In May, the Department of Treasury released updated guidance for the purpose of calculating general revenue lost due to the current COVID-19 health pandemic. The guidance defines “general revenue” as “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.” Generally, these revenues are based on those components reported to the Census Bureau’s Annual Survey of State and Local Government Finances. The components include tax revenue, charges for services, rents, royalty, and liquor store revenue. It also includes public education institution, public hospital, and toll revenues as well as lottery proceeds and fines.

To calculate reductions in revenue, states are directed to compare actual revenue in CY 2020 to what would have been expected in the absence of the pandemic (counterfactual revenue). To calculate expected revenues, states are directed to use 4.1% or the average annual growth rate from the three most recently completed fiscal years prior to the start of the pandemic, whichever is greater. For Montana, these years represent growth rates over the period of FY’s 2016-2019. This growth rate is then applied to the last known fiscal year prior to the pandemic to produce a counterfactual revenue for CY 2020.

State revenue data submitted to the Census is only available through FY 2018. As a result, the Department of Treasury updated guidance on June 8th allowing states to use their own accounting systems for the data needed for the revenue replacement calculation. Using data from the state accounting system SABHRS, Montana own source revenue grew at an annual rate of 5.46% from FY 2016 to FY 2019. For reference, own source revenue totaled $3,752 million in FY 2016 and $4,401 million in FY 2019.

States are instructed to apply this growth rate to final FY 2019 revenues for 1.5 years to arrive at a revenue counterfactual for CY 2020. This yields a counterfactual revenue of $4,766 million for CY 2020, compared to actual CY 2020 revenues of $4,502 million. Therefore, CY 2020 revenues lost for Montana total $264 million.

While the guidance includes public education institution revenue (both K-12 and Higher Education), it is unclear to which extent Higher Education revenue should be included. As noted above, the guidance includes revenue that are available to support government services. Higher Education revenues are deposited into the current unrestricted budget authority (CUBA) fund. If this fund’s revenue is removed from the calculation, then the same methodology used above produces a revenue replacement figure of $181 million.

*A report outlining revenue replacement in conjunction with HB 632 appropriations will be available on July 1, 2021.