

ARPA STATE AND LOCAL FISCAL RECOVERY (SLRF)

CALCULATING LOSS OF REVENUE

**To Determine Eligible Amount Which Can Be Used for Lost Revenue
May 17, 2021**

ELIGIBLE USE OF FUNDS: "LOST REVENUE"

IFR page 7: "...For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency;..."

CALCULATING LOST REVENUE

Calculate the loss based on what could have been expected to occur in absence of the pandemic.

IFR page 56: "...recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what would have been expected to occur in the absence of the pandemic. This approach measures losses in revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic. In other words, the counterfactual trend starts with the last full fiscal year prior to the COVID-19 public health emergency and then assumes growth at a constant rate in the subsequent years."

- 1) **Base Year** for calculating loss: Your last full fiscal year prior to January 27, 2020.
 - Identify revenues collected in the base year. See "Revenues" allowed/not allowed below.

Examples

<u>FYE: June 30</u>	<u>FYE: December 30</u>
FYE June 30, 2019	FYE December 31, 2019

- 2) Determine a **growth rate** that you recognize has been lost. This is the **greater of**:
 - Actual average growth rate, based on the average annual revenue growth of the last full three (3) fiscal years prior to 1/27/20, **OR**
 - 4.1% growth rate - as allowed by the ARPA guidance

<u>FYE: June 30</u>	<u>FYE: December 30</u>
FYE June 30, 2017	FYE December 31, 2017
FYE June 30, 2018	FYE December 31, 2018
FYE June 30, 2019	FYE December 31, 2019

- 3) Apply your **growth rate** from the end of your **base year** to the four (4) points in time:
 - In order to calculate the extent of the reduction in revenue to ARPA's "four points in time," determine number of months elapsed since the end of the base year to the calculation dates.

<u>4 Points in Time</u>	<u>FYE: June 30</u>	<u>FYE: December 30</u>
<u>December 31, 2020</u>	18 months	12 months
<u>December 31, 2021</u>	30 months	24 months
<u>December 31, 2022</u>	42 months	36 months
<u>December 31, 2023</u>	48 months	54 months

- 4) Identify **actual revenues** collected over the past twelve (12) months as of the calculation date and determine **lost revenue**.
 - Lost revenue is equal to the **expected growth rate less actual revenue**. If actual revenues exceed expected growth rate, then set the figure to zero (0).

REVENUES

Calculate “revenues” by including in your calculations:

- a) General revenue drawing on the U.S. Census Bureau’s definition of “General Revenue from Own Sources”
- b) **Includes the sum total across all revenue sources/streams covered as general revenue**
 - i) Cannot calculate on a ‘source by source’ basis
- c) Includes: Intergovernmental transfers from other governments, including the state.
 - i) Cannot include federal intergovernmental transfers.
- d) Taxes/fees
- e) Other revenues – “sources generated from local economy to fund government”
 - i) Parking, recreation, parks, zoos, (public transportation ??—unclear, need further guidance)

Revenues which **CANNOT** be included in calculations:

- a) Refunds and other correcting transactions
- b) Proceeds from debt issuance or sale of investments
- c) Agency or private trust transactions
- d) Insurance trust revenues
- e) **Utilities** (*Note: Ineligibility of utility revenue is a concern that NLC will be pursuing with Treasury*)

Example:

1. Town X has **\$100** in revenue in the base year (the last full year before January 27, 2020).
2. Town X finds that **4.1 percent** is greater than Town X’s average annual revenue growth adjustment rate in the three full fiscal years prior to the public health emergency.
3. The base year ends June 30, 2019.
4. Town X has **18 months** from the end of its base year (June 2019) to the first calculation point: December 31, 2020. Its projected revenue would have been **\$106.20**
 - a. Base Year Revenue + [1 + Growth Adjustment] ^ (n/12)] (*See IFR, page 59*)
 - “n” is the number of months elapsed since the end of the base year to the calculation date.
 - b. **100+[(1+.041)^(18/12)]**
 - Calculate parentheses first, then the bracket, then add the base year revenue
 - 1+.041 = 1.041
 - 18/12 = 1.5
 - 1.041^1.5 = 1.062

○ $100 + 1.062 = \$106.20$

5. Town X had \$80 of actual revenue in 2020
6. The revenue loss for 2020 is: $\$106.20 - \$80.00 = \$26.20$
7. **If actual revenues collected exceeds calculated projected, then no (0) revenue loss for that year.**