House Bill 2028

Introduced and printed pursuant to House Rule 12.00. Presession filed (at the request of Governor Kate Brown for Oregon Department of Administrative Services)

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.

Eases process for city to elect to receive state-shared revenues.
Eliminates withholding of 10 percent of state-shared revenues from municipal corporation that has not filed annual audit report.

A BILL FOR AN ACT

Relating to municipal corporation finances; amending ORS 221.770 and 297.466.

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

SECTION 1. ORS 221.770 is amended to read:

221.770. (1) A share of certain revenues of this state shall be apportioned among and distributed to the cities of this state for general purposes as provided in this section. [A city shall not be included in apportionments or receive distributions under this section for a fiscal year commencing on July 1 unless] The officer responsible for distributing funds to cities under this section shall distribute the funds for a fiscal year beginning on July 1 only if the officer is reasonably satisfied that the city:

(a) Elects to receive distributions under this section for the fiscal year [by enactment of an ordinance or resolution expressing that election and filing a copy of that ordinance or resolution with the Oregon Department of Administrative Services not later than July 31 of the fiscal year];

(b) Holds at least one public hearing, after adequate public notice, at which citizens have the opportunity to provide written and oral comment to the authority responsible for approving the proposed budget of the city for the fiscal year on the possible uses of the distributions, including offset against property tax levies by the city for the fiscal year, and certifies its compliance with this paragraph to the Oregon Department of Administrative Services not later than July 31 of the fiscal year;

(c) Holds at least one public hearing, after adequate public notice, at which citizens have the opportunity to provide written and oral comment to, and ask questions of, the authority responsible for adopting the budget of the city for the fiscal year on the proposed use of the distributions in relation to the entire budget of the city for the fiscal year, including possible offset of the distributions against property tax levies by the city for the fiscal year, and certifies its compliance with this paragraph to the Oregon Department of Administrative Services not later than July 31 of the fiscal year; and

(d) Levied a property tax for the year preceding the year in which revenue sharing is due under ORS 471.810 and this section.

(2) Not later than 35 days after the last day of each calendar quarter ending March 31, June 30, September 30 and December 31, the Oregon Liquor Control Commission shall determine the

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.

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amount of the net revenue under ORS 471.805, received during the preceding calendar quarter and
shall certify that amount to the Oregon Department of Administrative Services.

(3) In addition to amounts otherwise apportioned to cities under ORS 471.810, not later than 20
days after the date the Oregon Department of Administrative Services receives a certification under
subsection (2) of this section, the department shall apportion among the cities of this state in the
manner provided in subsection (4) of this section an amount equal to 14 percent of the amount so
certified, and shall pay to each city the amount so apportioned to the city. Payments shall be made
from the Oregon Liquor Control Commission Account.

(4)(a) The amount apportioned to each city under subsection (3) of this section shall be a per-
centage of the total amount to be apportioned among the cities, determined by dividing the adjusted
population of the city by the sum of the adjusted populations of all cities. The adjusted population
of a city shall be determined by multiplying the [city’s] population of the city by the sum of:

[(a)] (A) The city’s [local] consolidated property taxes per capita divided by the average con-
solidated property taxes per capita for all cities in the state; and

[(b)] (B) The amount of state income per capita divided by the amount of city income per capita.

The estimated average annual amount of money income of residents of this state divided by
the estimated average annual amount of money income of residents of the city.

[(5)] (b) Notwithstanding paragraph (a) of this subsection, the amount apportioned to each
city [shall be further limited to an amount no greater than] may not exceed the amount of all prop-
erty taxes levied by the city during the year previous to the year in which distributions are made.

[(6)] (5) For purposes of the formula set forth in subsection (4) of this section[, “city
population” is the population of a city as last determined under ORS 190.510 to 190.590.]

(A) “Consolidated property taxes” means the total of all compulsory contributions in
the form of ad valorem taxes on property located within a city levied during a one-year pe-
period by the city, a county, any school district and any special governmental district for public
purposes and in amounts as compiled by the Department of Revenue on the basis of appli-
cation of consolidated tax rates to assessor code area valuations.

[(7)(a) For purposes of the formula set forth in subsection (4) of this section, “Local consolidated
property taxes” has the meaning given in subsection (8) of this section, for a city divided by the popu-
lation of the city as last determined under ORS 190.510 to 190.590.]

[(b) The Oregon Department of Administrative Services shall determine the amounts of property
taxes for each city during the fiscal year closing on June 30 preceding the fiscal year commencing on
July 1 for which calendar quarter apportionments are made, and that determination shall be used for
each calendar quarter apportionment for that fiscal year commencing on July 1.]

(B) “Population of a city” means the population of a city as last determined under ORS
190.510 to 190.590.

(b) The Oregon Department of Administrative Services shall determine the amounts of
property taxes for each city during the fiscal year closing on June 30 preceding the fiscal
year commencing on July 1 for which calendar quarter apportionments are made, and that
determination shall be used for each calendar quarter apportionment for that fiscal year
commencing on July 1.

[(8) For purposes of subsection (7) of this section “consolidated property taxes” are the total of all
compulsory contributions in the form of ad valorem taxes on property located within a city levied
during a one-year period by the city, a county, any school district and any special governmental district
for public purposes and in amounts as compiled by the Department of Revenue on the basis of appli-
cation of consolidated tax rates to assessor code area valuations.]

[(9) For purposes of the formula set forth in subsection (4) of this section, “income per capita” is the estimated average annual money income of residents of this state and of residents of each city of this state, respectively, based upon the latest information available from the most recent federal decennial census.]

[(10) (6) A city receiving a distribution under this section may return all or any part amount of the distribution to the Oregon Department of Administrative Services, which shall deposit the returned amount of the distribution [or part thereof] in the General Fund to be available for payment of the general expenses of the state.

SECTION 2. ORS 297.466 is amended to read:

297.466. (1) In performing an audit and review required under ORS 297.425, the accountant under contract with the municipal corporation or the Secretary of State, whoever performs the audit and review, shall determine if the municipal corporation has, or has not, followed generally accepted accounting principles in reporting its financial condition and operations, established appropriate accounting systems and internal controls and substantially complied with legal requirements in conducting its financial affairs. The determination shall either be included in the signed expression of opinion or otherwise disclosed in the audit report required under ORS 297.465.

(2) Upon receipt of an audit report under ORS 297.465, the governing body of a municipal corporation shall determine the measures it considers necessary to address any deficiencies disclosed in the report. The governing body shall adopt a plan of action to address the deficiencies. The plan must include the estimated period of time necessary to complete the planned actions.

(3)(a) Within 30 days after filing an audit report with the Secretary of State under ORS 297.465, a municipal corporation shall file with the secretary a copy of the plan of action adopted under subsection (2) of this section.

(b) At the request of the governing body of the municipal corporation, the secretary shall make suggestions for addressing the deficiencies cited in the audit report.

(c) For counties and cities, upon receipt by the secretary of the audit report and the plan of action adopted under subsection (2) of this section, the secretary shall either acknowledge the county or city’s plan of action to address the deficiencies cited in the audit report or notify the county or city of deficiencies that, if not addressed, could result in withholding of funds under this section. If the governing body of the county or city does not agree with the notification by the secretary, the secretary shall provide the governing body with an opportunity for a conference regarding the notification, audit determinations or corrective measures to be taken.

[(4) If the Secretary of State determines that a county or city has not filed an audit report with the secretary as required under ORS 297.465, the secretary may certify the determination to the State Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director of the Oregon Department of Administrative Services.]

[(5) If the Secretary of State concurs with determinations made under subsection (1) of this section in two successive audits and reviews of the same county or city, and determines that the governing body of the county or city has not taken adequate action to address the deficiencies cited in the notifications given under subsection (3) of this section, the secretary may certify the determination to the State Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director of the Oregon Department of Administrative Services. The certificate of the secretary under this subsection may be issued only after notice, opportunity to be heard and hearing pursuant to the provisions of ORS chapter 183, governing contested cases. The hearing shall be held within the jurisdiction of the]
county or city.]

(6) Upon receipt of a certificate from the Secretary of State under subsection (4) or (5) of this section, the State Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director of the Oregon Department of Administrative Services shall withhold from distribution to the county or city 10 percent of the moneys otherwise to be distributed to it under ORS 221.770, 323.455, 366.762 to 366.768, 366.765 to 366.820, 471.805 and 471.810. The moneys withheld shall be disbursed to the county or city only after the officer responsible for disbursement has received notice from the secretary that:

(a) The county or city has filed the audit report required under ORS 297.465 with the secretary; or

(b) The governing body of the county or city has taken action to follow generally accepted accounting principles in reporting financial condition and operations and establish appropriate accounting systems and internal controls and will substantially comply with legal requirements in conducting its financial affairs.

(7) The Secretary of State may not issue a certificate under subsection (5) of this section for failure to follow generally accepted accounting principles if a county or city has followed accounting practices authorized by state law.

(8) (4) As used in this section, “generally accepted accounting principles” means those accounting principles sanctioned by recognized authoritative bodies such as the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the Financial Accounting Standards Board or their successors.