

**Enrolled**  
**House Bill 2022**

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of House Interim Revenue Committee)

CHAPTER .....

AN ACT

Relating to biennial budgeting by municipal corporations; creating new provisions; and amending ORS 294.311, 294.316, 294.326, 294.336, 294.352, 294.361, 294.371, 294.376, 294.381, 294.391, 294.396, 294.406, 294.416, 294.418, 294.421, 294.425, 294.435, 294.443, 294.445, 294.450, 294.455, 294.460, 294.470, 294.480, 294.483, 294.555, 294.635, 294.645, 294.990 and 310.060.

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

**SECTION 1. Section 2 of this 2001 Act is added to and made a part of ORS 294.305 to 294.565.**

**SECTION 2. (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.**

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

294.311. 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[, and shall be limited to a single fiscal year]. **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.**

[7] **(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.**

[8] **(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.**

[9] **(11) “Current year” means the fiscal year in progress.**

[10] **(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.**

[11] **(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.**

[12] **(15) “Ensuing year” means the fiscal year following the current year.**

[13] **(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 personal service expenditure where an approved deferred employee compensation plan is in effect for a municipal corporation.**

[14] **(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.**

[15] **(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.**

[16] **(19) “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.**

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

[18] **(21) “Imprest cash account” means an account for handling minor disbursements whereby a fixed amount of money, designated as petty cash, is set aside for this purpose.**

[19] **(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).**

[20] **(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.**

[21] **(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.**

[22(a)] **(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.

[(23)] **(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.

[(24)] **(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.

[(25)] **(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.

[(26)] **(29)** “Object classification” means a grouping of expenditures on the basis of goods or services purchased, including, but not limited to, personal services, materials, supplies and equipment.

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

[(28)] **(31)** “Organizational unit” means any administrative subdivision of a municipal corporation, especially one charged with carrying on one or more functions or activities.

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

[(30)] **(33)** “Program” means a group of related activities aimed at accomplishing a major service or function for which the municipality is responsible.

[(31)] **(34)** “Public utility” means those public utility operations authorized by ORS chapter 225.

[(32)] **(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.

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

[(33)] **(36)** “Receipts” means cash received unless otherwise qualified.

[(34)] **(37)** “Reserve for encumbrances” means a reserve representing the segregation of a portion of a fund balance to provide for unliquidated encumbrances.

[(35)] **(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.

[(36)] **(39)** “Special revenue fund” means a fund properly authorized and used to finance particular activities from the receipts of specific taxes or other revenues.

**SECTION 4.** ORS 294.316 is amended to read:

294.316. The provisions of ORS 294.305 to 294.565 do not apply to the following municipal corporations:

(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; and
- (12) Diking districts organized under ORS chapter 551.

**SECTION 5.** ORS 294.326 is amended to read:

294.326. (1) Except as provided in subsections (3) to (11) of this section, it is unlawful for any municipal corporation to expend money or to 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) To the extent that any of subsections (3) to (11) of this section apply in a given case, the municipal corporation need not comply with ORS 294.305 to 294.565.

(3) Subsection (1) of this section shall not apply to the expenditure in the year of receipt 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. However, subsection (1) of this section shall apply to the expenditure of grants, gifts, bequests or devises transferred to a municipal corporation for undesignated general purposes or to the expenditure of grants, gifts, bequests or devises transferred to a municipal corporation in trust for specific purposes which were received in a prior year. Expenditure of grants, gifts, bequests and devises exempt from subsection (1) of this section by this subsection shall be lawful only after enactment by the governing body of the municipal corporation of appropriation ordinances or resolutions authorizing the expenditure.

(4) Subsection (1) of this section shall not apply whenever the governing body of a municipal corporation has declared the existence of an unforeseen occurrence or condition which could not have been foreseen at the time of the preparation of the budget for the current year **or current budget period** or could not have foreseen a pressing necessity for the expenditure or has received a request for services or facilities, the cost of which shall be 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 therefor in order to provide the services for which it was responsible. Such governing body may make excess expenditures for such specific purpose or purposes beyond the amount budgeted and appropriated therefor to the extent that maintenance, repair or self-insurance reserves authorized by ORS 294.366 or nontax funds are available or may be made available. Such expenditures shall be lawful only after the enactment of appropriate appropriation ordinances or resolutions authorizing the expenditures. The ordinance or resolution shall state the need for the expenditure, the purpose for the expenditure and the amount appropriated.

(5) Subsection (1) of this section shall not apply to the expenditure during the current year **or current budget period** of the proceeds of the sale of the following bonds or other obligations, or

to the expenditure during the current year **or current budget period** of other funds to pay debt service on the following bonds or other obligations:

(a) Bonds that are issued under the Uniform Revenue Bond Act, ORS 288.805 to 288.945, for which the 60-day period described in ORS 288.815 (2) ended after the preparation of the [*current year's*] budget **of the current year or current budget period**;

(b) Bonds or other obligations that were approved by the electors during the current year **or current budget period**; or

(c) Bonds or other obligations issued during the current year **or current budget period** to refund previously issued bonds or obligations.

(6) Notwithstanding subsection (5) of this section, subsection (1) of this section shall not apply to:

(a) Expenditures of funds received from the sale of conduit revenue bonds issued for private business or nonprofit corporations by cities, counties, county service districts, port districts, special districts, the Port of Portland or the State of Oregon or to pay debt service on such bonds;

(b) Expenditures of funds that have been irrevocably placed in escrow for the purpose of defeasing and paying bonds; or

(c) Expenditures of assessments or other revenues to redeem bonds or other obligations that are payable from such assessments or other revenues, when such assessments or other revenues are received as a result of prepayments or other unforeseen circumstances.

(7) Subsection (1) of this section shall 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 such improvements is to be paid by owners of benefited property.

(8) Subsection (1) of this section shall not apply to the expenditure of funds accumulated to pay deferred employee compensation.

(9) Subsection (1) of this section shall not apply to refunds or the interest on them granted by counties under ORS 311.806.

(10) Subsection (1) of this section shall not apply to refunds, received by a municipal corporation when purchased items are returned after an expenditure has been made. Expenditure of refunded amounts to which this subsection applies shall be lawful only after the governing body of the municipal corporation has enacted, after public hearing, appropriate appropriation ordinances or resolutions authorizing such expenditure.

(11) Subsection (1) of this section shall 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 shall not apply to the municipal corporation during the fiscal year immediately following the fiscal year in which it was formed.

**SECTION 6.** ORS 294.352 is amended to read:

294.352. (1) Each municipal corporation shall prepare estimates of expenditures for the ensuing year **or ensuing budget period**.

(2) The estimates required by subsection (1) of this section shall be prepared by organizational unit or by program.

(3) Estimates required by subsection (1) of this section and prepared by organizational unit shall be detailed under separate object classifications of personal services, materials and services and capital outlay. Separate estimates shall be made for special payments, debt service, interfund revenue transfers, operating expenses and general capital outlays which cannot reasonably be allocated to an organizational unit.

(4) Estimates required by subsection (1) of this section and prepared by program shall be arranged for each activity of a program. Estimates under each activity shall be detailed under separate object classifications of personal services, materials and services and capital outlay. Separate estimates shall be made for each program for special payments, debt service, interfund revenue transfers, operating expenses and general capital outlays which cannot reasonably be allocated to an activity within a function. For common and union high school districts and community colleges,

estimates required by this subsection shall be further detailed by object within each object classification.

(5) Estimates of expenditures for personal services, other than services of persons who receive an hourly wage or who are hired on a part-time basis, shall list the salary for each officer and employee, except that employees of like classification and salary range, (such range not to exceed that established by the governing body of the municipal corporation in accordance with its policy for setting salaries) in each organizational unit or activity may be listed by the number of those employees, the limits of each salary range and the amount of their combined salaries.

(6) The general capital outlay estimate shall include separate amounts for land, buildings, improvements to land other than buildings and machinery and equipment which cannot be reasonably allocated to an organizational unit or activity.

(7) The debt service estimates shall include separate amounts for principal and interest of each bond issue in each fund.

(8) There may be included in each fund an estimate for general operating contingencies.

(9) If the estimates required by subsection (1) of this section are not prepared by fund, there shall be prepared a summary which cross-references programs or organizational units to the appropriations required by ORS 294.435.

**SECTION 7.** ORS 294.361 is amended to read:

294.361. (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: 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**; taxes; fees; licenses; fines; interest on deposits or on securities of any kind; endowments; annuities; penalties; sales of property or other assets or products of any kind; delinquent taxes; judgments; damages; rent; premiums on sales of bonds; reimbursement for services, road or other work performed for others; transfer or reverter of unused balances of any kind; reimbursement for services provided other funds; rebates; refunds of moneys heretofore paid on any account; apportionment, grant, contribution, payment or allocation from the federal or state government or any unit of government; taxes for the ensuing year **or ensuing budget period**; interfund revenue transfers; and revenues from any and all other sources of whatsoever kind or character.

(3) Budget resources shall 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.

**SECTION 8.** ORS 294.371 is amended to read:

294.371. 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 294.326 (3) and 294.455, no appropriation nor expenditure shall be made in the year **or budget period** for which the budget is applicable for the amount estimated pursuant to this section.

**SECTION 9.** ORS 294.376 is amended to read:

294.376. (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.

**SECTION 10.** ORS 294.381 is amended to read:

294.381. (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 (3) of this section, the estimated ad valorem taxes that will be received in the ensuing year **or ensuing budget period** is the sum of 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 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 (8), or such lesser rate as the municipal corporation may determine to use for purposes of levying such ad valorem taxes; or

(B) The municipal corporation's statutory rate limit on operating taxes, as defined in ORS 310.202 (10), or such lesser rate as the municipal corporation may determine to use for purposes of levying such ad valorem taxes.

(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) An amount equal to the principal and interest on all bonded indebtedness of the municipal corporation that is due and payable in the ensuing year **or ensuing budget period**, divided by the annual average percentage of taxes collected in the county in which the taxable property of the municipal corporation is located.

(3) The sum of 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.

(4) The estimated ad valorem taxes determined in accordance with subsections (2) and (3) of this section shall be used by the municipal corporation for purposes of complying with the requirements of ORS 310.060 (1).

**SECTION 11.** ORS 294.391 is amended to read:

294.391. 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 294.401 (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; and
- (5) Explain the major changes in financial policy.

**SECTION 12.** ORS 294.396 is amended to read:

294.396. 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**.

**SECTION 13.** ORS 294.406 is amended to read:

294.406. (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 294.401 (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 294.401 (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 [(32)] **(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.

**SECTION 14.** ORS 294.416 is amended to read:

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

(1) A summary of the budget as approved by the budget committee and compared with the [*most recent preceding year's*] actual expenditures and budget resources **of the preceding year or preceding budget period** and the [*current year's*] budget summary **of the current year or current budget period** in accordance with forms prescribed by the Department of Revenue in the manner provided in ORS 294.413. The summary shall be of sufficient detail to inform the citizens of the municipal corporation of the proposed financial plan for the ensuing [*fiscal*] year **or ensuing budget period**. As a minimum requirement, the personnel services, the major expense items under materials and services and capital outlay for each organizational unit or activity of each fund and the major items for debt service, special payments, and operating contingencies for each fund shall be listed separately. The summary shall show the major items of budget resources. As used in this subsection, the term "program" may be substituted for the term "organizational unit" for municipal corporations which prepare program budgets.



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

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

(4) A statement that the budget is 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. If a change in the basis of accounting is to be made, there shall be an explanation of the change and the effects of the change.

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

**SECTION 15.** ORS 294.418 is amended to read:

294.418. In lieu of the publication requirements contained in ORS 294.416, a municipal corporation may elect to publish its budget as provided in this section.

(1) There shall be published, as provided in ORS 294.421, a summary of the budget as approved by the budget committee and compared with the [*most recent preceding year's*] budget summary **of the preceding year or preceding budget period** and the [*current year's*] budget summary **for the current year or current budget period**. As a minimum requirement, there shall be listed the total requirements for personal services, materials and services, capital outlay, special payments, debt service, transfers and operating contingencies for the budget. In addition, there shall be published a brief narrative description of the major activities or major programs of the municipal corporation and the prominent changes from the current year **or current budget period**. Information shall be furnished showing the personnel requirement changes for each major activity or major program. The narrative shall state the major resources for financing each major activity or program and the prominent changes from the current year **or current budget period**, or shall state that each major activity or program is financed from general resources of the governmental unit. The summary for the ensuing year **or ensuing budget period** and for the current year **or current budget period** shall show total budgeted requirements, total estimated resources other than ad valorem property taxes and estimated ad valorem property tax revenues, stated in dollars and cents. The summary shall also state the municipal corporation's operating tax rate and the amount or rate of any other ad valorem property taxes to be certified to the assessor. Tax rates shall be expressed at a rate per thousand dollars of assessed value. The summary shall include an analysis of ad valorem property taxes for the current and ensuing years **or budget periods** that are outside of the municipal corporation's permanent rate limit or statutory rate limit, if applicable, showing local option taxes and ad valorem property taxes for meeting payments on bond, principal and interest thereon and for meeting other obligations of the municipal corporation described under section 11 (5), Article XI of the Oregon Constitution.

(2) There shall be published with the summary:

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

(b) A statement that the budget is prepared in accordance with the basis of accounting used in the preceding year **or budget period** unless a change in the basis of accounting is anticipated; and if a change in the basis of accounting is to be made, there shall be an explanation of the change and the effects of the change.

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

**SECTION 16.** ORS 294.421 is amended to read:

294.421. (1) Subject to subsections (3) to (6) of this section, the summary of the budget document approved by the budget committee shall be published at least once prior to the time appointed for the proposed meeting of the governing body in accordance with ORS 294.430.

(2) Subject to subsections (3) to (6) of this section, the notice of the time and place at which the budget document as approved by the budget committee may be discussed shall be published by one or more of the methods described in ORS 294.311 [(32)] **(35)** not less than five days and not more than 30 days prior to the date of the meeting required by ORS 294.430.

(3) If no newspaper is published in the municipal corporation, a municipal corporation whose aggregate of estimated budget expenditures for the ensuing fiscal year does not exceed \$50,000 **or for the ensuing budget period does not exceed \$100,000** may, in lieu of the publication and notice provided in subsections (1) and (2) of this section and in lieu of publication by one or more of the methods described in ORS 294.311 [(32)] **(35)**, post the summaries and notices provided by ORS 294.416 or 294.418 in three conspicuous places in the municipal corporation for at least 20 days prior to the date of the meeting provided in ORS 294.430 and publish the notice provided by subsection (4) of this section.

(4) If notice is given as provided in subsection (3) of this section, the municipal corporation shall publish, by one or more of the methods described in ORS 294.311 [(32)] **(35)**, a notice of the following:

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

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

(c) Total budget requirements and taxes proposed 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 thereof may be obtained.

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

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

**SECTION 17.** ORS 294.425 is amended to read:

294.425. (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 [(32)] **(35)**, notwithstanding any defect in the publication, including but not limited to:

(a) Typographical or scrivener's errors in the published material;

(b) Failure of the published materials to be mailed or hand delivered to each street 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.

**SECTION 18.** ORS 294.435 is amended to read:

294.435. (1) After the public hearing provided for in ORS 294.430 (1) has been held, the governing body shall enact the proper ordinances or resolutions 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 for each of the years of the ensuing budget period** and to itemize and categorize the ad valorem property tax amount or rate as provided in ORS 310.060. Consideration shall be given to matters discussed at the public hearing. The budget estimates and proposed ad valorem property tax amount or rate as shown in the budget document may be amended prior to adoption and may also be amended by the governing body following adoption if such amendments are adopted prior to the commencement of the fiscal year **or budget period** to which the budget relates. However, the amount of estimated expenditures for each fund *[shall]* **in an annual budget may not be increased by more than \$5,000 or 10 percent of the estimated expenditures, whichever is greater, and 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 the amount or rate of the total ad valorem property taxes to be certified by the municipal corporation to the assessor shall not exceed the amount approved by the budget committee, unless the amended budget document is republished as provided by ORS 294.416 or 294.418 and 294.421 for the original budget and another public hearing is held as provided by ORS 294.430 (1).

(2) After the public hearing provided for in ORS 294.430 (2) or (3) has been held and the certification of the tax supervising and conservation commission received, if such certification is required, the governing body shall enact the proper ordinances or resolutions 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 for each of the fiscal years of the ensuing budget period** and to itemize and categorize the ad valorem property tax amount or rate as provided in ORS 310.060. Consideration shall be given any orders, recommendations or objections made by the tax supervising and conservation commission in accordance with law. The action taken on each order, recommendation or objection after such consideration by the governing body, with the reasons for such action, shall be included in the ordinance or resolution adopting the budget. A certified copy of the ordinance or resolution shall be sent to the commission within 15 days after the date the ordinance or resolution is adopted. The budget estimates, appropriations and ad valorem property tax amount or rate as shown in the budget document may be amended prior to adoption and may also be amended by the governing body following adoption if such amendments are adopted prior to the commencement of the fiscal year **or budget period** to which the budget relates. However, the amount of estimated expenditures for each fund *[shall]* **may not be increased by more than \$5,000 or 10 percent of the estimated expenditures, whichever is greater, 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 the amount or rate of the total ad valorem property taxes to be certified by the municipal corporation to the assessor *[shall]* **may not exceed the amount shown in the budget document at the time of the budget hearing, unless the amended budget document is resubmitted to the tax supervising and conservation commission for another public hearing, and for recommendations or objections of that body.**

(3) The appropriations required by subsections (1) and (2) of this section shall, as a minimum, contain one amount for each organizational unit or program of each fund. In addition, separate amounts shall be appropriated in each fund for debt service, special payments, interfund revenue transfers, capital outlay, operating expenses which cannot be allocated to an organizational unit or program and operating contingencies. If the governing body so desires, it may appropriate separate amounts for activities within an organizational unit or program. For those municipal corporations where the term "organizational unit" has no application, the appropriations shall contain separate amounts for personal services, materials and services, capital outlay, debt service, special payments, interfund revenue transfers and operating contingency for each fund.

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

(5) The determination of the amount or rate of ad valorem property taxes to be certified shall be entered in the proper records of the governing body. No greater tax than that so entered upon the record shall be certified by the municipal corporation proposing the tax for the purpose or purposes indicated.

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

(7)(a) The governing body 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 as a rate per \$1,000 of assessed value.

(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 being 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.

**SECTION 19.** ORS 294.443 is amended to read:

294.443. In the exercise of the authority granted by ORS 288.165, 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.

**SECTION 20.** ORS 294.445 is amended to read:

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

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

**SECTION 21.** ORS 294.450 is amended to read:

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

(1) Except as provided in subsection (2) of this section, transfers of appropriations may be made within a given fund when authorized by official resolution or ordinance of the governing body. The resolution or ordinance shall state the need for the transfer, the purpose for the authorized expenditure and the amount of appropriation transferred.

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

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

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

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

(6) When a municipal corporation imposes taxes, fees or charges that, in accordance with applicable law or an intergovernmental agreement under ORS chapter 190, are required to be paid, on a pass-through basis, to another municipal corporation, the municipal corporation that imposes the taxes, fees or charges shall include the taxes, fees or charges in its budget and shall appropriate the estimated amount generated thereby. The appropriation shall take the form of an expense of the municipal corporation that imposes the taxes, fees or charges. 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 imposing municipal corporation's budget for the fiscal year **or budget period**, then upon determining that such excess exists the municipal corporation imposing the taxes, fees or charges shall appropriate such excess by means of a resolution or ordinance of its governing body, and no further action shall be required under ORS 294.305 to 294.565 to lawfully budget, appropriate or expend such excess.

**SECTION 22.** ORS 294.455 is amended to read:

294.455. If property has been involuntarily converted or destroyed during the current [*fiscal*] year **or current budget period** or if, as a result of civil disturbance, fire, flood, earthquake or other calamity or natural disaster, it is necessary for a municipal corporation to expend funds, receive grants or borrow moneys that were not included in the budget for the current [*fiscal*] year **or current budget period**, authorization of all matters necessary in order for the municipal corporation to receive those grants or borrow those moneys may be made by ordinance or resolution of the governing body, and appropriations for the estimated expenditures out of any source of available funds, including but not limited to unappropriated fund balances, shall be made by resolution or ordinance in the same manner as provided in ORS 294.450 (1), or by supplemental budget as provided by ORS 294.480 (3) and (4). When prompt action is necessary to protect the public health or safety following the involuntary conversion or destruction of property or the occurrence of a calamity or natural disaster and if it is not practical to convene a meeting of the governing body of the municipal corporation, the chief executive officer of the municipal corporation may, by written order, authorize the immediate expenditure of funds from any available source to redress the situation that threatens the public health or safety.

**SECTION 23.** ORS 294.460 is amended to read:

294.460. (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 five 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, made for the purpose of paying operating expenses.

**SECTION 24.** ORS 294.470 is amended to read:

294.470. (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 294.435 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 [*fiscal*] 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.

**SECTION 25.** ORS 294.480 is amended to read:

294.480. (1) Notwithstanding requirements as to estimates of and limitation on expenditures, the governing body of any municipal corporation may make a supplemental budget for the fiscal year **or budget period** for which the regular budget has been prepared under one or more of the following circumstances:

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

(b) A pressing necessity which was not foreseen at the time of the preparation of the budget for the current year **or current budget period** which requires prompt action.

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

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

(e) 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.

(f) Ad valorem 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 **or current budget period**.

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

(3) When the estimated expenditures contained in a supplemental budget for a fiscal year **or budget period** differ by less than 10 percent of any one of the individual funds contained in the regular budget for that fiscal year **or budget period** that is being changed in the supplemental budget, the governing body of the municipal corporation may adopt the supplemental budget at a regular meeting of the governing body. Notice of such regular meeting, including sufficient detail on revenues and expenditures, shall be published by one or more of the methods permitted under ORS 294.311 [(32)] (35) not less than five days prior to the meeting. Following such meeting, the governing body shall make additional appropriations and may thereafter make additional expenditures as authorized by such appropriations.

(4) When the estimated expenditures contained in a supplemental budget for a fiscal year **or budget period** differ by 10 percent or more of any one of the individual funds contained in the regular budget for that fiscal year **or budget period** that is being changed in the supplemental budget, the supplemental budget, or a summary thereof, shall be published, or, in counties having a tax supervising and conservation commission, shall be submitted to the tax supervising and conservation commission within the county. The governing body, or, where applicable, the tax supervising and conservation commission shall then hold a public hearing on the supplemental budget. Publication of the budget and notice of the hearing shall be given in the manner provided in ORS 294.421. Following such hearing, the governing body shall make additional appropriations and may thereafter make additional expenditures as authorized by such appropriations.

(5) The making of a supplemental budget shall not authorize the governing body to increase the municipal corporation's total ad valorem property taxes above the amount or rate published with the [annual] budget and certified to the assessor under ORS 310.060 for the fiscal year **or for each fiscal year of the budget period** to which the supplemental budget applies.

**SECTION 26.** ORS 294.483 is amended to read:

294.483. (1) A municipal corporation that has outstanding limited general obligation bonds that were issued pursuant to ORS 287.049 shall [on an annual basis] budget and appropriate, subject to any applicable covenants or agreements which limit payment of certain obligations to particular

sources of funds, amounts sufficient to pay, in each succeeding [*annual*] **fiscal year or budget period**, debt service on such bonds. However, this section does not require the municipal corporation to adopt a supplemental budget to pay the principal and interest coming due on limited tax bonds, as defined in ORS 288.150, in the fiscal year **or budget period** in which such bonds are authorized and issued.

(2) A municipal corporation shall not be required to adopt a supplemental budget to:

(a) Expend during the current year **or current budget period** proceeds of the sale of the following bonds or other obligations:

(A) Bonds that are issued under the Uniform Revenue Bond Act, ORS 288.805 to 288.945, for which the 60-day period described in ORS 288.815 (2) ended after the preparation of the budget for the current year **or current budget period**.

(B) Bonds or other obligations that were approved by the electors during the current year **or current budget period**.

(C) Bonds or other obligations issued during the current year **or current budget period** to refund previously issued bonds or obligations.

(b) Expend during the current year **or current budget period** other funds to pay the principal and interest coming due on bonds or other obligations listed in paragraph (a) of this subsection.

(c) Expend assessments or other revenues to redeem bonds or other obligations that are payable from such assessments or other revenues, when such assessments or other revenues are received as a result of prepayments or other unforeseen circumstances.

**SECTION 27.** ORS 294.555 is amended to read:

294.555. (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 [*and*], 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 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 a biennial budget shall file with the Department of Revenue a copy of the resolution adopting the budget and of the resolution making appropriations.**

[(2)] (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 the following:

(a) Two copies each of the notice required to be filed 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 following ordinances or resolutions: to adopt the budget; to make the appropriations; to itemize and categorize the taxes; and to certify the taxes.

[(3)] (4) As soon as received, the county assessor shall forward one copy of each of the documents listed in subsection (2) of this section to the Department of Revenue.

[(4)] (5) Each civil subdivision and municipal corporation that is subject to the Local Budget Law shall retain a true copy of its budget [*until the end of the fiscal year that is two years following the end of the fiscal year for which the budget was prepared.*] **for, if an annual budget is prepared, two years following the end of the fiscal year or, if a biennial budget is prepared, two budget periods following the budget period for which the biennial budget was prepared.** During this period, the civil subdivision or municipal corporation shall send a copy of the budget to the county assessor, Department of Revenue or the Division of Audits if requested to do so by one of those entities.

**SECTION 28.** ORS 294.635 is amended to read:

294.635. (1) In each county which attains a population of 500,000 or more inhabitants, according to the latest federal decennial census, or which has established a commission under ORS 294.710,



the levying boards of all municipal corporations shall [*annually, and*] 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 [*annual*] 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.

**SECTION 29.** ORS 294.645 is amended to read:

294.645. (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.

**SECTION 30.** ORS 294.990 is amended to read:

294.990. (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.

**SECTION 31.** ORS 310.060 is amended to read:

310.060. (1) Not later than July 15 of each year, every 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 shall be accompanied by a copy 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 any ad valorem property taxes levied by the taxing district, the notice shall 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 thereon 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 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.

(3)(a) The notice shall also 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 shall list separately the portion of each item allocable to each category.

(4) For any other taxes on property imposed by the taxing district, the notice shall 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 any district authorized by law to place any other fees, charges, assessments or tolls on the assessment and tax roll, the notice shall 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, any taxing district that is subject to the Local Budget Law shall also provide the documents required by ORS 294.555 [(2)] (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. Not later than September 30 of each year, the taxing district shall provide a complete copy of the budget document 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.

(8) The Department of Revenue shall prescribe the form of notice required by this section. All amounts shall 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 and the clerk of more than one county, a copy of each other such notice given shall accompany every notice given. Upon the giving of the notice, every school district located in a county to which ORS 334.350 to 334.400 apply immediately shall supply a copy thereof to the school superintendent

of the county wherein the district is located. Immediately upon receipt thereof every such notice and copy shall be filed in the office of the receiving officer.

(9) For good and sufficient reason, the county assessor may extend the time for the giving of the notice or correcting an erroneous certification for the current year up to but not later than October 1 as the county assessor considers reasonable.

**SECTION 32.** ORS 294.336 is amended to read:

294.336. (1) Except as provided in ORS 294.341, 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 *[shall]* **may** not be officers, agents or employees of the municipal corporation.

(5) *[The]* Appointive members of *[the]* **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 *[or approximately 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.**

*[(6)]* **(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.

*[(7)]* **(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.

*[(8)]* **(9)** The budget committee shall at its first meeting after its appointment elect a presiding officer from among its members.

**SECTION 33. Section 2 of this 2001 Act and the amendments to statutes by sections 3 to 32 of this 2001 Act apply to budgets and budget documents prepared for fiscal years or budget periods commencing on or after July 1, 2002.**

**Passed by House March 2, 2001**

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Chief Clerk of House

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Speaker of House

**Passed by Senate April 25, 2001**

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President of Senate

**Received by Governor:**

.....M,....., 2001

**Approved:**

.....M,....., 2001

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Governor

**Filed in Office of Secretary of State:**

.....M,....., 2001

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Secretary of State