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Can Towns Donate Public Funds?

By *Rebecca Otto, State Auditor*

Towns are often asked to give funds to support various groups and activities. While the causes may be worthwhile, towns need to be cautious when making any financial commitments involving public funds.

In most circumstances, towns have no authority to give away public funds as donations. Generally, in order to spend money on something, a town must have authority to do so. Authority for an expenditure may be specifically stated in a statute, or it may be implied as necessary to do what an express power authorizes. In addition, the expenditure must be for a “public purpose.”

Gifts/Donations to Private Individuals/Organizations

Following these general principles, donations to people, non-profits, charities, or other groups are not permitted unless they are based upon specific statutory authority. For example, the Minnesota Attorney General’s Office has issued opinions finding that cities have no authority to donate city funds to organizations such as the Red Cross or the Boy Scouts. The assumption is that a gift of public funds to an individual or private entity necessarily serves a private rather than a public purpose.

Before a town makes a contribution, it is important for that town to determine that it has specific authorization to make the expenditure. Here are some examples of specific, statutorily-authorized appropriations:

- **Artistic Organizations** A town may appropriate money to support artistic organizations.
- **Historical Causes** A town may annually appropriate a specified amount to a county historical society so long as the society is affiliated with, and approved by, the Minnesota Historical Society.
- **Senior/Youth Centers** A town may appropriate money to support the facilities, programs, and services of a public or private, not-for-profit senior citizen center or youth center.

- **Public Recreation Programs** Towns may spend funds to operate programs of public recreation, recreational facilities, and playgrounds. These programs may be conducted independently or with any nonprofit organization.
- **Promotion** An urban town may appropriate up to \$50,000 annually to an incorporated development society or organization of this State, for promoting, advertising, improving, or developing the economic and agricultural resources of the urban town.
- **Employee Recognition** Towns may spend funds to recognize volunteers, service efforts, and retiring town officers.
- **Community Celebrations** Towns may spend funds to host or support a community celebration. The authority to purchase fireworks seems to be implied.

As an alternative to a donation, a town may enter into a contract with an organization to accomplish tasks that the town is authorized to perform by statute. The Minnesota Association of Townships (MAT) has drafted a short-form "Sample Contract for Services" that towns may use in these situations. A copy of the sample contract (Document Number C5000A) can be downloaded from the MAT's website, <http://www.mntownships.org/>.

Memberships and Dues

Towns may appropriate money for membership in county, regional, state, and national associations of a civic, educational, or governmental nature. These associations must have as their purpose the betterment and improvement of municipal governmental operations. This authorization also allows public entities to participate in the meetings and activities of these associations.

The Attorney General's Office has determined that local units of government may *not* pay dues to a local chamber of commerce. However, because urban towns may appropriate up to \$50,000 to an incorporated development society or organization for promotional activities, an urban town could contribute to a local chamber of commerce for one of the purposes authorized by statute, such as promoting the urban town. The OSA recommends that urban towns review documents submitted by an unincorporated development society or organization to verify that public money is spent for contracted statutory purposes.

The Office of the State Auditor has a Statement of Position on this topic. To view the complete Statement, go to our website at www.auditor.state.mn.us, go to the menu item "For Local Officials" and click on "Statements of Position", and then "Public Purpose".