

State of Michigan
Recovery Plan

**State and Local Fiscal Recovery
Funds**

2021 Report

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GENERAL OVERVIEW

Executive Summary

The American Rescue Plan Act provides Michigan with \$6.5 billion in State Fiscal Recovery Funds, along with billions of additional local and education funds, and a generational opportunity to transform the lives of its residents as we look to rebound from the COVID pandemic. While Michigan has appropriated just a small share of these funds thus far, we have undertaken a process to think intentionally and strategically about how to align and prioritize these one-time federal investments in ways that maximize this opportunity and promote long-term progress for all Michiganders.

Michigan's Fiscal Recovery Fund Performance Plan will be centered on equitably growing the state's economy and closing gaps created or exacerbated by the pandemic by:

- expanding skills, training, and childcare for families,
- rebuilding our water infrastructure and expanding broadband access,
- helping businesses recover and putting people back to work,
- addressing public health and educational disparities

The following principles and metrics will guide Michigan's appropriation, distribution, and oversight of its Fiscal Recovery Funding:

- **Pandemic:** How does the proposal address issues created by or exacerbated by the COVID-19 pandemic?
- **Equity:** Does the proposal address a change in societal opportunity and/or eliminate disparities/gaps in outcomes for underserved and underrepresented populations?
- **Transformational:** What is the opportunity for transformation and/or social change for Michigan's residents?
- **Leverage:** Does the proposal leverage additional resources from the private, public, and/or philanthropic sectors?
- **Sustainability:** How sustainable is the proposal? Will it require ongoing support? What is the potential return on investment?
- **Efficacy:** How effective will the proposal be in solving a defined problem? Does it use techniques that are highly likely to achieve the desired outcome? Does it clearly define how success will be measured?
- **Implementation:** How much support does the proposal have currently or likely will have? Is there capacity to implement it now?

Uses of Funds

The majority of the State and Local Fiscal Recovery Funds are still awaiting appropriation. The funds appropriated to date provide funding to two areas significantly impacted by the COVID-19 pandemic, providing investments in education and aid to healthcare providers.

Funds Appropriated for Services to Disproportionately Impacted Communities – Education Assistance

On July 13, 2021, Public Act 48 of 2021 appropriated \$121 million to expand access to the Great Start Readiness Program (GSRP) which provides blended comprehensive free compensatory classroom programs designed to improve the readiness and subsequent achievements of educationally disadvantaged children who meet the participant eligibility and prioritization guidelines defined by Michigan Department of Education. The GSRP is an evidence-based investment provided to improve educational outcomes for children in economically disadvantaged households, which were also more significantly impacted by the COVID-19 pandemic.

Public Act 48 of 2021 also appropriated \$75 million to provide matching grants to school districts to make one-time strategic investments in infrastructure and/or equipment necessary to operate a year-round, balanced calendar. The balanced calendar model for education is intended to reduce summer learning loss and improve educational achievement. These funds will provide a funding opportunity for schools to address the costly infrastructure/equipment barriers, such as HVAC improvements, that prevent districts from implementing a balanced calendar.

Funds Appropriated to Address Negative Economic Impacts

Hospitals and long-term care facilities have been on the front line responding to the COVID-19 pandemic. In addition to providing care for COVID-19 positive patients, these facilities were also negatively affected by restrictions that suspended certain medical procedures and limited overall admissions to protect patients/residents and ensure capacity existed to address the potential for a surge of COVID-19 cases requiring critical services. On July 27, 2021, Public Act 67 of 2021 appropriated funding to aid hospitals and long-term care facilities impacted by these reductions. \$160 million was appropriated for grants to hospitals to help cover the increased costs and reduced revenues related to the COVID-19 pandemic. To aid long-term care facilities that experienced reduced daily census numbers due to COVID-19, \$100 million was appropriated to provide additional funding to affected facilities.

Promoting equitable outcomes

The majority of State and Local Fiscal Recovery Funds have not yet been appropriated. For those projects that were appropriated in July, the programs are still under development. Additional details of how these funds are used to promote equitable outcomes will be provided in future reports.

Michigan's Great Start Readiness Program (GSRP) is a program targeting lower-income 4-year-olds. The program provides blended comprehensive free compensatory classroom programs designed to improve the readiness and subsequent achievement of educationally disadvantaged children who meet the participant eligibility and prioritization guidelines.

Community Engagement

Beginning the week after President Biden signed the American Rescue Plan, members of the Governor's office and the State Budget Office began engaging with an informal group of business, philanthropic, education, and health leaders from across Michigan to provide thought leadership to ensure Michigan's approach to using State and Local Fiscal Recovery Funds funding was informed by those most knowledgeable in their respective fields. We established the guiding principles described in the executive summary with which to evaluate proposals. We used those principles to create a template with which to solicit feedback and ideas from stakeholder groups statewide to set the expectation early about our intent to be thoughtful and deliberative in our process and share the value lens through which we'd be evaluating opportunities for funding. Throughout the spring, we engaged with stakeholders ranging from school district and higher education leaders, those affected in the business community, our regional economic development associations, municipal governments, community nonprofits, and many more. As we developed proposals, we shared them for further input and made changes along the way to reflect additional viewpoints and updated federal guidance. The Governor has begun to publicly share her ideas for portions of the funding as we wrap up our community input and look to next steps to work with the legislature this fall on finalizing proposals and appropriating funds in a way that maximizes the generational opportunity afforded to us with these funds.

Labor Practices

This section is not applicable at this time as State and Local Fiscal Recovery Funds to date have not been appropriated to infrastructure projects.

Use of Evidence

The majority of State and Local Fiscal Recovery Funds have not yet been appropriated. For those projects appropriated in July, the programs are still under development. Details on how appropriated State and Local Fiscal Recovery Funds are being used for evidence-based interventions are below. Additional details of how these funds will use evidence-based interventions will be provided in future reports.

Michigan's Great Start Readiness Program (GSRP), a program targeting lower-income 4-year-olds, is based on key research studies on early learning effectiveness. This evidence base includes research on effective program design, cost benefit analysis of similar programs, the long-term effects of early learning participation, the effects of early learning participation on cognitive development, the effects of early learning participation on juvenile arrest, as well as rigorous program evaluations of GSRP and similar programs. Research on preschool programs shows that children with high-quality preschool experiences demonstrate significant positive developmental differences compared to children from the same backgrounds without high-quality preschool experiences. Michigan's Department of Education has used this extensive evidence base to inform the design, implementation, and evaluation of GSRP, including key program goals, some of which are outline below:

- Increase at-risk preschool children’s early literacy and math skills
- Reduce the achievement gap in early literacy and math between higher and lower risk preschool children.

The total funding allocated to GRSP, \$121 million dollars, is deemed to be allocated toward evidence-based interventions within the Expenditure Category Grouping: Services to Disproportionately Impacted Communities. These funds will be used to supplement the existing state-funded program by expanding the number of low-income 4-year-olds being served, essentially making it available for all eligible children across the state.

Table of Expenses by Expenditure Category

The majority of State and Local Fiscal Recovery funds are still pending appropriation with a small portion of the total funding appropriated in mid to late July 2021. Departments receiving the appropriated funds need time to implement those programs, so no funds were expended prior to July 31, 2021.

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
1	Expenditure Category: Public Health		
1.1	COVID-19 Vaccination	0	0
1.2	COVID-19 Testing	0	0
1.3	COVID-19 Contact Tracing	0	0
1.4	Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)	0	0
1.5	Personal Protective Equipment	0	0
1.6	Medical Expenses (including Alternative Care Facilities)	0	0
1.7	Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency	0	0
1.8	Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)	0	0
1.9	Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19	0	0
1.10	Mental Health Services	0	0
1.11	Substance Use Services	0	0
1.12	Other Public Health Services	0	0
2	Expenditure Category: Negative Economic Impacts		
2.1	Household Assistance: Food Programs	0	0
2.2	Household Assistance: Rent, Mortgage, and Utility Aid	0	0

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
2.3	Household Assistance: Cash Transfers	0	0
2.4	Household Assistance: Internet Access Programs	0	0
2.5	Household Assistance: Eviction Prevention	0	0
2.6	Unemployment Benefits or Cash Assistance to Unemployed Workers	0	0
2.7	Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)	0	0
2.8	Contributions to UI Trust Funds*	0	0
2.9	Small Business Economic Assistance (General)	0	0
2.10	Aid to nonprofit organizations	0	0
2.11	Aid to Tourism, Travel, or Hospitality	0	0
2.12	Aid to Other Impacted Industries	0	0
2.13	Other Economic Support	0	0
2.14	Rehiring Public Sector Staff	0	0
3	Expenditure Category: Services to Disproportionately Impacted Communities		
3.1	Education Assistance: Early Learning	0	0
3.2	Education Assistance: Aid to High-Poverty Districts	0	0
3.3	Education Assistance: Academic Services	0	0
3.4	Education Assistance: Social, Emotional, and Mental Health Services	0	0
3.5	Education Assistance: Other	0	0
3.6	Healthy Childhood Environments: Child Care	0	0
3.7	Healthy Childhood Environments: Home Visiting	0	0
3.8	Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System	0	0
3.9.	Healthy Childhood Environments: Other	0	0
3.10	Housing Support: Affordable Housing	0	0
3.11	Housing Support: Services for Unhoused persons	0	0
3.12	Housing Support: Other Housing Assistance	0	0
3.13	Social Determinants of Health: Other	0	0
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators	0	0
3.15	Social Determinants of Health: Lead Remediation	0	0
3.16	Social Determinants of Health: Community Violence Interventions	0	0
4	Expenditure Category: Premium Pay		

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
4.1	Public Sector Employees	0	0
4.2	Private Sector: Grants to other employers	0	0
5	Expenditure Category: Infrastructure		
5.1	Clean Water: Centralized wastewater treatment	0	0
5.2	Clean Water: Centralized wastewater collection and conveyance	0	0
5.3	Clean Water: Decentralized wastewater	0	0
5.4	Clean Water: Combined sewer overflows	0	0
5.5	Clean Water: Other sewer infrastructure	0	0
5.6	Clean Water: Stormwater	0	0
5.7	Clean Water: Energy conservation	0	0
5.8	Clean Water: Water conservation	0	0
5.9	Clean Water: Nonpoint source	0	0
5.10	Drinking water: Treatment	0	0
5.11	Drinking water: Transmission & distribution	0	0
5.12	Drinking water: Transmission & distribution: lead remediation	0	0
5.13	Drinking water: Source	0	0
5.14	Drinking water: Storage	0	0
5.15	Drinking water: Other water infrastructure	0	0
5.16	Broadband: "Last Mile" projects	0	0
5.17	Broadband: Other projects	0	0
6	Expenditure Category: Revenue Replacement		
6.1	Provision of Government Services	0	0
7	Administrative and Other		
7.1	Administrative Expenses	0	0
7.2	Evaluation and data analysis	0	0
7.3	Transfers to Other Units of Government	0	0
7.4	Transfers to Nonentitlement Units (States and Territories only)	0	0

Project Inventory

The majority of State and Local Fiscal Recovery Funds have not yet been appropriated. For those projects appropriated in July, the programs are still under development. The details below may change as these programs are more fully developed and implemented.

Projects

Project ID:		FRF-001
Project Name:		Great Start Readiness Program Expansion
Expenditure Category:		Education Assistance: Early Learning
Funding Amount:		\$121,000,000
Overview	Main Activities:	Additional funding to expand access for Great Start Readiness Program to provide part-day, school-day, or GSRP/Head Start blended comprehensive free compensatory classroom programs designed to improve the readiness and subsequent achievement of educationally and economically disadvantaged children who meet the participant eligibility and prioritization guidelines.
	Approx. Timeline:	September 1, 2021 – August 31, 2022
	Primary Delivery Mechanism:	Grants
	Partners:	Intermediate school districts
	Intended Outcomes:	<ul style="list-style-type: none"> • Increase access, enrollment, and participation in GSRP • Increase at-risk preschool children’s early literacy and math skills • Reduce the achievement gap in early literacy and math between higher and lower risk preschool children.
	Website Link:	MDE - Great Start Readiness Program (michigan.gov)

Project ID:		FRF-002
Project Name:		Balanced Calendar Support Grants
Expenditure Category:		Educational Assistance: Other
Funding Amount:		\$75,000,000
Overview	Main Activities:	Provide matching grants to school districts for HVAC and other one-time infrastructure or equipment costs necessary to operate a year-round balanced calendar in the 2022-2023 school year.
	Approx. Timeline:	September 1, 2021 – June 30, 2023
	Primary Delivery Mechanism:	Grants
	Partners:	Public School Districts
	Intended Outcomes:	<ul style="list-style-type: none"> • Increase the number of public school districts operating under a balanced calendar
	Website Link	N/A

Project ID:	FRF-004	
Project Name:	Hospital COVID-19 Grants	
Expenditure Category:	Aid to Other Impacted Industries	
Funding Amount:	\$160,000,000	
Overview	Main Activities:	Provide grants to hospitals to help cover negative economic impacts related to the COVID-19 pandemic.
	Approx. Timeline:	August 1, 2021 – December 31, 2021
	Primary Delivery Mechanism:	Direct Payments
	Partners:	Hospitals
	Intended Outcomes:	Offset the hospital industry’s revenue loss as a result of the COVID-19 pandemic by distributing funds based on the proportion of each hospital’s percentage of total state Medicaid inpatient claims revenue, including Medicaid managed care inpatient claims revenue, in the most recent 12 months for which the information is available.
	Website Link	N/A

Project ID:	FRF-005	
Project Name:	Long-term Care Facility (LTCF) Supports	
Expenditure Category:	Aid to Other Impacted Industries	
Funding Amount:	\$100,000,000	
Overview	Main Activities:	Provide a \$23.00 per Medicaid day increase to nursing facilities that have experienced a decline in the nursing facility’s average daily census of 5% or more during the covered period when compared to the nursing facility’s average daily census as reported in the nursing facility’s 2019 Medicaid cost report.
	Approx. Timeline:	August 1, 2021 – December 31, 2021
	Primary Delivery Mechanism:	Direct Payments
	Partners:	Nursing Facilities
	Intended Outcomes:	Offset the reduction in LTCF revenue as a result of the COVID-19 pandemic by the proportion of each eligible LTCF’s Medicaid patients.
	Website Link	N/A

Performance Report

The majority of State and Local Fiscal Recovery Funds had not been appropriated as of July 31, 2021. For those projects appropriated in July, the programs are still under development, including establishment of any key performance indicators to be used to measure program impacts. Such output and outcome measure will be established and included in future reports.

Required Performance Indicators and Programmatic Data

The majority of State and Local Fiscal Recovery Funds had not been appropriated as of July 31, 2021. For those projects appropriated in July, the programs are still largely under development, including establishment of any performance indicators and/or programmatic data that will be collected and reported. In addition, none of the programmatic data elements specifically required in the US Treasury Compliance and Reporting Guidance applies to the projects appropriated as of July 31, 2021. Thus, no performance indicators or programmatic data are available at this time.

Ineligible Activities: Tax Offset Provision (States and territories only)

US Treasury Reporting Guidance requires States to report on revenue-reducing covered changes for the period ended July 31, 2021. Michigan Department of Treasury evaluated the estimated costs and effects of fiscal policy changes implemented during the covered periods and none were anticipated to have any revenue reducing effects.

Item	Amount
a. Revenue-reducing Covered Changes	\$0