BUDGET TERMS USED IN MUNICIPAL FINANCE[i]

BUDGET: A plan for allocating resources to support particular services, purposes and functions over a specified period of time. (See Level Funded Budget, Performance Budget, Program Budget, Zero Based Budget)

BUDGET MESSAGE: A statement that, among other things, offers context by summarizing the main points of a budget, explains priorities, describes underlying policies that drive funding decisions, and otherwise justifies the expenditure plan and provides a vision for the future.

CAPITAL BUDGET: An appropriation or spending plan that uses borrowing or direct outlay for capital or fixed asset improvements. Among other information, a capital budget should identify the method of financing each recommended expenditure, i.e., tax levy or rates, and identify those items that were not recommended.

LEVEL FUNDED BUDGET[ii]: A "level funded" budget appropriates the same amount of money to each municipal department and is tantamount to a budget cut from the prior year appropriation. Even under level funding, however, increases in mandated costs and other fixed expenses must be covered, usually at the expense of the general government operating budget.

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 or other factors.

OPERATING BUDGET: A plan of proposed expenditures for personnel, supplies, and other expenses for the coming year.

PERFORMANCE BUDGET: A budget that stresses output both in terms of economy and efficiency.

PROGRAM BUDGET: A budget that relates expenditures to the programs they fund. The emphasis of a program budget is on output.

ZERO BASED BUDGET: A budget building technique where each department begins at zero and adds the cost of essential programs up to an established funding limit. Each year the process begins again at zero prompting close scrutiny and prioritization of costs annually.

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[i] Source: Massachusetts Department of Revenue "Municipal Finance Glossary" pub. May 2008 – except for Level Funded Budget

[ii] Source: Mass DOR Division of Local Services TECHNICAL ASSISTANCE SECTION "Forecast Revenue and Expenditures" http://www.mass.gov/dor/docs/dls/mdmstuf/technical-assistance/best-practices/forecastrevenuesandexpenditures.pdf