

ADMINISTRATIVE RULE REVIEW

		Rule No. 150-294-0430
Amended	Page Page 1 of 2	Last Revised Date October 19, 2016
		NOTICE OF INTENDED ACTION
Permanent Rule	Bulletin Dated November 2016	Hearing Scheduled November 22, 2016

PURPOSE: ORS 294.388 states that budgets may include amounts for general operating contingencies. We have interpreted that to mean that a contingency may only be budgeted in an “operating fund,” without defining “operating fund.” In the current rule, Example 2 says that a reserve fund is not an operating fund, which is inconsistent with our training regarding reserve funds.

1 **150-294-0430**

2 **General Operating Contingencies**

3 (1) An estimate for general operating contingency may be included in any operating fund. The general
4 operating contingency is not a fund, but an appropriation within a fund. This type of appropriation is
5 allowed on the assumption that in the operation of any municipal corporation certain expenditures will
6 become necessary in the fiscal year of the budget which cannot be foreseen and planned in the budget.

7 (a) An operating fund is one which contains estimates for personnel services, materials and services, or
8 capital outlay.

9 (b) The estimate for a general operating contingency, like other budget estimates, must be a good faith
10 estimate. The estimate must be reasonable and based on past experience, comparable information, or
11 through the use of risk analysis.

12 (c) The estimate for general operating contingencies ~~must~~ may not be used to compensate for improper
13 estimating practices in the preparation of the budget.

14 (2) A fund that finances an activity, the cost of which can be accurately estimated, ~~must~~ may not include
15 an appropriation for a general operating contingency.

16 **Example 1:** A debt service fund for general obligation bonds ~~cannot~~ may not include a general operating
17 contingency. The requirements for a debt service fund are known at the time the budget is prepared.
18 Therefore, there is no unknown or unascertainable aspect to the expenditures from the fund.

19 (3) A non-operating fund ~~must~~ may not have an estimate for general operating contingencies.

20 **Example 2:** A reserve fund is used to save money for future expenditure. If a reserve fund does not
21 include estimates for personnel services, materials and services, or capital outlay, it is ~~Since this is a~~
22 ~~type of~~ nonoperating fund, ~~and it~~ must may not have an estimate for a general operating contingency.

23 (4) An expenditure ~~must~~ may not be made directly from the general operating contingency appropriation.
24 The amount must be transferred from the general operating contingency appropriation to another existing

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1 appropriation. The general operating contingency is then reduced, and the appropriation in question is
2 increased correspondingly.

3 (a) The amount, in aggregate, that may be transferred by resolution of the governing body during any
4 fiscal year or budget period is limited to 15 percent of the original total appropriations ~~budgeted~~ made in
5 the fund, per ORS 294.463(2).

6 (b) Total transfers may exceed 15 percent of the total appropriation budgeted in a fund following the
7 adoption of a supplemental budget prepared for that purpose. See ORS 294.471 and ORS 294.473 for the
8 supplemental budget process.

9 **Example 3:** The General Fund has total appropriations in the amount of \$100,000, including a \$20,000
10 appropriation for the general operating contingency. Only \$15,000 of the general operating contingency
11 may be transferred (by one or more transfers) by a resolution of the governing body. Any portion of the
12 remaining \$5,000 can be transferred only through a supplemental budget.

13 **Stat. Auth.:** ORS 305.100, ~~&~~ 294.495

14 **Stats. Implemented:** ORS 294.388, ORS 294.463