



michigan municipal league



*Michigan Department of*  
**TREASURY**

**MAC**  
MICHIGAN ASSOCIATION OF COUNTIES

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# COVID-19 Updates and Resources for Local Governments

8

Tuesday, June 8, 2021

# Welcome Greeting

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



# **Updates and Resources for Local Governments: 12<sup>th</sup> Webinar**

*Tuesday, June 8, 2021 – 2 p.m. – 3 p.m.*

## **1. Welcome & Introductions**

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

## **2. Updates from Treasurer Rachael Eubanks**

*Rachael Eubanks, State Treasurer, Michigan Department of Treasury*

## **3. Michigan Revenue Estimating Conference Updates**

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

## **4. Question and Answer**

## **5. Closing Remarks**

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



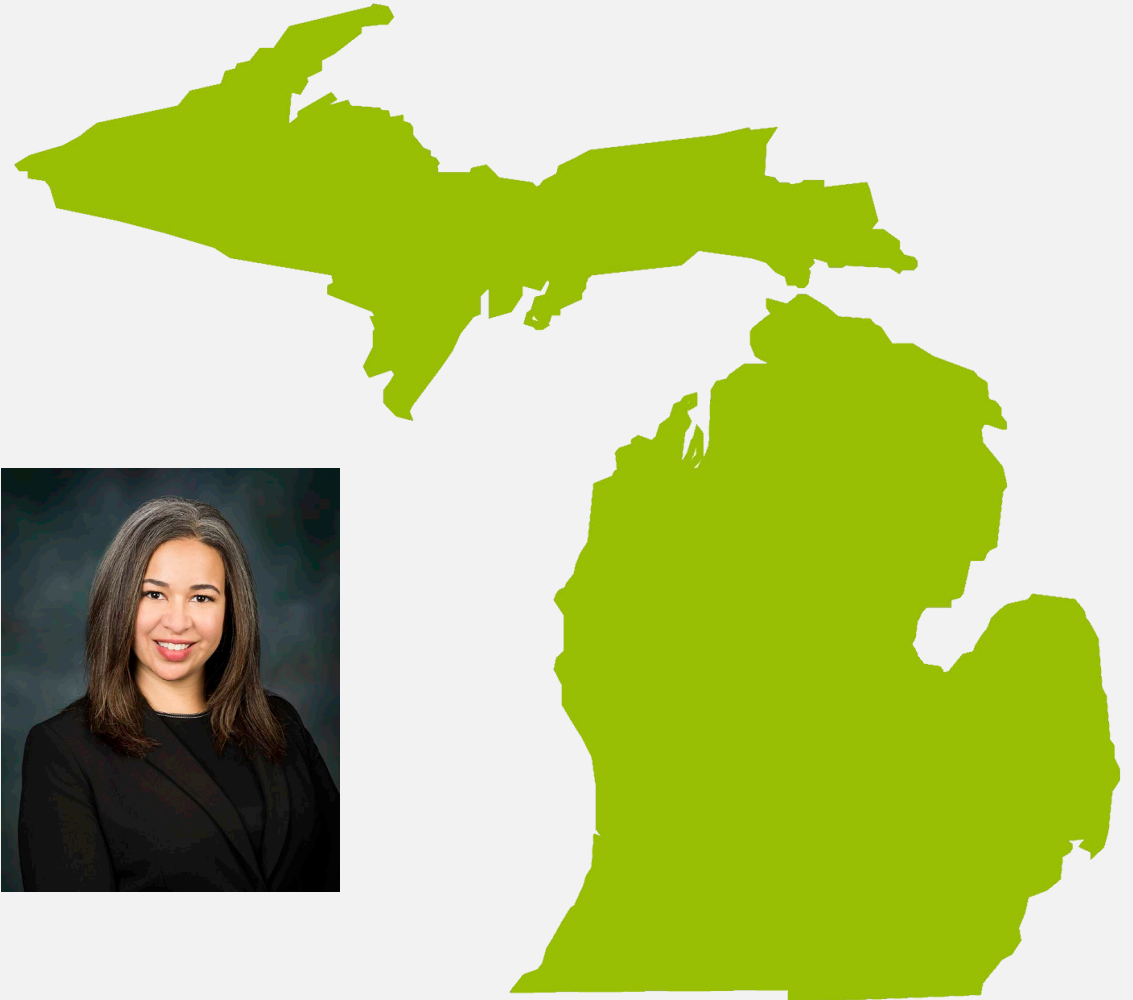
# Welcome & Introductions

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



# Updates from Treasurer Rachael Eubanks

**Rachael Eubanks**  
State Treasurer  
Michigan Department of Treasury



# OUR SENIOR STAFF



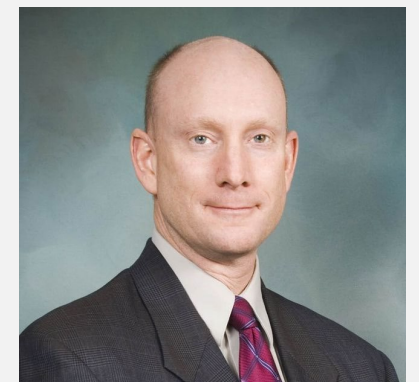
**Rachael Eubanks**  
Treasurer



**Jeff Guilfoyle**  
Chief Deputy Treasurer



**Sally Durfee**  
Chief of Staff



**Jon Braeutigam**  
Chief Investment Officer



**Ann Good**  
Deputy Treasurer  
Financial & Admin. Services



**Joyce Parker**  
Deputy Treasurer  
State/Local Finance



**Glenn White**  
Deputy Treasurer  
Tax Administration

# OUR MISSION, VISION and VALUES

## MISSION

Providing fair and efficient financial services on behalf of taxpayers, governments, students and all Michiganders, for the long-term fiscal health and stability of our state.

## VISION

We are the innovative and inclusive resource provider of exceptional financial services for a better Michigan.

## VALUES

Integrity ~ Inclusion & Diversity ~ Innovation ~ Public Service

# OUR FOUNDATION

## **EMPLOYEE ENGAGEMENT**

Commitment to an inclusive environment that values diverse perspectives and cultivates employee recruitment, retention, development, and leadership.

## **CULTURE OF SERVICE**

Provide complete, accurate, and timely services to all internal and external customers in a professional manner.

## **CONTINUOUS IMPROVEMENT**

Commitment to proactive and innovative employee-driven solutions in our daily operations and in strategic financial leadership.



# OUR GOALS

Plan for Michigan's short- and long-term financial opportunities and challenges.

Securely and efficiently process quality Treasury data.

Define and improve satisfaction for all customer groups.

Enhance recruitment and increase retention of engaged employees by making Treasury a great place to work.

## Local Government and School Services

- Building trusted relationships
- Gathering and analyzing data from local governments and school districts to identify trends and deliver targeted resources
- Partnering to ensure the fair, efficient, and strategic implementation of statutory requirements

*Building proactive partnerships  
for vibrant, resilient communities.*

# CONTINUOUS IMPROVEMENT

# OUR SUCCESSES



# Our PROGRESS <sup>IN</sup> 2020

Engagement. Service. Improvement.

## TAX ADMINISTRATION SERVICES

<b>Individual Income Tax (IIT) Returns Backlog</b> <b>0</b> <small>Down from 350 in 2019</small>	<b>IIT Correspondence (within 60 days)</b> <b>98%</b>	<b>IIT Call Center Wait Times (minutes)</b> <b>2:22</b> <small>Up from 2:17 minutes in 2019.</small>	<b>Sales, Use and Withholding (SUW) Returns Backlog</b> <b>0</b> <small>Down from 110,000 in 2018.</small>	<b>SUW Correspondence (within 60 days)</b> <b>91%</b>	<b>SUW Call Center Wait Times (minutes)</b> <b>4:18</b> <small>Down from 5:53 minutes in 2019.</small>
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## TAX COMPLIANCE

<b>Response Time Reduced</b> <b>9.2%</b> <small>For Informal Conference Requests since 2019.</small>	<b>Audit in Process (days)</b> <b>200</b> <small>Up from 192 days in 2019.</small>	<b>Paperless Process (Correspondence)</b> <b>100%</b> <small>Discovery Division for receiving correspondence.</small>
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## COLLECTIONS

<b>OIC Processing Wait Times (in months)</b> <b>9</b> <small>Down from 24+ months in 2018.</small>	<b>Electronic Payments Collected (in millions)</b> <b>\$8.7</b> <small>Up from \$6.4 million in 2019.</small>	<b>UNCLAIMED PROPERTY— Paying Rightful Owners (in millions)</b> <b>\$133.5</b> <small>\$30 million more than previous record.</small>
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## TAX POLICY/HEARINGS

<b>Informal Tax Hearings (average months per hearing)</b> <b>5.5</b> <small>Down from 6 months in 2019.</small>	<b>Revenue Administrative Bulletins (RABs) (total per year)</b> <b>10</b> <small>In the past, RABs were rarely issued.</small>
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## INVESTMENTS

<b>Total Assets Under Management (in billions)</b> <b>\$117.9</b> <small>Up from \$102.6 billion in November 2019.</small>
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## POSTSECONDARY FINANCIAL SERVICES

<b>Students, borrowers, &amp; families served</b> <b>383,400</b>	<b>Aversion Assistance provided (borrowers)</b> <b>57,905</b> <small>resulting in \$15 million in student loans moved to good standing.</small>
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## LOCAL GOVERNMENT

<b>Attendance at Outreach Events for Local Governments and Schools</b> <b>11,699</b> <small>More than 120 events and trainings were held. Attendees completed satisfaction surveys and 95% were highly satisfied.</small>
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## CONTINUOUS IMPROVEMENT

Treasury's commitment to proactive and innovative employee-driven solutions in our daily operations and in strategic financial leadership have led to improved services for Michigan's **5+ MILLION TAXPAYERS**.

**99%** Of the current year's submitted Individual Income Tax (IIT) Returns have been processed in the year submitted!

This is the fourth consecutive year Treasury's tax processing team has achieved this completion rate. Prior to 2016, this had not previously been accomplished.

## CULTURE OF SERVICE

We strive to provide complete, accurate and timely services to all internal and external customers in a professional manner. One way we are improving our service is by being more accessible. We have interacted with more than 31,000 taxpayers at more than 550 various conferences, outreach events and workshops. Nearly 27,000 individuals also regularly receive Treasury news and information via our media releases and online newsletters.

**31k**

## EMPLOYEE ENGAGEMENT

Treasury is committed to an inclusive environment that values diverse perspectives and cultivates employee recruitment, retention, development and leadership. Employee Resource Groups (ERGs) are one avenue employees have to become engaged in causes that are important to them.

**5 ERGs**

**@MiTreasury**  
**CONNECTED**  
 social media impressions

**1,050,500**  
 Treasury, MI Student Aid, MET and Local Government

**22,031,651**  
 MET/MESP/Fostering Futures and MI Student Aid (includes paid advertising)

**65,440**

# CONTINUOUS IMPROVEMENT and EMPLOYEE ENGAGEMENT

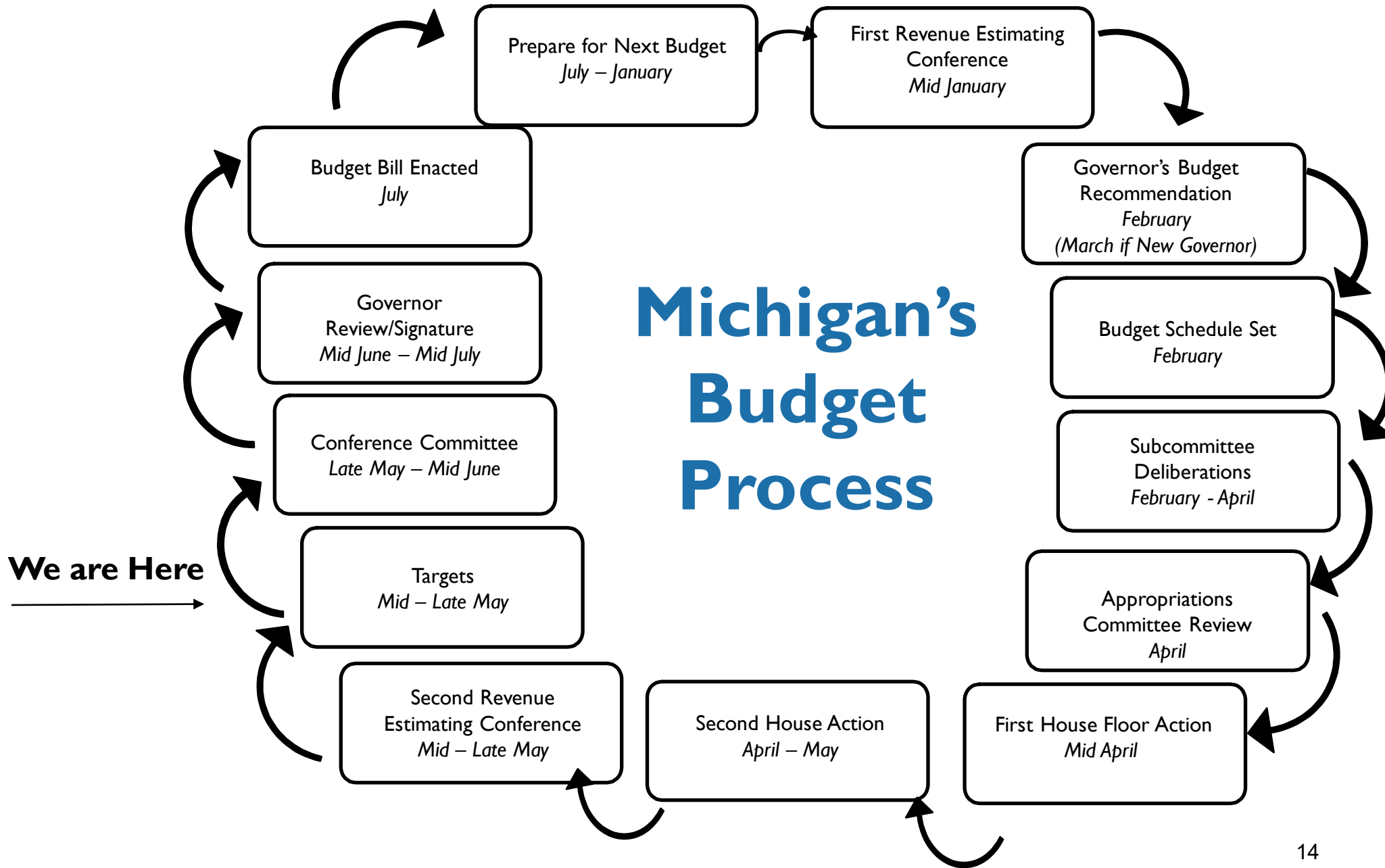
## **Our 2021 Projects**

- Implement Trusted Partnership Model with local governments
- Implement Revenue Sharing/Personal Property Tax IT System
- Continue initiative to become paperless to better serve taxpayers
- Continue our focus on employee engagement efforts to become more attractive as an employer, develop leaders, and provide expectations and support for our employees.

# BUDGET, REVENUE SHARING, OTHER IMPACTS



# Michigan's Budget Process

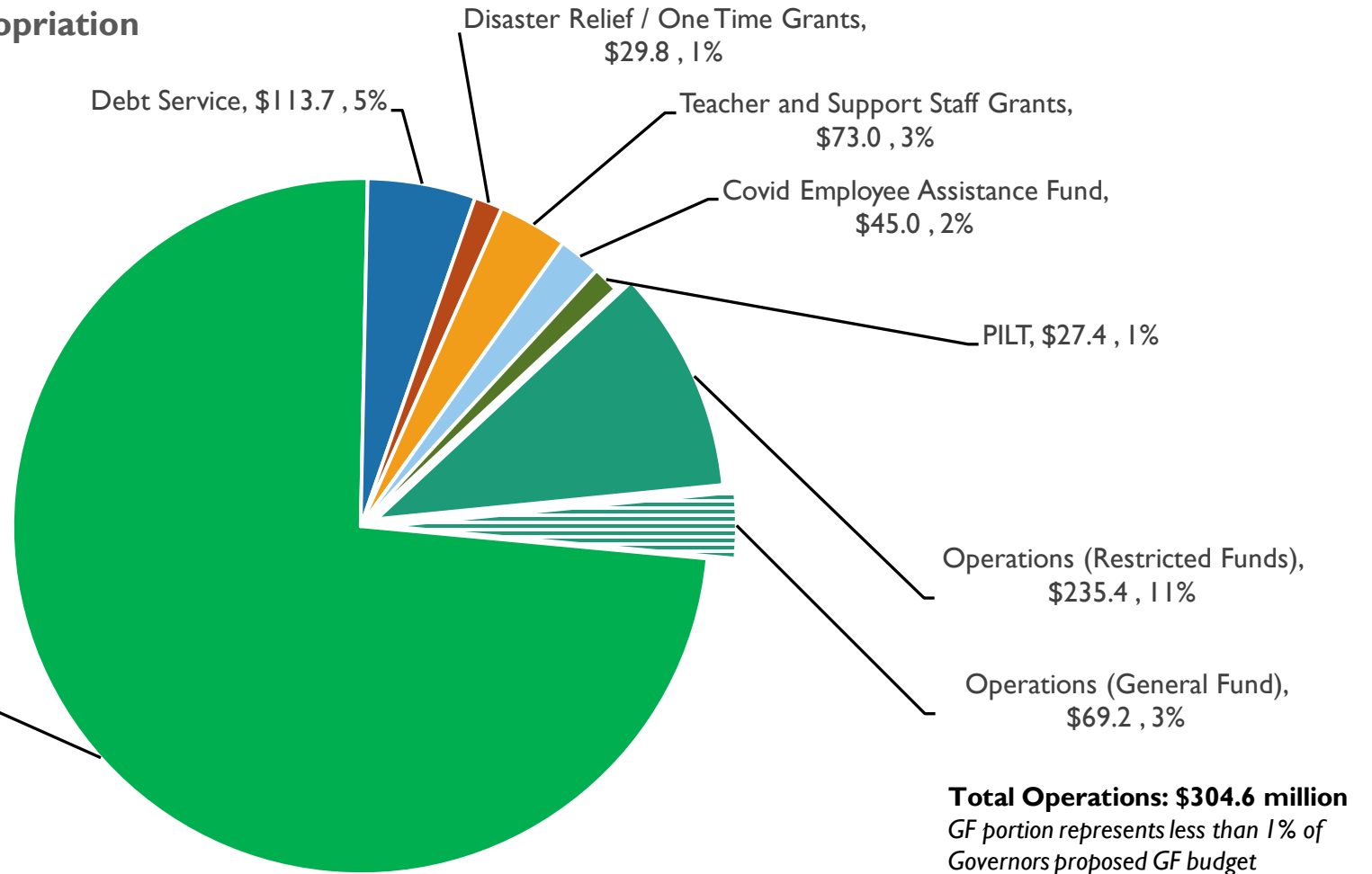


# Majority of Treasury's budget is distributed to local units or dedicated to debt payment

FY21 PA 166 of 2020 Treasury Gross Appropriation  
(\$ in Millions)

**Total Gross Appropriation**  
**\$2,268.6**  
**(87% Payments)**

Annual Revenue Sharing and Grants to  
locals, \$1,675.1 , 74%



# Proposed Budget Dollars for Local Communities

## PENDING FY21 SUPPLEMENTAL REQUESTS

- The Governor recommended \$70 million to be distributed to cities with a city income tax that have experienced a loss due to COVID
  - Payments would be based on comparison to tax year 2019 and would be paid in proportion based on their revenue loss
  - Capped at \$25 million for any single city
- Proposed property tax relief of \$22 million to cover interest and penalties for unpaid property tax



# Proposed Budget Dollars for Local Communities

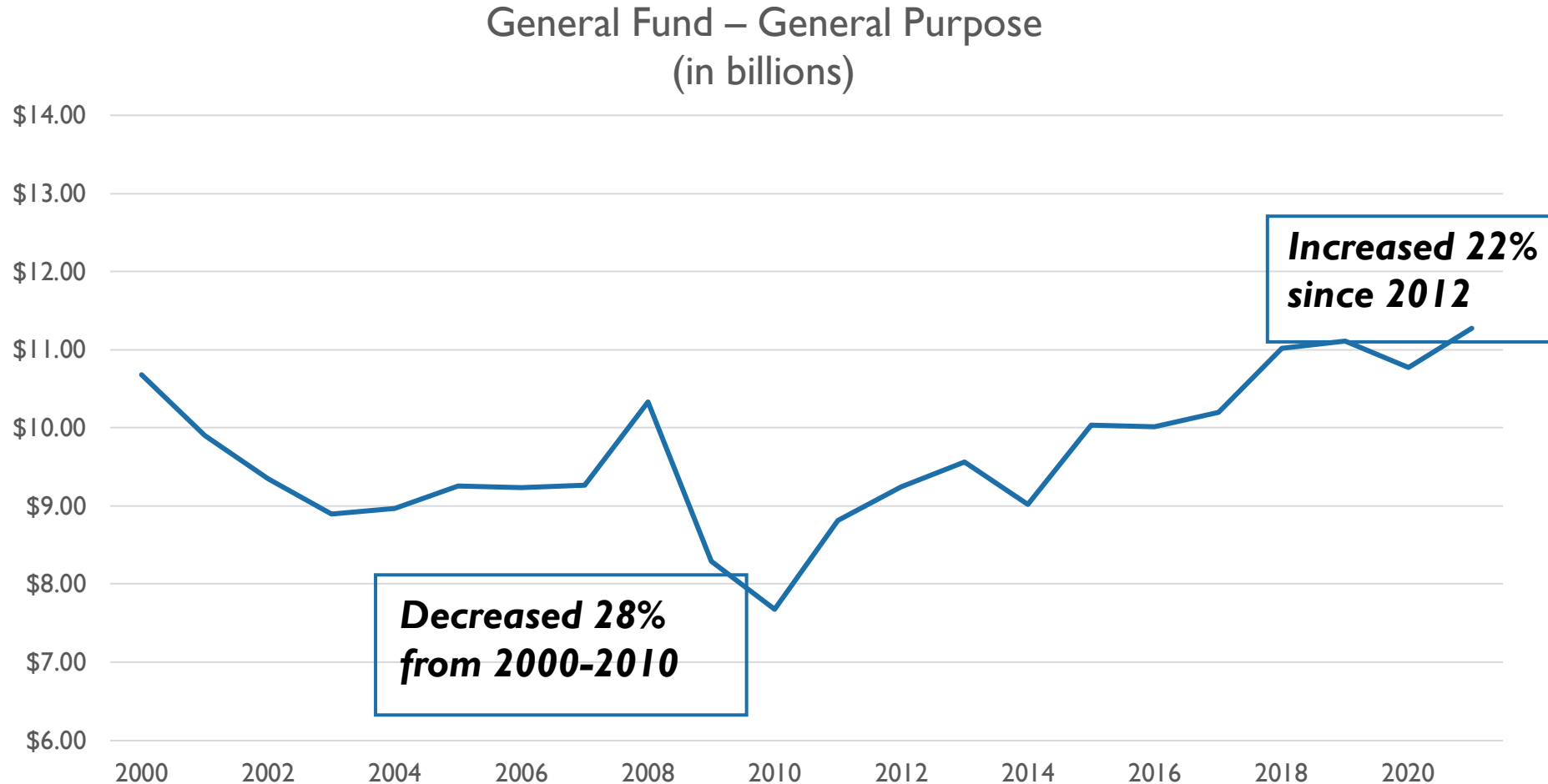
## FY22 PROPOSED ADJUSTMENTS

- \$5 million local first responder recruitment and training grants (one-time)
- \$2.2 million increased Payment in Lieu of Taxes adjustment in Purchased lands and Swamp and Tax Reverted lines to reflect estimated increases in payments to locals for DNR land purchases

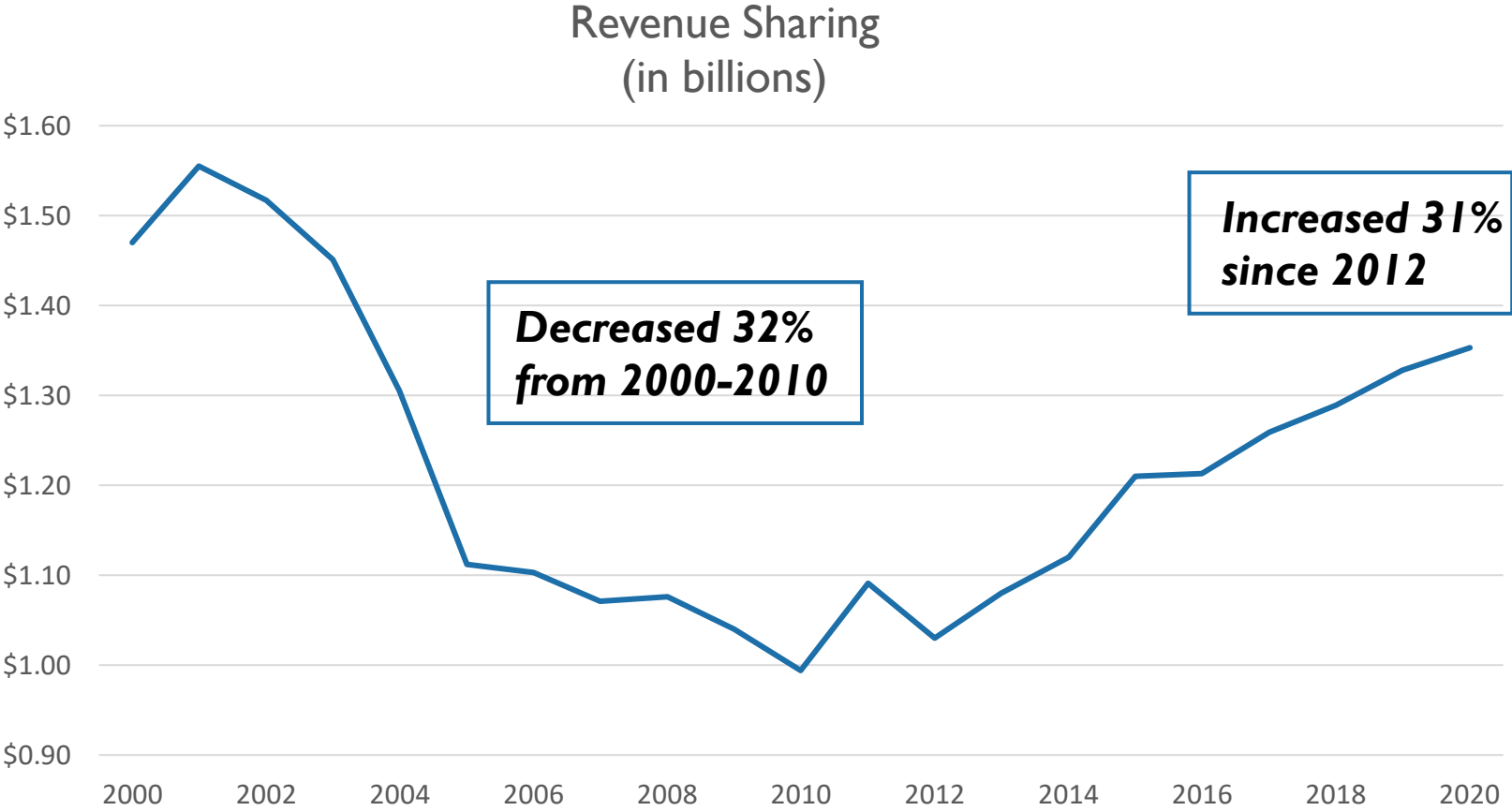
# FY 22 Revenue Sharing Highlights

- Constitutional Revenue sharing projected to be \$867.3 million
- City, Village and Township Revenue Sharing (CVTRS)- recommended 2% increase from FY21 distribution with no change in eligibility
- County Revenue Sharing recommended 2.2% increase, total of \$231.5 million
  - County Incentive Program represents \$43.4 million, or 20% of full funding amount
  - County Revenue Sharing program makes up remaining \$188.1 million
- Financially Distressed Cities, Villages, Or Townships program maintained at \$2.5 million

# General Fund – General Purpose slightly above 2000 levels



# State funding for local government has increased but still below 2000 levels



# AMERICAN RESCUE PLAN ACT

## STATE AND LOCAL FISCAL RECOVERY FUND

Provides **\$350 billion dollars** in emergency funding for state, local, territorial, and Tribal governments to remedy this mismatch between rising costs and falling revenues.

This includes:

- \$195 billion for states, (a minimum of \$500 million for each State)
- \$130 billion for local governments (a minimum of \$1.25 billion per state is provided by the statute inclusive of the amounts allocated to local governments within the state)
- \$20 billion for tribal governments
- \$4.5 billion for territories

# AMERICAN RESCUE PLAN ACT

## MICHIGAN'S ALLOCATIONS

Michigan was allocated \$6,540,417,627 from the State Fiscal Recovery Fund

Michigan was allocated \$4,406,991,854 from the Local Fiscal Recovery Fund

- Entitlement units, which includes Counties and Metro Cities, will receive funding directly from U.S. Treasury
  - Counties allocated \$1,939,829,897
  - Metro Cities allocated \$1,822,870,482
- Non-Entitlement Unit (NEU) funding will be delivered to State of Michigan in two tranches
  - \$644,291,475.00 total allocation
  - More information released in the upcoming webinar

# UPCOMING WEBINAR: AMERICAN RESCUE PLAN ACT

## Updates and Resources for Local Governments: American Rescue Plan Act Webinar

*Thursday, June 17, 2021  
2 – 3:30 p.m.*

In partnership with the Michigan Municipal League, Michigan Townships Association, Michigan Association of Counties, and the County Road Association of Michigan, the Michigan Department of Treasury is pleased to announce the 13<sup>th</sup> webinar in the “Updates and Resources for Local Governments” webinar series.

Topics covered will include:

- Updates on the American Rescue Plan Act, including eligible uses and receipting
- Strategically utilizing funds
- Accounting requirements to receive federal grants

# Michigan Revenue Estimating Conference Updates

**Eric Bussis**

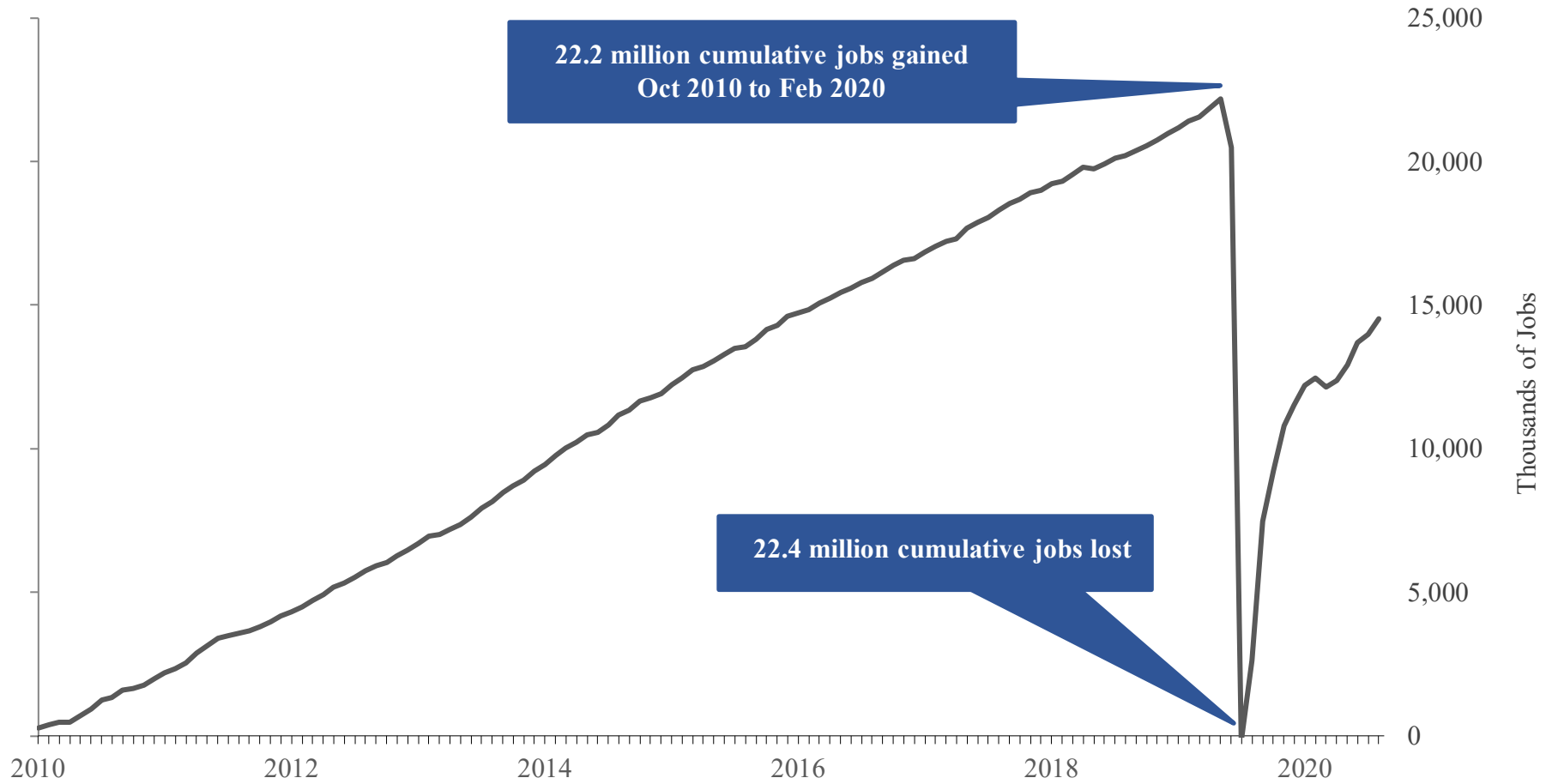
Chief Economist and Director  
Office of Revenue and Tax Analysis  
Michigan Department of Treasury





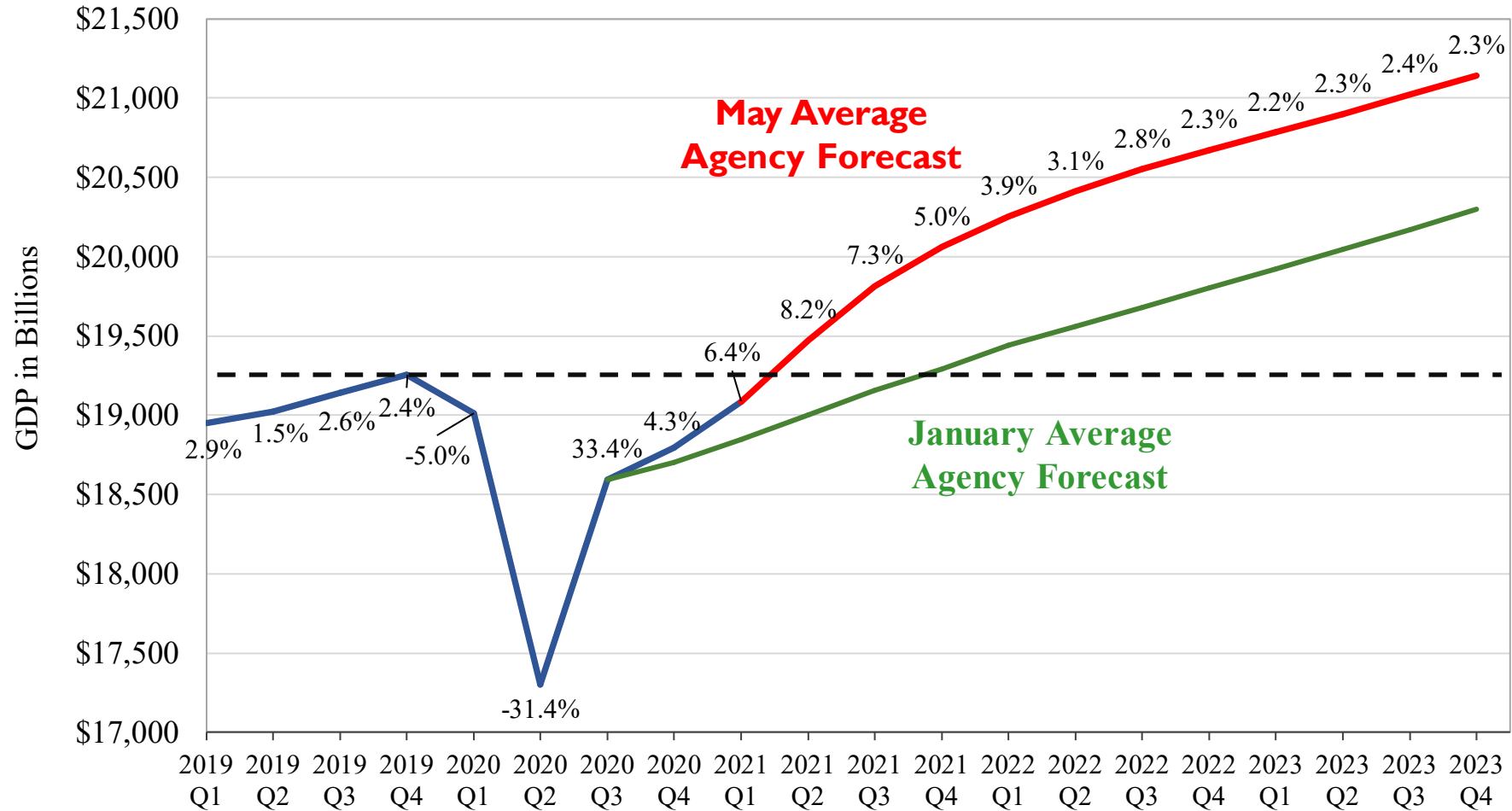
# Payroll Employment

## Cumulative Change in U.S. Payroll Jobs



Source: U.S. Bureau of Labor Statistics 6/4/2021; Michigan Bureau of Labor Market Information, 5/5/2021.

# 2020 Recession – Real GDP Quarterly Forecast

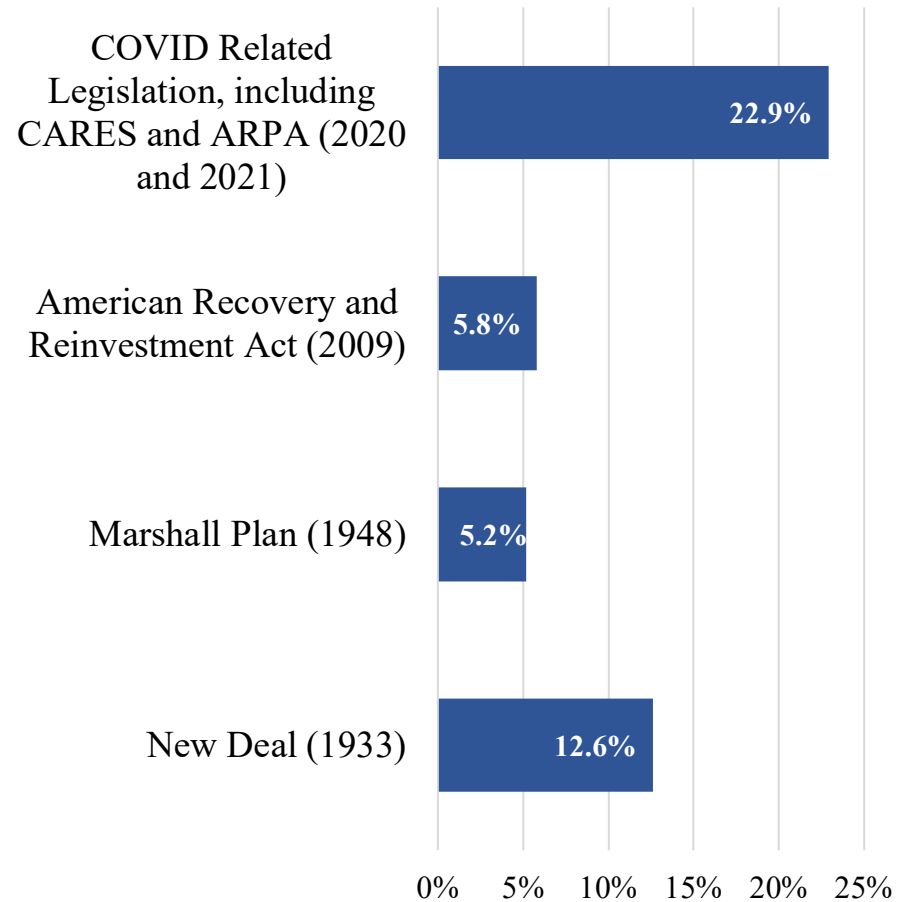


Labels: Percent Change at an Annual Rate

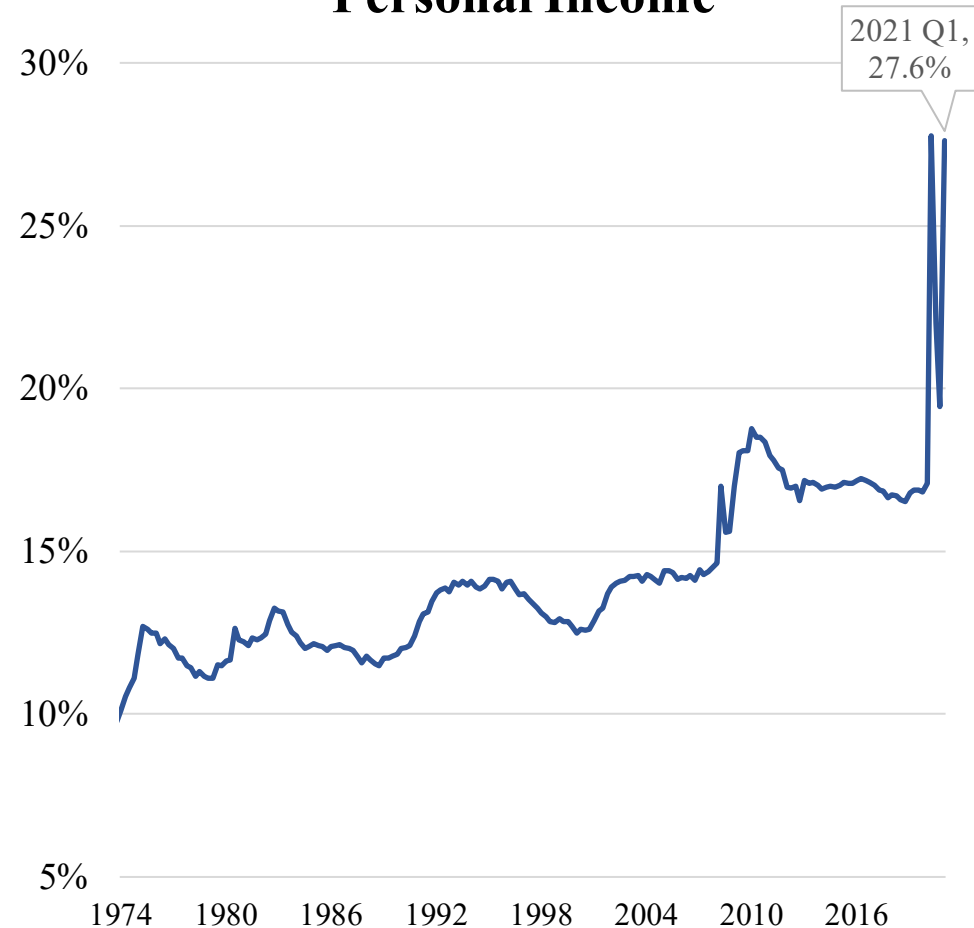
Source: U.S. Bureau of Economic Analysis.

# Unprecedented Federal Fiscal Support

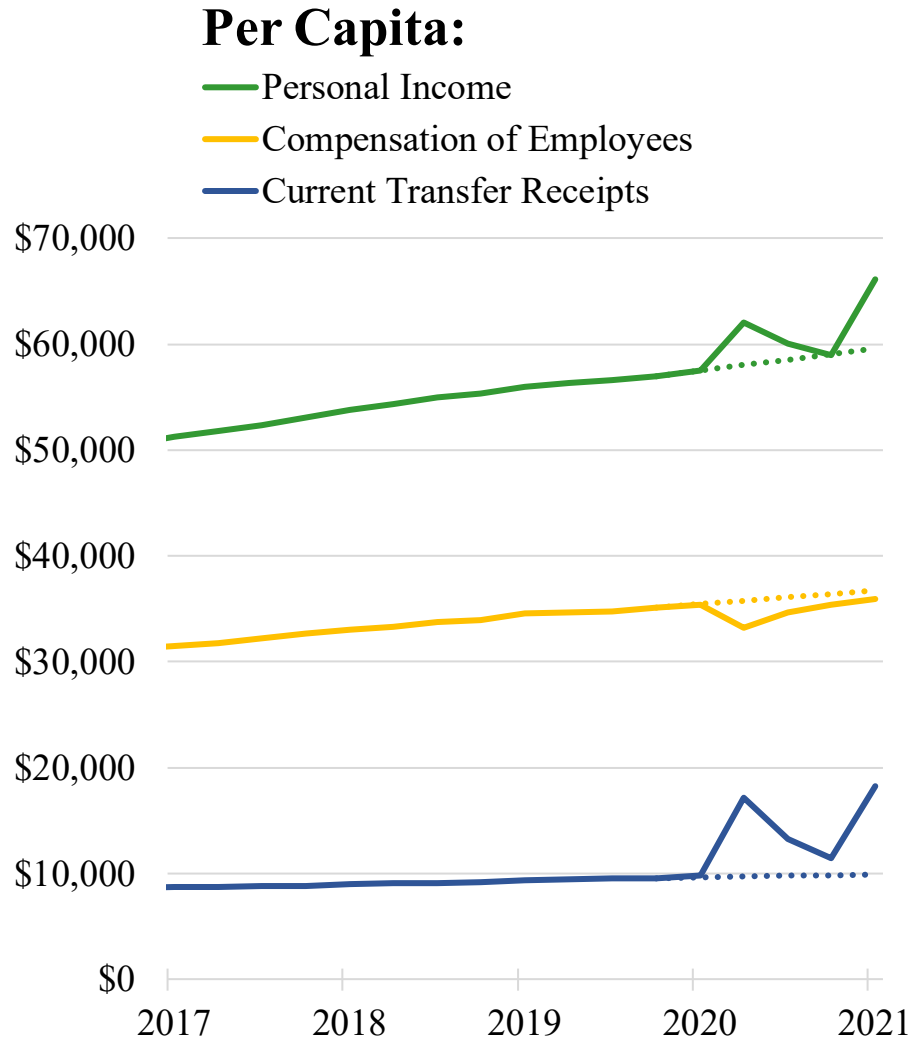
## Major U.S. Fiscal Stimulus Plans as a Percent of GDP



## Transfer Payments as a Percent of Personal Income



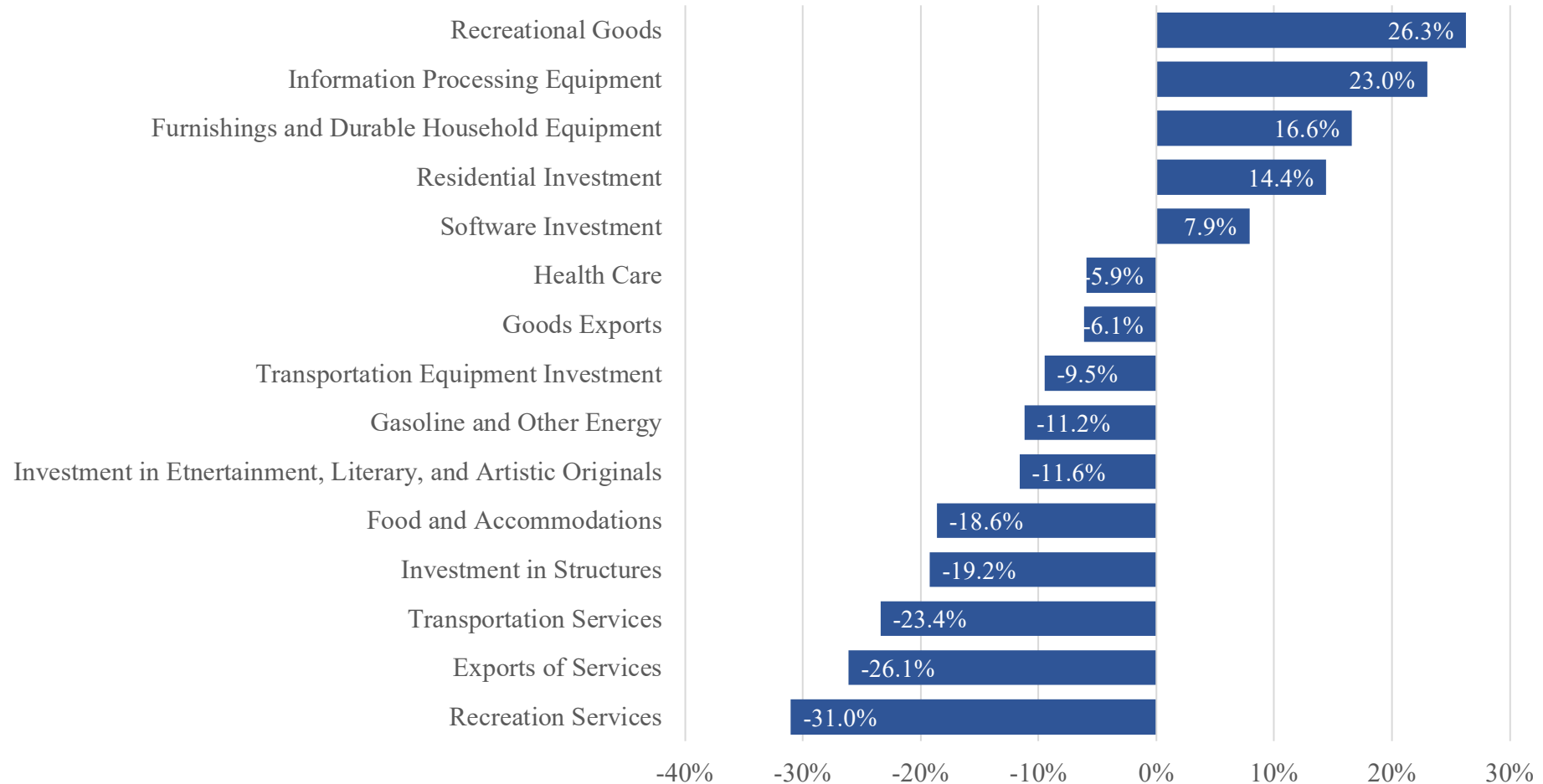
# Transfer Receipts Boost Personal Income



Per Capita Last 4 Quarters	Hypothetical No Pandemic	Actual	Difference
Personal Income	\$58,810	\$61,805	+\$2,995
Compensation of Employees	\$36,253	\$34,806	-\$1,447
Transfer Payments	\$9,822	\$15,042	+\$5,220

# Pandemic Shifts Structure of Economy

## GDP Compared to Estimates without COVID-19 Pandemic



# Revenue Updates Since January

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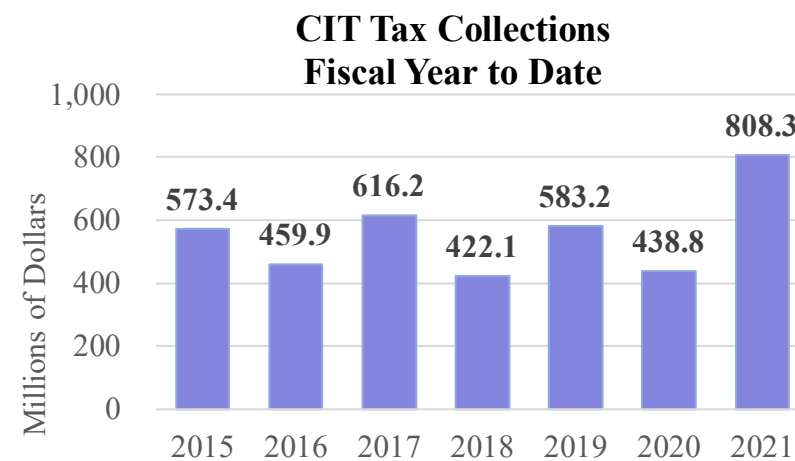
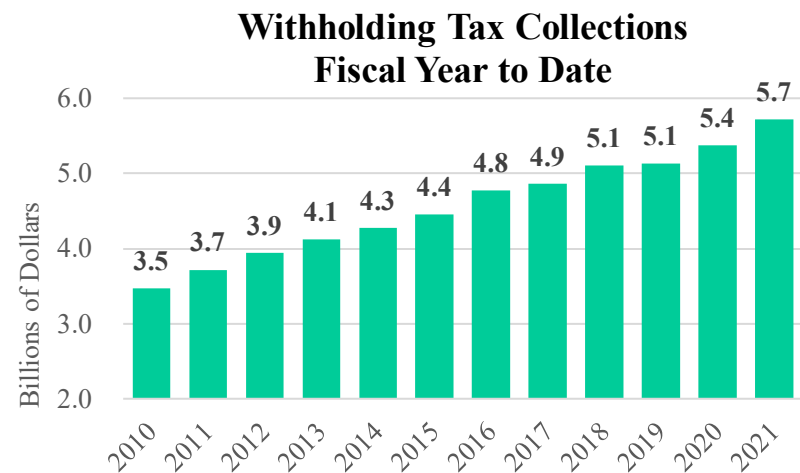
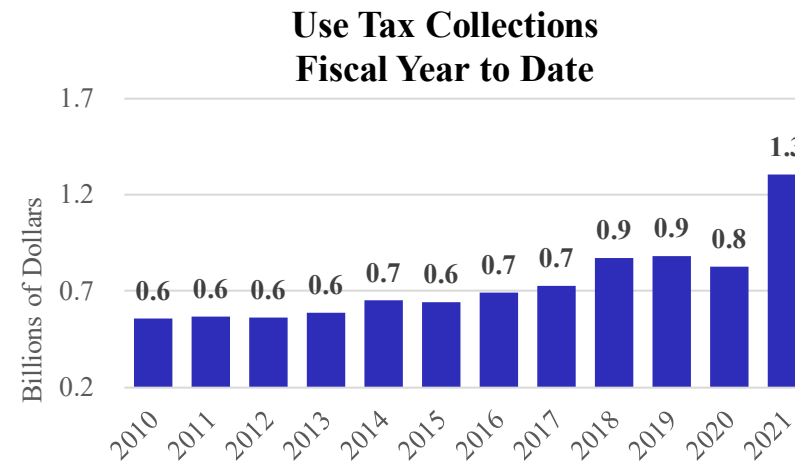
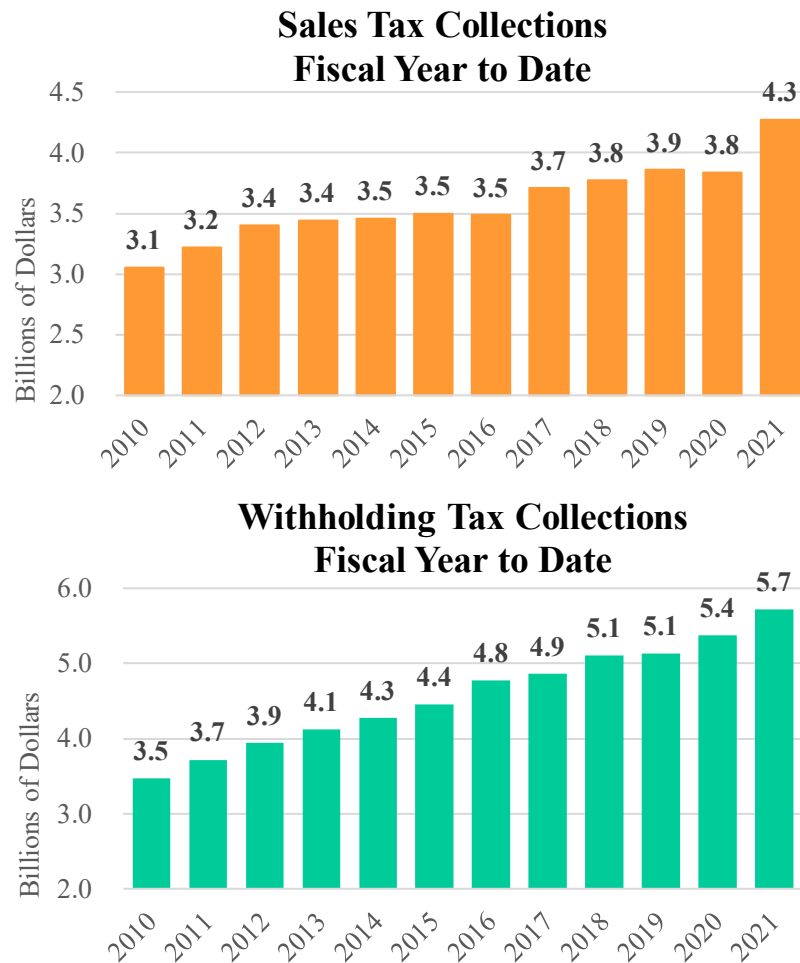
CREC estimates always assume current Federal and State law

- The May conference was the first to include the impacts of the American Rescue Plan Act
  - 2021 Child Tax Credit will be refundable and increased
  - Stimulus Economic Impact Payments will boost spending
  - Exclusion from Income tax for 2020 unemployment benefits of up to \$10,200

The state revenue collections continue to outperform economic metrics since January

# Revenue Over Time

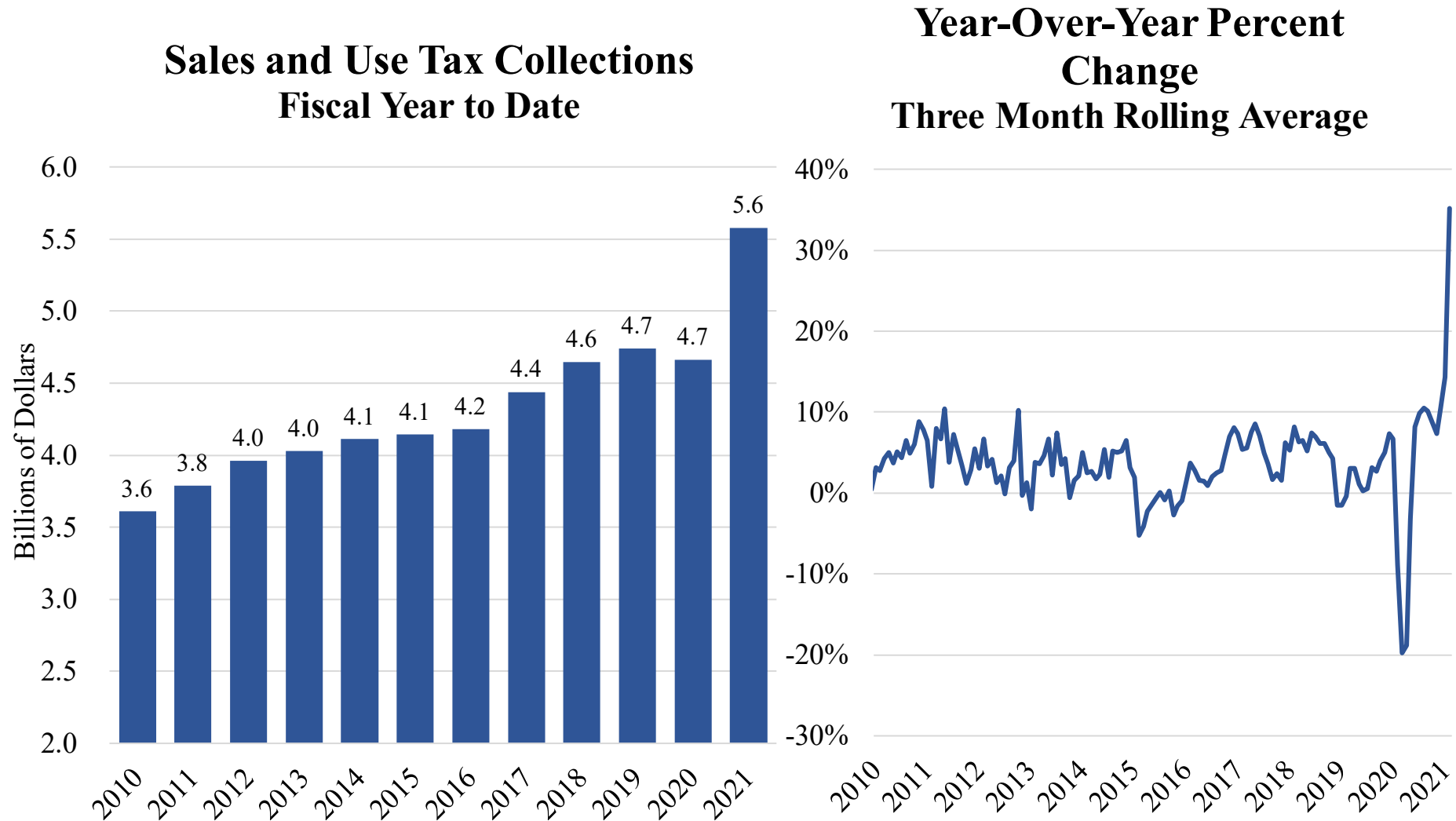
- Individual Income Tax Withholding has been significantly stronger than expected
- Withholding on unemployment benefits boosted collections



Source: Michigan Department of Treasury, 5/13/2021

Fiscal year to date are collections reported are from November through April

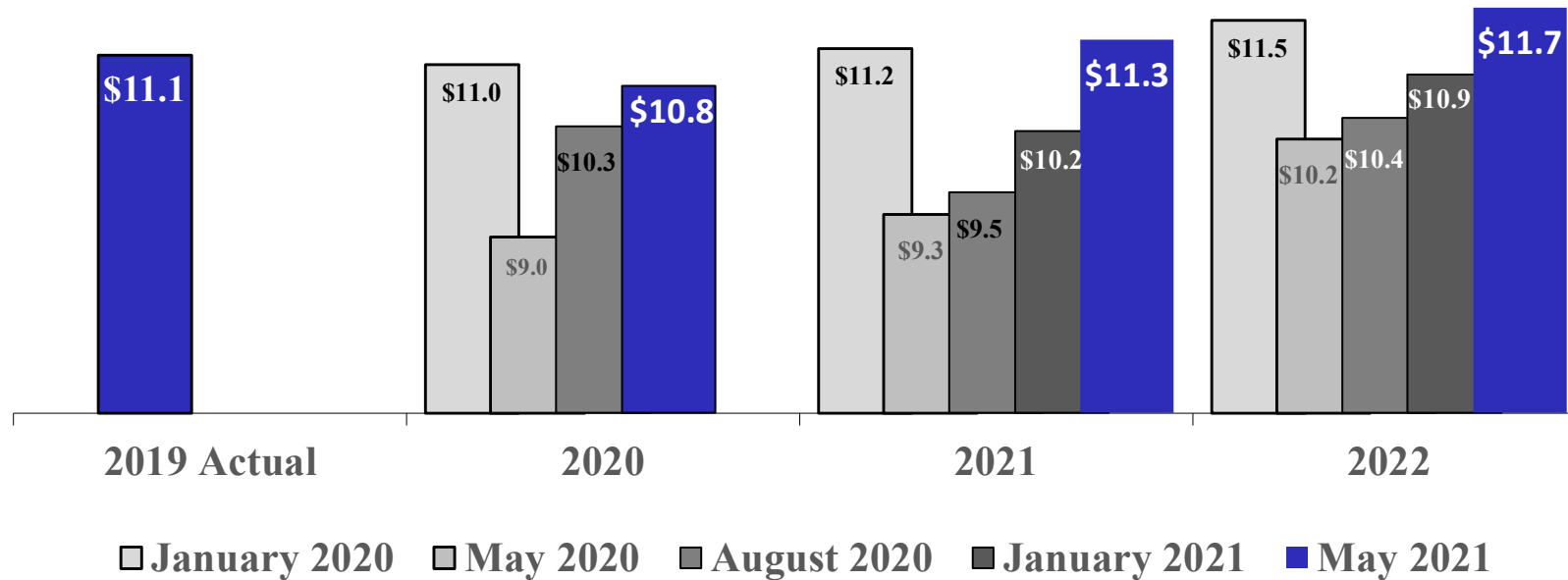
# Sales and Use Tax Accelerate



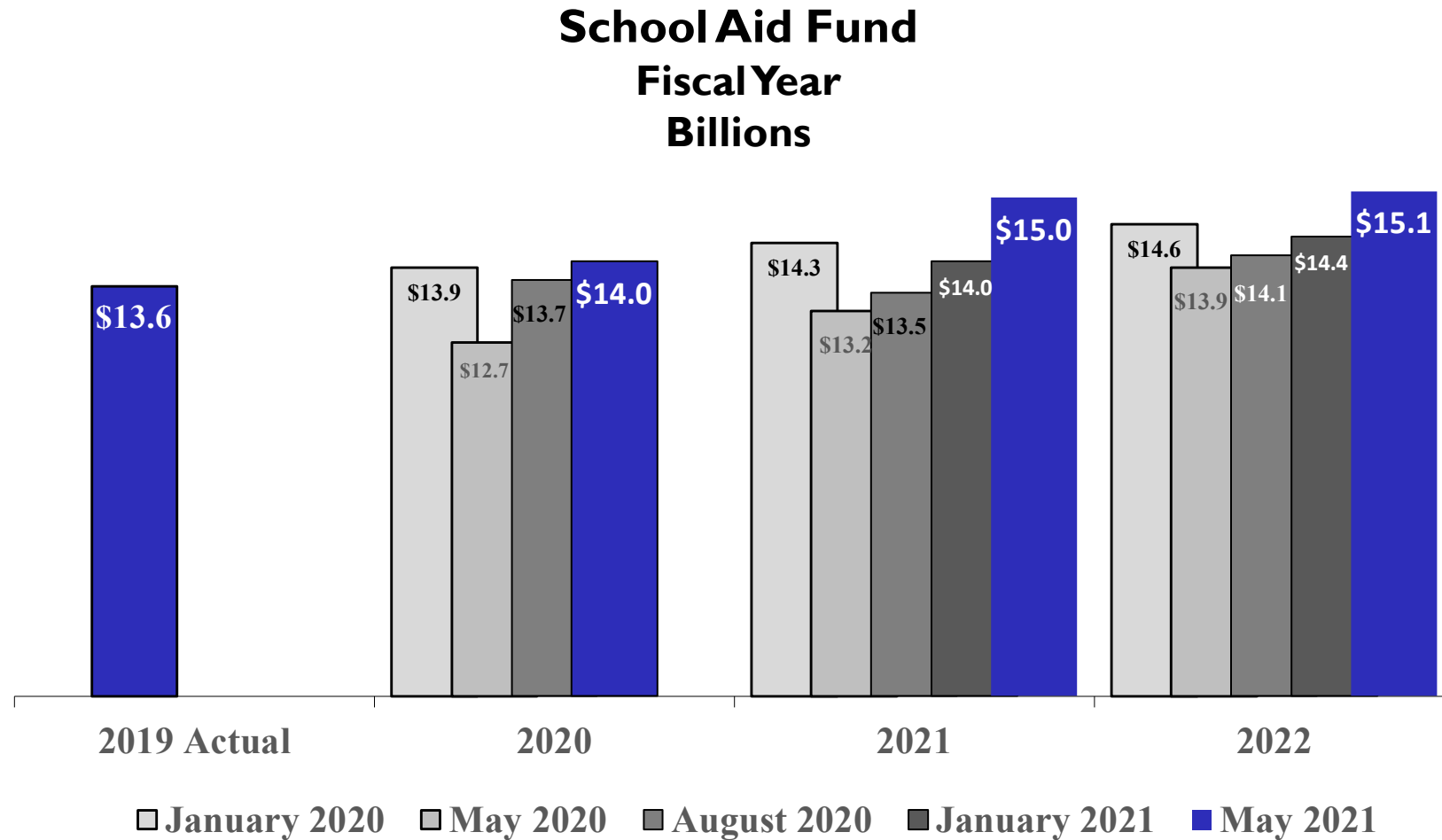


# May 2020 CREC Forecast

## General Fund-General Purpose Fiscal Year Billions

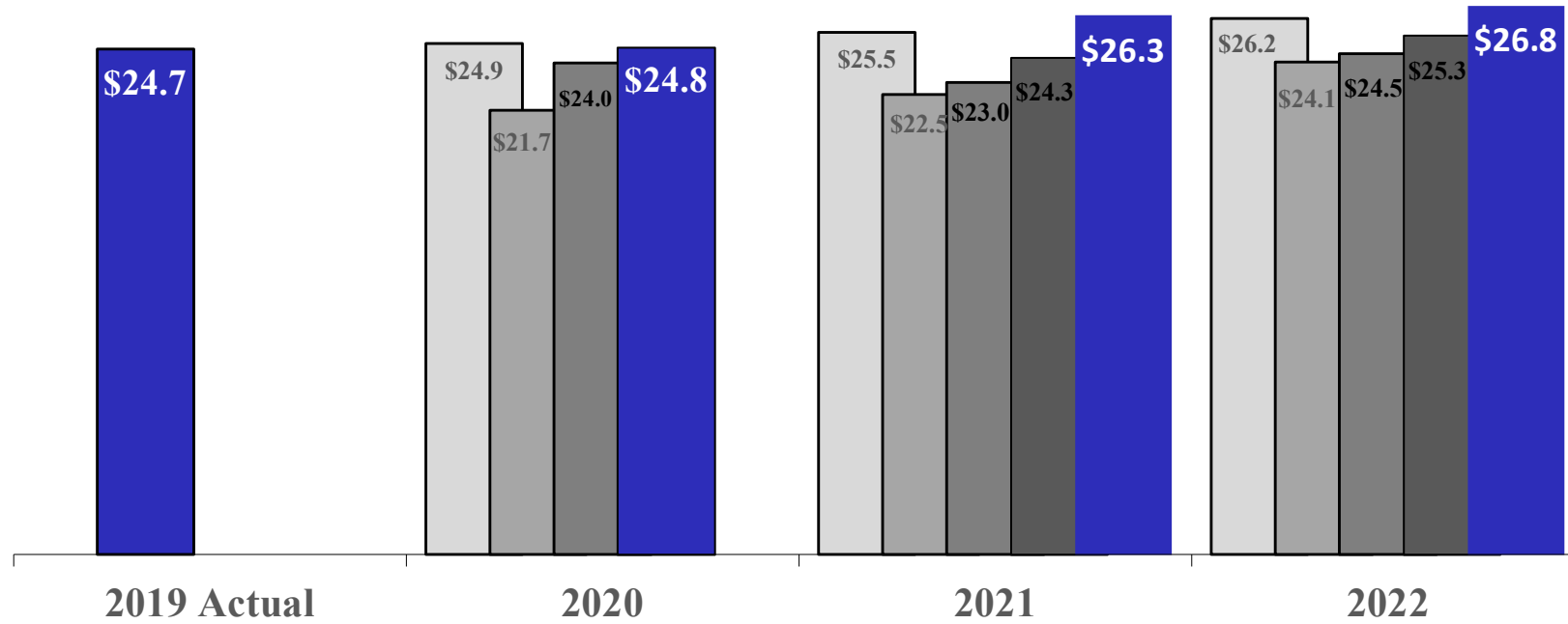


# May 2020 CREC Forecast



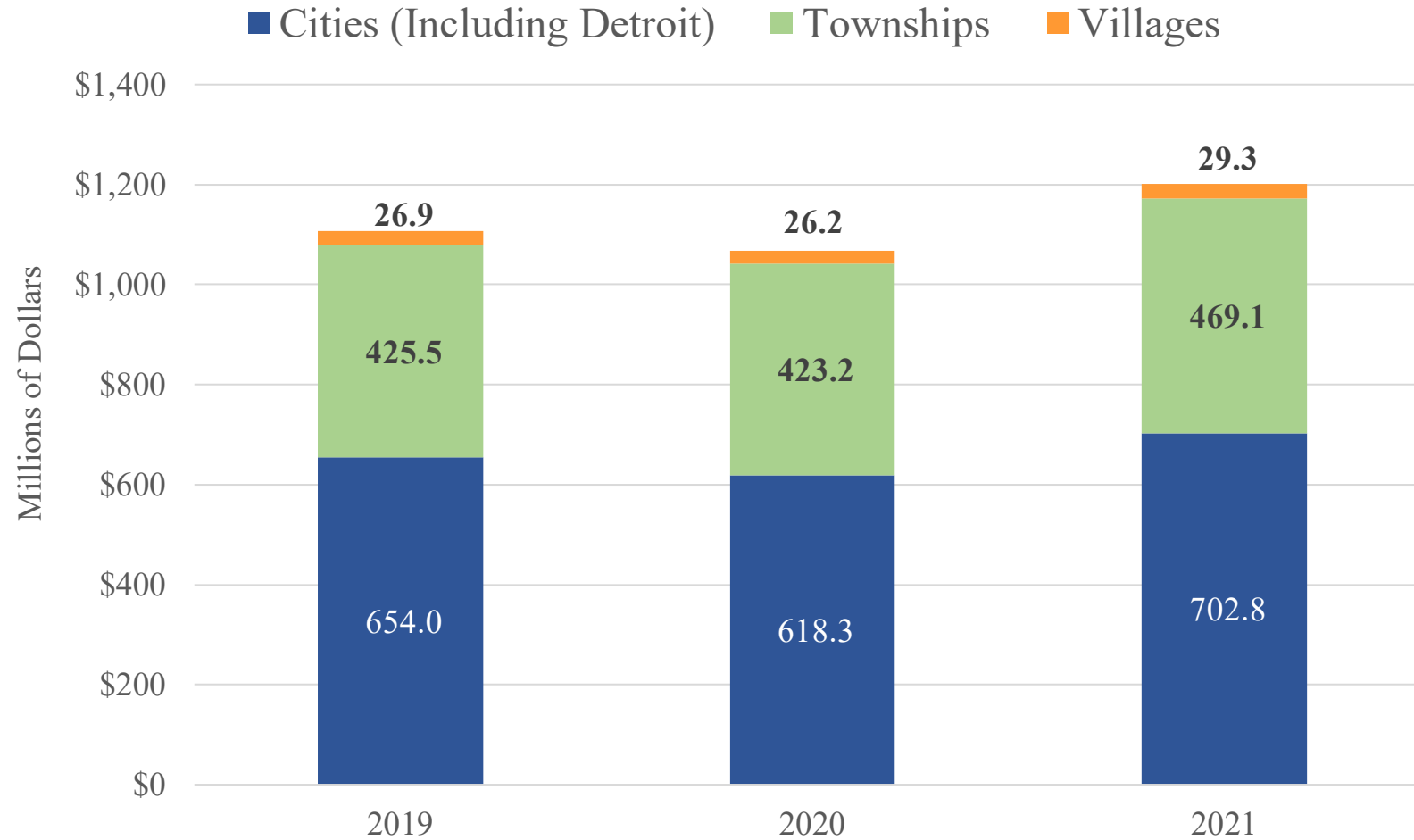
# May 2020 CREC Forecast

**GF-GP and SAF Combined  
Fiscal Year  
Billions**



□ January 2020   □ May 2020   □ August 2020   ■ January 2021   ■ May 2021

# Revenue Sharing



# Forecast Risks

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## Economy

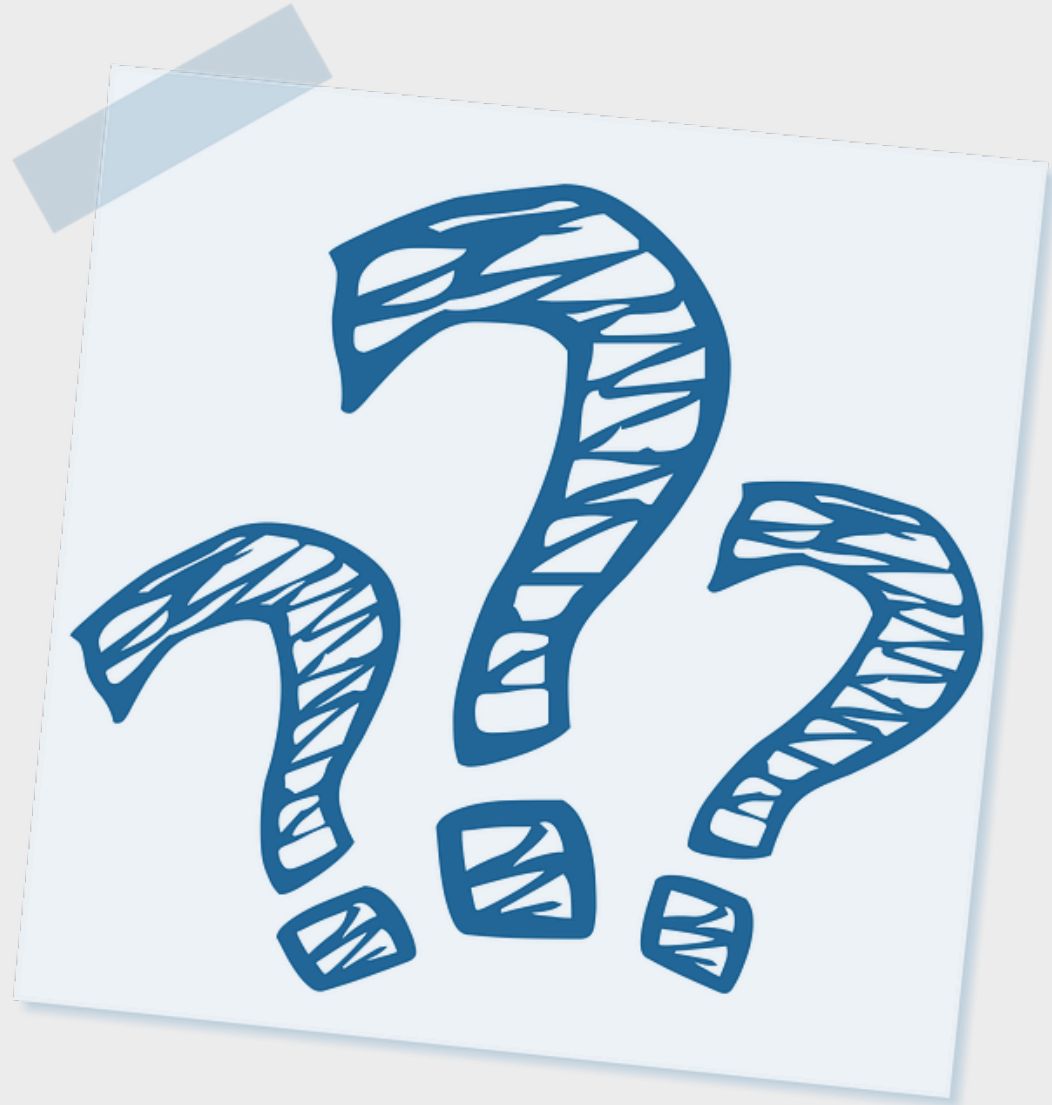
- Uncertainty from the path of the pandemic remains the largest risk
- The transition from expansionary fiscal policy to “normal” fiscal policy
- Forecast assumes current federal law for tax policy and infrastructure spending

## Michigan Tax Revenue

- Large increases in FY 2020 taxable consumer spending creates uncertainty about FY 2021 and FY 2022
- Pent-up demand for goods and services is expected to be high, but shortages of raw materials and industry labor shortages may constrain currently predicted growth

# Questions

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**MAC**  
MICHIGAN ASSOCIATION OF COUNTIES

Thank You!



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