



*Michigan Department of*  
**TREASURY**



michigan municipal league

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# **COVID-19 Updates and Resources for Local Governments**

8

Tuesday, November 10, 2020

# COVID-19 Updates and Resources

## Updates and Resources - Eighth Webinar

Tuesday, November 10, 2020  
2 p.m. – 3 p.m.

### **I. Welcome & Introductions**

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

### **I. FEMA Update**

*Penny Burger, Grants and Financial Management Section Manager, Emergency Management and Homeland Security Division, Michigan State Police*

### **II. Coronavirus Aid, Relief, and Economic Security (CARES) Program Updates:**

- a. Coronavirus Relief Local Government Grants (CRLGG) Program**
- b. First Responders Hazard Pay Premiums Program (FRHPPP)**
- c. Public Safety and Public Health Payroll Reimbursement Program (PSPHPRP)**

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

### **III. State of Michigan Budget Update**

*Kyle Jen, Chief Deputy Director, Michigan State Budget Office*

### **IV. Question and Answer**

### **V. 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



# FEMA Update

**Penny Burger,**  
State Finance Officer,  
Michigan State Police  
Emergency Management & Homeland Security



# FEMA Public Assistance Update

- 787 eligible applicants have been approved in FEMA Grants Portal and intend to submit for reimbursement for eligible COVID-related costs.
- To date, approximately **\$675,035,484** in costs related to COVID-19 have been submitted for FEMA consideration for reimbursement.
- 44 projects totaling **\$261,447,129** have been awarded by FEMA.
- 236 more projects are in various stages of development and review at the federal level.
- Costs incurred to re-engage the economy and protect the public—**such as plexiglass barriers and signage for ingress and egress**—are not eligible for FEMA Public Assistance, unless the facility is eligible as providing emergency services to the public.

# **FEMA Public Assistance State Contacts**

Ms. Penny Burger

State Finance Officer

(517)898-0551

Mr. Matt Schnepf

State Recovery Manager

(517)256-1512

Ms. Tiffany Vedder

State Public Assistance Officer

(517)599-5333

# CARES Program Updates: CRLGG, FRHPPP, PSPHPR

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



# PSPHPR Program Update

## Provisional Payments

- Payments of 50% of amount requested (capped at \$5.0M) were issued on September 18

## Application Reviews and Federal Subrecipient Monitoring

- Treasury Contractor staff will be utilized for final reviews
  - Further clarification will be required from applicants
- Treasury will complete a risk-based analysis for subrecipient monitoring and documentation will be requested
- Emails requesting documentation will come from a new mailbox
  - [Treas-CARES-Audit@michigan.gov](mailto:Treas-CARES-Audit@michigan.gov)



# PSPHPR Program Update

## Remaining Payments

- Remaining payments will be issued in mid-December
- Application amounts total \$326 million, while available funding is \$200 million
  - If all applications are eligible, payments will be prorated to 61% of total requested
  - In this case, applicants would receive final reconciliation payments equal to 11% of the application amount
  - Based on preliminary analysis, some applications may be ineligible, and audits may result in return of previous payments

# FRHPPP Program Update

## Second Award Announced

- Award amounts were posted on the Treasury website October 30
- Payments will be issued by November 16

## Payment Deadline

- Under current statute, applicants were required to issue the payments to first responders by October 31

## Closing Documentation

- A final report including payment dates and amounts will be required
  - Report template available late November

## Federal Subrecipient Monitoring

- Federal subrecipient monitoring will begin in late November
- Treasury will complete risk-based assessment for federal monitoring and documentation will be requested
- Treasury contractors will be assisting with this work

# CRLGG Program Update

## OnCue Reporting

- CRLGG initial quarter reporting is closed in OnCue
- Final Quarterly Reporting
  - Due December 31 for the September 1 to December 30 quarter
  - OnCue will open December 1 and recipients are encouraged to start early
  - Recipients do not need to complete the final quarterly report if they incurred and reported all costs in the initial quarter
  - Expenses should be categorized as accurately as possible
  - US Treasury Office of Inspector General will be particularly examining expenses in the broad categories
    - Category A - "Administrative expenses"
    - Category R - "Items not listed above"

# CRLGG Program Update

## **Deadlines**

- Eligible expenditures must be incurred by December 30, 2020
- OnCue final quarter reporting due December 31, 2020
- Amended quarterly reporting due January 19, 2021
- Closing certification due January 19, 2021

## **Federal Subrecipient Monitoring**

- Federal subrecipient monitoring will begin in December
- Treasury will complete risk-based assessment for federal monitoring and documentation will be requested
- Treasury contractors will be assisting with this work



## Contact Information

Phone: 517-335-0155

Email: [Treas-CARES@michigan.gov](mailto:Treas-CARES@michigan.gov)

OnCue Reporting: [Treas-CARES-Reporting@michigan.gov](mailto:Treas-CARES-Reporting@michigan.gov)

[www.Michigan.gov/revenuesharing](http://www.Michigan.gov/revenuesharing)

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# State of Michigan Budget Update

**Kyle Jen,**  
Deputy State Budget Director,  
Michigan State Budget Office



# State Budget Update

**Kyle Jen, Deputy State Budget Director**

Local Government Update  
November 10, 2020



# Agenda

- FY 2021 Enacted Budget
- FY 2022 Budget Outlook

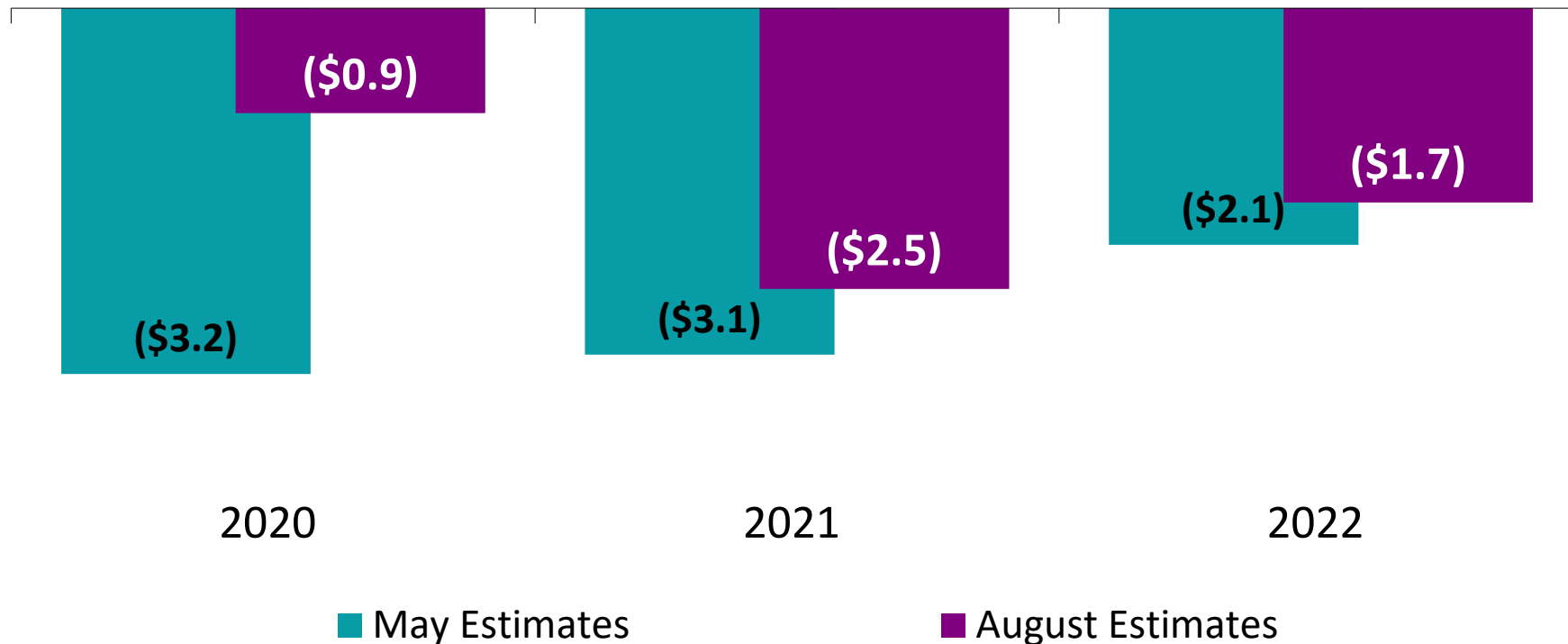


# FY 2021 Enacted Budget

# Budget Timeline

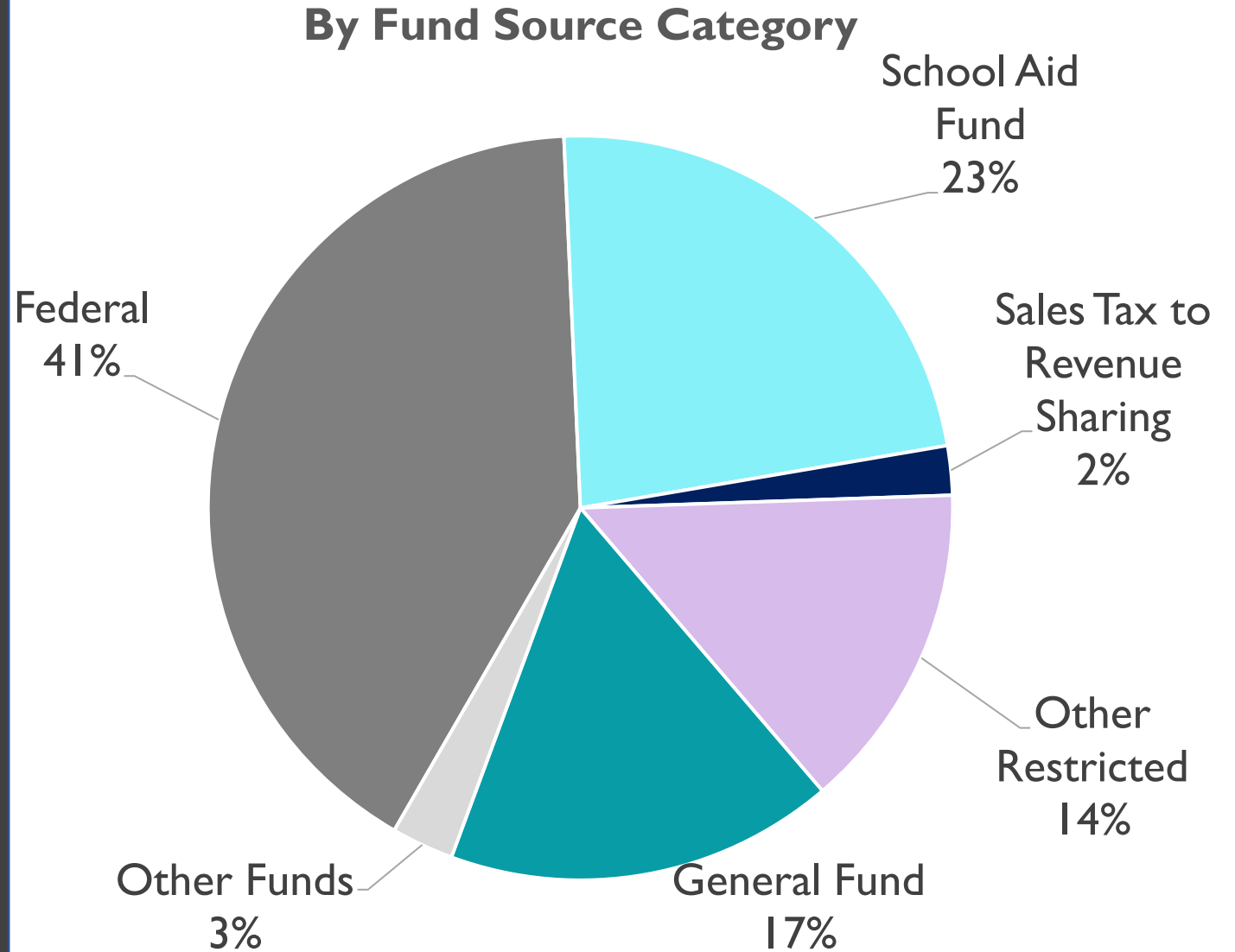
- **February:** Original FY 2021 Executive Recommendation presented to Legislature
- **March:** COVID crisis and impact on state revenues becomes evident; Governor issues directives regarding state hiring and spending freezes; Congress passes CARES Act, including \$3.1b in Coronavirus Relief Funds (CRF) to State of Michigan
- **May:** Consensus Revenue Estimating Conference establishes official forecast of reductions in state revenues
- **July:** Following negotiations with Legislature, Governor issues Executive Order to reduce FY 2020 state budget, with associated budget balancing actions also adopted by Legislature
  - Rainy Day Fund withdrawal
  - One-time state funding lapses/transfers
  - State public safety payroll offset with federal CRF
  - State funding reductions to locals/schools/colleges/universities with corresponding federal CRF allocations
- **August:** Special Consensus Revenue Estimating Conference revises revenue estimates upwards substantially due in large part to larger impact from federal stimulus
- **September:** Following additional negotiations, Legislature passes, and Governor signs balanced FY 2021 budget with relatively modest positive/negative funding adjustments
- **October:** FY 2021 begins

## General Fund (GF) + School Aid Fund (SAF) Combined Revenue Losses Compared to January Estimates by Fiscal Year (Billions)



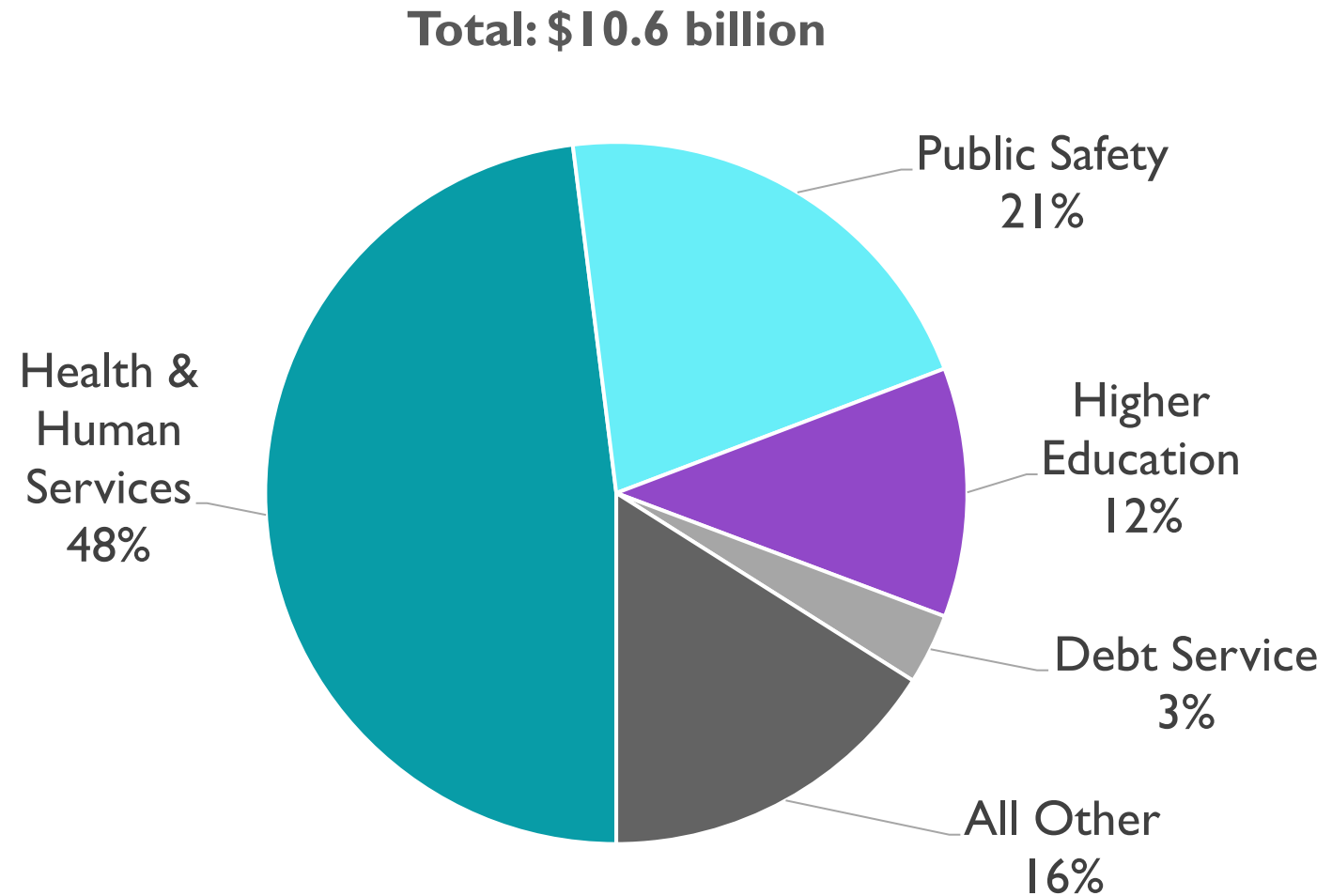
## FY 2021 State Budget

- Total budget: \$62.8b
- General Fund: \$10.6b
- Revenue Sharing: \$1.3b
  - Constitutional \$852m
  - Statutory \$490m
    - CVTs: \$261m
    - Counties: \$226.5m
    - Other: \$2.5m



## FY 2021 General Fund Budget

- Over 80% of General Fund appropriations are for health care, protecting vulnerable children and adults, public safety, and support to public universities.
- Excluding debt service payments, remaining 16% (\$1.7b) funds 12 state departments and legislative/judicial budgets.



# FY 2021 Revenue Sharing

- FY 2021 constitutional revenue sharing payments projected to be roughly flat compared to FY 2020 actual payments, but Sales Tax estimates will be revised as additional economic information becomes available
- FY 2021 statutory revenue sharing maintained at original FY 2020 levels
  - Reductions of \$97m in state funding for FY 2020, along with corresponding CRF allocations, to help balance the state General fund budget considered one-time
  - Same treatment for base funding to schools, community colleges, and universities

## Total Statutory Revenue Sharing Appropriations (in Millions)

Fund Source	FY 2020 Original Enacted	FY 2020 Adjustments	FY 2020 Adjusted	FY 2021 Initial Enacted
State funds	\$490	(\$97)	\$393	\$490
Federal CRF	\$0	\$150	\$150	\$0
<b>Total</b>	<b>\$490</b>	<b>\$53</b>	<b>\$543</b>	<b>\$490</b>

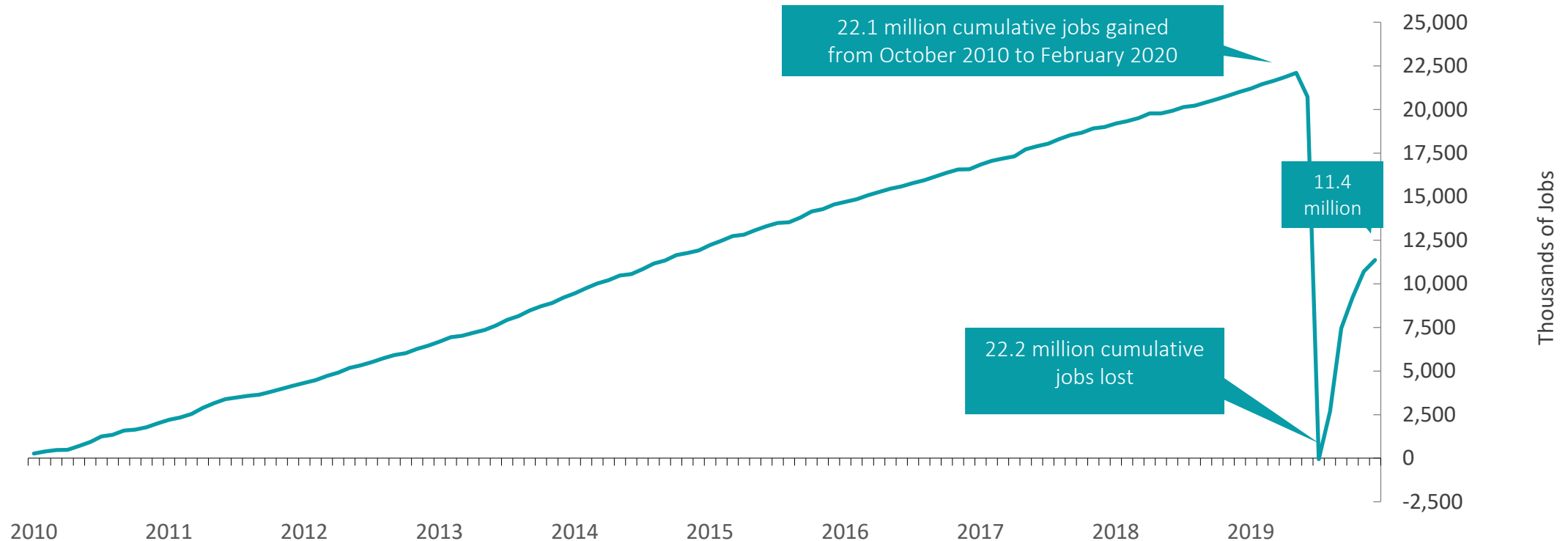
The background is a whiteboard with various handwritten notes and diagrams. At the top center, a box contains the text 'H1-H6 Design'. To the left, there is a list with numbers 1, 2, and 3, each followed by a wavy line. Below this, there are more wavy lines and some small circles. On the right side, there are more diagrams, including one labeled 'H1-Headline' and another with a play button icon inside a box. A hand is visible on the right side, holding a blue marker and drawing a line. Another hand is visible at the bottom left, holding a green marker. The overall scene suggests a brainstorming or planning session.

# FY 2022 Budget Outlook

# U.S. Payroll Employment

The U.S. Economy has regained half the jobs lost during the beginning of the pandemic.

## Cumulative change in U.S. payroll employment



*Payroll employment is seasonally adjusted*



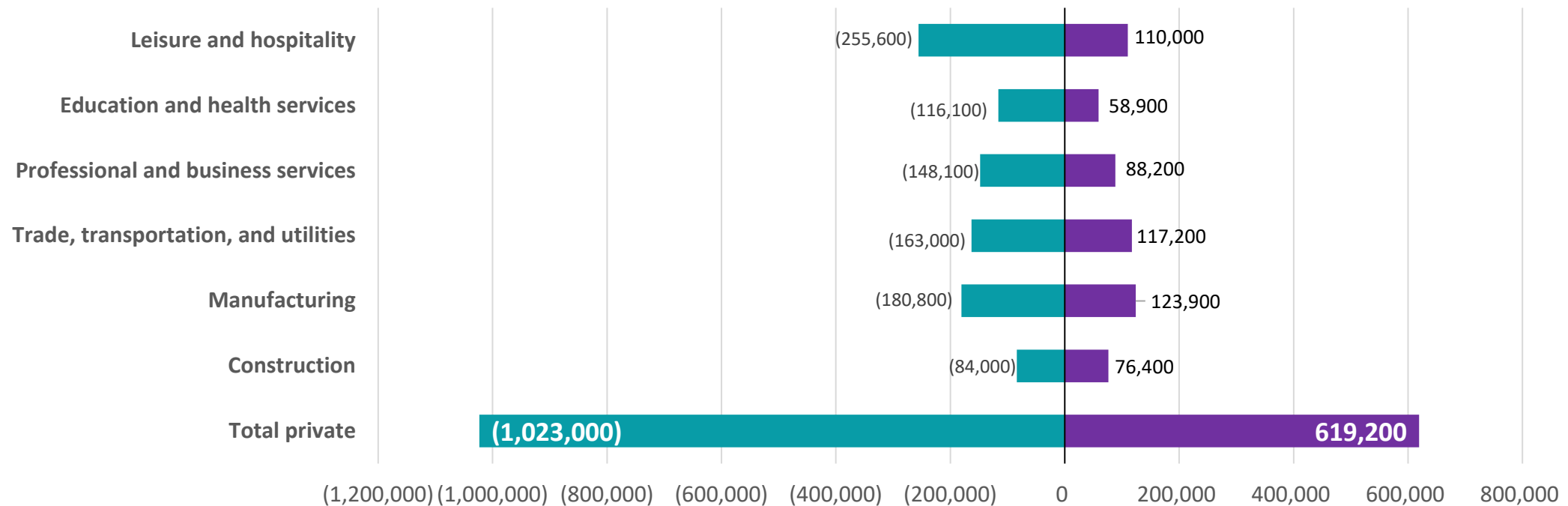
# Michigan Payroll Employment

Michigan had job growth in most sectors from May through September, after losses in March and April. However, all sectors of the economy are still below February employment levels.

## Payroll Employment Changes During the Pandemic

■ Jobs lost from February to April

■ Jobs gained from April to September



# Major Uncertainties

- Good news: We have a balanced FY 2021 in place
- Bad news: We're still operating with a very high level of uncertainty
  - COVID cases and response
  - National and state economies
  - State revenues
  - Additional federal stimulus?
    - Direct impact on state budget
    - Indirect impact on state revenues
    - Timing?
  - Duration of higher Medicaid caseloads/costs and enhanced higher federal match (higher costs could continue even as economy recovers if lower-wage workers are permanently displaced)
- Planning around a 23-month budget horizon vs. the seven months since the pandemic began

# FY 2022 State Budget Pressures

- State employee compensation costs (2% in October + 1% in April for salary/wages): rough estimate of \$75m GF
- With new standard approved, statutorily required grants to improve local indigent defense systems projected to increase by roughly \$25m GF for FY 2022
- Pending costs of other criminal justice reforms (Raise the Age/Clean Slate)
- Pending Flint legal settlement
- Regular Medicaid cost growth of about \$100m GF per year. \$150m in GF savings from increase in regular Medicaid match rate more than offset by GF cost when enhanced FMAP rate ends
- State and local COVID response costs (federal Coronavirus Relief Funds can only be spent through 12/30/20)

# FY 2022 State Budget Outlook

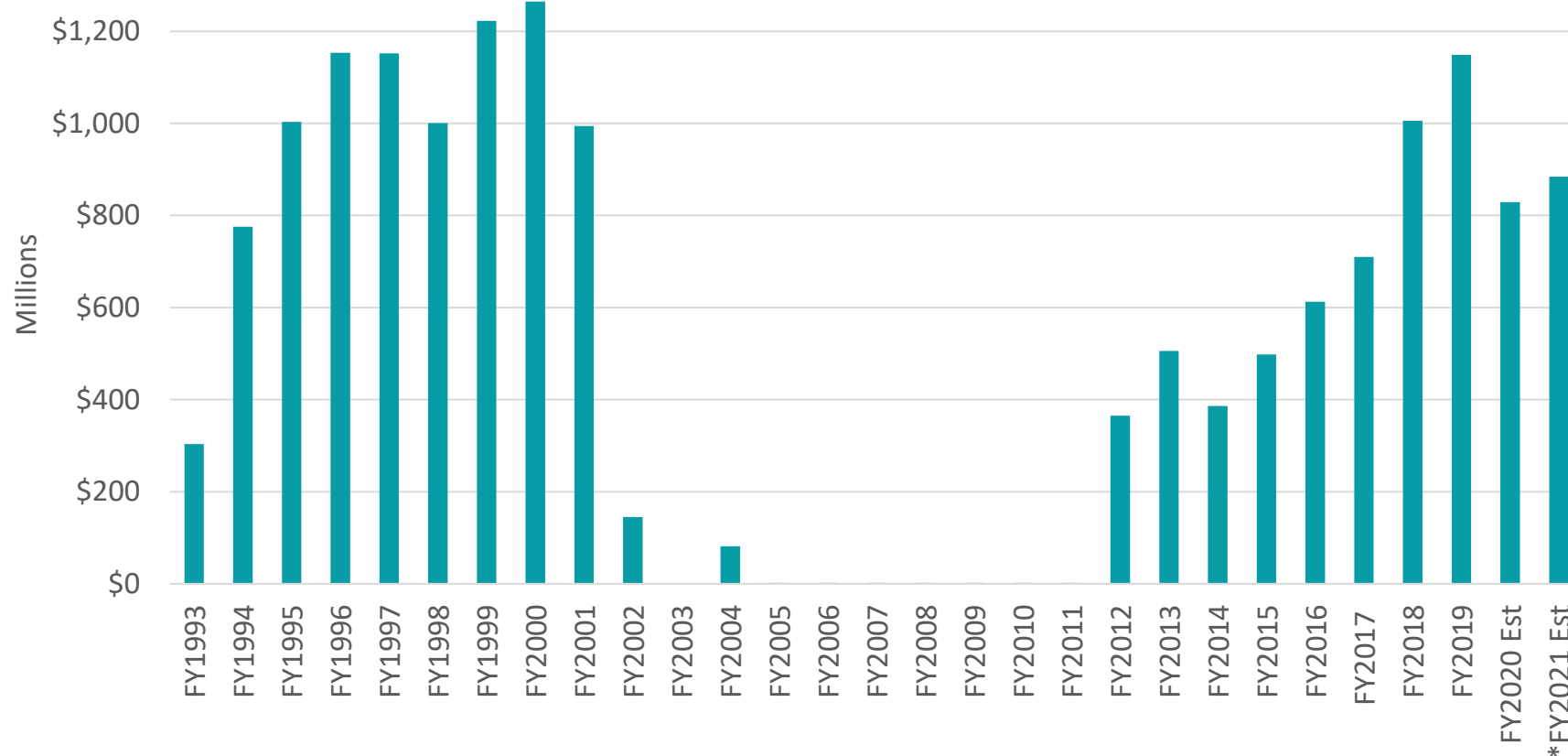
- Based on August revenue estimates and preliminary baseline cost pressures, the state faces a combined GF + SAF budget shortfall of roughly \$500m to \$1 billion in FY 2022
- Assumes \$300m+ in additional FY 2020 revenue collections, but no upward revisions in revenues for FYs 2021 and 2022
- Numbers will continue to bounce through release of Executive Budget Recommendation in February and beyond given ongoing uncertainties
- State departments have been instructed to prepare reduction plans for FY 2022 Executive Budget Recommendation
- State is maintaining freezes on discretionary spending and hiring (with exceptions for critical public health/safety positions)

# Potential Mitigating Factors for Shortfalls

- Additional federal stimulus
  - Upside in FY 2021 and 2022 revenue estimates when/if new federal stimulus is enacted
  - Any additional direct, flexible federal aid provided to states will allow the state to avoid budget reductions and/or pulling from reserves
- The state still has an available balance of about \$900 million in its Rainy Day Fund
  - Additionally, any FY 2020 GF lapses will be deposited into the fund
  - Can be used to manage path back toward structural balance and deal with revenue volatility and budget risks

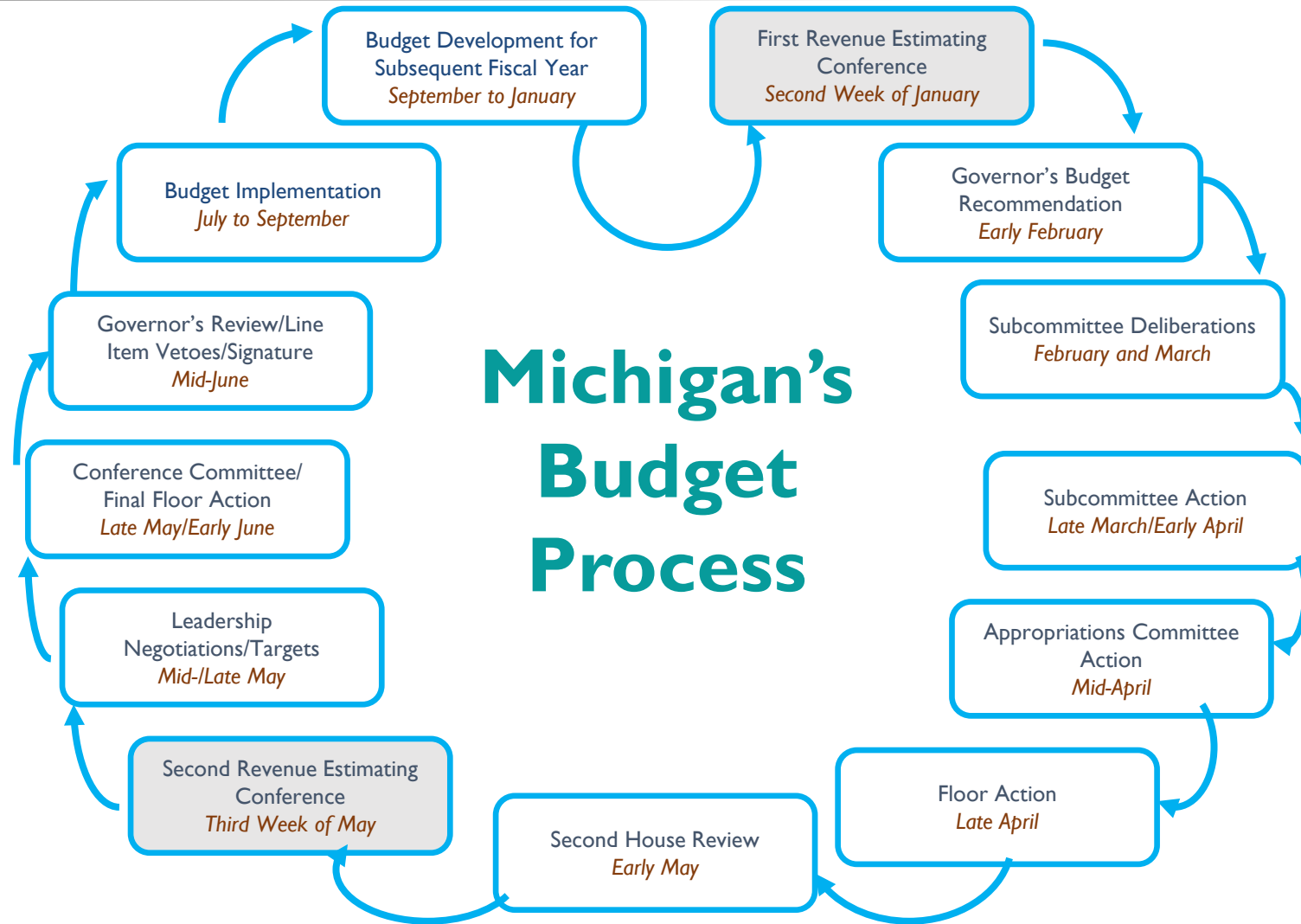
# Budget Stabilization Fund

Following \$350m withdrawal for FY 2020, the state's Rainy Day Fund balance is still at about \$900m (roughly 4% of GF+SAF revenue)



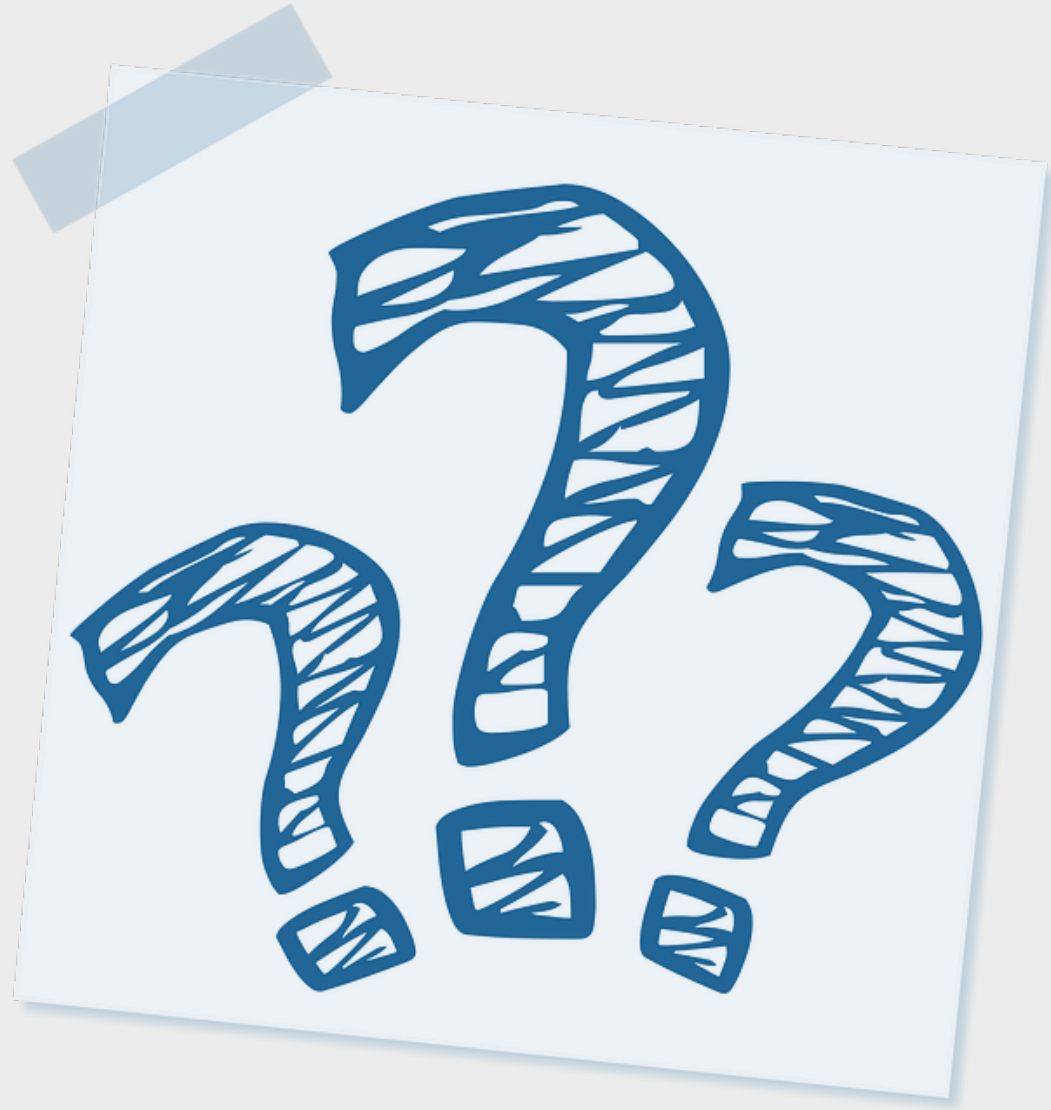
\*Plus any FY 2020  
General Fund  
appropriation lapses

# The Budget Cycle



# Questions

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# Register for 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 training - Budgeting for Fiscal Sustainability!**

This FREE training will provide best practices for local governments' fiscal health including budgeting, long-term planning, dealing with uncertainty, and financial policies and procedures. This training is geared toward appointed and elected officials with budgeting knowledge at the entry and intermediate levels.

## **Upcoming Free Training Opportunities:**

- Thursday, November 19 at 2 p.m.
- Thursday, December 3 at 9 a.m.

Please register for the training that best fits your schedule at:

<https://events.anr.msu.edu/FiscallyReadyWebinar/>

# Contact & Website Information

## Websites:

- [www.Michigan.gov/Treasury](http://www.Michigan.gov/Treasury)
- [Treasury Local Government Website](#)
- [Treasury COVID-19 Updates for Local Governments and School Districts](#)
- [www.house.mi.gov/hfa/Consensus.asp](http://www.house.mi.gov/hfa/Consensus.asp)

## Contact Information:

- View [Treasury Local Government Contact](#) List
- Michigan Finance Authority (MFA):  
[TreasMFA@michigan.gov](mailto:TreasMFA@michigan.gov)
- Revenue Sharing:  
[TreasRevenueSharing@michigan.gov](mailto:TreasRevenueSharing@michigan.gov)
- Treasury's CARES Act programs:  
[Treas-CARES@michigan.gov](mailto:Treas-CARES@michigan.gov)





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