

Shutesbury Finance Committee - January Fiscal Update

The Budget Process and Tools

Drafting the Fiscal Year 2027 budget (July 1, 2026 – June 30, 2027) is underway. Our work to recommend a balanced budget to voters at Annual Town Meeting includes reviewing cost and revenue data, monitoring fiscal trends and state funding decisions, and sharing information to support community understanding and engagement. This message provides an overview of information sources and tools that inform early budget development work.

Data and Trends

The Finance Committee meets with town departments and boards to review proposed budgets and funding requests. We monitor regional and statewide trends through organizations such as the Massachusetts Municipal Association, Franklin Regional Council of Governments, and Rural Schools Advocacy in Massachusetts. In addition, we follow the state budget process closely as state funding decisions can have significant impact on rural communities like Shutesbury.

State Support

We expect the Governor's proposed state aid and assessments, also known as Cherry Sheets, to be released next week. Legislative proposals will follow over the next few months. As shared last month, state aid has not kept pace with rising costs and local property tax assessments have risen faster. Additionally, in FY26, the state cut Rural Aid for Education by 25%. Constituent voices play an important role in the state budget process, and residents may wish to share with the governor and state legislators how funding decisions affect local services and taxes.

Residential Taxes

Overall, residential taxes made up 73% of our revenue in FY26. Proposition 2½ restricts the amount of property taxes that a municipality can levy. Excess levy capacity is the difference between the amount of property taxes a community can levy in a fiscal year and what it actually levied in that year. This difference can be carried forward. While for many years the town budget was met with levy increases of less than 2.5%, extraordinary expenses in FY26 led to a 7% levy, utilizing some excess levy capacity.

Managing Budget Pressures

When budgeted funds go unspent at the end of a fiscal year, they are certified as Free Cash and added to the Town's cash reserves. These reserves are typically used for one-time or small capital expenses. However, in FY26 we used \$139,000 of cash reserves to ease the immediate impact of rising health insurance and regional school costs on taxpayers. Stabilization funds, or dedicated reserves built up over time, can also provide a cushion against unexpected costs and help to limit sudden tax increases.

As we draft the FY27 budget, our goal is to balance Town needs with available resources. Next month, we will examine preliminary estimates from state aid, assessments, and other sources to guide our planning. Staying informed and engaged helps ensure Shutesbury remains a strong, resilient community. You can find prior updates on the Finance Committee webpage: <https://www.shutesbury.org/finance>