

Revolving Funds/Non-School Purposes

A departmental revolving fund is a place to set aside revenue received, through fees and charges, for providing a specific service or program. The revenue pool is, in turn, a source of funds available to use by a department without further appropriation to support the particular service or program.

Most frequently, cities and towns create general departmental revolving funds under [M.G.L. Ch. 44 Sec. 53E½](#). The fund is created with an initial city council or town meeting authorization that identifies which department's receipts are to be credited to the revolving fund and specifies the program or purposes for which money may be spent. It designates the department, board or official with authority to expend the funds and places a limit on the total amount of the annual expenditure. To continue the revolving fund in subsequent years, annual approval of a similar article is necessary. Managers are also required, each year, to report on the fund and program activities.

Under Sec. 53E½, any expenditure from a revolving fund is restricted to the then current fund balance or to the authorized spending limit, which cannot exceed one percent of the most recent tax levy. The combined authorized expenditures for all revolving funds cannot exceed ten percent of the levy.

If a revolving fund balance remains after total spending has reached the authorized limit, the balance carries over to the next fiscal year. Interest that accrues on a revolving fund balance under Sec. 53E½ reverts to the general fund. However, if the revolving fund is not reauthorized, any remaining balance closes to free cash, unless it is transferred by the legislative body to another revolving fund.

Including Ch. 53E½, Massachusetts General Laws allow revolving funds for about a dozen specific, non-school related purposes. Another 13 apply to schools, but are not discussed here. The rules that govern these non-school funds vary.

When considering the establishment of other, specific purpose revolving funds, communities should always refer to the statutes to determine whether requirements exist for local acceptance or other city council or town meeting action in initial or subsequent years; what sort of activities may be financed through the revolving fund; and, to what extent salaries or capital items can be covered by the fund revenue. Each

statute will specify if a spending ceiling applies and whether or not accrued interest remains with the revolving fund or belongs to the general fund.

Other non-school related funds include the following:

Anniversary celebrations - [M.G.L. Ch. 44 Sec. 53i](#) and [Ch. 40 Sec. 5h](#)

Arts Lottery Council - [Ch. 10 Sec. 58](#)

Law Enforcement Trust - [Ch. 94c Sec. 47](#)

Outside Consultants - [Ch. 44 Sec. 53g](#)

Smart Growth Consultants - [Ch. 40R Sec. 11\(h\)](#)

Performance Bond Defaults - [Ch. 41 Sec. 81u](#)

Parks and Recreation - [Ch. 44 Sec. 53d](#)

Special Detail - [Ch. 44 Sec. 53c](#)

Wetlands Protection - [Ch. 131 Sec. 40](#)

Expedited Permitting - [Ch. 43D Sec. 6\(b\)](#)

Multi-Community Yard Waste - [Ch 179 of the Acts of 1993](#)