



February 3, 2005

Ed MacDonald
Board of Selectmen
Town of Adams
69 Melrose Street
Adams MA 01220

Re: Mid-year Departmental Revolving Fund
Our File No. 2005-14

Dear Mr. MacDonald:

You asked whether receipts collected before the authorization of a departmental revolving fund during a fiscal year may be credited to the fund.

As you know, the departmental revolving fund statute, G.L. Ch. 44 §53E½, sets out specific authorization procedures. As a general rule, annual town meeting must authorize a fund for an eligible departmental receipt for any given fiscal year before the July 1 start of that year. The statute also provides, however, that if a new revenue source becomes available during a fiscal year, the town may authorize a fund for that initial year at a later town meeting so long as the accounting officer certifies that the revenue was not used in determining the tax rate if set. In other words, if a town department begins a new fee-based program or service, or begins charging a fee for an existing program or service, after annual town meeting, those receipts may be used to establish a revolving fund during the year if they were not used in setting the tax rate.

We think such a later established fund can be credited with all receipts collected during that initial fiscal year. Nothing in the language of the statute clearly limits the fund to just those receipts collected after the authorization vote becomes effective. Moreover, there should be no adverse fiscal impact in doing so since the new revenues would in the ordinary course become part of the town's free cash at the end of that year. Town meeting can clearly express its intent by specifying in the authorization vote whether all receipts collected during the year, or just those collected after the authorization vote becomes effective, are to be credited to the fund.

If you have any further questions, please do not hesitate to contact me again.

Very truly yours,

A handwritten signature in cursive script that reads "Daniel J. Murphy".

Daniel J. Murphy
Chief, Property Tax Bureau

DJM:KC