Model Balanced Budget Policy + Guidance

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A balanced budget is necessary for proper financial management in local government. Overestimation of municipal revenues, deferral of maintenance, replacement of capital assets, and inadequate funding of municipal obligations can necessitate borrowing or increases in tax rates, both of which can limit a municipality's ability to provide future services.

Budget Creation and Administration. By tradition, the selectboard prepares the budget for voter approval at the annual town meeting; by law, it sets the tax rate necessary to raise the specific amounts voted. The selectboard manages the town budget through the course of the fiscal year under its authority to sign orders for payment of town funds. To approve orders, the board must meet and, by a majority of the total number of members of the board, vote to authorize the treasurer to disburse money. The selectboard may vote to authorize one or more members to examine and approve the payment of certain town expenses.

Unanticipated expenditures and revenue shortfalls caused by unforeseen circumstance can require a transfer of money between line items or even deficit spending. The model policy provides that the municipal budget will be administered to provide services in a manner consistent with the voters' expectations in light of actual circumstances and managed to avoid deficit spending and short-term borrowing.

Line-Item Transfers. The model policy also provides that all transfers between budget line items will require a majority vote of the selectboard.

Budget Closing Plan. At the close of the fiscal year, the treasurer will present a budget closing plan to the selectboard, making recommendations for transfers between line items and recommendations for the application of any budget surplus. Approval of the plan will require a majority vote of the selectboard. Any annual budget deficit will be addressed in accordance with 24 V.S.A. § 1523(a).

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