



OREGON
DEPARTMENT
OF REVENUE

Local Budgeting Manual

PROPERTY TAX DIVISION

- Interfund revenue transfers, and
- General operating contingency, if applicable for the fund.

Requirements not appropriated

The **unappropriated ending fund balance** and amounts **reserved for future expenditure** are budget requirements. However, they are not appropriated expenditures. Show them as line items in the budget detail. Include them in the total requirements for the fund in the published summary of the budget. But **do not appropriate** the unappropriated ending fund balance or the reserved for future expenditure in the resolution or ordinance making appropriations. They are not intended to be spent and therefore should not be appropriated. They may be shown as a footnote in the resolution or otherwise, as long as it is clear that they are not included in the total appropriations. Many local governments do this to show that these unappropriated amounts, when added to the amounts appropriated, match the total adopted budget amount.

Some common errors to avoid are:

- Combining the appropriations from more than one fund. Appropriate **each fund** separately.
- Not appropriating some expenditures. Appropriate for **every fund** in which you have budgeted expenditures.
- Not specifying appropriation amounts in the resolution or ordinance. Do not simply refer to the adopted budget when making the appropriations in the resolution. For example: *“Be it resolved that appropriations are hereby made as outlined in the adopted budget.”* This is not adequate. You may include appropriations as a separate schedule referred to in the resolution or ordinance making appropriations, as long as the schedule includes the required level of detail.
- Using appropriation categories other than those allowed in ORS 294.456 (renumbered from 294.435). **Do not lump appropriations into “miscellaneous,” “other,” or “special” categories.** Use only the appropriation categories listed in ORS 294.456.

Significance of the July 1 date

Appropriations are limited to a single **fiscal year** or biennial budget period (ORS 294.311). The budget year or biennium ends on June 30 (every other June 30 for biennial budgets). That means all spending authority of a local government ends on that June 30. A local government does not have legal authority to spend or encumber money for the new fiscal year or biennium until the budget is adopted and appropriated. If expenditures are made without appropriation authority, the officials who allow or authorize such expenditures might be held personally responsible for the repayment of the money (ORS 294.100).

Limits and penalties associated with appropriations

After the budget is adopted, a local government must stay within the appropriations set for the budget period. It is illegal to overspend an appropriation. ORS 294.456(6) [renumbered from 294.435(6)] states that when appropriations have been made, *“an expenditure, or encumbrance if encumbrance accounting is used, of public money may not be made for any purpose in an amount greater than the amount appropriated.”* (There are situations in which appropriation authority may be changed during the fiscal year. For more on how appropriations may be adjusted to avoid overspending, see *“Chapter 13 - Budget Changes After Adoption.”*) **The fiscal officer must pay close attention to each appropriation throughout the year to avoid overspending.**

The penalties for unlawful spending of public money are established by ORS 294.100, which states, *“It is unlawful for any public official to expend any money in excess of the amounts, or for any other or different purpose than provided by law.”* The public official *“shall be civilly liable for the return of the money by suit of the district attorney of the district where the offense is committed, or at the suit of any taxpayer of such district, if the expenditure constitutes malfeasance in office or willful or wanton neglect of duty.”*

Level of appropriation determines the need for changes after adoption

At a minimum, appropriations must be by the categories listed in ORS 294.456, renumbered from 294.435. If the governing body desires, it may appropriate to a greater level of detail within those categories. You may ap-

Chapter 13—Budget changes after adoption

An appropriation is an authorization granted by the governing body to make expenditures and to incur obligations for specific purposes. It is limited to one fiscal year or biennial budget period [ORS 294.311(3)]. Appropriations are a legal limitation on the amount of expenditures that can be made during the fiscal year and on the purposes for which expenditures can be made [ORS 294.456(6), renumbered from 294.435(6)]. A local government's appropriations are detailed in the resolution or ordinance making appropriations. Examples are shown at the end of Chapter 11. After the beginning of the fiscal year or biennial budget period, when a local government is operating with the adopted budget, changes in appropriated expenditures sometimes become necessary. Appropriations may be increased or decreased, transferred from one appropriation category to another, or new appropriation categories created.

The method used to amend the budget is determined by the budgetary change needed. If the change involves a new fund or a new appropriation category, a supplemental budget is usually required. If the change is a transfer of appropriation authority (and the corresponding resources) from one fund to another, or within the same fund, then a resolution transfer is allowed. In some cases, the change falls within an exception to the Local Budget Law and the governing body may appropriate expenditures with no budget amendment required.

Supplemental budget

A supplemental budget is most often required when new appropriation authority is needed. For example, circumstances may require expenditures that were not budgeted, or you may receive revenue you did not plan for in your budget that you want to spend in the current fiscal year. A supplemental budget is usually not required if appropriations are not being changed.

Although a supplemental budget is usually associated with the expenditure of new appropriations and increased revenues, it can also be used for other purposes. For example, a supplemental budget is usually required to create a new fund during the fiscal year or when transferring appropriation authority to an appropriation category that doesn't already exist in the adopted budget.

Supplemental budgets are good only through the end of the fiscal year or biennium in which they are adopted. They cannot be used to authorize changes in a prior year's budget. Preparing a supplemental budget does not authorize the governing body to impose additional ad valorem taxes [ORS 294.471(4), renumbered from 294.480(4)].

When can a supplement budget be prepared?

A local government may prepare a supplemental budget if one or more of the following circumstances exists (ORS 294.471, renumbered from 294.480):

- An occurrence or condition that was not known at the time the budget was prepared requires a change in financial planning.
- A pressing necessity creates a need for prompt action.
- Unexpected funds are made available by another unit of federal, state or local government.
- A request for services or facilities is received and the cost will be paid for by a private individual, corporation or company, or by another governmental unit, and the amount of the request could not have been known for certain at the time the budget was prepared.
- Proceeds from the involuntary destruction, involuntary conversion, or sale of property have necessitated the immediate purchase, construction or acquisition of different facilities to carry on governmental operations.
- A sufficiently greater amount of ad valorem taxes than estimated are received during the fiscal year such that the difference will significantly affect the level of government operations to be funded by those taxes for the current year.
- A local option tax, as described in ORS 294.476 (renumbered from 294.435), is approved by the voters and certified for extension on the tax roll for the current tax year.
- Available resources are reduced requiring the governing body to reduce appropriations.