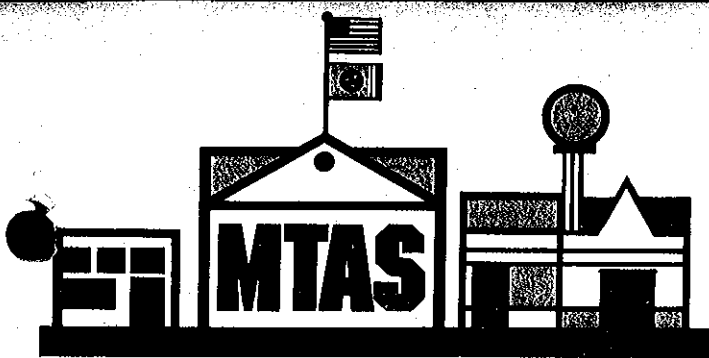




TECHNICAL BULLETIN

MUNICIPAL TECHNICAL ADVISORY SERVICE
THE UNIVERSITY OF TENNESSEE
IN COOPERATION WITH THE TENNESSEE MUNICIPAL LEAGUE

U.T. No. E14-1050-00-002-84

November 21, 1983

STEADY: A System Providing for the Direct Deposit of State-Shared and State-Collected Taxes

By James Leuty, Finance Consultant

Recently, the State Department of Finance and Administration issued a letter concerning STEADY (Shared Tax Earnings Automatic Deposit for You). STEADY involves the distribution of routinely allocated funds, such as State Sales Taxes, State Gasoline and Motor Fuel Taxes, State Gas Inspection Fees (Street and Transportation Funds), State Income Taxes, State Beer Taxes and T.V.A. Gross Receipts Taxes. The distribution of state grants and other state allocations does not involve STEADY at this time.

It is the intent of the state to provide cities with their choice of how the funds are to be distributed. The failure of a city to make a selection will result in distribution continuing as it has in the past. Once the city makes a selection, that process will continue until changed by the city.

There will be three methods of distributing funds to cities. All of these will become effective after December 1, 1983. The State Comptroller's Office has approved these alternatives:

1. To local government bank account;
2. To Local Government Investment Pool account (existing or new);
3. To continue to receive state warrants.

If the city elects the "direct deposit to the bank account" method, the funds will be received in the specified bank account on the 20th of each month (if the 20th is not a business day, then the first business day after the 20th). Prior to the deposit date, the state will inform the city of the amount of each source of revenue being deposited. The deposit will be made to a single bank account and it will be the city's responsibility to shift monies among bank accounts and to record accounting entries for revenues in accordance with laws, regulations, and wishes of the city. This method is clear, concise, and convenient, and the monies will be available to the city 3-5 days earlier for use or investment. Refer to the state's letter of instructions to implement this option.

"Depositing funds to the Local Government Investment Pool" is another viable option offered by the state. If the city has not established a LGIP account with the state, then it will be necessary to do so before this option can be selected. As with direct deposits to the bank account, this

option also makes funds available on the 20th of each month. The state will provide prior information on the amount of each source of revenue being deposited and all funds will be deposited to a single LGIP account. The city will be responsible for shifting funds among accounts and for the appropriate accounting entries to record revenues in accordance with laws, regulations, and wishes of the city. This method also is clear, concise, and convenient, and the monies will be available to the city 3-5 days earlier for use or investment. Refer to the state's letter of instructions to implement this option.

If the city elects to continue to receive state warrants as in the past, then no action is required. If nothing is done, the state will continue sending warrants.

The city must take action by notifying the state not later than Nov. 30 for a new method of distribution to become effective in December. Thereafter, notification by the 10th of any month will cause the new method to become effective the following month.

Careful attention should be given to the letter of instructions when exercising a new option. If you have questions, contact Bob Buckham, Department of Finance and Administration (615-741-6910), or your MTAS Finance Consultant.

Municipal Technical Advisory Service
891 20th Street
The University of Tennessee
Knoxville, TN 37996-4400

Non-Profit Org.
U.S. POSTAGE
PAID
Knoxville, TN
Permit No. 870