

Chapter 11—The budget hearing and adopting the budget

After the budget committee has approved the budget, the governing body must hold a public hearing on that budget and then adopt the budget.

Budget hearing

One of the most important steps in the budget process is publishing a summary of the budget that has been approved by the budget committee and a notice of the budget hearing. For information on how to publish this notice of the budget hearing and financial summary, see “Chapter 9 – Publication Requirements.”

After the “Notice of Budget Hearing” is published, the budget hearing must take place at the time and place published or the hearing must be rescheduled and a new notice published. The governing body conducts the hearing and receives testimony from any person present (ORS 294.453, renumbered from 294.430). It gives consideration to matters discussed at the hearing (ORS 294.456, renumbered from 294.435). Keep careful minutes of the budget hearing proceedings to document your compliance with these requirements.

The budget committee is not required by law to be present at the budget hearing. However some local governments make it their policy to ask the budget committee to participate.

The hearing must be held on the budget that was approved by the budget committee, even if the governing body intends to modify that version of the budget before adopting it. The published financial summary should also reflect the version of the budget that was approved by the budget committee.

The governing body does not have to adopt the budget at the budget hearing. Formally adopting the budget, making appropriations, and declaring and categorizing the taxes can be done at any regularly scheduled and properly advertised public meeting of the governing body after the budget hearing and before July 1. If the governing body refrains from adopting the budget until June, it allows for adjustments to reflect changes in the resources or expenditures from the amounts estimated earlier.

There is no provision in law for adopting the budget after June 30. Planning ahead and having a budget calendar will help ensure that governing body members do not find themselves operating outside the law.

For information on adopting biennial budgets, see Chapter 14.

Changes to the budget after the budget hearing

Once the budget hearing has been held, the governing body can make changes to the budget that was approved by the budget committee. The governing body must take all available information into consideration when adopting the budget. This information includes the public testimony presented at the budget hearing and any new information affecting the estimates of the upcoming year’s resources or expenditures [ORS 294.456(1), renumbered from 294.435(1)]. For example, if a higher beginning fund balance, additional grants or other new resources are available, the additional monies can be added to the applicable fund balances and additional expenditures planned.

It is important that the governing body carefully consider the budget it adopts. Changes to the budget after it has been adopted often require governing body action, and sometimes require additional publications and public hearings. It is for this reason that all available information should be collected during the budget process.

There are restrictions on the size of certain changes by the governing body that may require additional process steps before the resulting budget can be adopted. Any expenditure in any fund can be reduced as long as resources and requirements in the fund remain in balance. The total budget must also remain in balance. Other than re-balancing if necessary, no additional process steps are required when expenditures are reduced. Any tax levy can be reduced from the rate or amount that was approved by the budget committee. The applicable funds and the total budget must be adjusted to remain in balance. Otherwise, no additional process steps are required when taxes are reduced.

Expenditures may be increased. If the total increase in no fund exceeds \$5,000 (\$10,000 in a biennial budget) or 10 percent, whichever is greater, then no additional process steps are required. However, if the expenditures in any fund are increased by more than \$5,000 (\$10,000 in a biennial budget) or 10 percent, the governing body

must publish notice of a second budget hearing and a new financial summary, and hold the second hearing before the adjusted budget can be adopted.

If taxes are increased at all above the rate or amount approved by the budget committee, a second notice and hearing are required before a budget including those additional revenues can be adopted. Note that taxes can only be increased if the budget committee approved less than the local government's full taxing authority, or if new taxing authority is approved by the voters after the budget committee approved the budget.

Adopting the budget

Governing body resolution or ordinance

A resolution is a formal expression of the opinion or will of an official body. An ordinance has the character of an enactment of law by an established authority. For purposes of the Local Budget Law, either a resolution or ordinance by the governing body at this stage of the budget process provides the legal authority to establish or dissolve funds, make appropriations for expenditures, adopt the budget, impose and categorize taxes, and all other legal actions pertaining to adopting the budget and making tax levies.

Resolution adopting the budget

After the necessary hearing(s), the governing body must enact a resolution or ordinance adopting the budget (ORS 294.456, renumbered from 294.435). The resolution or ordinance adopting the budget should state the total amount of all the budget requirements.

Sample resolutions are shown at the end of this chapter.

Resolution making appropriations

Appropriations provide the local government with legal spending authority throughout the fiscal year. You must make separate appropriations for each fund in which you have budgeted expenditures [ORS 294.456(3), renumbered from 294.435(3)].

The resolution or ordinance making appropriations must identify the appropriations by the categories listed in ORS 294.456⁷ (renumbered from 294.435). Those categories correspond to the object classifications (the major expenditure categories) in the budget, which serve as a basis for the appropriations. Each expenditure line item in the budget detail must be classified within one of the object classifications, and thus, into one of the appropriation categories.

There is an exception to the last paragraph for those funds budgeted by organizational unit or program. For each such fund, you may appropriate one amount for each unit or program. This amount is the total of all amounts for personnel services, materials and services and capital outlay attributable to the unit or program. If the fund has debt service, special payments, interfund revenue transfers, capital outlay or contingency requirements, or if there are operating expenses (personnel services or materials and services expenditures) that cannot be allocated to a specific operating unit or program, separate appropriations must also be made for each of those categories. Chapter 5 explains organizational units and programs.

For funds where the terms "organizational unit" or "program" do not apply, the appropriations must have separate totals for any:

- Personnel services,
- Materials and services,
- Capital outlay,
- Debt service,
- Special payments,

⁷Instead of appropriating by the categories in ORS 294.456, schools and ESDs appropriate their expenditures by the "function" categories of the "Oregon Department of Education's Program Budgeting and Accounting Manual." The function categories are Instruction, Support Services, Enterprise and Community Services, Facilities Acquisition and Construction, Interagency/Interfund Transfers, Debt Service and Contingency. At a minimum, there must be one amount appropriated for each function in which monies are being expended in a fund. Community colleges may appropriate by function or by program, with some exceptions that are explained in the "Oregon Department of Community Colleges and Workforce Development's Community College Accounting Manual."