Michigan Department of
TREASURY

Engagement. Service. Improvement.

American Rescue Plan Act

Thursday, June 17, 2021

Disclaimer: The U.S. Department of Treasury has issued interim rules for the American Rescue Plan Act. These rules are subject to change. The information provided during this webinar is solely intended for general reference and is not comprehensive or final information. It is recommended that local governments review all guidance from federal Treasury and contact their legal counsel and auditor for your specific situation.

Welcome Greeting

Kayla Rosen
Departmental Analyst,
Community Engagement and Finance,
Department of Treasury

Fiscally Ready Communities Webinar Trainings

The Michigan Department of Treasury and Michigan State University Extension (MSU Extension) are excited to announce our newest Fiscally Ready Communities trainings!

Upcoming Free Training Opportunities:

Budgeting for Fiscal Sustainability

- Wednesday, August 25th at 10 a.m.

Capital Asset Management and Planning Trainings

- Tuesday, June 29th at 10 a.m.
- Wednesday, July 28th at 2 p.m.
- Thursday, December 9th at 6 p.m.

Please register for the training that best fits your schedule at: www.Michigan.Gov/FiscallyReady

Updates and Resources for Local Governments: 13th Webinar

I. Welcome & Introductions

Heather Frick, Bureau Director, Bureau of Local Government and School Services, Michigan Department of Treasury

II. Updates on the American Rescue Plan Act

a. Receipt of Funds
b. Eligible and Ineligible Uses of ARPA Funds
c. Revenue Losses
d. Reporting

Eric Bussis, Chief Economist and Director of the Office of Revenue and Tax Analysis, Michigan Department of Treasury
Rod Taylor, Administrator, Community Engagement and Finance Division, Michigan Department of Treasury

III. Special Message to Locals

Lt. Governor Garlin Gilchrist II, State of Michigan
Dave Massaron, State Budget Director, State Budget Office

IV. Municipal Association Updates

V. Question and Answer

VI. Closing Remarks

Heather Frick, Bureau Director, Bureau of Local Government and School Services, Michigan Department of Treasury

Welcome & Introductions

Heather Frick
Bureau Director
Bureau of Local Government and School Services
Department of Treasury

American Rescue Plan Act (ARPA) Updates

Eric Bussis
Chief Economist and Director
Office of Revenue and Tax Analysis
Michigan Department of Treasury

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Administrator
Community Engagement and Finance
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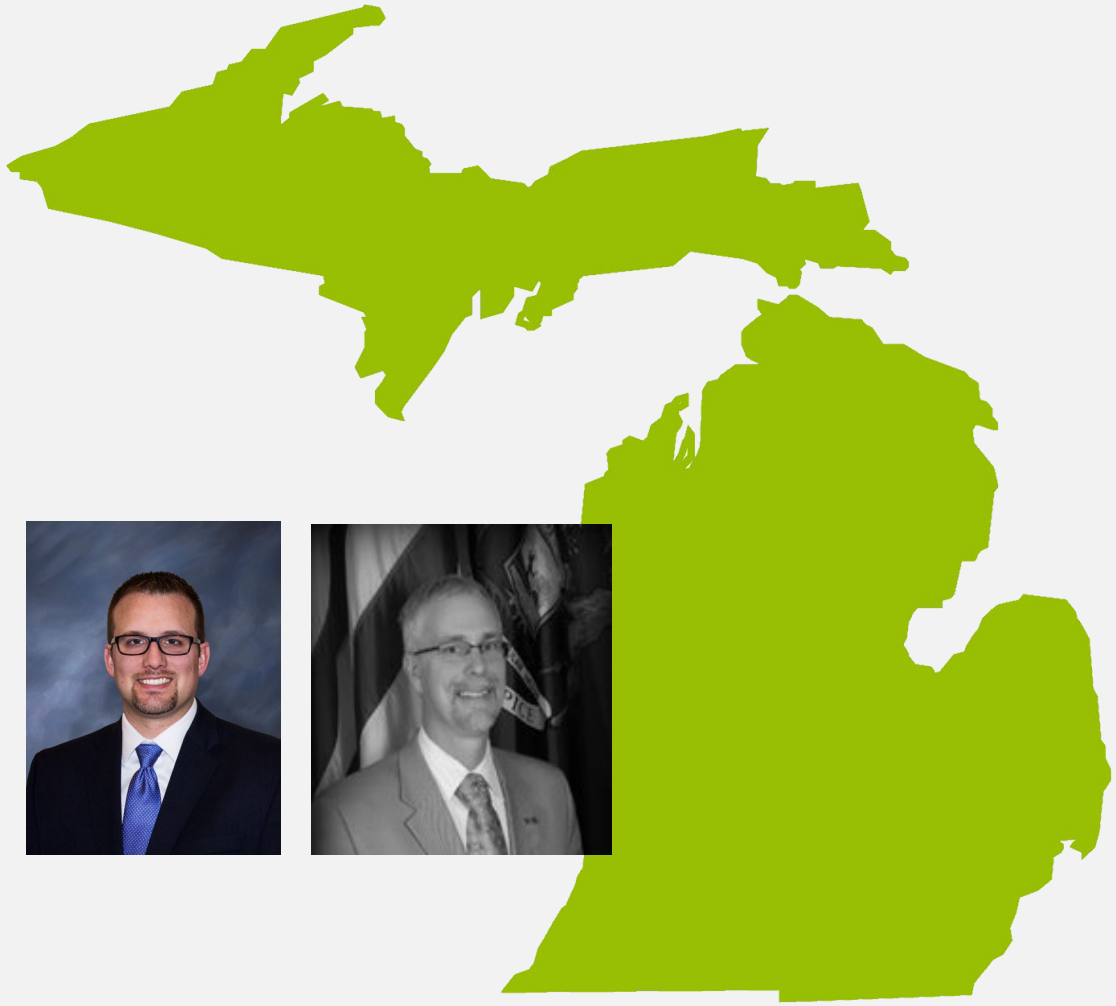


American Rescue Plan Act (ARPA)

Broad relief plan with many programs and initiatives

- Signed by President Biden – March 11, 2021

Objectives

- Support urgent COVID-19 response efforts to continue to decrease the spread of the virus
- Replace lost revenue for eligible state, local, territorial, and Tribal governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address public health and economic challenges that have contributed to the inequal impact of the pandemic

American Rescue Plan Act (ARPA)

Established the Coronavirus Local Fiscal Recovery Fund (CLFRF)

- Provides substantial funding to local governments by either:
  - Federal direct payments to Counties
  - Federal direct payments to Entitlement Metropolitan Cities (includes some Townships)
  - State payments to Non-Entitlement Units of Local Government (NEUs)

Coronavirus Local Fiscal Recovery Fund

Information and Resources:

- The American Rescue Plan Act of 2021
- U.S. Treasury Website
  - Interim Final Rule
    - Feedback due 60 days from May 17
  - Frequently Asked Questions (FAQs)
  - Non-Entitlement Community Guidance
  - Fact Sheet
- U.S. Bureau of Census Classification Manual
- Register for U.S. Treasury COVID-19 Relief Updates

American Rescue Plan Act (ARPA)

Counties

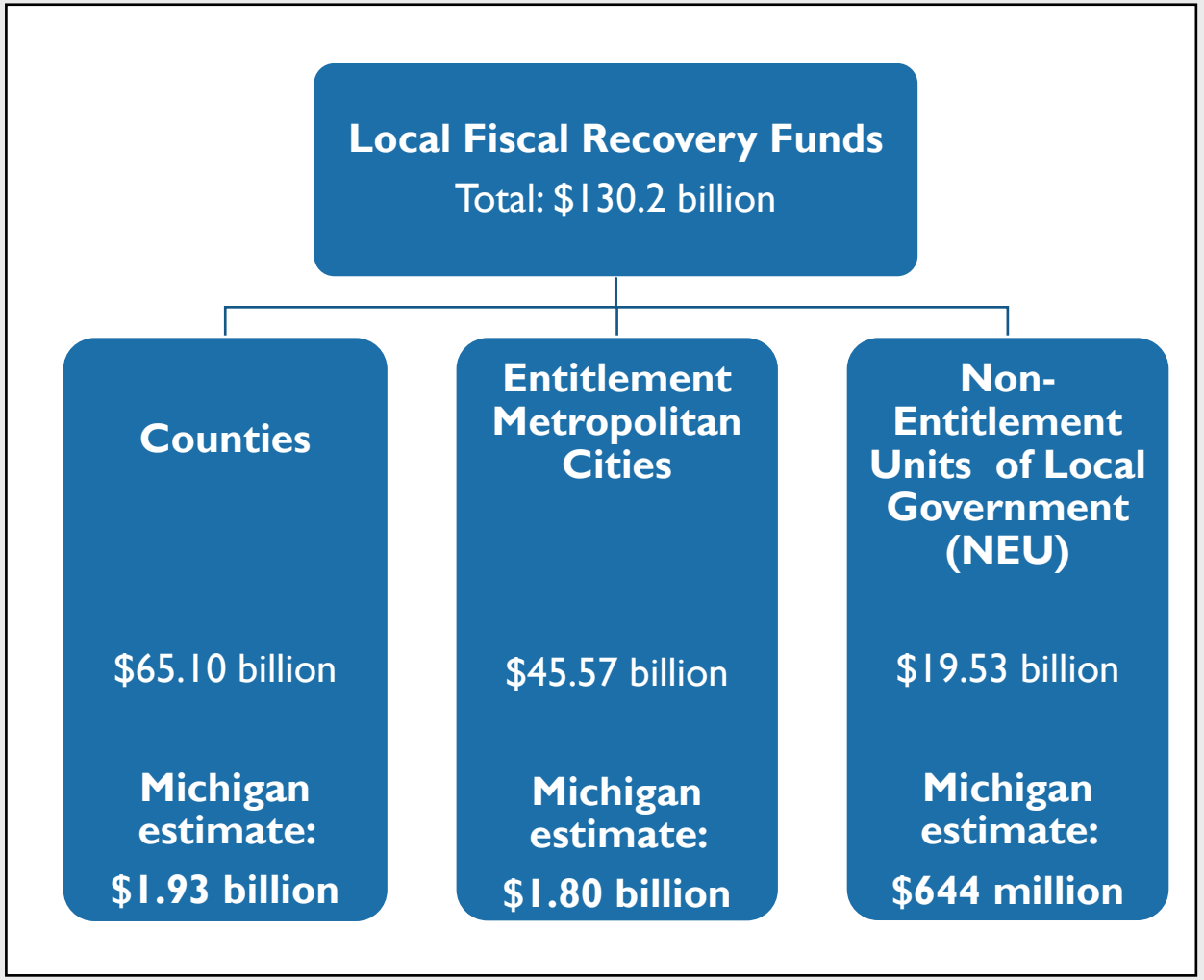
- Payments based on the county's relative population
- Direct payment from U.S. Treasury

Entitlement Metropolitan Cities

- Payments based on Community Development Block Grant (CDBG) Entitlement and a statutory formula
- Direct payments from U.S. Treasury

Non-Entitlement Units of Local Government (NEUs)

- Payments based on population
- Funding distributed to States which distributes to local governments



Payments and Related Expenditures

Two payments will be issued

- 50% in 2021 and 50% in 2022

Cover expenditures beginning March 3, 2021

Must be obligated by December 31, 2024

- Under the interim rule, obligated is incurred
- Period of performance extends to December 31, 2026

Required Information for ARPA Funding

Information required:

- Local government name, taxpayer ID number, DUNS Number, and address
- SAM.gov account
- Authorized representative name, title, and email
- Contact person name, title, phone, and email
- Funds transfer information
- Award Terms and Conditions Agreement
- Assurances of Compliance with Title VI of the Civil Rights Act of 1964

Entitlement Metropolitan Cities and Counties

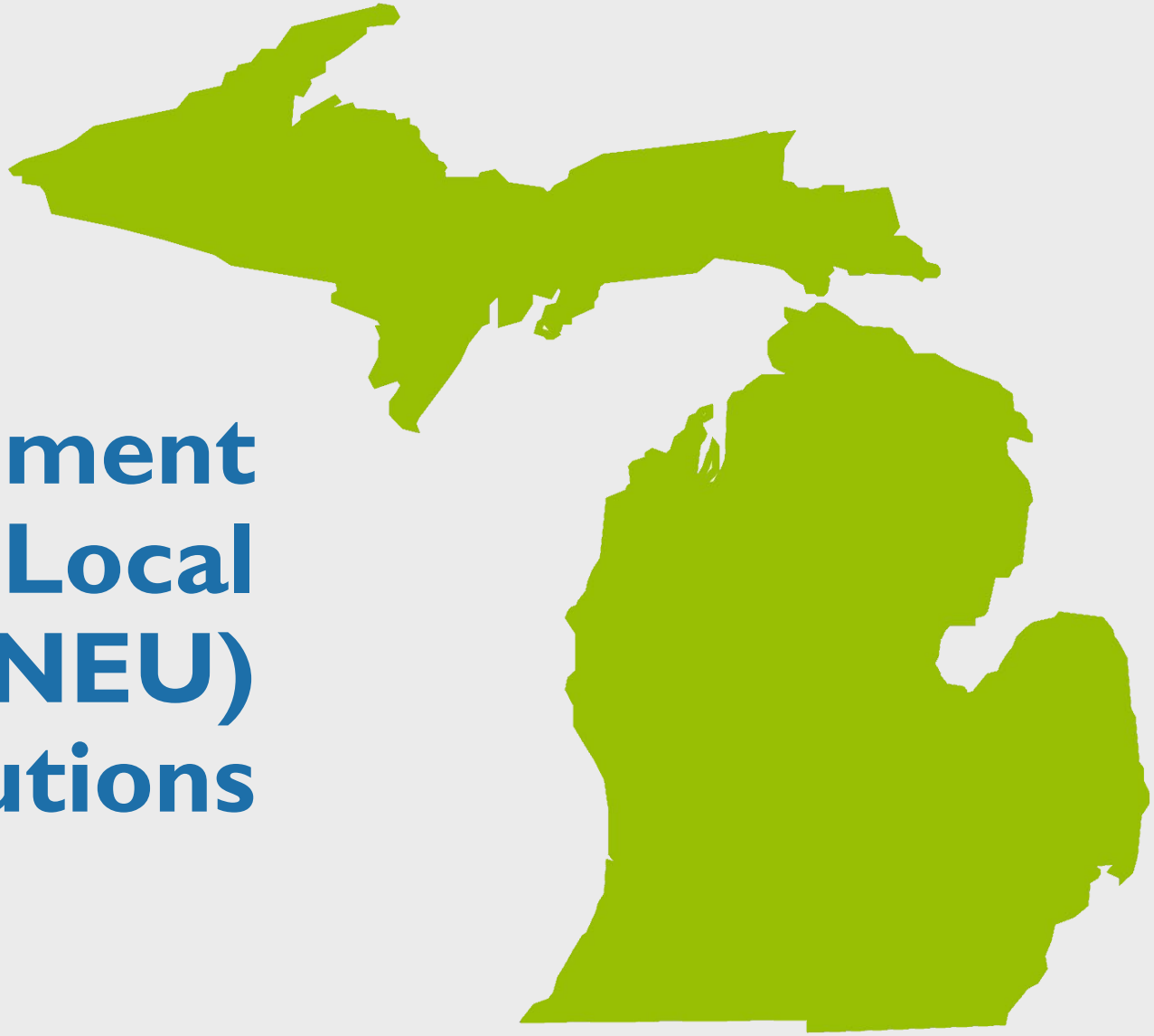
Entitlement Metropolitan Cities and Counties

- Federal definition of Metropolitan Cities includes some Michigan Townships
- Funding requested via federal portal

Lists of Entitlement Metropolitan Cities and Counties have been identified by U.S. Treasury

- County Allocations
- Metropolitan City Allocations (includes some townships)

Non-Entitlement Units of Local Government (NEU) Distributions



Timeline on NEU Information

- U.S. Treasury released Interim Rule – May 10th
- City, village and township population data released by U.S. Treasury – May 10th
- U.S. Treasury released NEU Guidance – May 24th
- U.S. Treasury issued NEU payment to Michigan – May 28th
- U.S. Treasury released FAQ – last update June10th
- Michigan Legislature appropriated NEU funding in SB 37 – Senate concurred June 16th
  - Bill has not yet been presented to the Governor

Non-Entitlement Units of Local Government (NEU)

Non-Entitlement Units of Local Government

- Local governments typically serving populations of less than 50,000
- Includes cities, villages, and townships as determined by U.S. Treasury
- Application for funding will occur in **Elite**

NEU Payment Options

- Option One: NEU Requests Funding
  - NEU Requests Payment from State of Michigan
- Option Two: Funds Transferred to State
  - NEU Request transfer to State of Michigan
    - Required to submit signed federal form
    - Form forthcoming from U.S. Treasury
- Option Three: Funds Transferred to other NEUs
  - NEUs that decline the funds by neither selecting Options One or Two are treated as unresponsive

The selected option applies to both tranches and cannot be changed for the 2022 payment

NEU Steps to Start Now

- Federal Documents completed by Chief Administrative Officer
  - **Award Terms and Conditions Agreement**
  - **Assurances of Compliance with Title VI of the Civil Rights Act of 1964**
- Review payment information in SIGMA
- Obtain a DUNS number and active account on the Federal System for Award Management (SAM.gov)
- Complete the Michigan Treasury Compliance form – coming soon
- Identify total operating budget amount as of January 27, 2020
  - This is defined as the total general fund and other funds

NEU Resources

Treasury website: Michigan.gov/ARPA

- Many required documents available
- Additional forms and documents coming soon

Updated NEU Estimates

- Resolves Township and Village Calculation Issue

ARPA ALLOWABLE USES

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The U.S. Department of Treasury has issued interim rules for the American Rescue Plan Act.

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All units that accept Local Fiscal Recovery Funds are responsible for being audited by U.S. Treasury.

It is recommended that local governments review all guidance from federal Treasury and contact their legal counsel and auditor for your specific situation.

Allowable Uses and Prohibitions

Allowable uses include the following:

1. Response to public health emergency or its negative economic impacts
2. Provide premium pay for essential workers, within caps
3. Provide government services to the extent of revenue lost
4. Make necessary investments in water, sewer, or broadband infrastructure

Prohibited from using funds:

- Pension contributions*
- Replenishing budget stabilization fund, rainy day fund, or similar reserve account
- Legal settlements
- Outstanding debt

* Does not include portion part of "covered benefits"

Allowable Use #1: Public Health and Economic Impacts

Assessing whether a program or service "responds to" the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact.

Source: Interim Final Rule – II. Eligible Uses,
A. Public Heath and Economic Impacts

Allowable Use #1:

COVID-19 Eligible Expenditures

Eligible Uses	Details (IFR p. 11-21)
Containing/Mitigating Covid-19 (IFR p. 16)	•Vaccine programs, **PPE**, medical expenses •Enhancing public health data systems •**Capital investments in public facilities to meet pandemic operational needs e**tc.
Behavioral Healthcare Needs (IFR p. 17)	•Mental health/substance abuse treatment •Crisis intervention/hotlines •Services to promote access to social services
Payroll/Benefits: Public health/safety Human services Similar employees (IFR p. 18)	•Eligible to the extent that the work completed was for COVID-19 response/mitigation. •For administrative convenience, **public health/safety workers**, recipients can use funds to cover the f**ull payroll and covered benefits costs** for employees or operating units or divisions **primarily dedicated to the COVID-19 response.(FAQ 2.14)** •Payroll and covered benefits can also be used for an employee's pension benefits as part of their payroll contribution to their pensions . (FAQ 2.14)

Sources: GFOA

Allowable Use #1:

Negative Economic Impact

Eligible Uses	Details (p. 21-38)
Impacted Industries (Tourism/Travel/Hospitality etc.) (IFR p. 32)	•Implement COVID-19 mitigation/prevention measures to enable safe resumption of tourism, travel, and hospitality services e.g., improvements to ventilation, physical barriers or partitions, signage to facilitate social distancing, provision of masks or personal protective equipment, or consultation with infection prevention professionals to develop safe reopening plans
Rebuilding Public Sector Capacity to Pre-Pandemic Levels (IFR p. 32)	•Payroll Benefits •**Rehiring public-sector staff** •Replenishing UI trust funds
Small Business Support (IFR p. 30)	•Loans, grants, in-kind assistance for operation continuity, mitigation/prevention, and counseling programs to rebound from the downturn
Hardest-Hit Communities (IFR p. 34)	•Investing in socioeconomic disparities, housing/communities •Addressing disparities in education

Sources: GFOA

Qualified Census Tract (QCT)

Michigan has 565 QCTs

- Facilitate access to resources that improve health outcomes
- Community health workers to help access services
- Navigators to help applying for public benefits or services
- Housing services
- Remediation of lead paint or other lead hazards
- Violence intervention

Economic Impacts

- Building strong communities through investment in housing and neighborhoods
- Addressing educational disparities
- Promoting healthy childhood environments

Non-QCT (FAQ 2.11)

- "…support their determination that the pandemic resulted in disproportionate public health or economic outcomes to the specific populations, households, or geographic areas to be served."

Source: Interim Final Rule: Page 37, Item 12

Allowable Use #2: Premium Payments

Workers Performing Essential Work During COVID

Eligible workers are those:"…needed to maintain continuity of operations of essential critical infrastructure…"

Examples include:

- Staff at nursing homes, hospitals, and home care settings
- Workers at farms, food production facilities, grocery stores, and restaurants
- **Janitors and sanitation workers**
- Truck drivers, transit staff, and warehouse workers
- **Public health and safety staff**
- Childcare workers, educators, and other school staff
- Social service and human services staff
- **Other sectors can be added as long as they are deemed critical to protect the health and well-being of residents**

Allowable Use #2: Premium Payments

Allowable Payment:

- Additional pay up to $13/hour for all work.
- Can not reduce or substitute normal earnings
- May not exceed $25,000/person
- Justification required if workers pay will be above 150% state or county average annual wage
- Retroactive pay allowed

Allowable Use #3:
Revenue Loss

How can you use these funds?

"Government Services"

- Maintenance or new infrastructure, such as roads
- Health services
- Environmental remediation
- Police, fire, and other public safety services

Excludes

- Issuance of new debt or payment of outstanding debt
- Reserves
- Paying settlements/judgements

Allowable Use #3:

Revenue Loss "General Revenue"

- **What is Revenue?**
  - **Includes**
    - Taxes, current charges, rentals, miscellaneous revenues
    - All revenue streams (i.e. entity-wide)
    - Other Government Transfers (i.e.. revenue sharing)
  - **Excludes**
    - Federal Transfers (including CRF)
    - Utilities (water supply, electric power, gas supply, and public mass transit systems) Census p 65
    - Refunds
    - Correcting transactions,
    - Proceeds issuance of debt
    - Sale of investments

Allowable Use #3:

Revenue Loss Calculation

Components of Revenue Loss Calculation

- Determine your "general revenue" for base year (for most locals FY 19)
- Determine Growth Adjustment (whichever is greater)
  - Average growth over three full FY prior to 1/27/20 **or**
  - 4.1 %
- Actual revenue loss

Allowable Use #3:

Revenue Loss Calculation

$$Base\ year\ Revenue * \left[(1 + growth\ adjustment)^{\left(\frac{n}{12}\right)}\right]$$

- Time Period
  - N is the number of months elapsed since the end of the base year to the calculation date.
  - Measurement dates of December 31 of 2020, 2021, 2022, and 2023

Allowable Use #3:

Revenue Loss Calculation

Base Year = Last full fiscal year prior to January 27, 2020

- Identify "general revenue" collected during this period

FYE: June 30	FYE: December 30
June 30, 2019	December 31, 2019

Allowable Use #3:

Revenue Loss Calculation

Growth Rate:

Actual average growth rate, based on the average annual revenue growth of the last full three (3) fiscal years prior to 1/27/20, **OR**

- 4.1% growth rate

FYE: June 30	FYE: December 30
June 30, 2017	December 31, 2017
June 30, 2018	December 31, 2018
June 30, 2019	December 31, 2019

Allowable Use #3:

Revenue Loss Calculation

Apply Growth Rate to Measurement Periods

- Growth rate from the end of your base year
- Measured at 4 points in time

Fiscal Year End	December 31, 2020 (Months elapsed)	December 31, 2021 (Months elapsed)	December 31, 2022 (Months elapsed)	December 31, 2023 (Months elapsed)
December 2019	12	24	36	48
September 2019	15	27	39	51
June 2019	18	30	42	54

Allowable Use #3:

Revenue Loss Calculation

Identify Actual Revenues

- Revenue collected over the past twelve months as of the calculation data

Allowable Use #3:

Revenue Loss Calculation

Example

- Base Year is FY 19 and revenue was **$100**
- Growth rate to be used **4.1%**
- Measurement date is December 31, 2020 and have a June year end = **18** months
- Actual revenue collected as of December 31, 2020 = **$80**
- Calculation
  - $\mathbf{100} * [(1+.\mathbf{041})^{(\frac{\mathbf{18}}{\mathbf{12}})}]$
  - $100 * [(1.041)^{(1.5)}]$
  - 100*1.062 = $106.20
- Loss for 2020
    - $106.20-$**80** = $26.20

Allowable Use #4:

Investment in Infrastructure

Water and Sewer (FAQ 6.1 to 6.4)

Clean Water State Revolving Fund (CWSRF)

- "construct, improve, and repair wastewater treatment plants, control non-point sources of pollution, improve resilience of infrastructure to severe weather events, create green infrastructure, and protect waterbodies from pollution"
- Includes Stormwater, cybersecurity, green infrastructure and climate change

Drinking Water State Revolving Fund (DWSRF)

- "building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines"
- Includes consolidation, cybersecurity, and climate change

Additional Reporting (additional guidance at later date)

- "workforce plans and practices related to water, sewer, and broadband projects undertaken with Fiscal Recovery Funds"

Allowable Use #4:

Investment in Infrastructure

Broadband

Unserved or Underserved

- Less then - download 25 Mbps and upload 3 Mbps

Required level

- 100 Mbps symmetrical upload/download
- Exception for lower speed due to geography, or excessive costs
-

REPORTING

Reporting Requirements

Reporting/Repayment

Metropolitan Cities and Counties

- Interim Report- August 31, 2021
- Quarterly Reports- Oct 31

Non-Entitlement Communities

- Annual report – October 31

Additional Reporting Requirement

- Grants to third–parties, including public disclosures

Message from State of Michigan Lt. Governor

Lt. Gov. Garlin Gilchrist II
State of Michigan

Updates from State Budget Office

Dave Massaron
State Budget Director
State Budget Office

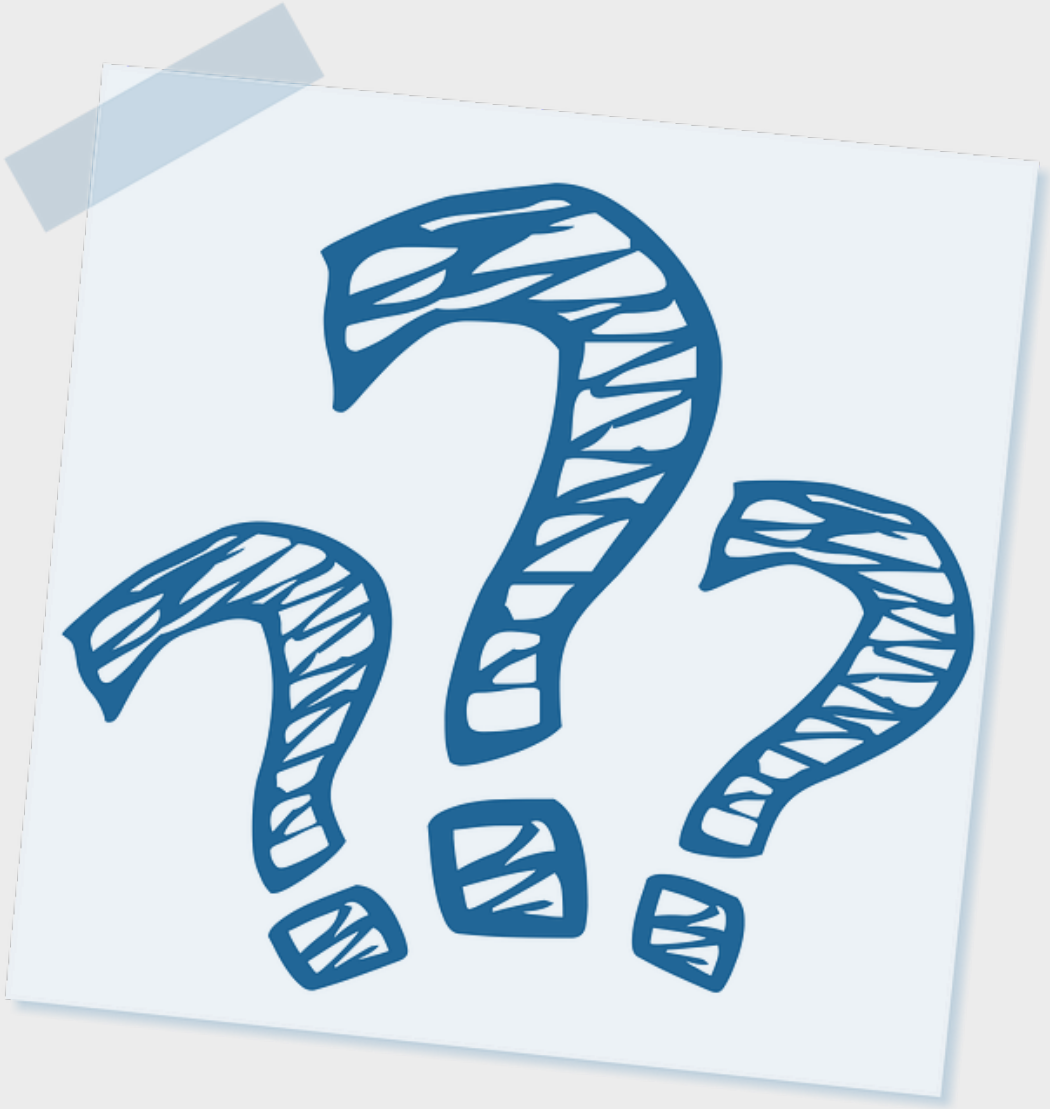
Municipal Association Updates

Judy Allen
Michigan Township Association

Deena Bosworth
Michigan Association of Counties

Chris Hackbarth
Michigan Municipal League

Questions



MTA
MICHIGAN TOWNSHIPS ASSOCIATION

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TREASURY

michigan municipal league

MAC
MICHIGAN ASSOCIATION OF COUNTIES