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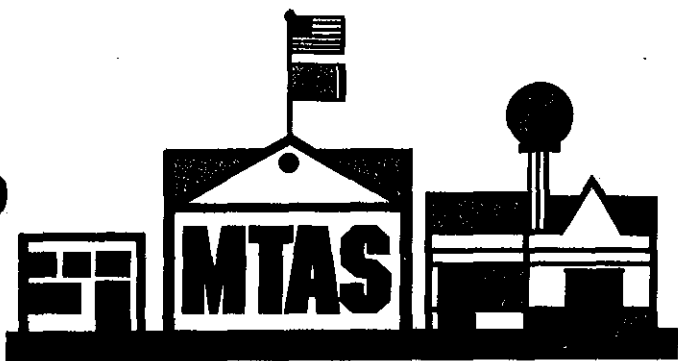
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TECHNICAL BULLETIN

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MAINTENANCE OF EFFORT FOR GAS TAX CONTINUES

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The "maintenance of effort" provision in the legislation that increased the state gasoline tax in 1985 by three cents remains in effect for the coming fiscal year (Fiscal Year 1986-87).

The 1985 legislation, Chapter 419 of the Public Acts of 1985, mandated that cities and counties will receive their share of the increase in gasoline tax revenues "only if they appropriate and allocate funds for road purposes from local revenue sources in an amount not less than the average of the five (5) preceding fiscal years, except bond issues and federal revenue sharing proceeds shall be excluded from the five-year average computation." (Emphasis added). The legislation further states that if a city fails to comply with this clause, their share of the three-cent (3-cent) increase will accrue to the State Department of Transportation to be used for improvement to state highways in the city.

As you are preparing your FY-87 budgets, you should take care to appropriate from local revenue sources (property taxes, sales taxes, business taxes, and the like) an amount for streets not less than the five-year average of such appropriations from such revenues for streets. This is a requirement for receiving the "1985 3-cent Gas tax Revenue" in FY-87 (approximately \$5.10 per capita) as it was in FY-86.

Apparently, cities will be required to certify to the Department of Revenue the amount of the five-year average and the upcoming FY year appropriation again this year as last year; whether this certification effort is required or not in no way eliminates the maintenance of effort requirement in the 1985 legislation.

This "maintenance of effort" consideration does not effect the increases in the gasoline tax passed by the Tennessee General Assembly during the 1986 Session.

If you need assistance in this matter, please contact your MTAS Consultant.

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