



technical bulletin

Municipal Technical Advisory Service
Institute for Public Service, The University of Tennessee
In cooperation with the Tennessee Municipal League

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PERMISSIBLE USES OF ANTIRECESSION FISCAL ASSISTANCE (TITLE II) FUNDS

MTAS has been receiving questions from cities during the past week regarding permissible uses of funds now being allocated under Title II of the Public Employment Act of 1976. The following information is reproduced from an October 1976 publication of the Department of the Treasury, Office of Revenue Sharing, which is administering the Title II section of the program:

WHO WILL RECEIVE PAYMENTS?

- states and local units of general government (not special districts) which have returned assurance forms to the Office of Revenue Sharing, and which have been *assigned qualifying unemployment rates* by the U.S. Department of Labor.

WHEN WILL PAYMENTS BEGIN?

- in the fall of 1976. Payments will be made on a quarterly basis through September 1977, depending on unemployment rates. The first payments will be retroactive to July 1, 1976.

HOW ARE PAYMENT AMOUNTS DETERMINED FOR INDIVIDUAL PLACES?

- according to formulas contained in the law, using unemployment rate data furnished by the Bureau of Labor Statistics of the U.S. Department of Labor. Your government's payment *will not* necessarily reflect the unemployment rate for *your individual* jurisdiction. Since specific data will not be available for each prospective recipient, allocations of funds for most places will be based on statewide or countywide unemployment rates assigned by the Bureau of Labor Statistics.

WHAT ARE PERMISSIBLE USES OF THE MONEY?

- the money must be used to maintain basic services
- funds are *not* to be used for construction or to acquire supplies and equipment, unless necessary to continue to provide basic services. Construction will be limited to structural repairs and renovations.
- discrimination by race, religion, color, national origin or sex is prohibited; and the Office of Revenue Sharing is authorized to withhold funds where discrimination exists.

GENERAL INFORMATION

Antirecession fiscal assistance to States and local units of general government is authorized by Title II of the Public Works Employment Act of 1976. No applications will be required. The funds will

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be paid to eligible governments which have assured the Treasury Department that all provisions of the law will be observed as the funds are expended. Forms for this purpose will be provided by the Office of Revenue Sharing.

The law authorizes distribution of \$125,000,000, plus \$62,500,000 multiplied by the number of one-half percentage points by which the seasonally-adjusted rate of national unemployment exceeds 6% for each of five quarters. The total to be distributed will not exceed \$1.25 billion in five quarters beginning July 1, 1976 and terminating with the quarter ending September 30, 1977. Since the law was not enacted by July 1, 1976 and funds were not appropriated until October 1, 1976, the first quarterly payments will be issued retroactively, later in the fall of 1976. Funding of Title II will be terminated if the average national unemployment rate falls below 6%. No funds are authorized for a calendar quarter if either the average national unemployment rate for the calendar quarter ending three months before the beginning of that quarter or the national unemployment rate for the last month of the calendar quarter ending three months before the beginning of that quarter is below 6%.

Money authorized by Title II will be allocated on a quarterly basis. Allocations will be made according to a formula contained in the law. The Congress developed a formula for the program which relates unemployment data to governments' general revenue sharing allocations for the year ending June 30, 1976 (as a measure of size and levels of services provided).

Payment amounts will fluctuate as applicable unemployment rates fluctuate and as the total amount of money available changes from quarter to quarter.

One-third of the funds will be paid to eligible State governments, while the remaining two-thirds will be divided among those units of local general government eligible under the new law. A unit of local government will not receive any funds if its quarterly allocation is less than \$100, or if its assigned unemployment rate falls below 4.5%.

Unemployment rate data to be used in the allocations will be furnished by the Bureau of Labor Statistics of the U.S. Department of Labor. Specific, certifiable data are available only for approximately 1,000 jurisdictions which are participants in the U.S. Department of Labor's CETA program. For the remainder, unemployment rates will be based on information pertaining to their states or to county areas. Accordingly, antirecession payments to most recipient governments will not reflect unemployment rates specific to those jurisdictions. A state may file an optional allocation plan using its own data, within certain periods of time. However, this optional plan must meet with the approval of the Treasury Department.

All unemployment rates used to allocate antirecession funds will be published in the *Federal Register*. Recipient governments will be informed of the publication dates in letters to be mailed as payments are made.

Although no application is made for antirecession funds, some simple requirements must be observed as the money is spent:

1. Antirecession money is to be used by recipient units of government to maintain basic services. Use of funds to acquire supplies and equipment is specifically prohibited, unless such are incidental and necessary to the continued provision of a basic service. Use of funds for construction will be limited to structural repairs and renovations necessary to maintain basic services.

2. The money must be spent in accordance with laws and procedures that apply to expenditure of a recipient government's own funds; and it must be appropriated or obligated within six-months from receipt of payments.
8. Each State or unit of local government must observe audit standards issued by the Office of Revenue Sharing. Access to any records regarding expenditures must be assured.
4. Reports on the uses of these funds shall be furnished to the Office of Revenue Sharing on forms to be provided by the office. Such reports shall be published by recipient governments in newspapers of general circulation, except in situations where it does not apply or where alternative methods of publication have been authorized.
Special information must be provided when a State or unit of local government increases or decreases any tax or if there is a reduction in the numbers of individuals employed or services provided. For this purpose increases and decreases of 5% or more on an annualized basis will be required to be reported.
5. The law prohibits the use of funds in any activity in which there is discrimination because of race, religion, color, national origin or sex.
6. If construction projects permissible under this Act are funded in whole or in part by payments under this Title, Federally-determined wage rates must be met (i.e. the Davis-Bacon Act applies.)
7. Recipients will be required to assure the Office of Revenue Sharing that they have made substantial economies in their operations and that payments are necessary to maintain essential services.
8. Antirecession funds may be transferred by a recipient government to another governmental unit or private organization. A violation of any provision of antirecession law by such secondary recipient shall constitute a violation by the primary recipient.

Under Title II the Secretary is authorized to withhold funds from any State or unit of local government that fails to comply with these requirements.

FURTHER INFORMATION may be obtained from the Office of Revenue Sharing, U.S. Department of the Treasury, 2401 E. St. NW, Washington, DC 20226, phone (202) 634-5597. All MTAS district consultants have copies of the full regulations as published in the Federal Register and will be glad to assist cities wherever possible.

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