

Two Recreation Revolving Funds Options

A revolving fund allows a community to raise revenues from a specific service and use those revenues without appropriation to support the service. They are often used when expenses tend to vary and are difficult to budget each year. The revenue is usually in the form of fees which must reasonably reflect the cost to provide the service or a program. Residents' participation in the program must be voluntary. Revolving funds can only be established as permitted by state law. In the instance of a recreation program, a community has two options.

Cities and towns can choose to set up a general departmental revolving fund under M.G.L. Chapter 44, §53E½, or they can operate under Chapter 44, §53D which is specific to parks and recreation programs. In each case, the revolving fund would be a repository for money collected from fees residents pay to participate in programs sponsored by the city or town recreation department. Those fees, as well as food concession and facility rental income, would then be immediately available to cover some or all of the program costs without further appropriation, including capital expenditures. In both cases, additional funds can be appropriated in the annual budget to support the recreation programs. All spending, whether for payroll or operating expenses and regardless of accounts to be charged, must still pass through the accountant or auditor review process and must comply with state procurement rules.

There are similarities and distinctions between the two revolving fund sections. A revolving fund under §53E½ must be reauthorized annually, but one created under §53D only requires an initial local acceptance vote. Communities are permitted to pay the salaries of full-time employees under §53E½, but if they do, benefits must also be paid from the revolving fund. Wages and benefits of part-time employees can be paid from the fund if so stated in the annual authorization. Under §53D, only the wages of part-time, seasonal or temporary employees may be paid from the recreation revolving fund.

There is a spending ceiling under §53E½ which is set in an annual fund authorization and can be no greater than one percent of the municipality's prior year levy. However, once authorized, a board of selectmen or city council can increase the spending limit of a §53E½ revolving fund during the year as long as it reflects an expectation of new, previously unaccounted for, revenue. There is no limit on how much can be collected and spent from the §53D revolving fund.

Interest income generated in a §53E½ revolving fund must be deposited to the general fund, but it remains with a revolving fund created under §53D. And, with a §53E½ revolving fund year-end balances carry forward, unless the fund is not reauthorized, while under §53D only balances under \$10,000 carry forward. Amounts of \$10,000 and over close to the general fund.

A decision to establish a revolving fund under one or the other statute turns on various considerations. Important is the size of the program and how much in fees and revenue are likely to be collected. Will staff be part-time or full-time? Is it possible the overall program will expand in ways not yet planned? Also, what is the management capability of staff? The season for recreation programs typically cross fiscal years. Where a §53E½ revolving fund operates with a spending ceiling, effective money management is critical. A §53D revolving fund offers more flexibility.

DEPARTMENT OF REVENUE

DIVISION OF LOCAL SERVICES

TECHNICAL ASSISTANCE SECTION

The chart below shows a comparison of the two revolving fund options for recreation programs.

	General Departmental Revolving Fund c. 44 §53E½	Parks and Recreation Revolving Fund c. 44 §53D
Local acceptance required	No	Yes
Annual Town Mtg/CC approval	Yes	No
Eligible activities	Any departmental program	Parks/Recreation programs
Pay municipal salaries from	Yes	P-T, seasonal, temporary only
Pay capital items/debt service	Yes	Yes
Spending ceiling for fund	1% of prior year levy	None
Revenue source	Departmental receipts from fees	Departmental receipts from fees
Interest income	Goes to General Fund	Stays with revolving fund
Fund balance goes to	Carries forward to next FY If salaries, then benefits from fund	<\$10k carries forward; over to GF
Other accounting procedures	Annual report	Annual report/copy to BOA
Reports		
Other		