

State Street Aid Fund Explained

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,

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Reference Number: MTAS-547

General

State street aid funds can pay:

- Street improvements, including work by TDOT or by a county highway department or another municipality, performed under an agreement;
- Valid administration expenses connected with issuing street improvement bonds;
- Principal and interest on street improvement bonds or other indebtedness incurred to pay for street improvements issued after February 19, 1953;
- Street work supervision fees;
- Workers' compensation insurance for employees engaged in street improvement activities;
- General and automotive liability insurance coverage of street improvement activities;
- Property insurance coverage for portions of buildings used to store and maintain street improvement equipment; and
- Mass transit systems, provided that such funding shall not exceed 22.22 percent.

State street aid funds can't pay:

- Auto expenses for the city recorder;
- Salary supplements to the street superintendent;
- Loans temporarily borrowed from the municipal state street aid fund;
- Audit fees;
- Recorder's commission;
- Personal damages;
- Property damages;
- Office assistance; or
- General administrative expenses.

Be careful:

- If a city makes curb and gutter improvements and pays the total cost from state street aid funds but has assessed the abutting property owners for two-thirds of the cost, the funds derived from the assessments must remain available for other qualified street projects;
- Interest received by a municipality from the investment of state street aid funds is subject to the same restrictions as the state street aid fund money; and
- A city must keep records in accordance with sound municipal accounting practices and include the state street aid funds in the year-end audit.

Construction

State street aid funds can pay for:

- Engineering fees for street improvements. Cities are not required to employ licensed engineers to prepare bid specifications and estimates;
- Constructing sidewalks along city streets;
- Acquiring rights-of-way for city streets, including approaches to bridges and tunnels;
- Widening and/or draining a creek to prevent city street flooding, where the primary purpose is to stop street flooding. Protecting other property may be an incidental benefit;
- Up to one-third of the city's rights-of-way acquisition costs for a state highway through the city; and

- The city's part of the cost of grade eliminations on streets and highways, including state and federal highways.

State street aid funds can't pay for:

- Extending municipal sewer lines even if tunneling under city streets is necessary; or
- Drainage improvements not associated with protecting a street.

Be careful:

- Funds may not exceed one-third of the total costs of rights-of-way for state and federal highways within the municipality; and
- All purchases must be made in conformity with public advertisement and competitive bidding laws applicable to the city.

Repair and Maintenance

State street aid funds can pay for:

- Purchasing machinery to repair and maintain municipal streets;
- Purchasing and maintaining equipment for mowing areas within street rights-of-way;
- Removing dead trees, tree limbs, leaves, and similar objects;
- Purchasing boiler for asphalt plant if used to heat asphalt for street improvements; and
- Purchasing street cleaning equipment.

State street aid funds cannot pay for:

- Maintaining county roads; or
- Purchasing refuse pick-up equipment.

Be careful:

If purchasing a piece of equipment is questionable, spend the money on other equipment, supplies, or paving.

Street Signs and Street Lights

State street aid funds can pay for:

- Erecting street signs;
- Installing and maintaining traffic lights; and
- Street light installation and electric bills for street lights.

State street aid funds cannot pay for:

- Welcome-to-the-city signs; or
- Community event and general informational signs.

Other Facilities

State street aid funds can pay for:

- Purchasing, constructing, repairing, or leasing a facility to store street equipment, street lighting, signs, and other traffic control devices.

Cities are advised to use municipal street aid funds for known eligible expenditures and fund questionable expenditures from the general fund.

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 08/19/2019 - 5:39am): <http://www.mtas.tennessee.edu/reference/state-street-aid-fund-explained>

