



American Rescue Plan – State Fiscal Recovery Funds

Interim Final Rule – US Treasury

Eligible Use of Funds

- **Eligible Uses**

- **Public Health Response**
- **Addressing Negative Economic Impacts**
- **Serving the Hardest Hit**
- **Premium Pay for Essential Workers**

- **Ineligible Use of Funds**

- **Paying down unfunded pension liabilities**
- **Offsetting Tax Cuts**
- **Applying as matching funds for other federal grants**
- **Paying interest or principal on outstanding debt, or for consent decrees/legal settlements**
- **Contributing to rainy day funds**

Offsetting a Reduction in Net Tax Revenue

- Prohibits the use of Fiscal Recovery Funds to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation during the covered period
- Fiscal Recovery Funds used to offset a reduction in net tax revenue are subject to recoupment

Compliance with the Offset Provision

Exceptions to the Offset Provision:

- The total value of reporting year changes resulting in a next tax revenue reduction (determined utilizing the state's standard budget process) are below the *de minimis* level
 - *De Minimis* – less than 1% of the reporting year's baseline. If the total value of the changes are above the de minimis, sources of permissible revenue must be identified to cover the full cost of the reductions
- The actual tax revenue recorded in a reporting year is greater than tax revenue received in FY 2019, adjusted annually for inflation (*Safe Harbor*)

Permissible sources for offsetting a reduction if the above are not met:

- Enacting policies to raise other sources of revenue
- Covered spending cuts
- Higher revenue due to economic growth