for the issuance of general obligation bonds after voter approval. They also set limits on the amount of indebtedness a local government may incur and provide for payment of bond principle and interest through the levy of taxes. When preparing a bond levy a district should review the ORS Chapter the district was formed under for any limitations.

Disclosure concerning the issuance of municipal bonds is very important. It requires complete and accurate financial and economic information from all issuers. The Oregon Municipal Debt Advisory Commission was established to help local governments deal with the disclosure requirements. The commission consists of seven members: the State Treasurer; representatives from cities, counties, school districts, and special districts; and two public members. Staffing of the commission is provided by the Debt Management Division of the Oregon State Treasury.

The Debt Management Division publishes the *Oregon Bond Manual* that offers advice

to issuers who wish to prepare for their own bond sale. The manual is available from Oregon State Treasury, Debt Management Division, 350 Winter St NE, Suite 100, Salem, OR 97310.

Constitutional Definitions

As noted above, property taxes to repay general obligation bonds are exempt from the limitations of Measure 5. However, the Oregon Constitution and statutes limit what proceeds from general obligation bonds can be spent on in order to maintain the exemption from Measure 5's limitations. And the scope of how bond proceeds can be used has evolved over the years since the passage of Measure 5.

The definition of capital construction and improvements for purposes of exempting the taxes from Measure 5 limitations was first established in Measure 5. Article XI, Section 11b, sub-section (3), Oregon Constitution.

Measure 50, passed by voters in 1997 further defined what general obligation bonds could be used for. Article XI, Section 11, sub-section (13) Oregon Constitution. Measure 50 defined capital construction and capital improvements as:

- Includes public safety and law enforcement vehicles with a projected useful life of five years or more;
- Excludes maintenance and repairs, the need for which could reasonably be anticipated; and
- Excludes supplies and equipment that are not intrinsic to the structure.

ORS Definitions

ORS 310.140 expanded the definition of maintenance and repairs, the need for which could be reasonably anticipated, with the following:

- Activities, the type of which may be deducted as an expense under the provisions of the federal Internal Revenue Code, as amended and in effect on December 31, 2002, and that keep the

property in ordinarily efficient operating condition, and that do not add materially to the value of the property nor appreciably prolong the life of the property;

- Does not include maintenance and repair of property that is required by damage, destruction, defect in design, or that was otherwise not reasonably expected at the time the property was constructed or acquired, or the addition of material that is in the nature of the replacement of property and that arrests the deterioration or appreciably prolongs the useful life of the property; and
- Does not include street and highway construction, overlay and reconstruction.

In the same statute, supplies and equipment intrinsic to a structure were defined to mean:

“The supplies and equipment that are necessary to permit a structure to perform the functions for which the structure was constructed, or that will, upon installation, constitute fixtures considered to be part of the real property that is comprised, in whole or part, of the structure and land supporting the structure.”

Oregon voters again changed the uses for which general obligation bonds can be used and still maintain the exemption from Measure 5's limitation on property taxes imposed to make principal and interest payments to repay those bonds. In May 2010 Ballot Measure 68 was passed. Included in that measure was a new section to the Oregon Constitution, Article XI, Section III. That new section reaffirmed that the limitations of Measure 5 and 50 with respect to the uses of general obligation bond proceeds do not apply to general obligation bonds incurred on or after January 1, 2011 to finance “capital costs.”

The term “capital costs” is substituted for “capital construction and capital improvements.” Capital Costs are defined as:

(5)(a) "...costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair."

(5)(b) "Capital costs' does not include costs of routine maintenance or supplies."

This is a much broader definition and would allow for more capital outlay expenditures to be made from general obligation bonds and still have the bonded debt levy considered exempt from the limitations of Measure 5.

Section 11L also limits the number of years that general obligation bonds can mature to the weighted average life of the assets being purchased with the bond proceeds. So if the proceeds are only going to be used to purchase "furnishings", then the payback period on the bonds would be limited to the expected useful life of those furnishings.

It is strongly recommend that districts contemplating putting a general obligation bond measure on the ballot consult with a bond counsel to advise on what can and cannot be paid for from the bonds and to assist in writing the Ballot Title.

Penalties

ORS 287A.145 states that if a court of competent jurisdiction determines that the proceeds of an issue of exempt bonded indebtedness are used for expenditures that are not expenditures for capital construction or capital improvements, the court may require the governmental unit issuing the bonded indebtedness to:

- To replace the misspent proceeds on a reasonable schedule determined by the court, with interest, from sources other than the taxes that the governmental unit levies to pay the bonded indebtedness, and to use the replaced funds for capital construction or capital improvement expenditures or to pay bond debt service; or

- If the governmental unit fails to comply with an order to replace the misspent proceeds, or acknowledges that the governmental unit is unable to replace the misspent proceeds, the court may determine that a portion of the future levies to pay the bonded indebtedness shall be subject to the limits of section 11b, Article XI of the Oregon Constitution. The portion that is subject to those limits shall be determined by calculating the amount of the taxes that are necessary to pay the principal and interest on the debt proceeds that were deemed to have been misspent.

No action may be filed or maintained against a governmental unit because of an alleged expenditure of proceeds of exempt bonded indebtedness for purposes other than capital construction or improvements, if the misspent amount is less than \$5,000.

AMOUNTS NOT TO BE RECEIVED

All property tax levies are subject to some reductions due to amounts not to be received. In deciding how much to ask for in a permanent tax rate limit, a local option levy, in calculating an estimated rate for a dollar based local option levy or in estimating a rate for general obligation bonds, these amounts will need to be considered.

Loss Due To Uncollectibles

The levy amount of taxing authority requested in a measure to be imposed is not the amount of tax revenue that will actually be received. This is because not everyone will pay on time and others that do pay timely can receive a discount. If the tax or rate in the measure is for a specific purpose, such as purchasing a piece of equipment, the measure will need to ask for more than the exact price of the equipment. Otherwise, sufficient revenue for the purchase will not be received.

Whether the levy authority being requested is a dollar amount or rate, the fact that not all property taxes will be collected needs to be

factored in when analyzing how much levy authority to ask for.

See Section 4 Property Taxes for more detailed information on loss due to uncollectibles.

Capacity Under Measure 5

All permanent rate limit taxes and local option levies are subject to the limits of Measure 5. Even if a capital projects local option levy is used to repay bonds the district must categorize the local option levy as subject to the general government or education limitation.

Local option taxes are the first taxes to be reduced if the taxes on a property exceed the limits of Measure 5. Only after the local option taxes are reduced to zero on an individual property will the taxes from other levies be reduced.

When planning for a local option levy measure it is important to evaluate the amount of taxes available under the limitation. A local government that is experiencing a Measure 5 loss throughout the entire district could successfully pass a local option but find it reduced to zero on every property. This means no taxes would be collected from the levy.

A new permanent tax rate limit will be given the same priority under Measure 5's limitations as all other permanent tax rate limits (as well as City of Portland's FPD&R levy). However, there could still be substantial Measure 5 compression losses.

Will the new measure suffer losses from Measure 5? Some new permanent tax rate limits or local option levies will not cause taxes on individual properties to be compressed to stay with the Measure 5 limits. That is because the total category rate, either education or general government is not over the \$5 or \$10 limit and will not exceed the limit even if the new levy is approved.

Every county assessor typically produces a report that shows each Tax Code Area (TCA) and the individual districts' tax rate, with sub-totals for the three Measure 5 categories: education, general government and exempt. If all of the TCAs that a district levies in have category rates that are under the Measure 5 limits and the proposed levy rate or estimated rate will not put the category rate above the limits, then little or no Measure 5 compression will occur. (Due to some very low valued properties and special assessments, there could still be a very minor amount of Measure 5 compression loss even with total category rates below the limits.)

Note: If a district's boundary extends into to more than one county, it will be necessary to check the TCAs from every county.

If the total category rate is over the Measure 5 limits, then further analysis will be required to determine what impact the limits will have on collections for any new property tax levy.

Measure 5 limits of \$5 for education and \$10 for general government are calculated on real market value. Actual property taxes owed are calculated using assessed values. Because two different values are used for each property the actual amount of Measure 5 compression loss can vary considerably from one property to another. Refer to the discussion of Measure 5 compression, including examples of three properties with the same Real Market Value but varying assessed values, starting on Page 37 of the Property Tax section.

The varying amounts of Measure 5 compression loss for these different properties illustrates the difficulty in estimating the how much a permanent tax rate limit or local option levy could raise for a district.

One quick rule of thumb is that nearly all properties assessed as business personal property and centrally assessed (utility)

properties have assessed values that equal real market value. So in the case of a new local option levy, the likely result will be that the local option levy will be reduced to zero. Multiplying the rate or estimated rate of the new levy times the business personal property and centrally assessed (utility) value for each TCA will result in the minimum amount of Measure 5 compression loss that could be expected.

For new permanent tax rate limits, some taxes will be collected since the new levy is compressed along with all other existing permanent tax rate limits. A relatively simple calculation would be to divide the limited rate of \$5 or \$10 by the total category rate, less any local option levy rates, plus the proposed permanent tax rate limit rate. Multiply this ratio times the proposed tax rate limit rate. Multiply this reduced rate times the value of business personal property and centrally assessed (utility) value in each code area to arrive at a tax amount. The difference between this calculation and the calculation of the full proposed tax rate limit will give an indication of the amount of Measure 5 compression loss that will occur. But only with respect to the business personal property and centrally assessed (utility) values.

For real property – residential, commercial and industrial – it is theoretically possible that every single property would be compressed differently under Measure 5 given the differences between real market value and assessed value for each property. And as real market value declines and assessed value continues to increase the allowed three percent (3%) under Measure 50, more compression will occur each year.

The district's financial advisor, TSCC and the county assessor can provide general estimates of how much additional Measure 5 compression loss may be experienced from a new permanent tax rate limit or local option levy.

BALLOT TITLE

The three parts of the Ballot Title must be carefully crafted to comply with the election and property tax laws. Limits are placed on the number of words in each part and exact wording is required in specific parts of the document in certain cases.

The Ballot Title for a tax measure consists of a caption, a question and a summary with specific word limitations for each. ORS 250.035.

Caption: limited to 10 words. It is a title identifying the measure.

Question: limited to 20 words. The question asks the voters if they will allow the district to impose an amount of tax or a tax rate. State this in a question format which can be answered “yes” or “no.”

A “yes” response to the question must mean the voters approve the measure, while a “no” response must mean the voters do not approve the measure.

Note that the word “district” can be used in the question if the full name of the local government is in the Ballot Title summary.

Directly following the question for new local option taxes the following statement, not included in the 20-word limit, is required by ORS 280.070(4)(a):

“This measure may cause property taxes to increase more than three percent.”

Directly following the question for local option taxes that are being renewed, the following statement, not included in the 20-word limit, is required by ORS 280.070(4)(b):

“This measure renews current local option taxes.”

A local option levy is considered to be renewed if it proposes “...the same tax rate or annual dollar amount as the current local option tax, or a lower rate or amount, and be

for substantially the same purpose as the current local option tax.” OAR 280.755, section (4).

Directly following the question for bond measures the following statement, not included in the 20-word limit, is required by ORS 250.037(1):

“If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.”

Summary: limited to 175 words. The summary is an explanation in plain, factual, and non-technical language. It describes the specifics of the question without advocating a “yes” or “no” response to the question.

The first sentence of the summary, if the election is subject to the double majority standard, is the following statement (that is not included in the 175-word limit) as required by ORS 250.036(1):

“This measure may be passed only at an election with at least a 50 percent voter turnout.”

For bond measures the summary must contain a reasonably detailed, simple and understandable description of the use of the bond proceeds. ORS 250.037(3).

Local option levy measures require additional language in the summary, which is not included in the 175-word count. ORS 280.075.

For fixed dollar levies, the Summary must include the total amount of money to be raised over the life of the levy. This is simply the annual dollar amount (the same each year) times the number of years. If a district chooses to report an estimated tax rate and the cost for a “typical property owner” it must include the following language:

“The estimated tax cost for this measure is an ESTIMATE ONLY based on the best

information available from the county assessor at the time of estimate”.

For rate based local option levies the statute requires the Summary section to include an estimate, by fiscal year, of the dollar amount the district estimates it will receive from the tax rate. The district is then limited as to how much it can spend each year to what was estimated in the Ballot Title. Any amount received above those estimated amounts cannot be spent. The amounts are carried over into the next fiscal year to be spent.

The county elections office will generally only double check the number of words. If any section exceeds the maximum number of words allowed the language could be truncated to stay within the allowed limit. Other issues, such as whether the required language is included or whether the property tax estimates meet the requirements, are not generally reviewed by the election office.

DOUBLE MAJORITY

Article XI, Section 11, sub-section (8), of the Oregon Constitution (Measure 50) requires a double majority on certain tax elections with the exception of those held in November of an even numbered year. A double majority means that at least 50 percent of the registered voters must cast a ballot and of those voting more than 50 percent must vote yes. It is required for the following elections: permanent tax rate limit, local option levies, general obligation bond measures and police and fire pension and disability system charter amendments that increase the maximum rate of the levy.

Ballot Measure 56, passed by Oregon voters at the General Election on November 4, 2008 amended the Constitution to exclude the double majority standard for elections held in May or November of any year. Article XI, Section 11k. Thus, the double majority standard now only applies to measures submitted for a vote at elections in March or September.

FILING WITH COUNTY ASSESSOR

When voters approve a permanent tax rate limit or local option levy, the county assessor must be notified to place the tax on the assessment and tax roll. Local governments are required to submit two copies of the Ballot Title of voter-approved tax measures

to the county assessor by July 15 as part of the tax certification process. OAR 150-294.458(3)-(B). The assessor will forward one copy to the Department of Revenue. **Never** submit sample ballots for measures that were not approved by voters.

Sample Tax Ballot Title

Multiple Year Local Option Levy - Fixed Dollar ORS 280.060(1)(a)

Caption - 10 words

- The title.
- Purpose is to identify the type of tax.
- Not required to include name of district or dollar figures in the caption.

Question - 20 words

- State the question so that it can be answered yes or no. A yes response means the voter approves the measure; a no vote means the voter opposes the measure.
- Include the name of the taxing district. The word “district” can be substituted for the full name if the full name of the district is included in the summary.
- State the number of years the tax will be levied.
- State the dollar amount of tax that will be levied.
- State whether the tax is for operating or another purpose.
- State the first fiscal year the tax will be imposed.
- Immediately after the question include the following statement: “This measure may cause property taxes to increase more than three percent.” (Not counted in the 20-word count.)

Summary - 175 words

- The first sentence of the summary, unless the election is being held in May or November must be: “This measure may be passed only at an election with at least a 50 percent voter turnout.” This sentence is not counted in the 175-word count.
- Include the full name of the district if only the word “district” was used in the question.
- Include the total amount of tax that will be raised by the measure.
- Explain the purpose of the levy in understandable language.
- Do not advocate a yes or no answer.
- Option: The estimated tax rate can be given. Tax impact estimates are usually shown in the form of a tax rate per \$1,000 of assessed value. They are not required, but they can be included if the local government believes this information will be useful to the voters. If an estimated rate is provided it must be followed with the statement: “The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of the estimate.” (Not counted in the 175-word count.)

Caption: Six-Year Capital Projects Local Option Tax.

Question: Shall the Red Hot Fire District No. 99 impose \$20,000 for six years for purchase of a fire truck beginning in 2012-13? This measure may cause property taxes to increase more than three percent.

Summary: This measure may be passed only at an election with at least a 50 percent voter turnout. The total amount to be raised by this levy is \$120,000, which will be imposed over six years at \$20,000 each year. The taxes will be used to purchase a new fire truck for Westside Station of The Red Hot Fire District No. 99. The truck that will be replaced is over 30 years old and is in need of extensive repairs. It is estimated the proposed tax levy will result in a tax rate of \$0.1400 per thousand of assessed value in the first year. The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of estimate.

Sample Tax Ballot Title

Multiple Year Local Option Levy - Rate ORS 280.060(1)(b)

The summary for a rate-based, multiple-year tax has an additional requirement. It must contain an estimate of the amount of taxes to be raised for each year. If the rate raises more than the amount estimated in the Ballot Title summary, the excess revenue cannot be spent but instead is treated as a budget resource for the following fiscal year (ORS 280.075(2)).

Caption - 10 words

- The title.
- Purpose is to identify the type of tax.
- Not required to include the name of district or dollar figures in the caption.

Question - 20 words

- State the question so that it can be answered yes or no. A yes response means the voter approves the measure; a no vote means the voter opposes the measure.
- Include the name of the taxing district. The word “district” can be substituted for the full name if the full name of the district is included in the summary.
- State the number of years the tax will be levied.
- State the tax rate per thousand of assessed value that will be levied.
- State whether the tax is for operating or another purpose.
- State the first fiscal year the tax will be imposed.
- Immediately after the question include the following statement: “This measure may cause property taxes to increase more than three percent.” This statement is not counted in the 20-word count.

Summary - 175 words

- The first sentence of the summary, unless the election is being held in May or November must be: “This measure may be passed only at an election with at least a 50 percent voter turnout.” This sentence is not counted in the 175-word count. Since this measure will be on the May ballot, this wording is not required.
- Include the full name of the district if only the word “district” was used in the question.
- Include the amount of tax estimated to be raised each year. This is not counted in the 175-word count.
- Include the total amount of tax that will be raised by the measure.
- Explain the purpose of the levy in understandable language.
- Do not advocate a yes or no answer.

Caption: Six-Year Capital Projects Local Option Tax.

Question: Shall Red Hot Fire District No. 99 impose \$0.1400 per \$1,000 of assessed value for six years to purchase a fire truck beginning 2012-13? This measure may cause property taxes to increase more than three percent.

Summary: The taxes will be used to purchase a new fire truck for the Westside Sub-Station of The Red Hot Fire District No. 99. The new truck will replace a truck that is over 30 years old and is in need of extensive repairs. The rate is estimated to raise the following amounts: \$19,700 in 2012-13; \$20,000 in 2013-14; \$20,400 in 2014-15; \$20,700 in 2015-16; \$21,000 in 2016-17; and \$21,400 in 2017-18 for a total of \$123,200.

Sample Ballot Title

Multiple-Year Local Option Tax Rate (Renewal) ORS 280.060(1) (b)

As is the case with a first time rate-based, multiple-year tax, the summary for a renewal of a rate-based, multiple-year tax must contain an estimate of the amount of taxes to be raised for each year. If the rate raises more than the amount estimated in the Ballot Title summary, the excess revenue cannot be spent in the first year but instead is treated as a budget resource for the following fiscal year (ORS 280.075(2)).

Caption - 10 words

- The title.
- Purpose is to identify the type of tax.
- Do not include the name of district or dollar figures in the caption.

Question - 20 words

- State the question so that it can be answered yes or no. A yes response means the voter approves the measure; a no vote means the voter opposes the measure.
- Include the name of the taxing district. The word “district” can be substituted for the full name if the full name of the district is included in the summary.
- State the tax rate per \$1,000 of assessed value.
- State whether the tax is for operating purposes or capital projects.
- State the first fiscal year the tax will be imposed and the number of years the tax will be imposed.
- Immediately after the question include the following statement: “This measure renews current local option taxes.” This statement is not counted in the 20-word count.

Summary - 175 words

- The first sentence of the summary, unless the election is being held in May or November must be: “This measure may be passed only at an election with at least a 50 percent voter turnout.” This sentence is not counted in the 175-word count. Since this example measure will be on the May ballot, this wording is not required.
- Include the full name of the district if only the word “district” was used in the question.
- Include the amount of tax estimated to be raised each year. This is not counted in the 175-word count.
- Include the total amount of tax that will be raised by the measure.
- Explain the purpose of the levy in understandable language.
- Do not advocate a yes or no answer.

Caption: Renewal of Current Three Year Local Option Tax for General Operation

Question: Shall Red Hot Fire District No. 99 impose \$0.6400 per \$1,000 of assessed value for operations for three years beginning 2012-13? This measure renews current local option taxes.

Summary: This measure will continue a current local option tax that, without renewal, will expire in 2011-12. If renewed, the tax revenue will continue to be used to meet operating expenses of the fire district in order to maintain service at the current level. At the proposed rate, it is estimated this tax rate will raise \$86,400 in 2012-13, \$88,128 in 2013-2014, and \$89,500 in 2015-2016 for a total of \$264,028.

Sample Tax Ballot Title

Permanent Rate Levy ORS 250.038(2)

Permanent Rate Election

New local governments and districts that have never imposed operating property taxes before are allowed to seek voter approval for a permanent rate (Article XI, section 11(3)(c)(A)).

Caption - 10 words

- The title.
- Purpose is to identify the type of tax.
- Not required to include name of district or dollar figures in the caption.

Question - 20 words

- State the question so that it can be answered yes or no. A yes response means the voter approves the measure; a no vote means the voter opposes the measure.
- Include the name of the taxing district. The word “district” can be substituted for the full name if the full name of the district is included in the summary.
- State this is to establish permanent rate for the district.
- State the amount of the permanent rate per \$1,000 of assessed value.
- State the first fiscal year the tax will be imposed.

Summary - 175 words

- The first sentence of the summary, unless the election is being held in May or November must be: “This measure may be passed only at an election with at least a 50 percent voter turnout.” This sentence is not counted in the 175-word count.
- Include the full name of the district if only the word “district” was used in the question.
- Explain the purpose of the levy in understandable language.
- Do not advocate a yes or no answer.

Caption: Permanent Rate Limitation.

Question: Shall New City establish \$2.4500 per \$1,000 of assessed value as a permanent tax rate limit beginning 2012-13?

Summary: This measure may be passed only at an election with at least a 50 percent voter turnout. New City has operated for the first ten years of its existence without levying any taxes. The City has operated on state shared revenues and the generous donations of citizens. The establishment of a permanent rate will allow New City to provide the same level of services as the surrounding cities, including 24 hour police patrols. Administrative function will be located in rented space on Main Street, rather than out of the Mayor's house. A full-time city manager will be hired along with a part-time clerical position. Water and sewer services will continue to be provided by Neighboring City under an intergovernmental agreement and paid for by user fees. It is estimated that the owner of a typical property inside the city with a market value of \$232,600 and an assessed value of \$167,500 will pay \$410.38 in property taxes if the permanent tax rate limit is approved. The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of the estimate.

Sample Tax Ballot Title Bond Election ORS 250.037

In a general obligation bond election voters are making a commitment to levy taxes to repay the principal and interest on bonds sold to fund a project. With the approval comes the authority to tax the amount needed to make the debt service payments. Voters are not being asked to approve a certain tax rate or specific levy amount.

Caption - 10 words

- The title.
- Purpose is to identify the type of tax.
- Not required to include the name of district or dollar figures in the caption.

Question - 20 words

- State the question so that it can be answered yes or no. A yes response means the voter approves the measure, a no vote means the voter opposes the measure.
- Include the name of the taxing district. The word “district” can be substituted for the full name if the full name of the district is included in the summary.
- State in broad terms what the bonds proceeds will be used for.
- State the dollar amount of the bonds proposed to be issued.
- Immediately after the question include the following statement: “If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.” This statement is not counted in the 20-word count.

Summary - 175 words

- The first sentence of the summary, unless the election is being held in May or November must be: “This measure may be passed only at an election with at least a 50 percent voter turnout.” This sentence is not counted in the 175-word count.
- Include the full name of the district if only the word “district” was used in the question.
- State the maximum number of years during which the bonds may mature.
- Explain how the bond proceeds will be used in reasonably detailed, simple and understandable language.
- Do not advocate a yes or no answer.

Caption: General Obligation Bond Authorization

Question: Shall the district be authorized to issue bonds in an amount not exceeding \$1,400,000 for new facilities and equipment? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary: If approved, Red Hot Fire District No. 99 would use bond proceeds to finance construction of a new fire sub-station to cover the southern portion of the district. Land has been identified on Neer City Road that the owner is willing to donate to the district. In addition, new turnouts and breathing apparatus will be purchased for 30 volunteers as well as paying issuance cost and other bond costs. The bonds will mature in 20 years or less. The estimated average annual cost of this bond would be \$0.4700 per \$1,000 of assessed value. The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of estimate.

TSCC Requested Information On Proposed Local Option Levies for Operations

Send the following information to TSCC 30 days prior to filing the ballot measure with Multnomah County Elections. ORS 294.655. This form can be obtained electronically in Microsoft Word by contacting the TSCC office.

1. How many years will the tax be levied?
2. Is the local option levy an amount or a rate?
3. What is the annual amount to be levied, or estimated annual revenue if a rate?
4. What is the total to be raised over the life of the levy?
5. Will the levy be used for general operations or will it be dedicated to a specific purpose?
6. Name of the Fund to which revenues from the local option will be credited.
7. What services will increase or improve as a result of the levy?
8. What are the long-term plans for financing increased/improved operations covered by this levy?
9. At the time this levy expires, do you foresee that the extra revenue will not be needed, that needed revenue might come from another source, or that you will need to rely on another local option levy?
10. Has there been citizen involvement in planning for the proposed measure?
11. Please provide copies of the following:
 - A. A copy of the Resolution calling the election.
 - B. A copy of the Ballot Title that will be submitted to Elections.
 - C. Any flyers or published materials regarding the measure.

TSCC Requested Information On Proposed Local Option Levies for Capital Projects

Send the following information to TSCC 30 days prior to filing the ballot measure with Multnomah County Elections. ORS 294.655. This form can be obtained electronically in Microsoft Word by contacting the TSCC office.

1. How many years will the tax be levied? Provide detailed calculation if weighted average is used.

2. Is the local option levy an amount or a rate?
 - A. Annual amount to be levied or estimated annual revenue if a rate.
 - B. Total to be raised over the life of the levy.

3. Will any other revenues be used for this project? If so, provide a statement of total revenue anticipated for the project including bond sale proceeds, matching funds, disbursements from other funds, reserves, interest to be earned, and other contributions.

4. Name of the fund to be established to account for project financing and costs.

5. For each major component provide:
 - A. A description of the project.
 - B. The reason or need for the project.

6. Describe to what extent the design work has been completed, the cost, and by whom.

7. Provide a statement of total project costs reported by:
 - A. Land
 - B. Buildings
 - C. Improvements
 - D. Equipment and Supplies
 - E. Administrative, legal, fiscal fees
 - F. Contingency

8. Explain how any proposed facilities comply with local zoning regulations.

9. Will the project increase operating costs? If so, will the current operating revenue be able to support the additional costs to operate and maintain the new facility? Explain. If not, how will the cost be funded?

10. Identify any revenue to be generated by this project (i.e.: extra enrollment, enterprise revenues, etc.).

11. Has there been citizen involvement in planning the proposed improvement?

12. Please provide copies of the following:
 - A. A copy of the Resolution calling the election.
 - B. A copy of the Ballot Title that will be submitted to Elections.
 - C. The proposed timeline for the project.
 - D. Any flyers or published materials regarding the measure.

TSCC Requested Information On Proposed Bond Measures

Send the following information to TSCC 30 days prior to filing the ballot measure with Multnomah County Elections. ORS 294.655. This form can be obtained electronically in Microsoft Word by contacting the TSCC office.

1. Total amount of issue.

2. Expected Date(s) of proposed bond sale.

3. For each major component of the bond provide:
 - A. A description of the project.

 - B. The reason or need for the project.

4. Describe to what extent the design work has been completed, the cost, and by whom.

5. Provide a statement of total project costs, including costs that have been or will be incurred prior to receipt of bond proceeds, reported by:
 - A. Land
 - B. Buildings
 - C. Improvements
 - D. Equipment and supplies
 - E. Administrative, legal, fiscal fees
 - F. Contingency

6. Will costs incurred prior to receipt of bond proceeds be reimbursed from the bond proceeds?

7. Will any other revenues be used for this project? If so, provide a statement of total revenue anticipated for the project including bond sale proceeds, matching funds, disbursements from other funds, reserves, interest to be earned, and other contributions.

8. Identify any revenue to be generated by this project (i.e.: extra enrollment, enterprise revenues, etc.).

9. Explain how any proposed facilities comply with local zoning regulations.

10. Will the project increase operating costs? If so, will the current operating revenue be able to support the additional costs to operate and maintain the new facility? If not, how will the cost be funded?

11. Provide a projected debt service levy (principal and interest) over the first 5 years (or longer if available). Briefly explain the assumptions in your projection, such as term of bonds, interest rates, structure of the debt service, etc. The following table format is suggested:

Estimated Debt Service, first five years:

	<u>Principal</u>	<u>Interest Total</u>	<u>Assessed Value</u>	<u>Rate per \$1,000</u>
FY 2012-13				
FY 2013-14				
FY 2014-15				
FY 2015-16				
FY 2016-17				

Assumptions:

Terms of Bonds: _____ (years to maturity) Interest Rate: _____
 Percent of Growth in Assessed Value _____
 Debt Service Structure _____

Examples of debt service structure:

Level Debt Service: The estimated annual principal and interest requirement structured so the amount maturing every year is approximately the same.

Level Tax Rate: The annual debt service is structured to compensate the estimated growth in assessed value, creating an almost uniform annual tax rate during the life of the bond.

Level Principal: The annual principal amount is structured to be approximately the same throughout the life of the issue.

12. Name of the fund to be established to account for project financing and costs.
13. Bond rating received, if any, on most recent prior bond issuance - include date of issue, rating agency and bond rating scale (i.e.: Moody's AAA, AA, A, B etc.).
14. Name of bond counsel and financial consultant if known at this time.
15. Has there been citizen involvement in planning the proposed improvement?
16. Please provide copies of the following:
- A copy of the Resolution calling the election.
 - A copy of the Ballot Title that will be submitted to Elections.
 - The proposed timeline for design, bidding contract award, land acquisition, construction, etc.
 - Any flyers or published materials regarding the measure.

2013 TAX MEASURES CALENDAR

Date of Election (ORS 255.345)	March 12, 2013	May 21, 2013	September 17, 2013	November 5, 2013
Measure Filing Deadline ORS 254.095, 254.103, 255.085	January 10, 2013	March 20, 2013	July 18, 2013	September 5, 2013
Notify TSCC⁽¹⁾ (ORS 294.655)	December 11, 2012	February 20, 2013	June 18, 2013	August 6, 2013

2014 TAX MEASURES CALENDAR

Date of Election (ORS 255.345)	March 11, 2014	May 20, 2014	September 16, 2014	November 4, 2014
Measure Filing Deadline ORS 254.095, 254.103, 255.085	January 9, 2014	March 20, 2014	July 17, 2014	September 4, 2014
Notify TSCC⁽¹⁾ (ORS 294.655)	December 10, 2013	February 19, 2014	June 17, 2014	August 5, 2014

(1) TSCC must be notified not less than 30 days prior to filing. However, it would be helpful if TSCC was notified as soon as the decision is made to seek voter approval of new property tax authority.

DISCLAIMER: The above dates were prepared by TSCC. **Please** double check the election dates and other filing deadlines with the Multnomah County Elections Division.

**Tax
Supervising
&
Conservation Commission**

Telephone (503) 988-3054

Fax: (503) 988-3053

E-Mail: TSCC@multco.us

Web Site: www.tscmultco.com

Appendix A

Glossary

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

Activity. That portion of the work of an organizational unit relating to a specific function or class of functions, a project or program, a subproject or subprogram, or any convenient division of these. ORS 294.311(2).

Adopted Budget. Financial plan adopted by the governing body for the fiscal year or budget period. ORS 294.456.

Ad Valorem Tax. Latin for “according to value”. A property tax computed as a percentage of the value of taxable property. Based on the Assessed Value.

Advance Refunding. Advance refunding means selling new bonds, all or part of which are to be used to pay an outstanding bond one year or more after the advance refunding bond is issued and before any right to call or otherwise retire the old bond issue arises. ORS 287A.001(1).

Annexation. Occurs when a district extends its boundaries outside of its previous service area.

Appropriation. Authorization for spending a specific amount of money for a specific purpose during a fiscal year or budget period, based on the adopted budget or the budget as amended by the governing body during the fiscal year or budget period. 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. ORS 294.428.

Assessed Value (AV). The value set on all taxable property as a basis for imposing taxes. It is the lesser of the property’s maximum assessed value (the value that grows by 3 percent) or real market value. ORS 308.146.

Assessment Date. January 1. The date on which the real market value of property is set. ORS 308.250.

Audit. The 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.

Ballot Measure 5. An initiative petition approved by Oregon voters on November 6, 1990 amending Oregon’s Constitution (Article XI, section 11b). Limits property taxes. Places property taxes into one of three categories: 1) for purpose of funding public school system; 2) for purpose of funding government operations other than public school system, and 3) for payment of exempt bonded indebtedness. Taxes for funding public school system limited, after a five year phase in, to \$5 of real market value. Limits taxes for funding government operations other than public school system to \$10 per \$1,000 of market value.

Ballot Measure 50. A referendum referred by the Legislature and approved by Oregon voters on May 20, 1997 amending Oregon’s Constitution (Article XI, section 11). Reduced property taxes in 1997-98 by state-wide average of 17%. Cut and capped

assessed values. Converted tax base authority (levy based system) to permanent tax rate limit authority (rate based system).

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

Biennial Budget. A budget adopted for a 24-month period. ORS 294.323.

Bond Levy. A property tax certified to the county assessor for the exclusive purpose of paying principal and interest on general obligation bonds approved by the voters. ORS 287A.140

Budget. Written report showing the local government's comprehensive financial plan for one fiscal year or a 24 month budget period. It must include a balanced statement of actual revenues and expenditures for each of the last two budgets and estimated revenues and expenditures for the current and upcoming budget. ORS 294.311(5).

Budget Committee. Budget planning board of a local government. ORS 294.414 or 294.423.

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 294.403.

Budget Officer. Person designated to assemble budget material and information and to physically prepare the proposed budget. ORS 294.331.

Budget Period. A 24-month period from July 1 through June 30 to which the biennial budget applies. ORS 294.311(7).

Budget Transfers. Synonymous with Interfund Transfers.

Capital Outlay. Items which have a useful life of one or more years and exceed a dollar threshold established by the district, such as machinery, land, furniture, equipment, or buildings.

Capital Projects Fund. A fund to account for resources, such as bond sale proceeds, to be used for major capital item purchase or construction. OAR 150-294.388(1)-(A).

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(9).

Categories of Measure 5 Limitation. The three categories in which taxes on property are placed before the constitutional limits can be tested: taxes for purpose of funding the public school system (education), taxes for the purpose of funding government operations other than the public school system (general government), and taxes for the purpose of paying principal and interest on exempt bonded indebtedness (excluded from limitation). ORS 310.150(1).

Compression. A prorated reduction in taxes required by Ballot Measure 5 (1990) property tax limits. Compression is computed on a property-by-property basis, and is first applied against local option taxes and only when those taxes are reduced to zero then to other operating taxes.

Compression Loss. The amount of taxes that cannot be billed due to the imposition of the Measure 5 limits. Difference between Taxes Extended and Taxes Imposed.

Contingency. An estimate in an operating fund for unforeseen spending that may become necessary.

Current Assets. Assets which are available to finance current operations or to pay current liabilities.

Current Budget Period. The budget period currently in progress. ORS 294.311(10).

Current Year. The fiscal year in progress. ORS 294.311(11).

Debt Service Fund. A fund established to account for payment of general long-term debt principal and interest. OAR 150-294.388(1)-(A).

Defeating. Setting aside in an escrow account the full amount needed to pay off a bond issue.

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

District. Synonymous with “municipal corporation”.

Division of Tax. The process of, and revenue from, apportioning taxes to urban renewal agencies from the increase in value (excess value) over the assessed value of all properties within the plan areas when the plan area was first adopted (frozen value). Synonymous with “tax increment financing”.

Double Majority. An election requiring that at least 50 percent of the registered voters eligible to vote in the election cast a ballot, and more than 50 percent of those voting vote “yes” on the question in order to approve the measure.

Education Category. The category for taxes that will be used to support the public school system and not for the purpose of paying exempt bonded indebtedness. Limit is \$5 per \$1,000 of real market value. ORS 310.150(1)(b).

Encumbrance. An obligation chargeable to an appropriation and for which part of the appropriation is reserved. ORS 294.311(13).

Ensuing Budget Period. The budget period following the current budget period for which a budget is being prepared. ORS 294.311(14).

Ensuing Year. The fiscal year following the current year for which a budget is being prepared. ORS 294.311(15).

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 150-294.388(1)-(A).

Excluded from Limitation Category. The category for taxes used to pay principal and interest on exempt bonded indebtedness. ORS 310.150(1)(a).

Exempt Bonded Indebtedness. Bonded indebtedness authorized by a specific provision of the Oregon Constitution or to finance capital construction or capital improvements as approved by voters as a general obligation of the governmental unit. ORS 310.140(7).

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(16).

Fiscal Year. A 12-month period from July 1 through June 30 to which the annual operating budget applies. ORS 294.311(17).

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 types include: general, special revenue, debt service, capital projects, special assessment, enterprise, internal service, trust and agency, and reserve. OAR 150-294.388(1)-(A).

Fund Balance. The excess of the assets of a fund over its liabilities and reserves. ORS 294.311(18).

Gap Bonds. Any portion of a local government’s property tax levy that is used to repay other qualified taxing district obligations.

General Fund. A fund used to account for most operating activities except for those activities required to be accounted for in another fund. OAR 150-294.388(1)-(A).

General Government Category. The category for taxes used to support general government operations that are not for the purposes of supporting the public school system and not for the purpose of paying exempt bonded indebtedness. Limit is \$10

per \$1,000 of real market value. ORS 310.150(1)(c).

Governing Body. County court, board of commissioners, city council, school board, board of trustees, board of directors, or other managing board of a municipal corporation. ORS 294.311(20).

Grant. A donation or contribution in cash which may be made to support a specified purpose or function, or general purpose. ORS 294.311(21).

Interfund Loans. Loans made by one fund to another and authorized by the governing body by resolution or ordinance. ORS 294.468.

Interfund Transfers. Amounts moved from one fund to finance activities in another fund. They are shown as appropriations in the originating fund and resources in the receiving fund.

Internal Service Fund. A fund used to account for fiscal activities when goods or services are provided by one department or agency to other departments or agencies on a cost-reimbursement basis. ORS 294.311(23) and 294.343.

Intrafund Transfers. Amounts moved from an existing appropriation authority to a different appropriation authority within the same fund. ORS 294.463(1).

Joint District. A taxing district whose boundary extends into an adjacent county.

Legal Opinion. The opinion as to legality rendered by an authorized official. Oregon Attorney General Opinions cited as OF in this manual.

Levy. Amount or rate of ad valorem tax certified by a local government to the county assessor for placement on the assessment and tax roll for the support of governmental activities.

Liabilities. Debt or other legal obligation arising from transactions in the past which must be liquidated, renewed, or refunded at

a future date; does not include encumbrances. ORS 294.311(24)

Local Government. Synonymous with “municipal corporation”.

Local Option Tax. An *ad valorem* property tax that exceeds the limitation of Article XI, Section 11, of the Oregon Constitution. Voter approved temporary taxing authority under ORS 280.040 to 280.145 that is in addition to the taxes generated by the permanent tax rate limit. 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. OAR 150-294.311.

Materials & Services. Expenses for operating costs and supplies and contracted services, such as utilities, rent liability insurance, repair parts, fuel and professional service fees. Also includes assets that fall below the threshold for classification as a “capital asset.”

Maximum Assessed Value (MAV). Limitation value established under Ballot Measure 50 (1997) to restrict the increases in assessed value to no more than three percent (3%) per year unless there are qualifying exceptions such as new construction. MAV is the greater of the prior year’s AV times 1.03 or the prior year’s MAV. ORS 308.146.

Measure 5 Constitutional limits. The maximum amount of tax on property that can be collected from an individual property in each category of limitation. Article XI, section 11b, Oregon Constitution.)

Municipal Corporation. 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. Synonymous with District and Taxing District. ORS 294.311(26).

Net Working Capital. The sum of the cash balances, accounts receivable expected to be realized during the ensuing fiscal year, inventories, supplies and prepaid expenses, less current liabilities and, if the encumbrance method of accounting is used, reserves for encumbrances. Does not apply to the cash basis of accounting. ORS 294.311(27).

OAR. Oregon Administrative Rule. Written to clarify Oregon law. Has the authority of law.

OF. Legal Opinion issued by the Oregon Attorney General's Office.

ORS. Oregon Revised Statute. Oregon laws established by the legislature.

Object Classification. A grouping of expenditures, such as personnel services, materials and services, capital outlay, debt services, and other types of requirements. ORS 294.311(29).

Operating Taxes. Ad valorem property taxes derived from a district's permanent tax rate limit. ORS 310.055(1),

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

Organizational Unit. Any administrative subdivision of the local government, especially one charged with carrying on one or more specific functions such as a department, office or division. ORS 294.311(31)

Other Qualified Obligation. A portion of a district's property tax levy in 1997-98 that was not subject to the state-wide 17% reduction under Ballot Measure 50. Includes 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. ORS 310.202(9).

Personnel Services. Expenses related to the compensation of salaried employees, such as: salary, employment taxes, health and accident insurance premiums, Social Security taxes and retirement plan contributions. ORS 294.388(5).

Permanent Rate Limit. The maximum rate of ad valorem property taxes that a local government can impose without specific voter approval. It is the rate calculated by the Department of Revenue for the 1997-98 tax roll or as subsequently adjusted as provided for in ORS 310.246. In the case of districts that have never levied a tax, it is the tax rate adopted by voters as set out in Section 11(3)(c) and Section 11(8), Article XI of the Oregon Constitution. Taxes generated from the permanent rate limit can be used for any purpose. No action of the local government can increase a permanent rate limit once it is established. OAR 150-294.311

Prior Year Taxes. Taxes levied for fiscal years preceding the current one. Revenues from these taxes are treated as non-tax resources in the budget.

Program. A group of related activities to accomplish a major service or function for which the local government is responsible. ORS 294.311(33).

Property Taxes. Ad valorem tax certified to the county assessor for inclusion on the assessment and tax roll by a local government unit.

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

Publish or 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. ORS 294.311(35).

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.

Requirement. The sum of all appropriated and unappropriated items in a fund. Total requirements must always equal total resources in a fund. ORS 294.388(1).

Reserved for Future Expenditure. An amount budgeted, but not appropriated, that is not anticipated to be spent during the fiscal year or budget period, but rather carried forward to be appropriated for a specific use in a future budget.

Reserve Fund. Established to accumulate money over time for a specific purpose, such as purchase of new equipment. ORS 294.346.

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

Resource. Estimated beginning funds on hand plus anticipated revenues and interfund transfers. Total resources must always equal total requirements in a fund. ORS 294.361.

Special Levy. An *ad valorem* tax imposed by an urban renewal agency for certain plan areas created prior to December 6, 1996. Certified as a dollar amount.

Special Payments. A budget expenditure and appropriation object classification for pass-through payments and grants made to other organizations and other unusual expenditures that do not fall into any other object classification such as personnel services, materials & services or capital outlay.

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. ORS 294.311(39) and OAR 150-294.388(1)-(A).

Supplemental Budget. A financial plan prepared after the regular budget has been adopted to meet unexpected needs or to spend revenues not anticipated when the regular budget was adopted. ORS 294.471.

Tax Increment Financing. Synonymous with "division of tax".

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(18).

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.

Taxing District. Synonymous with "municipal corporation".

Transfers. Synonymous with Interfund Transfers.

Trust and Agency Fund. A fund used to account for 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 fiscal year or budget period 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 294.398.

Appendix B Permanent Rates

District	Permanent Rate	Rate After Gap Bond is Paid
Multnomah County	4.3434	
Regional Districts		
Metro	0.0966	
Port of Portland	0.0701	
TriMet	0.0000	
East Multnomah Soil & Water Conservation District	0.1000	
West Multnomah Soil & Water Conservation District	0.0750	
Cities		
City of Portland *	4.5770	6.3196
City of Fairview	3.4902	
City of Gresham	3.6129	
City of Maywood Park	1.9500	
City of Troutdale	3.7652	
City of Wood Village	3.1262	
Community Colleges		
Mt. Hood Community College	0.4917	
Portland Community College	0.2828	
K-12 Education Districts		
Education Service District	0.4576	
Portland SD 1J **	5.2781	
Parkrose SD 3	4.8906	
Reynolds SD 7	4.4626	
Gresham/Barlow SD 10J	4.5268	
Centennial SD 28J	4.7448	
Corbett SD 39	4.5941	
David Douglas SD 40	4.6394	
Riverdale SD 51J	3.8149	
Fire Districts		
Multnomah RFPD No. 10	2.8527	
Riverdale FRPD No. 11J	1.2361	
Multnomah RFPD No. 14	1.2624	
Sauvie Island RFPD No. 30J	0.7894	
Water Districts		
Alto Park Water	1.5985	
Burlington Water	3.4269	
Corbett Water	0.5781	
Lusted Water	0.2423	
Palatine Water	0.0038	
Pleasant Home Water	0.0000	
Valley View Water	1.7389	

* City of Portland's gap bond is for FPD&R levy rather than bonds. Will most likely never be "paid off".

** Portland Public School District paid off its gap bond, but legislation provides for special treatment of the \$0.5038 per \$1,000 of assessed value addition to the permanent rate

**Tax
Supervising
&
Conservation Commission**

Telephone (503) 988-3054

Fax: (503) 988-3053

E-Mail: TSCC@multco.us

Web Site: www.tscmultco.com

Appendix C

Forms

The Department of Revenue has the authority to make rules and prescribe budget forms used in the budget process. Local governments are encouraged to create facsimile forms using computer spreadsheets. The basic format of the spreadsheets must be the same as those prescribed by the Department of Revenue.

Detail Sheets

The budget detail forms are relatively standard and rarely change from year to year. As such, the detail sheets are not distributed annually to taxing districts. The forms, in both PDF and Excel spreadsheet formats, are available from the Department's web site at: <http://www.oregon.gov/DOR/PTD/LocalB.shtml>

These forms can be easily modified. In using the forms, the column headings need to be filled out with the corresponding fiscal years. If a district is adopting a biennial budget the headings need to be revised so that "Year" is changed to "Budget Period".

Copies of the LB-10 through LB-40 spreadsheets follow in this section.

Forms for Publishing and Certifying the Levy

The forms used for publishing and certifying the budget are updated annually. These forms are made available to all taxing districts in the state in a packet produced by the Department of Revenue (Local Budget Law and Notice of Property Tax, Forms and Instructions). Districts should ensure that the Department of Revenue is kept current with its e-mail address since the Department no longer routinely mails the booklet to all municipal corporations in the state. The Department will mail booklets upon request. You can call the Finance & Taxation Unit at 503-945-8293, e-mail them at finance.taxation@dor.state.or.us and/or subscribe for periodic updates and announcements via the Department's list-serve service at <http://listsmart.osl.state.or.us/mailman/listinfo/localbudget>.

These forms may also be computer generated as long as they follow the prescribed format. Each year the budget officer should review the district's computer generated forms to ensure that changes have not occurred in the publication or certification forms. Certifying the budget using an outdated format could result in the certification being rejected by the county assessor.

When the Forms and Instruction booklet is available, it should be shared with all staff members involved in the budget process. One staff person may be responsible for putting the Proposed Budget together while another takes the lead in making sure required notices are published timely. Still a third staff member may be the one that completes the Property Tax Levy Certification form that is filed with the county assessor. All three staff members need to have access to the Forms and Instruction booklet.

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**FORM
LB-10**

**SPECIAL FUND
RESOURCES AND REQUIREMENTS**

(Fund)

(Name of Municipal Corporation)

	Historical Data			DESCRIPTION RESOURCES AND REQUIREMENTS	Budget for Next Year _____			
	Actual		Adopted Budget This Year _____		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year _____	First Preceding Year _____						
				RESOURCES				
1				1. Cash on hand * (cash basis), or				1
2				2. Working Capital (accrual basis)				2
3				3. Previously levied taxes estimated to be received				3
4				4. Interest				4
5				5. Transferred IN, from other funds				5
6				6				6
7				7				7
8				8				8
9	0	0	0	9. Total Resources, except taxes to be levied	0	0	0	9
10				10. Taxes estimated to be received				10
11				11. Taxes collected in year levied				11
12	0	0	0	12. TOTAL RESOURCES	0	0	0	12
				REQUIREMENTS				
1				1				1
2				2				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. Ending balance (prior years)				15
16				16. UNAPPROPRIATED ENDING FUND BALANCE				16
17	0	0	0	17. TOTAL REQUIREMENTS	0	0	0	17

*The balance of cash, cash equivalents and investments in the fund at the beginning of the budget year

FORM

LB-11

This fund is authorized and established by resolution / ordinance number _____ on (date) _____ for the following specified purpose:

**RESERVE FUND
RESOURCES AND REQUIREMENTS**

Year this reserve fund will be reviewed to be continued or abolished.

Date can not be more than 10 years after establishment.

Review Year: _____

	Historical Data			(Fund)	Budget for Next Year _____			(Name of Municipal Corporation)	
	Actual		Adopted Budget This Year _____		DESCRIPTION RESOURCES AND REQUIREMENTS	Proposed By Budget Officer	Approved By Budget Committee		Adopted By Governing Body
	Second Preceding Year _____	First Preceding Year _____							
				RESOURCES					
1				1. Cash on hand* (cash basis) or				1	
2				2. Working Capital (accrual basis)				2	
3				3. Previously levied taxes estimated to be received				3	
4				4. Interest				4	
5				5. Transferred IN, from other funds				5	
6				6				6	
7				7				7	
8				8				8	
9	0	0	0	9. Total Resources, except taxes to be levied	0	0	0	9	
10				10. Taxes estimated to be received				10	
11				11. Taxes collected in year levied				11	
12	0	0	0	12. TOTAL RESOURCES	0	0	0	12	
				REQUIREMENTS					
1				1				1	
2				2				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 Ending balance (prior years)				15	
16				16. RESERVED FOR FUTURE EXPENDITURE				16	
17	0	0	0	17. TOTAL REQUIREMENTS	0	0	0	17	

*The balance of cash, cash equivalents and investments in the fund at the beginning of the budget year

**FORM
LB-20**

RESOURCES

(Fund)

(Name of Municipal Corporation)

	Historical Data			RESOURCE DESCRIPTION	Budget for Next Year _____			
	Actual		Adopted Budget This Year _____		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year _____	First Preceding Year _____						
1				1. Available cash on hand* (cash basis) or				1
2				2. Net working capital (accrual basis)				2
3				3. Previously levied taxes estimated to be received				3
4				4. Interest				4
5				5. Transferred IN, from other funds				5
6				6 OTHER RESOURCES				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				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	0	0	0	29. Total resources, except taxes to be levied	0	0	0	29
30				30. Taxes estimated to be received				30
31				31. Taxes collected in year levied				31
32	0	0	0	32. TOTAL RESOURCES	0	0	0	32

*The balance of cash, cash equivalents and investments in the fund at the beginning of the budget year

**FORM
LB-30**

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

(name of organizational unit - fund)

	Historical Data			REQUIREMENTS DESCRIPTION	Budget For Next Year _____			
	Actual		Adopted Budget This Year		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year _____	First Preceding Year _____						
				PERSONNEL SERVICES				
1				1				1
2				2				2
3				3				3
4				4				4
5				5				5
6				6				6
7	0	0	0	7 TOTAL PERSONNEL SERVICES	0	0	0	7
				MATERIALS AND SERVICES				
8				8				8
9				9				9
10				10				10
11				11				11
12				12				12
13				13				13
14	0	0	0	14 TOTAL MATERIALS AND SERVICES	0	0	0	14
				CAPITAL OUTLAY				
15				15				15
16				16				16
17				17				17
18				18				18
19				19				19
20				20				20
21	0	0	0	21 TOTAL CAPITAL OUTLAY	0	0	0	21
				TRANSFERRED TO OTHER FUNDS				
22				22				22
23				23				23
24				24				24
25	0	0	0	25 TOTAL TRANSFERS	0	0	0	25
				26 OPERATING CONTINGENCY				
26				27 Ending balance (prior years)				26
27				28 UNAPPROPRIATED ENDING FUND BALANCE				27
28	0	0	0	29 TOTAL REQUIREMENTS	0	0	0	28

DETAILED REQUIREMENTS

**FORM
LB-31**

(Name of Organizational Unit - Fund)

#	Historical Data			REQUIREMENTS DESCRIPTION	Number of Employees	Range*	Budget for Next Year _____			#
	Actual		Adopted Budget This Year _____				Proposed by Budget Officer	Approved by Budget Committee	Adopted by Governing Body	
	Second Preceding Year _____	First Preceding Year _____								
1			1						1	
2			2						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			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			29						29	
30			30						30	
31			31	Ending balance (prior years)					31	
32			32	UNAPPROPRIATED ENDING FUND BALANCE					32	
33	0	0	0	33 TOTAL REQUIREMENTS			0	0	0	33

*Include schedule of pay ranges

**BONDED DEBT
RESOURCES AND REQUIREMENTS**

Bond Debt Payments are for:

- Revenue Bonds or
- General Obligation Bonds

(Fund)

(Name of Municipal Corporation)

	Historical Data			DESCRIPTION OF RESOURCES AND REQUIREMENTS	Budget for Next Year _____			
	Actual		Adopted Budget This Year _____		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body	
	Second Preceding Year _____	First Preceding Year _____						
				Resources				
1		0		1. Beginning Cash on Hand (Cash Basis), or				1
2				2. Working Capital (Accrual Basis)				2
3				3. Previously Levied Taxes to be Received				3
4				4. Interest				4
5				5. Transferred from Other Funds				5
6				6				6
7	0	0	0	7. Total Resources, Except Taxes to be Levied	0	0	0	7
8				8. Taxes Estimated to be Received *				
9				9. Taxes Collected in Year Levied				9
10	0	0	0	10. TOTAL RESOURCES	0	0	0	10
				Requirements				
				Bond Principal Payments				
				Bond Issue	Budgeted Payment Date			
1				1				1
2				2				2
3				3				3
4	0	0	0	4. Total Principal	0	0	0	4
				Bond Interest Payments				
				Bond Issue	Budgeted Payment Date			
5				5				5
6				6				6
7				7				7
8	0	0	0	8. Total Interest	0	0	0	8
				Unappropriated Balance for Following Year By				
				Bond Issue	Projected Payment Date			
9				9				9
10				10				10
11				11				11
12				12 Ending balance (prior years)				12
13				13 Total Unappropriated Ending Fund Balance				13
14				14. Loan Repayment to Fund				14
15				15. Tax Credit Bond Reserve				15
16	0	0	0	16. TOTAL REQUIREMENTS	0	0	0	16

**FORM
LB-36**

**DEBT SERVICE FUND
SUPPLEMENT**

	HISTORICAL DATA			SCHEDULE OF PAYMENTS	Budget for Next Year _____				
	Actual		Adopted Budget This Year		Proposed By Budget Officer	Approved By Budget Committee	Adopted By Governing Body		
	Second Preceding Year _____	First Preceding Year _____							
				Bond Principal Payments					
				Bond Issue	Budgeted Payment Date				
1				1				1	
2				2				2	
3				3				3	
4				4				4	
5				5				5	
6				6				6	
7				7				7	
8				8				8	
9	0	0	0	9. TOTAL PRINCIPAL PAYMENTS		0	0	0	9
				Bond Interest Payments					
				Bond Issue	Budgeted Payment Date				
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	0	0	0	19. TOTAL INTEREST PAYMENTS		0	0	0	19
				Unappropriated Balance for Following Year By					
				Bond Issue	Projected Payment Date				
20				20				20	
21				21				21	
22				22				22	
23				23				23	
24				24				24	
25				25. Ending Balance (Prior Years)					25
26			0	26. Total Unappropriated Ending Fund Balance		0	0	0	26
27	0	0	0	27. TOTAL REQUIREMENTS		0	0	0	27

Fund Total To Be Summarized
On Form LB-35

**PERSONNEL SERVICES SUMMARY
SUPPLEMENTAL INFORMATION
SALARIES PAID FROM MORE THAN ONE SOURCE**

	POSITION DESCRIPTION	No. of Emps	Range	Total Salary	Detailed Salary												
					Page	Line	Amount										
1																	1
2																	2
3																	3
4																	4
5																	5
6																	6
7																	7
8																	8
9																	9
10																	10
11																	11
12																	12
13																	13
14																	14
15																	15
16																	16
17																	17
18																	18
19																	19
20																	20
21																	21
22																	22
23																	23
24																	24
25																	25
26																	26
27																	27
28																	28
29																	29
30																	30
31																	31
32																	32

Appendix D

Oregon Revised Statutes Oregon Administrative Rules

This appendix provides copies of selected sections from ORS Chapter 294 and other Chapters that relate to Local Budget Law, including the Tax Supervising and Conservation Commission. Sections of Chapter 294 are listed first, followed by public notices (Chapter 193), tax elections (Chapter 250), local option levies (Chapter 280), municipal debt (Chapter 287A), property taxes (Chapter 310), and tax collection and distribution (Chapter 311). The complete 2011 Oregon Revised Statutes can be accessed on the Oregon Legislature's website at <http://www.leg.state.or.us/ors/home.htm>.

Relevant Oregon Administrative Rules promulgated by the Oregon Department of Revenue are interspersed with the statutes for ease of use.

Also included is text from the Oregon Constitution for Ballot Measures 5, 50, 56 and 68.

LOCAL BUDGET LAW

294.100 Public official expending money in excess of amount or for different purpose than provided by law unlawful; civil liability. (1) It is unlawful for any public official to expend any moneys in excess of the amounts provided by law, or for any other or different purpose than provided by law.

(2) Any public official who expends any public moneys in excess of the amounts or for any other or different purpose than authorized by law shall be civilly liable for the return of the money by suit of the district attorney of the district in which the offense is committed, or at the suit of any taxpayer of such district, if the expenditure constitutes malfeasance in office or willful or wanton neglect of duty.

(3) On the demand in writing of 10 taxpayers of any municipal corporation with a population exceeding 100,000 inhabitants, filed with the tax supervising and conservation commission in the county in which the municipal corporation is situated, which demand sets forth that a public official has unlawfully expended public moneys in excess of the amount or for any other or

different purpose than provided by law and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty, the tax supervising and conservation commission shall make an investigation of the facts as to the expenditure. If the tax supervising and conservation commission finds that public moneys have been unlawfully expended and that the expenditure constitutes malfeasance in office or willful or wanton neglect of duty, the commission shall proceed at law in the courts against the public official who has unlawfully expended the moneys for the return of the moneys unlawfully expended to the treasury of the municipal corporation. A right of action hereby is granted to the tax supervising and conservation commission for the purposes of this section.

(4) This section does not apply to the expenditure of revenues that are allowed to be accrued from a fiscal year to the prior fiscal year under ORS 294.383. [Amended by 2001 c.399 §1; 2002 s.s.4 c.1 §§9,10]

294.305 Sections constituting Local Budget Law. ORS 294.305 to 294.565 shall be known as the Local Budget Law.

294.311 Definitions for ORS 294.305 to 294.565. As used in ORS 294.305 to 294.565, unless the context requires otherwise:

(1) "Accrual basis" means the recording of the financial effects on a municipal corporation of transactions and other events and circumstances that have cash consequences for the municipal corporation in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the municipal corporation.

(2) "Activity" means a specific and distinguishable service performed by one or more organizational components of a municipal corporation to accomplish a function for which the municipal corporation is responsible.

(3) "Appropriation" means an authorization granted by the governing body to make expenditures and to incur obligations for specific purposes. An appropriation is limited to a single fiscal year for municipal corporations preparing annual budgets, or to the budget period for municipal corporations preparing biennial budgets.

(4) "Basis of accounting" means the cash basis, the modified accrual basis or the accrual basis.

(5) "Budget" means a plan of financial operation embodying an estimate of expenditures for a given period or purpose and the proposed means of financing the estimated expenditures.

(6) "Budget document" means the estimates of expenditures and budget resources as set forth on the estimate sheets, tax levy and the financial summary.

(7) "Budget period" means, for municipal corporations with the power to levy a tax upon property, the two-year period commencing on July 1 and closing on June 30 of the second calendar year next following, and for all other municipal corporations, an accounting period of 24 months ending on the last day of any month.

(8) "Budget resources" means resources to which recourse can be had to meet obligations and expenditures during the fiscal year or budget period covered by the budget.

(9) "Cash basis" means a basis of accounting under which transactions are recognized only in the period during which cash is received or disbursed.

(10) "Current budget period" means the budget period in progress.

(11) "Current year" means the fiscal year in progress.

(12) "Encumbrance accounting" means the method of accounting under which outstanding encumbrances are recognized as reductions of appropriations and the related commitments are carried in a reserve for encumbrances until liquidated, either by replacement with an actual liability or by cancellation. This method of accounting may be used as a modification to the accrual basis of accounting in accordance with generally accepted accounting principles.

(13) "Encumbrances" means obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. Obligations cease to be encumbrances when paid or when the actual liability is set up.

(14) "Ensuing budget period" means the budget period following the current budget period.

(15) "Ensuing year" means the fiscal year following the current year.

(16) "Expenditure" means, if the accounts are kept on the accrual basis or the modified accrual basis, decreases in net financial resources and may include encumbrances. If the accounts are kept on the cash basis, the term covers only actual disbursement, the drawing of the check or warrant for these purposes and not encumbrances, except that deferred employee compensation shall be included as a personnel service expenditure where an approved deferred employee compensation plan is in effect for a municipal corporation.

(17) "Fiscal year" means for municipal corporations with the power to impose ad valorem property taxes, the fiscal year

commencing on July 1 and closing on June 30, and for all other municipal corporations, an accounting period of 12 months ending on the last day of any month.

(18) "Fund balance" means the excess of the assets of a fund over its liabilities and reserves except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal period, it represents the excess of the fund's assets and estimated revenues for the period over its liabilities, reserves and appropriations for the period.

(19) "General county resources" means resources from property taxes, state and federal shared revenue, beginning balances available for expenditure and interest not required to be allocated to specific programs or activities.

(20) "Governing body" means the city council, board of commissioners, board of directors, county court or other managing board of a municipal corporation including a board managing a municipally owned public utility or a dock commission.

(21) "Grant" means a donation or contribution of cash to a governmental unit by a third party.

(22) "Intergovernmental entity" means an entity created under ORS 190.010 (5). The term includes any council of governments created prior to the enactment of ORS 190.010 (5).

(23) "Internal service fund" means a fund properly authorized to finance, on a cost reimbursement basis, goods or services provided by one organizational unit of a municipal corporation to other organizational units of the municipal corporation.

(24) "Liabilities" means probable future sacrifices of economic benefits, arising from present obligations of a municipal corporation to transfer assets or provide services to other entities in the future as a result of past transactions or events. The term does not include encumbrances.

(25)(a) "Modified accrual basis" means the accrual basis of accounting adapted to the governmental fund-type measurement focus. Under this basis of accounting, revenues and other financial resource increments, such as bond proceeds, are recognized when they become susceptible to

accrual, that is, when they become both measurable and available to finance expenditures in the current period.

(b) As used in this subsection, "available" means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Under this basis of accounting, expenditures are recognized when the fund liability is incurred except for:

(A) Inventories of material and supplies that may be considered expenditures either when purchased or when used; and

(B) Prepaid insurance and similar items that may be considered expenditures either when paid for or when consumed.

(26) "Municipal corporation" means any county, city, port, school district, union high school district, community college district and all other public or quasi-public corporations including a municipal utility or dock commission operated by a separate board or commission. "Municipal corporation" includes an intergovernmental entity or council of governments that proposes to impose or imposes ad valorem property taxes.

(27) "Net working capital" means the sum of the cash, cash equivalents, investments, accounts receivable expected to be converted to cash during the ensuing year or ensuing budget period, inventories, supplies and prepaid expenses less current liabilities and, if encumbrance accounting is adopted, reserve for encumbrances. The term is not applicable to the cash basis of accounting.

(28) "Object" means, as used in expenditure classification, articles purchased including, but not limited to, land, buildings, equipment and vehicles, or services obtained including, but not limited to, administrative services, clerical services, professional services, property services and travel, as distinguished from the results obtained from expenditures.

(29) "Object classification" means a grouping of expenditures on the basis of goods or services purchased, including, but not limited to, personnel services, materials, supplies and equipment.

(30) "Operating taxes" has the meaning given that term in ORS 310.055.

(31) "Organizational unit" means any administrative subdivision of a municipal corporation, especially one charged with carrying on one or more functions or activities.

(32) "Population" means the number of inhabitants of a municipal corporation according to certified estimates of population made by the Oregon Education Investment Board.

(33) "Program" means a group of related activities aimed at accomplishing a major service or function for which the municipality is responsible.

(34) "Public utility" means those public utility operations authorized by ORS chapter 225.

(35) "Publish" or "publication" means any one or more of the following methods of giving notice or making information or documents available to members of the general public:

(a) Publication in one or more newspapers of general circulation within the jurisdictional boundaries of the municipal corporation.

(b) Posting through the United States Postal Service by first class mail, postage prepaid, to each street address within the jurisdictional boundaries of the municipal corporation and to each post office box and rural route number belonging to a resident within the jurisdictional boundaries of the municipal corporation.

(c) Hand delivery to each street address within the jurisdictional boundaries of the municipal corporation.

(36) "Receipts" means cash received unless otherwise qualified.

(37) "Reserve for encumbrances" means a reserve representing the segregation of a portion of a fund balance to provide for unliquidated encumbrances.

(38) "Revenue" means the gross receipts and receivables of a governmental unit derived from taxes, licenses, fees and from all other sources, but excluding appropriations, allotments and return of principal from investment of surplus funds.

(39) "Special revenue fund" means a fund properly authorized and used to finance

particular activities from the receipts of specific taxes or other revenues. [1963 c.576 §3; 1971 c.513 §55; 1975 c.319 §2; 1977 c.102 §4; 1977 c.305 §1; 1979 c.686 §1; 1997 c.308 §3; 1997 c.541 §322; 1999 c.632 §1; 2001 c.104 §102; 2001 c.135 §3; 2003 c.235 §1; 2009 c.477 §4; 2011 c.473 §27]

RULE 150-294.311

Definition of Taxing Authority

(1) "Permanent Tax Rate" means the tax rate calculated by the Department of Revenue for the 1997-98 tax roll or as subsequently adjusted as provided for in ORS 310.246. In the case of districts that have never levied a tax, it is the tax rate adopted by voters as set out in Section 11(3)(c), and Section 11(8), Article XI of the Oregon Constitution.

(2) "Local Option Tax" means an ad valorem property tax that exceeds the limitation of the Article XI, Section 11, of the Oregon Constitution. The tax must be adopted by voters as set out in Section 11(4) and Section 11(8), Article XI of the Oregon Constitution.

(3) "Bond levy" means a levy for payment of bond principal and interest for general obligation bonds.

(4) "GAP Bond" means obligations which have been in existence since before December 5, 1996 as set out in Section 21(7)(a)(b)(c) of Chapter 541, Oregon Laws 1997. No new "GAP Bonds" can be created.

(5) "Local government pension and disability plan obligations that commit ad valorem property taxes" has the meaning set out in Section 11(5)(c), Article XI of the Oregon Constitution.

(6) "Urban Renewal Special Levy" means the amount an urban renewal agency can collect in addition to the amount collected by applying the rates of the taxing districts in the plan area to be increment value in the plan area in order to carry out the urban renewal program as set out in Section 34 of Chapter 541, Oregon Laws 1997. Hist.: RD 5-1985, f. 12-26-85, cert. ef. 12-31-85; RD 2-1994, f. 12-15-94, cert. ef. 12-31-94; REV 4-1998 f. & cert. ef. 6-30-98

Rule 150-310.311(6)

Definition of Budget Document

(1) The complete copy of the budget document filed with the county clerk under ORS 294.458 must include the following:

(a) A copy of the two notices of the budget committee meeting showing the dates published, or an affidavit of publication, accompanying a copy of the actual publications;

(b) A copy of the notice of budget hearing showing the date published, or an affidavit of publication, accompanying a copy of the actual publications;

(c) A copy of all of the budget detail sheets;

(d) A copy of the resolution statements or ordinance that adopt the budget, and make appropriations;

(e) If the district is imposing taxes on property subject to ad valorem property taxation, a copy of the resolution statement or ordinance that imposes the tax;

(f) If the district is imposing taxes on property subject to ad valorem property taxation, a copy of the resolution statement or ordinance that categorizes the tax for purposes of Article XI, section 11(b), of the Oregon Constitution;

(g) If the district is imposing taxes on property subject to ad valorem property taxation, a copy of the Notice of Property Tax Levy form;

(h) Sample ballots of any new ad valorem tax authority approved by the voters and being used for the first time by the district.

(2) The budget document may include any other document the district chooses to include. Hist.: REV 3-2001, f. 7-31-01, cert. ef. 8-1-01. Renumbered from 150-310.060(7), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

RULE 150-294.311(30)

Definition of Organizational Unit

As used in ORS 294.305 to 294.565, an organizational unit is an administrative subdivision of a municipal corporation accountable for specific services, functions, or activities.

Example 1: Cities may allocate expenditures within the general fund to organizational units such as: City Recorder, Police Department, Fire Department, Library, etc.

Example 2: Counties may allocate expenditures within the general fund to organizational units such as: Assessor's Office, Treasurer's Office, Clerk's Office, Health Department, etc.

Example 3: For municipalities other than cities or counties, the governing body may identify organizational units within the general fund by the responsibilities assigned, e.g., General Administration, Plant Maintenance, etc. Hist.: 12-1-77, Renumbered from 150-294.311(19); TC 18-1979, f. 12-20-79, cert. ef. 12-31-79, REV 4-1998, f. & cert. ef. 6-30-98, Renumbered from 150-294.311(23); Renumbered from 150-294.311(26) by REV 6-2003, f. & cert. ef. 12-31-03; REV 4-2004, f. 7-30-04 cert. ef. 7-31-04

294.316 Application. The provisions of ORS 294.305 to 294.565 do not apply to the following municipal corporations and entities:

(1) Drainage districts organized under ORS chapter 547;

(2) District improvement companies organized under ORS chapter 554;

(3) Highway lighting districts organized under ORS chapter 372;

(4) Irrigation districts organized under ORS chapter 545;

(5) Road districts organized under ORS chapter 371;

(6) Soil and water conservation districts organized under ORS chapter 568 that will not levy an ad valorem tax during the ensuing year or ensuing budget period;

(7) 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 or ensuing budget period;

(8) Housing authorities organized under ORS 446.515 to 446.547 and ORS chapter 456 that are not carrying out urban renewal activities using a division of ad valorem taxes under ORS 457.440 during the ensuing year or ensuing budget period;

(9) Water control districts organized under ORS chapter 553 that will not levy an ad valorem tax during the ensuing year or ensuing budget period;

(10) Hospital financing authorities organized under ORS 441.525 to 441.595;

(11) Export trading corporations organized under ORS 777.755 to 777.800;

(12) Diking districts organized under ORS chapter 551;

(13) Health districts organized under ORS 440.315 to 440.410; and

(14) Intergovernmental entities created under ORS 190.010, including councils of governments described in ORS 294.900 to 294.930, except that an intergovernmental entity or a council of governments that proposes to impose ad valorem property taxes for the ensuing year or budget period is subject to ORS 294.305 to 294.565 for the budget prepared for that year or period. [1963 c.576 §35; 1965 c.451 §1; 1979 c.621 §8a; 1979 c.686 §9; 1981 c.918 §5; 1983 c.200 §18; 1985 c.361 §1; 1999 c.632 §2; 2001 c.135 §4; 2001 c.251 §3; 2003 c.235 §2]

294.321 Purposes. The purposes of ORS 294.305 to 294.565 are:

(1) To establish standard procedures for the preparation, presentation, administration and appraisal of budgets of municipal corporations;

(2) To provide for a brief description of the programs of a municipal corporation and the fiscal policy which is to accomplish these programs;

(3) To provide for estimation of revenues, expenditures and proposed taxes;

(4) To provide specific methods for obtaining public views in the preparation of fiscal policy;

(5) To provide for the control of revenues and expenditures for the promotion of efficiency and economy in the expenditure of public funds; and

(6) To enable the public, taxpayers and investors to be apprised of the financial policies and administration of the municipal corporation in which they are interested. [1963 c.576 §2; 1997 c.308 §4; 1997 c.541 §323]

294.323 Budget period. (1) A municipal corporation, by ordinance, resolution or charter, may provide that the budget and budget documents for the municipal

corporation be prepared for a period of 24 months. Unless so authorized by ordinance, resolution or charter, a municipal corporation may not prepare a budget and budget documents for a period longer than one fiscal year.

(2) When the governing body of a municipal corporation prepares a biennial budget, the governing body shall certify to the assessor for each fiscal year of the budget period the ad valorem property tax amount or rate for the ensuing fiscal year. [2001 c.135 §2]

294.331 Budget officer. The governing body of each municipal corporation shall, unless otherwise provided by county or city charter, designate one person to serve as budget officer. The budget officer, or the person or department designated by charter and acting as budget officer, shall prepare or supervise the preparation of the budget document. The budget officer shall act under the direction of the executive officer of the municipal corporation, or where no executive officer exists, under the direction of the governing body. [1963 c.576 §5]

294.333 Basis of accounting used by municipal corporation; change of basis.

(1) A municipal corporation shall record its revenues and expenditures, on a fund by fund basis, using the cash basis, the modified accrual basis or the accrual basis of accounting, at the discretion of the municipal corporation.

(2) The basis of accounting used by a municipal corporation must be used in the current year or period and in each succeeding year or period until the basis is changed in a subsequent budget.

(3) A change in a municipal corporation's basis of accounting must be published as required under ORS 294.438. [Formerly 294.445]

294.338 Compliance with Local Budget Law required prior to expenditure or tax certification; exceptions.

(1) A municipal corporation may not expend money or certify to the assessor an ad valorem tax rate or

estimated amount of ad valorem taxes to be imposed in any year unless the municipal corporation has complied with ORS 294.305 to 294.565.

(2) Subsection (1) of this section does not apply to the expenditure of grants, gifts, bequests or devises transferred to a municipal corporation in trust for specific purposes or to other special purpose trust funds at the disposal of municipal corporations. A municipal corporation may not make an expenditure under this subsection unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditure.

(3) Subsection (1) of this section does not apply:

(a) To the extent that maintenance, repair or self-insurance reserves authorized by ORS 294.373 or nontax funds are available or may be made available; and

(b) If the governing body of a municipal corporation:

(A) Adopts an ordinance or resolution to appropriate excess expenditures for a specific purpose or purposes; and

(B)(i) Declares the existence of an occurrence or condition that could not have been foreseen at the time of the preparation of the budget for the current year or current budget period;

(ii) Could not have foreseen a pressing necessity for the expenditure at the time of the preparation of the budget for the current year or current budget period; or

(iii) Receives a request for services or facilities, the cost of which is supplied by a private individual, corporation or company or by another governmental unit necessitating a greater expenditure of public money for any specific purpose or purposes than the amount budgeted in order to provide the services for which the governing body of the municipal corporation was responsible.

(4) Subsection (1) of this section does not apply to the expenditure during the current year or current budget period of the proceeds of the sale of the following bonds, as defined in ORS 287A.001, or to the expenditure during the current year or current budget period of other funds to pay debt service on

those bonds:

(a) Bonds that are issued under ORS 287A.150 and for which the referral period described in ORS 287A.150 ended after the preparation of the budget of the current year or current budget period;

(b) Bonds that were approved by the electors during the current year or current budget period; or

(c) Bonds issued during the current year or current budget period to refund previously issued bonds or obligations.

(5) Subsection (1) of this section does not apply to:

(a) Expenditures of funds received from the sale of conduit revenue bonds or other borrowings issued for private business entities or nonprofit corporations by public bodies, as defined in ORS 287A.001, or the State of Oregon or to pay debt service on the bonds;

(b) Expenditures of funds that have been irrevocably placed in escrow for the purpose of defeasing and paying bonds;

(c) Expenditures of assessments or other revenues to redeem bonds that are payable from the assessments or other revenues, when the assessments or other revenues are received as a result of prepayments or other unforeseen circumstances; or

(d) Expenditures of funds that are held as debt service reserves for bonds if the expenditures are made to:

(A) Pay debt service on the bonds;

(B) Redeem the bonds; or

(C) Fund an escrow or trust account to defease or pay the bonds.

(6) Subsection (1) of this section does not apply to expenditures of funds received from assessments against benefited property for local improvements as defined in ORS 223.001 to the extent that the cost of the improvements is payable by owners of benefited property.

(7) Subsection (1) of this section does not apply to the expenditure of funds accumulated to pay deferred employee compensation.

(8) Subsection (1) of this section does not apply to refunds or the interest on refunds granted by counties under ORS 311.806.

(9) Subsection (1) of this section does not

apply to refunds received by a municipal corporation when purchased items are returned after an expenditure has been made. A municipal corporation may not make an expenditure under this subsection unless the governing body of the municipal corporation enacts appropriate appropriation ordinances or resolutions authorizing the expenditure.

(10) Subsection (1) of this section does not apply to a newly formed municipal corporation during the fiscal year in which it was formed. If a new municipal corporation is formed between March 1 and June 30, subsection (1) of this section does not apply to the municipal corporation during the fiscal year immediately following the fiscal year in which it was formed. [Formerly 294.326]

**RULE 150-294.338(2)
Budgeting Grants, Gifts, Bequests, and
Devises**

(1) All grants, gifts, bequests, and devises that have been partially received in a prior year must be included with the budget document. Similarly when the receipt and the amount of such items are known for the ensuing year, they also must be included although the grant, gift, bequest, or devise is for a specific purpose.

(2) Those grants, gifts, bequests, and devises for a specific purpose that have been received on a regular basis, that are expected to be received in the ensuing year, but the actual amount is uncertain, should be budgeted at an amount reasonably expected to be received. Monies received in amounts above those estimated in the budget document may be expended through the special provisions of ORS 294.338(2), after a resolution or ordinance providing the appropriation of such amounts is made. Those grants, gifts, bequests, and devises for a specific purpose that have not been received on a regular basis should also be included within the budget document where there exists a degree of certainty as to the receipt and amount for the ensuing year. Hist.: f. & cert. ef. 12/31/77; REV 4-1998, f. & cert. ef. 6-30-

98, Renumbered from OAR 150-294.326(2), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12

294.343 Internal service funds. (1) A municipal corporation may establish by ordinance or resolution one or more internal service funds. The ordinance or resolution creating the fund shall set forth in detail the following:

(a) The appropriation or appropriations to be charged in order to provide the initial money for financing the fund;

(b) The object or purpose of the fund;

(c) The methods for controlling of expenditures and encumbering of such funds; and

(d) The sources from which the fund shall be replenished.

(2) No person shall expend or encumber or authorize expenditure or encumbrance from funds created in accordance with subsection (1) of this section in excess of the balance of that fund, or for a purpose for which there is no appropriation or source of reimbursement authorized at that time.

(3) The anticipated expenditure for the ensuing year or ensuing budget period from an internal service fund created in accordance with subsection (1) of this section shall be budgeted as any other fund in accordance with ORS 294.305 to 294.565, appropriations shall be made for each internal service fund in accordance with ORS 294.456 and expenditures from the internal service fund shall be regulated thereby.

(4) Notwithstanding the limitations in ORS 294.305 to 294.565 applicable to increasing the appropriations of funds during the current year or current budget period, the governing body may increase appropriations of the internal service funds by ordinance or resolution.

(5) The charges for services shall be computed to cover all costs for such services and the charges shall be periodically revised to eliminate any element of profit or loss. [Formerly 294.470]

294.346 Reserve fund established without vote; review of need for reserve fund; unexpended balances; application to

system development charges. (1) Any municipal corporation, by ordinance or resolution of its governing body, may establish one or more reserve funds to hold moneys to be accumulated and expended for the purposes specified in ORS 280.050, without submitting the question of establishing the reserve fund to a vote of the electors. The municipal corporation may cause to be credited to any reserve fund all or any portion of the revenues derived from taxes levied under ORS 280.060 and any other taxes, charges or revenues as the governing body may determine. The municipal corporation may also limit the crediting of such taxes, charges or revenues to a reserve fund to a specific period of time designated by the governing body.

(2) Not less frequently than every 10th anniversary of the date upon which a reserve fund is established under subsection (1) of this section, the governing body of the municipal corporation shall review the reserve fund and determine whether the fund will be continued or abolished. When the governing body determines, by resolution, that it is no longer necessary to maintain such a reserve fund:

(a) Commencing with the next succeeding fiscal year, the political subdivision shall discontinue the levy of any taxes under ORS 280.060 that would otherwise be required to be credited to such fund; and

(b) There shall be transferred to the general fund or any other fund of the political subdivision that the governing body determines is appropriate:

(A) Any unexpended balance in the fund to be abolished that is not required to be held for subsequent expenditure for the purposes for which the fund was established; and

(B) Any subsequent receipts from tax levies that are otherwise required to be credited to such fund, together with any penalties and interest thereon.

(3) This section does not apply to system development charges imposed under ORS 223.297 to 223.314, and no system development charges shall be credited to any reserve fund established under this section. [Formerly 294.525]

RULE 150-294.346

Establishing a Financial Reserve Fund

Reserves funds under ORS 294.346 may be established only for those purposes set out in ORS 280.050; i.e., for the financing of a service, project, property or equipment which the municipal corporation is authorized to perform, construct or acquire and for repairs and improvements thereto and maintenance and replacement thereof. Reserves for undefined purposes or projects are not permitted. Hist.: REV 4-1999, f. 12-1-99, cert. ef. 12-31-99, Renumbered from 150-280.100. Renumbered from 150-294.525, REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

RULE 150-294.346-(A)

"Reserved for Future Expenditure" Requirement

(1) "Reserved for future expenditure" means a budget requirement which is not intended to be expended during the fiscal year or budget period in which it is budgeted. This requirement shows the amount a municipal corporation plans to "save" for future financing of a service, project, property or equipment which the municipal corporation is authorized to perform, construct or acquire.

(2) An amount reserved for future expenditure may be appropriated during the fiscal year or budget period if the situation meets the conditions for a supplemental budget outlined in ORS 294.471(1) or as otherwise authorized by law. Hist.: REV 4-1999, f. 12-1-99, cert. ef. 12-31-99, Renumbered from 150-280.100(A); REV 2-2002, f. 6-26-02, cert. ef. 6-30-02; REV 4-2011, f. 12-30-11, cert. ef. 1-1-12. Renumbered from 150-294.525-(A), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.353 Elimination of unnecessary fund; disposition of balance.

Subject to the provisions contained in the charter of any city or county or in any law relating to municipal corporations, when the necessity for maintaining any fund of the municipal corporation has ceased to exist and a balance remains in the fund, the governing body shall so declare by ordinance or other order and upon such declaration such balance shall forthwith be transferred to the general fund of the municipal corporation unless other provisions have been made in

the original creation of the fund. [Formerly 294.475]

294.358 Expenditure and resource estimate sheets; made part of budget document.

(1) The sheet or sheets containing the estimate of expenditures shall also show in parallel columns the actual expenditures for the two fiscal years next preceding the current year or the actual expenditures for the two budget periods preceding the current budget period, the estimated expenditures for the current year or current budget period and the estimated expenditures for the ensuing year or ensuing budget period.

(2) The sheet or sheets containing the estimate of budget resources shall also show in parallel columns the actual budget resources of the two fiscal years next preceding the current year or the actual budget resources for the two budget periods preceding the current budget period, the estimated budget resources for the current year or current budget period and the estimated budget resources for the ensuing year or ensuing budget period.

(3) The estimate sheets shall be made a part of the budget document. [Formerly 294.376]

RULE.150-294.358

Detail Sheets for Biennial Budgets

(1) The detail sheets containing the estimates of resources and expenditures for a biennial budget must show the total estimated expenditures for both years of the ensuing budget period.

(2) The detail sheets containing the estimates of resources and expenditures for a biennial budget must show actual expenditures for the two budget periods preceding the current period, the estimated expenditures for the current budget period, and the estimated expenditures for the ensuing budget period. For the first three budget periods after changing from a fiscal year budget period to a biennial budget period, the sheet should contain a mix of single year data and biennial data. The fiscal year data will appear in the columns that represent budget periods that occurred

before changing to biennial budgeting. This fiscal year data must not be "doubled" or "interpolated" to make it comparable to the data reported in the columns that represent biennial budget periods. Hist: REV 2-2002, f. 6-26-02, cert. ef. 6-30-02. Renumbered from 150-294.376, REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.361 Contents of estimate of budget resources.

(1) Each municipal corporation shall estimate in detail its budget resources for the ensuing year or ensuing budget period by funds and sources.

(2) Budget resources include but are not limited to:

(a) The balance of cash, cash equivalents and investments (in the case of a municipal corporation on the cash basis) or the net working capital (in the case of a municipal corporation on the accrual or modified accrual basis of accounting) that will remain in each fund on the last day of the current year or current budget period;

- (b) Taxes;
- (c) Fees;
- (d) Licenses;
- (e) Fines;
- (f) Interest on deposits or on securities of any kind;
- (g) Endowments;
- (h) Annuities;
- (i) Penalties;
- (j) Sales of property or other assets or products of any kind;
- (k) Delinquent taxes;
- (L) Judgments;
- (m) Damages;
- (n) Rent;
- (o) Premiums on sales of bonds;
- (p) Reimbursement for services, road or other work performed for others;
- (q) Transfer or reverter of unused balances of any kind;
- (r) Reimbursement for services provided other funds;
- (s) Rebates;
- (t) Refunds of moneys heretofore paid on any account;
- (u) Apportionment, grant, contribution, payment or allocation from the federal government, state government or any other

governmental units;

(v) Taxes for the ensuing year or ensuing budget period;

(w) Interfund revenue transfers; and

(x) Revenues from any and all other sources of whatsoever kind or character.

(3) Budget resources do not include:

(a) The estimate for the ensuing year or ensuing budget period of discounts under ORS 311.505.

(b) The estimate of uncollectible amounts of taxes, fees or charges for the ensuing year or ensuing budget period.

(c) Moneys accumulated under an approved employee deferred compensation plan and interest or investment returns earned on such moneys.

(d) Grants, gifts, bequests or devises transferred to a municipal corporation in trust for specific uses in the year of transfer. However, such grants, gifts, bequests or devises shall be included as budget resources if, by the time the budget committee approves the budget, the amount thereof that will be received in the ensuing year or ensuing budget period can be reasonably estimated. Such grants, gifts, bequests or devises may be placed in a trust and agency fund, to then be appropriated from such fund or funds.

(e) Amounts deducted from taxes pursuant to ORS 294.632. [1963 c.576 §10; subsection (4) enacted as 1965 c.604 §11; 1969 c.612 §3; 1977 c.102 §3; 1979 c.310 §4; 1997 c.308 §8; 1999 c.632 §4; 1999 c.1051 §268; 2001 c.135 §7; 2005 c.22 §223; 2009 c.477 §5; 2009 c.596 §9]

RULE 150-294.361(1)-(A)

Resources Are Not Required to Be Budgeted

Resources are not considered budget resources and are not required to be budgeted if the following three criteria are met:

(1) The municipal corporation holds the resources merely for safekeeping;

(2) Expenditure of resources is not under the control of the municipal corporation or a third party chosen by the municipal corporation; and

(3) The resources are expended for the purpose other than that for which the

municipal corporation levies a tax or expends funds.

(4) In addition, resources are not budgeted resources if the criteria of ORS 294.361(3) and 294.326(2) are met. Hist.: RD 9-1986, f. & cert. ef. 12-31-86; RD 5-1989, f. 12-18-89, cert. ef. 12-31-89, Renumbered from 150-294.361(1); RD 2-1995, f. 12-29-95, cert. ef. 12-31-95; REV 4-1998, f. & cert. ef. 6-30-98

RULE 150-294.361(1)-(B)

Negative Resources

A municipal corporation when estimating its budget resources shall not show negative amounts. Resource amounts should be the net amount that the municipal corporation anticipates to receive. Hist.: RD 5-1989, f. 12-18-89, cert. ef. 12-31-89

RULE 150-294.361(2)

Budget Resources

Budget resources of a county shall not include proceeds and interest arising under ORS 275.090 to 275.310 which will be distributed to any municipal corporation. However, any proceeds and interest distributed under ORS 275.090 to ORS 275.310 shall be considered a budget resource for the municipal corporation receiving the distribution, including the county. Hist.: RD 5-1985, f. 12-26-85, cert. ef. 12-31-85

294.368 Determination of estimated tax revenues.

(1) Each municipal corporation that has the power to levy an ad valorem property tax shall estimate, in the manner provided in this section, the amount of revenues that will be received in the ensuing year or ensuing budget period through the imposition of taxes upon the taxable property within the municipal corporation.

(2) Subject to the additional adjustments required under subsection (4) of this section, the estimated ad valorem taxes that will be received in the ensuing year or ensuing budget period shall not exceed the following:

(a) The amount derived by multiplying the estimated assessed value for the ensuing year or each fiscal year of the ensuing budget period of the taxable property within the municipal corporation, after boundary changes have been filed in final approved form with the county assessor and the

Department of Revenue as provided in ORS 308.225, by whichever of the following is applicable to the municipal corporation:

(A) The municipal corporation's permanent rate limit on operating taxes, as defined in ORS 310.202 (7); or

(B) The municipal corporation's statutory rate limit on operating taxes, as defined in ORS 310.202 (10).

(b) If the municipal corporation is authorized to levy a local option tax that was authorized by the electors as a dollar amount, the dollar amount of such local option tax that is authorized to be levied in the ensuing year or ensuing budget period.

(c) If the municipal corporation is authorized to levy a local option tax that was authorized by the electors as a tax rate, the amount derived by multiplying the authorized rate of such local option tax for the ensuing year or ensuing budget period by the estimated assessed value for the ensuing year or each fiscal year of the ensuing budget period of the taxable property within the municipal corporation.

(d) Subject to subsection (3) of this section, the municipal corporation's estimate of the amount required to pay the principal and interest on bonded indebtedness that is not subject to limitation under section 11 (11) or section 11b, Article XI of the Oregon Constitution.

(e) The municipal corporation's estimate of the amount required to repay taxing district bond obligations or pension and disability plan obligations described in section 11 (5), Article XI of the Oregon Constitution.

(3)(a) The estimate described in subsection (2)(d) of this section may include:

(A) An amount equal to the total of the payments on the principal and interest on bonded indebtedness that are due and payable in the fiscal period following the fiscal period for which the budget is being prepared and before a sufficient amount of property taxes to pay the bonded indebtedness are collected in that fiscal period, pursuant to ORS 294.398.

(B) Amounts to reimburse the municipal corporation for the payment of principal and

interest on exempt bonded indebtedness that the municipal corporation made from other moneys because collections of taxes levied for exempt bonded indebtedness were not sufficient to pay the exempt bonded indebtedness.

(b) If the bonded indebtedness is a tax credit bond or other bond that bears interest that is includable in gross income under the Internal Revenue Code, as amended and in effect on June 25, 2009, the payments described in paragraph (a) of this subsection may include deposits that the municipal corporation has agreed to make in a sinking fund that is dedicated to pay the bonded indebtedness.

(4) The amounts determined under subsection (2)(a), (b) and (c) of this section shall be reduced by an amount equal to the estimated amount of such taxes that will not be collected as a result of:

(a) The discounts allowed under ORS 311.505;

(b) The limits imposed under ORS 310.150 (3); and

(c) The failure of taxpayers to pay such taxes in the year for which they are levied.

(5)(a) The estimated ad valorem taxes determined in accordance with subsection (2)(a), (b) and (c) of this section, prior to adjustment by subsection (4) of this section, shall be used by the municipal corporation for purposes of complying with the requirements of ORS 310.060 (1).

(b) The amounts determined under subsection (2)(d) and (e) of this section shall, for purposes of complying with the requirements of ORS 310.060 (1), be increased by an amount equal to the estimated amount of taxes that will not be collected as a result of:

(A) The discounts allowed under ORS 311.505;

(B) The limits imposed under ORS 310.150 (3); or

(C) The failure of taxpayers to pay taxes in the year for which they are levied. [Formerly 294.381]

RULE 150-294.368(2)

Estimating Tax Revenue for Biennial Budgets

(1) When estimating the amount of tax revenue in a biennial budget, follow the procedure in ORS 294.368 for both years of the ensuing budget period and then add the two single-year amounts to get the biennial total.

(2) Each year during the biennial budget period, when certifying the tax levy for the ensuing year, use the single-year estimate for the corresponding year for the purposes of complying with ORS 310.060. Hist: REV 2-2002, f. 6-26-02, cert. ef. 6-30-02. Renumbered from 150-294.381(2), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.373 Reserving receipts from revenue-producing property or facility; deposit in special fund. (1) Any port or dock commission may reserve any portion of the receipts from any revenue-producing property or facility. Any city may reserve any portion of the receipts from any public utility operation of such city. Any such port, dock commission or city may reserve any proceeds from the sale of any such property for future maintenance, alteration, repair, equipment, relocation or replacement of such properties or facilities of the general nature and type from which the proceeds or receipts were received or for insurance funds or retirement pension funds, as the governing body may deem necessary or appropriate. However, if money is received from the sale of property that has been purchased with the proceeds from the sale of bonds or utility certificates, the governing body shall first apply the receipts from the sale of such property to the payment of any applicable outstanding bonded indebtedness before allocation of any portion of the receipts to a reserve fund.

(2) Moneys reserved under subsection (1) of this section shall be placed in a special fund or funds. [Formerly 294.366]

294.378 Certain interest to be included in budget; method. In the exercise of the authority granted by ORS 287A.180, 328.565 and 341.715, specific provision for interest must be contained in duly adopted budgets.

However, reporting of anticipated loan proceeds and related principal repayments within a particular fiscal year or budget period may be accomplished in narrative form or by footnoted schedules to the duly adopted budget and need not be included as a budgetary resource or requirement. Such narrative or footnoted disclosure must indicate that principal repayments are a liability of the applicable fund from which they are made. [Formerly 294.443]

294.383 Inclusions in accrued revenues of school, education service, community college and community college service districts using accrual basis of accounting; State School Fund grant calculations. (1) As used in this section, "extended ADMw" means:

(a) For a school district, the district extended ADMw as calculated under ORS 327.013.

(b) For an education service district, the sum of the extended ADMw of the school districts located within the territory of the education service district.

(2) Notwithstanding ORS 294.333, a school district or education service district that uses the accrual basis method of accounting may include as accrued revenues in the budget and financial statement of the school district or education service district, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal year. The amount accrued under this section may not be greater than the amount calculated under subsection (3)(b) or (c) of this section multiplied by the extended ADMw of the school district or education service district.

(3)(a) For each fiscal year, the Department of Education shall calculate the amount available in the State School Fund for grants and distributions to school districts and the amount available for grants and distributions to education service districts under ORS 327.008, 327.013 and 327.019 based on the appropriations and allocations made to the State School Fund for that fiscal year by the Legislative Assembly in regular session. The department may not include in the amount calculated to be available for

school districts and education service districts under this paragraph the amounts received by the Youth Corrections Education Program and the Juvenile Detention Education Program under ORS 327.026 from the State School Fund or amounts transferred to the Regional Educational Services Account as provided by ORS 327.009.

(b) The department shall calculate for school districts an amount equal to (the amount calculated under paragraph (a) of this subsection for school districts ÷ 12) ÷ the total statewide extended ADMw of all school districts.

(c) The department shall calculate for education service districts an amount equal to (the amount calculated under paragraph (a) of this subsection for education service districts ÷ 12) ÷ the total statewide extended ADMw of all education service districts.

(d) The department may adjust the calculations under this subsection based on current data for the factors used to calculate the State School Fund distribution to school districts and education service districts under ORS 327.008, 327.013 and 327.019.

(e) Notwithstanding paragraph (d) of this subsection, the department may not adjust the calculation under paragraph (a) of this subsection based on changes made to the appropriations or allocations to the State School Fund by the Legislative Assembly in special session or by rule of the Oregon Department of Administrative Services relating to allotting funds.

(4) Notwithstanding ORS 294.333, a community college district or community college service district that uses the accrual basis method of accounting may include as accrued revenues in the budget and financial statement of the community college district or community college service district, for any fiscal year, an amount from the next fiscal year that is to be received in the next fiscal year. The amount accrued under this section may not be greater than 25 percent of the amount the community college district or community college service district received as a Community College Support Fund grant

for the fiscal year for which the revenues are to be accrued. [Formerly 294.447]

294.388 Estimates and reconciliation of expenditures and other requirements; form and contents.

(1) Each municipal corporation shall prepare estimates of expenditures and other requirements for the ensuing year or budget period. The estimates must be reconciled so that the total amount of expenditures and other requirements in each fund equals the total amount of resources in the fund for the same period.

(2) Estimates required under subsection (1) of this section must be prepared by organizational unit or by program. For purposes of preparing the estimates, "organizational unit" does not apply to hospitals, school districts or education service districts.

(3) Estimates prepared by organizational unit pursuant to subsection (2) of this section must be detailed under separate object classifications of personnel services, materials and services and capital outlay. Separate estimates must be made for operating expenses and general capital outlays that cannot reasonably be allocated to an organizational unit and for special payments, debt service and interfund revenue transfers.

(4) Estimates prepared by program pursuant to subsection (2) of this section must be arranged for each activity of a program. Estimates under each activity must be detailed under separate object classifications of personnel services, materials and services and capital outlay. Separate estimates must be made for operating expenses and general capital outlays that cannot reasonably be allocated to an activity within a program and for special payments, debt service and interfund revenue transfers.

(5) Estimates of expenditures for personnel services must include for each organizational unit or activity the total budgeted cost of all officers and employees and the number of related full-time equivalent positions. Upon request, a municipal corporation shall make available the current

salary of each officer and employee, other than persons who receive an hourly wage or who are hired on a part-time basis. For the purpose of preparing a list of salaries, employees of like classification and salary range may be listed by the number of employees, the highest and lowest salaries and the total amount of all salaries, in each salary range.

(6) Debt service estimates must include separate amounts for principal and interest for each bond issue in each fund.

(7) The estimate for a fund may include an estimate for general operating contingencies. [Formerly 294.352]

RULE 150-294.388
Proposed Expenditures - Required Presentation

Proposed expenditures presented within a traditional budget or a program budget must be detailed fully by object of expenditure and as a minimum, be classified by organization unit or program, and categorized into the object classifications listed in ORS 294.388(3) and (4) or according to the classification of accounts approved by the Department of Revenue under ORS 294.393. Organizational unit has the same meaning as found in OAR 150-294.311(31). Hist.: 12-31-77, Renumbered from 150.294.351; TC 18-1979, f. 12-20-79, cert. ef. 12-31-79. Renumbered from 150-294.352, REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

RULE 150-294.388(1)-(A)
Governmental Fund Definitions

(1) For the purpose of this rule "fund" means 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.

(2) Municipal corporations organized and operated on a fund accounting system shall prepare estimates of expenditures for the ensuing year using the following types of funds:

(a) The General Fund -- To account for all financial resources except those required to be accounted for in another fund.

(b) Special Revenue Funds -- To account for the proceeds of specific revenue sources

(other than special assessments, expendable trusts, or for major capital projects) that are legally restricted to expenditure for specific purposes. Funds as defined in ORS 294.311(39) and ORS 280.040(2) are examples of special revenue funds.

(c) Capital Projects Funds -- To account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds).

(d) Debt Service Funds -- To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

(e) Special Assessment Funds -- To account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

(f) Enterprise Funds -- To account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(g) Internal Service Funds -- To account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

(h) Trust and Agency Funds -- To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include: (1) Expendable Trust Funds, (2) Nonexpendable Trust Funds, (3) Pension Trust Funds, and (4) Agency Funds.

(3) Estimates of expenditures and resources are not required to be budgeted if the following three criteria are met:

(a) The municipal corporation holds the resources merely for safekeeping;

(b) Expenditure of the resources is not under the control of the municipal corporation or a third party chosen by the municipal corporation; and

(c) The resources are expended for a purpose other than that for which the municipal corporation levies a tax or expends funds.

(4) Estimates of expenditures and resources are not budgeted if the criteria of ORS 294.361(3) and 294.338(2) are met.

(5) It is the intention of this administrative rule to adopt governmental fund definitions that are recognized as generally accepted governmental accounting principles. Hist.: RD 9-1986, f. & cert. ef. 12-31-86; REV 4-1998, f. & cert. ef. 6-30-98, Renumbered from 150-294.352(1). Renumbered from 150-294.352(1)-(A), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

RULE 150-294.352(1)-(B)

Estimate of Expenditures and Resources must Balance in Budget

(1) The district must construct its budget in such a manner that the total resources in a fund equal the total of expenditures and requirements for that fund.

(2) The total of all resources of the district must equal the total of all expenditures and all requirements for the district. Hist.: RD 5-1989, f. 12-18-89, cert. ef. 12-31-89

RULE 150-294.388(7)

General Operating Contingencies

(1) An estimate for general operating contingency may be included in any operating fund. The general operating contingency is not a fund, but an appropriation within a fund. This type of appropriation is allowed on the assumption that in the operation of any municipal corporation certain expenditures will become necessary which cannot be foreseen and planned in the budget.

(a) The estimate for a general operating contingency, like other budget estimates,

must be a good faith estimate. The estimate must be reasonable and based on past experience, comparable information, or through the use of risk analysis.

(b) The estimate for general operating contingencies must not be used to compensate for improper estimating practices in the preparation of the budget.

(2) A fund that finances an activity, the cost of which can be accurately estimated, must not include an appropriation for a general operating contingency.

Example 1: A debt service fund for general obligation bonds cannot include a general operating contingency. The requirements for a debt service fund are known at the time the budget is prepared. Therefore, there is no unknown or unascertainable aspect to the expenditures from the fund.

(3) A non-operating fund must not have an estimate for general operating contingencies.

Example 2: A reserve fund is used to save money for future expenditure. Since this is a type of nonoperating fund, it must not have an estimate for a general operating contingency.

4) An expenditure must not be made directly from the general operating contingency appropriation. The amount must be transferred from the general operating contingency appropriation to another existing appropriation. The general operating contingency is then reduced, and the appropriation in question is increased correspondingly.

(a) The amount, in aggregate, that may be transferred by resolution of the governing body during any fiscal year or budget period is limited to 15 percent of the total appropriations budgeted in the fund, per ORS 294.463(2).

(b) Total transfers may exceed 15 percent of the total appropriation budgeted in a fund following the adoption of a supplemental budget prepared for that purpose. See ORS 294.471 for the supplemental budget process.

Example 3: The General Fund has total appropriations in the amount of \$100,000, including a \$20,000 appropriation for the general operating contingency. Only \$15,000 of the general operating contingency may be transferred (by one or more transfers) by a resolution of the governing body. Any portion of the remaining \$5,000 can be transferred only through a supplemental budget. Hist.: 2-66; 12-67; RD 11-1984, f. 12-5-84, cert. ef. 12-31-84; REV 4-2004, f. 7-30-04 cert. ef. 7-31-04. Renumbered from 150-294.352(8), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.393 Preparation of estimates by school, education service and community college districts and by municipal corporations operating public utility or hospital. (1) Each school district and each education service district shall prepare the estimates of expenditures required under ORS 294.388 in accordance with the classification of revenue and expenditure accounts prescribed by the Department of Education in consultation with the Department of Revenue. The Department of Revenue is responsible for determining the district's compliance with this subsection.

(2) Each community college district shall prepare the estimates of expenditures required under ORS 294.388 in accordance with the classification of revenue and expenditure accounts prescribed by the Department of Community Colleges and Workforce Development in consultation with the Department of Revenue. The Department of Revenue is responsible for determining the district's compliance with this subsection.

(3) Notwithstanding ORS 294.388 (2), each municipal corporation that operates a public utility or hospital shall prepare estimates for the operations of each public utility or hospital in accordance with:

(a) The applicable generally accepted system of accounts for the operations; or

(b) The general system of accounts in ORS 294.305 to 294.565. [Formerly 294.356]

294.398 Estimate of unappropriated ending fund balance for each fund. A municipal corporation may include in its budget an estimate of unappropriated ending fund balance for each fund, for use in the

fiscal period following that for which the budget is being prepared. The estimate authorized by this section represents cash or net working capital which will be carried over into the year following the ensuing fiscal year or ensuing budget period for which the budget is being prepared. It shall not in any way reduce the cash balance or net working capital which becomes part of the budget resources provided in ORS 294.361 (1) to (3). The unappropriated ending fund balance authorized by this section shall become a budget resource at the close of the ensuing fiscal year or ensuing budget period for the succeeding year or budget period. Except as provided in ORS 294.338 (2) and 294.481, no appropriation or expenditure shall be made in the year or budget period for which the budget is applicable for the amount estimated pursuant to this section. [Formerly 294.371]

RULE 150-294.398

Unappropriated Ending Fund Balance

(1) A municipal corporation may include an estimate for unappropriated ending fund balance in its budget. This estimate is intended to provide the municipal corporation with the working capital or cash balance to finance activities for the period between July 1 of the ensuing fiscal year and the time when sufficient new revenues become available to meet cash flow needs of the fund. When calculating the amount of the unappropriated ending fund balance, the municipal corporation will determine the cash requirements of the ensuing fiscal year that must be met prior to the receipt of sufficient revenues. If all other resources estimated to be received during the same period are not sufficient to meet these needs an unappropriated fund balance may be budgeted. The maximum amount of cash or net working capital that may be budgeted as an unappropriated ending fund balance is the difference between the budget requirements except the unappropriated ending fund balance and the total resources of the fund.

(2) Unless unexpected expenditures result from civil disturbance, other calamity, or natural disaster defined in ORS 294.481, expenditure cannot be made from the

unappropriated ending fund balance in the year or budget period in which it is budgeted. Except for the specific conditions cited in ORS 294.481, no action may be taken through resolution, ordinance or supplemental budget to spend these monies. It is not necessary to include the unappropriated ending fund balance in the schedule of appropriations. Any amount carried over by reason of an unappropriated ending fund balance becomes a budget resource in the fiscal year or budget period following the one for which the unappropriated ending fund balance is being budgeted.

(3) For those municipal corporations that adopt a biennial budget, an unappropriated ending fund balance may be included to cover the cash requirements that must be met prior to the receipt of sufficient revenues only in the first year of the ensuing budget period. Cash requirements in the second year of a biennial budget must be estimated, budgeted, and appropriated. Hist.: 2-66; 12-67; TC 18-1979, f. 12-20-79, cert. ef. 12-31-79; RD 15-1982, f. 12-6-82, cert. ef. 12-31-82; RD 11-1984, f. 12-5-84, cert. ef. 12-31-84; REV 4-1998, f. & cert. ef. 6-30-98; REV 2-2002, f. 6-26-02, cert. ef. 6-30-02. Renumbered from 150-294.371, REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.403 Budget message. A budget message shall be prepared by or under the direction of the executive officer of the municipal corporation or, where no executive officer exists, by or under the direction of the presiding officer of the governing body. The budget message shall be delivered at a meeting of the budget committee as provided in ORS 294.426 (1). The budget message shall:

- (1) Explain the budget document;
- (2) Contain a brief description of the proposed financial policies of the municipal corporation for the ensuing year or ensuing budget period;
- (3) Describe in connection with the financial policies of the municipal corporation, the important features of the budget document;
- (4) Set forth the reason for salient changes from the previous year or budget

period in appropriation and revenue items;

(5) Explain the major changes in financial policy; and

(6) Set forth any change contemplated in the municipal corporation's basis of accounting and explain the reasons for the change and the effect of the change on the operations of the municipal corporation. [Formerly 294.391]

294.408 Time of making budget message and document. The budget message and budget document shall be prepared a sufficient length of time in advance to allow the adoption of the budget by the close of the current fiscal year or current budget period. [Formerly 294.396]

294.414 Budget committee. (1) Except as provided in ORS 294.423, the governing body of each municipal corporation shall establish a budget committee in accordance with the provisions of this section.

(2) The budget committee shall consist of the members of the governing body and a number, equal to the number of members of the governing body, of electors of the municipal corporation appointed by the governing body; 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; and if there are no electors willing to serve, the governing body shall be the budget committee.

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

(4) Appointive members of the budget committee may not be officers, agents or employees of the municipal corporation.

(5) Appointive members of a budget committee that prepares an annual budget shall be appointed for terms of three years. The terms shall be staggered so that, as near as practicable, one-third of the terms of the appointive members end each year.

(6) Appointive members of a budget committee that prepares a biennial budget shall be appointed for terms of four years.

The terms shall be staggered so that, as near as practicable, one-fourth of the terms of the appointive members end each year.

(7) If any appointive member is unable to serve the term for which the member was appointed, or an appointive member resigns prior to completion of the term for which the member was appointed, the governing body of the municipal corporation shall fill the vacancy by appointment for the unexpired term.

(8) If the number of members of the governing body is reduced or increased by law or charter amendment, the governing body of the municipal corporation shall reduce or increase the number of appointive members of the budget committee so that the number thereof shall be equal to but not greater than the number of members of the governing body. To effect a reduction, the governing body of the municipal corporation may remove such number of appointive members as may be necessary. The removals shall be made so that the number remaining will be divided into three, if the terms of the appointive members are governed by subsection (5) of this section, or four, if the terms of the appointive members are governed by subsection (6) of this section, equal or approximately equal groups as to terms. In case of an increase, additional appointive members shall be appointed for such terms so that they, together with the members previously appointed, will be divided into three or four, as appropriate under this section, equal or approximately equal groups as to terms.

(9) The budget committee shall at its first meeting after its appointment elect a presiding officer from among its members. [Formerly 294.336]

RULE 150-294.414

Quorum Necessary to Hold Meeting

A budget committee must have a quorum, or majority of the total membership of the committee, present in order to hold a meeting. To take any action requires the affirmative vote of a majority of the total budget committee membership. Majority is defined as one more than half unless otherwise specified by law. Hist.: RD 5-1989, f.

12-18-89, cert. ef. 12-31-89; REV 4-1998, f. & cert. ef. 6-30-98, Renumbered from OAR 150-294.336-(B). Renumbered from OAR 150-294.336-(B); Renumbered from 150-294.336, REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.423 Governing body of certain municipal corporations to be budget committee; exception.

(1) The governing body of each municipal corporation having a population exceeding 200,000 and that is located in a county having a tax supervising and conservation commission shall be the budget committee for the municipal corporation unless the governing body of the municipal corporation elects by resolution to create a budget committee as provided in ORS 294.414.

(2) The governing body of a city with a population of more than 400,000 is the budget committee of an urban renewal agency created by the city under ORS 457.035. [Formerly 294.341]

294.426 Budget committee meeting; notice; receipt of budget message and document; provision of copies of document.

(1) The budget committee established under ORS 294.414 shall hold one or more meetings for the following purposes:

(a) Receiving the budget message prepared under ORS 294.403 and the budget document; and

(b) Providing members of the public with an opportunity to ask questions about and comment on the budget document.

(2)(a) If a budget committee holds more than one meeting under subsection (1) of this section, the budget message and the budget document must be received at the first meeting.

(b) If the budget committee does not provide members of the public with an opportunity to ask questions about and comment on the budget document at the first meeting, the budget committee must provide the public with the opportunity at a subsequent meeting.

(3)(a) Except as provided in paragraph (b) of this subsection, the budget officer designated under ORS 294.331 shall publish prior notice of each meeting of the budget

committee held pursuant to subsection (1) of this section. The notice must contain the information described in subsection (4) of this section and must be published by one of the methods described in subsection (5) of this section.

(b)(A) If the budget committee holds more than one meeting for the purposes described in subsection (1) of this section, the budget officer may publish a combined notice for all the meetings.

(B) If the budget committee holds more than one meeting for the purpose described in subsection (1)(b) of this section, the budget officer may publish notice of only the first meeting. Notice of subsequent meetings may be given as provided in ORS 294.428 (2). If notice is published for a meeting under this subparagraph and it is subsequently determined that the meeting is unnecessary, notice of cancellation of the meeting must be published as provided in ORS 294.428 (2).

(4) The notice required under subsection (3) of this section must state:

(a) The purpose, time and place of the meeting or meetings and the place where the budget document is available;

(b) That the meeting is a public meeting where deliberations of the budget committee will take place; and

(c) If the meeting described in the notice is a meeting at which the budget committee will receive questions and comments from members of the public, that any person may ask questions about and comment on the budget document at that time.

(5)(a) If the notice required under subsection (3) of this section is published only by publication in a newspaper, the notice must be published at least two separate times, not more than 30 days before the meeting date and not less than five days before the meeting date.

(b) The notice may be published once in a newspaper, not more than 30 days before the meeting date and not less than five days before the meeting date, and once on the municipal corporation's Internet website, in a prominent manner and maintained on the website for at least 10 days before the meeting date. The newspaper notice must

contain the Internet website address at which the notice is posted.

(c) If the notice is published by mailing or hand delivery, the notice must be placed with the United States Postal Service or hand delivered not less than 10 days before the meeting date.

(6)(a) At any time before the first meeting required under subsection (1) of this section, the budget officer may provide one copy of the budget document to each member of the budget committee solely for the information and use of the individual members. The budget committee may not deliberate on the budget document as a body before the first meeting.

(b) If the budget officer does not provide copies of the budget document to the members of the budget committee under paragraph (a) of this subsection, the budget officer shall provide copies at the first meeting required under subsection (1) of this section.

(7) The budget officer shall file a copy of the budget document in the office of the governing body of the municipal corporation immediately following presentation of the budget document to the members of the budget committee under subsection (6) of this section. The copy is a public record of the municipal corporation.

(8) The governing body of the municipal corporation must provide to individuals upon request a copy of the budget document or the means of readily obtaining a copy of the budget document. [Formerly 294.401]

RULE 150-294.426(8)

Charging for Budget Document Copies

(1) The budget document of a municipal corporation becomes a public record as defined under ORS 192.410(4) at the time the proposed budget is filed with the office of the governing body. It remains a public record throughout the budget process and after adoption. Municipal corporation budget documents are not exempt from disclosure under Oregon law so they may be inspected by interested individuals. ORS 192.440 authorizes the custodian of any public record

to give a copy of the record to a person when requested.

(2) A municipal corporation may charge a fee for a copy of any version of the budget under ORS 192.440. Hist.: RD 5-1989, f. 12-18-89, cert. ef. 12-31-89; REV 4-1998, f. & cert. ef. 6-30-98. Renumbered from 150-294.401(7), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12

294.428 Budget committee hearings; approval of budget document. (1) The budget committee shall approve the budget document as submitted by the budget officer or the budget document as revised and prepared by the budget committee. The budget document as approved by the budget committee shall specify the ad valorem property tax amount or rate for all funds.

(2) In addition to the meetings held under ORS 294.426 (1), the budget committee may meet from time to time at its discretion. All meetings of the budget committee shall be open to the public. Except for a meeting of the budget committee held under ORS 294.426 (1), prior notice of each meeting of the budget committee shall be given at the same time as is required for notice of meetings of the governing body of the municipal corporation and may be given in the same manner as notice of meetings of the governing body or by any one or more of the methods described in ORS 294.311 (35).

(3) The budget committee may demand and receive from any officer, employee or department of the municipal corporation any information the committee requires for the revision and preparation of the budget document. The budget committee may compel the attendance of any such officer or employee at its meetings. [Formerly 294.406]

294.431 Submission of budget document to tax supervising and conservation commission before date of public hearing.

(1) A municipal corporation that has a population not exceeding 200,000, is located in a county having a tax supervising and conservation commission, has not made an election under ORS 294.625 (2) and has not submitted its approved budget document to the tax supervising and conservation commission for a public hearing pursuant to

ORS 294.453 (3) shall submit its approved budget document to the tax supervising and conservation commission in the county at least 30 days before the date of the public hearing in accordance with ORS 294.453.

(2) A municipal corporation that has a population exceeding 200,000, or a municipal corporation that has a population not exceeding 200,000, has not made an election under ORS 294.625 (2) and requests the tax supervising and conservation commission to conduct the public hearing described in ORS 294.453, shall submit its approved budget document to the tax supervising and conservation commission in the county at least 20 days before the date of the public hearing in accordance with ORS 294.453.

(3) If the real market value of all property subject to taxation by a municipal corporation in a county having a tax supervising and conservation commission is greater than the real market value of all property subject to taxation by the municipal corporation in any other county, the municipal corporation shall submit its approved budget document to the tax supervising and conservation commission pursuant to subsection (1) or (2) of this section. As used in this subsection, "real market value" means the real market value computed according to ORS 308.207 from the assessment rolls last in the process of collection.

(4) Upon timely application in writing by a municipal corporation, a tax supervising and conservation commission may for good cause allow the municipal corporation to submit its approved budget document later than required under subsections (1) and (2) of this section. [Formerly 294.411]

294.433 Format for notices and summaries. Format for publication of notices and summaries required by ORS 294.438 shall be prescribed by the Department of Revenue. [Formerly 294.413]

294.438 Publication of notice of meeting, financial summary and budget summary; requirements of financial summary and notice of meeting; rules. (1) Not more than 30 days and not less than five days before

the meeting of the governing body of a municipal corporation under ORS 294.453, a notice of the meeting and a financial summary of the budget as approved by the budget committee and compared with the actual expenditures and budget resources of the preceding year or preceding budget period and the budget summary of the current year or current budget period must be published at least once. The notice and financial summary may be published in accordance with forms prescribed by the Department of Revenue or in a narrative format that includes all the information required under subsections (2) to (8) of this section.

(2) Except as provided in ORS 294.441, the financial summary required under subsection (1) of this section must state separately the total amount of resources included in the budget in each of the following categories:

(a) Beginning fund balance or net working capital;

(b) Income from fees, licenses, permits, fines, assessments and all other service charges imposed by the municipal corporation;

(c) Property taxes approved by the budget committee for the ensuing year, or as increased by the governing body of the municipal corporation as provided in ORS 294.456;

(d) Federal, state and other grants, gifts, allocations and donations;

(e) Proceeds from bonds and other borrowings;

(f) Interfund revenue transfers and reimbursements for internal services; and

(g) The total of all other budget resources.

(3) Except as provided in ORS 294.441, the financial summary required under subsection (1) of this section must state separately the total amount of expenditures and other requirements included in the budget in each of the following categories:

(a) Personnel services;

(b) Materials and services;

(c) Capital outlay;

(d) Debt service;

(e) Special payments;

(f) Interfund revenue transfers;

(g) Operating contingencies; and

(h) Unappropriated ending fund balance and reserves.

(4)(a) Except as provided in ORS 294.441, the financial summary required under subsection (1) of this section must state the estimated total amount of expenditures and other requirements and the estimated total number of employees stated in full-time equivalent positions for the ensuing year or ensuing budget period for each organizational unit or program of the municipal corporation.

(b) For purposes of this subsection, "organizational unit" does not apply to hospitals.

(5)(a) The financial summary required under subsection (1) of this section must describe in narrative format the prominent changes from the current year or current budget period in the activities and financing of the major organizational units or major programs.

(b) For purposes of this subsection, "organizational unit" does not apply to hospitals.

(6) The financial summary required under subsection (1) of this section must state the municipal corporation's operating tax rate or amount and the rate or amount of all other ad valorem property taxes to be certified to the assessor, including separate rates or amounts for local option taxes and ad valorem property taxes for meeting payments on bond principal and interest and for meeting other obligations of the municipal corporation described in section 11 (5), Article XI of the Oregon Constitution. Tax rates must be stated as a rate per thousand dollars of assessed value.

(7) The following statements must be published with the financial summary required under subsection (1) of this section:

(a) A classified statement of outstanding indebtedness excluding indebtedness that has been defeased as provided in ORS 287A.195; and

(b) A classified statement of all indebtedness authorized but not incurred.

(8) The meeting notice required under subsection (1) of this section must:

(a) State the time and place of the budget hearing at which the approved budget document may be discussed with the governing body of the municipal corporation;

(b) State the place where the complete budget document is available during regular business hours for inspection by the general public and where and when copies of the complete budget document may be obtained;

(c) State that the budget has been prepared in accordance with the basis of accounting used in the preceding year or preceding budget period unless a change in the basis of accounting is anticipated; and

(d) If a change in the basis of accounting is to be made, explain the change and the effects of the change.

(9) The Department of Revenue may adopt rules to implement the provisions of this section. [Formerly 294.416]

RULE 150-294.438 Reporting Historical Data for Published Budget Summaries

(1) For purposes of complying with ORS 294.438, the published budget summary for a biennial budget must show the total amount of estimated budget resources and expenditures for both years of the ensuing biennial budget period as approved by the budget committee.

(2) The summary of the ensuing biennial budget must be compared to the actual expenditures and budget resources of the most recent preceding budget period and to the estimates for the current budget period.

(3) When changing from a fiscal year budget to a biennial budget, there will be several budget periods in which the published budget summary contains a mix of single year data and two-year biennial data. This fiscal year data must not be "doubled" or "interpolated" to make it comparable to the data reported in the columns that represent biennial budget periods. Hist: REV 2-2002, f. 6-26-02, cert. ef. 6-30-02. Renumbered from 150-294.416, REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.441 Requirements for financial summaries of school, education service

and community college districts. (1) For a school district or an education service district, the financial summary required under ORS 294.438 (1) must state separately the total amount of resources included in the budget in each of the following categories:

(a) Beginning fund balance;

(b) Property taxes other than local option taxes;

(c) Local option taxes;

(d) Local sources;

(e) Intermediate sources;

(f) State sources;

(g) Federal sources;

(h) Interfund revenue transfers; and

(i) The total of all other budget resources.

(2) For a school district or an education service district, the financial summary required under ORS 294.438 (1) must state separately the total amount of expenditures and other requirements included in the budget in each of the following objects:

(a) Salaries;

(b) Associated payroll cost;

(c) Purchased services;

(d) Supplies and materials;

(e) Capital outlay;

(f) Other objects other than debt service;

(g) Debt service;

(h) Interfund transfers;

(i) Operating contingencies; and

(j) Unappropriated ending fund balance and reserves.

(3) For a school district or an education service district, the financial summary required under ORS 294.438 (1) must state separately the total amount of expenditures and other requirements and the total number of employees stated in full-time equivalent positions included in the budget in each of the following functions:

(a) Instruction;

(b) Support services;

(c) Enterprise and community services;

(d) Facilities acquisition and construction;

(e) Other uses other than debt service and interfund transfers;

(f) Debt service;

(g) Interfund transfers;

(h) Operating contingencies; and

(i) Unappropriated ending fund balance and reserves.

(4) For a community college district, the financial summary required under ORS 294.438 (1) must state separately the total amount of resources included in the budget in each of the following categories:

- (a) Beginning fund balance;
- (b) Property taxes other than local option taxes;
- (c) Local option taxes;
- (d) Tuition and fees;
- (e) Other local sources;
- (f) State sources;
- (g) Federal sources;
- (h) Interfund revenue transfers; and
- (i) The total of all other budget resources.

(5) For a community college district, the financial summary required under ORS 294.438 (1) must state separately the total amount of expenditures and other requirements included in the budget in each of the following objects:

- (a) Salaries;
- (b) Materials and services;
- (c) Financial aid;
- (d) Capital outlay;
- (e) Debt service;
- (f) Other requirements;
- (g) Transfers;
- (h) Operating contingencies; and
- (i) Unappropriated ending fund balance and reserves.

(6) For a community college district, the financial summary required under ORS 294.438 (1) must state separately the total amount of expenditures and other requirements and the total number of employees stated in full-time equivalent positions included in the budget in each of the following functions:

- (a) Instruction;
- (b) Instructional support;
- (c) Student services other than student loans and financial aid;
- (d) Student loans and financial aid;
- (e) Community services;
- (f) College support services other than facilities acquisition and construction;
- (g) Facilities acquisition and construction;
- (h) Interfund transfers;
- (i) Other objects;
- (j) Operating contingencies; and

(k) Unappropriated ending fund balance and reserves. [2011 c.473 §10]

294.444 County budget summary of revenues and expenditures funded in part by state resources.

County budgets must contain a summary of revenues and expenditures for major programs funded in part by state resources. The summary must include, at a minimum, functions related to assessment and taxation, community corrections, district attorneys, juvenile corrections and probation, public health, mental health and chemical dependency, veterans' services, roads and economic development. The summary must provide the total expenses for each program and identify the revenues used to fund the program from general county resources, state grants, federal grants, video lottery resources and other resources as applicable. The summary must include the revenues and expenditures in the adopted budget, revenues and expenditures in the prior year's adopted budget, and actual revenue and expenditure data from the two previous years. [Formerly 294.419]

294.448 Manner of publication; alternative requirements in certain cases.

(1) If no newspaper is published in a municipal corporation the aggregate estimated budget expenditures of which do not exceed \$100,000 for the ensuing fiscal year or \$200,000 for the ensuing budget period, the municipal corporation may post the notice of the meeting and financial summary of the budget required under ORS 294.438 (1) in three conspicuous places in the municipal corporation for at least 20 days before the date of the meeting required under ORS 294.453.

(2) Notwithstanding ORS 294.438, a municipal corporation having a population exceeding 200,000 and located in a county having a tax supervising and conservation commission or a municipal corporation having a population not exceeding 200,000 that has not made an election under ORS 294.625 (2) and that requests the tax supervising and conservation commission to

conduct the public hearing described in ORS 294.453 shall, not less than five days and not more than 30 days before the date of the meeting required under ORS 294.453, publish a notice stating:

(a) The date, time and place of the meeting required under ORS 294.453;

(b) The place where the complete budget document is available during regular business hours for inspection by the general public;

(c) Total budget requirements and taxes to be levied;

(d) Changes in the amount or rate of proposed ad valorem property taxes; and

(e) The place where copies of the complete budget or parts of the complete budget may be obtained. [Formerly 294.421]

294.451 Sufficiency of publication of budget documents; notice to governing body and assessor of publication error.

(1) When a notice, budget summary or other document is required to be published under any provision of ORS 294.305 to 294.565, publication of the document shall be considered sufficient for all purposes if a good faith effort is made by the budget officer of the municipal corporation to publish by any one or more of the methods described in ORS 294.311 (35), notwithstanding any defect in the publication, including but not limited to:

(a) Typographical or scriveners' errors in the published material;

(b) Failure of the published materials to be mailed or hand delivered to each street and postal mailing address within the jurisdictional boundaries of the municipal corporation;

(c) Arithmetic errors in computing numerical information, including tax levies or tax rates;

(d) Calculations of ad valorem property taxes not made in accordance with the applicable requirements of law; or

(e) Failure to publish within the time periods required by law.

(2) At the first regularly scheduled meeting of the governing body of the municipal corporation that is held following the discovery of any publication error

described in subsection (1)(a), (c) or (d) of this section, the budget officer shall advise the governing body in writing of the error and shall correct the error by testimony before the governing body at the meeting. If the error relates to the calculation of ad valorem property taxes, the budget officer shall immediately notify the county assessor of the error in writing, identifying the correct ad valorem property tax. [Formerly 294.425]

294.453 Hearing by governing body on budget document as approved by budget committee; alternative procedure in certain cases.

(1) Except as provided in subsections (2) and (3) of this section, the governing body of a municipal corporation shall meet at the time and place designated in the notice of meeting required under ORS 294.438 for the purpose of holding a public hearing on the budget document as approved by the budget committee. At the meeting any person may appear for or against any item in the approved budget document.

(2) A municipal corporation having a population exceeding 200,000 and located in a county having a tax supervising and conservation commission shall submit its budget document to the tax supervising and conservation commission of the county under ORS 294.431 (2). The governing body of the municipal corporation or its representatives shall meet with the taxpayers of the municipal corporation at a public hearing to be called and conducted by the tax supervising and conservation commission.

(3) A municipal corporation that has a population not exceeding 200,000 and is located in a county having a tax supervising and conservation commission may submit its approved budget document to the tax supervising and conservation commission of the county under ORS 294.431 (1) for a public hearing. The governing body of the municipal corporation or its representatives shall meet with the taxpayers of the municipal corporation at a public hearing to be called and conducted by the tax supervising and conservation commission. [Formerly 294.430]

RULE 150-294.453(1)

Quorum Necessary to Hold Meeting

To hold a budget hearing there must be a quorum, or majority of the total governing board membership present. To take any action requires the affirmative vote of a majority of the total governing board. Majority is defined as one more than half unless otherwise specified by law. Hist.: RD 5-1989, f. 12-18-89, cert. ef. 12-31-89. Renumbered from 150-294.430(1), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.456 Governing body to adopt budget, make appropriations, declare and categorize property tax amount or rate; amendment of budget estimates, appropriations and tax amounts or rates limited; requirements for appropriations and tax amounts or rates.

(1)(a) After the public hearing required under ORS 294.453 (1) and consideration of matters discussed at the public hearing, the governing body of a municipal corporation shall enact the ordinances or resolutions necessary to adopt the budget, to make the appropriations, to determine, make and declare the ad valorem property tax amount or rate to be certified to the assessor for either the ensuing year or each of the years of the ensuing budget period and to itemize and categorize the ad valorem property tax amount or rate as required under ORS 310.060.

(b) The governing body may amend the budget estimates and proposed ad valorem property tax amount or rate in the budget document before adoption under paragraph (a) of this subsection and after adoption if the post-adoption amendments are adopted prior to the commencement of the fiscal year or budget period to which the budget relates.

(c) Notwithstanding paragraph (b) of this subsection, unless the amended budget document is republished pursuant to ORS 294.438 or 294.448 in the same manner as the original budget and another public hearing is held pursuant to ORS 294.453 (1), or except to the extent ad valorem property taxes may be increased under ORS 294.476:

(A) The amount of estimated expenditures for each fund in an annual budget may not be increased by more than

\$5,000 or 10 percent of the estimated expenditures, whichever is greater;

(B) The amount of estimated expenditures for each fund in a biennial budget may not be increased by more than \$10,000 or 10 percent of the estimated expenditures, whichever is greater; and

(C) The amount or rate of the total ad valorem property taxes to be certified by the municipal corporation to the assessor may not exceed the amount approved by the budget committee.

(2)(a) After a public hearing under ORS 294.453 (2) or (3), receipt of the certification of the tax supervising and conservation commission, if required, and consideration of any orders, recommendations or objections made by the tax supervising and conservation commission in accordance with law, the governing body of a municipal corporation shall enact the ordinances or resolutions necessary to adopt the budget, to make the appropriations, to determine, make and declare the ad valorem property tax amount or rate for either the ensuing fiscal year or each of the fiscal years of the ensuing budget period and to itemize and categorize the ad valorem property tax amount or rate as required under ORS 310.060.

(b) The action taken by the governing body under paragraph (a) of this subsection on each order, recommendation or objection made by the commission, with the reasons for the action, must be included in the ordinance or resolution adopting the budget.

(c) The governing body shall send a certified copy of the ordinance or resolution to the commission within 15 days after the date the ordinance or resolution is adopted.

(d) The governing body may amend the budget estimates, appropriations and ad valorem property tax amount or rate in the budget document before adoption under paragraph (a) of this subsection and after adoption if the post-adoption amendments are adopted prior to the commencement of the fiscal year or budget period to which the budget relates.

(e) Notwithstanding paragraph (d) of this subsection, unless the amended budget

document is resubmitted to the tax supervising and conservation commission for another public hearing and for recommendations or objections of the commission, or except to the extent ad valorem property taxes may be increased under ORS 294.476:

(A) The amount of estimated expenditures for each fund in an annual budget may not be increased by more than \$5,000 or 10 percent of the estimated expenditures, whichever is greater;

(B) The amount of estimated expenditures for each fund in a biennial budget may not be increased by more than \$10,000 or 10 percent of the estimated expenditures, whichever is greater; and

(C) The amount or rate of the total ad valorem property taxes to be certified by the municipal corporation to the assessor may not exceed the amount shown in the budget document at the time of the budget hearing.

(3)(a) Except as provided in subsections (4) and (5) of this section, the appropriations required under subsections (1) and (2) of this section must contain:

(A) One amount for each organizational unit or program of each fund that is the total of all amounts for personnel services, materials and services and capital outlay attributable to the organizational unit or program; and

(B) Separate amounts in each fund for operating expenses for personnel services, materials and services and capital outlay that cannot be allocated to a particular organizational unit or program and for debt service, special payments, interfund revenue transfers and operating contingencies.

(b) Separate amounts for activities within an organizational unit or program may be appropriated separately.

(c) For a municipal corporation to which the terms "organizational unit" and "program" do not apply, the appropriations must contain separate amounts for personnel services, materials and services, capital outlay, debt service, special payments, interfund revenue transfers and operating contingencies for each fund.

(4) For a school district or an education service district, the appropriations required

under subsections (1) and (2) of this section must contain separate amounts in each major fund for each major function, as prescribed by the Department of Education in consultation with the Department of Revenue, including instruction, support services, enterprise and community services, facilities acquisition and construction, interfund revenue transfers, debt service and operating contingencies.

(5) For a community college district, the appropriations required under subsections (1) and (2) of this section must contain separate amounts in each fund for:

(a) Each major function, as prescribed by the Department of Community Colleges and Workforce Development in consultation with the Department of Revenue, including instruction, instructional support, student services, community services, college support services, interfund transfers, debt service and operating contingencies;

(b) Each major function as required under subsection (4) of this section; or

(c) Each program or each object classification required under subsection (3) of this section.

(6) Except as provided in ORS 294.338, 294.463, 294.466, 294.471, 294.473 and 294.478, after the governing body has enacted the ordinances or resolutions necessary to adopt the budget as required under this section, an expenditure, or encumbrance if encumbrance accounting is used, of public money may not be made for any purpose in an amount greater than the amount appropriated.

(7) The governing body of a municipal corporation shall record the amount or rate of ad valorem property taxes to be certified and the purposes for which the taxes will be used. Except as provided in ORS 294.476, the municipal corporation may not certify ad valorem property taxes in an amount or rate greater than the amount or rate recorded for the purposes indicated.

(8)(a) The governing body of a municipal corporation shall determine, make and declare ad valorem property taxes under subsections (1) and (2) of this section as a rate per \$1,000 of assessed value if the taxes are operating taxes or rate-based local

option taxes.

(b) The governing body shall determine, make and declare ad valorem property taxes under subsections (1) and (2) of this section as an amount if the taxes are certified as amount-based local option taxes, to pay principal and interest on exempt bonded indebtedness or to pay other government obligations described in section 11 (5), Article XI of the Oregon Constitution. [Formerly 294.435]

**RULE 150-294.456(1)-(A)
Property Taxes Certified**

(1) The amount or rate of any property tax proposed to be certified by a municipal corporation which is subject to Local Budget Law cannot exceed the amount or rate approved by the budget committee. The budget committee must approve the amount or the rate of each tax to be lawfully certified to the assessor. Any portion of the certified tax exceeding the amount or the rate approved by the budget committee that was not included in a budget summary republished as required by ORS 294.456(1)(c) will not be extended by the assessor on the assessment roll except as provided in 294.476.

(2) The budget committee of a municipal corporation which is subject to Local Budget Law that adopts a biennial budget must approve the total amount or the rate of each tax to be certified each year. Taxes must be certified in each year of the budget period. Any portion of the certified tax exceeding the amount or the rate approved by the budget committee for either year of the budget period that was not included in a republished budget summary will not be extended by the assessor on the assessment roll except as provided in ORS 294.476.

(3) The budget document must include a complete detail of proposed expenditures requiring levy of property taxes. Hist.: 2-69; TC 10-1978, f. 12-5-78, cert. ef. 12-31-78, Renumbered from 150-294.435; REV 4-1998, f. & cert. ef. 6-30-98; REV 2-2002, f. 6-26-02, cert. ef. 6-30-02; REV 17-2008, f. 12-26-08, cert. ef. 1-1-09; REV 4-2011, f. 12-30-11, cert. ef. 1-1-12. Renumbered from 150-294.435(1)-(A), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

RULE 150-294.456(1)-(C)

Publishing of Amended Budget Document

When publishing an amended budget document, the governing body must include the following information using the same publishing procedures as the original summary described under ORS 294.448:

(1) The date, time, and place of the hearing on the amended budget.

(2) The place and times the amended budget document is available for inspection.

(3) A financial summary of the total budget described in ORS 294.438, as amended by the governing body.

(4) A reference to the date and publication that the budget as approved by the budget committee was originally published. For example: "To review the budget as approved by the budget committee prior to this amendment, see page 5 in the May 1, 2003, edition of the Beach Bugle. Hist.: REV 6-2003, f. & cert. ef. 12-31-03; REV 4-2011, f. 12-30-11, cert. ef. 1-1-12. Renumbered from 150-294.435(1)-(C), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

**RULE 150-294.456(3)
Manner of Appropriations**

(1) Funds must be appropriated by organizational unit or program. For funds that are not broken down by organizational units or programs, appropriations must be made by personnel services, materials and services, capital outlay, debt service, special payments, interfund revenue transfers, and operating contingencies for the fund.

(2) When adopting a biennial budget the appropriated amount is the total for the fund for both years of the ensuing budget period.

(3) When adopting an annual budget the appropriated amount is the total for the ensuing fiscal year. Hist.: 12-31-77; TC 10-1978, f. 12-5-78, cert. ef. 12-31-78, Renumbered from 150-294.435; TC 18-1979, f. 12-20-79, cert. ef. 12-31-79; REV 2-2002, f. 6-26-02, cert. ef. 6-30-02. Renumbered from 150-294.435(3), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.458 Filing copy of budget and certain documents with county assessor and Department of Revenue; records.

(1) On or before July 15 of each year, or upon such

other date as the Department of Revenue shall designate, each civil subdivision in the state that does not levy an ad valorem property tax, that is subject to the Local Budget Law and that prepares an annual budget shall file with the Department of Revenue a copy of the resolution adopting the budget and of the resolution making appropriations.

(2) On or before July 15 of the first fiscal year of the budget period, or upon such other date as the Department of Revenue designates, each civil subdivision in the state that does not levy an ad valorem property tax, that is subject to the Local Budget Law and that prepares a biennial budget shall file with the Department of Revenue a copy of the resolution adopting the budget and of the resolution making appropriations.

(3) Each municipal corporation subject to the Local Budget Law that certifies an ad valorem property tax shall file with the county assessor as provided in ORS 310.060:

(a) Two copies each of the notice required under ORS 310.060 and the categorization certification.

(b) Two copies of a statement confirming the ad valorem property taxes approved by the budget committee.

(c) Two copies each of the ordinances or resolutions to adopt the budget, to make the appropriations, to itemize and categorize the taxes and to certify the taxes.

(4) As soon as the county assessor receives the documents listed in subsection (3) of this section, the county assessor shall forward one copy of each document to the Department of Revenue.

(5)(a) Not later than September 30 of each year, a municipal corporation that certifies a tax on property under ORS 310.060 shall provide a complete copy of the budget document of the municipal corporation to the clerk of the county in which the principal office of the taxing district is located and, if the taxing district is located in more than one county, to the clerk of each county in which any part of the taxing district is located.

(b) Notwithstanding paragraph (a) of this subsection, a municipal corporation located in a county in which there is no county clerk

shall submit the budget document to the county assessor in the county.

(c) Notwithstanding paragraphs (a) and (b) of this subsection, a municipal corporation that is subject to the jurisdiction of a tax supervising and conservation commission under ORS 294.625 shall submit a copy of the budget document to the commission.

(6)(a) Each civil subdivision and municipal corporation that is subject to the Local Budget Law shall retain a true copy of its budget:

(A) If an annual budget is prepared, for two years following the end of the fiscal year; or

(B) If a biennial budget is prepared, for two budget periods following the end of the budget period for which the biennial budget was prepared.

(b) During the period of retention, the civil subdivision or municipal corporation shall send a copy of the budget to the county assessor, the Department of Revenue or the Division of Audits upon request. [Formerly 294.555]

RULE 150-294.458(3)-(A)

Documents to File When Certification Cannot Be Certified By July 15

(1) In those instances where the municipal corporation cannot certify to the assessor by July 15, the municipal corporation shall submit, to the county assessor, a written request for an extension stating the reason for request.

(2) Not later than the extension date granted by the assessor, the municipal corporation shall file two copies of the following documents with the county assessor, and where required, one copy with the Tax Supervising and Conservation Commission:

(a) Notice of categorization and certification, (LB-50, UR-50 or ED-50);

(b) The final resolution or ordinance adopting the budget, making the appropriations, and declaring and categorizing the tax for each fund;

(c) Sample ballots of all local option tax levies recently approved by the voters to be imposed for the first time; and

(d) Sample ballots of all newly established permanent rates approved by the voters and

to be imposed for the first time. Hist.: TC 10-1978, f. 12-5-78, cert. ef. 12-31-78, Renumbered from 150-294.555; TC 18-1979, f. 12-20-79, cert. ef. 12-31-79; RD 11-1984, f. 12-5-84, cert. ef. 12-31-84; RD 5-1985, f. 12-26-85, cert. ef. 12-31-85; RD 12-1987, f. 12-18-87, cert. ef. 12-31-87; RD 9-1990, f. 12-20-90, cert. ef. 12-31-90; REV 4-1998, f. & cert. ef. 6-30-98. Renumbered from 150-294.555(2)-(A), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

RULE 150-294.458(3)-(B)
Budget Certification Document to Be Submitted

(1) Local governments imposing a tax on property shall submit two copies of the following documents to the assessor's office:

(a) The resolution statements that adopt the budget, make appropriations, categorize the tax and levy the taxes.

(b) The notice of property tax certification form (LB-50, UR-50 or ED-50).

(c) Voter approved ballot measures for new local option taxes.

(d) Voter approved ballot measure for the establishment of a permanent rate.

(2) Local governments that do not levy an ad valorem tax but are subject to Local Budget Law (ORS 294.305 to 294.565) shall file directly with the Oregon Department of Revenue a copy of the resolution adopting the budget and making appropriations. Hist.: RD 5-1989, f. 12-18-89, cert. ef. 12-31-89; RD 9-1990, f. 12-20-90, cert. ef. 12-31-90; RD 8-1992, f. 12-29-92, cert. ef. 12-31-92; RD 2-1994, f. 12-15-94, cert. ef. 12-31-94; REV 4-1998, f. & cert. ef. 6-30-98. Renumbered from 150-294.555(2)-(B), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.461 Tax certification contrary to law voidable by Oregon Tax Court; appeal procedure. (1) Any ad valorem property tax made contrary to the provisions of ORS 294.305 to 294.565 or any other law relating to the making of tax levies shall be voidable as provided in subsection (2) of this section and ORS 310.070.

(2) The county assessor, county court, board of county commissioners, the Department of Revenue, tax supervising and conservation commission or 10 or more interested taxpayers may appeal to the regular division of the Oregon Tax Court and such appeal shall be perfected in the

following manner only:

(a) Within 30 days after the certification of ad valorem property taxes is filed with the county assessor under ORS 310.060, the appealing party shall file a complaint with the clerk of the tax court at its principal office in Salem, Oregon. Such filing in the tax court shall constitute the perfection of the appeal. Service upon the Department of Revenue shall be accomplished by the clerk of the tax court filing a copy of the complaint with the Director of the Department of Revenue and with the secretary or clerk of the municipal corporation. When a complaint is filed under this section by 10 or more interested taxpayers, if following perfection of the court's jurisdiction to hear the case:

(A) One or more of the taxpayers withdraws from the proceedings, and five or more of the taxpayers do not withdraw, the court shall nevertheless retain jurisdiction to hear the matter; or

(B) One or more of the taxpayers withdraws from the proceedings, and fewer than five of the taxpayers remain parties and do not withdraw, the court shall not retain jurisdiction to hear the matter but shall dismiss the case with prejudice.

(b) The complaint shall state the facts and the grounds upon which the plaintiff contends the tax should be voided or modified. The case shall proceed thereafter in the manner provided in ORS 305.405 to 305.494.

(3) If the tax court finds that the budget and the tax certification in question were not prepared and made in substantial compliance with ORS 294.305 to 294.565 and any other applicable law relating to the making of ad valorem property taxes, it shall declare void or modify any such tax and shall direct that such action be taken, all as in the circumstances it shall deem appropriate. [Formerly 294.485]

294.463 Transfers of appropriations within fund or between funds. Subject to the provisions of the charter of a city or county or a law relating to municipal corporations:

(1) Except as provided in subsection (2) of this section, transfers of appropriations

may be made within a fund when authorized by ordinance or resolution of the governing body of a municipal corporation. The ordinance or resolution must state the need for the transfer, the purpose for the authorized expenditure and the amount transferred.

(2) Transfers of general operating contingency appropriations that in aggregate during a fiscal year or budget period exceed 15 percent of the total appropriations of the fund contained in the original budget adopted by the governing body of the municipal corporation for the fiscal year or budget period may be made only after adoption of a supplemental budget prepared for the purpose.

(3) Transfers of appropriations or of appropriations and an equal amount of budget resources may be made between funds of the municipal corporation when authorized by ordinance or resolution of the governing body. The ordinance or resolution must state the need for the transfer, the purpose for the authorized expenditures in the appropriation and the amount transferred.

(4) This section applies only to transfers made after a budget has been approved and during the fiscal year or budget period for which the appropriations are made. [Formerly 294.450]

RULE 150-294.463(3) Transfers of Appropriations

(1) A transfer of appropriation is a decrease of one existing appropriation and a corresponding increase of another existing appropriation category.

(2) During the fiscal year or budget period the governing body of a municipal corporation may transfer from one existing appropriation category within a fund to another existing appropriation category in the same fund when a resolution or ordinance is adopted that authorizes this transfer. The resolution or ordinance must state the purpose of the transfer, and the amount of the transfer. The appropriation reductions must equal the appropriation increases. The net effect of this change on the total appropriation in the fund must be zero.

(3) Transfer of appropriations and a like amount of budget resources may be made between funds by governing body resolution or ordinance. Transfer of appropriation and a like amount of resources to another fund is accomplished by increasing or creating, a "transfer to other funds" appropriation category in the fund from which the transfer is made. The amount of this increased or created appropriation must be offset by reductions in one or more other appropriation categories in the fund from which the transfer is made. The net effect of this change on the total appropriation in the fund from which the transfer is made must be zero. Appropriation categories in the receiving fund are increased by the amount of the transfer, and the budget resources available to that fund are increased by the amount of resources transferred from the fund from which the transfer is made.

(4) Transfers referred to in this rule apply to transfers that occur after the budget has been approved and that are made during the fiscal year or budget period for which the appropriations are made. Nothing in this rule prohibits or regulates lawful transfers that have been budgeted in accordance with local budget law. Hist.: RD 5-1985, f. 12-26-85, cert. ef. 12-31-85; REV 2-2002, f. 6-26-02, cert. ef. 6-30-02; REV 11-2010, f. 7-23-10, cert. ef. 7-31-10. Renumbered from 150-294.450(3), REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.466 Appropriation of pass-through revenues.

(1) A municipal corporation imposing taxes, fees or charges that in accordance with applicable law or an intergovernmental agreement under ORS chapter 190 must be paid on a pass-through basis to another municipal corporation shall include the taxes, fees or charges in its budget and appropriate the estimated amount generated by the taxes, fees or charges.

(2) The appropriation required under subsection (1) of this section must take the form of an expense of the municipal corporation imposing the taxes, fees or charges.

(3) If the actual amount collected from the taxes, fees or charges during a fiscal year or budget period exceeds the estimated amount

included in the budget of the municipal corporation imposing the taxes, fees or charges for the fiscal year or budget period, upon determining that the excess exists, the governing body of the municipal corporation shall appropriate the excess by means of an ordinance or resolution and no further action is required under ORS 294.305 to 294.565 to budget, appropriate or expend the excess. [2011 c.473 §18]

294.468 Loans from one fund to another; commingling cash balances of funds. (1) It shall be lawful to loan money from any fund to any other fund of the municipal corporation whenever the loan is authorized by official resolution or ordinance of the governing body. The loans shall be made in compliance with the applicable requirements and limitations of this section. Loans made under this section shall not be made from:

(a) Debt service reserve funds created to provide additional security for outstanding bonds or other borrowing obligations that the municipal corporation has covenanted with the holders of such bonds or other borrowing obligations to maintain at certain specified levels. However, nothing in this paragraph is intended or shall be construed to prohibit loans from any such debt service reserve fund to the extent that the aggregate outstanding amount of the loans does not exceed the amount by which the amount in such debt service reserve fund exceeds the amount the municipal corporation has covenanted to maintain in the reserve fund with the holders of the related bonds or other borrowing obligations;

(b) Debt service funds created to account for moneys needed to make annual debt service payments on outstanding bonds or other borrowing obligations; or

(c) Moneys credited to any fund when, under applicable constitutional provisions, the moneys are restricted to specific uses unless the purpose for which the loan is to be made is a use allowed under such constitutional provisions.

(2) The resolution or ordinance authorizing any interfund loan permitted under this section shall:

(a) State the fund from which the loan is to be made, the fund to which the loan is to be made, the purpose for which the loan is to be made and the principal amount of the loan.

(b) If the interfund loan is a capital loan, set forth a schedule under which the principal amount of the loan, together with interest thereon at the rate provided for in paragraph (c)(B) of this subsection, is to be budgeted and repaid to the lending fund. The schedule shall provide for the repayment in full of the loan over a term not to exceed 10 years from the date the loan is made.

(c) If the interfund loan is a capital loan, provide that the loan shall bear interest at an annual rate equal to:

(A) The rate of return on moneys invested in the local government investment pool under ORS 294.805 to 294.895, as reported under ORS 294.875, immediately prior to the adoption of the ordinance or resolution authorizing the loan; or

(B) Such other rate as the governing body may determine.

(d) If the interfund loan is an operating loan, provide that the money loaned shall be budgeted and repaid to the fund from which the money was borrowed by the end of the ensuing year or ensuing budget period.

(3) The payment of any operating loans not repaid in the year or budget period in which the operating loan was made shall be budgeted as a requirement in the ensuing year or ensuing budget period.

(4) It shall be lawful to commingle cash balances of funds so long as all such fund moneys are segregated in the budget and accounting records.

(5) As used in this section:

(a) "Capital loan" means any interfund loan, or portion thereof, made for the purpose of financing the design, acquisition, construction, installation or improvement of real or personal property and not for the purpose of paying operating expenses.

(b) "Operating loan" means any interfund loan, or portion thereof, that is not a capital loan, including any interfund loan, or portion thereof, made for the purpose of paying operating expenses. [Formerly 294.460]

294.471 Supplemental budget in certain cases; no increase in property taxes permitted.

(1) Notwithstanding requirements as to estimates of and limitation on expenditures, during the fiscal year or budget period for which the original budget was adopted, 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.

(2) A supplemental budget may not extend beyond the end of the fiscal year or budget period during which it is submitted.

(3)(a) If the amended estimated expenditures contained in an individual fund that is being changed by a supplemental budget differ by 10 percent or less from the expenditures in the budget as most recently amended prior to the supplemental budget, the governing body of the municipal corporation may adopt the supplemental budget at a regular meeting of the governing body.

(b) Notice of a regular meeting convened pursuant to paragraph (a) of this subsection, including a statement that a supplemental budget will be considered at the meeting, must be published not less than five days before the meeting.

(c) Additional expenditures contained in a supplemental budget described in this subsection may not be made unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditures. The ordinances or resolutions must state the need for and the purpose and amount of the appropriation.

(4) Except as provided in ORS 294.476, the making of a supplemental budget does not authorize the governing body to increase the municipal corporation's total ad valorem property taxes above the amount or rate published with the regular budget and certified to the assessor under ORS 310.060 in conjunction with the regular budget for the fiscal year or for each fiscal year of the budget period to which the supplemental budget applies.

(5) A supplemental budget is not required for the expenditure of funds authorized under ORS 294.338 (2) to (10). [Formerly 294.480]

RULE 150-294.471

Supplemental Budget Procedures

(1) During the fiscal year or budget period, the governing body may find that an unanticipated condition requires adjustments to the budget. If the condition meets the requirements of ORS 294.471, the governing body may prepare a supplemental budget.

(2) A supplemental budget may only authorize additional expenditures during the current fiscal year or budget period. It must not authorize expenditures for a past or future fiscal year or budget period.

(3) A supplemental budget that is being prepared to create or increase an appropriation must be adopted before any expenditures are made in excess of the current annual budget appropriations.

(4) Only one supplemental budget may be prepared as a result of a single situation or condition that meets the requirements of ORS 294.471.

(5) When the estimated expenditures in the supplemental budget differ by 10 percent or less from the expenditures of the adopted annual or biennial budget for each fund being adjusted, the governing body may adopt the supplemental budget at one of its regular meetings. Fund expenditures do not include unappropriated ending fund balance, amounts reserved for future expenditure, interfund transfers, or contingency amounts.

(a) Notice of the regular meeting at which the supplemental budget will be adopted must be published by one of the methods in ORS 294.311(35) not less than 5 days before the meeting. The notice must include a statement that a supplemental budget will be considered at the meeting.

(b) The resolution adopting and appropriating the supplemental budget may take place at the same regular meeting.

(6) When a new fund is being established or when the estimated expenditures in the supplemental budget differ by more than 10 percent from the expenditures in the budget as most recently amended prior to the supplemental budget, the governing body must publish notice and hold a public hearing before adopting the supplemental budget. The notice of the hearing must include for

each fund being adjusted by more than 10 percent: the name of the fund; and the new total for each resource line item or appropriation category being changed, added or deleted.

Example: (This example is of the published summary of a supplemental budget. in which the new total expenditure in the Utility Fund differs by more than 10 percent from the amount currently budgeted.)

The supplemental budget transfers \$20,000 in resources and appropriation authority from the General Fund to the Utility Fund Materials and Services, increasing that appropriation and the total expenditure in the Utility Fund to a new total of \$40,000. Hist.: TC 10-1978, f. 12-5-78, cert. ef. 12-31-78; RD 1-1992, f. 5-28-92, cert. ef. 6-1-92; REV 4-1998, f. & cert. ef. 6-30-98; REV 8-2000, f. & cert. ef. 8-2-00; REV 2-2002, f. 6-26-02, cert. ef. 6-30-02; REV 5-2009, f. & cert. ef. 7-31-09; REV 4-2011, f. 12-30-11, cert. ef. 1-1-12. Renumbered from 150-294.480 REV 7-2012, f. 7-26-12, cert. ef. 8-1-12.

294.473 Procedure when supplemental budget changes estimated expenditures by more than 10 percent.

(1)(a) If the amended estimated expenditures contained in an individual fund that is being changed by a supplemental budget made under ORS 294.471 differ by more than 10 percent from the expenditures in the budget as most recently amended prior to the supplemental budget, the governing body of the municipal corporation shall hold a public hearing on the supplemental budget.

(b) Notice of the hearing required under paragraph (a) of this subsection, including a summary of the changes proposed in the funds that differ by more than 10 percent from the expenditures in the budget as most recently amended prior to the supplemental budget, must be published not less than five days before the meeting.

(c) After the hearing, additional expenditures contained in the supplemental budget described in this subsection may not be made unless the governing body of the municipal corporation enacts appropriation ordinances or resolutions authorizing the expenditures. The ordinances or resolutions

must state the need for and the purpose and amount of the appropriation.

(2) In counties having a tax supervising and conservation commission, the governing body of a municipal corporation may adopt a supplemental budget without submitting the budget to the commission or holding a hearing on the budget.

(3) The Department of Revenue shall prescribe the form of the notice required under subsection (1) of this section. [2011 c.473 §22]

294.476 Local option tax approved after adoption of budget; supplemental budget.

(1) Following the adoption of a budget under ORS 294.456 that does not include revenue from a proposed local option tax, if a municipal corporation places a local option tax measure on the ballot for an election held in September and the electors of the municipal corporation approve the measure, in order to impose the local option tax during the current fiscal year or current budget period the governing body of the municipal corporation must:

(a) Adopt an ordinance or resolution to determine, make and declare the local option tax and to categorize the local option tax amount or rate as provided in ORS 310.060;

(b) Receive from the assessor of the county in which the municipal corporation is located (or, if the municipal corporation is located in more than one county, from the assessor of each county in which the municipal corporation is located) written approval to file a supplemental notice of property tax as described in ORS 310.060 (9); and

(c) File with the assessor of the county in which the municipal corporation is located (or, if the municipal corporation is located in more than one county, with the assessor of each county in which the municipal corporation is located) two copies of the ordinance or resolution described in paragraph (a) of this subsection, two copies of the supplemental notice of property tax required under ORS 310.060 and two copies of the approved local option tax measure.

(2) Following the adoption of a budget under ORS 294.456 that does not include

revenue from a proposed local option tax or taxes to pay principal and interest on exempt bonded indebtedness, if a municipal corporation places a local option tax measure or a general obligation bond measure on the ballot for an election, other than an election held in September, next following adoption of the budget and the electors of the municipal corporation approve the measure, in order to impose the tax during the second fiscal year of a biennial budget period, the governing body of the municipal corporation must:

(a) Adopt an ordinance or resolution to determine, make and declare the tax and to categorize the tax amount or rate as provided in ORS 310.060; and

(b) Include with the certification required under ORS 310.060 for the second fiscal year of the biennial budget period, two copies of the ordinance or resolution described in paragraph (a) of this subsection and two copies of the approved local option tax measure or general obligation bond measure.

(3) Funds raised by a local option tax described in this section may not be expended by the municipal corporation unless the municipal corporation has adopted a supplemental budget in accordance with ORS 294.471. Funds may be expended only in accordance with the supplemental budget so adopted.

(4) As soon as received, the county assessor shall forward one copy of each of the documents described in subsection (1)(c) of this section to the Department of Revenue. [Formerly 294.437]

294.478 School or community college district expending federal or state funds in emergency.

(1)(a) The board of directors of a school district or the board of education of a community college district may not make an emergency expenditure for specific purposes that is greater than the amount appropriated for the purposes under ORS 294.456 unless the board:

(A) Declares the existence of an emergency necessitating a greater expenditure of public money for one or more of the purposes described in subsection (2) of this section; and

(B) Adopts a resolution appropriating funds for the emergency expenditure.

(b) An emergency expenditure under paragraph (a) of this subsection is allowable to the extent that all funds for the emergency expenditure are:

(A) Advanced or committed to the district by apportionment, grant, contribution or allocation from the United States or an agency of the United States; or

(B) Made available to a common or union high school district by the education service district board from an emergency aid fund established under ORS 334.370.

(2) A school district or a community college district may appropriate an emergency expenditure under this section for the specific purposes of providing, maintaining and operating school or college facilities, supplies and personnel for the instruction of the pupils attending the public schools or college in the district during the remainder of the budget year.

(3) For purposes of subsection (1)(b)(A) of this section, a school district or community college district may enter into and carry out a plan of financing sponsored by the United States or an agency of the United States upon terms and conditions and subject to rules and regulations prescribed by the United States or the agency. [Formerly 294.440]

294.481 Authorization to receive grants or borrow or expend moneys to respond to public emergency. (1) As necessary to respond to an emergency situation, the governing body of a municipal corporation may:

(a) Adopt an ordinance or resolution authorizing the municipal corporation to receive grants or borrow moneys not included in the budget of the municipal corporation for the current year or current budget period; and

(b) Make appropriations for estimated expenditures out of any source of available funds, including unappropriated fund balances, by ordinance or resolution in the same manner as provided in ORS 294.463 (1), or by supplemental budget as provided in ORS 294.471 (3).

(2) If a meeting of the governing body of a municipal corporation is not practical in an emergency situation, the chief executive officer of the municipal corporation may, by written order, authorize the immediate expenditure of funds from any available source to respond to a threat to public health or safety.

(3) As used in this section, "emergency situation" means:

(a) Involuntary conversion or destruction of the property of a municipal corporation;

(b) Civil disturbance;

(c) Natural disaster; or

(d) Any public calamity. [Formerly 294.455]

294.490 Department of Revenue not to interfere with fiscal policy of municipal corporation. The department's authority pursuant to ORS 294.495 to 294.510 shall be limited to obtaining compliance with ORS 294.305 to 294.565 and shall not interfere in any way with the fiscal policy of a municipal corporation as established by its governing body or budget committee. [1963 c.576 §34c]

294.495 Department of Revenue to construe Local Budget Law; rules. Notwithstanding ORS 294.695, the Department of Revenue shall:

(1) Construe ORS 294.305 to 294.565 and any other law relating to the making of tax levies when requested by any interested person or by any officer acting under such laws and shall instruct such officers as to their duties under such laws. Such officers shall submit to the department all questions arising with them which affect the construction of laws of this state relating to local budgetary procedures.

(2) Make such rules and regulations and prescribe such forms as it considers proper to effectually carry out the purposes of ORS 294.305 to 294.565 or any other law relating to the making of tax levies. [1963 c.576 §34]

294.500 Declaratory ruling by Department of Revenue as to its rules; rules. (1) On petition by 10 interested taxpayers or a municipal corporation, the Department of

Revenue may issue a declaratory ruling with respect to the validity or applicability to any person, municipal corporation or state of facts of any rule adopted by the department.

(2) The Department of Revenue shall adopt rules prescribing the form, content and procedure for submission, consideration and disposition of petitions under subsection (1) of this section.

(3) The Department of Revenue must afford interested parties a full opportunity for hearing on the subject of a petition before issuing a declaratory ruling under subsection (1) of this section.

(4)(a) A declaratory ruling issued under subsection (1) of this section binds the department and all parties to the proceedings on the state of facts alleged, unless it is altered or set aside by a court.

(b) A declaratory ruling is subject to review in the Oregon Tax Court in the manner provided by ORS 294.515 and is subject to the same limitations under ORS 294.515 as appeals. [1963 c.576 §34d; 2011 c.473 §23]

294.505 Division of Audits to issue notification of budgetary irregularities; Department of Revenue to advise municipal corporation of correct procedures.

(1) The Division of Audits created by ORS 297.020 shall notify the municipal corporation and Department of Revenue of any irregularities in the budget procedure of the municipal corporation which is brought to its attention in the audits prepared by the division or brought to its attention in audits which are required to be filed with the division.

(2) If the Department of Revenue finds from the information submitted by the Division of Audits pursuant to subsection (1) of this section that ORS 294.305 to 294.565 have not been followed, the Department of Revenue shall order the municipal corporation to correct its procedures in the preparation of its subsequent budgets. The order shall set forth the irregularities and the steps necessary to prevent such irregularities from happening in the future. Such order shall be a public record. [1963 c.576 §34a]

294.510 Order for revision of budgetary procedures; enforcement.

(1) The Department of Revenue may order a municipal corporation to revise its budget procedures to conform with ORS 294.305 to 294.565 when irregularities in the procedures of the municipal corporation are called to its attention.

(2) The Department of Revenue may require the municipal corporation in its order to file for inspection a copy of the budget document at any stage in the procedure of the budget preparation.

(3) If the municipal corporation or officer or employee thereof neglects or refuses to comply with the department order, the department may apply to the judge of the Oregon Tax Court for an order returnable within five days from the date thereof, to compel such municipal corporation, public officer or employee to comply with such order or to show cause why the order should not be complied with.

(4) Any order issued by the judge pursuant to subsection (3) of this section may be appealed from as provided by ORS 305.445, except that the appeal shall be filed within 10 days of the entering of the order. The Supreme Court shall hear and determine the appeal expeditiously, as may be appropriate for the timely and orderly completion of the budgetary process of the municipal corporation and the extension of its levy upon the assessment and tax roll.

(5) The remedy provided in this section is cumulative and shall not preclude the department from exercising any power or right otherwise provided by law. [1963 c.576 §34b; 1977 c.221 §1]

294.515 Appeal by municipal corporation from Department of Revenue order.

Any municipal corporation aggrieved by and directly affected by an order of the Department of Revenue relating to the preparation of budgets or the extension of any tax levy may appeal to the Oregon Tax Court in the manner provided by ORS 305.404 to 305.560. [1963 c.576 §33a; 1979 c.689 §2; 1995 c.650 §102]

294.520 Priority of appeals under Local Budget Law.

The appeal filed with the

Oregon Tax Court pursuant to ORS 294.485, 294.500 and 294.515 shall have priority over all other cases pending before the Oregon Tax Court and shall be heard and decided as soon after coming to issue as is reasonably possible. [1963 c.576 §33b]

294.565 Failure to file copy of required budget, reports or other documents; effect. If any city shall fail to file its documents or reports required by ORS 294.555 or 297.405 to 297.555 with the Department of Revenue or Secretary of State, as the case may be, within 30 days after a request therefor has been made by certified mail to the city, the Department of Revenue or Secretary of State may certify to the officer responsible for disbursing funds to cities under ORS 323.455, 366.785 to 366.820 and 471.810 the fact of such failure to file the documents or reports. Notwithstanding the requirements under ORS 323.455, 366.785 to 366.820 and 471.810 for prompt payment of funds due a city, such officer shall withhold payment to the city of any funds ordinarily payable to it under ORS 323.455, 366.785 to 366.820 and 471.810 until notified by the Department of Revenue or Secretary of State that the required document or report has been received as required by law. A copy of such certification and request shall be furnished the delinquent city. [1973 c.252 §1; 1977 c.774 §18; 1979 c.286 §5]

TAX SUPERVISING AND CONSERVATION COMMISSION

294.605 Definitions for ORS 294.605 to 294.705. As used in ORS 294.605 to 294.705, unless the context otherwise requires:

(1) "Commission" means the tax supervising and conservation commission.

(2) "Commissioner" means a member of the tax supervising and conservation commission.

(3) "Municipal corporations" means the county, and any city, town, port, school district, union high school district, road district, irrigation district, water district, dock commission, and all other public and quasi-

public municipal corporations that have power to levy a tax within the county.

(4) "Levying board" means the common council, board of commissioners, board of directors, county court or other managing board of the county, or of any city, town, port, school district, union high school district, road district, irrigation district, water district, dock commission, and of all other public or quasi-public corporations that have power to levy a tax within the county.

(5) "County court" means the county court or board of county commissioners of the county.

(6) "Fiscal year" means the calendar year ending on December 31, or any period of 12 months ending during the calendar year on the last day of any month other than December.

(7) "Assessor" means the county assessor or other officer charged by law with the duty of extending taxes upon the assessment and tax roll.

(8) "Current year" means the present year.

294.608 Populous counties; establishment of tax supervising and conservation commission or submission of financial summary. (1) The governing body of a county with a population of 500,000 or more inhabitants, based on the most recently available data published or officially provided by the Portland State University Population Research Center, shall:

(a) Establish a tax supervising and conservation commission under ORS 294.710; or

(b) Require each municipal corporation that would be under the jurisdiction of a tax supervising and conservation commission if a commission were established in the county under paragraph (a) of this subsection to submit to the county a financial summary of the proposed budget in the format required under ORS 294.438.

(2) A municipal corporation required to submit a financial summary of the municipal corporation must comply with the requirement before the date of the first budget committee meeting of the municipal

corporation under ORS 294.426.

(3)(a) The financial summary submitted to the county under this section must be in an electronic format that is compatible with Internet publication.

(b) The county shall publish all financial summaries received from municipal corporations under this section on the Internet website of the county. [2005 c.750 §7; 2011 c.473 §25]

294.610 Tax supervising and conservation commission; members; appointment; qualifications; term; removal; filling vacancies.

(1) A tax supervising and conservation commission shall consist of five members appointed by the Governor. The commissioners appointed shall be citizens of the United States and of Oregon and residents in the county for which they are appointed and shall be electors therein. The commissioners shall serve wholly without compensation.

(2) Unless sooner removed by the Governor, as provided in this section, the commissioners shall hold office for a term of four years and until their successors are appointed and qualified. The term of office of the members of the commission shall commence on January 1.

(3) The Governor may, for good and sufficient cause, remove any commissioner at any time and appoint a successor.

(4) In case of death, resignation or inability of any member of the commission to serve, or of removal of any member of the commission from office, the Governor shall make an appointment to fill the balance of the unexpired term of that commissioner. [Amended by 1961 c.644 §2; 1973 c.61 §2; 1991 c.80 §1; 2005 c.750 §3]

294.615 Oath of commissioner. Before taking office each commissioner shall take and subscribe the following oath, before an officer qualified to administer oaths, in substantially the following form:

State of Oregon)
) ss.
County of _____)
I, _____, being first duly sworn, depose and say that for the term of ___ year (s), to

which I have been appointed as a member of the tax supervising and conservation commission for _____ County, I will faithfully and impartially discharge the duties of my said office; that I will support the Constitution of the United States and the Constitution of the State of Oregon and all laws passed in pursuance of either; that I will endeavor to secure economical expenditure of public funds sufficient in amount to afford efficient and economical administration of government in the county for which I have been appointed, and in each city, town, port, school district, union high school district, road district, irrigation district, water district, dock commission and all other municipal corporations within the territorial limits of my county; and that I will perform said duty without fear, favor or compulsion, and without hope of reward.

Subscribed and sworn to before me this ___ day of _____, 2__.
Notary Public of Oregon
My commission expires _____.

294.620 Office of commission; employment and compensation of assistants.

(1) The county court shall furnish an office in the county courthouse or other convenient place for the use of the commission, as is furnished to other departments.

(2) The commission may employ and fix the salaries of such clerks and other assistants as in their judgment shall seem meet and proper to keep the records of the commission and perform any other service to which they may be assigned by the commission. Such clerks and assistants shall be paid out of the general fund of the county in the same manner as other county officers and employees are paid.

294.625 Jurisdiction of commission.

(1) The tax supervising and conservation commission has jurisdiction over all municipal corporations that have a population exceeding 200,000 and that are subject to the provisions of the Local Budget Law. If the territory of the municipal corporation lies in two or more counties, the municipal corporation shall be within the jurisdiction of

the commission if the real market value of all property subject to taxation by the municipal corporation in a county having a commission is greater than the real market value of property subject to taxation by the municipal corporation in any other county. Real market value is the real market value computed according to ORS 308.207 from the assessment rolls last in the process of collection.

(2)(a) The commission has jurisdiction over a municipal corporation with a population not exceeding 200,000 unless an election is made under this subsection.

(b) The governing body of a municipal corporation electing not to be under the jurisdiction of the commission must make the election and communicate its intention to the commission not later than January 1 of the calendar year in which the fiscal year for which the budget is proposed will begin.

(c) An election under this subsection is effective for a period of not less than three years. [Amended by 1961 c.678 §3; 1965 c.451 §12; 1969 c.155 §4; 1981 c.623 §1; 1991 c.459 §10; 2009 c.596 §6]

294.630 Tax supervising and conservation commission account. (1) There hereby is created an account to be known as the tax supervising and conservation commission account in the general fund of each county subject to ORS 294.605 to 294.705.

(2)(a) The tax supervising and conservation commission shall on or before April 1 of each year submit certified budgets for the ensuing fiscal year to the county court or board of county commissioners. The budget shall contain a complete and detailed estimate of the proposed expenditures of the commission for all purposes.

(b) Following the receipt of the budget, the county court or board of county commissioners shall include the budget as submitted as a part of the county budget and shall make an appropriation for the tax supervising and conservation commission account sufficient to cover the proposed expenditures, but no appropriation shall be made in any county in any year for such purpose in excess of \$280,000. The

maximum amount of the appropriation shall be increased by three percent each fiscal year, beginning with the fiscal year starting July 1, 2011. The county court or board of county commissioners shall not reduce the amount of the budget as presented by the tax supervising and conservation commission, within the amount stated in this section, nor shall it refuse to approve any lawful request for disbursement of money from the tax supervising and conservation commission account. [Amended by 1955 c.263 §1; 1961 c.644 §1; 1969 c.363 §1; 1973 c.68 §1; 1975 c.116 §1; 1977 c.88 §1; 1981 c.96 §1; 1985 c.228 §1; 1989 c.222 §1; 1999 c.632 §20; 2009 c.596 §7]

294.632 Commission calculation and report of costs; municipal corporation reimbursement of commission costs. (1)

Not later than August 30 of each year, the tax supervising and conservation commission shall calculate the net cost of commission operations for the preceding fiscal year. The calculation shall include:

(a) Actual expenditures paid out of the tax supervising and conservation commission account established in ORS 294.630;

(b) A provision for the cost to the county of providing office space for use by the commission, as required by ORS 294.620; and

(c) A deduction for an estimate of the amount received by the county under ORS 294.175 to 294.187 attributable to the expenditures in the grant submitted by the county for activities, functions or services of the tax supervising and conservation commission.

(2) Municipal corporations, other than the county, that are within the county and that are subject to the jurisdiction of a tax supervising and conservation commission shall reimburse the county 50 percent of the net costs calculated under subsection (1) of this section. The amounts allocable to each municipal corporation required to reimburse the county under this subsection shall be determined as follows:

(a)(A) Fifty percent of the amount allocated shall be based on the taxes imposed for the preceding fiscal year for

taxes certified to the county assessor under ORS 310.060 (2)(a) from the permanent rate limitations of the municipal corporations after reductions necessary to comply with section 11b, Article XI of the Oregon Constitution, and funds raised pursuant to the notice provided to the county assessor under ORS 457.440 (2) for an urban renewal agency located in a municipal corporation subject to this subsection.

(B) The amount allocated under this paragraph shall be prorated based on each municipal corporation's share of the total tax imposed from the permanent rate limitation of municipal corporations that are subject to the jurisdiction of the tax supervising and conservation commission.

(C) A minimum amount of \$250 shall be allocated to any municipal corporation under this paragraph.

(D) Municipal corporations that do not levy ad valorem taxes are exempt from proration under this paragraph.

(b)(A) Fifty percent of the amount allocated shall be based on the expenditures, as defined in ORS 294.311, for the current fiscal year for each municipal corporation required to reimburse the county under this subsection.

(B) The amount allocated under this paragraph shall be prorated based on each municipal corporation's share of the total expenditures for those municipal corporations that are under the jurisdiction of the tax supervising and conservation commission.

(C) A minimum amount of \$250 shall be allocated to any municipal corporation under this paragraph.

(D) Municipal corporations with budgeted expenditures of \$50,000 or less and urban renewal agencies formed under ORS chapter 457 are exempt from proration under this paragraph.

(E) If a municipal corporation has adopted a biennial budget, the calculation of the proration under this paragraph shall use fiscal year expenditures. If the budget document adopted by the municipal corporation does not indicate fiscal year expenditures, then 45 percent of the biennial expenditures shall be used for the proration

in the first fiscal year of the municipal corporation's budget period and 55 percent of the biennial expenditures shall be used for the proration in the second year of the budget period.

(3) Not later than August 30 of each fiscal year, the tax supervising and conservation commission shall distribute to each municipal corporation an accounting of the calculations under this section showing:

(a) The net costs under subsection (1) of this section;

(b) The 50 percent of net costs allocable to municipal corporations, except the county, under subsection (2) of this section; and

(c) The amounts prorated to each municipal corporation under subsection (2) of this section.

(4) Not later than September 15 of each fiscal year, the tax supervising and conservation commission shall send to the county tax collector, or other county official responsible for preparing the percentage schedule under ORS 311.390, a list of municipal corporations subject to proration under this section and the amounts prorated under this section.

(5) If a municipal corporation subject to proration under this section does not certify a property tax to the county assessor under ORS 310.060, the county shall, not later than November 30 of each year, send the municipal corporation a billing for the amount prorated and owed to the county under this section. [2009 c.596 §2]

294.635 Submission of budget estimates by levying boards. (1) In each county that has a tax supervising and conservation commission, the levying boards of all municipal corporations that have a population exceeding 200,000 and municipal corporations that have not made an election under ORS 294.625 (2) shall, on or before May 15 of each fiscal year or on or before May 15 of the first fiscal year of a budget period, submit their detailed estimates of the budget deemed necessary to be expended by the municipal corporations, respectively, for all purposes for the next ensuing fiscal year or ensuing budget period. The tax supervising and conservation commission

may, if a good and sufficient reason exists therefor and if application is made to the commission in writing, grant any municipal corporation such extension of time for filing its budget as may seem to the commission just and reasonable.

(2) The budget estimates required by this section to be filed with the commission shall be in writing and shall be certified to as correct and shall be so prepared and arranged as to show in plain and succinct language each particular item of proposed expenditure. There shall be attached to each budget, and made a part thereof, the levying board's estimate of the probable receipts of the municipal corporation from all other sources than direct tax levy and bond issues during the fiscal years for which the budget has been prepared. The budget estimates shall show in parallel columns the actual expenditures for the two fiscal years next preceding the current year, the estimated expenditures for the current year and the estimated expenditures for the next ensuing fiscal year. [Amended by 1961 c.678 §4; 1963 c.576 §37; 1977 c.431 §2; 1991 c.80 §2; 2001 c.135 §28; 2005 c.750 §4; 2009 c.596 §8]

294.640 Hearing on budget. Every levying board shall be entitled to a hearing by the commission upon the budget submitted by it. The commission shall set times and places for such hearings, which shall be open to the public. The commission shall give notice, in such form and manner as it shall prescribe, of such hearing to every levying body entitled to such hearing. The levying boards shall meet with the commission at such times and places fixed by the commission for such hearings and discuss the budget with the commission.

294.645 Consideration of budget by commission; certifying objections or recommendations to levying board; procedure where municipality holds hearing in place of commission. (1) After the hearings have been held the commission shall carefully consider the proposed budgets and shall by majority vote of the members of the commission certify in writing to the

levying board of any municipal corporation, on or before June 25 of each fiscal year, or on or before June 25 of the first fiscal year of a budget period, any objections which the commission may have to the adoption of the budget, or any item therein, or any recommendations which the commission may desire to make regarding the budget. If the commission does not desire to make any recommendations or objections, it shall certify that fact to the levying board. The responsibility of the commission shall be advisory only.

(2) Certification of a budget for a municipal corporation holding its own hearing shall be made in the same manner as required by subsection (1) of this section, except that any recommendations or objections shall be certified to the levying board prior to the date of the hearing. [Amended by 1961 c.678 §5; 1963 c.576 §38; 1999 c.632 §17; 2001 c.135 §29]

294.650 Striking unauthorized items from budget; reducing total amount to within limits permitted by law and Constitution.

(1) If in the examination of any budget of any municipal corporation the commission finds that any item is an expenditure not authorized by law to be made by the municipal corporation, the commission may order the item to be stricken from the budget. The levying board of the municipal corporation thereupon shall strike the item from the budget and shall not thereafter levy any tax for the payment of the same.

(2) If, after the hearing, the commission finds that the total amount of the tax levy of any municipal corporation exceeds the amount permitted by law or any provision of the Constitution of this state to be levied by the municipal corporation, the commission shall order that the total amount of the budget be reduced to within the limits permitted by law or constitutional limitation, and shall file certified copies of such order with the county assessor and county clerk. The levying board of the municipal corporation thereupon shall comply with the order of the commission by so reducing the total amount of the budget.

294.655 Hearing on special tax levies and bond issues proposed for elector approval. The commission shall conduct public hearings on all special tax levies and bond issues proposed for elector approval by the levying boards. Any levying board proposing to ask elector approval of a special tax levy or of a bond issue shall notify the commission in writing of its proposal not less than 30 days prior to the filing date for the election and set forth its reasons therefor, but the commission in its discretion may permit such notification to be filed in such shorter period of time as it sees fit. Upon the receipt of the notification the commission shall fix the time and place of hearing and notify the levying board to attend the hearing and discuss the proposed special tax levy or bond issue with the commission. The hearings provided for in this section shall be in addition to the regular budget hearings provided for by ORS 294.640. [Amended by 1999 c.632 §18]

294.660 Compiling information as to indebtedness; including in annual report. The commission shall compile accurate statistical and other information as to bonded or other indebtedness within the county and of all municipal corporations within the county and shall keep a permanent record thereof. The commission shall issue a statement thereof as of June 30 of each year, in the annual report of the commission. The statement shall show also the interest charges for the ensuing year on account of such indebtedness and the amount of principal to be retired in that year.

294.665 Levying board to submit audit report or financial statements annually. The levying board of each municipal corporation under the jurisdiction of the commission shall annually submit a copy of the full report of its independent auditor under ORS 297.425, or a copy of the financial statements submitted to the Secretary of State under ORS 297.435, as soon as practicable after the close of each fiscal year. [Amended by 1999 c.632 §19]

294.670 Commission may inquire into management, books and systems; rules.

(1) The commission may inquire into the management, books of account and systems employed, of each municipal corporation, and of each department thereof within its respective county.

(2) Notwithstanding ORS 294.495 (2), the commission may prescribe such rules and regulations as are considered proper to effectually carry out the purposes of ORS 294.305 to 294.705. In any case where rules adopted pursuant to this subsection conflict with rules adopted by the Department of Revenue, rules adopted by the department shall prevail. [Amended by 1975 c.669 §1]

294.675 Calling joint meetings of levying boards.

The commission may call joint meetings of the levying boards subject to ORS 294.605 to 294.705 and may require their attendance for the purpose of discussing problems common to two or more municipal corporations under the jurisdiction of the commission, including long range financial planning, building programs, special levies, bond issues and cooperative ventures such as joint purchasing.

294.680 Certifying excessive or unauthorized expenditures to district attorney; action by district attorney.

If at any time the commission finds that any municipal corporation, or public official thereof, has expended any public money in excess of the amounts or for any other or different purpose or purposes than is authorized by law, the commission shall certify to the district attorney for the county that fact, and the district attorney shall proceed for the recovery thereof as by law provided.

294.685 Annual report by commission.

A complete and comprehensive report of the budgets as presented by the several levying boards, as provided by ORS 294.635 to 294.650, and of any and all other information pertaining to the administration of government in the county and to the expenditures and conservation of public funds, shall be made annually by the

commission and published in document form for the information of the electors and taxpayers. Copies of the report shall be filed with the Governor and with the county court.

294.690 Records and files of commission open to public inspection. The public shall have access to the records and files of the commission at the office of the commission at all times during office hours.

294.695 Attorney General as legal advisor and counsel to commission. The Attorney General shall be the legal advisor and counsel of the commission and shall represent it in all suits and actions and other legal proceedings in any court in this state. The Attorney General shall receive compensation for any services rendered in such capacity. [Amended by 1969 c.363 §2; 1973 c.775 §6]

294.700 Proceedings to collect penalties. The penalties provided for in ORS 294.990 (2) and (3) shall be recovered by actions at law instituted in the name of the commission by the district attorney. Any proceedings against a municipal corporation shall be taken against the municipal corporation, as such, and the penalty when recovered shall be deducted from any money in the county treasury to the credit of the municipal corporation. Any proceeding against a levying board shall be taken against the individual members of the levying board who are responsible for the failure, neglect or refusal to comply. [Amended by 1971 c.267 §14]

294.705 Tax supervising and conservation fund. There is established the tax supervising and conservation commission fund in the county treasury. The fund shall consist of any penalties recovered under ORS 294.700.

294.710 Procedures for establishing commission; annual appropriations. (1) Any county with a population of less than 500,000 inhabitants, based on the most recently available data published or officially provided by the Portland State University

Population Research Center, may establish, with the approval of a majority of its electors voting on the question, a tax supervising and conservation commission that substantially conforms to the provisions of ORS 294.605 to 294.705.

(2) Any county with a population of 500,000 or more inhabitants, based on the most recently available data published or officially provided by the Portland State University Population Research Center, may establish a tax supervising and conservation commission that substantially conforms to the provisions of ORS 294.605 to 294.705 provided the county obtains the approval of a majority of the members of its governing body voting on the question.

(3) Notwithstanding ORS 294.630, a county under this section may establish its own maximum annual appropriation to a tax supervising and conservation commission in the ordinance creating the commission. [1977 c.431 §1; 1991 c.80 §3; 2005 c.750 §5]

PENALTIES

294.990 Penalties. (1) Any officer willfully violating any of the provisions of ORS 51.340 shall, upon conviction thereof, be fined not more than \$25 for each offense, to be paid into the county treasury for the benefit of the common schools.

(2) Unless the time is extended by the commission, any municipal corporation subject to ORS 294.605 to 294.705 which fails, neglects or refuses to submit its annual or biennial budget to the commission on or before May 15 of each fiscal year, or on or before May 15 of the first fiscal year of a budget period, as provided in ORS 294.635, shall forfeit to the use of the tax supervising and conservation commission fund \$50 for each day of such failure, refusal or neglect.

(3) Any levying board subject to ORS 294.605 to 294.705 which fails, neglects or refuses to attend any budget hearing at the time and place fixed by the commission, or to be represented by counsel thereat, shall forfeit to the use of the tax supervising and conservation commission fund \$25 for each member of such levying board responsible for such failure, neglect or refusal. [Amended

by 1953 c.306 §17; 1971 c.267 §15; 1999 c.654 §26; 2001 c.135 §30]

PUBLIC NOTICE

193.010 Definitions for ORS 193.010 and 193.020. As used in this section and in ORS 193.020:

(1) “Bona fide subscriber” means a person who has been a paid subscriber for an uninterrupted period of 12 months, such subscription in no case to be over six months in arrears.

(2) “Newspaper” means a newspaper of general circulation, published in the English language for the dissemination of local or transmitted news or for the dissemination of legal news, made up of at least four pages of at least five columns each, with type matter of a depth of at least 14 inches, or, if smaller pages, then comprising an equivalent amount of type matter, which has bona fide subscribers representing more than half of the total distribution of copies circulated, or distribution verified by an independent circulation auditing firm, and which has been established and regularly and uninterruptedly published at least once a week during a period of at least 12 consecutive months immediately preceding the first publication of the public notice. Interrupted publication because of labor-management disputes, fire, flood or the elements for a period not to exceed 120 days, either before or after a newspaper is qualified for publication of public notices, shall not affect such qualification. [Amended by 1979 c.760 §1; subsection (1) renumbered 174.104 in 1999]

193.020 Newspaper in which public notice may be published. (1) Any public notice of any description, the publication of which is now or hereafter required by law, shall be published in any newspaper, as defined in ORS 193.010, which is published within the county, city of which any part lies within that county, city, district or other jurisdiction where the action, suit or other proceeding is pending, or is to be commenced or had, or in which the legal publication is required to be given.

(2) If publication in only one newspaper is required by law, and if more than one

newspaper fulfills the requirements of subsection (1) of this section, the public notice shall be published in that newspaper which the moving party considers best suited to give actual notice. However, nothing in this subsection prohibits the publication in more than one newspaper if desired by the moving party.

(3) If no newspaper is published within the county, city, district or jurisdiction where the action, suit or other proceeding is pending, or is to be commenced or had, or in which the legal publication is required to be given, public notice shall be published in:

(a) The newspaper published nearest to such county, city, district or jurisdiction; or

(b) Any publication that is published in such county, city, district or jurisdiction and that satisfies all the requirements for being a newspaper except that it is published less than once a week but not less than once a month.

(4) If more than one newspaper or publication fulfills the requirements of subsection (3) of this section, the public notice shall be published in that newspaper or publication which the moving party considers most effective for providing actual notice. [Amended by 1963 c.432 §1; 1979 c.760 §2; 1983 c.831 §1]

193.060 Computation of publication time.

The time for the publication of legal notices shall be computed so as to exclude the first day of publication and to include the day on which the act or event of which notice is given is to happen, or which completes the full period required for publication.

TAX ELECTIONS

250.005. As used in this chapter:

(1) “County clerk” means the county clerk or the county official in charge of elections.

(2) “Elector” means an individual qualified to vote under section 2, Article II, Oregon Constitution.

(3) “Measure” includes any of the following submitted to the people for their approval or rejection at an election:

(a) A proposed law.

(b) An Act or part of an Act of the Legislative Assembly.

(c) A revision of or amendment to the Oregon Constitution.

(d) Local, special or municipal legislation.

(e) A proposition or question.

(4) "Prospective petition" means the information, except signatures and other identification of petition signers, required to be contained in a completed petition. [1979 c.190 §140; 1983 c.392 §3]

250.035 Form of ballot titles for state and local measures. (1) The ballot title of any measure, other than a state measure, to be initiated or referred shall consist of:

(a) A caption of not more than 10 words which reasonably identifies the subject of the measure;

(b) A question of not more than 20 words which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure; and

(c) A concise and impartial statement of not more than 175 words summarizing the measure and its major effect.

(2) The ballot title of any state measure to be initiated or referred shall consist of:

(a) A caption of not more than 15 words that reasonably identifies the subject matter of the state measure. The caption of an initiative or referendum amendment to the Constitution shall begin with the phrase, "Amends Constitution," which shall not be counted for purposes of the 15-word caption limit;

(b) A simple and understandable statement of not more than 25 words that describes the result if the state measure is approved. The statement required by this paragraph shall include either the phrase, "I vote" or "vote yes," or a substantially similar phrase, which may be placed at any point within the statement;

(c) A simple and understandable statement of not more than 25 words that describes the result if the state measure is rejected. The statement required by this paragraph shall not describe existing statutory or constitutional provisions in a way that would lead an average elector to believe incorrectly that one of those provisions would

be repealed by approval of the state measure, if approval would not have that result. Any thing or action described both in the statement required by paragraph (b) of this subsection and in the statement required by this paragraph shall be described using the same terms in both statements, to the extent practical. Any different terms must be terms that an average elector would understand to refer to the same thing or action. The statement shall include either the phrase, "I vote" or "vote no," or a substantially similar phrase, which may be placed at any point within the statement; and

(d) A concise and impartial statement of not more than 125 words summarizing the state measure and its major effect.

(3) The statements required by subsection (2)(b) and (c) of this section shall be written so that, to the extent practicable, the language of the two statements is parallel.

(4) The statement required by subsection (2)(b) of this section shall be written so that an affirmative response to the statement corresponds to an affirmative vote on the state measure.

(5) The statement required by subsection (2)(c) of this section shall be written so that an affirmative response to the statement corresponds to a negative vote on the state measure.

(6) In the statements required by subsection (2)(b), (c) and (d) of this section, reasonable discretion shall be allowed in the use of articles and conjunctions, but the statements shall not omit articles and conjunctions that are necessary to avoid confusion to or misunderstanding by an average elector. [1979 c.190 §143; 1979 c.675 §1; 1985 c.405 §1; 1987 c.556 §1; 1987 c.875 §1; 1995 c.534 §1; 1997 c.541 §312; 1999 c.793 §1; 2001 c.104 §78; 2009 c.566 §3]

250.036 Form of ballot title for measure subject to section 11 (8), Article XI of Oregon Constitution; exception. (1) Notwithstanding any other provision of law, all ballot titles subject to section 11 (8), Article XI of the Oregon Constitution, shall include the following statement as the first

statement of the ballot title summary:

This measure may be passed only at an election with at least a 50 percent voter turnout.

(2) As used in this section, "at least a 50 percent voter turnout" means a voter turnout that meets the requirements of section 11 (8), Article XI of the Oregon Constitution.

(3) The statement required by this section shall not be counted in determining the word count requirements of ORS 250.035.

(4) Subsection (1) of this section does not apply to the ballot title of a measure subject to section 11k, Article XI of the Oregon Constitution. [1997 c.541 §311; 2009 c.247 §1]

250.037 Form of ballot title for measure requesting approval of certain bonds. (1)

The ballot title of any measure requesting elector approval of bonds, the principal and interest on which will be payable from taxes imposed on property or property ownership that are not subject to the limitations of sections 11 and 11b, Article XI of the Oregon Constitution, shall contain, in addition to the matters required by ORS 250.035, the following statement immediately after the ballot title question and appearing with it, in this manner:

Question: (herein the question is stated) If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

(2) The words of the statement required by subsection (1) of this section are not counted for purposes of ORS 250.035.

(3) The ballot title statement for any measure requesting elector approval of bonds, the principal and interest on which is to be payable from taxes imposed on property or property ownership that are not subject to the limitations of sections 11 and

11b, Article XI of the Oregon Constitution, shall contain, in addition to the other requirements of ORS 250.035 and this section, a reasonably detailed, simple and understandable description of the use of proceeds.

(4) The front of the outer envelope in which the ballot title is delivered shall state, clearly and boldly printed in red, "CONTAINS VOTE ON PROPOSED TAX INCREASE." [1991 c.902 §119; 1997 c.541 §313; 2007 c.154 §10]

250.038 Form of ballot title for measure authorizing imposition or renewal of local option taxes or establishing permanent rate limitation. (1)

In addition to meeting other applicable requirements of this chapter:

(a) The ballot title for a measure authorizing the imposition of local option taxes shall contain the statement required by ORS 280.070 (4) and the information required by ORS 280.070 (5);

(b) The ballot title for a measure authorizing the establishment of a permanent rate limitation shall contain the information required by ORS 280.070 (6); and

(c) Except as provided in subsection (2) of this section, the front of the outer envelope in which the ballot title is delivered shall state, clearly and boldly printed in red, one of the following statements:

(A) For a measure authorizing the imposition of local option taxes, "CONTAINS VOTE ON PROPOSED TAX INCREASE"; or

(B) For a measure authorizing a renewal of current local option taxes, "CONTAINS VOTE ON RENEWAL OF CURRENT LOCAL OPTION TAXES."

(2) If a ballot contains a measure authorizing the imposition of local option taxes and a measure authorizing the renewal of a current local option tax, the front of the outer envelope in which the ballot is delivered shall state, clearly and boldly printed in red, "CONTAINS VOTE ON PROPOSED TAX INCREASE." [1999 c.632 §25; 2007 c.154 §11; 2009 c.720]

250.041 Applicability of ORS 250.005 to 250.038 to counties and cities. ORS

250.005 to 250.038 apply to the exercise of initiative or referendum powers:

(1) Regarding a county measure, regardless of anything to the contrary in the county charter or ordinance.

(2) Regarding a city measure, regardless of anything to the contrary in the city charter or ordinance. [1983 c.514 §11; 2005 c.7

TAXATION FOR LOCAL PUBLIC IMPROVEMENTS

280.040 Definitions for ORS 280.040 to 280.145; use of certain tax revenues. (1) As used in ORS 280.040 to 280.145:

(a) "Local option tax" means a tax described under section 11 (4) or (7)(c), Article XI of the Oregon Constitution.

(b) "Subdivision" includes only such counties, municipal corporations, quasi-municipal corporations and civil or political corporations or subdivisions as are empowered by law to levy ad valorem property taxes, except that "subdivision" does not include an education service district.

(2) All ad valorem tax revenues that are received by any subdivision as a result of a levy under ORS 280.040 to 280.090 and that are derived from an ad valorem tax levied for purposes other than general operations shall be:

(a) Kept by the treasurer or other financial officer in a fund that is separate and distinct from other funds of the subdivision.

(b) Expended only for the purpose for which the taxes were imposed. [Amended by 1997 c.541 §302; 1999 c.632 §21; 1999 c.1094 §1]

280.057 Local option taxes for community colleges; maximum amount. A local option tax levied by a community college district or community college service district may not exceed the amount of reduction in ad valorem property taxes caused under ORS 310.200 to 310.242. [1997 c.541 §308b]

280.060 Levy of local option taxes outside constitutional limitation; duration of levy; approval of levy as approval of bonds. (1) Upon approval of a majority of the electors of a subdivision in a manner that qualifies under section 11 (8), Article XI of the Oregon Constitution, a subdivision may levy local option taxes outside the limitation imposed

by section 11 (3), Article XI, Oregon Constitution, over the period of time that is authorized by the electors. The amount levied each year shall be:

(a) Uniform, or substantially so, throughout the period during which the taxes are levied; or

(b) Computed annually at the same dollar rate per thousand dollars assessed value in the subdivision, such rate to be declared in and made a part of the ballot measure to be submitted to the electorate.

(2) Notwithstanding subsection (1) of this section, a subdivision may certify for extension on the assessment and tax roll under ORS 310.060 a lesser amount of local option tax or a lesser rate of local option tax if the subdivision decides to collect less than the entire local option tax authorized by electors. The subdivision shall certify the lesser amount or rate in the written notice required to be made under ORS 310.060.

(3)(a) The period of time authorized by the electors shall not exceed five years or, if the local option tax is for capital projects, the lesser of:

(A) The expected useful life of the capital projects to be financed by the tax; or

(B) Ten years.

(b) A local option tax for capital projects does not exceed the expected useful life of the capital projects financed by the tax if the estimated weighted average life of the tax does not exceed the estimated dollar weighted average of the capital assets comprising the capital projects that are to be financed by the tax. The estimated dollar weighted average life of capital projects shall be calculated under rules of the Department of Revenue that ensure that a local option tax for capital projects is levied for no more than 10 years and no more than the useful life of the component of the capital projects financed by the tax that has the longest useful life.

(4)(a) All local option taxes authorized by ORS 280.040 to 280.145 that are for capital projects and that have a term of more than five years shall be submitted to electors separately from local option taxes with a term of five years or less.

(b) For purposes of this subsection, "capital project" means the acquisition of land upon which to construct an improvement, the acquisition of a building, the acquisition or construction of improvements, the acquisition of an addition to a building which increases the square footage of the building, the construction of a building, the construction of an addition to an existing building which increases the square footage of the building or the acquisition of and installation of machinery and equipment which will become an integral part of a building or an addition to a building, the purchase of furnishings, equipment or other tangible property with an expected useful life of more than one year or a combination of those items.

(5) If a ballot measure authorizing a local option tax states that the taxing district may issue bonds that are payable from that tax, voter approval of the tax shall constitute voter approval of the bonds, except that the approval shall not entitle the taxing district to collect a greater amount of tax than the taxing district would have been entitled to collect if the ballot measure only authorized local option taxes and did not authorize bonds. If the local option tax is approved by voters in a manner that qualifies under section 11 (8), Article XI of the Oregon Constitution, then the taxing body may issue the bonds in a principal amount that, together with the estimated interest to be paid on the bonds while the bonds are outstanding, does not exceed the revenues estimated to be received from the local option tax levy. A taxing district may pledge the revenues received from the local option tax and the taxing district's full faith and credit to pay bonds authorized under this subsection. Amended by 1953 c.134 §2; 1977 c.730 §1; 1979 c.241 §24; 1981 c.804 §79; 1989 c.658 §1; 1997 c.541 §303; 1999 c.21 §6; 1999 c.559 §4; 1999 c.1094 §2]

RULE 150-280.060-(A)
Calculating the Estimated Dollar Weighted Life for Local Option Taxes

(1) For local option taxes used to fund capital projects, the estimated dollar weighted life of capital projects shall be calculated in the following manner.

(a) The useful life of the project shall be estimated in years.

(b) The cost of the project shall be estimated in dollars and cents.

(c) The estimated useful life of the project shall be multiplied by the estimated cost of the project. This is the weight of the project.

(d) The weight of the project is divided by the cost of the project to come up with the estimated dollar average life of the project. This is the maximum time that may be financed using a local option tax.

(2) For a local option tax that only funds one capital project, the estimated dollar weighted life of the project will equal the useful life of the project.

(3) For a local option tax that supports more than one capital project, complete (1)(a) through (1)(c) above for each capital project. Sum the cost of all of the projects and sum the weight of all the projects in the local option tax. Then divide the total weight by the total cost to arrive at the estimated dollar average life of the capital project for this tax.

Example: A city decides to go out for a local option for their police department. The local option tax is going to be used to purchase 2 new computers, 2 patrol cars and rewire the station house. What is the estimated dollar average life of the capital projects financed by this local option levy? [Table not included. See ED. NOTE.]

(4) Normal rounding is used in calculating the estimated dollar average life.

(5) Local option tax for capital projects can not exceed 10 years. Hist.: REV 3-1998, f. & cert. ef. 6-30-98

280.064 Period for use of revenues raised by local option tax. Subject to ORS 294.305 to 294.565 and the applicable provisions of a charter, ordinance or resolution of a subdivision, a subdivision may use revenues raised by a local option tax beyond the period of years during which the subdivision is authorized to levy the local option tax if the revenue is used for the purpose authorized by the electors. [2003 c.195 §6]

280.070 Manner of holding elections for local option tax or permanent rate limit; additional statement in ballot title. (1) An election within a county for the purpose of

approving a tax levy or tax rate under ORS 280.060 shall be called by the county court or board of county commissioners and shall be held on a date specified in ORS 203.085.

(2) An election within a city for the purpose of approving a tax levy or tax rate under ORS 280.060 or under section 11 (3)(c), Article XI of the Oregon Constitution, shall be called by the governing body of the city and held on a date specified in ORS 221.230.

(3) An election within a political subdivision other than a county or city for the purpose of approving a tax levy or tax rate under ORS 280.060 or under section 11 (3)(c), Article XI of the Oregon Constitution, shall be called by the governing body of the subdivision and held on a date specified in ORS 255.345.

(4)(a) Except as provided in paragraph (b) of this subsection, the ballot title for a measure authorizing the imposition of local option taxes shall contain the following additional statement:

This measure may cause property taxes to increase more than three percent.

(b) The ballot title for a measure authorizing the renewal of current local option taxes shall contain the following additional statement:

This measure renews current local option taxes.

(c) The statement required by this subsection shall be placed after the question on the ballot title and may not be considered for purposes of the word count limitations under ORS 250.035.

(5) As part of the question, the ballot title for a measure authorizing or renewing the authorization of the imposition of local option taxes shall state:

(a) The length in years of the period during which the proposed local option tax

will be imposed.

(b) The first fiscal year in which the proposed local option tax will be imposed.

(6) As part of the question, the ballot title for a measure authorizing the establishment of a permanent rate limitation shall contain the following information:

(a) The tax rate per \$1,000 of assessed value of the proposed permanent rate limitation.

(b) The first fiscal year in which the proposed permanent rate limitation will be imposed.

(7) The ballot title for a measure authorizing the imposition of local option taxes or a permanent rate limitation shall be in compliance with ORS 250.036. [Amended by 1983 c.350 §133; 1997 c.541 §304; 1999 c.632 §22; 2007 c.71 §82; 2009 c.720 §1]

280.075 Ballot statements for local option tax measures.

(1) Notwithstanding any other law and when not inconsistent with or otherwise provided for in the Oregon Constitution, whenever a proposed local option tax is submitted to a vote of the people by any subdivision, the statement in the ballot title for the measure that explains the chief purpose of the measure and gives reasons for the measure shall state the total amount of money to be raised by the proposed local option tax, in dollars and cents. If the statement in the ballot title for the measure submitted includes an estimated tax impact, it shall be based on the most current estimate of assessed value from the county assessor. The measure shall bear the statement: "The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of estimate."

(2) Subsection (1) of this section does not apply to a local option tax described in ORS 280.060 (1)(b). For a levy described in ORS 280.060 (1)(b), an estimate of the total amount of money to be raised for each year of the proposed local option tax shall be stated in dollars and cents. If the levy described in ORS 280.060 (1)(b) raises more money than estimated, the excess collections above that estimate shall be considered a

budget resource for the levy fund in the next fiscal year of the subdivision. This section does not apply to an election authorizing general obligation bonds or the tax levies to repay general obligation bonds.

(3) The statement or statements required by subsections (1) and (2) of this section shall be added to and made a part of the 175-word statement required by ORS 250.035. The number of words contained in the statements described in subsections (1) and (2) of this section shall not be included in the 175-word limitation. [Formerly 310.395; 2007 c.783 §92]

RULE 150-280.075
Tax Election Ballot Measure
Requirements

(1) All ballot titles are required to contain essentially the same language within the standard format as outlined in ORS 250.035.

(2) The caption is limited to not more than 10 words. The purpose is to identify the type of tax presented for voter approval. The name of the municipal corporation and dollar figures must not be included in the caption.

(3) The question is limited to 20 words that plainly state the purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure. The question must contain the following:

(a) The name of the municipal corporation. The word "district" may be substituted for the full name of the municipal corporation if the full name appears in the ballot measure summary;

(b) The amount of property tax in dollars and cents, or the tax rate per \$1,000 of assessed value;

(c) The purpose of the tax, such as operating, capital project, or establishing a permanent rate limit;

(d) The first fiscal year the tax is to be imposed; and

(e) The length in years that the proposed tax is to be imposed.

(4)(a) Directly after the question for a proposed new local option tax, the following statement is required: "This measure may cause property taxes to increase more than three percent."

(4)(b) In lieu of the statement required by subsection (a) of this section, for a question that is requesting the renewal of a current local option tax, the following statement is required: "This measure renews current local option taxes." To qualify as a renewing measure, a measure must ask for the same tax rate or annual dollar amount as the current local option tax, or a lower rate or amount, and be for substantially the same purpose as the current local option tax.

(c) The statement required by subsection (a) or (b) of this section is not included in the 20-word limitation.

(5) The summary is limited to 175 words and explains the purpose of the tax in plain language. It must not advocate a yes or no vote on the question. The summary must contain the following:

(a) As the first sentence, except for elections held in May or November of any year: "This measure may be passed only at an election with at least a 50 percent voter turnout." This statement is not included in the 175-word limitation;

(b) For a dollar amount local option, the total amount of money to be raised by the measure, and;

(c) For a tax rate local option, an estimate of the amount of taxes to be raised in each year in which the tax will be imposed.

(6) If an estimated tax rate is included in the summary of a measure requesting an annual dollar amount levy, it must also contain the following statement: "The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of estimate." This statement is not included in the 175-word limitation.

EXAMPLE ONE-YEAR LOCAL OPTION
(RATE) (May or November election):

Caption: One-year Local Option Tax

Question: Should Sample City impose \$.40 per \$1,000 of assessed value for operating purposes for one year beginning 2008–2009? This measure may cause property taxes to increase more than three percent.

Summary: The purpose of this measure is to provide funds for the general operations of Sample City. It will enable the city to maintain

operations at their current level. It is estimated that the requested rate will raise \$100,000 in fiscal year 2008-2009.

EXAMPLE MULTIPLE-YEAR LOCAL OPTION (UNIFORM DOLLAR AMOUNT)

(March or September election):

Caption: Nine-year Capital Project Local Option Tax

Question: Should the district impose \$20,000 each year for nine years to purchase two vehicles and a maintenance shed beginning 2008–2009? This measure may cause property taxes to increase more than three percent.

Summary: This measure may be passed only at an election with at least a 50 percent voter turnout. The taxes to be raised in nine years total \$180,000, to be imposed in equal amounts of \$20,000 each year. The taxes will be used to purchase two new city vehicles to replace existing vehicles. The tax revenue will also be used to acquire a maintenance shed to house the city's park maintenance equipment. The city currently has no maintenance shed. It is estimated that the proposed tax will result in a rate of approximately \$.10 per \$1,000 of assessed value in the first year. The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of estimate.

EXAMPLE MULTIPLE-YEAR LOCAL OPTION (RATE) (RENEWAL) (March or September election):

Caption: Three-year Operating Local Option Tax

Question: Should Sample County impose \$.76 per \$1,000 of assessed value for operations for three years beginning 2008–2009? This measure renews current local option taxes.

Summary: This measure may be passed only at an election with at least a 50 percent voter turnout. This measure will continue a current local option tax that, without renewal, will expire in 2008. If renewed, the tax revenue will continue to be used to operate the county at its current levels of service. It is estimated the proposed rate will raise \$152,000 in

2008-2009, \$156,560 in 2009-2010, and \$161,260 in 2010-2011 for a total of \$469,820.

EXAMPLE PERMANENT RATE LIMIT (May or November election):

Caption: Permanent Rate Limitation

Question: Should District be authorized to impose \$3.50 per \$1000 of assessed value as a permanent rate limit beginning 2008-2009?

Summary: The measure will establish a permanent tax rate limit for the new Sample Service District. In the first year of imposition it is estimated that the proposed rate will raise \$42,000 for the new district. The taxes will be used to pay for the general operations of the district. Hist.: REV 8-1998, f. 11-13-98, cert. ef. 12-31-98; REV 8-2000, f. & cert. ef. 8-3-00; REV 5-2009, f. & cert. ef. 7-31-09; REV 17-2010, f. 12-17-10, cert. ef. 1-1-11

280.080 Contents of order, resolution or ordinance calling election. The order, resolution or ordinance, as the case may be, pursuant to which the election required by ORS 280.060 is called and held, shall set forth:

(1) The purpose for which the funds to be provided by the tax levies are to be expended.

(2) The estimated total outlay for such purpose.

(3) The period of time authorized by the electors pursuant to ORS 280.060 (3). [Amended by 1977 c.730 §2; 1997 c.541 §305; 1999 c.1094 §3]

280.090 Submission of several proposals to impose local option taxes.

If more than one proposal to impose local option taxes is submitted to the electors at the same election, the several ballot measures shall be voted upon separately. However, not more than four separate ballot measures proposing local option taxes may be submitted to the electors under the provisions of ORS 280.040 to 280.145 within a single calendar year. [Amended by 1979 c.241 §25; 1981 c.804 §80; 1999 c.21 §7]

280.150 Appropriating money and issuing bonds to construct, operate and maintain joint facilities. Incorporated cities, school districts and counties of this state may jointly, in such manner as they shall agree upon, construct, acquire, own, equip, operate and maintain facilities which will directly aid each participating governmental unit in performing a duty or duties imposed upon it or aid in exercising a power or powers conferred upon it, and may appropriate money and may issue bonds therefor.

MUNICIPAL DEBT

287A.001 Definitions for ORS chapter 287A. As used in this chapter:

(1) "Advance refunding bond" means a bond all or part of the proceeds of which are to be used to pay an outstanding bond one year or more after the advance refunding bond is issued.

(2) "Agreement for exchange of interest rates" means a contract, or an option or forward commitment to enter into a contract, for an exchange of interest rates for related bonds that provides for:

(a) Payments based on levels or changes in interest rates; or

(b) Provisions to hedge payment, rate, spread or similar exposure including, but not limited to, an interest rate floor or cap or an option, put or call.

(3) "Bond":

(a) Means a contractual undertaking or instrument of a public body to repay borrowed moneys.

(b) Does not mean a credit enhancement device.

(4) "Capital construction" has the meaning given that term in ORS 310.140.

(5) "Capital improvements" has the meaning given that term in ORS 310.140.

(6) "Credit enhancement device":

(a) Means a letter of credit, line of credit, standby bond purchase agreement, bond insurance policy, reserve surety bond or other device or facility used to enhance the creditworthiness, liquidity or marketability of bonds or agreements for exchange of interest rates.

(b) Does not mean a bond.

(7) "Current refunding bond" means a

bond the proceeds of which are to be used to pay or purchase an outstanding bond less than one year after the current refunding bond is issued.

(8) "Forward current refunding" means execution and delivery of a purchase agreement or similar instrument under which a public body contracts to sell current refunding bonds for delivery at a future date that is one year or more after execution of the purchase agreement or similar instrument.

(9) "General obligation bond" means exempt bonded indebtedness, as defined in ORS 310.140, that is secured by a commitment to levy ad valorem taxes outside the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

(10) "Lawfully available funds" means revenues or other moneys of a public body including, but not limited to, moneys credited to the general fund of the public body, revenues from an ad valorem tax and revenues derived from other taxes levied by the public body that are not dedicated, restricted or obligated by law or contract to an inconsistent expenditure or use.

(11) "Operative document" means a bond declaration, trust agreement, indenture, security agreement or other document in which a public body pledges revenue or property as security for a bond.

(12) "Pledge" means:

(a) To create a lien on property pursuant to ORS 287A.310.

(b) A lien created on property pursuant to ORS 287A.310.

(13) "Public body" means:

(a) A county of this state;

(b) A city of this state;

(c) A local service district as defined in ORS 174.116 (2);

(d) A special government body as defined in ORS 174.117;

(e) Oregon Health and Science University; or

(f) Any other political subdivision of this state that is authorized by the Legislative Assembly to issue bonds.

(14) "Refunding bond" means an advance refunding bond, a current refunding bond or a forward current refunding bond.

(15) "Related bond" means a bond for which the public body enters into an agreement for exchange of interest rates or obtains a credit enhancement device.

(16) "Revenue" means all fees, tolls, excise taxes, assessments, property taxes and other taxes, rates, charges, rentals and other income or receipts derived by a public body or to which a public body is entitled.

(17) "Revenue bond" means a bond that is not a general obligation bond.

(18) "Termination payment" means the amount payable under an agreement for exchange of interest rates by one party to another party as a result of the termination, in whole or part, of the agreement prior to the expiration of the stated term. [2007 c.783 §42; 2009 c.537 §9]

AUTHORITY FOR BORROWING

287A.010 Powers conveyed to public bodies. The powers conveyed to public bodies by ORS 287A.001 to 287A.380 are in addition to any other powers possessed by public bodies and do not limit those other powers. [2007 c.783 §68]

(General Obligation Bonds)

287A.050 Authority of city to issue general obligation bonds. (1) A city may issue general obligation bonds to finance capital construction or capital improvements upon approval of the electors of the city.

(2) Unless the city charter provides a lesser limitation, a city may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds three percent of the real market value of the taxable property within its boundaries, calculated as provided in ORS 308.207.

(3) The limitation described in subsection (2) of this section does not apply to general obligation bonds issued to finance the costs of local improvements assessed and paid for in installments under statutory or charter authority or to finance capital construction or capital improvements for:

(a) Water supply, treatment or distribution;

(b) Sanitary or storm sewage collection or treatment;

(c) Hospitals or infirmaries;

(d) Gas, power or lighting; or

(e) Off-street motor vehicle parking facilities. [2007 c.783 §43]

287A.100 Authority of county to issue general obligation bonds. (1) Unless the county charter expressly provides otherwise, a county may issue general obligation bonds to finance capital construction or capital improvements upon approval of the electors of the county.

(2) Unless the county charter provides a lesser limitation, a county may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds two percent of the real market value of the taxable property in the county, calculated as provided in ORS 308.207. [2007 c.783 §44]

287A.105 Limitation on bonded indebtedness of county. (1) A county may incur bonded indebtedness within the meaning of section 10, Article XI of the Oregon Constitution, by issuing revenue bonds when a county is expressly authorized to issue revenue bonds by a law other than this section. The amount of revenue bonds permitted by this section may not exceed the lesser of:

(a) One percent of the real market value of all taxable property in the county, calculated as provided in ORS 308.207; or

(b) A limitation on bonded indebtedness in the county charter.

(2) The limitation on bonded indebtedness in subsection (1) of this section does not apply to revenue bonds issued to finance pension liabilities under ORS 238.692 to 238.698 or any other law in effect prior to enactment of ORS 238.692 to 238.698. [2007 c.783 §45]

287A.140 Ad valorem tax levy to pay general obligation bonds. (1) In addition to other taxes imposed, a public body shall levy annually an ad valorem property tax on the taxable property within the boundaries of the

public body in an amount that is sufficient, when added to other amounts available, to pay the principal of and interest on outstanding general obligation bonds issued by the public body.

(2) A public body may:

(a) Use the revenues collected under this section and earnings on the revenues only to pay the principal of and interest on general obligation bonds.

(b) Not use or divert taxes levied under subsection (1) of this section for another purpose while principal or interest remains unpaid on the bonds.

(c) If a surplus amount remains after the principal of and interest on an issue of general obligation bonds have been paid and the public body does not have other expenses related to the bonds, transfer the surplus moneys to a fund designated by the governing body of the public body. [2007 c.783 §67]

287A.145 Misspent proceeds of general obligation bonds. (1) If a court of competent jurisdiction determines that the proceeds of an issue of general obligation bonds have been used by a public body for expenditures that are not capital construction or capital improvements, the court may order the public body to:

(a) Replace the misspent proceeds with interest, on a reasonable schedule determined by the court, from moneys other than the tax revenues that the public body levies to pay the debt service; and

(b) Use the replaced moneys for capital construction or capital improvement expenditures or to pay the debt service.

(2) If the public body fails to comply with an order to replace the misspent proceeds or acknowledges that the public body is unable to replace the misspent proceeds, the court may determine that a portion of the future levies to pay the debt service is subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution, by calculating the amount of the tax revenues that are necessary to pay the principal and interest on the bonds that is allocable to the misspent proceeds.

(3) An action may not be filed or maintained against a public body because of an alleged expenditure of the bond proceeds of general obligation bonds for purposes other than capital construction or capital improvements, if the misspent moneys are less than \$5,000. [2007 c.783 §66]

287A.150 Authority of public body to issue revenue bonds.

(1) In addition to any other authority to issue revenue bonds, a public body may authorize revenue bonds by resolution or non-emergency ordinance pursuant to this section for a public purpose.

(2) If revenue bonds are authorized by non-emergency ordinance, a public body may not sell the revenue bonds pursuant to this section until the period for referral of the ordinance has expired. If electors of a public body refer a non-emergency ordinance authorizing issuance of revenue bonds, the public body may not sell the revenue bonds unless the electors approve issuance of the revenue bonds.

(3) If revenue bonds are authorized by resolution:

(a) A public body may not sell the revenue bonds until at least 60 days following publication of the notice required in subsection (4) of this section.

(b) The resolution must provide that electors residing within the public body may file a petition with the public body asking the public body to refer the question of whether to issue the revenue bonds to a vote. If within 60 days after the publication of the notice described in subsection (4) of this section, electors file petitions with the public body containing valid signatures of at least five percent of the public body's electors, the public body:

(A) Shall place the question of issuing the revenue bonds on the ballot at the next lawfully available election date; and

(B) May not sell the revenue bonds described in the notice unless a majority of the electors voting on the question of issuing the revenue bonds approve.

(4) A public body authorizing revenue bonds by resolution shall publish a notice describing the purposes for which the revenue bonds will be sold in at least one

newspaper of general circulation within the boundaries of the public body in the same manner as other public notices of the public body. At a minimum, the notice must contain:

- (a) The date the resolution was adopted and the number thereof, if any;
- (b) The expected source of revenue for repayment of the revenue bonds;
- (c) The estimated principal amount of the revenue bonds to be sold;
- (d) The procedures by which electors may cause the question of issuing the revenue bonds to be referred to a vote;

The period within which electors must file signed petitions to cause referral; and

(f) The fact that the resolution is available for inspection at the appropriate office of the public body.

(5) If revenue bonds are authorized by non-emergency ordinance under subsection (2) of this section, the revenue bonds may be secured by the revenues or other property of the public body that is described in the non-emergency ordinance. If revenue bonds are authorized by resolution under subsection (3) of this section, the revenue bonds may be secured by the revenues or other property of the public body that is described in the notice required under subsection (4) of this section.

(6) A public body may issue refunding bonds under ORS 287A.360 to 287A.380 to pay revenue bonds that were authorized by this section. The procedures and limitations of subsections (1) to (5) of this section do not apply to refunding bonds. [2007 c.783 §46]

287A.180 Short-term borrowing by public body.

(1) In addition to any other authority to issue revenue bonds, but subject to applicable limitations imposed by the Oregon Constitution or the charter or ordinance of the public body, a public body may issue revenue bonds pursuant to this section:

- (a) In anticipation of tax revenues or other moneys;
- (b) To provide interim financing for capital projects to be undertaken by the public body; or

(c) To refund revenue bonds issued pursuant to this section.

(2) To secure revenue bonds authorized under this section, a public body may:

(a) Pledge all or part of the revenues of the public body that may lawfully be used to secure payment of the revenue bonds.

(b) Obtain credit enhancement devices for the revenue bonds authorized by this section.

(c) Establish debt service reserves.

(d) Enter into covenants, by ordinance, resolution or agreement, for the protection and security of the owners of revenue bonds authorized by this section. The covenants constitute enforceable contracts with the owners of the revenue bonds.

(3) Revenue bonds authorized by this section that are issued in anticipation of revenues and revenue bonds issued under subsection (1)(c) of this section:

(a) Must mature within 13 months after they are issued; and

(b) May not be issued in a principal amount that exceeds 80 percent of the taxes or other revenues, except grant moneys, that the public body has budgeted or otherwise reasonably expects to have available to pay the revenue bonds.

(4) Revenue bonds authorized by this section that are issued in anticipation of grant moneys or to provide interim financing for capital projects and revenue bonds issued under subsection (1)(c) of this section must mature not later than five years after the revenue bonds are issued.

(5) The debt limitations imposed by law or the charter of a public body do not apply to revenue bonds or credit enhancement devices authorized by this section. [2007 c.783 §47]

(Debt Limits)

287A.195 Compliance with constitutional or statutory debt limits. (1) When calculating compliance with a constitutional or statutory debt limit for a public body:

(a) The amount of interest to be paid on bonds, whether paid currently or deferred, is not taken into account.

(b) For a zero coupon bond or other original discount bond on which periodic interest payments are not made, only the accreted value of the bond on the date the bond is issued is taken into account.

(c) If a bond is issued to a provider of a credit enhancement device for a bond that is subject to a debt limit, the bond issued to the provider must be taken into account only to the extent that the amount of the bond issued to the provider exceeds the amount of the bond secured by the credit enhancement device.

(d) A public body may deduct from the amount of outstanding indebtedness:

(A) The amount of money and investments that the public body or a trustee of the public body or a trustee or agent of the public body holds to pay bonds that have not been defeased.

(B) The principal amount of bonds that have been defeased.

(2) For purposes of this section, a bond is defeased if:

(a) The public body has set aside in an irrevocable escrow government obligations, as defined in ORS 287A.375, the receipts from which have been calculated by a certified public accountant or other experienced professional to be sufficient, without reinvestment, to pay the principal, interest and premium, if any, due on the bond at maturity or on prior redemption; or

(b) The public body has complied with the provisions in the documents authorizing the bond that govern payment or defeasance of the bond. [2007 c.783 §64]

ADMINISTRATION OF BONDS

287A.300 Terms and conditions of bond sales; delegation of authority. (1) Notwithstanding a local charter or statutory limitation, when a public body is authorized by law to issue bonds, the public body may:

(a) Combine bonds authorized by different laws or actions of the governing body into a single issue and use a single disclosure document if the bonds in the issue will have the same security, or may use a single disclosure document for bonds authorized by different laws or actions of the governing body if the bonds have different

security.

(b) Structure, market and issue bonds in the manner that the public body determines is in the best interest of the people served by the public body.

(c) Sell bonds at a competitive sale or a negotiated sale or in any other manner determined by the public body.

(d) Issue bonds the interest on which is exempt from federal income taxes or is not exempt from federal income taxes.

(e) Establish the maturity dates for bonds to provide for short-term, interim or long-term borrowing and establish the principal amounts, redemption provisions, optional or mandatory tender provisions, interest rates or method for determining a variable or adjustable interest rate, denominations and other terms and conditions of the bonds.

(f) Determine the form and content of bond disclosure documents.

(g) Enter into an agreement with and retain the services of bond counsel and other providers of bond-related services.

(h) Execute and deliver indentures, bond purchase agreements, trust agreements, remarketing agreements, auction agent agreements, broker dealer agreements, tender agent agreements, escrow agreements and other contracts related to the sale, issuance, security for or administration of the bonds.

(i) Enter into agreements with bond trustees and deposit moneys with trustees for the benefit of bond owners and the providers of credit enhancement devices for bonds.

(j) Enter into covenants for the benefit of bond owners or the providers of credit enhancement devices or agreements for exchange of interest rates, including but not limited to covenants regarding the issuance of additional bonds and rate covenants.

(k) Enter into covenants for the benefit of owners of bonds that are intended to allow bonds to bear interest that is excludable from gross income under the federal Internal Revenue Code or that is otherwise exempt from taxation by the United States.

(L) Take action to comply with covenants.

(m) Establish bond debt service reserves.

(n) Fund debt service reserves out of bond proceeds or from other revenues.

(o) Specify the individuals who may sign the bonds on behalf of the public body.

(2) When the Oregon Constitution, a charter, a statute, an ordinance or a resolution authorizes a public body to spend bond proceeds for a particular purpose, the public body may also spend bond proceeds to finance costs of issuing, administering and repaying the bonds, including costs of the services of bond counsel or other providers of bond-related services, and to pay the costs of a credit enhancement device or agreement for exchange of interest rates.

(3) When a public body redeems bonds, the public body shall give notice of redemption in the manner specified in the documents authorizing the bonds to be redeemed.

(4) A public body may delegate to an elected or appointed official or an employee of the public body the authority to take an action described in subsection (1) of this section.

(5) Except as provided otherwise in this subsection, at least one of the signatures of bond signatories must be provided in manual form. However, if the bonds are to be authenticated by at least one signature in manual form, all signatures of bond signatories may be in facsimile form. [2007 c.783 §§48,49; 2009 c.538 §7; 2011 c.256 §2a]

287A.310 Definitions for ORS 287A.310 and 287A.315; lien of a pledge; Uniform Commercial Code. (1) As used in this section and ORS 287A.315:

(a) "Obligation" means:

(A) A bond;

(B) The commitment of a public body in connection with a credit enhancement device; or

(C) An agreement for exchange of interest rates.

(b) "Property" means:

(A) Real or personal property, tangible or intangible, whether owned when a pledge is made or acquired subsequently to the time the pledge is made; and

(B) Revenues, contract rights, receivables or securities.

(2) The Uniform Commercial Code does not apply to the creation, perfection, priority or enforcement of a lien of a pledge made by a public body.

(3) When otherwise authorized by statute, charter, ordinance or resolution to issue bonds, a public body may pledge as security for payment of obligations all or part of the property of the public body expressly authorized to be pledged by the governing body of the public body.

(4) The lien created by a pledge is valid and binding from the time the pledge is made. Pledged property is subject immediately to the lien of the pledge without physical delivery, filing or any other act.

(5) Except as otherwise expressly provided in an operative document, the lien of the pledge is superior to and has priority over all other claims and liens.

(6) When property subject to a pledge is acquired by a public body after the pledge is made:

(a) The property is subject to the lien upon acquisition by the public body without physical delivery, filing or any other act.

(b) The lien relates to the time the pledge was originally made.

(7) A public body may reserve a right to pledge a pledged property as security for bonds subsequently issued by the public body. If the public body reserves the right, subject to the terms of the operative document that created a previous pledge, the lien of the subsequent pledge may be on a parity or pari passu basis with the lien of the previous pledge, on a prior and superior basis with the lien of the previous pledge or on a subordinate basis with the lien of the previous pledge, as specified in the operative document creating the subsequent pledge. The lien of the subsequent pledge:

(a) Has the priority specified in the operative document creating the subsequent pledge; and

(b) Is superior to and has priority over all other claims and liens except the lien of a pledge with which the lien of the subsequent pledge is on a parity or subordinate basis, as specified in the operative document.

(8) A pledgee may commence an action in a court of competent jurisdiction to foreclose the lien of the pledge and exercise rights and remedies available to the pledgee under the operative document.

(9) When pledged property consists of moneys or property that is in a fund for debt service reserves or payments, a pledgee may foreclose the lien of the pledge by applying the moneys or property in the fund to the payment of the bonds subject to the terms, conditions and limitations in the operative document. [2007 c.783 §50]

287A.315 Pledge of full faith and credit and taxing power. (1) A public body may pledge its full faith and credit and taxing power when the public body issues:

(a) A general obligation bond; or

(b) An obligation that is secured by all lawfully available funds of the public body.

(2) When a public body pledges its full faith and credit and taxing power to pay an obligation, the pledge constitutes an enforceable promise or contract by the public body:

(a) To pay the obligation out of lawfully available funds of the public body; and

(b) If lawfully available funds are insufficient to pay when due the amounts owing on the obligation, to levy, impose and collect a tax that is within the authority of the public body to levy, impose and collect in an amount sufficient to pay the amounts owing under the obligation, including past due amounts and penalties.

(3) If a public body fails to pay when due an amount owing under an obligation secured by a pledge of the full faith and credit and taxing power of the public body, the owner of the obligation, or the trustee appointed to act on behalf of the owner, may bring an action in the circuit court of the county in which the principal offices of the public body are located to compel the public body:

(a) To appropriate and expend sufficient lawfully available funds to pay the amounts owing on the obligation; or

(b) If lawfully available funds are insufficient to pay when due the amounts owing on the obligation, to levy, impose and

collect a tax that is within the authority of the public body to levy, impose and collect in an amount sufficient to pay the amounts owing under the obligation, including past due amounts and penalties.

(4) An owner of the obligation, or a trustee appointed to act on behalf of the owner, may initiate a proceeding to impose remedial sanctions under ORS 33.055 against members of the governing body of a public body for failure to comply with an order of the court under this section.

(5) A pledge of the full faith and credit and taxing power authorized by this section does not, by itself, create a lien on the revenues or property of the public body. [2007 c.783 §50a]

287A.325 Covenants of public bodies regarding pledges. (1) The Legislative Assembly finds that:

(a) It is a matter of statewide concern that certain covenants made by public bodies regarding a pledge of revenues to secure bonds not be impaired by subsequent initiative or referendum measures.

(b) The covenants described in paragraph (a) of this subsection usually are in the form of a promise to charge and collect rates, fees, tolls, rentals or other charges sufficient to produce moneys to maintain a specified level of debt service coverage.

(c) The possibility that the covenants described in paragraph (a) of this subsection might be rolled back, frozen or otherwise subjected to subsequently imposed conditions or restrictions negatively affects the ability of public bodies to market their bonds, to obtain credit enhancement and to obtain satisfactory ratings on their bonds.

(2) Therefore, the Legislative Assembly declares that covenants are material to the security for bonds and to investors' expectations regarding timely payment of the bonds.

(3) An elector-approved initiative or referendum measure that purports to change ordinances or resolutions affecting rates, fees, tolls, rentals or other charges has no force or effect if giving force and effect to the change would impair existing covenants made with existing bond owners.

(4) A public body may enter into rate covenants that obligate the public body to periodically set rates and charges:

(a) That generate pledged revenues at specific levels including, but not limited to, a specific monetary charge for each unit of commodity or service provided or a schedule of rates and charges that includes fixed and variable components;

(b) At levels sufficient to maintain underlying credit ratings assigned to bonds by one or more nationally recognized credit rating services without regard to improvement in credit ratings due to the additional security provided for the bonds by a credit enhancement device;

(c) That generate pledged revenues each year in amounts at least equal to operations and maintenance expenses of the system that produces the pledged revenues, plus debt service on revenue bonds and other borrowings, plus an additional amount that is reasonably required to obtain favorable terms for the revenue bonds and other borrowings; or

(d) In accordance with a formula established in the operative document governing revenue bonds or other borrowings. The formula may provide for rates and charges to be determined by reference to factors including, but not limited to:

- (A) Historical operating expenses;
- (B) Projected future operating expenses;
- (C) The funding of depreciation;
- (D) The costs of capital improvements;
- (E) The costs of complying with contractual obligations and covenants;
- (F) The costs of complying with regulatory requirements;
- (G) Reports of independent consultants regarding the level of pledged revenues required to operate and maintain a utility in accordance with prudent utility practice;
- (H) Debt service on the revenue bonds or other borrowings bonds; and
- (I) The moneys needed to establish or maintain reserves required by law or contract and the moneys needed to maintain an unencumbered carryforward fund balance or working capital to meet unanticipated

expenses or fluctuations in revenues that may arise.

(5) Without regard to the date of execution of a rate covenant, a rate covenant authorized by this section is a contract that binds the public body and is enforceable against the public body in accordance with the terms of the rate covenant. [2007 c.783 §51]

287A.335 Agreements for exchange of interest rates; rules.

(1) As used in this section, "counterparty" means an entity with whom a public body enters into an agreement for exchange of interest rates.

(2) Upon a finding by a public body that an agreement for exchange of interest rates benefits the public body, the public body may enter into the agreement for exchange of interest rates with a counterparty. An agreement for exchange of interest rates may be made to manage payment, interest rate, spread or similar exposure undertaken in connection with related bonds that:

(a) Exist when the agreement for exchange of interest rates is executed;

(b) Are reasonably expected to be executed when regularly scheduled payments are due from the issuer under the agreement; or

(c) Are identified after the agreement for exchange of interest rates is executed and substituted for related bonds described in paragraph (a) or (b) of this subsection as a result of prepayment, refunding, conversion, ratings changes, redemption, defeasance or other similar event.

(3) Upon entering into an agreement for exchange of interest rates under this section and continuing until the agreement is satisfied, terminated or otherwise no longer in effect, provided a payment default has not occurred, the public body may treat the amount or rate of interest on the related bond as the amount or rate of interest payable after giving effect to the agreement for exchange of interest rates for the purpose of calculating:

(a) Tax levies to pay regularly scheduled bond debt service; and

(b) Other amounts that are based on the rate of interest of the bond.

(4) Subject to covenants applicable to a related bond and the limitations of this section, payments required under an agreement for exchange of interest rates may:

(a) Be treated as interest payments on the related bond;

(b) Be made from revenues or other moneys contributed to or legally available to pay the related bond; and

(c) Rank in an order of priority of payment relative to the payment of the related bond as the public body determines.

(5) In connection with entering into an agreement for exchange of interest rates, a public body may obtain a credit enhancement device to secure the agreement for exchange of interest rates.

(6) An agreement for exchange of interest rates entered into under this section:

(a) Is not a debt or other obligation of the issuer for purposes of any limitation upon the indebtedness of the issuer.

(b) Is subject only to the limitations of this section and is not subject to other limitations applicable to the related borrowing.

(7) A termination payment required to be paid by the public body under an agreement for exchange of interest rates:

(a) May be paid from moneys derived from the issuance and sale of revenue bonds.

(b) May not be paid from ad valorem property taxes levied outside the limitations of section 11 or 11b, Article XI of the Oregon Constitution.

(8) The Oregon Municipal Debt Advisory Commission shall adopt administrative rules establishing required terms, conditions, annual or periodic reporting requirements and other requirements for an agreement for exchange of interest rates entered into by a public body, if the commission determines those requirements are desirable to protect the interests of the public body.

(9) A public body may create reserves to pay amounts due under agreements for exchange of interest rates and fund the reserves with moneys derived from the issuance and sale of bonds or from revenues or other moneys described in subsection (4)(b) of this section. [2007 c.783 §53; 2009 c.538

§8

287A.339 Termination payment of conduit borrower.

When a public body is authorized by law to issue bonds, the public body may lend moneys derived from an issuance and sale of bonds to a conduit borrower of proceeds from outstanding, previously issued conduit revenue bonds for the purpose of paying a termination payment required to be paid by the borrower under an agreement for exchange of interest rates entered into by the borrower in relation to the outstanding conduit revenue bonds. [2009 c.538 §6]

287A.340 Credit enhancement devices.

(1) A public body may obtain a credit enhancement device and enter into related agreements.

(2) The public body may pay the provider of the credit enhancement device from the same sources that the public body may lawfully use to pay the related bonds or from any other legally available source.

(3) The public body may issue a bond to the provider of a credit enhancement device to secure the obligations of the public body or to pay amounts due to the provider. [2007 c.783 §52]

287A.343 Public body purchase of own bonds.

(1) Notwithstanding any limitation in a local charter, a public body may bid for, purchase, hold, cause to be held in trust and remarket bonds issued by the public body.

(2) Except as otherwise provided in the operative documents, the purchase or acquisition of bonds under this section does not cancel or extinguish the bonds unless the public body elects in writing to cancel or extinguish the bonds. [2009 c.537 §4]

287A.345 State taxation of bond interest.

Interest on bonds of a public body is exempt from personal income tax under ORS chapter 316. [2007 c.783 §65]

287A.350 Public records.

The records of registered bond ownership, whether maintained by a public body or otherwise, are not public records within the meaning of ORS 192.410 (4). [2007 c.783 §69]

REFUNDING BONDS

287A.360 Current refunding bonds. (1) In addition to any other authority to issue refunding bonds, a public body may issue current refunding bonds to refund or purchase its outstanding bonds.

(2) A public body may secure current refunding bonds with any of the revenues and covenants that the public body could have used to secure the refunded or purchased bonds under the law in effect when the refunded or purchased bonds were issued and with revenues and covenants that the public body could have used to secure the refunded or purchased bonds if the laws that are in effect when the current refunding bonds are issued were in effect when the refunded or purchased bonds were issued.

(3) A public body may authorize current refunding bonds by resolution or ordinance without complying with the procedural requirements that applied to the refunded or purchased bonds, including issuing:

(a) General obligation bonds to refund or purchase outstanding general obligation bonds without obtaining approval of the electors of the public body.

(b) Revenue bonds to refund or purchase revenue bonds that were issued in accordance with ORS 287A.150 without complying with the procedures prescribed in ORS 287A.150.

(4) The maturities of current refunding bonds authorized by this section may not exceed by more than six months:

(a) Maturity limits that were established by the electors for the refunded or purchased bonds; and

(b) A maturity limit imposed by a provision of a constitution, charter or statute that applied to the refunded or purchased bonds, if the provision imposing the limit is in effect when the current refunding bonds are issued. [2007 c.783 §54; 2009 c.538 §9; 2011 c.256 §1]

287A.365 Advance refunding bonds and forward current refunding. (1) The Legislative Assembly declares that the issuance of advance refunding bonds and the authority to effect a forward current

refunding are matters of general statewide concern, and ORS 287A.360 to 287A.380 preempt all local statutory or charter authority to issue advance refunding bonds or to effect a forward current refunding.

(2) A public body may issue advance refunding bonds or enter into forward current refundings in compliance with:

(a) ORS 287A.360 to 287A.380; and

(b) Rules adopted by the State Treasurer.

(3) A public body may secure advance refunding bonds and forward current refunding bonds with any of the revenues and covenants that the public body could have used to secure the refunded bonds under the law in effect when the refunded bonds were issued and with revenues and covenants that the public body could have used to secure the refunded bonds if the laws that are in effect when the refunding bonds are issued were in effect when the refunded bonds were issued.

(4) The maturities of advance refunding bonds and forward current refunding bonds authorized by this section may not exceed by more than six months:

(a) Maturity limits that were established by the electors for the refunded bonds; and

(b) A maturity limit imposed by a provision of a constitution, charter or statute that applied to the refunded bonds, if the provision imposing the limit is in effect when the refunding bonds are issued. [2007 c.783 §55; 2011 c.256 §2]

287A.370 Proposed refunding plan for advance refunding bonds or forward current refunding; rules; fees. (1) The State Treasurer shall review the plan of a public body to issue advance refunding bonds or to enter into a forward current refunding to determine whether the plan complies with applicable rules of the State Treasurer, as provided in this section.

(2) After adoption of an ordinance or resolution approving a plan to issue advance refunding bonds or to enter into a forward current refunding, a public body shall submit the refunding plan to the State Treasurer for review and approval.

(3) After review of a proposed refunding plan, the State Treasurer shall advise the public body, in writing, whether the plan is approved. If the State Treasurer does not notify the public body within 30 business days after receipt of the plan, the plan is deemed approved. A public body may issue advance refunding bonds or enter into a forward current refunding in accordance with a refunding plan approved by the State Treasurer.

(4) The State Treasurer may adopt rules to regulate forward current refunding and the issuance of advance refunding bonds.

(5) The State Treasurer may charge public bodies fees and expenses as provided in ORS 286A.014 in connection with the activities of this section. [2007 c.783 §56]

287A.375 Maximum amount of advance refunding bonds. (1) As used in this section, “government obligations” means:

(a) Direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by the obligations;

(b) Bonds, debentures, notes, certificates of participation or other obligations issued by a federal agency or other instrumentality of the federal government; or

(c) Other debt obligations determined by administrative rule of the State Treasurer to be highly secured and widely accepted in the marketplace as obligations for a defeasance escrow.

(2) A public body may not issue advance refunding bonds in a principal amount in excess of the minimum principal amount that is estimated at the time of sale to be necessary:

(a) To purchase a principal amount of government obligations that is, together with the interest earnings thereon, sufficient to pay the installments of principal, interest and redemption premiums, if any, on the bonds being refunded when due in accordance with the advance refunding plan; and

(b) To pay all costs in connection with issuing the advance refunding bonds and obtaining credit enhancement devices.

(3) If the public body that issues advance refunding bonds receives an amount of proceeds that exceeds the actual amount required under subsection (2) of this section, the public body must use the excess amount of proceeds to pay interest on the advance refunding bonds.

(4) Before applying advance refunding bond proceeds to the purposes for which the refunding bonds have been issued, a public body may invest advance refunding bond proceeds, together with other moneys set aside for the payment of the bonds to be refunded, only in government obligations.

(5) The public body shall make investments pursuant to subsection (4) of this section at times and in a manner required to provide funds sufficient to pay principal, interest and redemption premiums, if any, in accordance with the advance refunding plan. [2007 c.783 §57]

287A.380 Tax levy to pay maturing general obligation advance refunding bonds. (1) Pursuant to ORS 287A.140, a public body shall levy taxes to pay the maturing interest and principal of advance refunding bonds that are general obligation bonds.

(2) Notwithstanding ORS 287A.140 or any other provision of law, a public body may not cause a tax to be levied to pay the maturing interest and principal of general obligation bonds that have been defeased as described in ORS 287A.195 (2), unless the amounts held to defease the bonds are insufficient. [2007 c.783 §59]

FILING BUDGET DOCUMENTS

310.055 Operating taxes. (1) As used in the property tax laws of this state, “operating taxes” means ad valorem property taxes that are subject to a permanent rate limit under section 11, Article XI of the Oregon Constitution, or statutory rate limit under ORS 310.236 (4) or 310.237, if applicable.

(2) For the tax year beginning July 1, 1997, operating taxes consist of the sum of the following (or such lesser amount as is certified to the assessor under ORS 310.206 (4)(b):

(a) The total amount of ad valorem

property taxes as provided in ORS 310.200 to 310.242, except that the amount under this paragraph does not include:

(A) Local option taxes;

(B) Ad valorem property taxes used to repay taxing district bond or pension and disability plan obligations described in section 11 (5), Article XI of the Oregon Constitution;

(C) Ad valorem property taxes that would otherwise be subject to this paragraph, except that the taxes are of a taxing district other than a city, county or school district, and are used to support a hospital facility;

(D) Ad valorem property taxes that would otherwise be subject to this paragraph, except that the levy of the taxes was approved by voters prior to December 5, 1996, that met the voter participation requirements in section 11 (8), Article XI of the Oregon Constitution, and that are first imposed in the tax year beginning July 1, 1996, or July 1, 1997;

(E) Serial or one-year levies described in ORS 280.040 to 280.140 (1995 Edition) that replace levies that were imposed in the tax year beginning July 1, 1996, that were approved by voters in an election held after December 4, 1996, and that are first imposed for the tax year beginning July 1, 1997, if the rate or the amount of the levy is not greater than the rate or the amount of the replaced levy;

(F) Taxes imposed to pay principal and interest on exempt bonded indebtedness; and

(G) Urban renewal increment taxes; and

(b) The total amount of the following ad valorem property taxes, without reduction under ORS 310.200 to 310.242:

(A) Ad valorem property taxes of a taxing district other than a city, county or school district that are used to support a hospital facility;

(B) Ad valorem property taxes approved by voters prior to December 5, 1996, that met the voter participation requirements in section 11 (8), Article XI of the Oregon Constitution, and that are first imposed in the tax year beginning July 1, 1996, or July 1, 1997; and

(C) Serial or one-year levies described in ORS 280.040 to 280.140 (1995 Edition) that replace levies that were imposed in the tax year beginning July 1, 1996, that were approved by voters after December 4, 1996, and that are first imposed for the tax year beginning July 1, 1997, if the rate or the amount of the levy is not greater than the rate or the amount of the replaced levy.

(3) For tax years beginning on or after July 1, 1998, each taxing district is authorized to levy the full amount of the operating taxes of the district on all taxable property within the boundaries of the district. Operating taxes consist of:

(a) Ad valorem property taxes imposed at the rate established as the permanent rate limit or statutory rate limit, if applicable, for the taxing district or such lesser rate as the taxing district certifies to the assessor under ORS 310.060; or

(b) If the district is imposing operating property taxes for the first time, ad valorem property taxes imposed at the rate established in the manner provided for by law as the permanent rate limit for the district or such lesser rate as the taxing district may determine. [1997 c.541 §321; 1999 c.21 §24; 1999 c.186 §4; 2001 c.114 §23]

310.060 Notice certifying taxes; contents; extension of time to give notice or correct erroneous certification.

(1) Not later than July 15 of each year, a city, school district or other public corporation authorized to levy or impose a tax on property shall file a written notice certifying the ad valorem property tax rate or the estimated amount of ad valorem property taxes to be imposed by the taxing district and any other taxes on property imposed by the taxing district on property subject to ad valorem property taxation that are required or authorized to be placed on the assessment and tax roll for the current fiscal year. The notice must be accompanied by two copies of a lawfully adopted ordinance or resolution that categorizes the tax, fee, charge, assessment or toll as subject to or not subject to the limits of section 11b, Article XI of the Oregon Constitution, identified by the categories set forth in ORS 310.150.

(2) For ad valorem property taxes levied by a taxing district, the notice required under subsection (1) of this section must state as separate items:

(a) The taxing district's rate of ad valorem property taxation that is within the permanent rate limitation imposed by section 11 (3), Article XI of the Oregon Constitution, or within the statutory rate limit determined in ORS 310.236 (4)(b) or 310.237, if applicable;

(b) The total rate or amount of the taxing district's local option taxes imposed pursuant to ORS 280.040 to 280.145 that have a term of five years or less and that are not for capital projects;

(c) The total amount of the taxing district's local option taxes that are for capital projects;

(d) The total amount levied for the payment of bonded indebtedness or interest on bonded indebtedness that is not subject to limitation under section 11 (11) or section 11b, Article XI of the Oregon Constitution; and

(e) The total amount levied that is subject to section 11b, Article XI of the Oregon Constitution, but that is not subject to the permanent ad valorem property tax rate limit described in section 11 (3), Article XI of the Oregon Constitution, because the amount levied is to be used to repay:

(A) Principal and interest for a bond issued before December 5, 1996, and secured by a pledge or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem property taxes;

(B) Principal and interest for any other formal, written borrowing of moneys executed 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 or collect ad valorem property taxes;

(C) Principal and interest for a bond issued to refund an obligation described in subparagraph (A) or (B) of this paragraph; or

(D) Local government pension and disability plan obligations that commit ad valorem property taxes.

(3)(a) The notice required under subsection (1) of this section must list each rate or amount subject to the limits of section

11b, Article XI of the Oregon Constitution, identified by the categories set forth in ORS 310.150.

(b) If an item described in subsection (2) of this section is allocable to more than one category described in ORS 310.150, the notice must list separately the portion of each item allocable to each category.

(4) For other taxes on property imposed by the taxing district, the notice must state:

(a) The total amount of money to be raised by each other tax, in the aggregate or on a property by property basis, as appropriate.

(b) Each amount that is subject to the limits of section 11b, Article XI of the Oregon Constitution, identified by the categories set forth in ORS 310.150.

(5) For a district authorized by law to place other fees, charges, assessments or tolls on the assessment and tax roll, the notice must state the total amount of money to be raised on a property by property basis.

(6) In addition to the notice required under subsection (1) of this section, a taxing district that is subject to the Local Budget Law shall also provide the documents required under ORS 294.458 (3).

(7) Not later than July 15 of each year, the taxing district shall give the notice and documents described in this section to the assessor of the county in which the principal office of the taxing district is located and, if the taxing district is located in more than one county, to the assessor of each county in which any part of the taxing district is located.

(8) The Department of Revenue shall prescribe the form of notice required under this section. All amounts contained in the notice must be stated in dollars and cents or ad valorem property tax rates in dollars and cents per thousand dollars of assessed value, as required by law. If the notice is given to the assessor, clerk or tax supervising and conservation commission of more than one county, a copy of each other such notice given must accompany every notice given.

(9) For good and sufficient reason, a county assessor may extend the time for the giving of the notice required under subsection (1) of this section or correcting an

erroneous certification for the current year up to but not later than October 1 as the county assessor considers reasonable. [Amended by 1955 c.259 §1; 1967 c.293 §4; 1973 c.333 §2; 1979 c.241 §28a; 1981 c.790 §12; 1985 c.784 §2; 1991 c.459 §218; 1993 c.270 §44; 1995 c.293 §1; 1997 c.154 §5; 1997 c.541 §244; 1999 c.186 §5; 1999 c.632 §23; 2001 c.135 §31; 2001 c.695 §32; 2001 c.753 §7; 2005 c.750 §1; 2007 c.894 §2; 2011 c.473 §26]

RULE 150-310.060-(A)

Notice of Property Tax Levy to the Assessor

(1) "Entity" means a taxing district with the authority to levy ad valorem tax or any other tax on property that is required or authorized to be placed on the assessment and tax roll for the current fiscal year, a unit of government with the authority to place an amount on the assessment and tax roll, or a nongovernmental unit with the authority to place an amount on the assessment and tax roll.

(2) On or before July 15 of each year any entity placing an amount on the assessment and tax roll shall file the following with the county assessor:

(a) Two copies of the notice of categorization and certification, (form LB-50, ED-50 or UR-50),

(b) Two copies of the ordinances or resolutions to adopt the budget, to make appropriations, to levy the taxes, and to categorize the taxes.

(3) If the documentation described in subsection (2) cannot be filed by July 15, the entity must submit to the assessor by July 15 a written request for an extension of time to file (see OAR 150-294.555(2)-(A) for details). The entity must file the required documents by the date extended.

(4) If any of the items of documentation are not submitted, or not complete in their entirety, notice to the assessor shall be considered incomplete and the entity must be notified by the assessor. The assessor must not place the tax levy or any other amount on the tax roll for any entity until the assessor has received the required copies of all documentation.

(5) The assessor must transmit one copy of the notice of categorization and

certification (form LB-50, ED-50 or UR-50) and one copy of the ordinances or resolutions to the Department of Revenue within seven days of receipt of the complete documentation from the entity. [ED. NOTE: Forms referenced in this rule are available from the agency.] Hist.: 10-73; TC 18-1979, f. 12-20-79, cert. ef. 12-31-79; RD 15-1982, f. 12-6-82, cert. ef. 12-31-82; RD 11-1984, f. 12-5-84, cert. ef. 12-31-84, Renumbered from 150-310.060; RD 12-1987, f. 12-18-87, cert. ef. 12-31-87; RD 2-1994, f. 12-15-94, cert. ef. 12-31-94; REV 2-2002, f. 6-26-02, cert. ef. 6-30-02

310.065 Procedure where notice not given.

If the written notice of a taxing district's ad valorem property tax or other tax is not given to the county assessor at the time specified, or as extended, under ORS 310.060, the assessor shall not include the tax in the computation of the total district tax rate under ORS 310.090. [Formerly part of 310.050; 1993 c.270 §45; 1997 c.541 §246]

310.070 Procedure when taxes exceed limitations or are incorrectly categorized.

(1) If the ad valorem property taxes reported to the clerk, assessor or tax supervising and conservation commission under ORS 310.060 are in excess of the constitutional or statutory limitations, or both, the assessor, upon the advice of the Department of Revenue, shall extend upon the tax roll of the county only such part of the taxes as will comply with the constitutional and statutory limitations and requirements governing the taxes.

(2) If any part of the taxes on property certified under ORS 310.060 is incorrectly categorized as subject to or not subject to the limits of section 11b, Article XI of the Oregon Constitution, the Department of Revenue shall notify the taxing unit governing body and the county assessor and the county assessor shall extend the taxes on the roll in a manner that complies with the Oregon Constitution. For purposes of this section, taxes are incorrectly categorized only if:

(a) The sole authority of the taxing unit to impose taxes on property is provided by statute and the statute does not authorize the imposition of taxes on property categorized as reported under ORS 310.060; or

(b) The Oregon Tax Court or the Oregon Supreme Court has finally determined the correct manner in which a tax on property of the taxing unit should be categorized and that determination is different from the category reported under ORS 310.060. For purposes of this paragraph, “finally determined” means that the Oregon Tax Court has entered a decision which has become final as described under ORS 305.440 or that, upon appeal from the Oregon Tax Court, the Supreme Court has entered a decision.

(3) If any item certifying ad valorem property taxes under ORS 310.060 incorrectly characterizes the item attributes under section 11, Article XI of the Oregon Constitution, the Department of Revenue shall notify the taxing district governing body and the county assessor, and the county assessor shall extend the taxes on the roll in a manner that complies with the Oregon Constitution. [Amended by 1967 c.293 §5; 1971 c.646 §3; 1981 c.790 §13; 1983 s.s. c.5 §19; 1985 c.319 §2; 1993 c.270 §46; 1997 c.541 §247; 2005 c.750 §2]

RULE 150-310.070-(A)
Excessive and Illegal Levies

(1) If any municipal corporation submits a tax levy to the assessor which exceeds constitutional or statutory limitations, the Department of Revenue shall notify the assessor and the excessive portion of the levy shall not be entered on the tax roll.

(2) If the Department of Revenue determines that the levy otherwise fails to meet the requirements provided by law, then upon the notification by the Department of Revenue the assessor shall not enter any tax levy upon the tax roll that does not meet statutory requirements.

(3) Upon discovery that a levy fails to meet the requirements provided by law, the Department of Revenue shall notify, by mail, the municipal corporation and the county assessor of the defects. The assessor shall change the levy in accordance with proper instructions.

The municipal corporation shall comply by submitting a revised Form LB-50 reflecting the changes in the levy, plus an amended

resolution and budget document to reflect the reduced revenue and appropriated expenditures.

[Forms: The forms referred to in this rule are available from the agency.] Hist.: RD 15-1982, f. 12-6-82, cert. ef. 12-31-82; RD 11-1984, f. 12-5-84, cert. ef. 12-31-84, Renumbered from 150-310.070

TAX LIMITATIONS

(1990 Measure 5 Limits on Amount of Tax)
310.140 Legislative findings; definitions.

The Legislative Assembly finds that section 11b, Article XI of the Oregon Constitution, was drafted by citizens and placed before the voters of the State of Oregon by initiative petition. Section 11b, Article XI of the Oregon Constitution, uses terms that do not have established legal meanings and require definition by the Legislative Assembly. Section 11b, Article XI of the Oregon Constitution, was amended by section 11 (11), Article XI of the Oregon Constitution. This section is intended to interpret the terms of section 11b, Article XI of the Oregon Constitution, as originally adopted and as amended by section 11 (11), Article XI of the Oregon Constitution, consistent with the intent of the people in adopting these provisions, so that the provisions of section 11b, Article XI of the Oregon Constitution, may be given effect uniformly throughout the State of Oregon, with minimal confusion and misunderstanding by citizens and affected units of government. As used in the revenue and tax laws of this state, and for purposes of section 11b, Article XI of the Oregon Constitution:

(1) “Actual cost” means all direct or indirect costs incurred by a government unit in order to deliver goods or services or to undertake a capital construction project. The “actual cost” of providing goods or services to a property or property owner includes the average cost or an allocated portion of the total amount of the actual cost of making a good or service available to the property or property owner, whether stated as a minimum, fixed or variable amount. “Actual cost” includes, but is not limited to, the costs of labor, materials, supplies, equipment rental, property acquisition, permits, engineering, financing, reasonable program

delinquencies, return on investment, required fees, insurance, administration, accounting, depreciation, amortization, operation, maintenance, repair or replacement and debt service, including debt service payments or payments into reserve accounts for debt service and payment of amounts necessary to meet debt service coverage requirements.

(2) "Assessment for local improvement" means any tax, fee, charge or assessment that does not exceed the actual cost incurred by a unit of government for design, construction and financing of a local improvement.

(3) "Bonded indebtedness" means any formally executed written agreement representing a promise by a unit of government to pay to another a specified sum of money, at a specified date or dates at least one year in the future.

(4) "Capital construction":

(a) For bonded indebtedness issued prior to December 5, 1996, and for the proceeds of any bonded indebtedness approved by electors prior to December 5, 1996, that were spent or contractually obligated to be spent prior to June 20, 1997, means the construction, modification, replacement, repair, remodeling or renovation of a structure, or addition to a structure, that is expected to have a useful life of more than one year, and includes, but is not limited to:

(A) Acquisition of land, or a legal interest in land, in conjunction with the capital construction of a structure.

(B) Acquisition, installation of machinery or equipment, furnishings or materials that will become an integral part of a structure.

(C) Activities related to the capital construction, including planning, design, authorizing, issuing, carrying or repaying interim or permanent financing, research, land use and environmental impact studies, acquisition of permits or licenses or other services connected with the construction.

(D) Acquisition of existing structures, or legal interests in structures, in conjunction with the capital construction.

(b) For bonded indebtedness issued on or after December 5, 1996, except for the proceeds of any bonded indebtedness

approved by electors prior to December 5, 1996, that were spent or contractually obligated to be spent before June 20, 1997, has the meaning given that term in paragraph (a) of this subsection, except that "capital construction":

(A) Includes public safety and law enforcement vehicles with a projected useful life of five years or more; and

(B) Does not include:

(i) Maintenance and repairs, the need for which could be reasonably anticipated;

(ii) Supplies and equipment that are not intrinsic to the structure; or

(iii) Furnishings, unless the furnishings are acquired in connection with the acquisition, construction, remodeling or renovation of a structure, or the repair of a structure that is required because of damage or destruction of the structure.

(5) "Capital improvements":

(a) For bonded indebtedness issued prior to December 5, 1996, and for the proceeds of any bonded indebtedness approved by electors before December 5, 1996, that were spent or contractually obligated to be spent before June 20, 1997, means land, structures, facilities, personal property that is functionally related and subordinate to real property, machinery, equipment or furnishings having a useful life longer than one year.

(b) For bonded indebtedness issued on or after December 5, 1996, except for the proceeds of any bonded indebtedness approved by electors prior to December 5, 1996, that were spent or contractually obligated to be spent before June 20, 1997, has the meaning given that term in paragraph (a) of this subsection, except that "capital improvements":

(A) Includes public safety and law enforcement vehicles with a projected useful life of five years or more; and

(B) Does not include:

(i) Maintenance and repairs, the need for which could be reasonably anticipated;

(ii) Supplies and equipment that are not intrinsic to the structure; or

(iii) Furnishings, unless the furnishings are acquired in connection with the

acquisition, construction, remodeling or renovation of a structure, or the repair of a structure that is required because of damage or destruction of the structure.

(6) "Direct consequence of ownership" means that the obligation of the owner of property to pay a tax arises solely because that person is the owner of the property, and the obligation to pay the tax arises as an immediate and necessary result of that ownership without respect to any other intervening transaction, condition or event.

(7)(a) "Exempt bonded indebtedness" means:

(A) Bonded indebtedness authorized by a specific provision of the Oregon Constitution;

(B) Bonded indebtedness incurred or to be incurred for capital construction or capital improvements that was issued as a general obligation of the issuing governmental unit on or before November 6, 1990;

(C) Bonded indebtedness incurred or to be incurred for capital construction or capital improvements that was issued as a general obligation of the issuing governmental unit after November 6, 1990, with the approval of the electors of the issuing governmental unit; or

(D) Bonded indebtedness incurred or to be incurred for capital construction or capital improvements, if the issuance of the bonds is approved by voters on or after December 5, 1996, in an election that is in compliance with the voter participation requirements of section 11 (8), Article XI of the Oregon Constitution.

(b) "Exempt bonded indebtedness" includes bonded indebtedness issued to refund or refinance any bonded indebtedness described in paragraph (a) of this subsection.

(8)(a) "Incurred charge" means a charge imposed by a unit of government on property or upon a property owner that does not exceed the actual cost of providing goods or services and that can be controlled or avoided by the property owner because:

(A) The charge is based on the quantity of the goods or services used, and the owner has direct control over the quantity;

(B) The goods or services are provided only on the specific request of the property owner; or

(C) The goods or services are provided by the government unit only after the individual property owner has failed to meet routine obligations of ownership of the affected property, and such action is deemed necessary by an appropriate government unit to enforce regulations pertaining to health or safety.

(b) For purposes of this subsection, an owner of property may control or avoid an incurred charge if the owner is capable of taking action to affect the amount of a charge that is or will be imposed or to avoid imposition of a charge even if the owner must incur expense in so doing.

(c) For purposes of paragraph (a)(A) of this subsection, an owner of property has direct control over the quantity of goods or services if the owner of property has the ability, whether or not that ability is exercised, to determine the quantity of goods or services provided or to be provided.

(9)(a) "Local improvement" means a capital construction project, or part thereof, undertaken by a local government, pursuant to ORS 223.387 to 223.399, or pursuant to a local ordinance or resolution prescribing the procedure to be followed in making local assessments for benefits from a local improvement upon the lots that have been benefited by all or a part of the improvement:

(A) That provides a special benefit only to specific properties or rectifies a problem caused by specific properties;

(B) The costs of which are assessed against those properties in a single assessment upon the completion of the project; and

(C) For which the property owner may elect to make payment of the assessment plus appropriate interest over a period of at least 10 years.

(b) For purposes of paragraph (a) of this subsection, the status of a capital construction project as a local improvement is not affected by the accrual of a general benefit to property other than the property receiving the special benefit.

(10) "Maintenance and repairs, the need for which could be reasonably anticipated":

(a) Means activities, the type of which may be deducted as an expense under the

provisions of the federal Internal Revenue Code, as amended and in effect on December 31, 2011, that keep the property in ordinarily efficient operating condition and that do not add materially to the value of the property nor appreciably prolong the life of the property;

(b) Does not include maintenance and repair of property that is required by damage, destruction or defect in design, or that was otherwise not reasonably expected at the time the property was constructed or acquired, or the addition of material that is in the nature of the replacement of property and that arrests the deterioration or appreciably prolongs the useful life of the property; and

(c) Does not include street and highway construction, overlay and reconstruction.

(11) "Projected useful life" means the useful life, as reasonably estimated by the unit of government undertaking the capital construction or capital improvement project, beginning with the date the property was acquired, constructed or reconstructed and based on the property's condition at the time the property was acquired, constructed or reconstructed.

(12) "Routine obligations of ownership" means a standard of operation, maintenance, use or care of property established by law, or if established by custom or common law, a standard that is reasonable for the type of property affected.

(13) "Single assessment" means the complete assessment process, including preassessment, assessment or reassessment, for any local improvement authorized by ORS 223.387 to 223.399, or a local ordinance or resolution that provides the procedure to be followed in making local assessments for benefits from a local improvement upon lots that have been benefited by all or part of the improvement.

(14) "Special benefit only to specific properties" shall have the same meaning as "special and peculiar benefit" as that term is used in ORS 223.389.

(15) "Specific request" means:

(a) An affirmative act by a property owner to seek or obtain delivery of goods or services;

(b) An affirmative act by a property owner, the legal consequence of which is to cause the delivery of goods or services to the property owner; or

(c) Failure of an owner of property to change a request for goods or services made by a prior owner of the property.

(16) "Structure" means any temporary or permanent building or improvement to real property of any kind that is constructed on or attached to real property, whether above, on or beneath the surface.

(17) "Supplies and equipment intrinsic to a structure" means the supplies and equipment that are necessary to permit a structure to perform the functions for which the structure was constructed, or that will, upon installation, constitute fixtures considered to be part of the real property that is comprised, in whole or part, of the structure and land supporting the structure.

(18) "Tax on property" means 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, but does not include incurred charges or assessments for local improvements. As used in this subsection, "property" means real or tangible personal property, and intangible property that is part of a unit of real or tangible personal property to the extent that such intangible property is subject to a tax on property. [1991 c.459 §210; 1997 c.541 §258; 1999 c.21 §25; 1999 c.90 §33; 2001 c.660 §28; 2003 c.46 §24; 2003 c.77 §6; 2003 c.195 §23; 2003 c.802 §63; 2005 c.832 §18; 2007 c.614 §6; 2007 c.783 §125; 2008 c.45 §7; 2009 c.5 §17; 2009 c.909 §17; 2010 c.82 §17; 2011 c.7 §17; 2012 c. 31 § 17]

310.143 Certification of taxes on taxable property subject to 1990 Measure 5 limits; refunds of taxes on property not certified, erroneously certified or certified by nongovernmental entity.

(1) Any tax on property that is imposed on property that is subject to ad valorem taxation by any unit of local government shall be certified to the assessor each year, as provided under ORS 310.060. Except as otherwise specifically provided by law, any tax, fee, charge or

assessment that is not a tax on property or is not imposed on property subject to ad valorem taxation shall not be certified to the assessor. Each tax certified shall be certified in whichever of the following forms is applicable:

(a) In dollars and cents in either the total amount to be raised from all property in the unit;

(b) In dollars and cents per property; or

(c) As a rate per \$1,000 of assessed value.

(2) If any unit of local government imposes on property that is subject to ad valorem taxation a tax on property, as defined in ORS 310.140, that is not certified to the assessor under ORS 310.060 for imposition and collection, and a court of competent jurisdiction determines that the tax is subject to the limits of section 11b, Article XI of the Oregon Constitution, the unit of local government shall pay any refunds ordered by the court. No refunds shall be paid from the unsegregated tax collections account, and the assessor shall not be required to redetermine the amount of other taxes imposed on any property that also is subject to the challenged tax.

(3) Notwithstanding ORS 311.806, when any unit of local government certifies a tax on property to be collected by the tax collector, and the amount of the tax on individual properties is calculated by the unit of local government, any claim for refund of such taxes due to an error in calculation of the amount of the tax shall be made to the unit of local government within the same time and in the same manner as claims for refund are to be made under ORS 311.806. The unit of local government shall pay any refunds it determines to be due to errors in calculation of the amount of the tax out of the funds available to the unit of local government. Such refunds shall not be paid from the unsegregated tax collections account, and the assessor shall not be required to redetermine the amount of other taxes imposed on the property for which the refund is made.

(4) Notwithstanding ORS 311.806, when any entity that is not a unit of local government certifies an amount specifically

authorized by law to be included on the roll to be collected by the tax collector, and the amount on individual properties is calculated by the entity, any claim for refund of the amount due to an error in calculation of the amount shall be made to the entity within the same time and in the same manner as claims for refunds are to be made under ORS 311.806 (2). The entity shall pay any refunds it determines to be due to errors in calculation of the amount out of the funds available to the entity. The refunds shall not be paid from the unsegregated tax collections account, and the assessor shall not be required to redetermine the amount of other taxes imposed on the property for which the refund is made. [1991 c.459 §211; 1993 c.270 §48; 1995 c.256 §9; 1997 c.541 §259]

310.145 Ordinance or resolution classifying and categorizing taxes subject to 1990 Measure 5 limits.

(1) Each unit of local government that imposes a tax, fee, charge or assessment may adopt an ordinance or resolution classifying all or any of the taxes, fees, charges and assessments it imposes as being in one or more of the following categories:

(a) Taxes on property subject to the limits of section 11b, Article XI of the Oregon Constitution, and within this category, those taxes that are dedicated to funding the public school system, and those that are imposed to support other government operations.

(b) Incurred charges.

(c) Assessments for local improvements.

(d) Taxes to pay principal and interest on exempt bonded indebtedness.

(e) All other taxes, fees, charges and assessments that are not subject to the limits of section 11b, Article XI of the Oregon Constitution.

(2) An ordinance or resolution adopted under this section shall serve as notice of the classification of taxes, fees, charges and assessments for purposes of ORS 305.580 to 305.591. [1991 c.459 §212; 1993 c.270 §49]

310.170 Allocation by districts of distributions from unsegregated tax collections account among taxes subject to 1990 Measure 5 limits.

If any taxing district certifies for levy or imposition under

ORS 310.060 more than one tax subject to the limits of section 11b, Article XI of the Oregon Constitution, and receives distributions from the unsegregated tax collections account in an amount that is less than the total amount of taxes so certified, the taxing district may allocate the funds distributed to it among the taxes so certified. No taxing district may allocate funds to any one tax in an amount greater than the amount the district certified for levy or imposition under ORS 310.060 during the period for which the tax is imposed. [1991 c.459 §219]

310.190 Effect of election challenge on tax; resolution of challenge. (1) If a challenge has been filed under ORS 258.016 (7), any tax that was authorized by the election shall not be extended on the assessment and tax roll until the challenge has been resolved.

(2) If a challenge is resolved so that the contested election is determined to be valid and all appeals of the resolution also resolved, or rights to appeal expired, the tax that was authorized by the election shall be extended on the roll for the first tax year following the date of resolution.

(3) The tax shall be extended for the same number of years as the tax would have been imposed had the challenge not occurred. [1997 c.541 §318]

310.193 Taxing district duty to notify assessor of challenge. A taxing district that has received notice of a challenge to one of the district's elections under ORS 258.016 shall notify the assessor of the filing of the challenge and of the resolution of the challenge. [1997 c.541 §319]

TAX DISTRIBUTION PROCEDURE

311.390 Tax and interest distribution percentage schedule; deduction of certain amounts distributable to municipal corporations; changed or additional levies. (1)(a) When the tax collector receives the assessor's certificate pursuant to ORS 311.115, the tax collector shall prepare and file with the county treasurer a percentage

schedule of the ratio of taxes on property, as defined in ORS 310.140, and other amounts to be collected, after reductions necessary to comply with section 11b, Article XI of the Oregon Constitution, after making adjustments in accordance with ORS 311.105 (1)(c), for each governmental unit as shown in such certificate, compared to the total of each of those amounts.

(b) If a tax supervising and conservation commission has submitted to the tax collector a list of municipal corporations subject to proration and the amounts prorated under ORS 294.632, before the tax collector calculates the ratio of taxes on property under this subsection, the tax collector shall deduct the amounts submitted by the tax supervising and conservation commission from the amounts scheduled for distribution under this section for municipal corporations subject to the jurisdiction of the tax supervising and conservation commission. The amount deducted from the distribution to the municipal corporations shall be added to the amount distributed to the county.

(c) The schedule shall be approved by the county accountant, if one exists in the county, or by the county clerk before filing. Except as provided in subsections (2) and (3) of this section, the distribution of collections by the tax collector shall be made on the basis of the ratios computed pursuant to this section. The ratios computed pursuant to this section for a given fiscal year shall be used for the distribution of all taxes on property or penalties that have been imposed, collected and received for that fiscal year, regardless of the actual date of receipt, except for moneys retained by a county to pay bankruptcy costs under ORS 311.484. Interest earned on moneys in the unsegregated tax collections account shall be distributed according to the ratio applicable to the year in which the moneys are distributed.

(2) If, after the ratios are computed pursuant to this section, the amount of a levy or other tax on property is changed, or a levy or other tax on property is filed with the assessor pursuant to ORS 310.060 that had

not been included in the tax distribution schedule for that year, the tax collector shall revise the percentages provided in subsection (1) of this section to reflect the corrected or added levy or tax and shall adjust the amounts previously distributed and to be distributed thereafter to reflect the revision in percentages.

(3) If, in the opinion of the tax collector, it is not feasible to make the revisions described in subsection (2) of this section, the tax collector shall treat the amount of the change in levy or tax or the additional levy or tax as a separate tax collection and segregate the moneys collected for the particular district or districts in the periodic statement of tax collections given to the county treasurer pursuant to ORS 311.395.

(4) If the percentage schedule is revised, a copy shall be filed with the county treasurer after approval by the county accountant, if one exists in the county, or by the county clerk.

(5) If, after the ratios are computed under this section, a levy or tax is changed or a levy or tax is filed with the assessor pursuant to ORS 310.060, that was not included in the tax distribution schedule for that year, future distributions of interest shall be based on the revised percentages that reflect the corrected or added levy or tax. No adjustments shall be made for previously distributed interest. [1963 c.606 §3; 1965 c.492 §2; 1967 c.105 §6; 1969 c.595 §7; 1983 c.310 §18; 1985 c.162 §2; 1991 c.459 §247; 1997 c.541 §292; 2001 c.114 §28; 2003 c.190 §§10,11; 2007 c.537 §4; 2009 c.596 §10]

311.391 Notice to taxing districts of amount of taxes imposed on property for tax year. No later than five working days after the tax collector files with the county treasurer the percentage schedule required under ORS 311.390, the tax collector shall notify each taxing district of the amount of taxes on property imposed for each district for that fiscal year. [1991 c.459 §247a]

311.392 County's option to advance to municipalities taxes levied prior to collection. (1) If, in the discretion of the county court, it is more economical to advance to those municipalities from the general fund of the county the total amount of

taxes, assessments or other charges levied against property in the county, the county court may advance from the general fund of the county the full amount of the taxes, assessments and charges levied by those subdivisions and the county court may order the county tax collector to revise the tax distribution schedule provided by ORS 311.390 so that all taxes, assessments and charges advanced by the county will be allocated to the county. If the county makes the payments provided in this section, it shall have no recourse against the political subdivision for recovery of the shrinkage in collections from that anticipated at the time the payment was made.

(2) If the county advances taxes under this subsection, before December 1 of each year, it may deduct from the levy the three percent discount which would have been given by the district had all of the taxes been paid by November 15 and turned over to the district on or before December 1 of each year. If the payment is made after December 1, no discount shall be taken by the county. [1965 c.492 §4; 1969 c.595 §8]

311.395 Periodic statements of tax collections; crediting to funds; distribution to taxing units. (1) The tax collector shall make statements of the exact amounts of property tax moneys in cash and warrants collected as follows:

(a) For the period beginning on the first Monday following the last Friday in October through the last Friday in November, the tax collector shall make weekly statements of those taxes that are collected for the current tax year.

(b) For the period beginning the first Monday following the last Friday of November through the last Friday of October of the ensuing year, the tax collector shall make quarterly statements of those taxes that are collected for the current tax year.

(c) The tax collector shall make quarterly statements of taxes collected for prior years.

(d) Notwithstanding paragraph (b) or (c) of this subsection, if the balance in the unsegregated tax collection account as of the close of any month for any tax year (the current tax year or any prior tax year)

exceeds \$10,000 or if requested by any taxing district, and if weekly statements are not required, then the tax collector shall make a statement for the period since the last statement for the tax year.

(e) If the processing of tax payments for the current tax year received or postmarked on or before the November 15 due date (or if the due date is extended under ORS 311.507, the due date pursuant to the extension) is not substantially completed as of the last Friday in November, the tax collector shall continue to make weekly statements until the end of a week when the processing is substantially completed.

(2)(a) Each statement shall be of taxes collected during the weekly, monthly, quarterly or other period for which the statement is required.

(b) The statements prepared under subsection (1) of this section shall specify the tax years for which the payments of taxes were made.

(c) A copy of each statement shall be filed with the county clerk and a copy shall be filed with the county treasurer no later than the fifth business day after the last business day of the period for which the statement is prepared. A copy of each statement shall be retained in the office of the tax collector.

(3) For the purposes of this section, property tax moneys are collected when:

(a) Payment is made in person at the office of the tax collector;

(b) The tax collector receives tax moneys or notice of tax moneys collected by a financial institution or other collection agency;

(c) The tax collector receives payment or notice of payment of tax moneys by the state; or

(d) The tax collector has posted a payment that arrived by mail in the county mail receptacle.

(4) Each statement required under subsections (1) and (2) of this section shall separately state the amount deposited into the property tax bankruptcy account under ORS 311.484 for the period covered by the statement.

(5) The statements required under subsections (1) and (2) of this section may

be made more often and for shorter periods if the tax collector so desires but one of the statements so filed shall cover a period coinciding with the last business day of the particular calendar month or quarter during the period.

(6) The county treasurer shall credit the total amount of moneys set out in the statements prepared under subsections (1) and (2) of this section, except for the amount deposited into the property tax bankruptcy account under ORS 311.484, to the several funds for which the moneys were respectively received in accordance with the schedule provided in ORS 311.390. The county treasurer shall keep the moneys and warrants received from the tax collector in their respective funds.

(7) Within five business days of receiving a statement required by subsection (1) or (2) of this section, the county treasurer shall distribute the amount of money set out in the statement, except for the amount deposited into the property tax bankruptcy account under ORS 311.484, to the several taxing units according to the ratios provided in ORS 311.390. The county treasurer shall distribute interest earned on moneys in the unsegregated tax collections account at least as often as the treasurer receives a statement from the tax collector under subsection (1)(b) or (d) of this section. When statements are received under subsection (1)(a) of this section, the county treasurer shall distribute interest at least once a calendar month. [1963 c.606 §8; 1969 c.595 §9; 1971 c.355 §1; 1985 c.162 §3; 1987 c.220 §1; 1991 c.459 §248; 1993 c.270 §58; 1997 c.631 §450; 2003 c.190 §§12,13; 2007 c.537 §5]

Rule 150-311.395(1)(d)
Monthly Tax Distributions to Districts

(1) The tax collector shall make a monthly statement of property tax moneys collected during those periods requiring quarterly statements if:

(a) The unsegregated tax collections account balance is more than \$10,000 for any tax year; or

(b) A taxing district requests monthly distributions of taxes.

(2) Distribution shall be made to all governmental units by preparing the statement described in subsection (1) of this rule. The appropriate percentage distribution schedule shall be used for each tax year for which tax moneys are being distributed. Hist.: RD 8-1992, f. 12-29-92, cert. ef. 12-31-92

MISCELLANEOUS

328.470 Purchase of automotive equipment; fund transfers. Notwithstanding ORS 280.040 to 280.145 and any other provision of law, any school district board by resolution may provide for the replacement or acquisition of automotive equipment by making transfers from the district's general fund to a fund established for that purpose. Transfers to the fund shall be included in the school district budget prepared and published in accordance with ORS 294.305 to 294.565. If at any time conditions arise which dispense with the necessity for further transfers to or expenditures from a fund established pursuant to this section, the district school board shall so declare by resolution. The resolution shall order the balance remaining in such fund to be transferred to the general fund of the district and shall declare the fund closed. [1969 c.375 §2]

OREGON CONSTITUTION

BALLOT MEASURE 50

Article XI Section 11. Property tax limitations on assessed value and rate of tax; exceptions. (1)(a) For the tax year beginning July 1, 1997, each unit of property in this state shall have a maximum assessed value for ad valorem property tax purposes that does not exceed the property's real market value for the tax year beginning July 1, 1995, reduced by 10 percent.

(b) For tax years beginning after July 1, 1997, the property's maximum assessed value shall not increase by more than three percent from the previous tax year.

(c) Notwithstanding paragraph (a) or (b) of this subsection, property shall be valued at the ratio of average maximum

assessed value to average real market value of property located in the area in which the property is located that is within the same property class, if on or after July 1, 1995:

(A) The property is new property or new improvements to property;

(B) The property is partitioned or subdivided;

(C) The property is rezoned and used consistently with the rezoning;

(D) The property is first taken into account as omitted property;

(E) The property becomes disqualified from exemption, partial exemption or special assessment; or

(F) A lot line adjustment is made with respect to the property, except that the total assessed value of all property affected by a lot line adjustment shall not exceed the total maximum assessed value of the affected property under paragraph (a) or (b) of this subsection.

(d) Property shall be valued under paragraph (c) of this subsection only for the first tax year in which the changes described in paragraph (c) of this subsection are taken into account following the effective date of this section. For each tax year thereafter, the limits described in paragraph (b) of this subsection apply.

(e) The Legislative Assembly shall enact laws that establish property classes and areas sufficient to make a determination under paragraph (c) of this subsection.

(f) Each property's assessed value shall not exceed the property's real market value.

(g) There shall not be a reappraisal of the real market value used in the tax year beginning July 1, 1995, for purposes of determining the property's maximum assessed value under paragraph (a) of this subsection.

(2) The maximum assessed value of property that is assessed under a partial exemption or special assessment law shall be determined by applying the percentage reduction of paragraph (a) and the limit of paragraph (b) of subsection (1) of this section, or if newly eligible for partial exemption or special assessment, using a ratio developed in a manner consistent with

paragraph (c) of subsection (1) of this section to the property's partially exempt or specially assessed value in the manner provided by law. After disqualification from partial exemption or special assessment, any additional taxes authorized by law may be imposed, but in the aggregate may not exceed the amount that would have been imposed under this section had the property not been partially exempt or specially assessed for the years for which the additional taxes are being collected.

(3)(a)(A) The Legislative Assembly shall enact laws to reduce the amount of ad valorem property taxes imposed by local taxing districts in this state so that the total of all ad valorem property taxes imposed in this state for the tax year beginning July 1, 1997, is reduced by 17 percent from the total of all ad valorem property taxes that would have been imposed under repealed sections 11 and 11a of this Article (1995 Edition) and section 11b of this Article but not taking into account Ballot Measure 47 (1996), for the tax year beginning July 1, 1997.

(B) The ad valorem property taxes to be reduced under subparagraph (A) of this paragraph are those taxes that would have been imposed under repealed sections 11 or 11a of this Article (1995 Edition) or section 11b of this Article, as modified by subsection (11) of this section, other than taxes described in subsection (4), (5), (6) or (7) of this section, taxes imposed to pay bonded indebtedness described in section 11b of this Article, as modified by paragraph (d) of subsection (11) of this section, or taxes described in section 1c, Article IX of this Constitution.

(C) It shall be the policy of this state to distribute the reductions caused by this paragraph so as to reflect:

(i) The lesser of ad valorem property taxes imposed for the tax year beginning July 1, 1995, reduced by 10 percent, or ad valorem property taxes imposed for the tax year beginning July 1, 1994;

(ii) Growth in new value under subparagraph (A), (B), (C), (D) or (E) of paragraph (c) of subsection (1) of this section, as added to the assessment and tax

rolls for the tax year beginning July 1, 1996, or July 1, 1997 (or, if applicable, for the tax year beginning July 1, 1995); and

(iii) Ad valorem property taxes authorized by voters to be imposed in tax years beginning on or after July 1, 1996, and imposed according to that authority for the tax year beginning July 1, 1997.

(D) It shall be the policy of this state and the local taxing districts of this state to prioritize public safety and public education in responding to the reductions caused by this paragraph while minimizing the loss of decision-making control of local taxing districts.

(E) If the total value for the tax year beginning July 1, 1997, of additions of value described in subparagraph (A), (B), (C), (D) or (E) of paragraph (c) of subsection (1) of this section that are added to the assessment and tax rolls for the tax year beginning July 1, 1996, or July 1, 1997, exceeds four percent of the total assessed value of property statewide for the tax year beginning July 1, 1997 (before taking into account the additions of value described in subparagraph (A), (B), (C), (D) or (E) of paragraph (c) of subsection (1) of this section), then any ad valorem property taxes attributable to the excess above four percent shall reduce the dollar amount of the reduction described in subparagraph (A) of this paragraph.

(b) For the tax year beginning July 1, 1997, the ad valorem property taxes that were reduced under paragraph (a) of this subsection shall be imposed on the assessed value of property in a local taxing district as provided by law, and the rate of the ad valorem property taxes imposed under this paragraph shall be the local taxing district's permanent limit on the rate of ad valorem property taxes imposed by the district for tax years beginning after July 1, 1997, except as provided in subsection (5) of this section.

(c)(A) A local taxing district that has not previously imposed ad valorem property taxes and that seeks to impose ad valorem property taxes shall establish a limit on the rate of ad valorem property tax to be imposed by the district. The rate limit established under this subparagraph shall be

approved by a majority of voters voting on the question. The rate limit approved under this subparagraph shall serve as the district's permanent rate limit under paragraph (b) of this subsection.

(B) The voter participation requirements described in subsection (8) of this section apply to an election under this paragraph.

(d) If two or more local taxing districts seek to consolidate or merge, the limit on the rate of ad valorem property tax to be imposed by the consolidated or merged district shall be the rate that would produce the same tax revenue as the local taxing districts would have cumulatively produced in the year of consolidation or merger, if the consolidation or merger had not occurred.

(e)(A) If a local taxing district divides, the limit on the rate of ad valorem property tax to be imposed by each local taxing district after division shall be the same as the local taxing district's rate limit under paragraph (b) of this subsection prior to division.

(B) Notwithstanding subparagraph (A) of this paragraph, the limit determined under this paragraph shall not be greater than the rate that would have produced the same amount of ad valorem property tax revenue in the year of division, had the division not occurred.

(f) Rates of ad valorem property tax established under this subsection may be carried to a number of decimal places provided by law and rounded as provided by law.

(g) Urban renewal levies described in this subsection shall be imposed as provided in subsections (15) and (16) of this section and may not be imposed under this subsection.

(h) Ad valorem property taxes described in this subsection shall be subject to the limitations described in section 11b of this Article, as modified by subsection (11) of this section.

(4)(a)(A) A local taxing district other than a school district may impose a local option ad valorem property tax that exceeds the limitations imposed under this section by submitting the question of the levy to voters in the local taxing district and obtaining the

approval of a majority of the voters voting on the question.

(B) The Legislative Assembly may enact laws permitting a school district to impose a local option ad valorem property tax as otherwise provided under this subsection.

(b) A levy imposed pursuant to legislation enacted under this subsection may be imposed for no more than five years, except that a levy for a capital project may be imposed for no more than the lesser of the expected useful life of the capital project or 10 years.

(c) The voter participation requirements described in subsection (8) of this section apply to an election held under this subsection.

(5)(a) Any portion of a local taxing district levy shall not be subject to reduction and limitation under paragraphs (a) and (b) of subsection (3) of this section if that portion of the levy is used to repay:

(A) Principal and interest for any bond issued before December 5, 1996, and secured by a pledge or explicit commitment of ad valorem property taxes or a covenant to levy or collect ad valorem property taxes;

(B) Principal and interest for any other formal, written borrowing of moneys executed 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 or collect ad valorem property taxes;

(C) Principal and interest for any bond issued to refund an obligation described in subparagraph (A) or (B) of this paragraph; or

(D) Local government pension and disability plan obligations that commit ad valorem property taxes and to ad valorem property taxes imposed to fulfill those obligations.

(b)(A) A levy described in this subsection shall be imposed on assessed value as otherwise provided by law in an amount sufficient to repay the debt described in this subsection. Ad valorem property taxes may not be imposed under this subsection that repay the debt at an earlier date or on a different schedule than established in the agreement creating the debt.

(B) A levy described in this subsection shall be subject to the limitations imposed under section 11b of this Article, as modified by subsection (11) of this section.

(c)(A) As used in this subsection, "local government pension and disability plan obligations that commit ad valorem property taxes" is limited to contractual obligations for which the levy of ad valorem property taxes has been committed by a local government charter provision that was in effect on December 5, 1996, and, if in effect on December 5, 1996, as amended thereafter.

(B) The rates of ad valorem property taxes described in this paragraph may be adjusted so that the maximum allowable rate is capable of raising the revenue that the levy would have been authorized to raise if applied to property valued at real market value.

(C) Notwithstanding subparagraph (B) of this paragraph, ad valorem property taxes described in this paragraph shall be taken into account for purposes of the limitations in section 11b of this Article, as modified by subsection (11) of this section.

(D) If any proposed amendment to a charter described in subparagraph (A) of this paragraph permits the ad valorem property tax levy for local government pension and disability plan obligations to be increased, the amendment must be approved by voters in an election. The voter participation requirements described in subsection (8) of this section apply to an election under this subparagraph. No amendment to any charter described in this paragraph may cause ad valorem property taxes to exceed the limitations of section 11b of this Article, as amended by subsection (11) of this section.

(d) If the levy described in this subsection was a tax base or other permanent continuing levy, other than a levy imposed for the purpose described in subparagraph (D) of paragraph (a) of this subsection, prior to the effective date of this section, for the tax year following the repayment of debt described in this subsection the local taxing district's rate of ad valorem property tax established under paragraph (b) of subsection (3) of this section

shall be increased to the rate that would have been in effect had the levy not been excepted from the reduction described in subsection (3) of this section. No adjustment shall be made to the rate of ad valorem property tax of local taxing districts other than the district imposing a levy under this subsection.

(e) If this subsection would apply to a levy described in paragraph (d) of this subsection, the local taxing district imposing the levy may elect out of the provisions of this subsection. The levy of a local taxing district making the election shall be included in the reduction and ad valorem property tax rate determination described in subsection (3) of this section.

(6)(a) The ad valorem property tax of a local taxing district, other than a city, county or school district, that is used to support a hospital facility shall not be subject to the reduction described in paragraph (a) of subsection (3) of this section. The entire ad valorem property tax imposed under this subsection for the tax year beginning July 1, 1997, shall be the local taxing district's permanent limit on the rate of ad valorem property taxes imposed by the district under paragraph (b) of subsection (3) of this section.

(b) Ad valorem property taxes described in this subsection shall be subject to the limitations imposed under section 11b of this Article, as modified by subsection (11) of this section.

(7) Notwithstanding any other existing or former provision of this Constitution, the following are validated, ratified, approved and confirmed:

(a) Any levy of ad valorem property taxes approved by a majority of voters voting on the question in an election held before December 5, 1996, if the election met the voter participation requirements described in subsection (8) of this section and the ad valorem property taxes were first imposed for the tax year beginning July 1, 1996, or July 1, 1997. A levy described in this paragraph shall not be subject to reduction under paragraph (a) of subsection (3) of this section but shall be taken into account in determining

the local taxing district's permanent rate of ad valorem property tax under paragraph (b) of subsection (3) this section. This paragraph does not apply to levies described in subsection (5) of this section or to levies to pay bonded indebtedness described in section 11b of this Article, as modified by subsection (11) of this section.

(b) Any serial or one-year levy to replace an existing serial or one-year levy approved by a majority of the voters voting on the question at an election held after December 4, 1996, and to be first imposed for the tax year beginning July 1, 1997, if the rate or the amount of the levy approved is not greater than the rate or the amount of the levy replaced.

(c) Any levy of ad valorem property taxes approved by a majority of voters voting on the question in an election held on or after December 5, 1996, and before the effective date of this section if the election met the voter participation requirements described in subsection (8) of this section and the ad valorem property taxes were first imposed for the tax year beginning July 1, 1997. A levy described in this paragraph shall be treated as a local option ad valorem property tax under subsection (4) of this section. This paragraph does not apply to levies described in subsection (5) of this section or to levies to pay bonded indebtedness described in section 11b of this Article, as modified by subsection (11) of this section.

(8) An election described in subsection (3), (4), (5)(c)(D), (7)(a) or (c) or (11) of this section shall authorize the matter upon which the election is being held only if:

(a) At least 50 percent of registered voters eligible to vote in the election cast a ballot; or

(b) The election is a general election in an even-numbered year.

(9) The Legislative Assembly shall replace, from the state's General Fund, revenue lost by the public school system because of the limitations of this section. The amount of the replacement revenue shall not be less than the total replaced in fiscal year 1997-1998.

(10)(a) As used in this section:

(A) "Improvements" includes new construction, reconstruction, major additions, remodeling, renovation and rehabilitation, including installation, but does not include minor construction or ongoing maintenance and repair.

(B) "Ad valorem property tax" does not include taxes imposed to pay principal and interest on bonded indebtedness described in paragraph (d) of subsection (11) of this section.

(b) In calculating the addition to value for new property and improvements, the amount added shall be net of the value of retired property.

(11) For purposes of this section and for purposes of implementing the limits in section 11b of this Article in tax years beginning on or after July 1, 1997:

(a)(A) The real market value of property shall be the amount in cash that could reasonably be expected to be paid by an informed buyer to an informed seller, each acting without compulsion in an arm's length transaction occurring as of the assessment date for the tax year, as established by law.

(B) The Legislative Assembly shall enact laws to adjust the real market value of property to reflect a substantial casualty loss of value after the assessment date.

(b) The \$5 (public school system) and \$10 (other government) limits on property taxes per \$1,000 of real market value described in subsection (1) of section 11b of this Article shall be determined on the basis of property taxes imposed in each geographic area taxed by the same local taxing districts.

(c)(A) All property taxes described in this section are subject to the limits described in paragraph (b) of this subsection, except for taxes described in paragraph (d) of this subsection.

(B) If property taxes exceed the limitations imposed under either category of local taxing district under paragraph (b) of this subsection:

(i) Any local option ad valorem property taxes imposed under this subsection shall be proportionally reduced by those local taxing districts within the category that is

imposing local option ad valorem property taxes; and

(ii) After local option ad valorem property taxes have been eliminated, all other ad valorem property taxes shall be proportionally reduced by those taxing districts within the category, until the limits are no longer exceeded.

(C) The percentages used to make the proportional reductions under subparagraph (B) of this paragraph shall be calculated separately for each category.

(d) Bonded indebtedness, the taxes of which are not subject to limitation under this section or section 11b of this Article, consists of:

(A) Bonded indebtedness authorized by a provision of this Constitution;

(B) Bonded indebtedness issued on or before November 6, 1990; or

(C) Bonded indebtedness:

(i) Incurred for capital construction or capital improvements; and

(ii)(I) If issued after November 6, 1990, and approved prior to December 5, 1996, the issuance of which has been approved by a majority of voters voting on the question; or

(II) If approved by voters after December 5, 1996, the issuance of which has been approved by a majority of voters voting on the question in an election that is in compliance with the voter participation requirements in subsection (8) of this section.

(12) Bonded indebtedness described in subsection (11) of this section includes bonded indebtedness issued to refund bonded indebtedness described in subsection (11) of this section.

(13) As used in subsection (11) of this section, with respect to bonded indebtedness issued on or after December 5, 1996, "capital construction" and "capital improvements":

(a) Include public safety and law enforcement vehicles with a projected useful life of five years or more; and

(b) Do not include:

(A) Maintenance and repairs, the need for which could reasonably be anticipated.

(B) Supplies and equipment that are not intrinsic to the structure.

(14) Ad valorem property taxes imposed to pay principal and interest on bonded indebtedness described in section 11b of this Article, as modified by subsection (11) of this section, shall be imposed on the assessed value of the property determined under this section or, in the case of specially assessed property, as otherwise provided by law or as limited by this section, whichever is applicable.

(15) If ad valorem property taxes are divided as provided in section 1c, Article IX of this Constitution, in order to fund a redevelopment or urban renewal project, then notwithstanding subsection (1) of this section, the ad valorem property taxes levied against the increase shall be used exclusively to pay any indebtedness incurred for the redevelopment or urban renewal project.

(16) The Legislative Assembly shall enact laws that allow collection of ad valorem property taxes sufficient to pay, when due, indebtedness incurred to carry out urban renewal plans existing on December 5, 1996. These collections shall cease when the indebtedness is paid. Unless excepted from limitation under section 11b of this Article, as modified by subsection (11) of this section, nothing in this subsection shall be construed to remove ad valorem property taxes levied against the increase from the dollar limits in paragraph (b) of subsection (11) of this section.

(17)(a) If, in an election on November 5, 1996, voters approved a new tax base for a local taxing district under repealed section 11 of this Article (1995 Edition) that was not to go into effect until the tax year beginning July 1, 1998, the local taxing district's permanent rate limit under subsection (3) of this section shall be recalculated for the tax year beginning on July 1, 1998, to reflect:

(A) Ad valorem property taxes that would have been imposed had repealed section 11 of this Article (1995 Edition) remained in effect; and

(B) Any other permanent continuing levies that would have been imposed under repealed section 11 of this Article (1995

Edition), as reduced by subsection (3) of this section.

(b) The rate limit determined under this subsection shall be the local taxing district's permanent rate limit for tax years beginning on or after July 1, 1999.

(18) Section 32, Article I, and section 1, Article IX of this Constitution, shall not apply to this section.

(19)(a) The Legislative Assembly shall by statute limit the ability of local taxing districts to impose new or additional fees, taxes, assessments or other charges for the purpose of using the proceeds as alternative sources of funding to make up for ad valorem property tax revenue reductions caused by the initial implementation of this section, unless the new or additional fee, tax, assessment or other charge is approved by voters.

(b) This subsection shall not apply to new or additional fees, taxes, assessments or other charges for a government product or service that a person:

(A) May legally obtain from a source other than government; and

(B) Is reasonably able to obtain from a source other than government.

(c) As used in this subsection, "new or additional fees, taxes, assessments or other charges" does not include moneys received by a local taxing district as:

(A) Rent or lease payments;

(B) Interest, dividends, royalties or other investment earnings;

(C) Fines, penalties and unitary assessments;

(D) Amounts charged to and paid by another unit of government for products, services or property; or

(E) Payments derived from a contract entered into by the local taxing district as a proprietary function of the local taxing district.

(d) This subsection does not apply to a local taxing district that derived less than 10 percent of the local taxing district's operating revenues from ad valorem property taxes, other than ad valorem property taxes imposed to pay bonded indebtedness, during the fiscal year ending June 30, 1996.

(e) An election under this subsection need not comply with the voter participation

requirements described in subsection (8) of this section.

(20) If any provision of this section is determined to be unconstitutional or otherwise invalid, the remaining provisions shall continue in full force and effect. [Created through H.J.R. 85, 1997, and adopted by the people May 20, 1997 (this section adopted in lieu of former sections 11, 11a, 11f, 11g, 11h, 11i and 11j of this Article)]

BALLOT MEASURE 5

Section 11b. Property tax categories; limitation on categories; exceptions. (1)

During and after the fiscal year 1991-92, taxes imposed upon any property shall be separated into two categories: One which dedicates revenues raised specifically to fund the public school system and one which dedicates revenues raised to fund government operations other than the public school system. The taxes in each category shall be limited as set forth in the table which follows and these limits shall apply whether the taxes imposed on property are calculated on the basis of the value of that property or on some other basis:

MAXIMUM ALLOWABLE TAXES

For Each \$1000.00 of

Property's Real Market Value

Fiscal Year School System Other than Schools

1991-1992	\$15.00	\$10.00
1992-1993	\$12.50	\$10.00
1993-1994	\$10.00	\$10.00
1994-1995	\$ 7.50	\$10.00
1995-1996	\$ 5.00	\$10.00

and thereafter

Property tax revenues are deemed to be dedicated to funding the public school system if the revenues are to be used exclusively for educational services, including support services, provided by some unit of government, at any level from pre-kindergarten through post-graduate training.

(2) The following definitions shall apply to this section:

(a) "Real market value" is the minimum amount in cash which could reasonably be expected by an informed seller acting without compulsion, from an informed buyer acting without compulsion, in an "arms-length" transaction during the period for which the property is taxed.

(b) A "tax" is any charge imposed by a governmental unit upon property or upon a property owner as a direct consequence of ownership of that property except incurred charges and assessments for local improvements.

(c) "Incurred charges" include and are specifically limited to those charges by government which can be controlled or avoided by the property owner.

(i) because the charges are based on the quantity of the goods or services used and the owner has direct control over the quantity; or

(ii) because the goods or services are provided only on the specific request of the property owner; or

(iii) because the goods or services are provided by the governmental unit only after the individual property owner has failed to meet routine obligations of ownership and such action is deemed necessary to enforce regulations pertaining to health or safety.

Incurred charges shall not exceed the actual costs of providing the goods or services.

(d) A "local improvement" is a capital construction project undertaken by a governmental unit

(i) which provides a special benefit only to specific properties or rectifies a problem caused by specific properties, and

(ii) the costs of which are assessed against those properties in a single assessment upon the completion of the project, and

(iii) for which the payment of the assessment plus appropriate interest may be spread over a period of at least ten years.

The total of all assessments for a local improvement shall not exceed the actual costs incurred by the governmental unit in designing, constructing and financing the project.

(3) The limitations of subsection (1) of this section apply to all taxes imposed on property or property ownership except

(a) Taxes imposed to pay the principal and interest on bonded indebtedness authorized by a specific provision of this Constitution.

(b) Taxes imposed to pay the principal and interest on bonded indebtedness incurred or to be incurred for capital construction or improvements, provided the bonds are offered as general obligations of the issuing governmental unit and provided further that either the bonds were issued not later than November 6, 1990, or the question of the issuance of the specific bonds has been approved by the electors of the issuing governmental unit.

(4) In the event that taxes authorized by any provision of this Constitution to be imposed upon any property should exceed the limitation imposed on either category of taxing units defined in subsection (1) of this section, then, notwithstanding any other provision of this Constitution, the taxes imposed upon such property by the taxing units in that category shall be reduced evenly by the percentage necessary to meet the limitation for that category. The percentages used to reduce the taxes imposed shall be calculated separately for each category and may vary from property to property within the same taxing unit. The limitation imposed by this section shall not affect the tax base of a taxing unit.

(5) The Legislative Assembly shall replace from the State's general fund any revenue lost by the public school system because of the limitations of this section. The Legislative Assembly is authorized, however, to adopt laws which would limit the total of such replacement revenue plus the taxes imposed within the limitations of this section in any year to the corresponding total for the previous year plus 6 percent. This subsection applies only during fiscal years 1991-92 through 1995-96, inclusive. [Created through initiative petition filed May 8, 1990, and adopted by the people Nov. 6, 1990]

BALLOT MEASURE 56

Section 11k. Limitation on applicability of section 11 (8) voting requirements to elections on measures held in May or November of any year. Notwithstanding subsection (8) of section 11 of this Article, subsection (8) of section 11 of this Article does not apply to any measure voted on in an election held in May or November of any year. [Created through H.J.R. 15, 2007, and adopted by the people Nov. 4, 2008]

BALLOT MEASURE 68

Section 11L. Limitation on applicability of sections 11 and 11b on bonded indebtedness to finance capital costs. (1) The limitations of sections 11 and 11b of this Article do not apply to bonded indebtedness incurred by local taxing districts if the bonded indebtedness was incurred on or after January 1, 2011, to finance capital costs as defined in subsection (5) of this section.

(2) Bonded indebtedness described in subsection (1) of this section includes bonded indebtedness issued to refund

bonded indebtedness described in subsection (1) of this section.

(3) Notwithstanding subsection (1) of this section, subsection (8) of section 11 of this Article, as limited by section 11k of this Article, applies to measures that authorize bonded indebtedness described in subsection (1) of this section.

(4) The weighted average life of bonded indebtedness incurred on or after January 1, 2011, to finance capital costs may not exceed the weighted average life of the capital costs that are financed with that indebtedness.

(5)(a) As used in this section, “capital costs” means costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.

(b) “Capital costs” does not include costs of routine maintenance or supplies. [Created through H.J.R. 13, 2009, and adopted by the people May 18, 2010]