



2-24-1978

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Recommended Citation

MTAS, "Technical Bulletins: Antirecession Fiscal Assistance: An Explanation" (1978). *MTAS Publications: Technical Bulletins*.

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technical bulletin

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

February 24, 1978

ANTIRECESSION FISCAL ASSISTANCE: AN EXPLANATION

Having problems sorting out how Antirecession Fiscal Assistance funds may or may not be used? ARFA is explained in easily understood terms in a recent booklet from which the County Technical Assistance Service quoted in a bulletin to county officials. Much of the information is also of interest to cities. MTAS has prepared the following edited version of the CTAS bulletin for your information.

Six Months to Decide

Recipient governments must spend, appropriate or obligate ARFA funds within six months from the day following receipt of a payment. The funds must be "appropriated" by a recipient government in accordance with state and local laws and budget procedures applicable to its own revenue sources. "Obligated" means that the recipient government has entered into a contractual or other binding agreement regarding the use of such funds.

Amount of Payments

The amount of antirecession payments depends on a jurisdiction's and the nation's unemployment rate. That is, the unemployment rate for the individual jurisdiction must be more than 4.5 per cent for the quarter as well as 4.5 per cent for the last month of that quarter, and, no payment will be made unless the average national unemployment for the quarter exceeds 6 per cent.

What To Do With The Money

State and local governments must use Antirecession Fiscal Assistance payments to maintain basic services and levels of employment which have been provided during its current or previous fiscal year. ARFA payments should be used to maintain adequate levels of basic services, including associated public employment levels within broad categories of permissible expenditures. Payments are to be used for normal supplies or repairs which are necessary to maintain basic services. New programs may be initiated only in those areas presently under a basic service category. ARFA payments may be used to defray ordinary and necessary operating and maintenance expenses in any or all of the following governmental expenditure categories:

Financial Administration, including expenses for accounting; auditing; budget planning and control; tax collection; fiscal affairs; debt management; financial planning and reporting; tax administration and assessment.

Libraries, including operation of public libraries and bookmobiles; specialized educational and reading programs for the blind and handicapped; upgrading general book collections and subscription services; cataloging and research services; exhibits and film programs.

Health and Hospitals, including prevention, diagnosis, evaluation and treatment of mental health conditions; physical rehabilitation

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services; emergency medical and ambulance services; drug rehabilitation; educational programs in public health; health and medical care for the indigent; staff training and development; outreach clinical and community health service centers; support of public hospitals; research and laboratory services; Medicaid and other health care matching programs.

Transportation, including operation and maintenance of transit systems, waterways, bridges and toll roads; air and ground traffic control, traffic signals and safety signposts; traffic management and regulation; free and subsidized transportation services for the poor, elderly, or handicapped.

Public Welfare, including direct cash grants; unemployment benefits; food, shelter and clothing; job training and placement; social services for the poor, elderly or disadvantaged; vocational rehabilitation; human development programs; federal and state social service matching programs.

General Administration, including office expenses; chief executive and other office salaries; legislative expenses; council meeting expenses; training and travel; planning and management assistance; records management; cost-benefit analysis; clerical and supportive personnel; duplication and printing; codification of charters and ordinances; public hearings; voter registration; employee bonding and insurance.

Sewerage and Sanitation, including operation and maintenance of sewerage and waste disposal systems; water treatment and inspection; landfills; waste management and control; water and sewage pipeline maintenance; sanitation and pollution abatement; smoke regulation disposal and recycling activities; dredging of storm sewer outlets.

Highways, including ordinary repairs and maintenance of streets and highways; snow and ice removal; road patching, painting and street cleaning; light resurfacing to maintain a roadway in ordinary repair. Antirecession Fiscal Assistance payments may NOT be used for upgrading an existing roadway surface, widening roads, repaving or highway construction.

Natural Resources, including resources planning, management, and control; conservation education and training programs; forest fire prevention; soil conservation; updating and revising of zoning plans and ordinances; environmental regulation and protection.

Police and Corrections, including law enforcement; crime prevention; traffic safety; vehicle registration and inspection; education and training programs; operating correctional institutions; work release, rehabilitation, and juvenile offender programs, judicial salaries and expenses; maintenance of emergency communication networks.

General Public Buildings, including operating and maintenance expenses; custodial and janitorial services; property and grounds maintenance; security services; utility costs.

Education, including operation of specialized educational and training programs for the handicapped and disadvantaged; adult and community education; tutorial and remedial programs; drug addiction and alcohol abuse programs; youth development, safety and public health programs; police academy and fire fighter training; educational television; public schools; faculty training and development; school traffic monitors.

Fire Protection, including fire suppression; rescue and emergency services; volunteer fire departments; fire prevention education and training programs.

Housing and Urban Renewal, including housing code enforcement and licensing inspection; community planning; public housing maintenance, management and operations; relocation assistance; credit counseling and community information programs.

Parks and Recreation, including park and playground maintenance; civic entertainment programs; arts, crafts, and cultural activities; museums and zoos; athletic and physical fitness programs; instructional and educational recreation programs; participation and spectator sport programs; music and dance exhibitions; community center operations.

Interest and Principal on General Debt, including all governmental interest payments incurred on those debts for which proceeds were used to provide basic services. This precludes interest payments for construction or capital improvement projects.

Utilities, including water, electricity, gas, telephone service.

Davis-Bacon Act--These provisions are more stringent than for general revenue sharing. When a recipient government contracts for any repair project costing over \$2,000, it must include in its specifications the prevailing wage determinations for workers and labor practices are established under the Davis-Bacon Act. The Davis-Bacon Act is administered by the U.S. Department of Labor. Specific questions should be directed to the nearest Labor Department regional office.

State and Local Law--Recipient governments must use funds in accordance with the state and local laws and procedures applicable to the expenditure of their own source revenues. This includes use of the same appropriation process as used for their own funds.

What Not To Do With The Money

A recipient government may not use ARFA funds to initiate a basic service not provided in either its own current or previous fiscal year. New construction and capital improvement projects are not permissible fund expenditures.

Supplies and Materials--Recipient governments may use funds only for NORMAL SUPPLIES and materials which are incidental and necessary to the continued provision of a basic service. "Normal supplies" means those commodities that meet one or more of the following conditions:

- (1) It is consumed when used;
- (2) It has a per unit purchase price of \$1,000 or less;
- (3) It has an estimated useful life, in the reasonable discretion of the recipient government, of less than one year;
- (4) It is expendable, that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit rather than repair it; or
- (5) It loses its original shape or appearance with use.

ARFA funds may NOT be used for the purchase of heavy equipment. Whether an expenditure is incidental and necessary to a basic service is determined at the reasonable discretion of the recipient government.

Construction--Recipient governments may use funds ONLY FOR REPAIRS to maintain property and equipment in ordinary repair and efficient operating condition. Antirecession Fiscal Assistance Funds may NOT be used to pay for an expenditure constituting a capital improvement which includes replacement, alterations, improvements, or additions which prolong the life of the property, increase its value, or make it adaptable to a different use. Permissible expenditures for repairs may include, but are not limited to, replastering and painting, roof repair, replacement of broken windows, and similar maintenance and operations which conform to the provisions outlined above. ARFA funds may NOT BE USED FOR ARCHITECTURAL ENGINEERING COSTS related to the construction or remodeling of a building.

Warning

Cities are advised to take note of the following:

"The amendment of a budget to reduce the appropriation of local funds and to substitute Antirecession Fiscal Assistance funds, in order to use the freed-up local funds for purposes not permitted under the Act, is not permissible. Funds may not be transferred from one account to another merely to avoid the expenditure requirements of the Act. Audit requirements have been made the same as those for general revenue sharing by regulation."

Antirecession for Local Government Data Processing

Karen Spaight, the Tennessee representative in the Office of Revenue Sharing, has stated that antirecession funds may be used to pay the fee for services of the Local Government Data Processing program since it is for necessary services which have to be performed. The fact that the services are done by computer rather than by hand is irrelevant, according to Ms. Spaight. What is relevant is that these are services necessary to continuation of city functions. (See above section on Uses - Financial Administration.)

Municipal Technical Advisory Service
The University of Tennessee
Knoxville, TN 37916

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