



# Basic Local Budget Law

Online via Zoom

March 20, 2025

Finance, Taxation & Exemptions

# Finance, Taxation & Exemptions Team



Trains Local Officials on Local Budget Law



Answers Questions about Local Budget Law and Property Taxes



Provides Budget Manuals and Forms



Reviews Tax Certifications

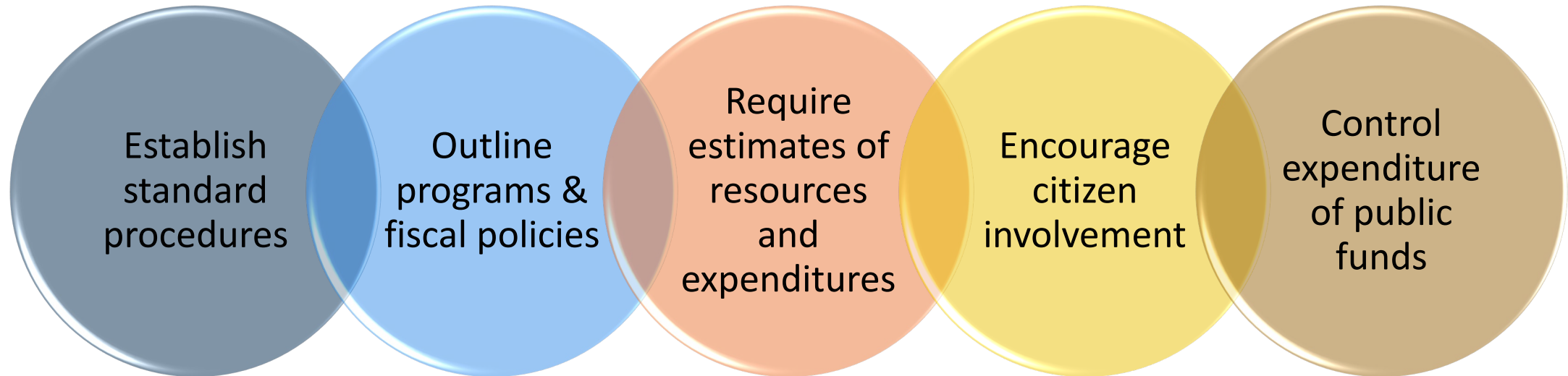


Reviews District Budgets



Advises County Assessors and Tax Collectors on Property Tax Law

# Purpose of Local Budget Law



# Why you should follow LBL

## 1. A district that doesn't follow Local Budget Law may not lawfully:

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

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

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

## 3. Civil Liability:

- Any public official who expends public monies in excess of the amounts, or for any other purpose other than authorized by law, shall be civilly liable for the return of the money, if there is malfeasance in office or willful or wanton neglect of duty.

ORS 294.338, 294.461, & 294.100



# Districts Not Subject to Local Budget Law

**ORS 261** People's utility districts

**ORS 440** Health districts

**ORS 545** Irrigation districts

**ORS 551** Diking districts

**ORS 553** Water control districts\*

**ORS 554** District improvement companies or corporations

**ORS 568** Soil and water conservation districts\*

**ORS 371** Special and Assessment road districts

**ORS 371** County Road district\*

**ORS 372** Highway lighting districts

**ORS 547** Drainage districts

**ORS 221** Historic ghost towns

\* That will not impose taxes during the ensuing year. If district does impose property tax any year, it is subject to Local Budget Law.

# Council of Governments

## Definition

- An entity organized by units of local government under an intergovernmental agreement and that provides services directly to individuals. ORS 294.900

## Subject to Local Budget Law?



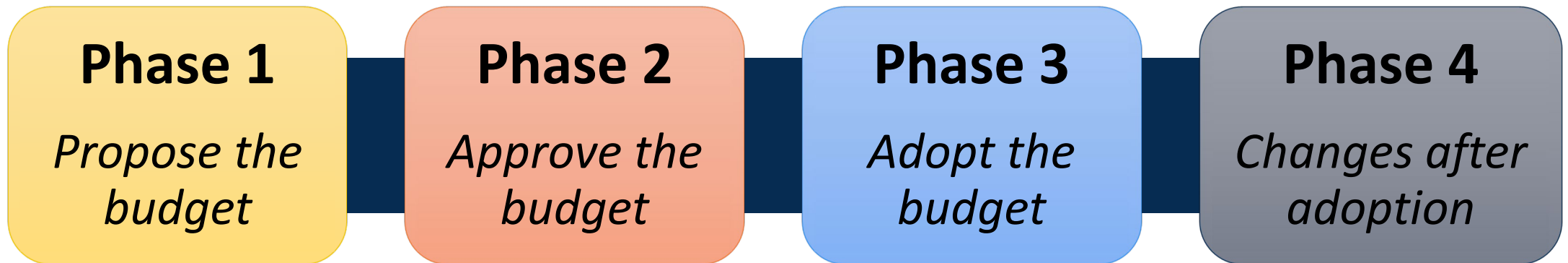
Yes, if levying a property tax



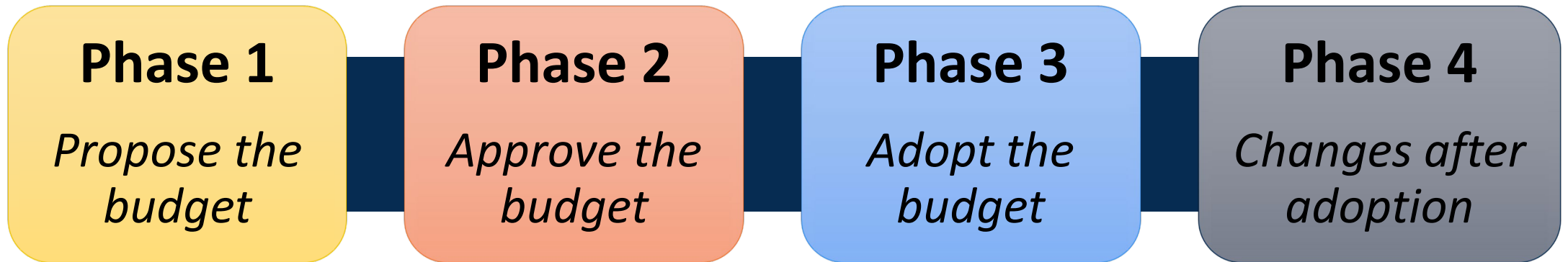
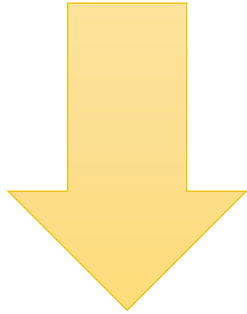
No, if not levying a property tax

But subject to separate budget requirements found in ORS 294.900 – 294.930

# The Budget Process



# The Budget Process



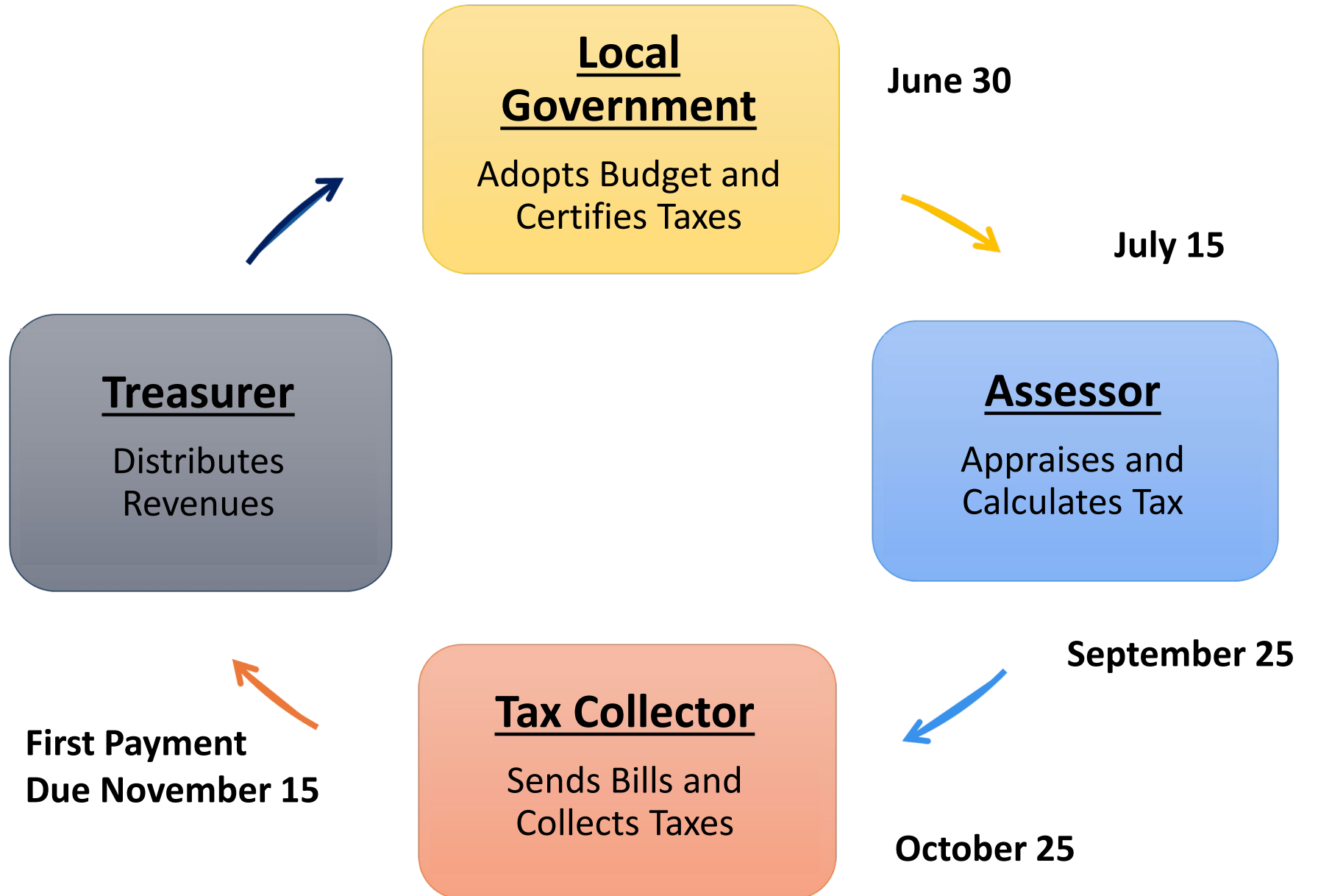


# Phase 1 Budget Office Proposes the Budget

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# Property Tax Cycle



# Sample Budget Calendar

- \* *ORS 305.820(2)* states that if any deadline that needs to be filed to tax collector or county falls on a weekend or holiday, then the deadline is extended to the next business day.

	Action	Example Due Date	Complete
1	Appoint budget officer	January 12	
2	Appoint budget committee (BC)	January 26	
3	Prepare proposed budget	February 28	
4	Publish 1st notice of BC meeting	March 8	
5	Publish 2nd notice of BC meeting	March 18	
6	BC meeting & subsequent meetings if needed	March 28	
7	Publish notice of budget hearing	April 17	
8	Hold budget hearing	May 3	
9	Enact Resolutions to adop, etc.	June 3	
10	Submit tax certification documents	By July 15*	
11	Send copy of all budget documents to county clerk	By September 30*	

# Prepare Proposed Budget

- Designate budget officer (Who can serve?)
- Budget Officer prepares budget under direction of Executive Officer or Governing Body



# What is a budget?



A financial plan



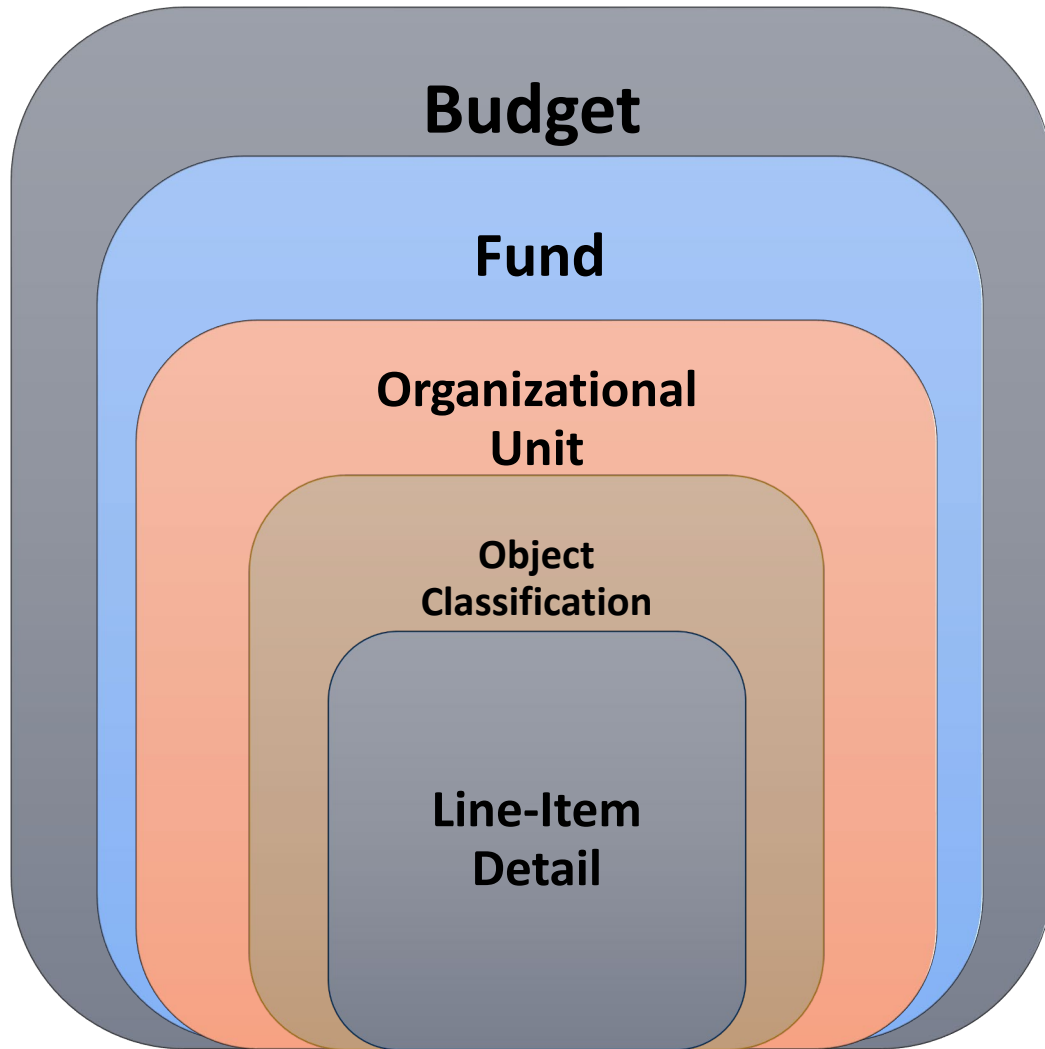
For one fiscal year (July 1- June 30),  
or biennial budget period (July 1, 2025 –  
June 30, 2027)



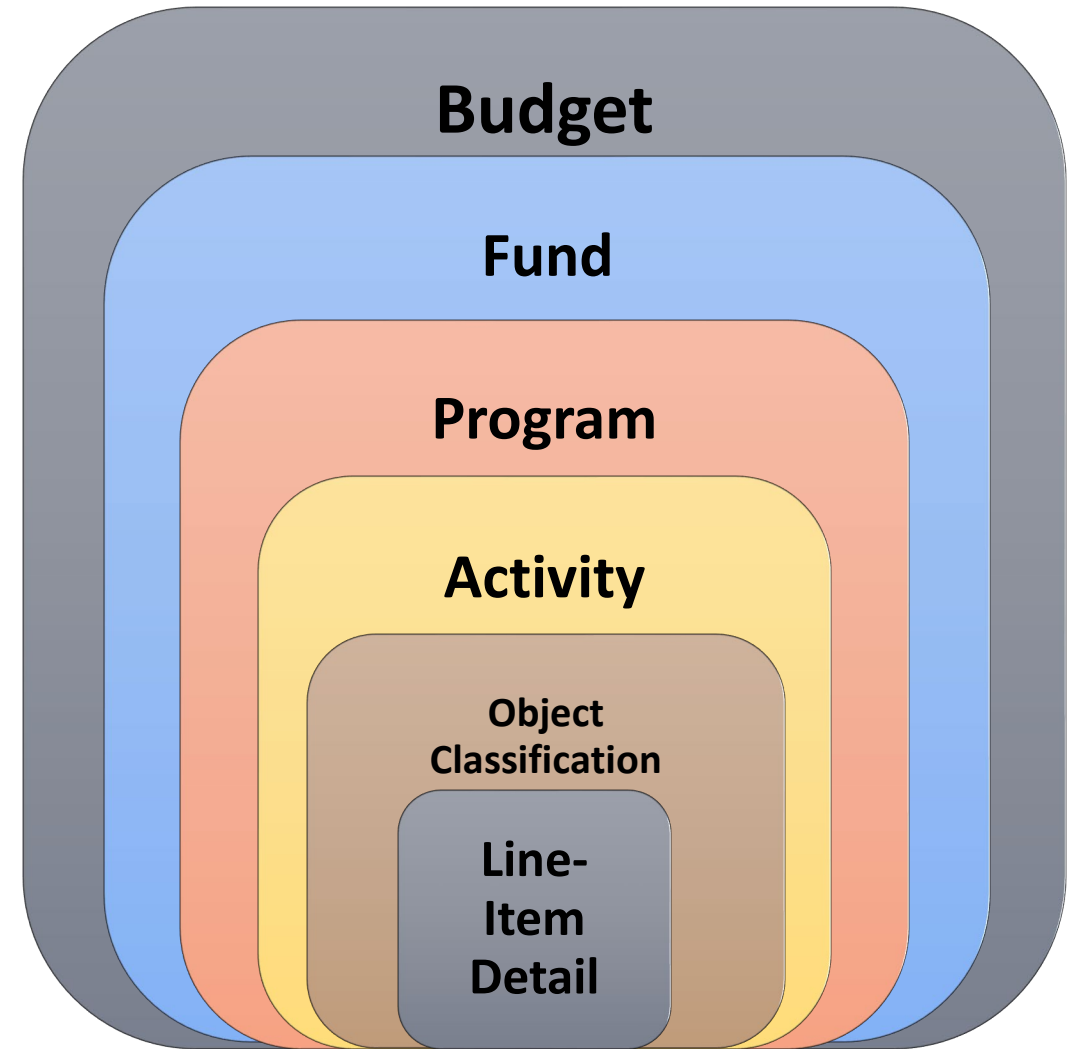
Based on estimates of revenues  
and expenditures and other  
requirements

The budget is the basis for appropriations, which create the authority to spend public money

# Budget Layers



Organizational Unit Budget

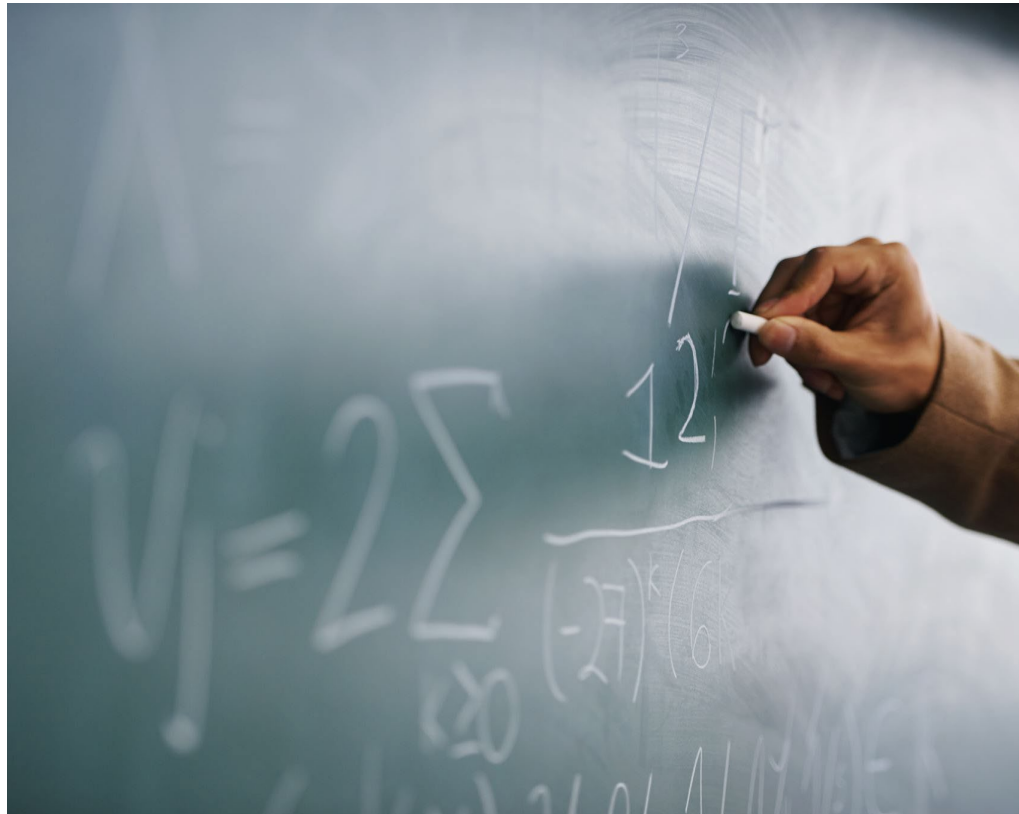


Program & Activity Budget



# Budget is Prepared by Fund

- A self-balancing set of accounts
- Used to record estimated resources and requirements for specific activities and objectives



# Types of Funds

## General Fund

- Revenue from permanent rate, local option levy for operations, interest and other charges/fees received to cover general operations with no restrictions on how resources are used

## Special Revenue Fund

- Dedicated to local option levy money, specific purpose grants, or other money required to be segregated by statute, charter, or terms

## Capital Projects Fund

- Revenue from GO bonds proceeds, local option levy for capital projects, or grant monies to finance a capital project

## Debt Service Fund

- Revenue comes from special property tax levy (such as Revenue Bonds or GO bonds) to budget for payment of principal and interest on long-term debt



# Types of Funds( cont.)

## Internal Services Fund

- Revenue from services provided from one department to another department  
Example: Fleet Management

## Enterprise Fund

- For revenue received in fees or charges used to cover expenses of a business type entity such as running a parking garage or pool

## Trust and Agency Fund

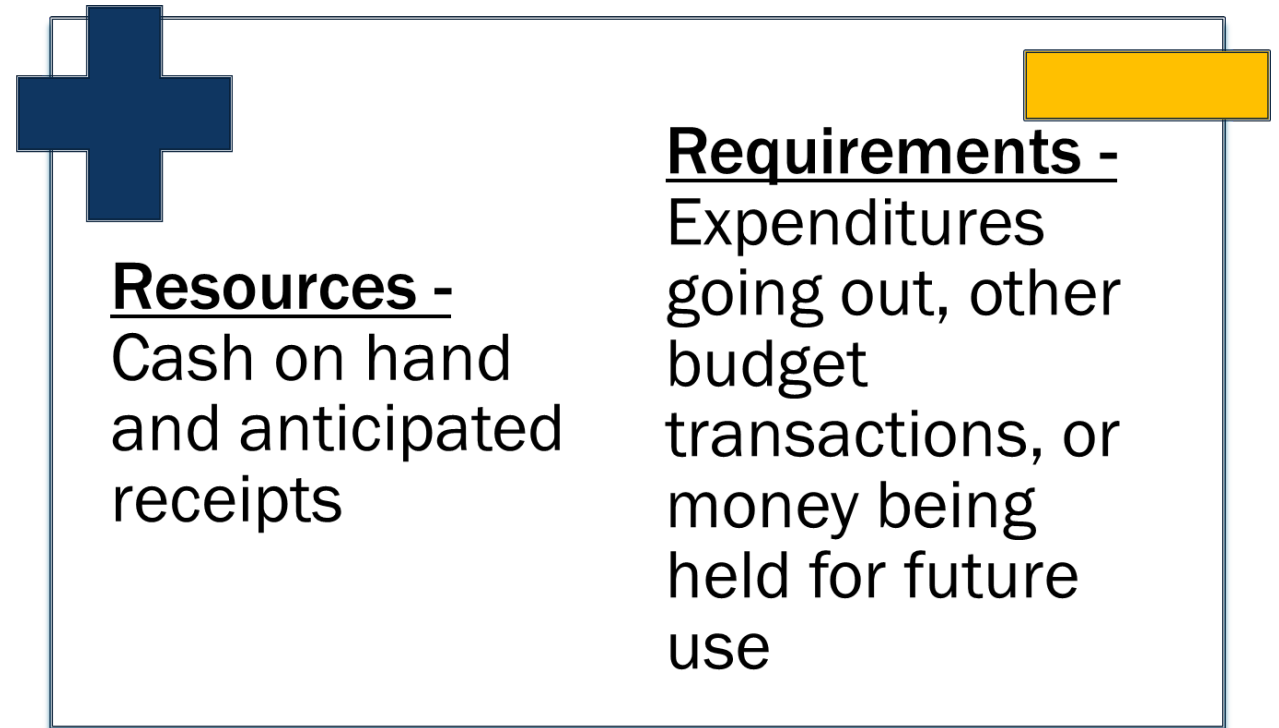
- Grants, gifts or transfers from general fund received in a fiduciary capacity to be used for a specified purpose

## Reserve Fund

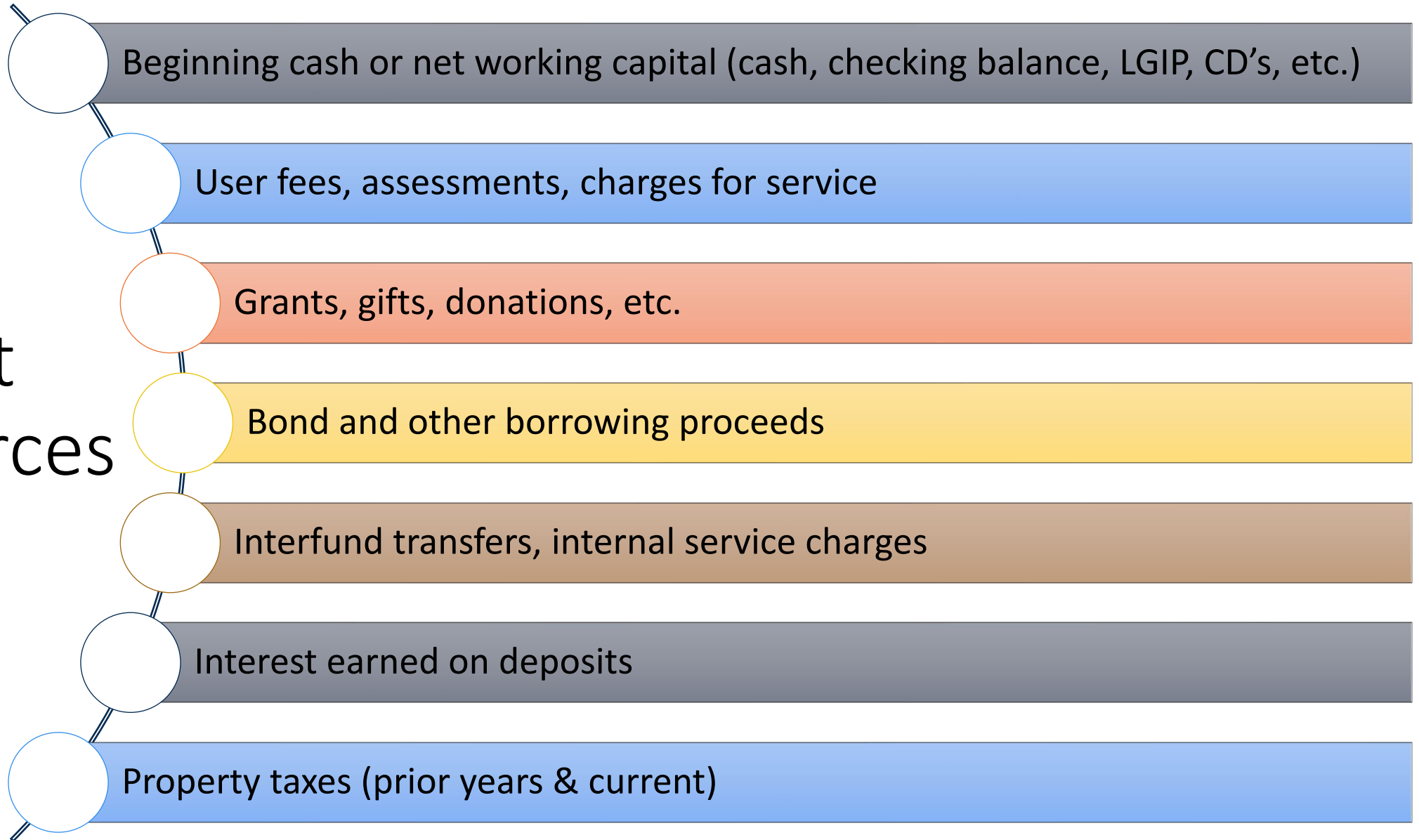
- Transfers from general funds or grants used to accumulate money for financing the cost of a service, project, property or equipment  
Resolution required to create fund.

# Estimate Resources and Requirements for Each Fund

- Estimate resources and requirements in line-item detail.
- **All** resources and requirements must be budgeted.
- Resources and requirements must balance.
- Estimates of resources and requirements must be made in “*good faith*.”



# Budget Resources



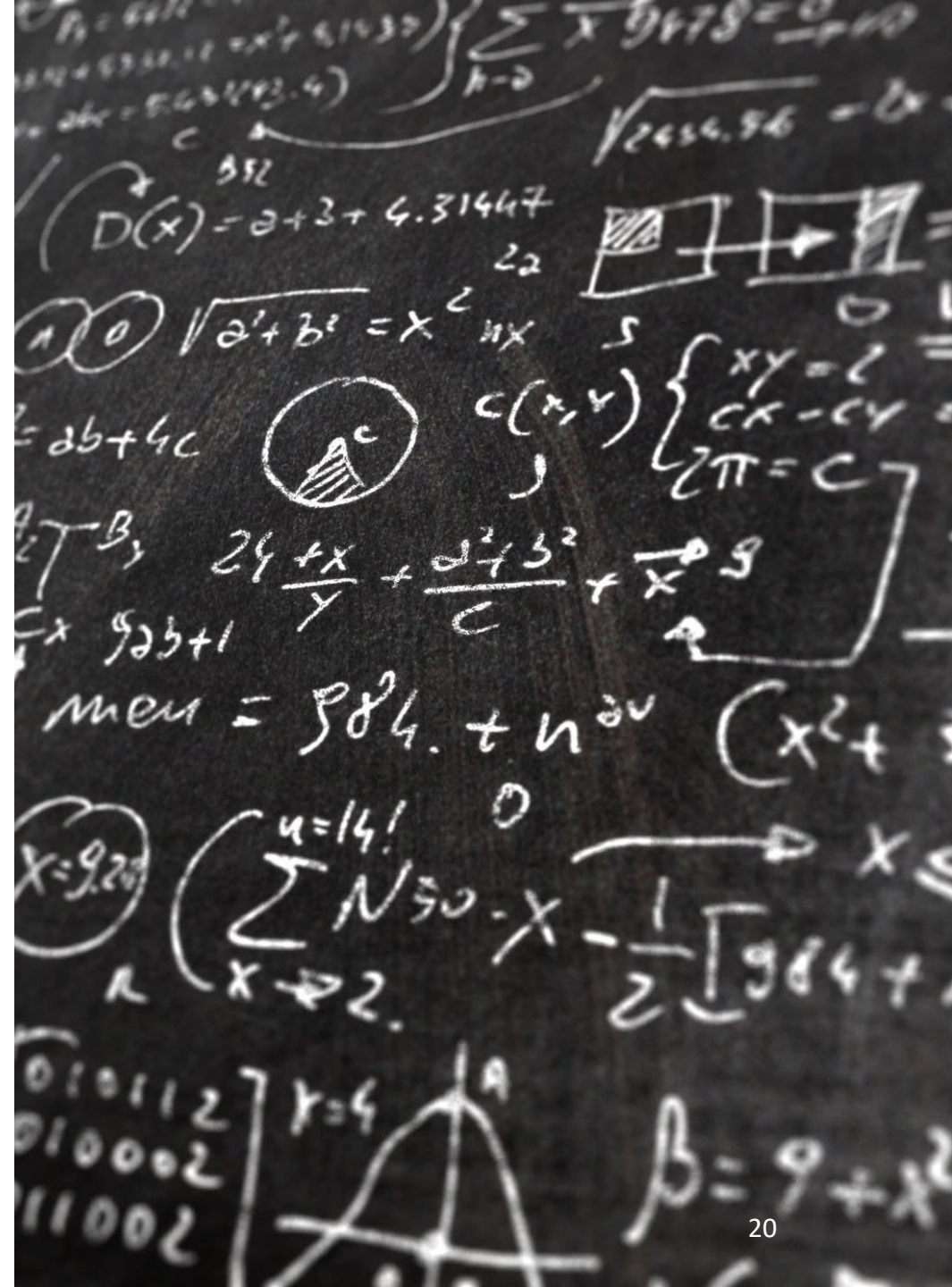
# Estimating Property Taxes

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

Reduced by:

- Compression losses (Measure 5 limitation)
- Discounts
- Uncollectables

\*“frozen value” in urban renewal area



# A brief history of Oregon property tax



[https://youtu.be/\\_LIYU8s34U](https://youtu.be/_LIYU8s34U)

Source: OACTC, November 2, 2020

# Constitutional Limitations on Property Taxes

Article XI, s. 11 and 11b

## Measure 50

Established Permanent  
Rate System

Taxes based on  
property's  
Assessed Value (AV)

## Measure 5

Established limits on operating taxes

- \$5 per \$1000 of RMV for Education
- \$10 per \$1000 of RMV for General Government

“Compression” based on  
the property's Real  
Market Value (RMV)

# How Does M5 Compression Loss Work?

- If a property's tax is higher than its M5 limit, the tax must be reduced (*"compressed"*) to fall within the limit
- This loss is shared by all taxing districts (*local option taxes reduced first*)



# M5 Compression Example



**Neighbor 1**

**M50 Tax Calculation:**

Total Combined Gen. Gov. Tax:.....	\$14/\$1,000 <b>AV</b>
Property's <b>Assessed Value</b> .....	<u>\$267,682</u>
<b>Tax on Property</b>	<b>\$3,747.55</b>

**M5 Limit Calculation:**

Gen. Gov. limit.....	\$10/\$1,000 <b>RMV</b>
Property's <b>Real Market Value</b> .....	<u>\$320,000</u>
<b>Maximum tax under M5 limit</b>	<b>\$3,200.00</b>

Gen. Gov. Loss due to **M5** Compression = \$547.55

The tax calculated under M50 was higher than the M5 limit.



**Neighbor 2**

**M50 Tax Calculation:**

Total Combined Gen. Gov. Tax:.....	\$14/\$1,000 <b>AV</b>
Property's <b>Assessed Value</b> .....	<u>\$267,682</u>
<b>Tax on Property</b>	<b>\$3,747.55</b>

**M5 Limit Calculation:**

Gen. Gov. limit.....	\$10/\$1,000 <b>RMV</b>
Property's <b>Real Market Value</b> .....	<u>\$380,000</u>
<b>Maximum tax under M5 limit</b>	<b>\$3,800.00</b>

NO loss to compression

The tax calculated under M50 was lower than the M5 limit.



# How Can You Estimate Compression Loss?

## Summary of Assessments and Levies Report (SAL) Table 4a:

- Assessor prepares report in October
- Often mailed to every taxing district
- Reports taxes imposed, compression loss, taxes extended
- Save report and use it next spring for your budget estimate of M5 loss

*Also consider levies of other districts*

# The three types of *ad valorem* taxes

- M50 Rate limit for \$1,000/AV
- Limit can not be changed (may impose less)
- Can be imposed as a dollar or rate

## Permanent Rate



- In addition to the permanent rate
- Temporary
  - Operations 1-5 years
  - Capital projects lesser of 10 years or life of item
- Imposed as dollar or rate based on how voters approved
- First to be compressed

## Local Option Tax



- Voter approval of bond sale gives authority to tax for annual debt service
- For capital construction
- Principal and interest ONLY
- Always imposed as a dollar amount
- Exempt from compression

## General Obligation Bond Levy



All tax elections require a double majority if held in March or August

# Estimating Taxes Levied as a Rate

Tax rate: \$1.5340/ \$1,000  
Estimated **Assessed Value** in district: \$98,769,946

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

# Estimating Taxes Levied as an Amount

1. Total dollar amount to levy	=	\$ 45,000
2. Minus est. <b>compression</b> loss	-	<u>\$ 2,500</u>
3. Tax to be billed		\$ 42,500
4. County collection average	x	<u>.94</u>
5. Tax amount to budget	=	\$ 39,950

# Estimating Bond Debt Service Taxes

Taxes budgeted for debt service \$ 250,750

Estimated compression losses - 0

*(GO bond taxes are exempt from M5 limits)*

Amount to raise \$ 250,750

*(Amount shown in the budget as a resource)*

County collection average ÷ .95

Taxes to be levied \$ 263,947

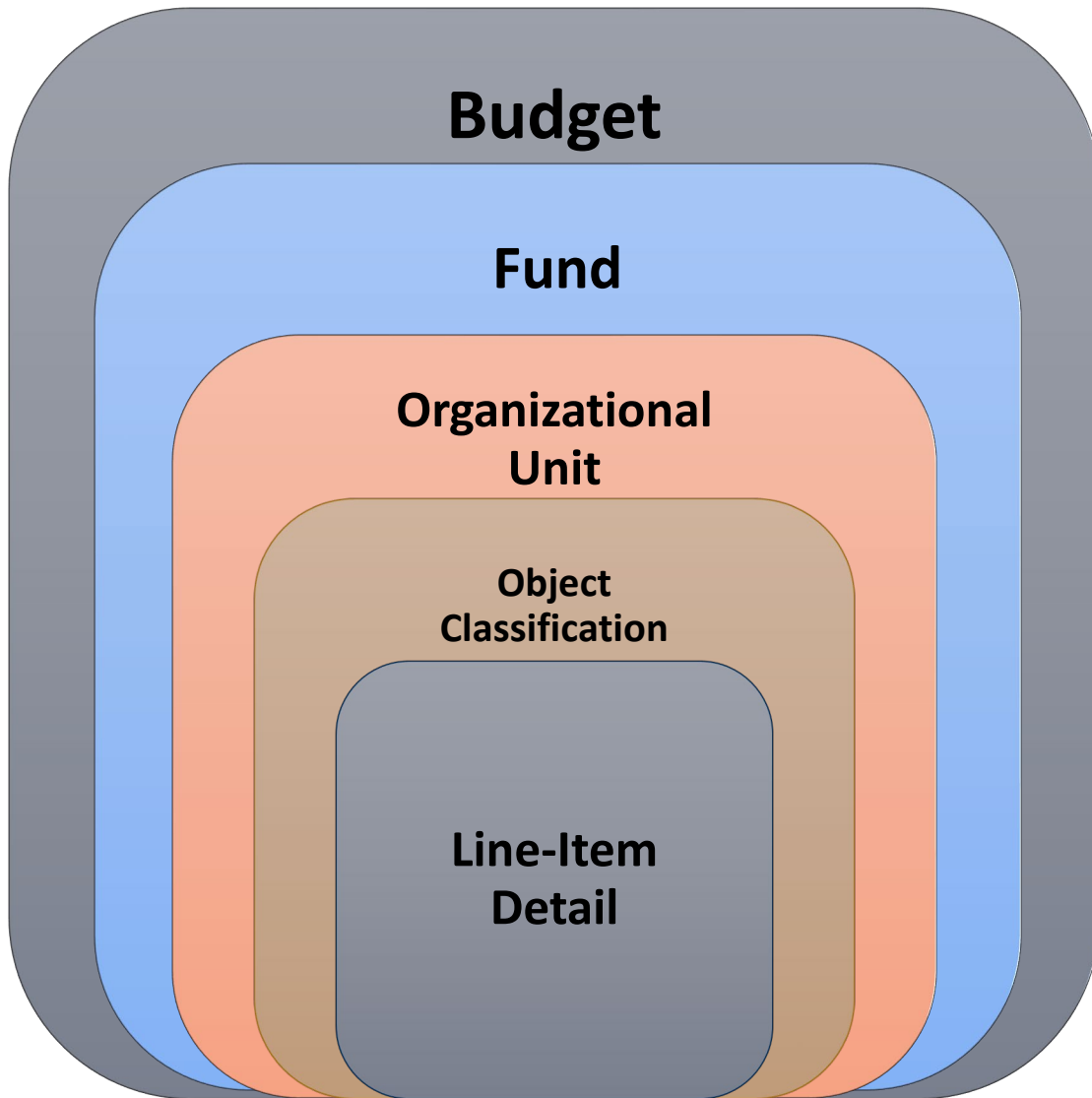
*(This is the amount you will certify to the assessor)*

# Discussion: Proposed Budget

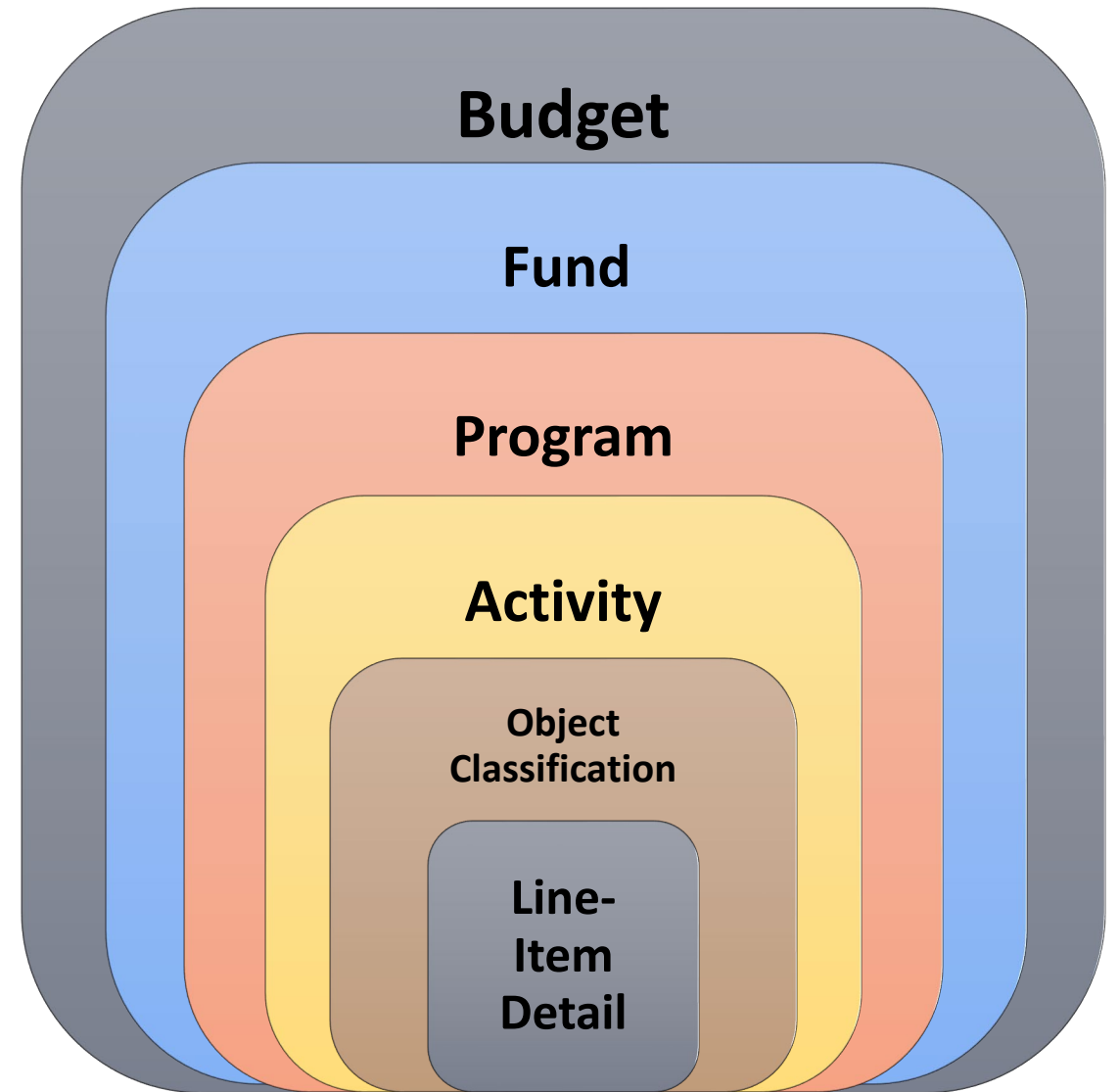
1. What is the basic formula used to estimate the amount of property tax to be received? What other factors should be considered?
2. True or False: When levying for G.O. bond debt, your levy amount should be equal to the amount needed to pay principal and interest.



# Budget Layers



Organizational Unit Budget



Program & Activity Budget

# Budget Organization

**Organizational  
Unit**

**OR**

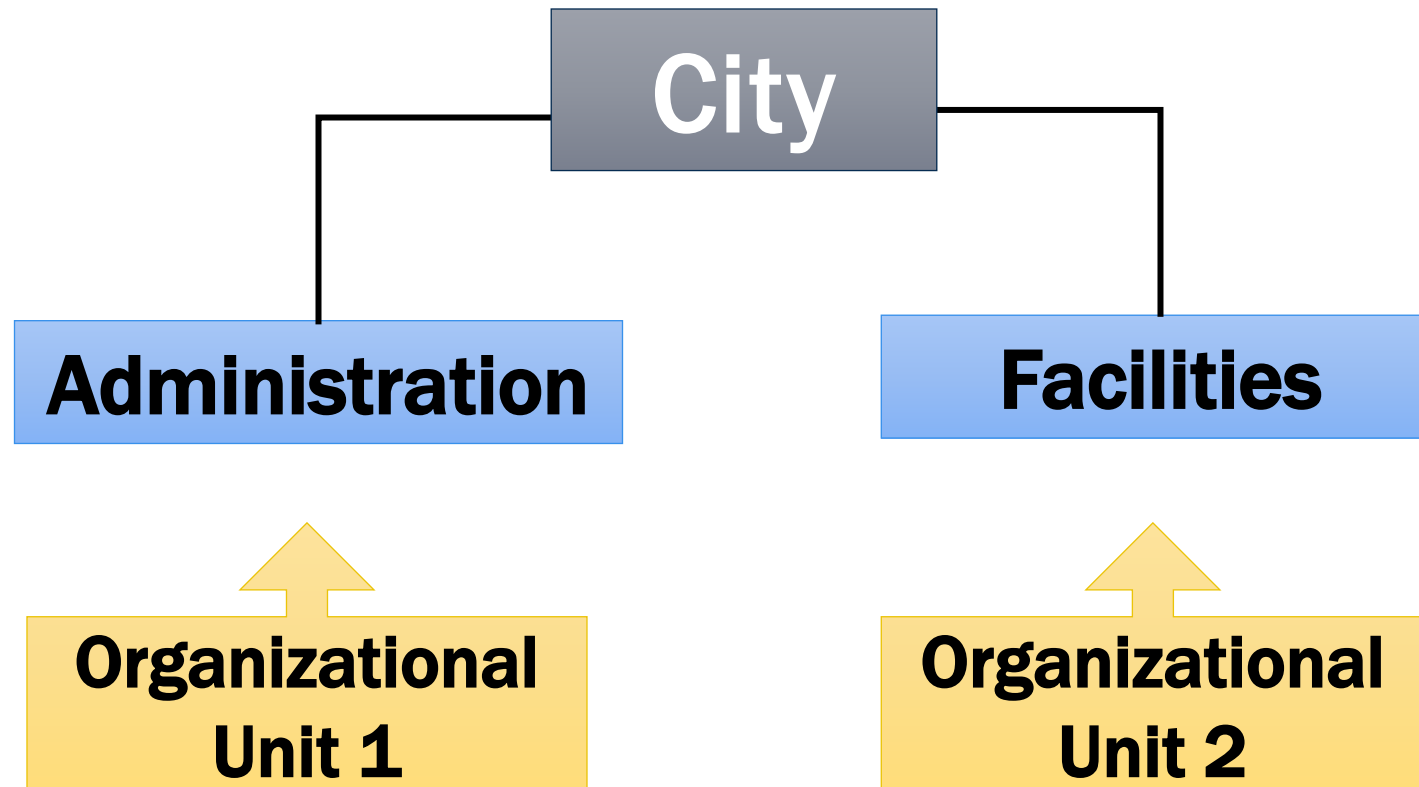
**Program and  
Activities**

Any administrative subdivision of a municipal corporation, especially one charged with carrying on one or more functions or activities

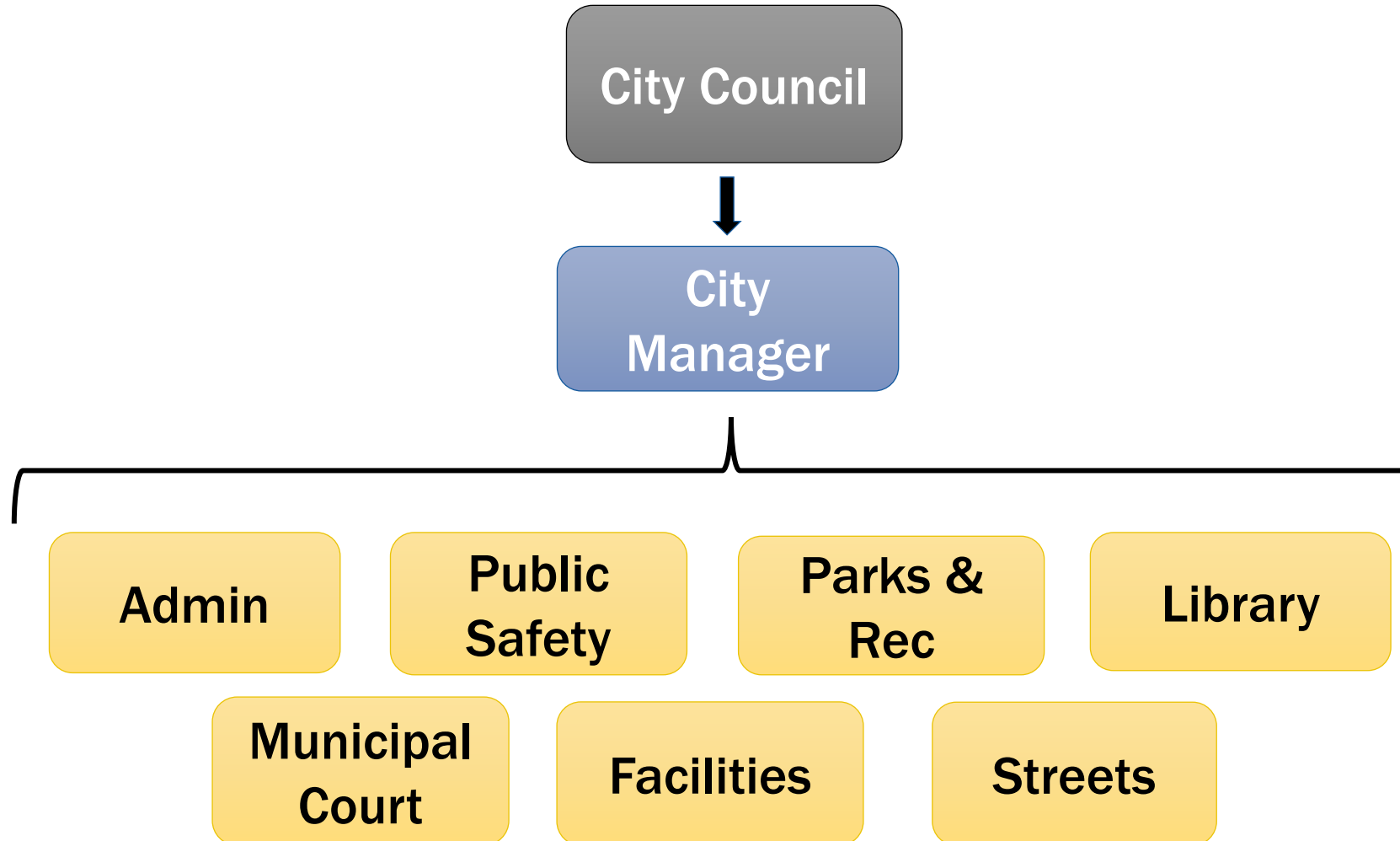
A group of related activities aimed at accomplishing a major service or function for which the municipality is responsible



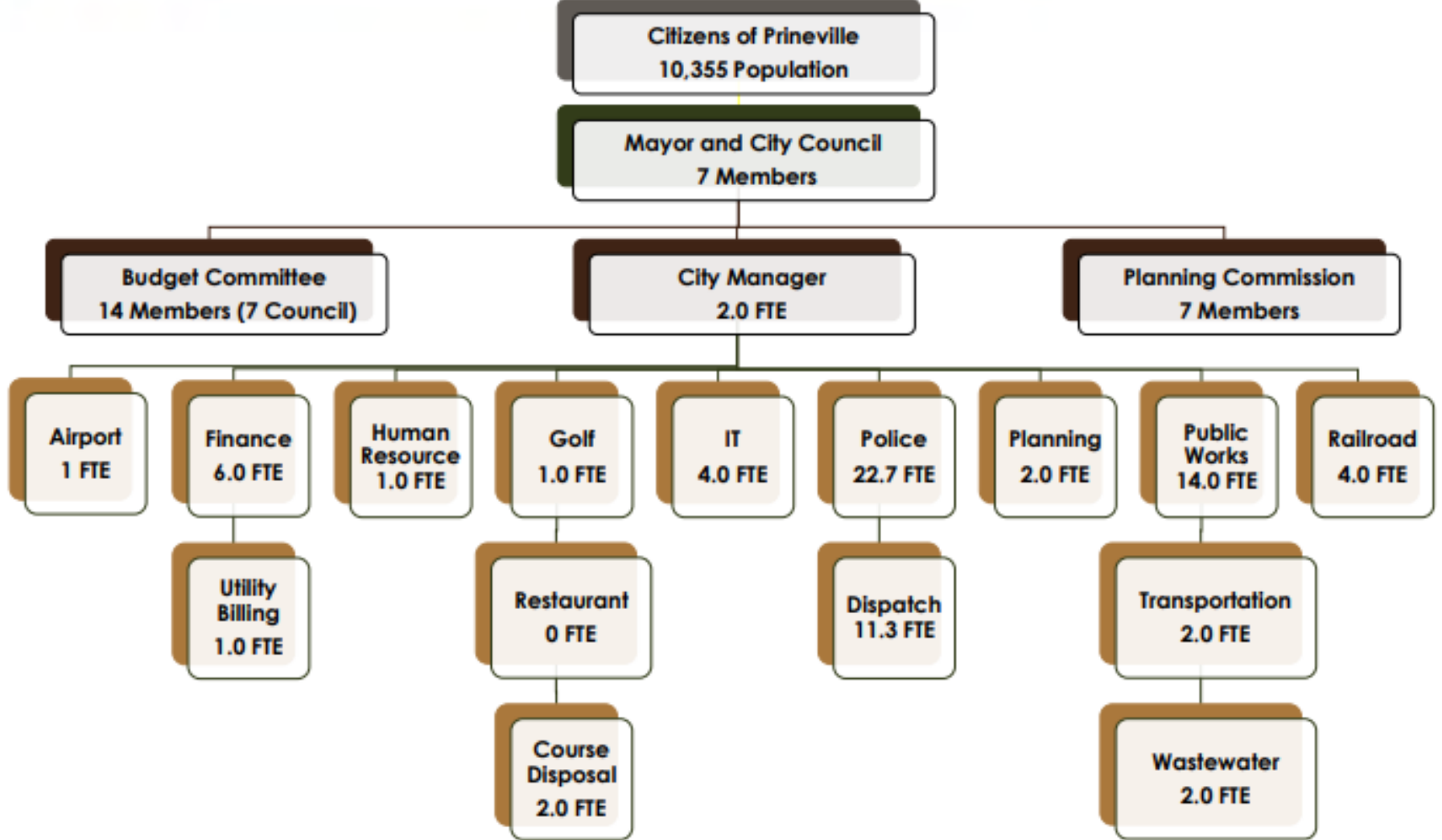
# Simple Organizational Unit



# Sunny Shore's Organizational Chart

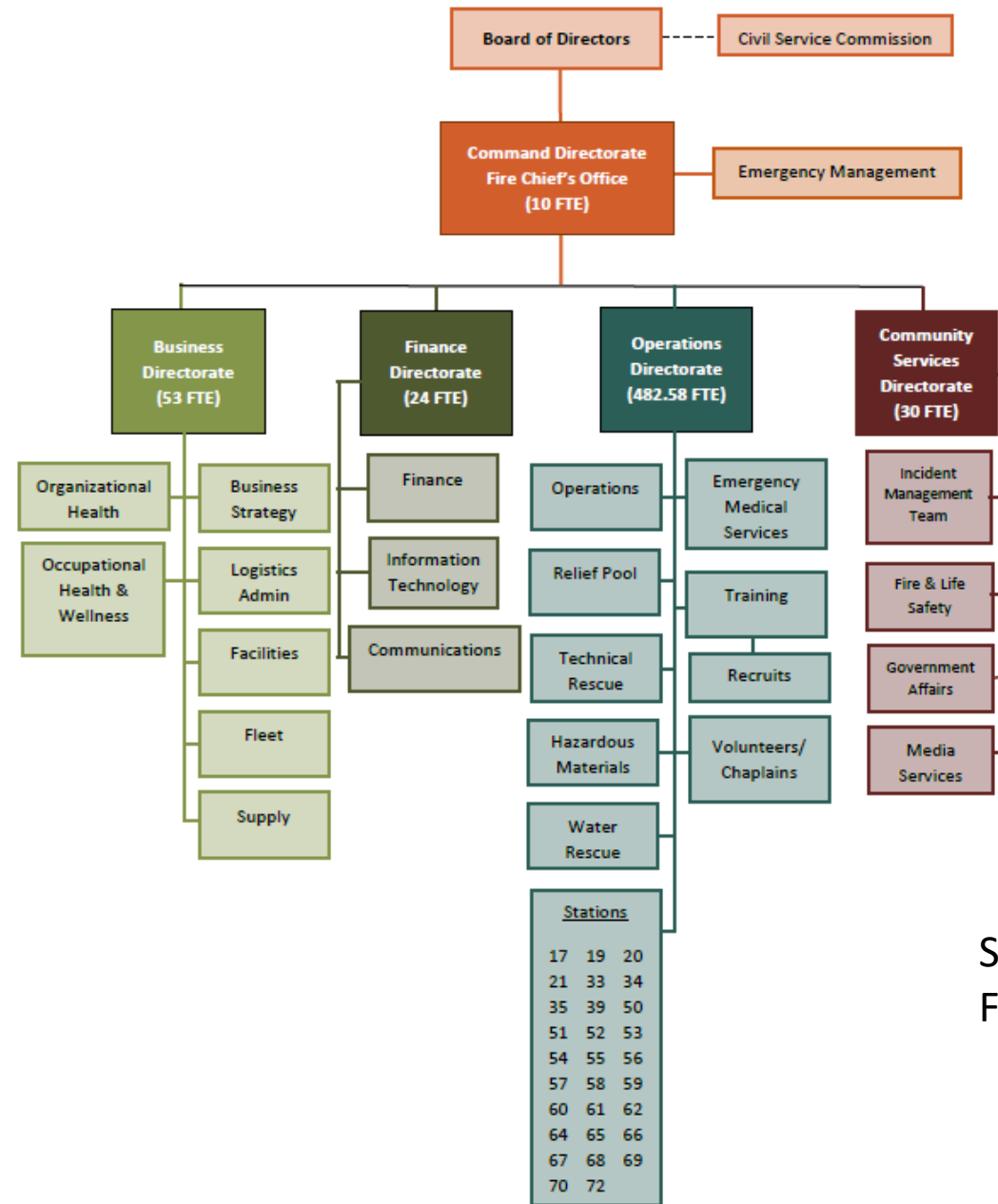


# Organizational Unit example



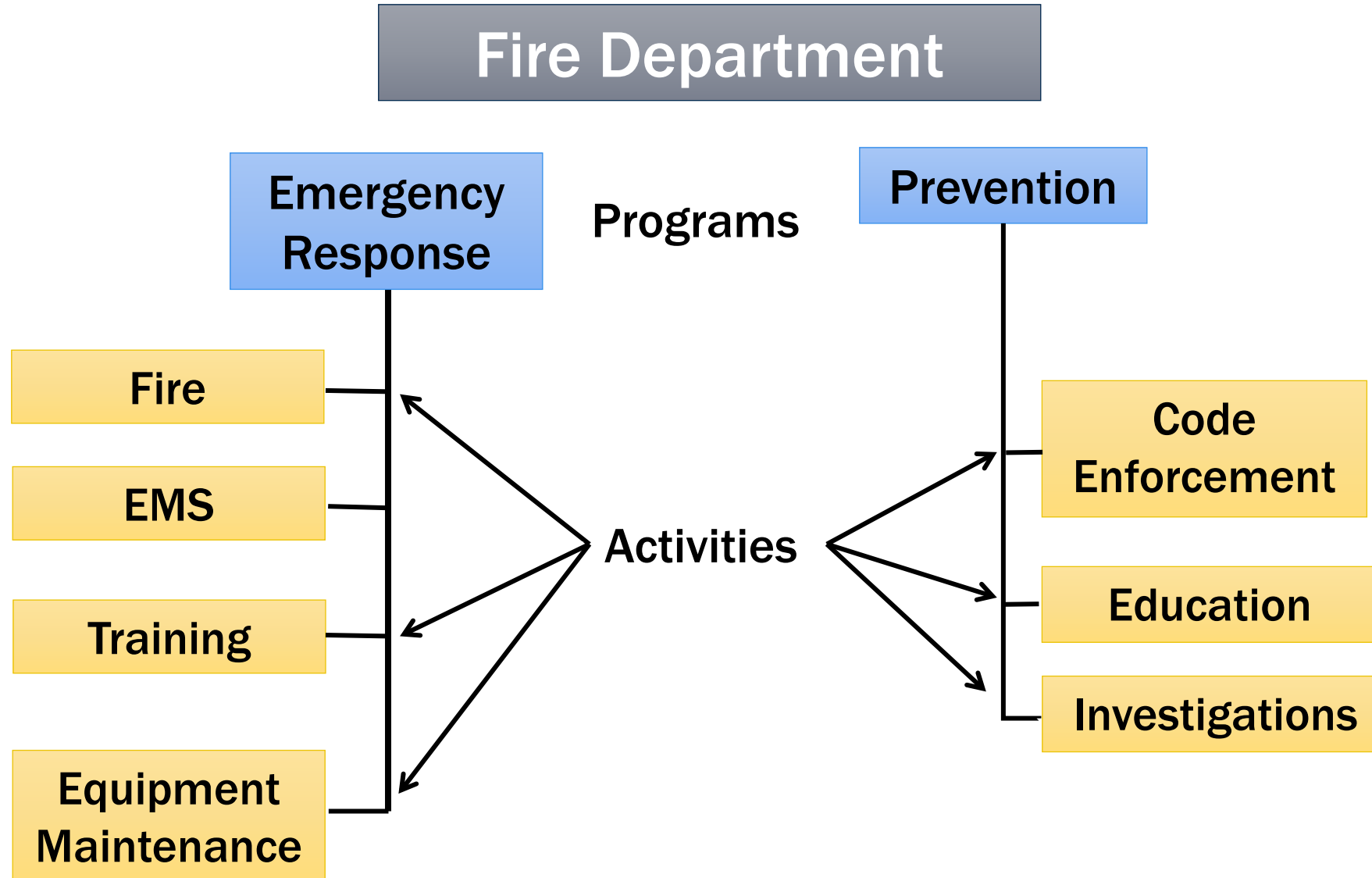
City of Prineville  
 Organizational Chart  
 Adopted Biennial Budget July  
 1, 2021-June 30, 2023

# Organizational Unit Example

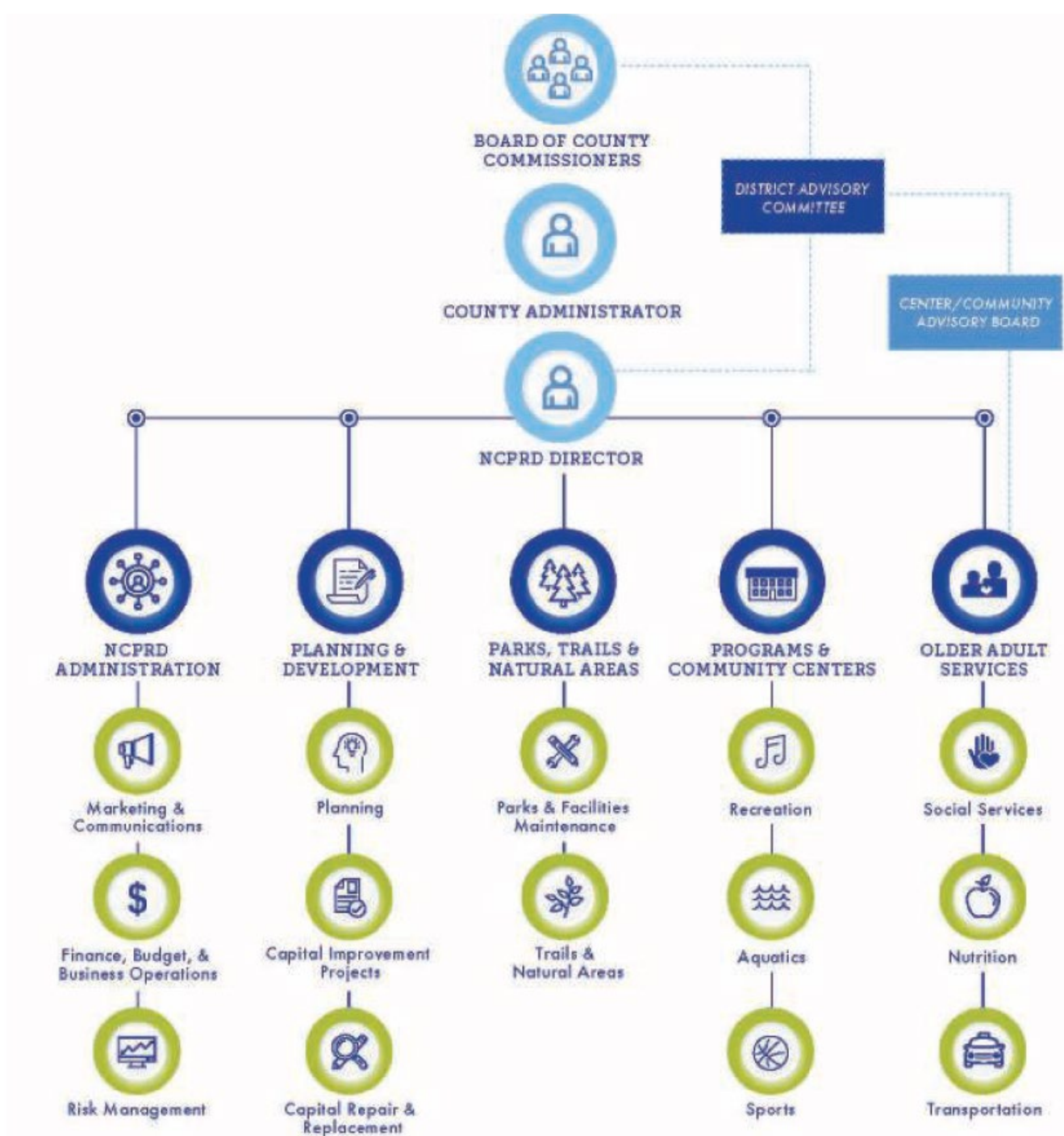


Source: TVF&R  
FY 22-23 Budget

# Program Example



# Program and Activity Example



Source: North Clackamas Parks & Rec 22-23 adopted budget

# Resources vs. Requirements



**Resources** -  
Cash on hand  
and anticipated  
receipts

**Requirements** -  
Expenditures  
going out, other  
budget  
transactions, or  
money being  
held for future  
use

# Object Classifications (Allocated)

## Personnel Services

- Expenses related to employees
- Must include associated FTE

## Materials and Services

### Consumables and service expenses:

- Contract services
- Supplies
- Other operating expenses

## Capital Outlay

- Items with useful life of a year or more

***\*\*\*Always include line-item detail\*\*\****



# Object Classifications (Not Allocated)

## Interfund Transfers

Transfer of resources from one fund to another

All transfers out require a corresponding transfer in

## Debt Service

The repayment of any loan, bond, or other borrowing

## Special Payments

Pass-through payments, grants made to other organizations, or other one-time or unusual payments that do not fit into any other expenditure category

# Object Classifications (Not Allocated)

## **Operating Contingency**

Unidentified operating expenses

Only budgeted in operating fund

## **Reserved for Future Expenditure (RFE)**

Saved for future spending

## **Unappropriated Ending Fund Balance (UEFB)**

Carry-over for next year's budget to cover requirements prior to resources being available

# Budget Requirements

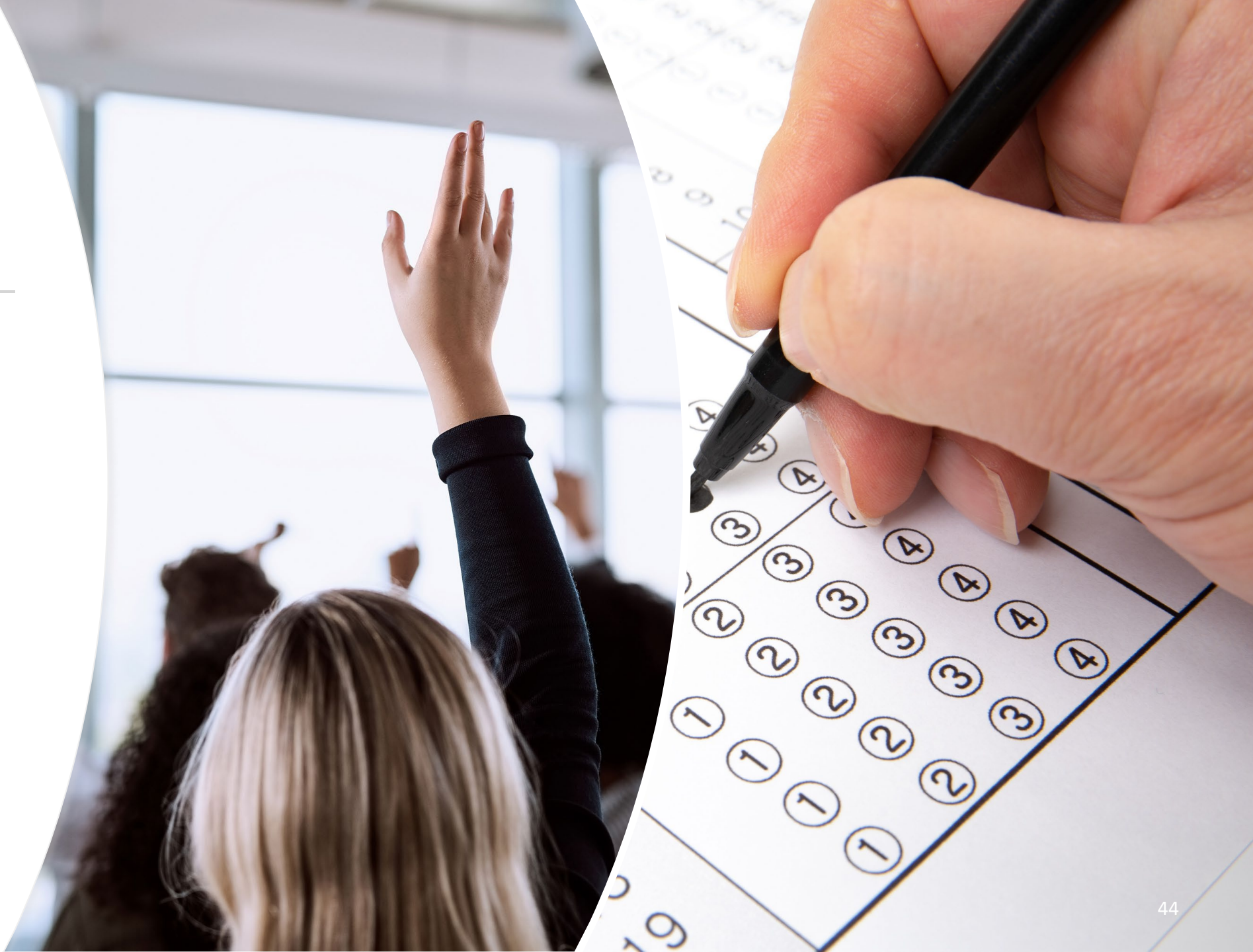
		Object Classifications	Allocated or Not Allocated to an Organizational Unit or Program?	
Requirements	Expenditures	Personnel Services	<b>Usually Allocated</b>	
		Materials and Services		
		Capital Outlay		
			Special Payments	<b>Not Allocated</b>
		Debt Service		
		Transfers (out)		
		Operating Contingency		
		Reserved for Future Expenditure		
		Unappropriated Ending Fund Balance		

ORS 294.388

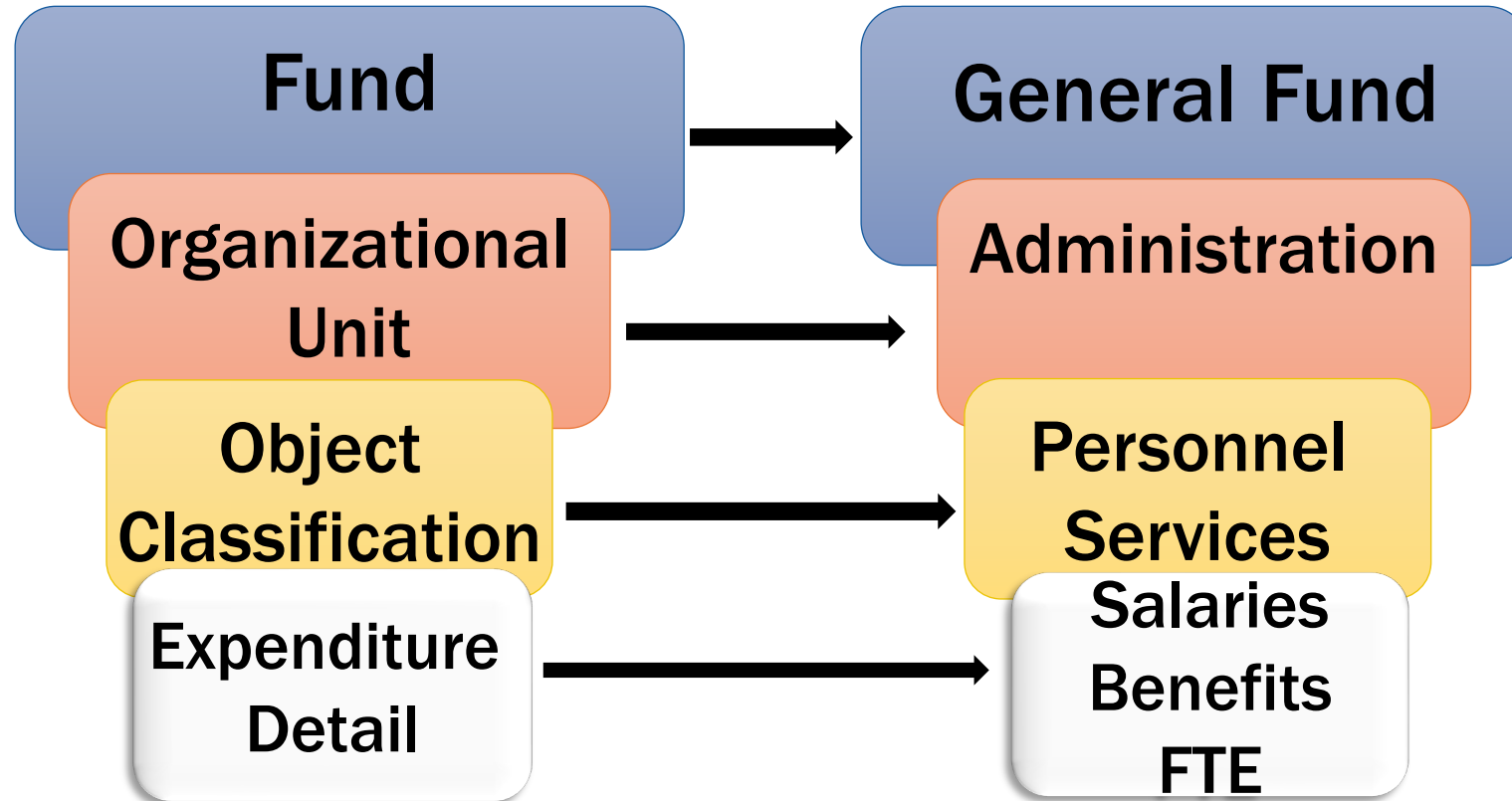
## Discussion: Proposed Budget

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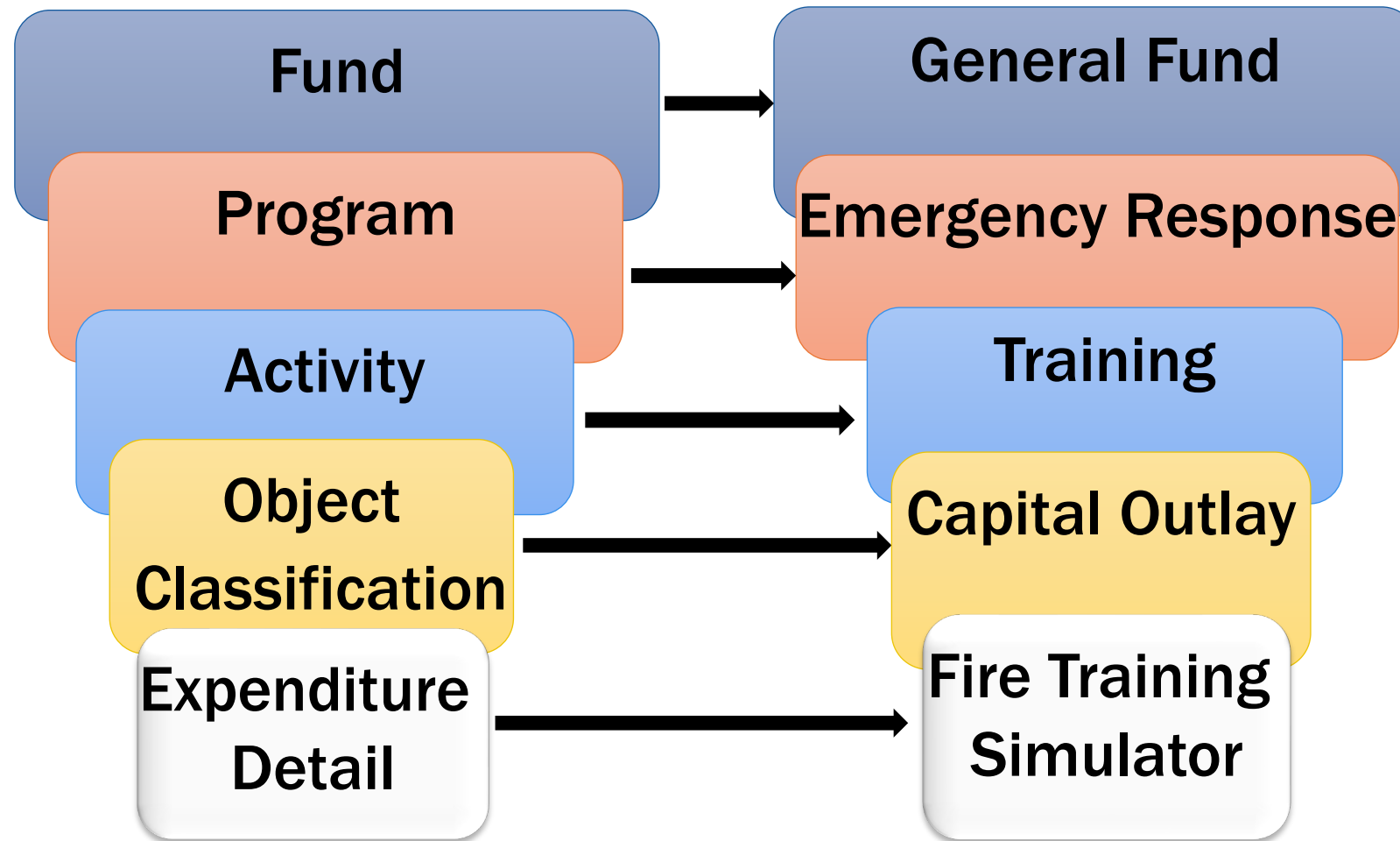
1. True or False: Debt service must always be budgeted in a debt service fund.
2. Which object classifications are defined as operational expenditures?



# Budget Organization – Organizational Units



# Budget Organization – Programs



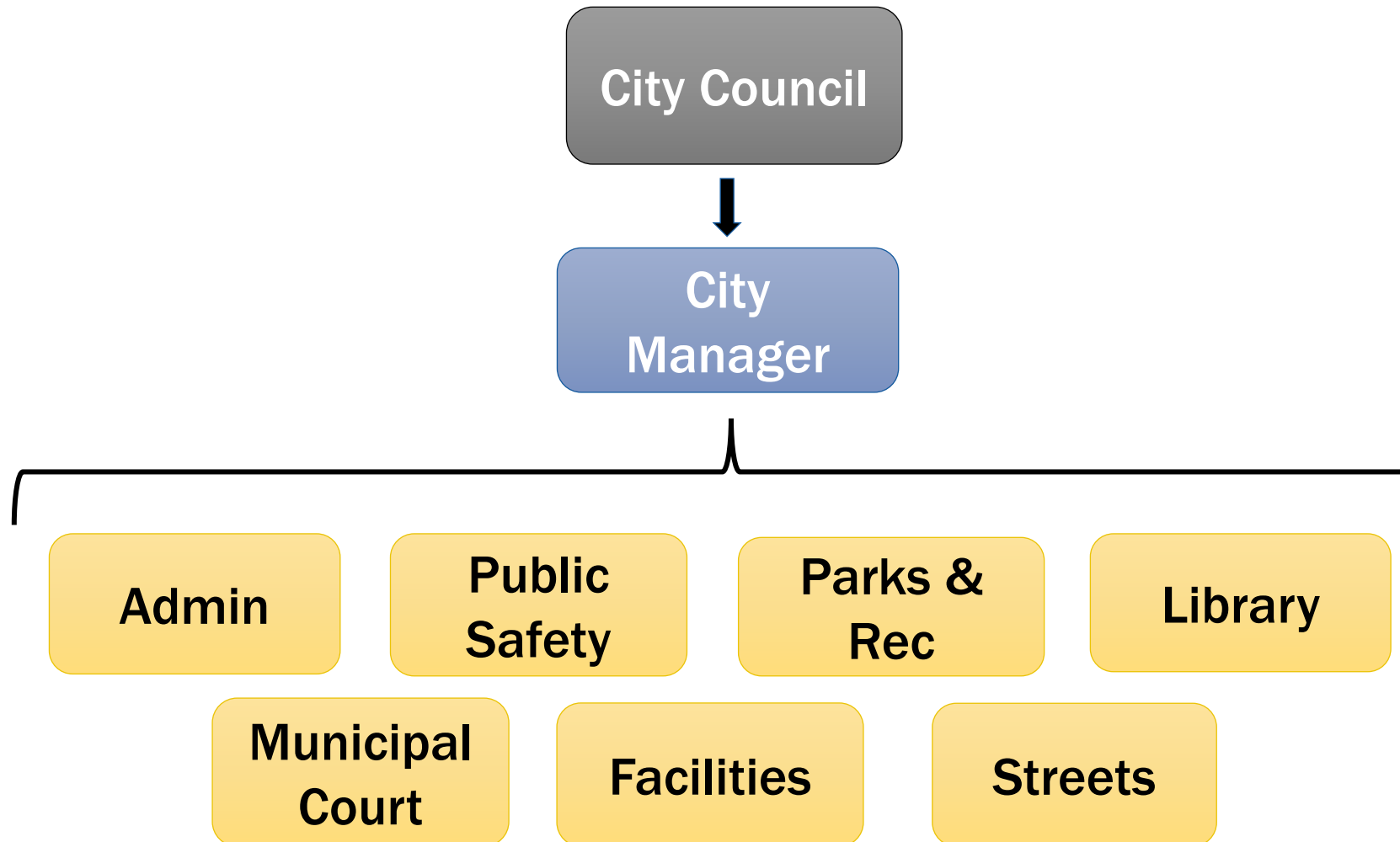
# Discussion: Proposed Budget

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1. What's the difference between an organizational unit and a program?
2. True or False: If your budget has only one fund, you don't need to budget by organizational unit or program.
3. Which object classifications should never be allocated to an organizational unit?



# Sunny Shore's Organizational Chart





# Sample Budget Organization

## General fund

Admin

Public Safety

Parks & Rec

Library

Municipal Court

Facilities

## Debt Service Fund

## Arch Cape Streets Fund

Street Department

## Lookout Library Special Revenue Fund

Library

## Heceta Head Lighthouse Reserve Fund

Facilities

# Review Sample Budget

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# Budget Detail: Statutory Minimum

Actual information  
for two prior years  
*(Use actual / audited #'s)*

Budgeted amount  
for current fiscal  
period

Proposed amount for next year

Historical data		Adopted budget this year year 20__-__	Requirements for _____ (Name of program or organizational unit)	Budget for next year 20__-__		
Actual				Proposed by Budget Officer	Approved by Budget Committee	Adopted by Governing Body
Second preceding year 20__-__	First preceding year 20__-__					
1			Personnel services			1
2						2
3						3
4						4
5						5
6						6

Line item  
descriptions

Once BC approves,  
complete  
"Approved" column

Once Governing  
Body adopts,  
complete "Adopted"  
column

# Discussion: Proposed Budget

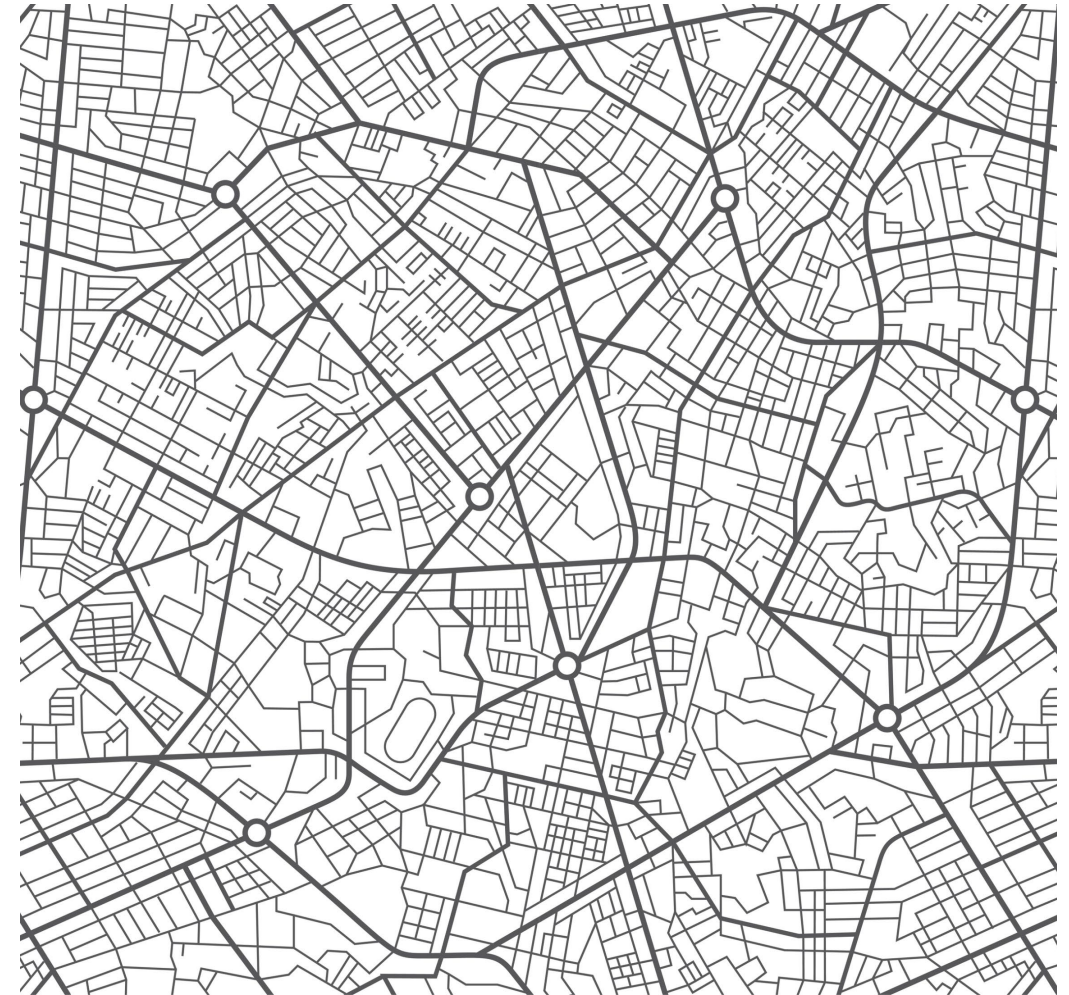
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1. What information do you have to include in your budget if you estimate expenditures for Personnel Services?
2. True or False: “Non-Departmental” is an appropriate name for an organizational unit within the General Fund.



# Boundary Changes

- The Cadastral Information Systems Unit (CISU) web page explains how to comply with ORS 308.225 when making changes to your boundaries has been updated.
- For assistance in how to comply with the statute, please review the information at:  
*[https://www.oregon.gov/DOR/forms/FormsPubs/boundary-change\\_504-405.pdf](https://www.oregon.gov/DOR/forms/FormsPubs/boundary-change_504-405.pdf)*





# Property Tax Resources

- Oregon Revised Statutes (ORS 294.305 to 294.565)
- Oregon Administrative Rules (OAR 150-294-0300 to 150-294-0550)
- Local Budget Law Manuals and Publications
  - Property Tax Research Reports
  - Tax Expenditure Report
- Property Tax Statistics Report
- Online Videos
- DOR Local Budget Law Training Videos
  - YouTube Deschutes Property Tax Fairy
  - Property Taxes: The Tax Fairy explains, what's in it for me?
  - Why Property Values Fluctuate?
  - YouTube Clackamas County RMV vs MAV in Oregon





# Local Budget Law Resources

**Local Budget Forms and Manuals on Internet:**

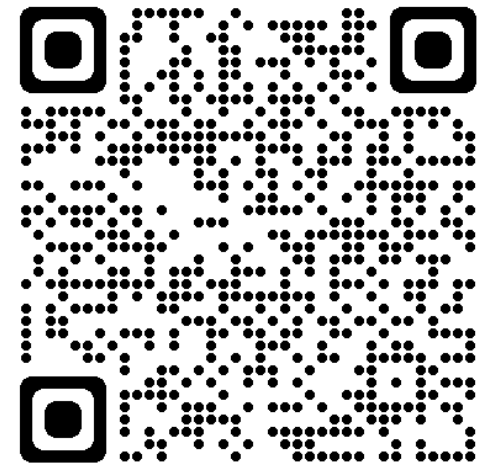
<http://www.oregon.gov/DOR/programs/property/Pages/local-budget.aspx>

**Subscribe to our email list for email notices of future training workshops and news on any changes to Local Budget Law. Sign up through this link:**

<http://listsmart.osl.state.or.us/mailman/listinfo/localbudget>



**Scan the QR code at right to sign up for Local Budget Law announcements.**





## Questions?

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<b>FT&amp;E Message phone number</b>	(503) 945-8293	
<b>Email</b>		<a href="mailto:finance.taxation@dor.oregon.gov">finance.taxation@dor.oregon.gov</a>



## Your feedback is important to us

- Please scan the QR CODE to take our survey:
- Thank you for attending the Local Budget Law Training

