

Testimony in Support of SB 817

Senate Finance and Revenue Committee

Monday, April 1, 2013 at 1:00 pm

**Presented by: Tom Linhares, Executive Director
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Mr. Chair, member of the Committee. My name is Tom Linhares and I am here this afternoon to speak in support of Senate Bill 817 which makes corrections to Oregon’s local budget law which is the cornerstone of how nearly 1,500 municipal corporations (counties, cities, education districts and special districts) in the state prepare, adopt and execute budgets.

Last Legislative Session HB 2425 was passed to complete a comprehensive review and update of local budget law: the first such update since 1963. As staff from the Oregon Department of Revenue and I went around the state conducting training on the many new aspects of local budget law contained in HB 2425, we found a few areas that had not been updated or had been written incorrectly. The most serious of those was a rewritten section that inadvertently allows some districts to increase expenditures in a fund by more than 10 percent during the year without conducting a public hearing.

Let me assure you that none of the amendments in SB 817 changes the way any local government in Oregon completes the budget process. Instead, what we are attempting to do here is to conform the statutes to what districts are already doing.

Briefly, the changes are as follows:

Section 1; Specify “publishing” for purposes of noticing the public hearing and financial summary required under ORS 294.438

Reason for Change: Statutes detailing the notice of the public hearing and financial summary were completely rewritten in HB 2425 (2011 Session). The new language simply requires the notice and financial summary be published as opposed to the prior language in ORS 294.421(2) that specified publishing by one or more of the methods defined in ORS 294.311(35). Amend ORS 294.438(1) to reinstate the former language that includes a reference to the definition of “publish” in ORS 294.311(35). (Page 1, Lines 10 and 11)

Section 2; Amend ORS 294.441 to change “salaries” to “personnel services”.

Reason for Proposed Change: HB 2425 (2011 Session) substantially changed the financial summary that is published along with the Notice of Budget Hearing. A new section was added detailing what education districts were required to include in the financial summary. Under subsection (5) for community colleges requirements for “salaries” were required as part of the summary of requirements by object. The financial summary should also include other personnel services costs to match the Department of Revenue’s Form CC-1. (Page 4, Line 2)

Section 3; Amend statutes dealing with adopting the budget and certifying property taxes to 1) make language consistent and 2) allow municipal corporations to adopt and certify the permanent rate limit levy as a lesser dollar amount.

Reason for the Change: There are two proposed changes to ORS 294.456. The first involves making language used consistent. Sub-section (1) details how municipal corporations are to adopt the budget and sub-section (2) details how municipal corporations that are subject to the jurisdiction of a tax supervising and conservation commission are to adopt the budget. There are limitations as to the rate or amount of property taxes that can be adopted that exceed what the budget committee approved. Section (2) uses slightly different language that references the property taxes “...as shown in the budget document at the time of the budget hearing”. The problem is that property tax levies are not shown in the budget document. Amend the language in (2) to mirror the limitation found in (1). (Page 5, Lines 28 and 29)

The second proposed change has to do with levying less than the full authority of the permanent tax rate limitation. The way the language in ORS 294.456, ORS 310.055 and ORS 310.060 currently reads, a municipal corporation is not given the option of certifying a dollar amount rather than a rate. Many districts certify a dollar amount when less than the full authority is required to balance the budget. Levying a dollar amount is more accurate than levying a rate since variables of assessed value and urban renewal are taken out of the equation. The statutes should be amended to provide for this option. (Page 6, Lines 28 – 30) (See also Section 7 and Section 8 below)

Section 4; Amend ORS 294.471 to delete reference to statute allowing for changes in the budget during the fiscal year or budget period that do not require a supplemental budget.

Reason for Change: HB 2425 (2011 Session) amended ORS 294.480 (later renumbered to 294.471) to add subsection (5) to explicitly state that changes to a budget during the fiscal year or budget period authorized by ORS 294.326 (later renumbered to 294.338) do not require a supplemental budget. The fact that a supplemental budget is not necessary should be evident by the language in ORS 294.338 and therefore subsection (5) in 294.471 is unnecessary. Delete the entire subsection. (Page 7, Lines 35 and 36)

Section 5; Correct drafting error in HB 2425 that inadvertently eliminated the need for certain municipal corporations to conduct a public hearing prior to adopting a supplemental budget that increases expenditures in a fund by more than 10 percent.

Reason for the Change: HB 2425 (2011 Session) added a new section to replace ORS 294.480 (4). The section (later codified 294.473) included language from ORS 294.480 (4) that stated tax supervising and conservation commissions did not have to conduct a public hearing on supplemental budgets. However, the way the new language was written, not only does the tax commission not have to conduct a public hearing but neither does the municipal corporation. That was not the intention. Reinstated language similar to former ORS 294.480 (4) to require the municipal corporation to conduct a public hearing when a supplemental budget will increase expenditures in a fund by more than 10 percent. (Page 8, Lines 7 and 8)

Section 6; Amend ORS 294.481 to correct reference to supplemental budget statutes.

Reason for Proposed Change: HB 2425 (2011 Session) amended ORS 295.455 (later renumbered to 294.481). The old language referenced supplemental budget statutes, ORS 294.480 (3) (supplemental budget of 10 percent or less) and (4) (supplemental budget of more than 10 percent). The new language only references ORS 294.480 (3) (later renumbered to 294.471 (3)). There is no longer a reference to 294.480 (4) (later renumbered to 294.473). This change would reinstate that reference. (Page 8, Line 19)

Section 7; Amend ORS 310.055 to allow for permanent rate limit levy to be a rate or amount.

Reason for Proposed Change: ORS 310.055 defines terms used in the assessment of property taxes. Municipal corporations often do not need all of the property taxes that can be generated by the district's permanent rate limit for operating purposes and should be allowed to levy either a rate or a dollar amount. The statute currently only references a rate. Add "or amount" in sub-sections (3)(a) and (3)(b). (Page 9, Lines 24 and 28)

Section 8; Amend ORS 310.060 to allow for permanent rate limit levy and capital projects local option levies to be a rate or amount.

Reason for Proposed Change: ORS 310.060 specifies what a municipal corporation has to file with the county assessor to certify its annual property tax levy. Municipal corporations often do not need all of the property taxes that can be generated by the district's permanent rate limit for operating purposes and should be allowed to levy either a rate or a dollar amount. Add "or amount" in sub-section (2)(a). (Page 9, Line 41) Also, local option levies can be approved by voters as either a rate or dollar amount. The statute detailing local option levies for capital projects currently only references an amount. Add "rate or" in sub-section (2)(c) so that local option levies for capital projects can be levied as a rate or amount depending on how voters approved the local option levy. (Page 10, Line 1)