

Hugo Neighborhood Association & Historical Society

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PSS Archives Index #53

December 12, 2016 Email/Letter

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Subject: Request For Assistance In Clarifying Oregon Local Budget Law (LBL)¹

Dear Danette Benjamin:

Thank you for your November 28, 2016 email response to our November 26, 2016 and June 10, 2016 email/letters to the Oregon Department of Revenue (ODF; Appendix A). This is a continuing request for assistance to better understand LBL. Our specific request to the ODR continues to be based on the ODR publication, *Local Budgeting In Oregon*, that identifies it as the work unit where we can direct questions regarding LBL and its required budget procedures. Our work in progress research of LBL budget processes, which we did not have last June 10, 2016, is now documented in our draft publication, *Citizen Participation In The Josephine County Budget Process (CP in Budget)*. It is based on our continuing research of LBL which we now understand from you is restricted to ORS 294.305-565 (Appendix B).

Our requests for assistance to better understand the LBL remain the same as our first two petitions to the ODR, which is to learn the LBL procedures for the preparation, presentation, and administration of budgets for municipal corporations, because that is the methodology we think JO CO is using for its budget process. However, on the direction of the JO CO Board of County Commissioners (BCC), the local JO CO Budget Officer and JO CO Budget Committee have not been available to answer budget process questions. As great a handicap that this is to enable the public to be apprised of the local budget's procedures and financial policies, it might have been overcome except there are no formal JO CO local budget guidance procedures, not even a local county budget manual. All the public has is the LBL, which is why we have turned to the ODR for assistance. The following documents are not found in JO CO.

- County Budget Manual.
- Strategic Plan.
- Long-term Financial Plan.
- Citizen Involvement Plan.
- Citizen Involvement in Budgeting Plan.
- County Citizen's Guide to the Budget.

1. Request for assistance in clarifying LBL is about the budget process' financial policies and citizen involvement (CI)/citizen participation (CP) opportunities in the budget process. It is not about accounting methodologies nor about specific allocations.

The summary of our June 10, 2016 email/letter to ODR follows. It is all about understanding the local JO CO budget procedures as defined by LBL.

In summary, please clarify ORLBL for its requirement to identify in local budgets a summary of the purposes/responsibilities of functions and/or programs. We believe what is also needed is a breakdown of programs where the public, budget committee, governing body, and the media can understand the budget allocations and LOS funding in terms of priorities (e.g., mandated, essential, necessary, elective, etc.). What is a budgeted mandated service and a mandated funding LOS as required by ORLBL? What are the detailed requirements of ORLBL in identifying a budgeted mandated service and/or a mandated funding LOS beyond professional opinion and political decisions?

Our November 26, 2016 email/letter to ODR is also about understanding the local JO CO budget processes as defined by LBL, and sadly our preliminary conclusions of LBL's minimum citizen involvement (CI) standards. Our questions to the ODR about the LBL budget processes are documented in our evolving *Citizen Participation In The Josephine County Budget Process* research project (Chapter IV, CP in Budget). They originate from two of its chapters – II and III, and with Chapter IV, Budget Process Brainstorming Questions (Appendices D, E, & F).

We conclude with a summary assessment of using the traditional LBL CI budget process. We do not believe the present traditional “apprise” LBL CI budget process provides assurances that the public needs and trusts. This LBL CI one-way flow of information on proposed financial policies, the ‘review and comment’ methodology – government decide on the policies, then introduce them to the public in a public hearing(s) – is a poor educational vehicle for complex topics, not to mention grossly inadequate as a persuasion tool promoting trust.

As we stated in both our first two letters to the ODR¹ and in this letter, our request for assistance is not about influencing the county's fiscal policies in determining actual programs and levels of service (LOS) – We might provide public input in some future budget document if we ever gain an understanding of the State's LBL procedures for the preparation, presentation, and administration of local governments' budgets and fiscal policies. Our requests are about how the LBL's local budget procedures, and the fiscal policies are to be formulated, documented, and shared with the public through the “apprise” procedure.

Per your November 28, 2016 email, what does “. . . *shall not interfere in any way with the fiscal policy of a municipal corporation as established by its governing body or budget committee*” really mean? We assume the statement means that the ODR will, or could, intervene if the local government is not in compliance with the required LBL procedures, but will not interfere with any specific fiscal policy that results from a legal LBL process. True? Whatever it really means, we are specifically not asking the ODR to interfere with the specific development of JO CO's fiscal program policies and its determination of their LOS (ORS 294.490; Appendix C).

We have so many LBL clarification questions now (Appendices D, E, & F, especially F – Attachment 1). For example, let us start with LBL's “minimum standards” you referred to in your November 28, 2016 email (Appendix A). Please clarify as we do not understand what LBL ORS you are referring to; we could not find “minimum standards” in LBL (ORS 294.305-565).

- Could not find the words “minimum standards” in ORS 294.305-565.
- Found the word “minimum” in ORS 294.444.
- Could not find the word “standards” in ORS 294.305-565.

Where in LBL ORS does it identify that “*municipal corporation may enact their own policies to implement local budget law and provide additional citizen involvement, so long as it doesn’t conflict with the statutes*”? Where in LBL ORS does it provide that DOR cannot address issues that go beyond LBL’s “minimum standards” (i.e., statutorily required procedures)? The way we understand it statutorily required procedures are equal to LBL ORS. True?

For the purpose of budget process clarification, we think a better understanding of ORS 294.321 Purposes, and ORS 294.403 Budget Message, would be especially helpful, especially how they are prepared, presented, and, administered in budgets for local governments. For example, what are the authorities, explanations, processes, ODR’s administrative decisions (however they are labeled), court opinions, etc. applicable to ORS 294.321 and ORS 294.403 (Appendix G)? Helping us understand these two ORS would be significant for us to better comprehend their component parts and how they are related to the required budget procedures and components of local LBL budget documents (i.e. ORS 294.321 – standard procedures; description of the programs; fiscal policy to accomplish programs; specific methods for obtaining public views on the preparation of fiscal policy; and enable the public to be apprised of financial policies; ORS 294.403 – explain the budget document; description of the proposed financial policies; describe connections with the important features with the financial policies; set forth the reasons for salient changes; and explain the major changes in financial policy). What are the meaning differences between “prepared” and “presented” in ORS 294.321.1 (see Appendix G for more questions)? Please advise, if we should start with other, and/or additional ORS.

Thank you in advance for any attention you can give to this information request on helping us understand your statement of LBL ORS’ “minimum standards” (i.e., statutorily required procedures – ORS 294.305-565).

Sincerely,

Mike and Jon :)

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Appendices

- Appendix A. Oregon Department of Revenue’s November 28, 2016 response to JS&PSS Exploratory Committee’s November 26, 2016 and June 10, 2016 email/letters to the Oregon Department of Revenue.
- Appendix B. ORS 294.305 (Sections constituting Local Budget Law) to 294.565 (Failure to file copy of required budget, reports or other documents) shall be known as the Local Budget Law.
- Appendix C. ORS 294.490 Department of Revenue Not to Interfere with Fiscal Policy of Municipal Corporation
- Appendix D. Research on Josephine County’s Public Safety Issue and Citizen Involvement In Josephine County Budget Process
- Appendix E. Research on Oregon Local Budget Law
- Appendix F. Questions Of Oregon Local Budget Law & Josephine County’s Budget Process
- Appendix G. ORS 294.321 Purposes & ORS 294.403 Budget Message

Attachments

- Attachment 1. Chapter IV. Budget Process Brainstorming Questions from *Citizen Participation In The Josephine County Budget Process* (Appendix F)
1. Budget Process Questions Oregon Revised Statutes: 294.305 to 294.565
 2. Budget Process Questions Oregon Administrative Rules: 150-294.175 to 150-294.920
 3. Budget Process Questions From Local Budgeting Manual
 - a) Oregon’s Local Budget Law, per the “*Local Budgeting Manual*”, is found in Oregon Revised Statutes (ORS) 294.305 to 294.565
 - b) Introduction, *Local Budgeting Manual*
 - c) Oregon’s Local Budget Law’s Objectives (ORS 294.321)
 - d) Oregon Local Budget Law’s Citizen involvement Opportunity Questions
 - e) Chapter 1, Who Is Involved In The Budget Process?
 - f) Chapter 3, The Budget Process
 - g) Chapter 8, The Budget Committee and Approving the Budget
 - h) Chapter 9, Publication Requirements
 - i) Chapter 11, The Budget Hearing and Adopting the Budget
 - j) Glossary
 4. Budget Process Questions From Local Budgeting in Oregon
 5. Budget Process Questions From Josephine County FY 2016-17 Budgeting Calendar

Copies

Email copies: HNAHS Officers & Exploratory Committee; JO CO BCC; Other JO CO Elected Officials; JO CO Management Team; JO CO Budget Officer; JO CO Budget Committee; ODR Salem Headquarters Questions; ODR Finance, Taxation and Exemptions Unit; and The Grants Pass Daily Courier

Appendices

- Appendix A. Oregon Department of Revenue's November 28, 2016 response to JS&PSS Exploratory Committee's November 26, 2016 and June 10, 2016 email/letters to the Oregon Department of Revenue.
- Appendix B. ORS 294.305 (Sections constituting Local Budget Law) to 294.565 (Failure to file copy of required budget, reports or other documents) shall be known as the Local Budget Law.
- Appendix C. ORS 294.490 Department of Revenue Not to Interfere with Fiscal Policy of Municipal Corporation
- Appendix D. Research on Josephine County's Public Safety Issue and Citizen Involvement In Josephine County Budget Process
- Appendix E. Research on Oregon Local Budget Law
- Appendix F. Questions Of Oregon Local Budget Law & Josephine County's Budget Process
- Appendix G. ORS 294.321 Purposes & ORS 294.403 Budget Message

Appendix A. Oregon Department of Revenue's November 28, 2016 response to JS&PSS Exploratory Committee's November 26, 2016 and June 10, 2016 Email/Letters to the ODR.

ORF November 28, 2016 Email Response Paragraph 1.

Please help me to clarify your current question. In your June email and our subsequent phone call, I understood the questions to be more related to the county's fiscal policy in determining levels of service, which DOR is prohibited from interfering with (ORS 294.490). But, it seems that is no longer your issue, but rather when citizens become involved and the level of citizen involvement in the budget process.

ORF November 28, 2016 Email Response Paragraph 2.

*Do you wish to make a change in the process within Josephine County, or the underlying local budget law statutes? Please note that local budget law (ORS 294.305-565) **sets forth minimum standards** (emphasis added); a municipal corporation may enact their own policies to implement local budget law and provide additional citizen involvement, so long as it doesn't conflict with the statutes. That being said, DOR cannot address issues that go beyond the statutorily required processes.*

Appendix B. ORS 294.305 (Sections constituting Local Budget Law) to 294.565 (Failure to file copy of required budget, reports or other documents) shall be known as the Local Budget Law.

Oregon Local Budget Law (LBL) is restricted to ORS 294.305 to 294.565 and does not include OARs, *Local Budgeting Manual* or *Local Budgeting in Oregon*.

Appendix C. ORS 294.490 Department of Revenue Not to Interfere with Fiscal Policy of Municipal Corporation.

The departments authority pursuant to ORS 294.495 (Department of Revenue to construe Local Budget Law) to 294.510 (Order for revision of budgetary procedures) shall be limited to obtaining compliance (emphasis added) with ORS 294.305 (Sections constituting Local Budget Law) to 294.565 (Failure to file copy of required budget, reports or other documents) and shall not interfere in any way with the fiscal policy of a municipal corporation (emphasis added) as established by its governing body or budget committee. [1963 c.576 §34c]

Appendix D. Research on Josephine County's Public Safety Issue and Citizen Involvement In Josephine County Budget Process

- **Justice System & Public Safety Services Study Design: 2015**
Justice System Exploratory Committee
Hugo Neighborhood Association & Historical Society
<http://www.hugoneighborhood.org/justicesystemexploratorycommittee.htm>

- **Citizen Involvement In Josephine County Budget Process**
Justice System Exploratory Committee
Hugo Neighborhood Association & Historical Society
<http://www.hugoneighborhood.org/ci.htm>

- **November 2016. Citizen Participation in the Josephine County Budget Process**

Budgets: Josephine County, Oregon
Justice System & Public Safety Services Study Design: 2015
Justice System Exploratory Committee
Hugo Neighborhood Association & Historical Society
<http://www.hugoneighborhood.org/budgets.htm>

- Walker, Mike; Whalen, Jon, Members of Hugo Justice System & Public Safety Services Exploratory Committee, HNA&HS. Draft November 2016. *Citizen Participation In The Josephine County Budget Process*. Hugo, OR. There are nine chapters to the draft evolving Citizen Participation In The Josephine County Budget Process (i.e., I - IX, including acronyms/abbreviations, appendices (including a bibliography), and a glossary.
 - I. Introduction/Purpose, including Acronyms/Abbreviations
 - II. Oregon Local Budget Law Excerpts**
 - III. Excerpts from Josephine County Budgets: FY 2006-07 to FY 2016-17**
 - IV. Budget Process Brainstorming Questions**
 - V. Analysis: Elements and Components of Citizen Participation in Budgeting Process
 - VI. Josephine County Budget Process Issues
 - VII. Citizen Involvement/Citizen Participation Program & Budget Process Recommendations
 - VIII. Budget Process Conclusions
 - IX. Summary & ConclusionsAppendices
Glossary

- June 2016 Oregon Revised Statutes: 294.305 to 294.565 (Oregon Local Budget Law) - Full Text.
Walker, Mike; Whalen, Jon, Members of Hugo Justice System & Public Safety Services Exploratory Committee, HNA&HS. June 21, 2016. Oregon Revised Statutes: 294.305 to 294.565. Hugo, OR.

- June 2016 Oregon Administrative Rules: 150-294.175 to 150-294.920 (Oregon Local Budget) - Full Text
Walker, Mike; Whalen, Jon, Members of Hugo Justice System & Public Safety Services Exploratory Committee, HNA&HS. June 21, 2016. Oregon Administrative Rules: 150-294.175 to 150-294.920.
Hugo, OR.

Appendix E. Research on Oregon Local Budget Law (LBL) & Josephine County Budgets

Citizen Participation In The Josephine County Budget Process Budgets: Josephine County, Oregon

Justice System & Public Safety Services Study Design: 2015

Justice System Exploratory Committee

Hugo Neighborhood Association & Historical Society

<http://www.hugoneighborhood.org/budgets.htm>

- Walker, Mike; Whalen, Jon, Members of Hugo Justice System & Public Safety Services Exploratory Committee, HNA&HS. Draft November 2016. *Citizen Participation In The Josephine County Budget Process*. Hugo, OR.

Chapter II. Oregon Local Budget Law Excerpts

Citizen Participation In The Josephine County Budget Process

- A. Oregon Revised Statutes: 294.305 to 294.565
 1. ORS Outline
 2. ORS Excerpts
- B. Oregon Administrative Rules: 150-294.175 to 150-294.920
- C. Local Budgeting Manual
 1. Introduction, *Local Budgeting Manual*
 - a) Purpose of Local Budget Law
 - b) Citizen involvement
 2. Chapter 1, Who Is Involved In The Budget Process
 3. Chapter 3, The Budget Process
 4. Chapter 8, The Budget Committee and Approving the Budget
 5. Chapter 9, Publication Requirements
 6. Chapter 11, The Budget Hearing and Adopting the Budget
 7. Glossary
- D. Local Budgeting in Oregon
- E. Josephine County Budget Process – Budget Calendar FY 2016-17
- D. Summary

Chapter III. Excerpts from Josephine County Budgets: FY 2006-07 to FY 2016-17

Citizen Participation In The Josephine County Budget Process

- A. Citizen Involvement in Budget Preparation Process
- B. JO CO BCC's Budget Message Financial Policies: FY 2006-07 To FY 2016-17
- C. Excerpts from Josephine County Budgets: FY 2006-07 To FY 2016-17
- D. Goals from JO CO Budgets: FY 2006-07 To FY 2016-17
- E. Directives from JO CO Budgets: FY 2006-07 To FY 2016-17

Appendix F. Questions Of Oregon Local Budget Law & Josephine County's Budget Process

Citizen Participation In The Josephine County Budget Process

Budgets: Josephine County, Oregon

Justice System & Public Safety Services Study Design: 2015

Justice System Exploratory Committee

Hugo Neighborhood Association & Historical Society

<http://www.hugoneighborhood.org/budgets.htm>

- Walker, Mike; Whalen, Jon, Members of Hugo Justice System & Public Safety Services Exploratory Committee, HNA&HS. Draft November 2016. *Citizen Participation In The Josephine County Budget Process*. Hugo, OR.

Chapter IV. Budget Process Brainstorming Questions from *Citizen Participation In The Josephine County Budget Process*

There are five parts to Section IV.A. budget process questions.

1. Budget Process Questions Oregon Revised Statutes: 294.305 to 294.565
2. Budget Process Questions Oregon Administrative Rules: 150-294.175 to 150-294.920
3. Budget Process Questions From Local Budgeting Manual
 - a) Oregon's Local Budget Law, per the "*Local Budgeting Manual*", is found in Oregon Revised Statutes (ORS) 294.305 to 294.565
 - b) Introduction, *Local Budgeting Manual*
 - c) Oregon's Local Budget Law's Objectives (ORS 294.321)
 - d) Oregon Local Budget Law's Citizen involvement Opportunity Questions
 - e) Chapter 1, Who Is Involved In The Budget Process?
 - f) Chapter 3, The Budget Process
 - g) Chapter 8, The Budget Committee and Approving the Budget
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Appendix G. ORS 294.321 Purposes & ORS 294.403 Budget Message

ORS 294.321 Purposes The purposes of ORS 294.305 (Sections constituting Local Budget Law to 294.565 (Failure to file copy of required budget, reports or other documents) are:

- (1) To establish **standard procedures for the preparation, presentation, administration** (emphasis added) and appraisal of budgets of municipal corporations;
- (2) To provide for a **brief description of the programs** (emphasis added) of a municipal corporation **and the fiscal policy** (emphasis added) which is to accomplish these programs;
- (3) To provide for estimation of revenues, expenditures and proposed taxes;
- (4) To provide **specific methods for obtaining public views the preparation of fiscal policy** (emphasis added);
- (5) To provide for the control of revenues and expenditures for the promotion of efficiency and economy in the expenditure of public funds; and
- (6) To **enable the public, taxpayers** (emphasis added) and investors to be **apprised of the financial policies** (emphasis added) and administration of the municipal corporation in which they are interested.

Research Question. What is the difference between “prepared” and “presented” in ORS 294.321.1. Does “presented” mean something like the *Distinguished Budget Presentation Awards Program* of the Government Finance Officers Association and the explanation of the awards criteria (<http://www.gfoa.org/budgetaward>)?

ORS 294.403 Budget Message 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 294.426 (Budget committee meeting) (1). The budget message shall:

- (1) **Explain the budget document** (emphasis added);
- (2) Contain a brief **description of the proposed financial policies** (emphasis added) of the municipal corporation for the ensuing year or ensuing budget period;
- (3) **Describe in connection with the financial policies** (emphasis added) of the municipal corporation, **the important features** (emphasis added) of the budget document;
- (4) Set forth the **reason for salient changes** (emphasis added) from the previous year or budget period in appropriation and revenue items;
- (5) Explain the **major changes in financial policy** (emphasis added); and
- (6) Set forth any change contemplated in the municipal corporations basis of accounting and explain the reasons for the change and the effect of the change (emphasis added) on the operations of the municipal corporation.

Research Questions. What are the relationships between ORS 294.321 Purposes and ORS 294.403 Budget Message? Are the financial policies referenced in the ORS 294.403 Budget Message the same as those identified in ORS 294.321 Purposes? Is the budget message part of all completed budgets (i.e., 1. Complete Budget Officer Proposed Budget Document, 2. Complete Budget Committee Approved Budget Document, and 3. Complete Governing Body’s Adopted Budget Document) available for public input? Do fiscal policies include budget document goals and directives, including budgeting for outcomes processes? How is compliance with “purposes” and “budget message” assessed by local governments and the public? Is there any formal LBL procedures for monitoring, review, and assessment of compliance?