

ARPA RULES

update

Monday's List Legislative Fiscal Division Tracking



Calculation for revenue replacement for all state revenue sources



Calculation of net tax reductions



Education fund restrictions

Maintenance of effort for K-12 and MUS to same percentage as the average of FY 2017, FY 2018, and FY 2019

Maintenance of equity for low income K-12 schools



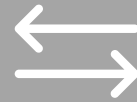
Other requirements of the bill, potential revenue impacts, and accounting issues

New understanding

Friday's List Legislative Fiscal Division Tracking



Calculation for revenue replacement for all state revenue sources: complete



If tax reductions are desired, then must not use Sec 602 funds for tax reductions: changed the question



Education fund restrictions: work in progress

Maintenance of effort for K-12 and MUS to same percentage as the average of FY 2017, FY 2018, and FY 2019

Maintenance of equity for low income K-12 schools



Other requirements of the bill, potential revenue impacts, and accounting issues: work in progress

Determine Amount of Revenue Replacement allowed



Determine FY 2019 actual revenue by tax type



Compare to FY 2020 actual revenue, if negative

| | |
|--------------------------------------|----------------------|
| Were services provided by the state? | Is it COVID related? |
|--------------------------------------|----------------------|



Compare to HJ 2 for an estimate of FY 2021 – FY 2023 estimated revenue replacement

| | | |
|--------------------------------------|----------------------|-----------------------------------------------------------------------|
| Were services provided by the state? | Is it COVID related? | True up revenue replacement amounts after actual revenue is collected |
|--------------------------------------|----------------------|-----------------------------------------------------------------------|

Possible
Revenue Loss –
if HJ 2 is
changed these
will change

Subject to
Guidance

| Revenue Source | Loss 2020 | <u>HJ 2 Estimated Loss</u> | | |
|------------------------------|--------------|----------------------------|-------------|--------------|
| | | 2021 | 2022 | 2023 |
| General Fund Sources | | | | |
| Individual Income Tax | - | 24.4 | - | - |
| Corporate Income Tax | - | 30.3 | 23.0 | 17.7 |
| Vehicle Taxes & Fees | 1.0 | 0.2 | - | - |
| Oil & Natural Gas Taxes | 15.8 | 17.7 | 13.8 | 13.2 |
| Video Gaming Tax | 5.8 | 2.9 | - | - |
| Lodging Facilities Sales Tax | 1.6 | 5.8 | - | - |
| Rental Car Sales Tax | 0.2 | 0.6 | - | - |
| TCA Interest Earnings | 3.4 | 19.3 | 20.5 | 20.3 |
| Lottery Profits | 4.1 | - | - | - |
| Highway Patrol Fines | 0.4 | 0.2 | 0.2 | 0.3 |
| | | | - | - |
| State Special Revenue | | | | |
| Guarantee Fund | 5.8 | 5.3 | 5.8 | 5.4 |
| Gasoline Tax | 4.4 | 3.4 | - | - |
| Oil & Natural Gas Taxes | 2.7 | 3.2 | 2.5 | 2.4 |
| Lodging Facilities Sales Tax | 2.6 | 1.4 | - | - |
| Rental Car Sales Tax | 0.1 | 0.2 | - | - |
| Total | 48.0 | 114.8 | 65.7 | 59.2 |
| Four-Year Total | | | | 287.8 |

Uses of Revenue Replacement



No

- Directly or indirectly enable a tax decrease

Yes

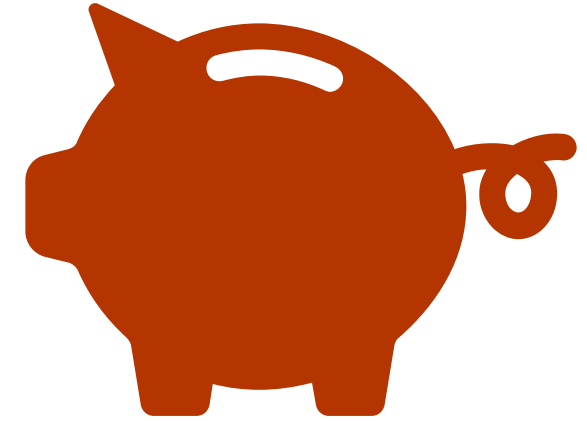
- Any one-time governmental purpose

PROHIBITIONS of Fiscal Recovery Funds Sec. 602 and 603

State prohibitions page
579 taxes & pensions
local prohibitions
pensions only page
594



Reduce net revenue
through tax reductions



Deposit in a pension
fund

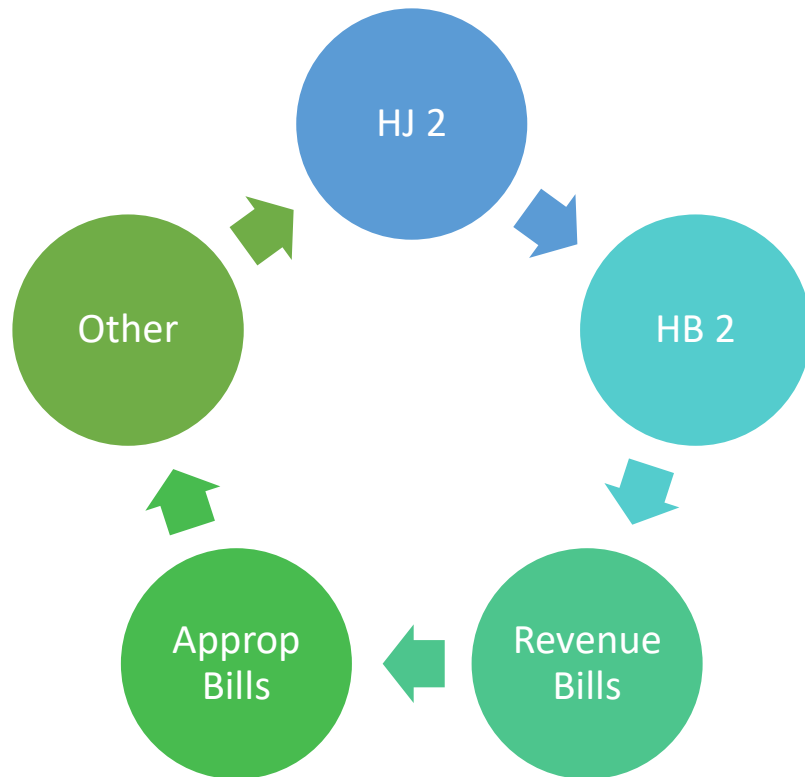
Net Tax Revenue

A) IN GENERAL.—A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a de1 duction, a credit, or otherwise) or delays the imposition of any tax or tax increase...

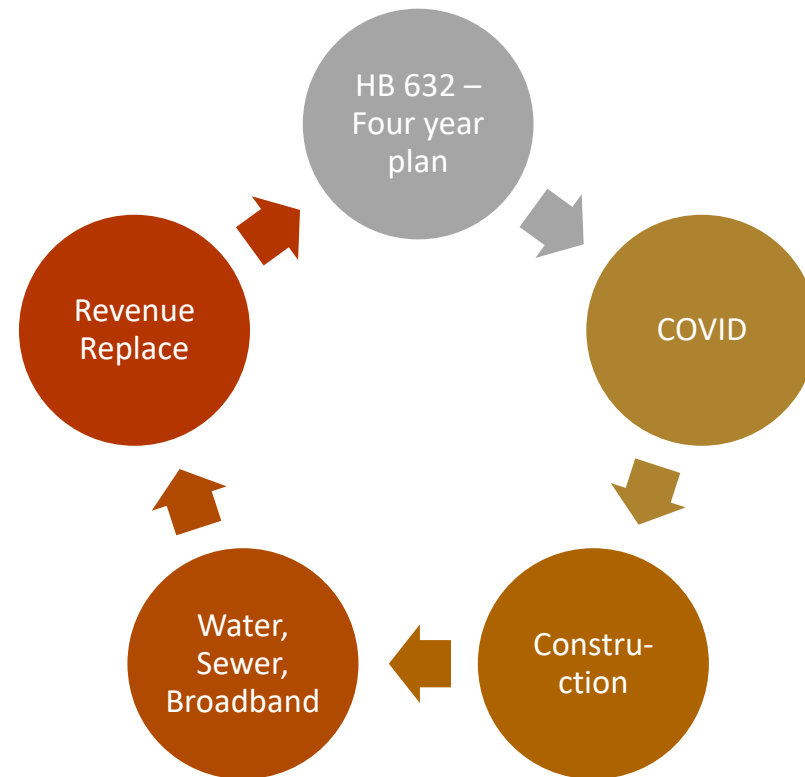
If Tax Reduction is Desired from Regular General Fund revenue, then



Ongoing regular operations of state government



One-time expenditures that fully comply with federal law



Uses of Sec. 602 and 603 State, Local, and Tribal Through December 31, 2024



Respond to the public health emergency, including premium pay to essential workers



Water, Sewer, and Broadband



Replace revenue to provide governmental services, measure as a change from FY 2019



Address the negative economic impacts to households, small business, non-profits, and industries

What can you do this with 602 funds? Brick Wall Examples



**If the item general operations of state government/
HB 2, it cannot use 602 funds unless, but you may use**

Silo funds, if the purpose is consistent with the restrictions of the federal funds



**Treasure State Endowment Program (TSEP) example =
Okay**

Use water and sewer provisions of 602 (c)(1)(D)

Use TSEP \$ for bridges and

Do not spend - save program dollars for the future years

Do not steal into the general fund or could violate

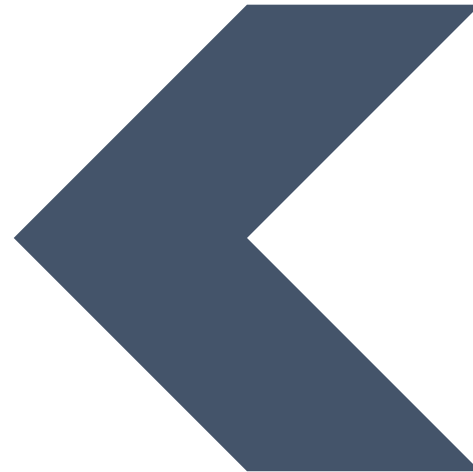


Maintenance of Effort by Proportion of Budget

Average proportion expenditures FY 2017-2019

- K-12
- MUS
- All other

Greater than or equal



Proportion of expenditures FY 2022 and FY 2023

- K-12
- MUS
- All other

Still working on detailed interpretation of this calculation

SEC. 9901.
CORONAVIRUS
STATE AND
LOCAL FISCAL
RECOVERY
FUNDS
Pages 569 -
604

- SEC. 602. CORONAVIRUS STATE FISCAL RECOVERY FUND
 - Estimated at \$910 million
 - Unknown to *Tribes
- SEC. 603. CORONAVIRUS LOCAL FISCAL RECOVERY FUND
 - Estimated at \$82 million through state
 - \$258 million direct to local
- SEC. 604. CORONAVIRUS CAPITAL PROJECTS FUND
 - Estimated at \$119 million to state
 - Unknown to *Tribes
- SEC. 605. LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND
 - Unknown – anticipated to go directly to counties and *Tribes

*Working on estimates
for the tribes