

TECHNICAL PAPER SERIES

Town Budget Process Overview

April 2026

NEW YORK STATE TUG HILL COMMISSION



DULLES STATE OFFICE BUILDING · 317 WASHINGTON STREET · WATERTOWN, NY 13601 · (315) 785-2380 · WWW.TUGHILL.ORG



Town Budget Process Overview

Table of Contents

Introduction.....	2
Know Your Town’s Fiscal Profile.....	2
Understanding Revenues	2
Understanding Expenses.....	3
Fund Balance and Financial Condition.....	4
Tools for Preparing the Budget	4
Annual Budget Timetable	5
Monitoring the Budget	8
Modifying the Budget.....	9
Glossary of Terms	10
References	12

Thank you to Laird Petrie, Municipal Consultant, for his assistance and review of this paper.

The Tug Hill Commission Technical and Issue Paper Series is designed to help local officials and citizens in the Tug Hill region and other rural parts of New York State. The technical paper series provides guidance on procedures based on questions frequently received by the commission. The issue paper series provides background on key issues facing the region without taking advocacy positions. Other papers in each series are available from the Tug Hill Commission.

Please call (315) 785-2380 or visit www.tughill.org for more information.

Introduction

Every government in New York must prepare an annual operating budget. For towns, the town board is responsible for preparing and adopting the budget, as well as the general management and control of town finances. Each town has a budget officer who is responsible for gathering financial information and preparing the budget. By law, the supervisor is designated as the town's budget officer. However, the supervisor may appoint any person other than a town board member to serve in that position (Town Law § 103).

Know Your Town's Fiscal Profile

It is important that the town board understand the town's fiscal profile, which is where the town's money comes from, how it is allocated, and what factors influence the town's financial condition. This can be done by examining revenues, expenditures, and fund balances.

Understanding Revenues

Property Taxes

Property taxes are the primary source of revenue for most towns. The town board determines the amount of taxes to be levied each year through the budget adoption process. These taxes are based on the assessed value of taxable property within the town and are subject to the property tax levy limit established by NYS General Municipal Law §3-C. This limit applies to the total tax levy, including certain property-based charges such as water and sewer benefit assessments (i.e. EDU charges), which are treated as part of the levy when billed on the tax roll. A town may exceed the levy limit only if it adopts a local law authorizing an override for that fiscal year.

State Aid

Towns receive financial assistance from NYS through programs such as Consolidated Local Street and Highway Improvement Programs (CHIPS) funding, Aid and Incentives for Municipalities (AIM), and other reimbursement programs. These funds help offset the cost of providing services but may fluctuate from year to year depending on state budget decisions.

Fees and Charges for Services

Towns may collect fees for services such as building permits, planning and zoning applications, recreation programs, and other municipal services such as water and sewer. These fees help offset the cost of providing those services and reduce reliance on property taxes.

Sales Tax Revenue

In some counties, towns receive a share of county sales tax revenue. This can be an important revenue source, particularly in communities with strong retail activity. A common misconception is that sales tax collected by retail activity within a town or village

directly affects the amount of sales tax revenues they receive. A town or village that has no retail activity still receives sales tax revenues from the county because the distribution method is generally based on taxable assessed value and population rather than where the sales tax was generated from (i.e. the store making the sale). Each county that has elected to distribute sales tax revenues to their towns and villages uses a different formula to determine how much each local government will receive.

Use of Fund Balance

Fund balance represents the total of all operating surpluses and deficits from prior years. Towns may appropriate a portion of the fund balance to help finance the current year's budget. Depending on fund balance is not sustainable in the long run and should be carefully managed.

Additional revenue sources may include interest earnings, fines, grants, and reimbursements from other governmental entities.

Understanding Expenses

Town expenses reflect the cost of providing services and operating town government. Categories of expenditure are listed and described below.

General Government

This includes the cost of operating the town board, supervisor's office, clerk's office, assessor, and other administrative functions necessary to operate the town.

Public Safety

This category may include police contracts, safety inspectors, and other public safety services provided by or on behalf of the town.

Highways and Infrastructure

Highway costs are often the largest portions of a town budget. This includes road maintenance, snow removal, equipment, materials, and highway department personnel.

Employee Compensation and Benefits

This includes salaries, wages, health insurance, retirement contributions, and other employee benefits.

Contractual Services

Towns frequently contract with outside providers for services such as engineering, legal services, fire protection, and solid waste disposal.

Debt Service

If the town has issued bonds or notes to finance capital improvements, it must make principal and interest payments as required.

Capital Improvement and Equipment

Towns must periodically invest in infrastructure, vehicles, buildings, and equipment to maintain service levels.

Understanding expenses helps identify major cost drivers, evaluate spending trends, and ensure that resources are allocated in a manner consistent with community priorities.

Fund Balance and Financial Condition

Fund balances help maintain fiscal stability and can serve as a financial cushion to address unexpected expenses, revenue shortfalls, or emergencies. Comparing current fund balances to prior years can help evaluate whether the town's fiscal condition is improving, declining, or remaining stable. Town finances are organized into separate funds, each of which accounts for specific revenues and expenditures. Common funds include the **General Fund**, which supports general government operations, and the **Highway Fund**, which supports road maintenance and highway services. Funds must be accounted for separately to ensure revenues are used only for their intended purposes.

Tools for Preparing the Budget

Department heads can provide the town board with estimates for the upcoming year, and estimates should be reviewed to ensure they are reasonable, supported by historical data, and consistent with the town's financial condition. Estimates should include details and justifications, and preliminary meetings between the supervisor or budget officer and department heads can be helpful.

Town officials should also review recommendations regarding the repair or replacement of machinery and equipment. The terms of labor contracts and personnel policies should also be reviewed to assess their impact on future expenditures, including anticipated changes in staffing levels, hours worked, wages, or employee benefits.

Reviewing prior year actual revenues and expenditures, current year-to-date financial reports, monthly supervisor reports, outstanding debt obligations, reserve fund balances, and the tax levy limit established by the state comptroller, is also recommended.

Annual Budget Timetable

Preparing and adopting the annual budget should follow the statutory timetable established in Town Law §104 through 109, and as displayed in the table below.

Date	Budget Process
September 1	Supervisor/budget officer furnishes forms to department heads.
September 20	Forms are returned to supervisor/budget officer.
September 30	Supervisor/budget officer files tentative budget and estimates with town clerk. Must include exemption report.
October 5	Date by which town clerk submits tentative budget to town board at a regular or special meeting.
Thursday after November election	Date by which town must hold public hearing on preliminary budget after proper public notice (at least 5 days).
November 20	Date by which the budget must be adopted.
The town clerk is required to prepare and certify in duplicate the annual budget as adopted by the town board. Copies of the certified budget are given to the supervisor to deliver to the clerk of the county legislature so that taxes can be levied. Must include exemption report.	

Certain elements of the budgeting process should begin much earlier. Below are some additional recommendations and details on the deadlines outlined in the table.

Early July – The town is halfway through working with the current fiscal year budget. Now is a good time to evaluate how the town is doing compared to what was estimated when the budget was created. Are there significant variations, positive or negative, in revenues or expenses? Does the town have a plan to stay within the current fiscal year budget? Are there any adjustments needed? Are any changes to the budget unique to this year, or do they need to be reflected in next year’s town budget?

Mid-July – The state comptroller releases the tax levy limit for budgets beginning with the next calendar year.

August – Since department heads are required to have their budget estimates back into the budget officer by September 20, many choose to issue these at least a month earlier. Some budget officers also provide the department heads with information about how much money was budgeted in the current fiscal year, and how much it has been expended.

This is also a good time for the budget officer to request an exemption report from the town assessor. This report shows how much the total assessed value on the final assessment roll is exempt from taxation. The town is required to attach this to the tentative and preliminary budgets, and it becomes part of the final budget (Real Property Tax Law § 495).

Real Property Tax Law § 495 also requires that this report be mentioned in any notice of the preparation of the town budget otherwise required by law and posted on any bulletin board maintained by the town for public notices, and on any website maintained by the town.

September 20 – Budget requests are due back to the budget officer. The budget officer then prepares the tentative budget, including their recommendations, which may include a budget message explaining the main features of the tentative budget and any additional information as they may deem advisable. The State comptroller identifies these as topics that a budget message should discuss:

- Changes from the prior budget, such as appropriations for capital projects
- Substantial increases in specific appropriations
- Appropriations for new services, such as garbage and refuse removal
- The financial condition of the town
- New or drastically changed revenue sources
- Any other item of interest to the town boards and the taxpayers

September 30 – The budget officer files the tentative budget with the town clerk on or before this day.

October 5 – The town clerk presents the tentative budget to the town board at a regular or special meeting on or before this day.

October 5 – late October – The beginning of the tentative budget round is a good time for the town supervisor to perform the calculation with the state comptroller’s office on what amount the town can levy without exceeding the tax levy limit.

The town board reviews the tentative budget and makes such changes, alterations, and revisions as it considers advisable, consistent with law. The tentative budget and any changes approved by the town board becomes the preliminary budget. The preliminary budget is filed in the town clerk’s office, and the town clerk shall make copies for public distribution as may be directed by the town board.

Town Law Article 8, § 107 requires the preliminary budget to be in the format prescribed by the state comptroller. Please reference the laws and the guidance published by the state comptroller for the specifics of the preliminary budget format but it generally includes:

- Proposed appropriations and estimated revenues
- Estimated fund balances, with each fund balance broken down into:
 - Encumbrances
 - Any amount appropriate to next year’s budget
 - Amounts reserved for stated purposes pursuant to law including money the town intends to put in a reserve fund
 - The remaining estimated unappropriated unreserved fund balance, which shall not exceed a reasonable amount.
- The amount of taxes to be levied.
- Salaries of elected officials, other than town justices.

- Other such information pertinent to the above that will be prescribed by the state comptroller.

The preliminary budget must include any additional information required by resolution of the town board. The board may require the head of any administrative unit and the budget officer to appear and discuss the tentative budget and submitted estimates, and any administrative unit head may request in writing to appear before the board to explain their estimates. Town Law §27 governs compensation of town officers and employees, Highway Law §141 addresses highway and bridge expenditure estimates, and Highway Law §271 limits the amounts that may be raised. If the town contracts with an incorporated fire company, the company must submit to the town board an itemized statement of estimated costs attributable to services under the proposed contract, along with any reports required by Town Law §184. These requirements must be completed within the statutory timeline, as the town board must hold a public hearing on the preliminary budget on or before the Thursday following the general election, typically in early November. Notice of the hearing must be published at least five days in advance and must include:

- Time, date, and location of public hearing
- A mention that the preliminary budget is available at the town clerk's office for inspection during office hours
- Proposed salaries of elected officials
- Notice of the exemption report

Because some official newspapers publish weekly and operate under early press deadlines, the town should determine by early October the deadline for completing and submitting the preliminary budget to the town clerk. At that point, the town will know whether the proposed budget complies with the tax levy limit; if it exceeds the limit, the town must adopt a local law overriding the limit before adopting the final budget. The override applies only to that fiscal year, and if the levy is exceeded without an override, the excess may not be spent and must be used to reduce a future tax levy.

November 7 – If the town has a fire district (different than a fire protection district), the boards of the fire commissioners must file their budgets with the town budget officer by November 7, and the budget officer must affix the fire district budget to the town's annual budget. This budget is not subject to change by the budget officer or town board.

Post Public Hearing – The town board may continue to change, alter, and revise the preliminary budget.

November 20 – When the town board is finished with the preliminary budget, they must adopt the budget by resolution (sample resolutions are available from the Tug Hill Commission) no later than November 20. If the town board does not adopt a budget by November 20, the preliminary budget automatically becomes the final budget, with any agreed upon changes, alterations, or revisions made by the board up to that date.

After budget adoption, or failed budget adoption – The town clerk shall prepare and certify in duplicate a copy of the annual budget as adopted by the town board, together with the estimates of improvements, if any, adopted pursuant to Town Law §202-a. The town clerk will also affix to the annual budget each fire district’s certified annual budget. Within five days, the town clerk will deliver two copies to the town supervisor, and the supervisor then will give a copy of the annual budget to the county legislature or the county board of supervisors. The county then directs that the amounts set forth in the budget to be raised and ensures that the budget or a summary, recapitulation, or abstract of it is printed in the journal or official proceedings of the board.

Monitoring the Budget

Once the annual budget is adopted, the town board must monitor revenues and expenditures throughout the year to make sure the town operates within the budget. Town Law §104 and §106 establish the requirement that towns adopt a balanced budget and appropriate funds for specific purposes. Once adopted, these appropriations represent legal spending limits. Board authorization is required to deviate from the adopted budget.

Pursuant to Town Law §117, every town officer and employee has a statutory responsibility to keep expenditures within budgetary limits.

Monthly reports from the supervisor are a key tool for monitoring the budget. Town Law §125 requires that monthly reports must be submitted by the supervisor to the town board. This report provides a summary of the town’s financial activity and condition and typically includes:

- Cash balances in each town fund
- Total receipts received during the month and year-to-date
- Total expenditures made during the month and year-to-date
- Comparison of revenues and expenditures to the amounts budgeted (budgetary report)

The **budgetary report** comparing budget to actuals helps answer key questions such as:

- Are revenues being received at the levels anticipated in the budget?
- Are expenditure exceeding budgeted amounts?
- Are certain departments overspending or underspending?
- Will adjustments be necessary before the end of the fiscal year?

Monitoring both the monthly and budgetary reports will allow the town board to assess whether the town is on track to remain within its adopted budget. Early identification of variances allows the town to make adjustments before small issues become significant financial problems.

Modifying the Budget

During the fiscal year, circumstances such as unexpected expenditures, emergency repairs, or revenue shortfalls may require changes to the adopted budget. The town board has the authority to modify the budget as necessary by board resolution. Common methods of modifying the budget include:

Budget Transfers

The town board may transfer appropriations between budget lines in the same fund to address changing needs. Transfers must be approved by the town board and properly recorded.

Use of Fund Balance

The town board may appropriate available fund balance to address unforeseen expenditures or revenue shortfalls (Town Law §107; OSC Accounting and Reporting Manual).

Budget Amendments

Unanticipated revenues, such as grants, insurance recoveries, or reimbursements, may also require the town board to amend the budget to authorize corresponding expenditures. These amendments must be approved by the town board and recorded in official minutes.

Transfers Between Funds

Interfund transfers are authorized by the town board in accordance with applicable provisions of NYS Town Law and guidance from the Office of the New York State Comptroller. Transfers may be made by board resolution where permitted by law; however, not all transfers are allowable. For example, transfers from the general fund to the highway fund are permitted, while transfers from restricted funds (such as highway funds) to the general fund are generally not allowed.

All transfers must comply with the principle of taxpayer equity and fund accounting requirements, meaning that revenues raised for a specific purpose or geographic area must be used accordingly (e.g., town-wide funds to town-wide purposes and part-town funds to part-town purposes). Funds must be used in accordance with their legal purpose, and interfund transfers cannot be used to circumvent statutory or accounting restrictions.

Borrowing

When estimated revenues and available fund balance are insufficient to finance appropriations, a town may borrow on a temporary basis by issuing budget notes or deficiency notes, as authorized by NYS Local Finance Law. These notes must be authorized by the town board, repaid from future revenues, and used cautiously as they create obligations that impact future budgets.

Budget notes may be issued to fund expenditures not provided for in the budget, generally up to five percent of the annual budget, or without limit in the case of an unforeseen public emergency. The authorizing resolution must specify the appropriation line item(s) and

amounts, and proceeds may only be used for those purposes, with any excess applied to debt repayment.

Deficiency notes may be issued during the fiscal year to address revenue shortfalls and are limited to five percent of the annual budget. Proceeds must be used solely to cover the deficiency, with any remaining funds applied to repayment.

The town board must provide for repayment of both types of notes in the next fiscal year's budget, or, if issued after that budget is adopted, in the following year's budget.

Glossary of Terms

Appropriation

Authorization granted by the town board to spend money for a specific purpose. Appropriations establish the legal spending limits for each budget line.

Appropriated Fund Balance

Portion of the fund balance that has been designated by the town board to be used as a revenue source in the current year's budget.

Balanced Budget

A budget in which estimated revenues and appropriated fund balance equal total appropriations.

Budget Note

A form of short term financing that may be issued to provide funding (generally up to five percent of the budget) for expenditures for which insufficient or no provision was made in the budget or expenditures necessary because of an unforeseen public emergency (no limit).

Budget Transfer

The movement of appropriated funds from one budget line to another, authorized by board resolution.

Capital Expenditure

Spending for the purchase, construction, or improvement of long-term assets such as equipment, vehicles, buildings, or infrastructure.

Contingency

Funds set aside in the budget to cover unexpected expenditures or emergencies.

Deficiency Note

May be issued during a fiscal year to finance a deficiency in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The

deficiency notes may not exceed five percent of the amount of that same year's town annual budget. The proceeds received from the issuance of deficiency notes are only to be used to finance a deficiency in a fund or funds arising from revenues being less than the amount estimated in the budget. If all the proceeds of the deficiency notes are not expended for this purpose, any remaining proceeds must be used for the payment of the principal and interest in the deficiency notes.

Encumbrance

An appropriation that's spoken for or a commitment related to an unperformed executed contracts for goods or services.

Estimated Revenues

The projected amount of money the town expects to receive from various sources during the fiscal year.

Exemption Report

A report prepared by the town assessor identifying the value of property exempt from taxation. This report must be attached to the tentative and preliminary budget pursuant to Real Property Tax Law §495.

Fire District

A separate unit of local government governed by an elected board of fire commissioners that is responsible for providing fire protection services within its boundaries. Fire districts have independent taxing authority.

Fire Protection District

A geographic area established by the town board where fire protection services are provided through a contract with a city, village, fire district or incorporated fire company. Fire protection districts do not have independent taxing authority, the town levies taxes on their behalf.

Fiscal Condition

The overall financial health of the town, including its ability to generate revenues, meet expenditures, and maintain adequate fund balance.

Fund

A separate accounting entity used to track specific revenues and expenditures for particular purposes.

General Fund

The primary operating fund of the town, used to account for most general government functions and services.

Highway Fund

The fund used to account for revenues and expenditures related to highway maintenance, construction, and repair.

Property Tax Levy

The total amount of property taxes to be raised to support the town budget.

Preliminary Budget

The tentative budget after modification by the town board and before adoption.

Reserve Fund

A saving mechanism for accumulating cash for future capital outlays and other allowable purposes authorized by statute.

Tax Levy Limit

The maximum allowable increase in the property tax levy without adopting a local law override.

Tax Rate

The amount of tax charged per unit of assessed property value.

Tentative Budget

The initial budget prepared by the budget officer before town board review.

Unappropriated Fund Balance

The portion of fund balance that has not been designated or appropriated for a specific purpose and remains available for future use.

References

1. New York State Legislature. (n.d.). *Highway Law § 141: Estimates of expenditures for highways and bridges*. www.nysenate.gov/legislation/laws/HAY/141
2. New York State Legislature. (n.d.). *Highway Law § 271: Limitations of amounts to be raised*. www.nysenate.gov/legislation/laws/HAY/271
3. New York State Legislature. (n.d.). *Local Finance Law § 29.00: Budget notes*. www.nysenate.gov/legislation/laws/LFN/29.00
4. New York State Legislature. (n.d.). *Local Finance Law § 30.00: Deficiency notes*. www.nysenate.gov/legislation/laws/LFN/30.00
5. New York State Legislature. (n.d.). *Real Property Tax Law § 495: Exemption reports*. www.nysenate.gov/legislation/laws/RPT/495
6. New York State Legislature. (n.d.). *Town Law § 27: Compensation of town officers and employees*. www.nysenate.gov/legislation/laws/TWN/27
7. New York State Legislature. (n.d.). *Town Law § 29: Supervisor: Powers and duties*. www.nysenate.gov/legislation/laws/TWN/29

8. New York State Legislature. (n.d.). *Town Law § 64: General powers of town boards*. www.nysenate.gov/legislation/laws/TWN/64
9. New York State Legislature. (n.d.). *Town Law § 103: Supervisor as budget officer*. www.nysenate.gov/legislation/laws/TWN/103
10. New York State Legislature. (n.d.). *Town Law § 104: Supervisor to prepare tentative budget*. www.nysenate.gov/legislation/laws/TWN/104
11. New York State Legislature. (n.d.). *Town Law § 106: Preparation, filing and review of tentative and preliminary budgets*. www.nysenate.gov/legislation/laws/TWN/106
12. New York State Legislature. (n.d.). *Town Law § 107: Contents of preliminary budget*. www.nysenate.gov/legislation/laws/TWN/107
13. New York State Legislature. (n.d.). *Town Law § 108: Public hearing*. www.nysenate.gov/legislation/laws/TWN/108
14. New York State Legislature. (n.d.). *Town Law § 109: Final revision and adoption of budget*. www.nysenate.gov/legislation/laws/TWN/109
15. New York State Legislature. (n.d.). *Town Law § 125: Supervisor's monthly report*. www.nysenate.gov/legislation/laws/TWN/125
16. New York State Legislature. (n.d.). *Town Law § 184: Fire protection districts*. www.nysenate.gov/legislation/laws/TWN/184
17. New York State Legislature. (n.d.). *Town Law § 202-a: Expenses of improvements*. www.nysenate.gov/legislation/laws/TWN/202-A
18. New York State Office of the State Comptroller. (2019). *Accounting and reporting manual for local governments*. www.osc.state.ny.us/local-government/publications
19. New York State Office of the State Comptroller. (2020). *Information for town officials*. www.osc.state.ny.us/files/local-government/publications/pdf/information-for-town-officials.pdf
20. New York State Office of the State Comptroller. (n.d.). *Real property tax cap: Local governments*. www.osc.state.ny.us/local-government/property-tax-cap/real-property-tax-cap-local-governments
21. New York State Office of the State Comptroller. (n.d.). *Understanding the budget process*. www.osc.state.ny.us/files/local-government/publications/pdf/budgetprocess.pdf