

Senate Bill 916

Sponsored by Senator MORSE

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Allows local governments to publish annual budget summaries by program instead of by fund or organizational unit. Allows counties to change fees once every six months. Allows local governments to use their own format for annual budgets. Gives local governments more flexibility to make changes in annual budgets after adoption. Requires county budgets to include summaries of revenues and expenditures for programs funded in part by state resources.

A BILL FOR AN ACT

1
2 Relating to local government budgets; creating new provisions; and amending ORS 203.115, 294.311,
3 294.361, 294.386, 294.406, 294.413, 294.416, 294.421, 294.425, 294.435, 294.445, 294.450, 294.460,
4 294.470 and 294.480.

5 **Be It Enacted by the People of the State of Oregon:**

6 **SECTION 1. County budgets must contain a summary of revenues and expenditures for**
7 **major programs funded in part by state resources. The summary must include, at a mini-**
8 **imum, functions related to assessment and taxation, community corrections, district attor-**
9 **neys, juvenile corrections and probation, public health, mental health and chemical**
10 **dependency, veterans' services, roads and economic development. The summary must pro-**
11 **vide the total expenses for each program and identify the revenues used to fund the program**
12 **from general county resources, state grants, federal grants, video lottery resources and**
13 **other resources as applicable. The summary must include the revenues and expenditures in**
14 **the adopted budget, revenues and expenditures in the prior year adopted budget, and actual**
15 **revenue and expenditure data from the two previous years.**

16 **SECTION 2.** ORS 203.115 is amended to read:

17 203.115. A county governing body shall not change the amount of a fee it has set pursuant to
18 statute within [*one year*] **six months** after setting that fee.

19 **SECTION 3.** ORS 294.311 is amended to read:

20 294.311. As used in ORS 294.305 to 294.565, unless the context requires otherwise:

21 (1) "Accrual basis" means the recording of the financial effects on a municipal corporation of
22 transactions and other events and circumstances that have cash consequences for the municipal
23 corporation in the periods in which those transactions, events and circumstances occur, rather than
24 only in the periods in which cash is received or paid by the municipal corporation.

25 (2) "Activity" means a specific and distinguishable service performed by one or more organiza-
26 tional components of a municipal corporation to accomplish a function for which the municipal
27 corporation is responsible.

28 (3) "Appropriation" means an authorization granted by the governing body to make expenditures
29 and to incur obligations for specific purposes. An appropriation is limited to a single fiscal year for
30 municipal corporations preparing annual budgets, or to the budget period for municipal corporations

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.
New sections are in **boldfaced** type.

1 preparing biennial budgets.

2 (4) "Basis of accounting" means the cash basis, the modified accrual basis or the accrual basis.

3 (5) "Budget" means a plan of financial operation embodying an estimate of expenditures for a
4 given period or purpose and the proposed means of financing the estimated expenditures.

5 (6) "Budget document" means the estimates of expenditures and budget resources as set forth
6 on the estimate sheets, tax levy and the financial summary.

7 (7) "Budget period" means, for municipal corporations with the power to levy a tax upon prop-
8 erty, the two-year period commencing on July 1 and closing on June 30 of the second calendar year
9 next following, and for all other municipal corporations, an accounting period of 24 months ending
10 on the last day of any month.

11 (8) "Budget resources" means resources to which recourse can be had to meet obligations and
12 expenditures during the fiscal year or budget period covered by the budget.

13 (9) "Cash basis" means a basis of accounting under which transactions are recognized only in
14 the period during which cash is received or disbursed.

15 (10) "Current budget period" means the budget period in progress.

16 (11) "Current year" means the fiscal year in progress.

17 (12) "Encumbrance accounting" means the method of accounting under which outstanding
18 encumbrances are recognized as reductions of appropriations and the related commitments are car-
19 ried in a reserve for encumbrances until liquidated, either by replacement with an actual liability
20 or by cancellation. This method of accounting may be used as a modification to the accrual basis
21 of accounting in accordance with generally accepted accounting principles.

22 (13) "Encumbrances" means obligations in the form of purchase orders, contracts or salary
23 commitments which are chargeable to an appropriation and for which a part of the appropriation
24 is reserved. Obligations cease to be encumbrances when paid or when the actual liability is set up.

25 (14) "Ensuing budget period" means the budget period following the current budget period.

26 (15) "Ensuing year" means the fiscal year following the current year.

27 (16) "Expenditure" means, if the accounts are kept on the accrual basis or the modified accrual
28 basis, decreases in net financial resources and may include encumbrances. If the accounts are kept
29 on the cash basis, the term covers only actual disbursement, the drawing of the check or warrant
30 for these purposes and not encumbrances, except that deferred employee compensation shall be in-
31 cluded as a personal service expenditure where an approved deferred employee compensation plan
32 is in effect for a municipal corporation.

33 (17) "Fiscal year" means for municipal corporations with the power to impose ad valorem
34 property taxes, the fiscal year commencing on July 1 and closing on June 30, and for all other mu-
35 nicipal corporations, an accounting period of 12 months ending on the last day of any month.

36 (18) "Fund balance" means the excess of the assets of a fund over its liabilities and reserves
37 except in the case of funds subject to budgetary accounting where, prior to the end of a fiscal pe-
38 riod, it represents the excess of the fund's assets and estimated revenues for the period over its li-
39 abilities, reserves and appropriations for the period.

40 **(19) "General county resources" means resources from property taxes, state and federal**
41 **shared revenue, beginning balances available for expenditure and interest not required to be**
42 **allocated to specific programs or activities.**

43 [(19)] (20) "Governing body" means the city council, board of commissioners, board of directors,
44 county court or other managing board of a municipal corporation including a board managing a
45 municipally owned public utility or a dock commission.

1 [(20)] **(21)** “Grant” means a donation or contribution of cash to a governmental unit by a third
2 party.

3 [(21)] **(22)** “Intergovernmental entity” means an entity created under ORS 190.010 (5). The term
4 includes any council of governments created prior to the enactment of ORS 190.010 (5).

5 [(22)] **(23)** “Internal service fund **or program**” means a fund **or program** properly authorized
6 to finance, on a cost reimbursement basis, goods or services provided by one organizational unit of
7 a municipal corporation to other organizational units of the municipal corporation.

8 [(23)] **(24)** “Liabilities” means probable future sacrifices of economic benefits, arising from
9 present obligations of a municipal corporation to transfer assets or provide services to other entities
10 in the future as a result of past transactions or events. The term does not include encumbrances.

11 [(24)(a)] **(25)(a)** “Modified accrual basis” means the accrual basis of accounting adapted to the
12 governmental fund-type measurement focus. Under this basis of accounting, revenues and other fi-
13 nancial resource increments, such as bond proceeds, are recognized when they become susceptible
14 to accrual, that is, when they become both measurable and available to finance expenditures in the
15 current period.

16 (b) As used in this subsection, “available” means collectible in the current period or soon
17 enough thereafter to be used to pay liabilities of the current period. Under this basis of accounting,
18 expenditures are recognized when the fund liability is incurred except for:

19 (A) Inventories of material and supplies that may be considered expenditures either when pur-
20 chased or when used; and

21 (B) Prepaid insurance and similar items that may be considered expenditures either when paid
22 for or when consumed.

23 [(25)] **(26)** “Municipal corporation” means any county, city, port, school district, union high
24 school district, community college district and all other public or quasi-public corporations including
25 a municipal utility or dock commission operated by a separate board or commission. “Municipal
26 corporation” includes an intergovernmental entity or council of governments that proposes to im-
27 pose or imposes ad valorem property taxes.

28 [(26)] **(27)** “Net working capital” means the sum of the cash, cash equivalents, investments, ac-
29 counts receivable expected to be converted to cash during the ensuing year or ensuing budget pe-
30 riod, inventories, supplies and prepaid expenses less current liabilities and, if encumbrance
31 accounting is adopted, reserve for encumbrances. The term is not applicable to the cash basis of
32 accounting.

33 [(27)] **(28)** “Object” means, as used in expenditure classification, articles purchased including,
34 but not limited to, land, buildings, equipment and vehicles, or services obtained including, but not
35 limited to, administrative services, clerical services, professional services, property services and
36 travel, as distinguished from the results obtained from expenditures.

37 [(28)] **(29)** “Object classification” means a grouping of expenditures on the basis of goods or
38 services purchased, including, but not limited to, personal services, materials, supplies and equip-
39 ment.

40 [(29)] **(30)** “Operating taxes” has the meaning given that term in ORS 310.055.

41 [(30)] **(31)** “Organizational unit” means any administrative subdivision of a municipal corpo-
42 ration, especially one charged with carrying on one or more functions or activities.

43 [(31)] **(32)** “Population” means the number of inhabitants of a municipal corporation according
44 to certified estimates of population made by the State Board of Higher Education.

45 [(32)] **(33)** “Program” means a group of related activities aimed at accomplishing a major service

1 or function for which the municipality is responsible.

2 [(33)] (34) "Public utility" means those public utility operations authorized by ORS chapter 225.

3 [(34)] (35) "Publish" or "publication" means any one or more of the following methods of giving
4 notice or making information or documents available to members of the general public:

5 (a) Publication in one or more newspapers of general circulation within the jurisdictional
6 boundaries of the municipal corporation.

7 (b) Posting through the United States Postal Service by first class mail, postage prepaid, to each
8 street address within the jurisdictional boundaries of the municipal corporation.

9 (c) Hand delivery to each street address within the jurisdictional boundaries of the municipal
10 corporation.

11 [(35)] (36) "Receipts" means cash received unless otherwise qualified.

12 [(36)] (37) "Reserve for encumbrances" means a reserve representing the segregation of a por-
13 tion of a fund balance to provide for unliquidated encumbrances.

14 [(37)] (38) "Revenue" means the gross receipts and receivables of a governmental unit derived
15 from taxes, licenses, fees and from all other sources, but excluding appropriations, allotments and
16 return of principal from investment of surplus funds.

17 [(38)] (39) "Special revenue fund" means a fund properly authorized and used to finance partic-
18 ular activities from the receipts of specific taxes or other revenues.

19 **SECTION 4.** ORS 294.361 is amended to read:

20 294.361. (1) Each municipal corporation shall estimate in detail its budget resources for the en-
21 suing year or ensuing budget period by funds and sources.

22 (2) Budget resources include but are not limited to:

23 (a) The balance of cash, cash equivalents and investments (in the case of a municipal corpo-
24 ration on the cash basis) or the net working capital (in the case of a municipal corporation on the
25 accrual or modified accrual basis of accounting) that will remain in each fund on the last day of the
26 current year or current budget period;

27 (b) Taxes;

28 (c) Fees;

29 (d) Licenses;

30 (e) Fines;

31 (f) Interest on deposits or on securities of any kind;

32 (g) Endowments;

33 (h) Annuities;

34 (i) Penalties;

35 (j) Sales of property or other assets or products of any kind;

36 (k) Delinquent taxes;

37 (L) Judgments;

38 (m) Damages;

39 (n) Rent;

40 (o) Premiums on sales of bonds;

41 (p) Reimbursement for services, road or other work performed for others;

42 (q) Transfer or reverter of unused balances of any kind;

43 (r) Reimbursement for services provided other funds;

44 (s) Rebates;

45 (t) Refunds of moneys heretofore paid on any account;

1 (u) Apportionment, grant, contribution, payment or allocation from the federal **government**,
 2 [or] state government or any [unit of government] **other governmental units**;

3 (v) Taxes for the ensuing year or ensuing budget period;

4 (w) Interfund revenue transfers; and

5 (x) Revenues from any and all other sources of whatsoever kind or character.

6 (3) Budget resources do not include:

7 (a) The estimate for the ensuing year or ensuing budget period of discounts under ORS 311.505.

8 (b) The estimate of uncollectible amounts of taxes, fees or charges for the ensuing year or en-
 9 suing budget period.

10 (c) Moneys accumulated under an approved employee deferred compensation plan and interest
 11 or investment returns earned on such moneys.

12 (d) Grants, gifts, bequests or devises transferred to a municipal corporation in trust for specific
 13 uses in the year of transfer. However, such grants, gifts, bequests or devises shall be included as
 14 budget resources if, by the time the budget committee approves the budget, the amount thereof that
 15 will be received in the ensuing year or ensuing budget period can be reasonably estimated. Such
 16 grants, gifts, bequests or devises may be placed in a trust and agency fund, to then be appropriated
 17 from such fund or funds.

18 **SECTION 5.** ORS 294.386 is amended to read:

19 294.386. Each municipal corporation shall prepare a financial summary. The financial summary
 20 shall include:

21 (1) A summary statement by funds **or by programs** showing the estimate of budget resources
 22 and the estimate of expenditures;

23 (2) A classified statement of outstanding indebtedness, but not including indebtedness that has
 24 been defeased as provided in ORS 287A.195;

25 (3) A classified statement of all indebtedness authorized but not incurred; and

26 (4) A summary statement of the estimate of ad valorem property taxes, stated in dollars and
 27 cents and also stated as an estimated tax rate per thousand dollars of assessed value.

28 **SECTION 6.** ORS 294.406 is amended to read:

29 294.406. (1) The budget committee shall approve the budget document as submitted by the budget
 30 officer or the budget document as revised and prepared by the budget committee. The budget docu-
 31 ment as approved by the budget committee shall specify the ad valorem property tax amount or rate
 32 for all funds.

33 (2) In addition to the meetings held under ORS 294.401 (1), the budget committee may meet from
 34 time to time at its discretion. All meetings of the budget committee shall be open to the public.
 35 Except for a meeting of the budget committee held under ORS 294.401 (1), prior notice of each
 36 meeting of the budget committee shall be given at the same time as is required for notice of
 37 meetings of the governing body of the municipal corporation and may be given in the same manner
 38 as notice of meetings of the governing body or by any one or more of the methods described in ORS
 39 294.311 [(34)] **(35)**.

40 (3) The budget committee may demand and receive from any officer, employee or department of
 41 the municipal corporation any information the committee requires for the revision and preparation
 42 of the budget document. The budget committee may compel the attendance of any such officer or
 43 employee at its meetings.

44 **SECTION 7.** ORS 294.421 is amended to read:

45 294.421. (1) Subject to subsections (3) to (6) of this section, the summary of the budget document

1 approved by the budget committee shall be published at least once prior to the time appointed for
 2 the proposed meeting of the governing body in accordance with ORS 294.430.

3 (2) Subject to subsections (3) to (6) of this section, the notice of the time and place at which the
 4 budget document as approved by the budget committee may be discussed shall be published by one
 5 or more of the methods described in ORS 294.311 [(34)] (35) not less than five days and not more
 6 than 30 days prior to the date of the meeting required by ORS 294.430.

7 (3) If no newspaper is published in the municipal corporation, a municipal corporation whose
 8 aggregate of estimated budget expenditures for the ensuing fiscal year does not exceed \$50,000 or
 9 for the ensuing budget period does not exceed \$100,000 may, in lieu of the publication and notice
 10 provided in subsections (1) and (2) of this section and in lieu of publication by one or more of the
 11 methods described in ORS 294.311 [(34)] (35), post the summaries and notices provided by ORS
 12 294.416 or 294.418 in three conspicuous places in the municipal corporation for at least 20 days prior
 13 to the date of the meeting provided in ORS 294.430 and publish the notice provided by subsection
 14 (4) of this section.

15 (4) If notice is given as provided in subsection (3) of this section, the municipal corporation shall
 16 publish, by one or more of the methods described in ORS 294.311 [(34)] (35), a notice of the following:

17 (a) The date, time and place of the meeting provided by ORS 294.430;

18 (b) The place where the complete budget document is available for inspection by the general
 19 public during regular office hours;

20 (c) Total budget requirements and taxes proposed to be levied;

21 (d) Changes in the amount or rate of proposed ad valorem property taxes; and

22 (e) The place where copies of the complete budget or parts thereof may be obtained.

23 (5) The notice provided in subsection (4) of this section shall be published not less than five days
 24 and not more than 30 days prior to the date of the meeting provided in ORS 294.430.

25 (6) A municipal corporation having a population exceeding 200,000 inhabitants, or a municipal
 26 corporation with 200,000 or fewer inhabitants that requests the tax supervising and conservation
 27 commission to conduct the public hearing outlined in ORS 294.430, shall, in lieu of the publication
 28 and notice prescribed in subsection (1) of this section, submit its budget document, as approved by
 29 the budget committee, to the tax supervising and conservation commission within its county, if there
 30 is such a commission, at least 20 days prior to the legal date of the public hearing before the tax
 31 supervising and conservation commission on the budget, and the budget document shall thereupon
 32 be open to inspection by any taxpayer or citizen. The municipal corporation shall also publish a
 33 notice as provided in subsections (4) and (5) of this section.

34 **SECTION 8.** ORS 294.425 is amended to read:

35 294.425. (1) When a notice, budget summary or other document is required to be published under
 36 any provision of ORS 294.305 to 294.565, publication of the document shall be considered sufficient
 37 for all purposes if a good faith effort is made by the budget officer of the municipal corporation to
 38 publish by any one or more of the methods described in ORS 294.311 [(34)] (35), notwithstanding any
 39 defect in the publication, including but not limited to:

40 (a) Typographical or scribes' errors in the published material;

41 (b) Failure of the published materials to be mailed or hand delivered to each street address
 42 within the jurisdictional boundaries of the municipal corporation;

43 (c) Arithmetic errors in computing numerical information, including tax levies or tax rates;

44 (d) Calculations of ad valorem property taxes not made in accordance with the applicable re-
 45 quirements of law; or

1 (e) Failure to publish within the time periods required by law.

2 (2) At the first regularly scheduled meeting of the governing body of the municipal corporation
3 that is held following the discovery of any publication error described in subsection (1)(a), (c) or (d)
4 of this section, the budget officer shall advise the governing body in writing of the error and shall
5 correct the error by testimony before the governing body at the meeting. If the error relates to the
6 calculation of ad valorem property taxes, the budget officer shall immediately notify the county
7 assessor of the error in writing, identifying the correct ad valorem property tax.

8 **SECTION 9.** ORS 294.413 is amended to read:

9 294.413. *[Format for publication of notices and summaries required by ORS 294.416 shall be pre-*
10 *scribed by the Department of Revenue]* **The Department of Revenue shall provide a recommended**
11 **format for publication of notices and summaries required by ORS 294.416.**

12 **SECTION 10.** ORS 294.416 is amended to read:

13 294.416. Except as provided in ORS 294.418, there shall be published, as provided in ORS 294.421:

14 (1) A summary of the budget as approved by the budget committee and compared with the actual
15 expenditures and budget resources of the preceding year or preceding budget period and the budget
16 summary of the current year or current budget period *[in accordance with forms prescribed by the*
17 *Department of Revenue in the manner provided in ORS 294.413]*. The summary shall be of sufficient
18 detail to inform the citizens of the municipal corporation of the proposed financial plan for the en-
19 suing year or ensuing budget period. As a minimum requirement, *[the personnel services, the major*
20 *expense items under materials and services and capital outlay for each organizational unit or activity*
21 *of each fund and the major items for debt service, special payments, and operating contingencies for*
22 *each fund]* **the total expenses for each organizational unit, activity or program** shall be listed
23 separately. The summary shall show the *[major items of]* budget resources **from general revenues,**
24 **state sources, federal sources and all other sources.** As used in this subsection, the term “pro-
25 gram” may be substituted for the term “organizational unit” for municipal corporations which pre-
26 pare program budgets.

27 (2) The financial summary prepared under ORS 294.386 for the ensuing year or ensuing budget
28 period and for the current year or current budget period.

29 (3) A notice of the time and place at which the budget document as approved by the budget
30 committee may be discussed with the governing body.

31 (4) A statement that the budget is prepared in accordance with the basis of accounting used in
32 the preceding year or preceding budget period unless a change in the basis of accounting is antic-
33 ipated. If a change in the basis of accounting is to be made, there shall be an explanation of the
34 change and the effects of the change.

35 (5) A notice of the place where the complete budget document is available for inspection by the
36 general public during regular business hours and where copies of the complete budget document
37 may be obtained.

38 **SECTION 11.** ORS 294.435 is amended to read:

39 294.435. (1) After the public hearing provided for in ORS 294.430 (1) has been held, the governing
40 body shall enact the proper ordinances or resolutions to adopt the budget, to make the appropri-
41 ations, to determine, make and declare the ad valorem property tax amount or rate to be certified
42 to the assessor for either the ensuing year or each of the years of the ensuing budget period and
43 to itemize and categorize the ad valorem property tax amount or rate as provided in ORS 310.060.
44 Consideration shall be given to matters discussed at the public hearing. The budget estimates and
45 proposed ad valorem property tax amount or rate as shown in the budget document may be amended

1 prior to adoption and may also be amended by the governing body following adoption if such
 2 amendments are adopted prior to the commencement of the fiscal year or budget period to which
 3 the budget relates. However, the amount of estimated expenditures for each fund **or program** in an
 4 annual budget may not be increased by more than [*\$5,000*] **\$100,000** or 10 percent of the estimated
 5 expenditures, whichever is greater, and the amount of estimated expenditures for each fund **or**
 6 **program** in a biennial budget may not be increased by more than [*\$10,000*] **\$200,000** or 10 percent
 7 of the estimated expenditures, whichever is greater, and the amount or rate of the total ad valorem
 8 property taxes to be certified by the municipal corporation to the assessor may not exceed the
 9 amount approved by the budget committee:

10 (a) Unless the amended budget document is republished as provided by ORS 294.416 or 294.418
 11 and 294.421 for the original budget and another public hearing is held as provided by ORS 294.430
 12 (1); or

13 (b) Except to the extent ad valorem property taxes may be increased pursuant to ORS 294.437.

14 (2) After the public hearing provided for in ORS 294.430 (2) or (3) has been held and the certif-
 15 ication of the tax supervising and conservation commission received, if such certification is required,
 16 the governing body shall enact the proper ordinances or resolutions to adopt the budget, to make
 17 the appropriations, to determine, make and declare the ad valorem property tax amount or rate for
 18 either the ensuing fiscal year or each of the fiscal years of the ensuing budget period and to itemize
 19 and categorize the ad valorem property tax amount or rate as provided in ORS 310.060. Consider-
 20 ation shall be given any orders, recommendations or objections made by the tax supervising and
 21 conservation commission in accordance with law. The action taken on each order, recommendation
 22 or objection after such consideration by the governing body, with the reasons for such action, shall
 23 be included in the ordinance or resolution adopting the budget. A certified copy of the ordinance
 24 or resolution shall be sent to the commission within 15 days after the date the ordinance or resol-
 25 ution is adopted. The budget estimates, appropriations and ad valorem property tax amount or rate
 26 as shown in the budget document may be amended prior to adoption and may also be amended by
 27 the governing body following adoption if such amendments are adopted prior to the commencement
 28 of the fiscal year or budget period to which the budget relates. However, the amount of estimated
 29 expenditures for each fund **or program** may not be increased by more than [*\$5,000*] **\$100,000** or 10
 30 percent of the estimated expenditures, whichever is greater, the amount of estimated expenditures
 31 for each fund **or program** in a biennial budget may not be increased by more than [*\$10,000*] **\$200,000**
 32 or 10 percent of the estimated expenditures, whichever is greater, and the amount or rate of the
 33 total ad valorem property taxes to be certified by the municipal corporation to the assessor may not
 34 exceed the amount shown in the budget document at the time of the budget hearing:

35 (a) Unless the amended budget document is resubmitted to the tax supervising and conservation
 36 commission for another public hearing, and for recommendations or objections of that body; or

37 (b) Except to the extent ad valorem property taxes may be increased pursuant to ORS 294.437.

38 (3) The appropriations required by subsections (1) and (2) of this section shall, as a minimum,
 39 contain one amount for each [*organizational unit*] **fund** or program [*of each fund*]. In addition, sep-
 40 arate amounts shall be appropriated in each fund for debt service, [*special payments*,] interfund re-
 41 venue transfers[, *capital outlay, operating expenses which cannot be allocated to an organizational unit*
 42 *or program*] and operating contingencies. If the governing body so desires, it may appropriate sepa-
 43 rate amounts for activities within [*an organizational unit or*] **a** program. [*For those municipal cor-*
 44 *porations where the term "organizational unit" has no application, the appropriations shall contain*
 45 *separate amounts for personal services, materials and services, capital outlay, debt service, special*

1 *payments, interfund revenue transfers and operating contingency for each fund.]*

2 (4) Thereafter no greater expenditure, or encumbrance if encumbrance accounting is used, of
3 public money shall be made for any specific purpose other than the amount appropriated therefor
4 except as provided in ORS 294.326, 294.440, 294.450 and 294.480.

5 (5) The determination of the amount or rate of ad valorem property taxes to be certified shall
6 be entered in the proper records of the governing body. Except as provided in ORS 294.437, no
7 greater tax than that so entered upon the record shall be certified by the municipal corporation
8 proposing the tax for the purpose or purposes indicated.

9 (6) Nothing contained in this section shall preclude a governing body during the fiscal year or
10 budget period by appropriate ordinance or resolution, after public hearing, from adjusting budgeted
11 resources and reducing appropriations to reflect a decrease in available resources.

12 (7)(a) The governing body shall determine, make and declare ad valorem property taxes under
13 subsections (1) and (2) of this section as a rate per \$1,000 of assessed value if the taxes are operating
14 taxes or rate-based local option taxes as a rate per \$1,000 of assessed value.

15 (b) The governing body shall determine, make and declare ad valorem property taxes under
16 subsections (1) and (2) of this section as an amount if the taxes are being certified as amount-based
17 local option taxes, to pay principal and interest on exempt bonded indebtedness or to pay other
18 government obligations described in section 11 (5), Article XI of the Oregon Constitution.

19 **SECTION 12.** ORS 294.445 is amended to read:

20 294.445. (1) A municipal corporation shall record its revenues and expenditures, on a fund by
21 fund basis **or program by program basis**, using either the cash basis, the modified accrual basis
22 or the accrual basis of accounting.

23 (2) The selection of the basis of accounting is left to the discretion of each municipal corpo-
24 ration. Any change in the basis of accounting shall be clearly set forth in the budget message for
25 the fiscal year or budget period in which the change is contemplated and the reasons for the change
26 and its effect on the operations of the municipal corporation shall be explained. Once a new basis
27 of accounting is adopted, it shall be followed in the year or period for which the budget was pre-
28 pared and each succeeding year or period thereafter until changed in a subsequent budget. Such
29 change must be published as provided in ORS 294.416 (3).

30 **SECTION 13.** ORS 294.450 is amended to read:

31 294.450. Subject to the provisions contained in the charter of any city or county or in any law
32 relating to municipal corporations:

33 (1) *[Except as provided in subsection (2) of this section,]* Transfers of appropriations may be made
34 within a given fund when authorized by official resolution or ordinance of the governing body. The
35 resolution or ordinance shall state the need for the transfer, the purpose for the authorized ex-
36 penditure and the amount of appropriation transferred.

37 *[(2) Transfers of general operating contingency appropriations which in aggregate during a fiscal*
38 *year or budget period exceed 15 percent of the total appropriations of the fund may be made only after*
39 *adoption of a supplemental budget prepared for that purpose. All other transfers of general operating*
40 *contingencies are subject to subsection (1) of this section.]*

41 *[(3)]* (2) Transfers of appropriations or of appropriations and a like amount of budget resources
42 may be made from the general fund of the municipal corporation to any other fund when authorized
43 by an official resolution or ordinance of the governing body. The resolution or ordinance shall state
44 the need for the transfer, the purpose for the authorized expenditures embodied in the appropriation
45 and the amount of appropriation transferred.

1 [(4) *It shall be unlawful to transfer appropriations from any special revenue fund to the general*
 2 *fund or any other special revenue fund.*]

3 [(5)] (3) The transfers referred to in this section apply to transfers which occur after the budget
 4 has been approved and which are made during the fiscal year or budget period for which the ap-
 5 propriations are made. Nothing in this section shall prohibit or regulate lawful transfers which have
 6 been budgeted in accordance with the local budget law.

7 [(6)] (4) When a municipal corporation imposes taxes, fees or charges that, in accordance with
 8 applicable law or an intergovernmental agreement under ORS chapter 190, are required to be paid,
 9 on a pass-through basis, to another municipal corporation, the municipal corporation that imposes
 10 the taxes, fees or charges shall include the taxes, fees or charges in its budget and shall appropriate
 11 the estimated amount generated thereby. The appropriation shall take the form of an expense of the
 12 municipal corporation that imposes the taxes, fees or charges. If the actual amount collected from
 13 the taxes, fees or charges during a fiscal year or budget period exceeds the estimated amount in-
 14 cluded in the imposing municipal corporation’s budget for the fiscal year or budget period, then upon
 15 determining that such excess exists the municipal corporation imposing the taxes, fees or charges
 16 shall appropriate such excess by means of a resolution or ordinance of its governing body, and no
 17 further action shall be required under ORS 294.305 to 294.565 to lawfully budget, appropriate or
 18 expend such excess.

19 **SECTION 14.** ORS 294.460 is amended to read:

20 294.460. (1) It shall be lawful to loan money from any fund to any other fund of the municipal
 21 corporation whenever the loan is authorized by official resolution or ordinance of the governing
 22 body. The loans shall be made in compliance with the applicable requirements and limitations of this
 23 section. Loans made under this section shall not be made from:

24 (a) Debt service reserve funds created to provide additional security for outstanding bonds or
 25 other borrowing obligations that the municipal corporation has covenanted with the holders of such
 26 bonds or other borrowing obligations to maintain at certain specified levels. However, nothing in
 27 this paragraph is intended or shall be construed to prohibit loans from any such debt service reserve
 28 fund to the extent that the aggregate outstanding amount of the loans does not exceed the amount
 29 by which the amount in such debt service reserve fund exceeds the amount the municipal corpo-
 30 ration has covenanted to maintain in the reserve fund with the holders of the related bonds or other
 31 borrowing obligations;

32 (b) Debt service funds created to account for moneys needed to make annual debt service pay-
 33 ments on outstanding bonds or other borrowing obligations; or

34 (c) Moneys credited to any fund when, under applicable constitutional provisions, the moneys
 35 are restricted to specific uses unless the purpose for which the loan is to be made is a use allowed
 36 under such constitutional provisions.

37 (2) The resolution or ordinance authorizing any interfund loan permitted under this section
 38 shall:

39 (a) State the fund from which the loan is to be made, the fund to which the loan is to be made,
 40 the purpose for which the loan is to be made and the principal amount of the loan.

41 (b) If the interfund loan is a capital loan, set forth a schedule under which the principal amount
 42 of the loan, together with interest thereon at the rate provided for in paragraph (c)(B) of this sub-
 43 section, is to be budgeted and repaid to the lending fund. The schedule shall provide for the repay-
 44 ment in full of the loan over a term not to exceed *[five]* **10** years from the date the loan is made.

45 (c) If the interfund loan is a capital loan, provide that the loan shall bear interest at an annual

1 rate equal to:

2 (A) The rate of return on moneys invested in the local government investment pool under ORS
3 294.805 to 294.895, as reported under ORS 294.875, immediately prior to the adoption of the ordi-
4 nance or resolution authorizing the loan; or

5 (B) Such other rate as the governing body may determine.

6 (d) If the interfund loan is an operating loan, provide that the money loaned shall be budgeted
7 and repaid to the fund from which the money was borrowed by the end of the ensuing year or en-
8 suing budget period.

9 (3) The payment of any operating loans not repaid in the year or budget period in which the
10 operating loan was made shall be budgeted as a requirement in the ensuing year or ensuing budget
11 period.

12 (4) It shall be lawful to commingle cash balances of funds so long as all such fund moneys are
13 segregated in the budget and accounting records.

14 (5) As used in this section:

15 (a) "Capital loan" means any interfund loan, or portion thereof, made for the purpose of fi-
16 nancing the design, acquisition, construction, installation or improvement of real or personal prop-
17 erty and not for the purpose of paying operating expenses.

18 (b) "Operating loan" means any interfund loan, or portion thereof, that is not a capital loan,
19 including any interfund loan, or portion thereof, made for the purpose of paying operating expenses.

20 **SECTION 15.** ORS 294.470 is amended to read:

21 294.470. (1) A municipal corporation may establish by ordinance or resolution one or more
22 internal service funds **or programs**. The ordinance or resolution creating the fund **or program**
23 shall set forth in detail the following:

24 (a) The appropriation or appropriations to be charged in order to provide the initial money for
25 financing the fund **or program**;

26 (b) The object or purpose of the fund **or program**;

27 (c) The methods for controlling of expenditures and encumbering of such funds **or programs**;
28 and

29 (d) The sources from which the fund **or program** shall be replenished.

30 (2) No person shall expend or encumber or authorize expenditure or encumbrance from funds
31 **or programs** created in accordance with subsection (1) of this section in excess of the balance of
32 that fund **or program**, or for a purpose for which there is no appropriation or source of re-
33 imbursement authorized at that time.

34 (3) The anticipated expenditure for the ensuing year or ensuing budget period from an internal
35 service fund **or program** created in accordance with subsection (1) of this section shall be budgeted
36 as any other fund **or program** in accordance with ORS 294.305 to 294.565, appropriations shall be
37 made for each internal service fund **or program** in accordance with ORS 294.435 and expenditures
38 from the internal service fund **or program** shall be regulated thereby.

39 (4) Notwithstanding the limitations in ORS 294.305 to 294.565 applicable to increasing the ap-
40 propriations of funds during the current year or current budget period, the governing body may in-
41 crease appropriations of the internal service funds **or programs** by ordinance or resolution.

42 (5) The charges for services shall be computed to cover all costs for such services and the
43 charges shall be periodically revised to eliminate any element of profit or loss.

44 **SECTION 16.** ORS 294.480 is amended to read:

45 294.480. (1) Notwithstanding requirements as to estimates of and limitation on expenditures, the

1 governing body of any municipal corporation may make a supplemental budget for the fiscal year
 2 or budget period for which the regular budget has been prepared under one or more of the following
 3 circumstances:

4 (a) An occurrence or condition which had not been ascertained at the time of the preparation
 5 of a budget for the current year or current budget period which requires a change in financial
 6 planning.

7 (b) A pressing necessity which *[was]* **could not reasonably be** foreseen at the time of the
 8 preparation of the budget for the current year or current budget period which requires prompt
 9 action.

10 (c) Funds were made available by another unit of federal, state or local government and the
 11 availability of such funds could not have been **reasonably** ascertained at the time of the preparation
 12 of the budget for the current year or current budget period.

13 (d) A request for services or facilities, the cost of which shall be supplied by a private individ-
 14 ual, corporation or company or by another governmental unit and the amount of the request could
 15 not have been accurately ascertained at the time of the preparation of the budget for the current
 16 year or current budget period.

17 (e) Proceeds from the involuntary destruction, involuntary conversion, or sale of property has
 18 necessitated the immediate purchase, construction or acquisition of different facilities in order to
 19 carry on the governmental operation.

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

24 (g) A local option tax described in ORS 294.437 is certified for extension on the assessment and
 25 tax roll under ORS 310.060 for the fiscal year or budget period in which the local option tax measure
 26 is approved by voters.

27 (2) A supplemental budget may not extend beyond the end of the fiscal year or budget period
 28 during which it is submitted.

29 (3)(a) *[When the estimated expenditures contained in a supplemental budget for a fiscal year or*
 30 *budget period differ by less than 10 percent of any one of the individual funds contained in the regular*
 31 *budget for that fiscal year or budget period that is being changed in the supplemental budget,]* The
 32 governing body of the municipal corporation may adopt *[the]* a supplemental budget at a regular
 33 meeting of the governing body **if the estimated expenditures contained in the supplemental**
 34 **budget for any one fund or program differ from the estimated expenditures for the same fund**
 35 **or program contained in the regular budget for a fiscal year or budget period by:**

36 (A) \$100,000 or less for a fund or program with a budget amount of \$1 million or less; or

37 (B) 10 percent or less for a fund or program with a budget amount greater than \$1
 38 million.

39 (b) Notice of such regular meeting, including sufficient detail on revenues and expenditures,
 40 shall be published by one or more of the methods permitted under ORS 294.311 *[(34)]* (35) not less
 41 than five days prior to the meeting.

42 (c) Following *[such]* **the** meeting, the governing body shall make additional appropriations and
 43 may thereafter make additional expenditures as authorized by such appropriations.

44 (4) When the estimated expenditures contained in a supplemental budget for a fiscal year or
 45 budget period differ by *[10 percent or more of any one of the individual funds contained in the regular*

1 *budget for that fiscal year or budget period that is being changed in the supplemental budget,]*
 2 **amounts greater than allowed in subsection (3) of this section,** the supplemental budget, or a
 3 summary thereof, shall be published, or, in counties having a tax supervising and conservation
 4 commission, shall be submitted to the tax supervising and conservation commission within the
 5 county. The governing body, or, where applicable, the tax supervising and conservation commission
 6 shall then hold a public hearing on the supplemental budget. Publication of the budget and notice
 7 of the hearing shall be given in the manner provided in ORS 294.421. Following such hearing, the
 8 governing body shall make additional appropriations and may thereafter make additional expen-
 9 ditures as authorized by such appropriations.

10 (5) Except as provided in ORS 294.437, the making of a supplemental budget does not authorize
 11 the governing body to increase the municipal corporation's total ad valorem property taxes above
 12 the amount or rate published with the regular budget and certified to the assessor under ORS
 13 310.060 in conjunction with the regular budget for the fiscal year or for each fiscal year of the
 14 budget period to which the supplemental budget applies.

15