

OVERVIEW OF STATUTORY TREATMENT OF MUNICIPAL REVENUES

This summary is intended to provide general information about municipal revenues and special funds under Massachusetts law. It is not designed to address all questions or issues about these revenues or funds. Nothing contained in this summary changes the laws that govern municipal revenues and special funds.

REVENUE TREATMENT

A fundamental principle of municipal finance in Massachusetts is that **all revenue received or collected from any source** by a city, town or district department or official **belongs to the general fund** and can be spent for any lawful purpose **only after appropriation by the legislative body**. [G.L. c. 44, § 53](#). No revenues can be segregated from the general fund into a separate fund to be reserved for specific purposes or spent without appropriation **unless expressly authorized by a statute (general law or session act)**.

GENERAL FUND REVENUES (Estimated Receipts)

Definition: all unrestricted revenues, including real and personal property taxes, other local taxes, such as excises, special assessments and betterments, unrestricted local aid, investment and rental income, voluntary and statutory payments in lieu of taxes and other receipts not expressly dedicated by statute. The anticipated general fund revenues for a fiscal year constitute the tax levy as a financing source (raise and appropriate), which may be appropriated until the tax rate is set. Collections during the year above the estimates used to set the rate are not ordinarily available for appropriation until after the close of the fiscal year and certification by the Director of Accounts as part of the municipality's undesignated fund balance (free cash). [G.L. c. 59, § 23](#).

SPECIAL REVENUE FUNDS

Definition: Particular revenues segregated from the general fund into a separate fund and earmarked for expenditure for specified purposes by statute. Special revenue funds may be classified or categorized based on the availability of the funds for expenditure and need for a prior appropriation. Special revenue funds include annual revenue funds, receipts reserved for appropriation and revolving funds. They also include gifts and grants from governmental entities and private individuals and organizations. Special revenue funds must be established by statute.

Annual Revenue Funds (Estimated Receipts)

Definition: Annual revenue streams segregated from the general fund into a separate fund and available as a separate financing source for services that generate, or for purposes supported by, those revenues. These include the revenues of enterprise funds established for services typically financed and delivered in a manner similar to private enterprises for the purpose of accounting for all costs, direct or indirect, of providing the services. Anticipated fund revenues for the fiscal year may be appropriated until the tax rate is set.

Examples of Annual Revenue Funds are:

Enterprise Funds (Utility, Health Care, Recreational, Transportation, Cable Television Public Access Facility)	G.L. c. 44, § 53F½
Community Preservation Fund	G.L. c. 44B
Light Plant Receipts (Appropriated by Light Plant Board)	G.L. c. 164, § 57

Receipts Reserved for Appropriation (Actual Collections)

Definition: Receipts from a specific revenue source segregated from the general fund into a separate fund and earmarked for appropriation for specified purposes by statute. Appropriations from the fund are limited to actual collections on hand and available (i.e., the unappropriated balance of actual collections).

Examples of Receipts Reserved for Appropriation Funds are:

Ambulance Receipts	G.L. c. 40, § 5F
Waterways Improvement and Maintenance Fund	G.L. c. 60B, §§ 2(i) & 4
	G.L. c. 40, § 5G
Sale of Real Estate Proceeds	G.L. c. 44, § 63

Revolving Funds (Actual Collections)

Definition: Receipts from a specific revenue source segregated from the general fund into a separate fund and earmarked for expenditure without appropriation for specified purposes by statute to support the activity, program or service that generated the receipts. Typically, revolving funds are authorized for programs or services with expenses that (1) fluctuate with demand and (2) can be matched with the fees, charges or other revenues collected during the year. The board or officer operating the program is usually given spending authority, but can only incur liabilities and spend from the actual collections on hand and available (i.e., the unspent and unencumbered balance of actual collections).

Examples of Revolving Funds are:

Arts Lottery Council Monies	G.L. c. 10, § 58
Municipal (if voted)/School Property Lease/ Rental Proceeds	G.L. c. 40, § 3
Parks and Recreation Fees	G.L. c. 44, § 53D
Departmental Revolving Funds	G.L. c. 44, § 53E½
Outside Consultants Revolving Funds	G.L. c. 44, § 53G
Student Athletic and Activities Fund	G.L. c. 71, § 47

TRUST AND AGENCY FUNDS

Definition: Fiduciary funds segregated from the general fund to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, etc. These include expendable trust funds, non-expendable trust funds, pension trust funds and agency funds.

Examples of Trust Funds are:

Scholarship Fund	G.L. c. 60, § 3C
Veteran Assistance Fund	G.L. c. 60, § 3F
Cemetery Perpetual Care Fund	G.L. c. 114, § 25

Examples of Agency Funds are:

Fingerprinting Fees (portion held for state)	G.L. c. 6, § 172B½
Student Activity Agency Account (held for students)	G.L. c. 71, § 47
Sporting License Receipts (portion held for state)	G.L. c. 131, § 18

APPROPRIATED SPECIAL PURPOSE RESERVE FUNDS

Definition: Statutory funds to account for allocation of general revenues or other financing sources reserved by the appropriating authority for particular purposes.

Reserve Fund	G.L. c. 40, § 5A (cities)
	G.L. c. 40, § 6 (towns)
Stabilization Fund	G.L. c. 40, § 5B
Pension Reserve Fund	G.L. c. 40, § 5D
Unemployment Compensation Fund	G.L. c. 40, § 5E
Conservation Fund	G.L. c. 40, § 8C
Overlay	G.L. c. 59, § 25

SPECIAL PURPOSE FUNDS QUICK REFERENCE – NON-SCHOOL FUNDS

ENTERPRISE REVENUES

Water Surplus	G.L. c. 41, § 69B
Landfill/Trash Collection Charges	G.L. c. 44, § 28C(f)
Landfill Closure Reserve	G.L. c. 44, § 28C(f)
Enterprise Funds (acceptance required)	G.L. c. 44, § 53F½
Light Plant Charges and Receipts	G.L. c. 164, § 57

TEMPORARY FUNDS (EXPIRE AT YEAR'S END)

Reserve Fund	G.L. c. 40, § 5A (cities) G.L. c. 40, § 6 (towns)
Insurance/Restitution Proceeds up to \$150,000 (6/30 or 120 days after receipt if later)	G.L. c. 44, § 53
Free Cash (Must be certified by DOR)	G.L. c. 59, § 23
Enterprise Retained Earnings (Must be certified by DOR)	G.L. c. 44, § 53F½
Overlay Surplus	G.L. c. 59, § 25

REVOLVING FUNDS (NO APPROPRIATION NEEDED)

Arts Lottery Council Monies	G.L. c. 10, § 58
Municipal (if voted) Lease/Rental Proceeds	G.L. c. 40, § 3
Centennial Celebration Receipts	G.L. c. 40, § 5H
Smart Growth Consultants Fees	G.L. c. 40R, § 11
Performance Bond Forfeitures (Up to \$100,000 acceptance required)	G.L. c. 41, § 81U
Expedited Permitting Fees (acceptance required)	G.L. c. 43D, § 6(b)
Special Detail Fees (appropriation not required)	G.L. c. 44, § 53C
Parks and Recreation Fund (acceptance required)	G.L. c. 44, § 53D
Departmental Revolving Funds	G.L. c. 44, § 53E½
Energy Revolving Loan Fund	G.L. c. 44, § 53E¾
Outside Consultant Fees	G.L. c. 44, § 53G
Performance/Surety Deposits	G.L. c. 44, § 53G½
Anniversary/Special Events Celebration Fund	G.L. c. 44, § 53I
Tax Title Revolving Fund (acceptance required)	G.L. c. 60 § 15B
Law Enforcement Trust	G.L. c. 94C, § 47
Wetlands Protection Fund	G.L. c. 131, § 40 St. 1997, c. 43, § 218 St. 1998, c. 194, § 349
Multi-community Yard Waste Program Fees	St. 1993, c. 179

OTHER SPECIAL PURPOSE FUNDS (Held-Over From Year To Year)

Fingerprinting Fees (local portion) Receipts Reserved	<u>G.L. c. 6, § 172B½</u>
Tax Credit Bond Proceeds	<u>G.L. c. 44, § 21B</u>
Self-Insurance Health Fund	<u>G.L. c. 32B, § 3A</u>
Other Post-employment Benefits (OPEB) Liability Trust Fund (acceptance required)	<u>G.L. c. 32B, § 20</u>
Stabilization Fund (acceptance of paragraph required to dedicate revenue source)	<u>G.L. c. 40, § 5B</u>
Pension Reserve Fund	<u>G.L. c. 40, § 5D</u>
Unemployment Compensation Fund	<u>G.L. c. 40, § 5E</u>
Ambulance Receipts Reserved; Beach and Pool Receipts Reserved; Golf Course Receipts Reserved; Skating Rink Receipts Reserved	<u>G.L. c. 40, § 5F</u>
Waterways Improvement and Maintenance Fund	<u>G.L. c. 40, § 5G</u>
Conservation Fund (acceptance required)	<u>G.L. c. 60B, § 2(i)</u>
Recycling Commission Fund	<u>G.L. c. 40, § 8C</u>
Building Insurance Fund (acceptance required)	<u>G.L. c. 40, § 8H</u>
Workmen's Compensation Fund (acceptance required)	<u>G.L. c. 40, § 13</u>
Parking Meter Fees Receipts Reserved (acceptance required)	<u>G.L. c. 40, § 13A</u>
Off-street Parking Receipts Reserved (acceptance required)	<u>G.L. c. 40, § 22A</u>
Commission on Disabilities Fund (acceptance of G.L. c. 40, § 8J required)	<u>G.L. c. 40, §§ 22B & 22C</u>
Compensated Absences Fund (acceptance required)	<u>G.L. c. 40, § 22G</u>
Municipal Water Infrastructure Investment Receipts Reserved Fund (acceptance required)	<u>G.L. c. 40, § 13D</u>
Injured on Duty Fund (acceptance of paragraph required)	<u>G.L. c. 40, § 39M</u>
Bond Proceeds and Premiums	<u>G.L. c. 41, § 111F</u>
State Highway and Water Pollution Funds	<u>G.L. c. 44, § 20</u>
Grants and Gifts (appropriation not required)	<u>G.L. c. 44, § 53</u>
	<u>G.L. c. 44, § 53A</u>
	<u>G.L. c. 71, § 37A</u>
Cable Public, Educational, Governmental Access Fees Receipts Reserved (acceptance required)	<u>G.L. c. 44, § 53F¾</u>
Affordable Housing Trust Fund (acceptance required)	<u>G.L. c. 44, § 55C</u>
Betterments Receipts Reserved	<u>G.L. c. 44, § 53J</u>
Sale of Real Estate Proceeds	<u>G.L. c. 44, § 63</u>
Community Preservation Fund (acceptance required)	<u>G.L. c. 44B, § 7</u>
Overlay	<u>G.L. c. 59, §§ 25 & 70A</u>
Low Income Seniors and Disabled Tax Relief Fund (acceptance required)	<u>G.L. c. 60, § 3D</u>
Veterans Assistance Fund (acceptance required)	<u>G.L. c. 60, § 3F</u>
Wastewater Disposal Receipts Reserved (acceptance required)	<u>G.L. c. 83, § 1G</u>
Estimated Sewer Betterments	<u>G.L. c. 83, § 15B</u>
Bicyclist Traffic Fines Receipts Reserved	<u>G.L. c. 85, § 11E</u>
Weight and Measure Fines Receipts Reserved	<u>G.L. c. 98, § 29A</u>
Cemetery Sale of Lots Fund	<u>G.L. c. 114, § 15</u>
Cemetery Perpetual Care Funds	<u>G.L. c. 114, § 25</u>
Spay and Neuter Deposit Receipts Reserved	<u>G.L. c. 140, § 139A</u>
Building and Fire Code Enforcement Fines Receipts Reserved	<u>G.L. c. 148A, § 5</u>
Extended Election Polling Hours (appropriation not required)	<u>St. 1983, c. 503, § 3</u>

SPECIAL PURPOSE FUNDS QUICK REFERENCE – SCHOOL FUNDS

TEMPORARY FUNDS (Expire At Year's End)

Insurance/Restitution Proceeds Up to \$150,000 (6/30 or 120 days after receipt if later)	G.L. c. 44, § 53
Regional School Excess and Deficiency Funds (Must be certified by DOR)	G.L. c. 71, § 16B½

REVOLVING FUNDS (No Appropriation Needed)

Surplus School Building and Space Lease/Rentals	G.L. c. 40, § 3
Non-resident Students' Tuition (Regional Schools)	G.L. c. 71, 16D½
Culinary Arts Programs (acceptance required)	G.L. c. 71, § 17A
School Extended Programs	G.L. c. 71, § 26C
Student Athletic and Activities	G.L. c. 71, § 47
Student Activity Agency	G.L. c. 71, § 47
Community Schools Programs	G.L. c. 71, § 71C
Adult Continuing Education and Fitness Programs; Summer School and Enrichment Programs (acceptance required)	G.L. c. 71, § 71E
School Parking and Use of School Property Fees (acceptance required)	G.L. c. 71, § 71E
Non-resident Students' Tuition (acceptance required)	G.L. c. 71, § 71F
Vocational Education Programs (acceptance required)	G.L. c. 74, § 14B
School Choice	G.L. c. 76, § 12B(o)
School Bus Advertising	St. 2002, c. 184, § 197
School Lunch	St. 1948, c. 548, as amended by St. 1969, § 650

OTHER SPECIAL PURPOSE FUNDS (Held-Over From Year To Year)

Other Post-employment Benefits (OPEB) Liability Trust Fund (acceptance required)(Regional School)	G.L. c. 32B, § 20
Special Education Reserve Fund (acceptance required)	G.L. c. 40, § 13E
Lost School Books/Electronic Devices/Industrial Arts Supplies	G.L. c. 44, § 53
Grants and Gifts	G.L. c. 44, § 53A G.L. c. 71, § 37A
Local Education Fund (acceptance required)	G.L. c. 60, § 3C
Scholarship Fund (acceptance required)	G.L. c. 60, § 3C
Regional School Transportation Reimbursements (1 year carry over)	G.L. c. 71, § 16C
Regional School Stabilization Fund (acceptance required)	G.L. c. 71, § 16G½
Educational/Instructional Materials Trust Fund	G.L. c. 71, § 20A