

House Bill 2028

Introduced and printed pursuant to House Rule 12.00. Pre-session filed (at the request of Governor Kate Brown for Oregon Department of Administrative Services)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Eases process for city to elect to receive state-shared revenues.

Eliminates withholding of 10 percent of state-shared revenues from municipal corporation that has not filed annual audit report.

A BILL FOR AN ACT

1
2 Relating to municipal corporation finances; amending ORS 221.770 and 297.466.

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

4 **SECTION 1.** ORS 221.770 is amended to read:

5 221.770. (1) A share of certain revenues of this state shall be apportioned among and distributed
6 to the cities of this state for general purposes as provided in this section. [*A city shall not be in-*
7 *cluded in apportionments or receive distributions under this section for a fiscal year commencing on*
8 *July 1 unless*] **The officer responsible for distributing funds to cities under this section shall**
9 **distribute the funds for a fiscal year beginning on July 1 only if the officer is reasonably**
10 **satisfied that** the city:

11 (a) Elects to receive distributions under this section for the fiscal year [*by enactment of an or-*
12 *dinance or resolution expressing that election and filing a copy of that ordinance or resolution with the*
13 *Oregon Department of Administrative Services not later than July 31 of the fiscal year*];

14 (b) Holds at least one public hearing, after adequate public notice, at which citizens have the
15 opportunity to provide written and oral comment to the authority responsible for approving the
16 proposed budget of the city for the fiscal year on the possible uses of the distributions, including
17 offset against property tax levies by the city for the fiscal year, and certifies its compliance with
18 this paragraph to the Oregon Department of Administrative Services not later than July 31 of the
19 fiscal year;

20 (c) Holds at least one public hearing, after adequate public notice, at which citizens have the
21 opportunity to provide written and oral comment to, and ask questions of, the authority responsible
22 for adopting the budget of the city for the fiscal year on the proposed use of the distributions in
23 relation to the entire budget of the city for the fiscal year, including possible offset of the distrib-
24 utions against property tax levies by the city for the fiscal year, and certifies its compliance with
25 this paragraph to the Oregon Department of Administrative Services not later than July 31 of the
26 fiscal year; and

27 (d) Levied a property tax for the year preceding the year in which revenue sharing is due under
28 ORS 471.810 and this section.

29 (2) Not later than 35 days after the last day of each calendar quarter ending March 31, June
30 30, September 30 and December 31, the Oregon Liquor Control Commission shall determine the

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 amount of the net revenue under ORS 471.805, received during the preceding calendar quarter and
 2 shall certify that amount to the Oregon Department of Administrative Services.

3 (3) In addition to amounts otherwise apportioned to cities under ORS 471.810, not later than 20
 4 days after the date the Oregon Department of Administrative Services receives a certification under
 5 subsection (2) of this section, the department shall apportion among the cities of this state in the
 6 manner provided in subsection (4) of this section an amount equal to 14 percent of the amount so
 7 certified, and shall pay to each city the amount so apportioned to the city. Payments shall be made
 8 from the Oregon Liquor Control Commission Account.

9 (4)(a) The amount apportioned to each city under subsection (3) of this section shall be a per-
 10 centage of the total amount to be apportioned among the cities, determined by dividing the adjusted
 11 population of the city by the sum of the adjusted populations of all cities. The adjusted population
 12 of a city shall be determined by multiplying the [city's] population **of the city** by the sum of:

13 [(a)] (A) The city's [local] consolidated property taxes per capita divided by the average con-
 14 solidated property taxes per capita for all cities in the state; and

15 [(b)] (B) [The amount of state income per capita divided by the amount of city income per capita.]
 16 **The estimated average annual amount of money income of residents of this state divided by**
 17 **the estimated average annual amount of money income of residents of the city.**

18 [(5)] (b) **Notwithstanding paragraph (a) of this subsection**, the amount apportioned to each
 19 city [shall be further limited to an amount no greater than] **may not exceed** the amount of all prop-
 20 erty taxes levied by the city during the year previous to the year in which distributions are made.

21 [(6)] (5) For purposes of the formula set forth in subsection (4) of this section[, "city
 22 population" is the population of a city as last determined under ORS 190.510 to 190.590.]:

23 (a)(A) **"Consolidated property taxes" means the total of all compulsory contributions in**
 24 **the form of ad valorem taxes on property located within a city levied during a one-year pe-**
 25 **riod by the city, a county, any school district and any special governmental district for public**
 26 **purposes and in amounts as compiled by the Department of Revenue on the basis of appli-**
 27 **cation of consolidated tax rates to assessor code area valuations.**

28 [(7)(a) For purposes of the formula set forth in subsection (4) of this section, "Local consolidated
 29 property taxes" has the meaning given in subsection (8) of this section, for a city divided by the popu-
 30 lation of the city as last determined under ORS 190.510 to 190.590.]

31 [(b) The Oregon Department of Administrative Services shall determine the amounts of property
 32 taxes for each city during the fiscal year closing on June 30 preceding the fiscal year commencing on
 33 July 1 for which calendar quarter apportionments are made, and that determination shall be used for
 34 each calendar quarter apportionment for that fiscal year commencing on July 1.]

35 (B) **"Population of a city" means the population of a city as last determined under ORS**
 36 **190.510 to 190.590.**

37 (b) **The Oregon Department of Administrative Services shall determine the amounts of**
 38 **property taxes for each city during the fiscal year closing on June 30 preceding the fiscal**
 39 **year commencing on July 1 for which calendar quarter apportionments are made, and that**
 40 **determination shall be used for each calendar quarter apportionment for that fiscal year**
 41 **commencing on July 1.**

42 [(8) For purposes of subsection (7) of this section "consolidated property taxes" are the total of all
 43 compulsory contributions in the form of ad valorem taxes on property located within a city levied
 44 during a one-year period by the city, a county, any school district and any special governmental district
 45 for public purposes and in amounts as compiled by the Department of Revenue on the basis of appli-

1 *cation of consolidated tax rates to assessor code area valuations.]*

2 *[(9) For purposes of the formula set forth in subsection (4) of this section, "income per capita" is*
 3 *the estimated average annual money income of residents of this state and of residents of each city of*
 4 *this state, respectively, based upon the latest information available from the most recent federal*
 5 *decennial census.]*

6 *[(10)] (6) A city receiving a distribution under this section may return all or any [part] amount*
 7 *of the distribution to the Oregon Department of Administrative Services, which shall deposit the*
 8 *returned amount of the distribution [or part thereof] in the General Fund to be available for pay-*
 9 *ment of the general expenses of the state.*

10 **SECTION 2.** ORS 297.466 is amended to read:

11 297.466. (1) In performing an audit and review required under ORS 297.425, the accountant under
 12 contract with the municipal corporation or the Secretary of State, whoever performs the audit and
 13 review, shall determine if the municipal corporation has, or has not, followed generally accepted
 14 accounting principles in reporting its financial condition and operations, established appropriate
 15 accounting systems and internal controls and substantially complied with legal requirements in
 16 conducting its financial affairs. The determination shall either be included in the signed expression
 17 of opinion or otherwise disclosed in the audit report required under ORS 297.465.

18 (2) Upon receipt of an audit report under ORS 297.465, the governing body of a municipal cor-
 19 poration shall determine the measures it considers necessary to address any deficiencies disclosed
 20 in the report. The governing body shall adopt a plan of action to address the deficiencies. The plan
 21 must include the estimated period of time necessary to complete the planned actions.

22 (3)(a) Within 30 days after filing an audit report with the Secretary of State under ORS 297.465,
 23 a municipal corporation shall file with the secretary a copy of the plan of action adopted under
 24 subsection (2) of this section.

25 (b) At the request of the governing body of the municipal corporation, the secretary shall make
 26 suggestions for addressing the deficiencies cited in the audit report.

27 (c) For counties and cities, upon receipt by the secretary of the audit report and the plan of
 28 action adopted under subsection (2) of this section, the secretary shall either acknowledge the
 29 county or city's plan of action to address the deficiencies cited in the audit report or notify the
 30 county or city of deficiencies that, if not addressed, could result in withholding of funds under this
 31 section. If the governing body of the county or city does not agree with the notification by the
 32 secretary, the secretary shall provide the governing body with an opportunity for a conference re-
 33 garding the notification, audit determinations or corrective measures to be taken.

34 *[(4) If the Secretary of State determines that a county or city has not filed an audit report with the*
 35 *secretary as required under ORS 297.465, the secretary may certify the determination to the State*
 36 *Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director*
 37 *of the Oregon Department of Administrative Services.]*

38 *[(5) If the Secretary of State concurs with determinations made under subsection (1) of this section*
 39 *in two successive audits and reviews of the same county or city, and determines that the governing body*
 40 *of the county or city has not taken adequate action to address the deficiencies cited in the notifications*
 41 *given under subsection (3) of this section, the secretary may certify the determination to the State*
 42 *Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director*
 43 *of the Oregon Department of Administrative Services. The certificate of the secretary under this sub-*
 44 *section may be issued only after notice, opportunity to be heard and hearing pursuant to the provisions*
 45 *of ORS chapter 183, governing contested cases. The hearing shall be held within the jurisdiction of the*

1 county or city.]

2 [(6) Upon receipt of a certificate from the Secretary of State under subsection (4) or (5) of this
3 section, the State Treasurer, the Director of the Department of Revenue, the Director of Transportation
4 and the Director of the Oregon Department of Administrative Services shall withhold from distribution
5 to the county or city 10 percent of the moneys otherwise to be distributed to it under ORS 221.770,
6 323.455, 366.762 to 366.768, 366.785 to 366.820, 471.805 and 471.810. The moneys withheld shall be
7 disbursed to the county or city only after the officer responsible for disbursement has received notice
8 from the secretary that:]

9 [(a) The county or city has filed the audit report required under ORS 297.465 with the secretary;
10 or]

11 [(b) The governing body of the county or city has taken action to follow generally accepted ac-
12 counting principles in reporting financial condition and operations and establish appropriate account-
13 ing systems and internal controls and will substantially comply with legal requirements in conducting
14 its financial affairs.]

15 [(7) The Secretary of State may not issue a certificate under subsection (5) of this section for failure
16 to follow generally accepted accounting principles if a county or city has followed accounting practices
17 authorized by state law.]

18 [(8)] (4) As used in this section, “generally accepted accounting principles” means those ac-
19 counting principles sanctioned by recognized authoritative bodies such as the Governmental Ac-
20 counting Standards Board, the American Institute of Certified Public Accountants, the Financial
21 Accounting Standards Board or their successors.

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