

Chapter 7—Approving the Budget

Budget Committee

The governing body of each local government must establish a budget committee (ORS 294.336). There is an exception to this in Multnomah County, where there is a tax supervising and conservation commission. There the governing body serves as the budget committee for any local government with a population exceeding 200,000 (ORS 294.341).

The budget committee is composed of the governing body and an equal number of electors appointed by the governing body. All members of the budget committee have equal authority. An elector is a qualified voter who has the right to vote for the adoption of any measure. If the governing body cannot find a sufficient number of electors who are willing to serve, those who are willing and the governing body become the budget committee. If no willing electors can be found, the governing body is the budget committee [ORS 294.336(2)].

The appointive members of the budget committee cannot be officers, agents or employees of the local government [ORS 294.336(4)]. Spouses of officers, agents or employees of the local government are not barred from serving on the budget committee if they are qualified electors and not themselves officers, agents, or employees.

Appointive members of the budget committee are appointed for three-year terms. The terms must be staggered so that about one-third of the terms end each year [ORS 294.336(5)]. When a new local government is appointing its first budget committee, the terms may be for one year, two years and three years for each third of the appointive members. After the first two years, the local government will then be able to appoint all new members to three-year terms (OF 444-V; 3-6-64).

If an appointive member of the budget committee is unable to complete the term, or resigns before the term is over, the governing body must appoint another elector to serve out the unexpired portion of the term [ORS 294.336(6)].

No member of the budget committee (including governing body members) may receive any compensation for their services as a member of the committee [ORS 294.336(3)].

The budget committee may meet from time to time throughout the year at its discretion for purposes such as training. All of these meetings are open to the public and notice of the meeting must be given in the same manner as notice for meetings of the governing body,

or through one of the local budget law publication methods [ORS 294.406(2)].

Purpose of the Budget Committee

The budget committee meets publicly to review the budget document as proposed by the budget officer. The budget committee receives the budget and budget message and provides an opportunity for the public to ask questions about and comment on the budget. The committee also approves a budget and, if ad valorem property taxes are required, approves an amount or rate of tax for all funds that receive property taxes.

Public notice of the budget committee meetings must be given. If the public notice is published in a newspaper of general circulation, it must be published at least twice, five to 30 days before the meeting. The publications must be separated by at least five days. If the notice is hand delivered or mailed, only one notice is required not later than 10 days prior to the meeting. The notice must give the address, time, and purpose of the meeting [ORS 294.401(4)]. See Chapter 8 for more information on publication.

The budget officer may make the proposed budget available to the budget committee at any time before the first budget committee meeting advertised in the notice. Committee members may not discuss or deliberate on the budget outside of a public meeting. The budget officer may choose to make the budget available at the first budget committee meeting (ORS 294.401). Immediately following the release of the proposed budget to the budget committee, whether before or at the meeting, the budget officer must file a copy of the budget in the office of the governing body. This copy becomes a public record.

The budget committee must have a quorum, or majority of the total membership of the committee, present in order to hold a meeting. A majority is one more than half the number of the membership [OAR 150-294.336-(B)]. For example, if the budget committee has 10 members, six must be present to hold a meeting.

The budget committee elects a presiding officer from among the members at the first meeting [ORS 294.336(8)]. The budget committee also hears the budget message that was prepared by the executive officer of the local government or the governing body chair. One of the committee's most important duties is to hear and consider any testimony presented by the public about the budget.

The budget committee may approve the proposed budget at the first meeting. However, it can take several

meetings to do so. When the budget officer prepares the budget calendar, several budget committee meetings can be scheduled. The public notice then contains the date, time and place of each of the meetings. If more meetings are needed than were scheduled, give notice of those meetings in the same manner as notice of meetings of the governing body or by one or more of the publication methods used for the initial budget committee meetings [ORS 294.406(2)].

The budget committee reviews and, if necessary, revises the proposed budget submitted by the budget officer. Budget committee members should develop a general understanding of the budget process, the departments and programs included in the budget document, and the legal constraints imposed on the local government's tax levy after budget committee approval. *Local Budgeting in Oregon* is recommended as a good resource for budget committee members on the basics of taxation and budget law.

The budget committee generally studies the budget by comparing the two previous years' actual data, the current budgeted data, and the figures proposed by the budget officer. The budget committee may ask questions of the executive officer or other staff, and request additional information. The committee is entitled to receive any information it needs in order to make decisions about the budget (ORS 294.406). The committee uses the information to approve expenditures and balance each fund.

Budget Committee Functions

Among the most common items discussed are the questions of taxation (how much?) and allocating revenues and expenditures (where will the spending occur?).

Once this initial process has taken place and the expenditures have been allocated among the programs, these proposed expenditures must be compared to the proposed nontax revenues. The difference in these two amounts becomes the "taxes estimated to be received" (ORS 294.381).

The budget committee must also consider the amount of taxes that will not be received. Property taxes shown in the budget will not be the same as the property tax certification that is submitted to the assessor.

There are three reasons for this:

- First, not all taxpayers pay their taxes in the year billed.
- Second, discounts are given for timely property tax payments.
- Third, the Oregon Constitution sets limits on the amount of property tax that can be collected from an individual property.

The total of these amounts—taxes estimated to be received, uncollected amounts, discounts allowed, and

loss due to constitutional limit—cannot exceed the local government's taxing authority. Taxing authority includes the amount of tax revenue that will be raised by the local government's permanent rate limit, local option tax authority, other taxing district obligation authority (Gap bonds and qualifying pension and disability), and general obligation bond tax authority.

The budget committee establishes and approves the amount and/or rate of property taxes to be imposed. This is a very important responsibility of the budget committee. The budget committee may choose to impose less tax than the local government's taxing authority. The amount and/or rate of tax approved can only be changed by the governing body under specific conditions.

The taxes to be imposed are documented in a statement which is filed with the county assessor when the tax certification is made by July 15. The statement of taxes approved may show either the tax rate (permanent, operating or local option) or the amount of taxes that the local government wants to impose for operations. It should also include the amount of tax for any bonded debt.

If the amount of tax revenue needed exceeds the local government's permanent rate taxing authority, the committee must decide if the additional amount needed should be requested from the voters in the form of a local option tax. If the committee decides to stay within its existing taxing authority, it may be necessary to reduce budgeted requirements.

Any budget committee action must have the approval of a majority of its members. To take action requires the affirmative vote of a majority of the **total budget committee membership** [OAR 150-294.336-(B)]. If only six members of a 10-member committee are present, then they all must vote in the affirmative to take action. The budget committee may reduce or increase the estimates proposed by the budget officer. The budget is approved only once.

If any changes are necessary after the committee approves the budget, the governing body must make the revisions when adopting the budget. The governing body's power to change the approved budget is limited. It cannot increase expenditures in a fund by more than \$5,000 or 10 percent, whichever is greater. Also, it cannot increase the tax amount approved by the budget committee. If the governing body wants to exceed either of these limits, it must publish a revised budget summary (financial summary) and hearing notice, and hold another hearing (ORS 294.435).

The governing body has the final responsibility for allocating the resources of the budget to the programs or departments of the local government. This authority is part of the responsibility given the governing body to adopt the budget and to make appropriations by which the budget is administered [ORS 294.435(1)]. Chapter 12 has more details on adopting the budget.

The governing body may inform the appointive members of the budget committee if different figures are approved when the budget is adopted. This is a policy decision of the local government and not a statutory requirement.

Fiscal Powers of the Budget Committee

The budget committee, as a whole or through majority action, has the power to:

1. Specify the amount of tax revenue or tax rate for all funds.

2. Establish a maximum for total expenditures for each fund. This maximum is subject to any revision which the governing body is authorized to make after the budget hearing.

3. Approve the total taxes for each fund as an amount and/or rate.

4. Approve the budget.

When the budget committee has approved the budget, it is turned over to the governing body and enters into the adoption stage of the budget process.