**Common Municipal Budget Terms**

**Appropriation:** An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in the amount and the time when it can be expended.

**Available Funds:** Balances in various fund types that represent non-recurring revenue sources. Examples include Free Cash, Stabilization Funds, and Overlay Surplus, funds that are frequently used to meet unforeseen expenses or other onetime costs.

**Capital Budget:** Budget in which the town schedules and tracks its long-term capital needs. The goal of the Capital Budget is to balance foreseeable capital expenses over time so that each year there is a clear estimate of potential capital expenses.

**Cherry Sheet:** Named for the color of the paper on which it was originally printed. It provides a statement to the town of (1) the estimated receipts the state will pay to the town during the next fiscal year, and (2) the estimated assessments and charges the town must pay for the services performed by the state, county and certain regional districts for the next fiscal year.

**Debt Exclusion**: A one-time approval for borrowing funds that will not continue to be part of the town’s budget once the debt is paid. It permits the town to assess taxes above its Levy Limit for the life of the specific debt, without the approved amount becoming part of the base upon which the Levy Limit is calculated in the future. Debt Exclusion is a normal part of towns ’spending planning.

**Debt Service**: The repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue

**Enterprise Fund:** A standalone fund with its own assets, liabilities, fund balance, revenues and expenses in which a municipal service is operated as a business unit. Costs of the service are primarily recovered from user charges and may be supplemented by general revenues.

**Excess Levy Capacity:**  Difference between the Levy Limit and the amount of real and personal property taxes actually levied in a given year.

**Free Cash:** Amount a town expects to have remaining, in unrestricted funds, at the end of the fiscal year, and a reasonable amount of Free Cash is one indicator of a town’s financial health. Towns generally use free cash to support current-year operations or to provide a revenue source for next year’s budget.

**Financial Reserves**: An indicator of a town’s financial health. They are intended to help the town sustain service levels despite the adverse financial impacts of economic downturns and unforeseen or extraordinary expenses. Together, Free Cash and Stabilization Fund comprise the town’s Financial Reserves.

**General Fund:** The fund into which the general (non- earmarked) revenues of the town are deposited and from which money is appropriated to pay expenses.

**Levy**: A tax.

**Levy Ceiling:** Maximum amount a community can Levy in a given year. It is one of two types of Levy restrictions established by Proposition 2 1/2

**Levy Limit:** Maximum a town can collect through real and personal property taxes in a given year. It is one of the two Levy restrictions placed on a community’s Levy by Proposition 2 1/2. The Levy Limit will only exceed the Levy Ceiling in the town passes an exclusion such as a Debt Exclusion.

**Overlay:** Account established annually to fund abatements, exemptions and uncollected taxes in that fiscal year. The overlay amount is determined by the Board of Assessors.

**Overlay Surplus:** Excess Overlay that is transferred from Overlay by vote of the assessors. It may then be appropriated by town meeting for any purpose for which the town may expend funds at year end. If not expended, it will close to Free Cash.

**Override: A** vote to increase the amount of property tax revenue that may be raised over the Levy Limit.

**Proposition 2 1/2** (M.G.L. Ch. 59 Sec. 21C): Passed by Massachusetts voters in 1980. It places a limit on the amount of property taxes a community can Levy each year and establishes two types of restrictions on the annual property tax Levy, a Levy Limit and a Levy Ceiling. Under Proposition 2 1/2 a community cannot Levy in excess of 2.5% of the total full and fair cash value of all taxable real and personal property in the community (Levy Ceiling). In addition, a community’s Levy is constrained by the amount it may increase from one year to the next, 2.5% (Levy Limit).

**Proposition 2 1/2 Override:** Permits the town to assess taxes above its Levy Limit. While Debt Exclusion is a temporary increase and does not add to the base on which future Levy Limits are set, a Proposition 2 1/2 Override permanently adds to the town’s Levy Limit.

**Reserve Margin:** The percent of a town’s budget made up by Financial Reserves. Financial Policies may recommend a Reserve Margin of 10% to15% of General Fund operating expenditures to keep the town in a sound financial position to respond to unanticipated and emergency financial needs.

**Stabilization Fund** is a fund established to set aside money to be used for emergencies and unforeseen expenses. It can be used for any lawful municipal purpose.