Revenue Loss

• “Recipients 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. Pursuant to sections 602(c)(1)(C) and 603(c)(1)(C) of the Act, a recipient’s reduction in revenue is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency.”

• Interim Final Rule of the Department of the Treasury
Replacement of Revenue Loss

- Use of the ARP-State and Local Fiscal Recovery Funds for government services may only be used to the extent of the revenue loss.
  - For example, if you determine revenue loss to be $300,000 in one year, then government services provided based on that calculation would only be $300,000.
  - The disbursements for government services would have to tie to the revenue loss calculation for each year.

General Revenues

- “The interim final rule defines the term “general revenue” to include revenues collected by a recipient and generated from its underlying economy and would capture a range of different types of tax revenues, as well as other types of revenue that are available to support government services.”
Calculation of loss

• Compare the actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic.

• May use a growth adjustment of 4.1% per year or the recipient’s average annual revenue growth over the three full fiscal years prior to COVID-19 public health emergency.

• Calculate at four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023

Calculation of loss -Steps

• Step 1: Identify general revenues collected in the most recent full fiscal year prior to the health emergency (2019)

• Step 2: Estimate counterfactual revenue which is equal to base year revenue*[(1+growth adjustment)^(n/12)]

• Step 3: Identify actual general revenue collected over the past 12 months (January to December) as of the measurement date

• Step 4: The extent of the reduction in revenue is equal to the counterfactual revenue less actual revenue.
Example of calculation

- In step one we determine 2019 general revenue to be $1,000,000.
- In step two we use the 4.1% growth adjustment to determine the counterfactual revenue for 2020 at $1,041,000.
- In Step three we determine the actual general revenue in 2020 we received was $950,000.
- In step 4 we subtract the actual general revenue of $950,000 from the counterfactual income of $1,041,000 to determine our revenue loss of $91,000.

General Revenues

- Own Source
  - Taxes
  - Charges for service
  - License and Permits
  - Fines and Forfeitures
  - Other
- Intergovernmental
  - State Distributions and Grants
  - Local Funding from other Local units
General Revenue – Excluded Sources

• Own Source
  • Refunds/Reimbursements
  • Transfers between funds
  • Interfund Loans
  • Proceeds from Debt
  • Sale of Investments
  • Receipts to settlement and remittance funds
  • Receipts to payroll clearing funds and Self Insurance funds
  • Utility collections (electric, gas, mass transit, water supply)

• Intergovernmental
  • Federal grants

Source of Revenue Numbers

• All reports require analysis – exclude revenues that are not general
• Determine total general revenues for 2019 and 2020
• Use
  • Financial software reports
    • Chart of general revenues and excluded revenues
  • Annual Financial Report – Detail of Receipts
    • Receipt codes for AFR – marked Y
    • Funds ledger- receipts – for Other receipts to determine source of revenue
Excluded Receipts and Funds

• Federal Grants – Direct or passed through State or local units
• Other Receipts need to be analyzed so that excluded receipts can be determined- such as refunds/reimbursements, interfund activity, loan proceeds and sale of investments
• Some funds need to be excluded from consideration:
  • Agency funds-Payroll Clearing Funds, Settlement Funds, Remittance Funds
  • Self Insurance Funds
  • Private Trust Funds
  • All Federal Grant funds

Calculation of General Revenues

General Procedures and Counties
Counties Example

- 2019 Total General Revenues    56,208,319
- Growth Adj. 4.1 %              1.041
- Counterfactual Revenue        58,512,860
- 2020 Total General Revenues   57,062,318

- Total loss for 2020            1,450,542
  - Counterfactual Revenue less Actual 2020 General Revenue

Calculation of General Revenues

City and Town Considerations
Indiana Utilities

SEWER OPERATING FUND
- Sewage Fees: $5,819,366.59
- Unmetered Sales and Services: $1,604,373.82

Total Charges for Services:
- Earnings on Investments and Deposits: $24,109.05
- Refunds and Reimbursements: $26,199.27
- Other Receipts/006,999, 2 YEAR OLD VOIDED CHECKS: $87.27

Total Other Receipts: $50,396.45
Total SEWER OPERATING FUND: $7,474,136.90

WWTP SAVINGS
- Earnings on Investments and Deposits: $243.54

Total Other Receipts: $243.54
Total WWTP SAVINGS: $243.54

SRF LOAN- BOND & INT (9568)
- Earnings on Investments and Deposits: $1,033.16
- Other Receipts/050,510 - BOND RECEIPTS: $1,448,726.00

Total Other Receipts: $1,450,359.16
Total SRF LOAN- BOND & INT (9568): $1,450,359.16

May include revenue from sewage fees and solid waste fees.

Indiana Utilities

WATER OPERATING FUND
- Rental of Property: $1.00

- Metered or Measured Sales and Services: $2,975,782.93
- Unmetered Sales and Services: $1,189,288.09

Total Charges for Services: $4,166,072.02

Must exclude revenue from water, electric, gas, and public transportation.
## Cemetery Fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>General Property Taxes</td>
<td>$8,052.74</td>
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<tr>
<td>Financial Institution Tax distribution</td>
<td>$268.65</td>
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<tr>
<td><strong>Total Taxes and Intergovernmental</strong></td>
<td><strong>$8,321.39</strong></td>
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<tr>
<td>Other Licenses and Permits/206/122,000 - CEMETERY/AUTO AND AIRCRAFT EXCIS</td>
<td>$7,368.82</td>
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<tr>
<td><strong>Total Licenses and Permits</strong></td>
<td><strong>$7,368.82</strong></td>
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<tr>
<td>Cemetery Receipts</td>
<td>$12,906.99</td>
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<tr>
<td><strong>Total Charges for Services</strong></td>
<td><strong>$12,906.99</strong></td>
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<tr>
<td>Sale of Capital Assets</td>
<td>$9,944.76</td>
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<tr>
<td>Other Receipts/206/300.000 - CEMETERY/INTEREST</td>
<td>$8.01</td>
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<tr>
<td><strong>Total Other Receipts</strong></td>
<td><strong>$9,952.79</strong></td>
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<tr>
<td><strong>Total CEMETERY</strong></td>
<td><strong>$31,915.09</strong></td>
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## Aviation Fund

<table>
<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>Rental of Property</td>
<td>$10,420.00</td>
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<tr>
<td>Airport Receipts</td>
<td>$17,227.59</td>
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<tr>
<td><strong>Total Charges for Services</strong></td>
<td><strong>$27,647.59</strong></td>
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<tr>
<td><strong>Total AVIATION</strong></td>
<td><strong>$27,647.59</strong></td>
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<tr>
<td>Airport Grant Federal</td>
<td>$273,037.80</td>
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<tr>
<td><strong>Total Taxes and Intergovernmental</strong></td>
<td><strong>$273,037.80</strong></td>
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<tr>
<td><strong>Total Airport Grant - Federal</strong></td>
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<tr>
<td><strong>Total Airport Grant - State</strong></td>
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<tr>
<td><strong>Total Taxes and Intergovernmental</strong></td>
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<tr>
<td><strong>Total Airport Grant - State</strong></td>
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**Indiana State Board of Accounts**
## Parks

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<thead>
<tr>
<th>Description</th>
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<tbody>
<tr>
<td>PARK NON-REVERTING OPERATING</td>
<td>$14,000.00</td>
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<tr>
<td>Planning, Zoning, and Building Permits and Fees</td>
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<tr>
<td>Total Licenses and Permits</td>
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<tr>
<td>Park and Recreation Receipts</td>
<td>$278,792.86</td>
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<tr>
<td>Rental of Property</td>
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<td>Total Charges for Services</td>
<td>$312,867.55</td>
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<tr>
<td>Earnings on Investments and Deposits</td>
<td>$1,331.30</td>
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<tr>
<td>Refunds and Reimbursements</td>
<td>$311.50</td>
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<tr>
<td>Donations, Gifts, and Bequests</td>
<td>$4,616.00</td>
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<td>Other Receipts/211.500 - MISC REVENUE</td>
<td>$1,000.00</td>
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<tr>
<td>Other Receipts/211.989 - 2-YR OLD VOIDED CHECKS</td>
<td>$83.76</td>
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<td>Total Other Receipts</td>
<td>$7,223.86</td>
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<td>Total PARK NON-REVERTING OPERATING</td>
<td>$334,090.11</td>
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## Police and Fire Pensions

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<tbody>
<tr>
<td>FIRE PENSION Familiar Receipt</td>
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<tr>
<td>Other Receipts/801406.000 - FIRE PENSION RELIEF FUND</td>
<td>$95,237.24</td>
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<td>Total Other Receipts</td>
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<td>Total FIRE PENSION</td>
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<td>POLICE PENSION</td>
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<td>Other Receipts/802406.000 - POLICE PENSION RELIEF FUND</td>
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<td>Total POLICE PENSION</td>
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### TIF

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<tr>
<td>General Property Taxes</td>
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<td>Total Taxes and Intergovernmental</td>
<td>$2,322,983.45</td>
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<td>Sale of Investments</td>
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<td>Earnings on Investments and Deposits</td>
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<td>Total Other Receipts</td>
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<td>Total TIF</td>
<td>$2,330,392.33</td>
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#### 2020 AD VALOREM BOND DEBT

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<tbody>
<tr>
<td>General Property Taxes</td>
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<tr>
<td>Vehicle/Aircraft Excise Tax Distribution</td>
<td>$41,678.17</td>
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<tr>
<td>Commercial Vehicle Excise Tax Distribution (CVET)</td>
<td>$224.09</td>
</tr>
<tr>
<td>Total Taxes and Intergovernmental</td>
<td>$757,166.98</td>
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<tr>
<td>Total 2020 AD VALOREM BOND DEBT</td>
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### Federal Grants - Exclude

#### CARES-IFA GRANT FUND

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</thead>
<tbody>
<tr>
<td>Total Taxes and Intergovernmental</td>
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</tr>
<tr>
<td>Total CARES - IFA GRANT FUND</td>
<td>$856,418.00</td>
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#### CARES PROVIDER RELIEF

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Taxes and Intergovernmental</td>
<td>$17,022.66</td>
</tr>
<tr>
<td>Total CARES PROVIDER RELIEF</td>
<td>$17,022.66</td>
</tr>
</tbody>
</table>
Payroll Funds

Exclude payroll funds and payroll withholding funds

Revenue Calculator

- Summary sheet contains the formula for calculating the revenue loss in excel.
- Calculation on an entity wide basis
- Determine total General Revenues for 2019 – Base year
- Determine total General Revenues for 2020 – Actual Revenue
  - Same determination for 2021 and 2022 – Actual Revenue
- Use the calculator or the formula within the calculator to determine revenue loss
Growth Adjustment

• The Interim Final Rule provides for a growth adjustment of 4.1%.
• Option to calculate the growth of revenue over 2017, 2018 and 2019 to see if it is greater than 4.1% - could use the higher growth adjustment.
• The formula takes the base revenue times the growth adjustment adjusted for the year (number of months since the base year).
• You can use the formula in excel to make your own calculations. For 2020 and calendar year end of 12/31- it is just the base revenue times 1.041 (if you use 4.1%) less your actual 2020 general revenues.

Calculate Growth Adjustment

• Determine General Revenues for each year, 2017, 2018 and 2019.
• Determine the rate of growth between the years
• Determine the average of that rate over the three years
• Example:
  • Year 1: 100,000
  • Year 2: 105,000 Increase in year 2 over year 1 is 5%
  • Year 3: 108,000 Increase in year 3 over year 2 is 2.8%
  • Average is 3.9%
Uses of ARP Funds for Revenue Loss

• Direct Provision of Government Services, includes but not limited to:
  • Maintenance and Pay-Go funded building of infrastructure (roads)
  • Cybersecurity
  • Health Services
  • Environmental Remediation
  • School or educational services
  • Police, fire and public safety

• Excluded
  • Paying principal or interest on debt
  • Paying judgements
  • Rainy Day funds

Audit Expectations

• Document and maintain the documentation of how the revenue loss was calculated and how your growth adjustment was calculated if you didn't use the 4.1%

• Disburse all claims from the grant fund including any government services paid from ARPA-State Local Fiscal Recovery funds to the extent of revenue loss – **do not** transfer the ARPA funds to another fund.

• Maintain all documentation for disbursements paid from the grant fund, including claims for government services paid to the extent of the revenue loss.
Additional Resources
Revenue Sources

Revenue Sources

Revenue Sources Guidance for Indiana Counties, Cities & Towns

NOTE: Revenue is not of refunds and other correcting transactions, and excludes:

- Intragovernmental Transfers
- Proceeds from the issuance of debt
- Proceeds from the sale of investments
- Proceeds from agency or private trust transactions

General Revenue

Liquor Store Revenue per IFR is not applicable in Indiana

Utility Revenue

Exclude Utility Revenue from utilities

Exclude Social Insurance Trust Revenue
Inter-governmental Revenue

This chart is provided by the State Board of Accounts as a guide for analyzing general revenue sources under the American Rescue Plan Act. Each unit of government must make its own determination as to which revenue sources should be included in the calculation of revenue reduction based on the wording of the American Rescue Plan Act provisions.

Sources:
American Rescue Plan Act
US Treasury's Interim Final Rule
US Treasury's Frequently Asked Questions (FAQ)

Revenue from Own Sources

This chart is provided by the State Board of Accounts as a guide for analyzing general revenue sources under the American Rescue Plan Act. Each unit of government must make its own determination as to which revenue sources should be included in the calculation of revenue reduction based on the wording of the American Rescue Plan Act provisions.

Sources:
American Rescue Plan Act
US Treasury's Interim Final Rule
US Treasury's Frequently Asked Questions (FAQ)
Revenue from Utilities and Social Insurance Trust

AFR Receipt Code Classifications
<table>
<thead>
<tr>
<th>AFR Receipt Code</th>
<th>Classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td></td>
</tr>
</tbody>
</table>
AFR Receipt Code Classifications

This Chart is provided by the State Board of Accounts as a guide for analyzing general revenue sources under the American Rescue Plan Act. Each unit of government must make its own determination as to which revenue sources should be included in the calculation of revenue reduction based its reading of the American Rescue Plan Act provisions.

Sources:
- American Rescue Plan Act
- US Treasury Interim Final Rule
- US Treasury Frequently Asked Questions (ARPA)

Y - If classified correctly, this category will be included in the revenue calculation per US Treasury Guidance
N - If classified correctly, this category will NOT be included in the revenue calculation per US Treasury Guidance
A - Analyze transactions in this category to determine if transactions should be included or excluded per US Treasury

Summary

Calculate Revenue Reduction based on information in the ARPA, Interim Final Rule, and US Treasury FAQs.

- Revenue from General Sources
- Growth Quotient
- Interim Final Rule Formula

Document and maintain the documentation of how the revenue loss was calculated.

Disburse all claims from the grant fund—do not transfer the ARPA funds to another fund.

Maintain all documentation for disbursements paid from the grant fund.
Contact Information

Indiana State Board of Accounts

- Lori Rogers or Ricci Hofherr
  Counties@sboa.in.gov

- Todd Caldwell or Susan Gordon
  Cities.Towns@sboa.in.gov