

5. REPLACE PUBLIC SECTOR REVENUE LOSS

INTERIM FINAL RULE: REFERENCES P. 51-60, 118-119 | RULE DEFINITIONS P. 135, 143-144

COUNTIES MAY USE FISCAL RECOVERY FUNDS FOR THE PROVISION OF “GOVERNMENT SERVICES” TO THE EXTENT OF THE REDUCTION IN REVENUE EXPERIENCED DUE TO THE COVID-19 PUBLIC HEALTH EMERGENCY.

Counties may use payments from the Fiscal Recovery Funds for the provision of “government services” to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency. This means that the amount determined as “lost revenue” may be used proscriptively for most regular government purposes.

The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.

DEFINITION OF GENERAL REVENUE

Based on Census Bureau’s definition and includes revenue from taxes, current charges, miscellaneous general revenue, and intergovernmental transfers between state and local governments (*Note: definition excludes federal intergovernmental transfers to counties including CARES Act funding*)

- Excludes other correction transactions proceeds from issuance of debt or the sale of investments, agency or private trust transactions and revenue generated by utilities, intergovernmental transfers from the federal government (federal transfers made to a state/locality)

RECOVERY FUNDS USED TO REPLACE “REVENUE LOSS” ARE FLEXIBLE AND MAY BE USED FOR A BROAD RANGE OF GOVERNMENT SERVICES, PROGRAMS AND PROJECTS OUTSIDE OF TYPICAL ELIGIBLE USES OF RECOVERY FUNDS UNDER THE INTERIM RULE. **HOWEVER, REVENUE RECOUPMENT CANNOT BE USED FOR RAINY DAY FUNDS OR DEBT SERVICES**

DEFINITION OF GOVERNMENT SERVICES

Government Services included, **but are not limited to:**

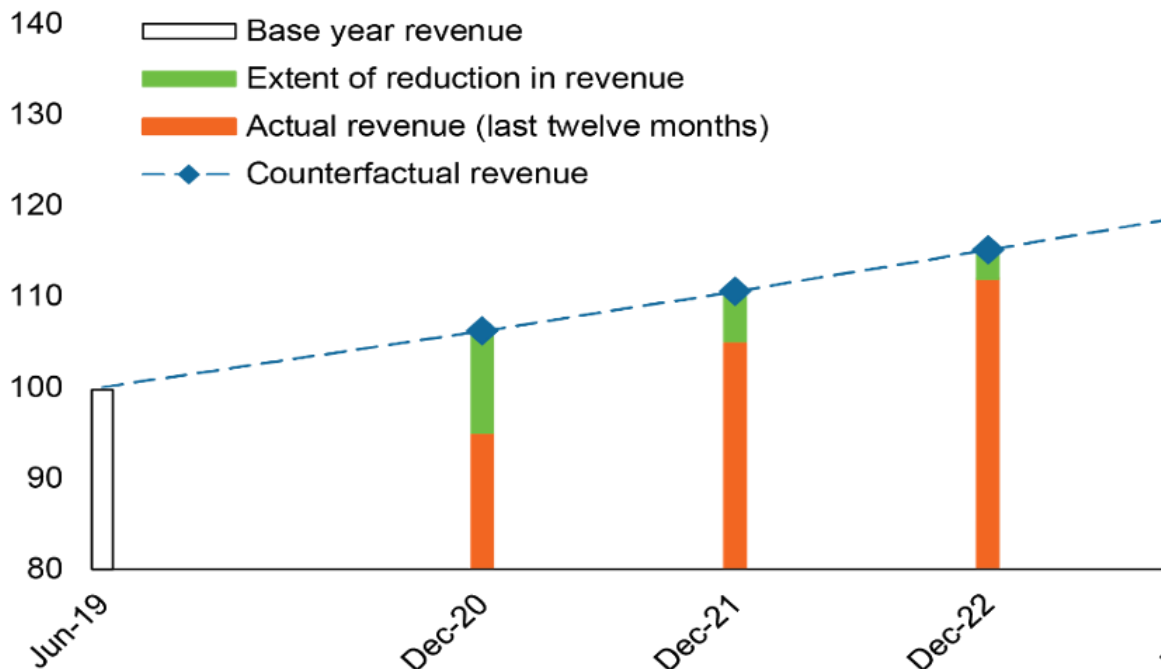
- Maintenance or pay-go pay-go funded building of **infrastructure, including roads**
- Modernization of **cybersecurity**, including hardware, software, and protection of critical infrastructure
- **Health** services
- **Environmental** remediation
- **School or educational** services
- Provision of **police, fire, and other public safety services**

REQUIREMENTS WHEN CALCULATING REVENUE LOSS

When calculating revenue loss, a county must adhere to the following guidelines:

- Recipients should calculate revenue on an **entity-wide basis** (*i.e. county government-wide basis*)
- Recipients **cannot use pre-pandemic projections** as a basis to estimate the reduction in revenue
- Recipients should (*i.e. may*) calculate the extent of the reduction in revenue as of four points in time:
 - December 31, 2020
 - December 31, 2021
 - December 31, 2022, and
 - December 31, 2023

OVERALL METHODOLOGY FOR CALCULATING THE REDUCTION IN REVENUE



STEPS FOR CALCULATING LOST REVENUE

1. Identify revenues collected in the most recent full fiscal year prior to the public health emergency (i.e. January 27, 2020), *called the base year revenue*. In calculating revenue, recipients should sum across all revenue streams covered as general revenue
2. Estimated counterfactual revenue, which is equal to base year revenue: $[(1 + \textit{growth adjustment})^{(n/12)}]$, where n is the number of months elapsed since the end of the base year to the calculation date, and *growth adjustment* is the greater of 4.1 percent and the recipient's average annual revenue growth in the three full fiscal years prior to the COVID-19 public health emergency
3. Identify *actual revenue*, which equals revenues collected over the past 12 months of the calculation date
4. The extent of the reduction in revenue is equal to *counterfactual revenue* less than *actual revenue*. If actual revenue exceeds counterfactual revenue, the extent of the reduction in revenue is set to zero for that calculation date