

September 23, 2025

New Municipal Financing Options in Vermont Law Provide Legislative Bodies More Flexibility



BE FLEXIBLE



Two exciting revisions regarding municipal finance (in [Act 57](#)) took effect on July 1, 2025, thanks to our Advocacy Team's efforts. They helped secure new provisions of law that allow legislative bodies (selectboards, city councils, etc.) to carry forward unassigned fund balances (surpluses) and borrow for emergency response for up to five years of debt service, both **without prior voter approval**. These have been summarized in VLCT's [2025 Legislative Wrap-Up](#).

- **Authority to create and maintain an Unassigned Fund Balance.**

Establishing an Unassigned Fund Balance is a prudent practice recommended by numerous auditors and governmental finance professionals that would assist municipalities in cash flow management, stabilize the local property tax rate, improve emergency response, and significantly strengthen municipalities' financial resiliency in the case of unexpected negative economic trends. Many municipalities had this authority by charter; now all municipalities may create such a fund balance to manage unexpended revenues in future years' budgets. Specifically, the new law says that monies from a budget approved by the voters at an annual or special meeting that are not expended by the end of a municipality's fiscal year are under the control and direction of the legislative body of the municipality and may be carried forward from year to year as an



unassigned fund balance. Unassigned fund balances may be invested and reinvested as are other monies received by a town treasurer and may be expended for any public purpose as established by the legislative body of the municipality. 24 V.S.A. § 1585.

- **Authority to borrow for emergency response for up to five years of debt service.**

In the wake of flooding and other all-hazard events, municipalities cannot wait for FEMA reimbursements to come before rebuilding vital town infrastructure or restoring municipal services. State law now allows municipalities to take on debt for up to five years without a town vote in the case of an all-hazards event.

