Annual Budget Process in Towns

The annual budget is a community's primary policy statement and establishes the priorities of government. Formulating the annual budget is the most visible activity of local leaders, and its approval by town meeting is a hallmark of participatory government. When systematic, inclusive and responsive, the budget process can give residents confidence in the management of the town's fiscal affairs and in the expenditure of their tax dollars.

- The most effective budget process follows a formal calendar that begins in the fall of each year with revenue projections.

Moving forward, major milestones in the process often times include the components below:

- Joint meeting of selectmen, finance committee and school committee to review revenue projections and reach consensus on overall expenditure levels, the use of reserves, and the allocation of resources in general.
- Distribution of budget guidelines for department managers as they begin to prepare their appropriation requests.
- Deadlines for submission of departmental appropriation requests and for preparation of a working, or draft, budget document.
- Completion of meetings with department managers to review requests.
- A second, and sometimes last, round of adjustments to revenue projections.
- Formulation of the initial budget recommendation by the town manager, town administrator, finance director or finance committee depending on government structure.
- Budget approval by board of selectmen in its capacity as chief policy maker for the town.
- Budget review by finance committee with a deadline to ensure the town meeting warrant is printed and distributed in sufficient time for town meeting members and residents.
- Presentation of the annual budget recommendation to town meeting.

Throughout the process, decision-makers should recognize and adhere to formal policies guiding the use of free cash, stabilization, other reserves and for establishing debt levels.

Also, decisions should be made on the extent of budget detail to be included in the warrant budget article and as supplemental information, which is not subject to a vote.

Finally, the layout, or format, of the budget should be carefully considered. It tells town meeting what level of detail it is voting, and reflects a decision on the degree of management
flexibility the town chooses to give department heads by allowing or restricting their ability to transfer money between budget line-items without town meeting approval.