

TERMS USED IN MUNICIPAL FINANCE

APPROPRIATION: An authorization granted by a town meeting, city council or other legislative body to expend money and incur obligations for specific public purposes.

AVAILABLE FUNDS: Balances in the various fund types that represent non-recurring revenue sources. As a matter of sound practice, they are frequently appropriated to meet unforeseen expenses, for capital expenditures or other onetime costs. Examples of available funds include free cash, stabilization funds, overlay surplus, water surplus and enterprise net assets unrestricted (formerly retained earnings).

BUDGET: A plan for allocating resources to support particular services, purposes and functions over a specified period of time.

DEBT AUTHORIZATION: Formal approval by a two-thirds vote of town meeting or city council to incur debt, in accordance with procedures stated in MGL Ch.44 §§ 1, 2, 3, 4a, 6-15.

FISCAL YEAR: Since 1974, the Commonwealth and municipalities have operated on a budget cycle that begins July 1 and ends June 30. The designation of the fiscal year is that of the calendar year in which the fiscal year ends. Since 1976, the federal government fiscal year has begun on October 1 and ended September 30.

FREE CASH: Remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items.

LEVY (TAX LEVY) – The amount a community raises through the property tax. The levy can be any amount up to the levy limit, which is re-established every year in accordance with Proposition 2½ provisions.

LOCAL AID (CHERRY SHEET): Revenue allocated by the Commonwealth to cities, towns and regional school districts. Estimates of local aid are transmitted to cities, towns and districts annually by the “Cherry Sheets”. Most Cherry Sheet aid programs are considered general fund revenues and may be spent for any purpose, subject to appropriation.

LOCAL RECEIPTS: Locally generated revenues, other than real and personal property taxes. Examples include motor vehicle excise, investment income, meals tax, fees, rentals, and charges.

MAINTENANCE BUDGET: A no-growth budget that continues appropriations for programs and services at their current year levels. The actual appropriation to maintain programs and services may still increase due to inflation and other factors.

OVERRIDE: A vote by the community at an election to permanently increase the levy limit. An override vote may increase the levy limit no higher than the levy ceiling. The override question on the election ballot must state a purpose for the override and the dollar amount.

RAISE AND APPROPRIATE: A phrase used to identify a funding source for an expenditure or expenditures, which refers to money generated by the tax levy or other local receipt.

RESERVE FUND: An amount set aside annually within the budget to provide a funding source for extraordinary or unforeseen expenditures.

REVOLVING FUND: Allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service.

STABILIZATION FUND: A fund designed to accumulate amounts for capital and other spending purposes, although it may be appropriated for any lawful purpose (MGL Ch.40 §5B).