



Local FRF and 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. Below is a possible thought process for a Non-entitled Municipality with which to fully consider the specific terms and conditions involved.



Step 1 What is "revenue" and what if I'm unsure?

- In general, Treasury's definition focuses on sources that are generated from economic activity and are available to fund government services. If unsure, recipients may consider the classification and instructions used to complete the Census Bureau's Annual Survey and compare this guidance with the Interim Final Rule's concept of "general revenue."
- Some funds are explicitly excluded in the calculation:
 - * Proceeds from issuance of debt, sale of investments, and agency/private trust transactions.
 - * Refunds and other correcting transactions.
 - * Revenue from utilities and insurance trusts.

Step 2 What expenditures aren't allowed?

- Paying interest or principal on outstanding debt;
- Replenishing rainy day or other reserve funds;
- Paying settlements or judgements;
- Short-term revenue or tax anticipation notes;
- Paying fees or issuance costs from issuance of new debt;
- Overarching restrictions on all program funds, such as restriction on pension deposits and on using funds for non-federal match where barred by regulation or statute.



Step 3 How do I calculate revenue loss?

- Treasury issued a formula for calculating a recipient's reduction in General Revenue (Interim Final Rule, p.51-61). Note the choice around the Growth Adjustment and summing across all revenue streams.
- Resources for calculating revenue replacement:
 - [National League of Cities](#) (calculator linked halfway down);
 - [National Association of Counties](#) (webinar);
 - [Government Finance Officers Association](#) (calculator, for members).



Step 4 How can I spend these funds?

- For the provision of government services, including but not limited to:
 - Maintenance of infrastructure or pay-go spending for building new infrastructure, including roads;
 - Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure;
 - Health services;
 - Environmental remediation;
 - School or educational services;
 - And for the provision of police, fire, and other public safety services.

