

STABILIZATION FUNDS AND HOW THEY CAN BE SPENT

Towns may establish one or more stabilization funds (M.G.L. Ch. 40 Sec. 5B) for different purposes. A stabilization fund is a special reserve fund into which monies may be appropriated and reserved for later appropriation for any lawful municipal purpose. Monies accumulated in a stabilization fund carry forward from one fiscal year to another. Interest earned from the investment of monies in the stabilization fund remains with that fund. A two-thirds vote of town meeting is required to establish each fund, appropriate into and from a fund and amend the purpose of a fund. If the voters approve a Proposition **2 1/2** override in order to fund appropriations for a particular stabilization fund, a referendum must also be approved to change that fund's purpose. Stabilization funds allow a town to save money for future years or avoid borrowing for capital projects. For example, towns often fund such items as fire trucks or building repairs from these funds. Use of a fund avoids having to incur debt and saves the interest cost of borrowing.