



Municipal Technical Advisory Service  
INSTITUTE *for* PUBLIC SERVICE

Published on *MTAS* (<http://www.mtas.tennessee.edu>)

February 25, 2020

## State Street Aid Fund Revenues

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Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](http://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

The University of Tennessee  
Municipal Technical Advisory Service  
1610 University Avenue  
Knoxville, TN 37921-6741  
865-974-0411 phone  
865-974-0423 fax  
[www.mtas.tennessee.edu](http://www.mtas.tennessee.edu)

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## State Street Aid Fund Revenues

**Reference Number:** MTAS-546

The Tennessee Legislature authorized the state to distribute a portion of the proceeds from the state gasoline fuel taxes to incorporated cities and towns for use on municipal streets. Each year MTAS estimates the per capita amount of state street funds cities will receive. The per capita amount estimated for fiscal year 2019 is \$38.50.

### **State Gasoline Tax Revenue**

The state petroleum and alternative fuel taxes for fiscal year 2020 are:

- Gasoline tax — 26 cents per gallon;
- Diesel tax — 27 cents per gallon;
- Liquefied gas tax — 0.22 cents per gallon; and
- Natural gas tax — 0.22 cents per gallon.

These tax amounts include a special privilege tax of 1 cent per gallon on petroleum products and a 0.4 cent petroleum tax for the underground storage tank fund.

The proceeds from these taxes are paid monthly to local governments on a per capita basis. The law permits motor vehicle fuel tax monies to be used for street-related purposes. The law further requires that these funds be accounted for separately in a special revenue fund, commonly titled the state street aid fund or gas tax fund. Cities may request permission from the state comptroller's office to account for these funds in the general fund. T.C.A. § 54-4-204. See T.C.A. § 54-4-203 for distribution of funds for premier tourist resort cities.

### **Definitions**

- “Municipal Street Aid Fund” means the funds provided for municipalities from state gasoline fuel taxes;
- “Municipality” means any incorporated city or incorporated town charged with the duty of constructing and maintaining streets within its corporate boundaries;
- “Street” includes streets, highways, avenues, boulevards, publicly owned rights-of-way, bridges, tunnels, public parking areas and other public ways dedicated to public use and maintained for general public travel lying within a municipality's corporate boundaries; and
- “Street improvements” means construction, reconstruction, improvement, and maintenance of streets, including paving, repaving, grading and drainage, repairs, cleaning, acquisition and maintenance of rights-of-way, extension and widening of existing streets, elimination of railroad grade crossings, acquisition or lease or lease/purchase of trucks or other equipment necessary in the construction and maintenance of streets, including the purchase, construction or leasing of facilities to store equipment, street lighting, signage, and other traffic control devices, and administrative and other necessary expenses, including labor and employee benefits, in connection with such street improvements. T.C.A. § 54-4-201.

### **Administration**

Each municipality is required to keep records of receipts and expenditures for its state street aid fund in accordance with sound municipal accounting practices. At the end of each fiscal year the municipality must provide an audit of the accounts of the fund by a certified public accountant, and submit one certified copy of the audit to the comptroller of the treasury to be reviewed for compliance with the provisions of the statute. Minimum standards for municipal audits prescribed by the comptroller of the treasury must be met. see T.C.A. § 54-4-204(c).

All purchases made by a municipality with state street aid funds are required to be in conformity with public advertisement and competitive bidding laws applicable to the particular municipality. Generally, municipalities must follow the provisions of the 1983 Municipal Purchasing Law.

Municipalities are not required to employ a licensed engineer to prepare bid specifications and estimates. T.C.A. § 54-4-204 (d)(2). Upon written request of a municipality, the comptroller of the treasury may authorize that funds received from municipal state street aid fund may be kept and

accounted for in the general fund of the municipality. Fund revenue and expenditures related to funds received for the municipal street aid fund are required to be accounted for separately in the general fund in such a manner as to allow identification of the source of revenue and the expenditures related to such revenue.

Funds in the municipal street aid fund may be used by municipalities receiving such funds for funding mass transit systems. No more than 22.22 percent of such funds may be used for funding mass transit. T.C.A. § 54-4-204 (e).

Cities may be eligible for 15-year loans from funds accumulated and set apart from petroleum funds to fund costs incurred in relocating, moving or reinstalling utility facilities, without any additions. Such loans are allowable only for relocating utility lines located within rights-of-way of highways on the system of state highways if relocation is required because of highway construction projects administered by the department of transportation. Applications for assistance should be directed to the State Utility Management Review Board. (see T.C.A. § 67-3-901) (j)). Cities are advised that utility relocation expenses for state highway projects may be paid for with state highway project funds.

It is a Class C misdemeanor for any municipal official or employee to authorize, direct, or permit the expenditure of such funds for any purpose, except those authorized by the state law. Any municipal official or employee who violates this provision shall be personally liable for any unauthorized expenditures of such fund. T.C.A. § 54-4-205.

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*DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.*

**Source URL (retrieved on 02/25/2020 - 8:28pm):** <http://www.mtas.tennessee.edu/reference/state-street-aid-fund-revenues>



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