

Reserve Fund Transfer Requirements

The Reserve Fund is a sum of money appropriated at Town Meeting to be used at the discretion of the Finance Committee in conjunction with the Board of Selectmen to cover extraordinary or unforeseen expenses that arise during the fiscal year. The creation and use of the Reserve Fund is specified in Chapter 40 §6 of the Massachusetts General Laws. There are a number of important requirements in both MGL and in DOR rules that departments should be aware of:

- The reserve fund is to be used for “...extraordinary or unforeseen expenditures” as determined by the Finance Committee. This means if the Finance Committee does not feel that a request is sufficiently unforeseen or extraordinary, it is not eligible for a Reserve Fund Transfer.
- The Finance Committee in essence acts in place of a Special Town Meeting, thus saving the Town the expense of such a meeting. Because of this, the Finance Committee will consider how likely it would be for the request to pass if it was presented at a Special Town Meeting, in addition to other requirements and considerations.
- The Finance Committee cannot approve any Reserve Fund request for a purpose that Town Meeting has already voted against. Put another way, the Finance Committee cannot “overrule” Town Meeting.
- No funds can be spent directly from the Reserve Fund. Instead, if the Finance Committee approves a request, the funds are transferred to an existing account where they can then be spent for the requested purpose.
- Reserve Fund Transfers are designated for a specific purpose stated on the Reserve Fund Transfer Form. Any unexpended balance should remain earmarked and should not be used for another purpose.
- Requests should always be worded to request funds for unpaid or future expenses, not to reimburse an account for expenses that have already been paid.
- Massachusetts General Law strictly forbids expenditures in excess of appropriation, under penalty of fine or imprisonment (except for snow and ice removal). Consequently, departments should never incur expenses in excess of appropriation before approval of a Reserve Fund Transfer. Put simply, you must have enough money available before you spend it.

