State of Vermont SLFRF Revenue Loss

This document summarizes the State of Vermont's approach to using SLFRF revenue loss funds. The State Recovery Office has created this document for reference by State of Vermont agencies and departments and their revenue loss grantees and contractors. Please contact ADM.COVID@vermont.gov for any questions not addressed below.

Revenue Loss Funds Overview

Revenue loss funds are a part of State and Local Fiscal Recovery Funds (SLFRF), administered by the U.S. Department of the Treasury ("U.S. Treasury") and enacted through the American Rescue Plan Act (ARPA). Revenue loss funds replace a government's reduction in revenue following the onset of the COVID-19 public health emergency. Revenue loss funds are subject to fewer federal regulations, restrictions, and reporting requirements than other SLFRF expenditure categories. The State of Vermont has calculated that it can use up to $242,787,538 of SLFRF toward revenue loss, most of which the State has committed.

Revenue Loss Calculation

The U.S. Treasury's 2022 Final Rule and SLFRF FAQ for SLFRF include guidance on calculating revenue loss. This guidance instructs recipients (i.e., the State of Vermont) to calculate revenue loss by comparing actual revenue collected to a counterfactual revenue that assumes a 5.2% growth rate. The counterfactual estimates how much a recipient's revenue would have grown without the pandemic. A recipient's revenue loss for the entire SLFRF period of performance is equal to the sum of the revenue loss (the actual revenue minus the counterfactual revenue) for each of the four calculation dates in the 2022 Final Rule. The guidance in the 2022 Final Rule and SLFRF FAQ replaced previous calculation guidance, which had less flexible date calculations and a lower counterfactual revenue growth rate.

Uses and Restrictions

Revenue loss funds can cover a wide range of government services, including ones not explicitly listed in the 2022 Final Rule (SLFRF FAQ 3.2). However, certain restrictions still apply. Revenue loss funds cannot offset a reduction in net tax revenue resulting from a recipient's change in law, regulation, or administrative interpretation; make deposits into pension funds; service a debt; replenish financial reserves; fund a judicial settlement; or fund projects that seek to undermine efforts to stop the spread of COVID-19 (SLFRF FAQ 13.15). Refer to the SLFRF Overview of the Final Rule or the Final Rule FAQ for more details.

Using Revenue Loss Funds at the State Level

Per SLFRF FAQ 13.14, "[Revenue loss] funds retain their federal character and recipients remain subject to laws and regulations applicable to Federal financial assistance programs." Based on this guidance, recipients, like the State of Vermont, must treat revenue loss dollars as federal funds and follow the applicable regulations and restrictions in the SLFRF prime award agreement and other Treasury guidance.

Using Revenue Loss Funds in External Agreements (e.g., Grant Agreements, Contracts)

Grant agreements, contracts, and beneficiary payments must include revenue loss dollars as state funds because they lose their federal character when disbursed to another party, such as a grantee, contractor, beneficiary, or loan recipient. The State has arrived at this interpretation based on guidance in SLFRF FAQ 4.9. The section reads, "if a recipient uses SLFRF funds under the revenue loss eligible use category to fund a loan...loaned funds may be considered to be expended at the point of disbursement." Without guidance indicating otherwise, the State interprets this language to mean all revenue loss fund disbursements are federal award expenditures. Therefore, when external parties use revenue loss funds, the expenditures are not tied to the federal award, and the agreement should not describe the funds as federal.

While grant agreements and contracts with only revenue loss funds must follow certain federal requirements, they do not need to include the federal award identification information listed in 2 CFR 200.332 nor the State of Vermont federal terms supplement. Grant agreements funded with revenue loss do not need to meet the requirements in 200.332 because they are not subawards (SLFRF FAQ 13.14). Grant agreements and contracts must still meet the following requirements:

- May not be entered with a federally debarred or suspended third party;
- Must be entered by September 30, 2024, unless granted an extension by the Agency of Administration.
- Must conclude by June 30, 2026, unless granted an extension by the Agency of Administration.

Reporting Revenue Loss Funds as a Grantee
In SLFRF FAQ 13.14, Treasury states, "Recipients' use of revenue loss funds does not give rise to subrecipient relationships." Based on this guidance, grants made with revenue loss funds are external grant agreements, but they are not federally recognized subawards. Therefore, the funds do not contribute to a grantee's Single Audit threshold, and a grantee should not report the funds on its on its SEFA. The State of Vermont reports disbursed revenue loss funds on its own SEFA.

Quarterly Reporting to U.S. Treasury
Agencies and departments must report revenue loss projects, obligations, and expenditures on the Projects tab of their quarterly reporting templates. The Projects tab must include the revenue loss funds obligated or expended through grant agreements, contracts, and beneficiary payments. Agencies and departments should take the following approach to reporting revenue loss obligations and expenditures:

- **Obligations:** Report revenue loss funds as obligated once committed through a grant agreement or contract signed by the state and the third party.
- **Expended:** Report revenue loss funds as expended once disbursed to the grantee or a contractor. Agencies and departments should report them as expended once disbursed because they lose their federal character.

Obligation and Expenditure Deadlines
Revenue loss dollars must be obligated and expended by the State of Vermont before the SLFRF obligation and expenditure deadlines. To ensure the State of Vermont can meet these federal deadlines, agencies and departments must meet Vermont's obligation deadline, September 30, 2024, and Vermont's expenditure deadline, June 30, 2026. Agencies and departments may request an extension to the Vermont obligation and expenditure deadlines by contacting ADM.COVID@vermont.gov. The obligation and expenditure deadlines from the U.S. Treasury apply to the State, including State agencies and departments, and cannot be extended. The obligation deadline does not apply to grantees' or contractors' use of the funds, and the expenditure deadline does not apply to revenue loss funds disbursed to grantees or contractors.

Amendments and Corrections

Agencies and departments must amend any subaward agreements or contracts that do not conform to the policies and procedures in this document and correct any deviations from reporting guidance. Any revenue loss funds not reported in October 2024 or December 2024 quarterly reporting may be subject to reversion. The Agency of Administration may check for conformance to these policies and procedures as part of future monitoring.