



michigan municipal league



Michigan Department of
TREASURY

MAC
MICHIGAN ASSOCIATION OF COUNTIES

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:

12th 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



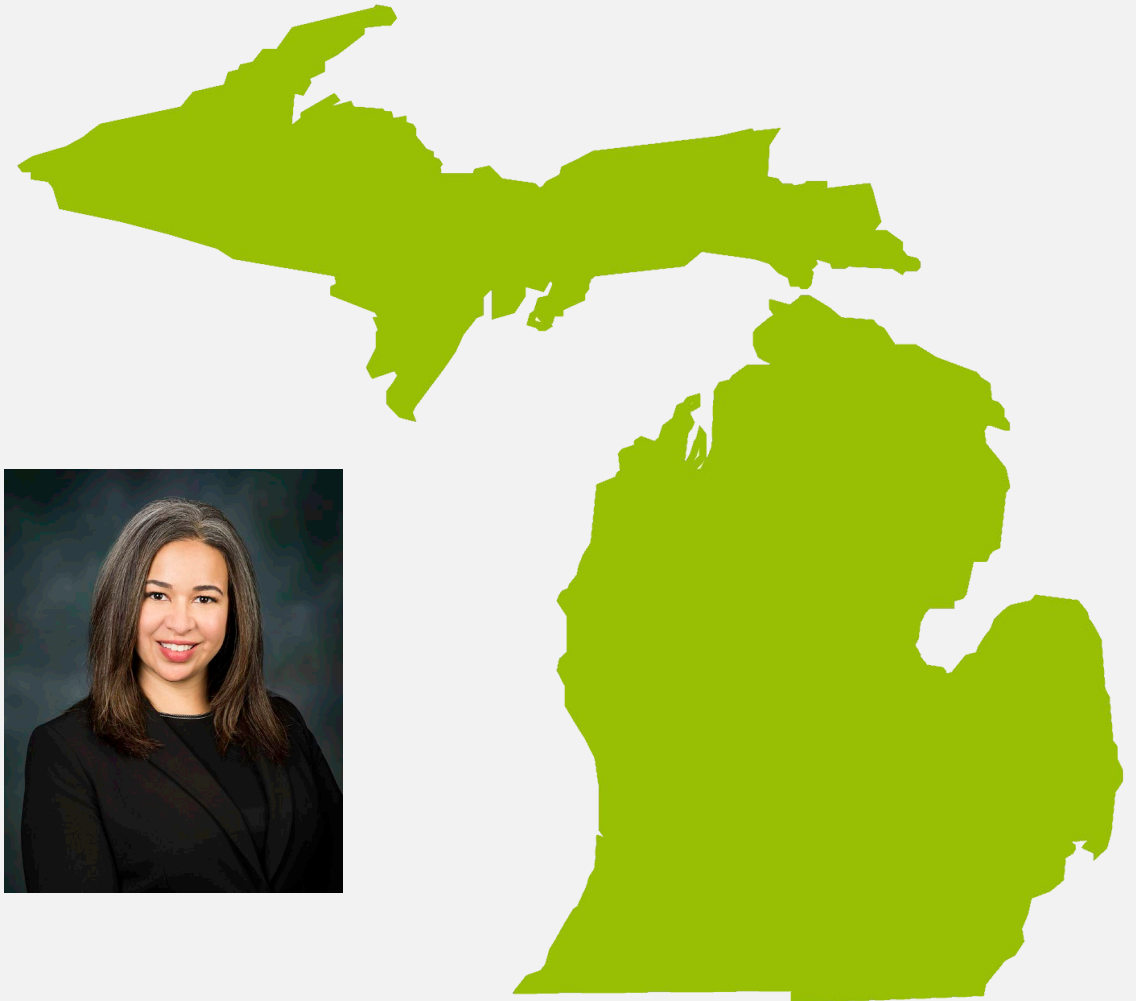
Welcome & Introductions

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



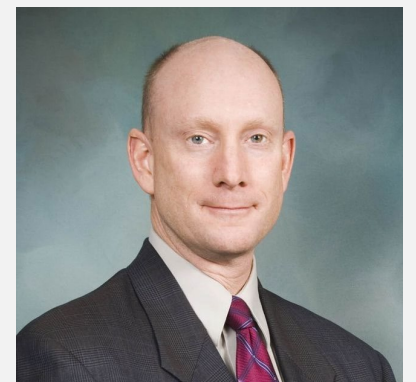
Rachael Eubanks
Treasurer



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.*

TAX ADMINISTRATION SERVICES

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

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

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

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

Total Assets Under Management (in billions) \$117.9 Up from \$102.6 billion in November 2019.
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POSTSECONDARY FINANCIAL SERVICES

Students, borrowers, & families served 383,400	Aversion Assistance provided (borrowers) 57,905 resulting in \$15 million in student loans moved to good standing.
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LOCAL GOVERNMENT

Attendance at Outreach Events for Local Governments and Schools 11,699 More than 120 events and trainings were held. Attendees completed satisfaction surveys and 95% were highly satisfied.
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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.

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.

@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

5 ERGs

31k

CONTINUOUS IMPROVEMENT

OUR SUCCESSES

CONTINUOUS IMPROVEMENT and EMPLOYEE ENGAGEMENT

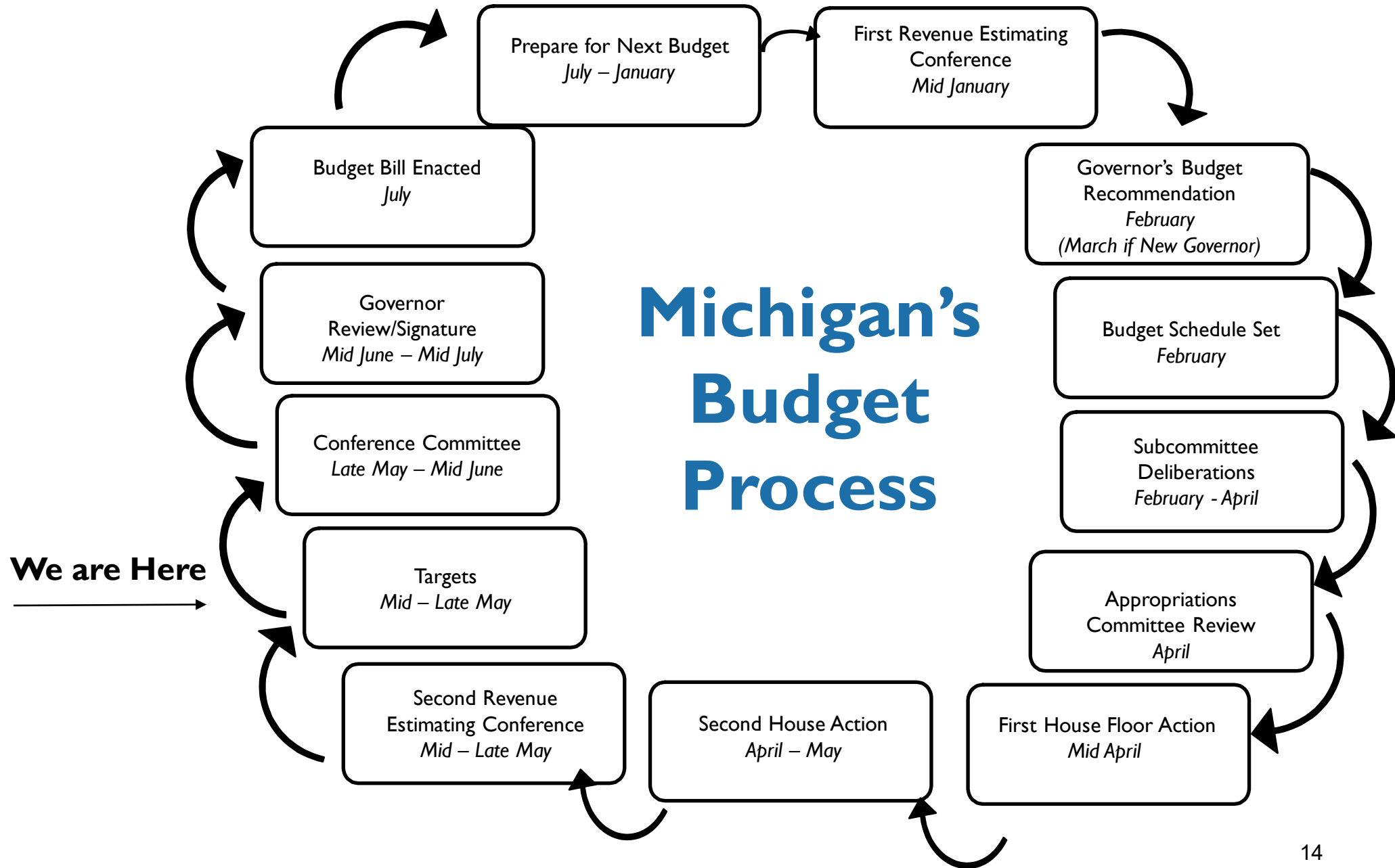
Our 2021 Projects

- 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



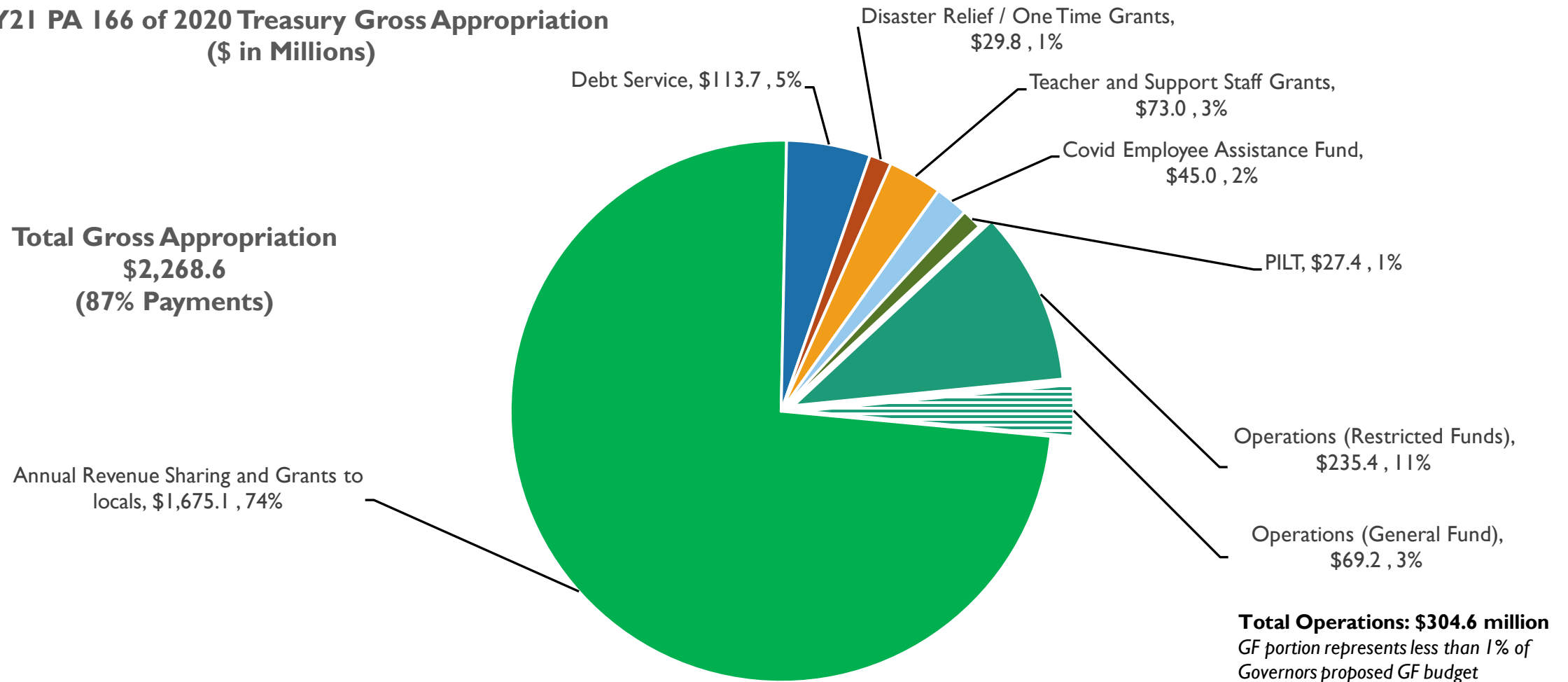
Michigan's Budget Process



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)



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

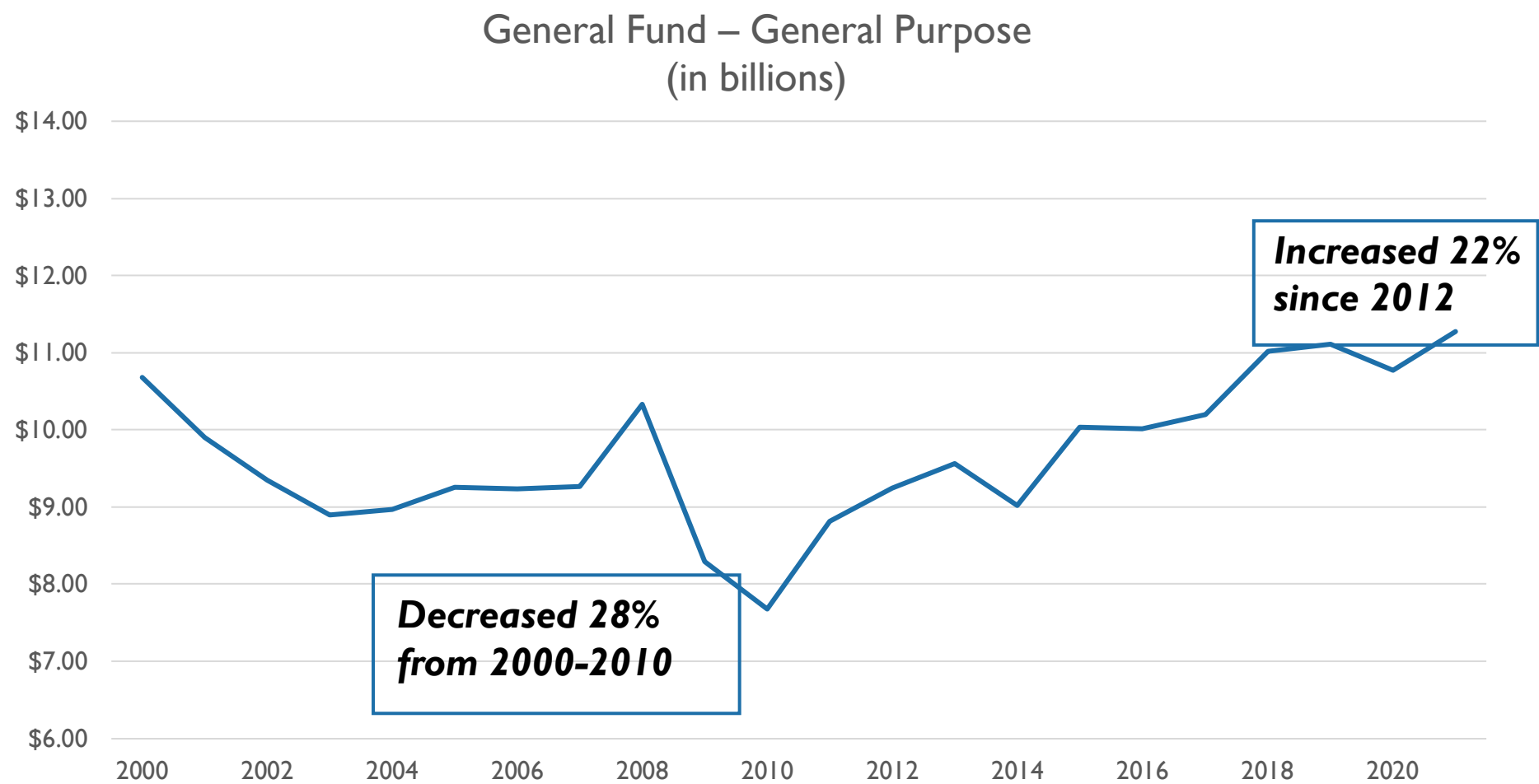
FY22 PROPOSED ADJUSTMENTS

- \$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

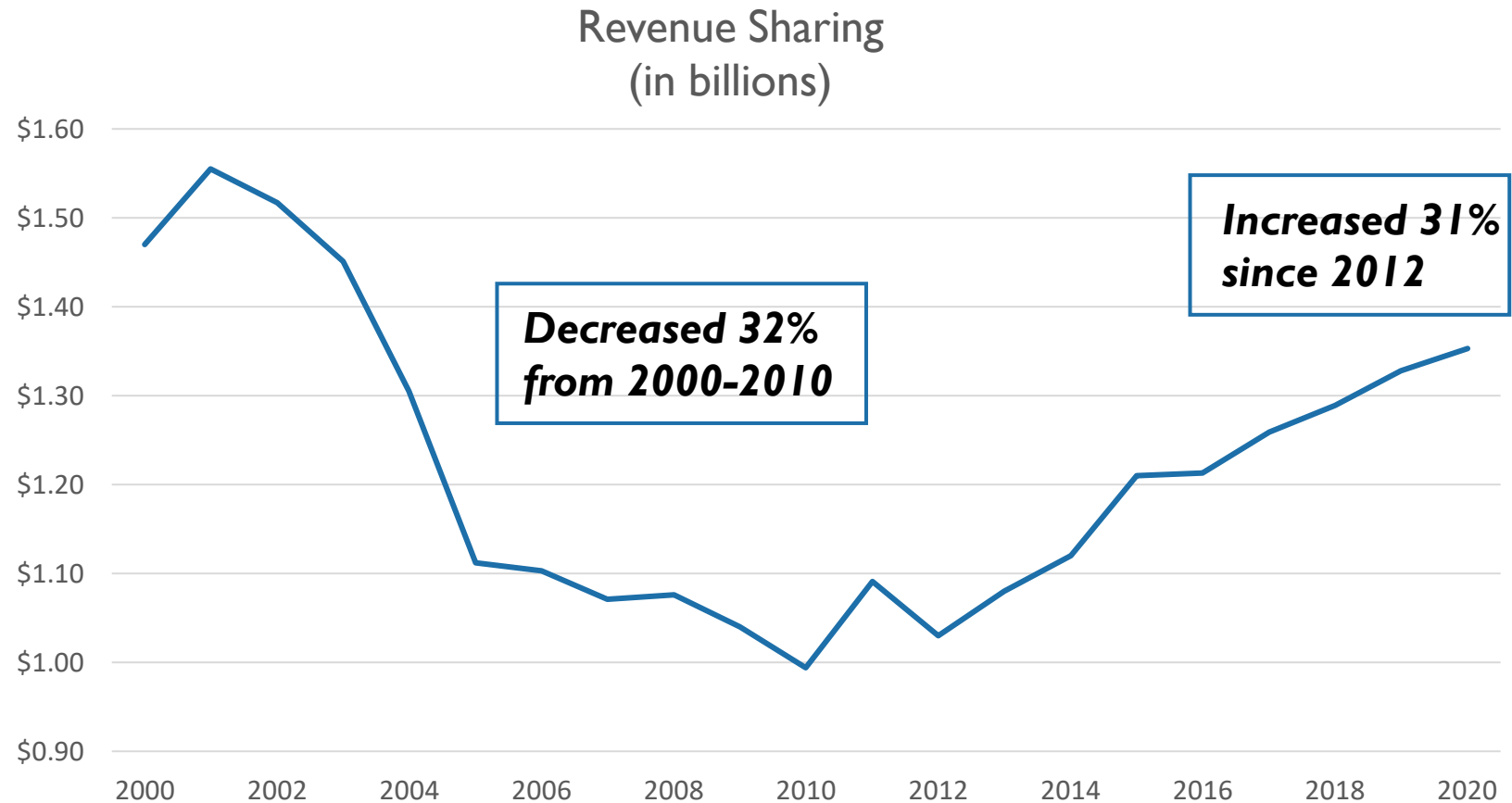
FY 22 Revenue Sharing Highlights

- 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 13th 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

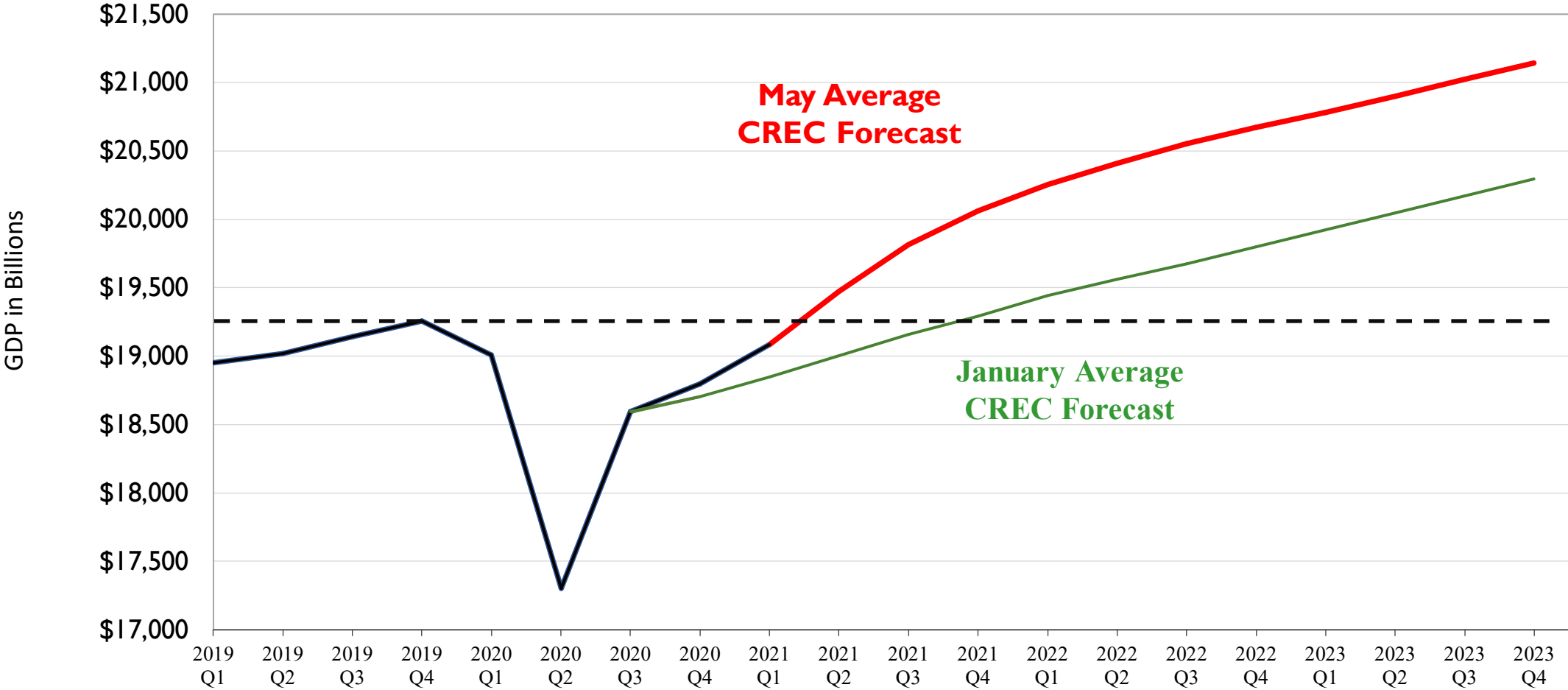
Michigan Revenue Estimating Conference Updates

Eric Bussis

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



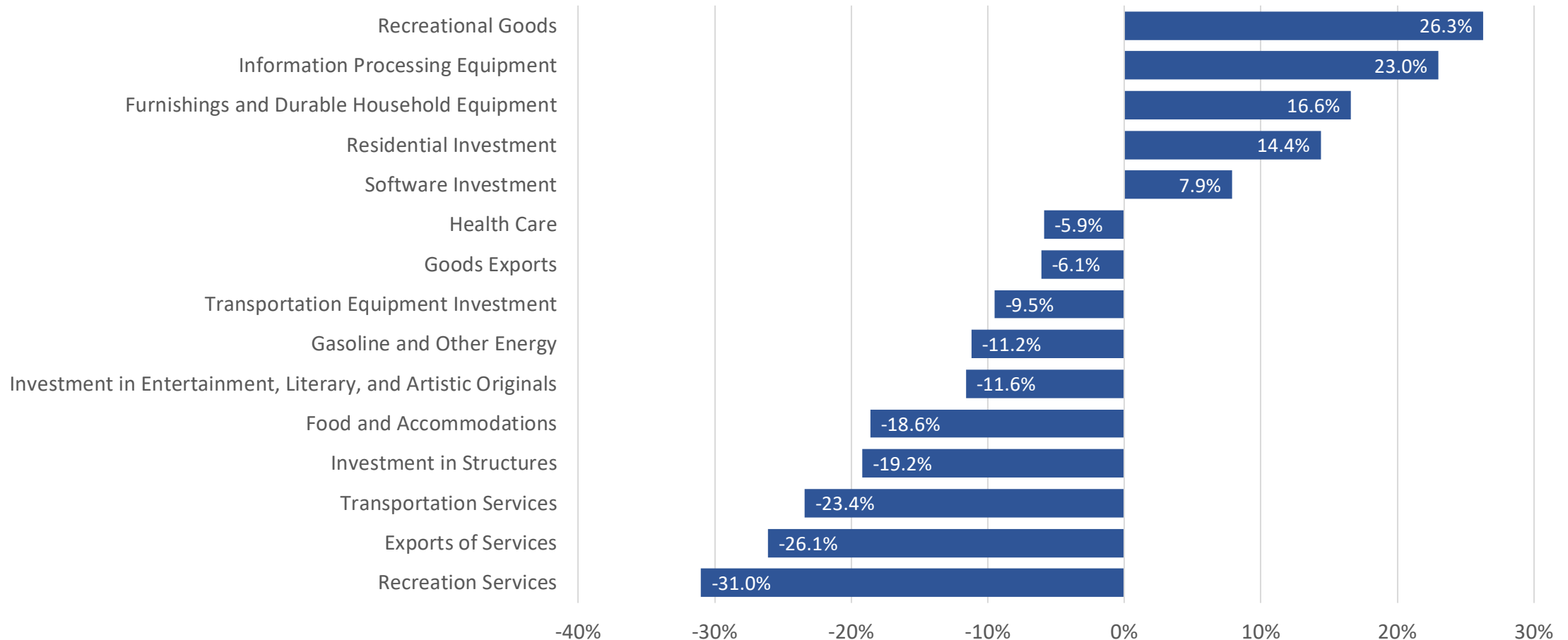
2020 Recession – Real GDP Quarterly Forecast



Source: U.S. Bureau of Economic Analysis.

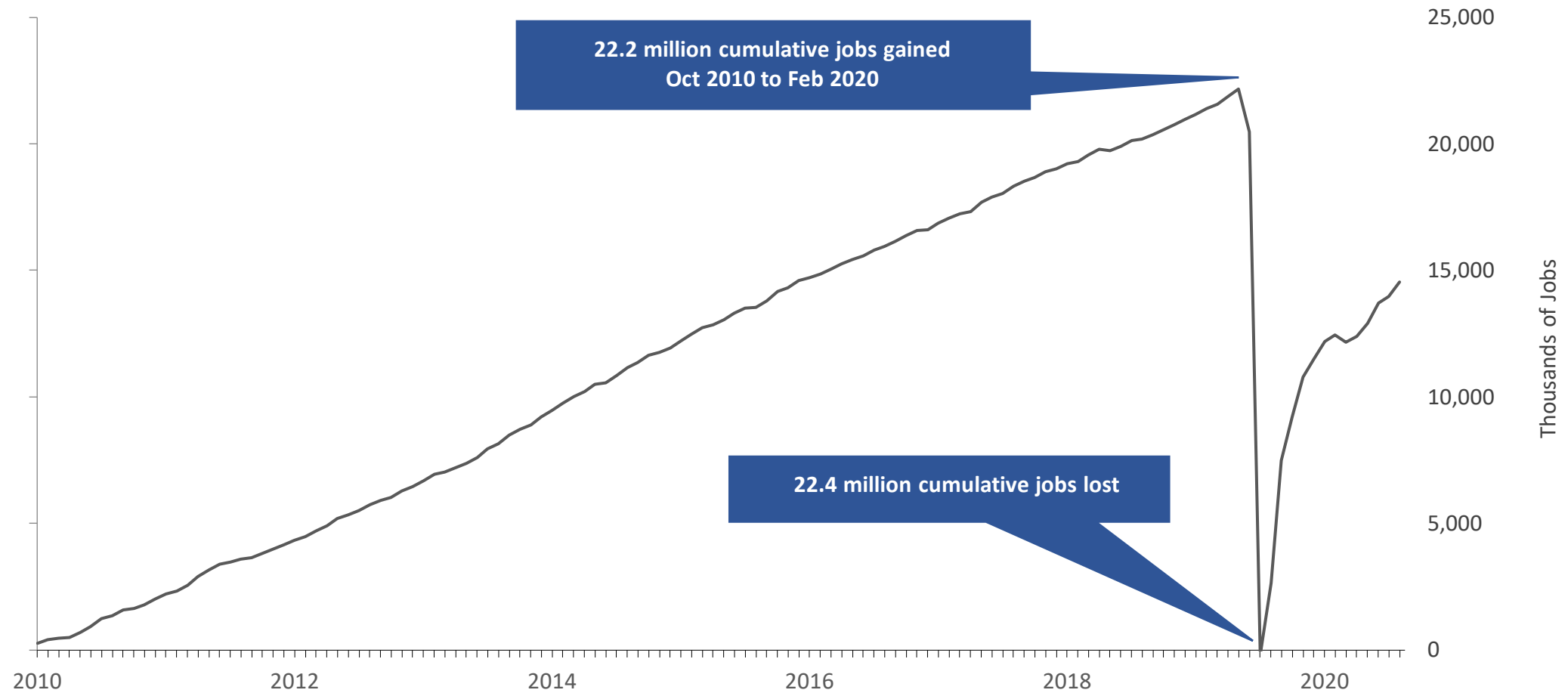
Pandemic Shifts Structure of Economy

GDP Compared to Estimates without COVID-19 Pandemic



Payroll Employment Rebounds

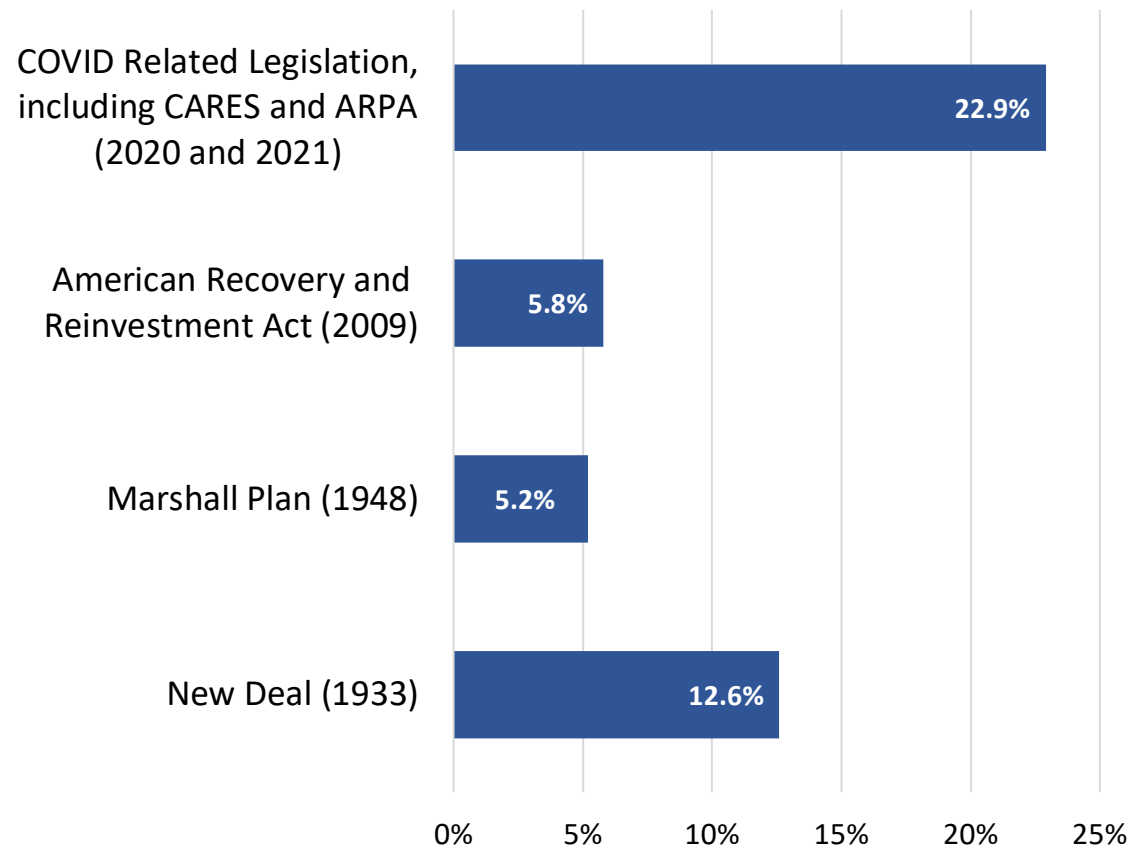
Cumulative Change in U.S. Payroll Jobs



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

Unprecedented Federal Fiscal Support

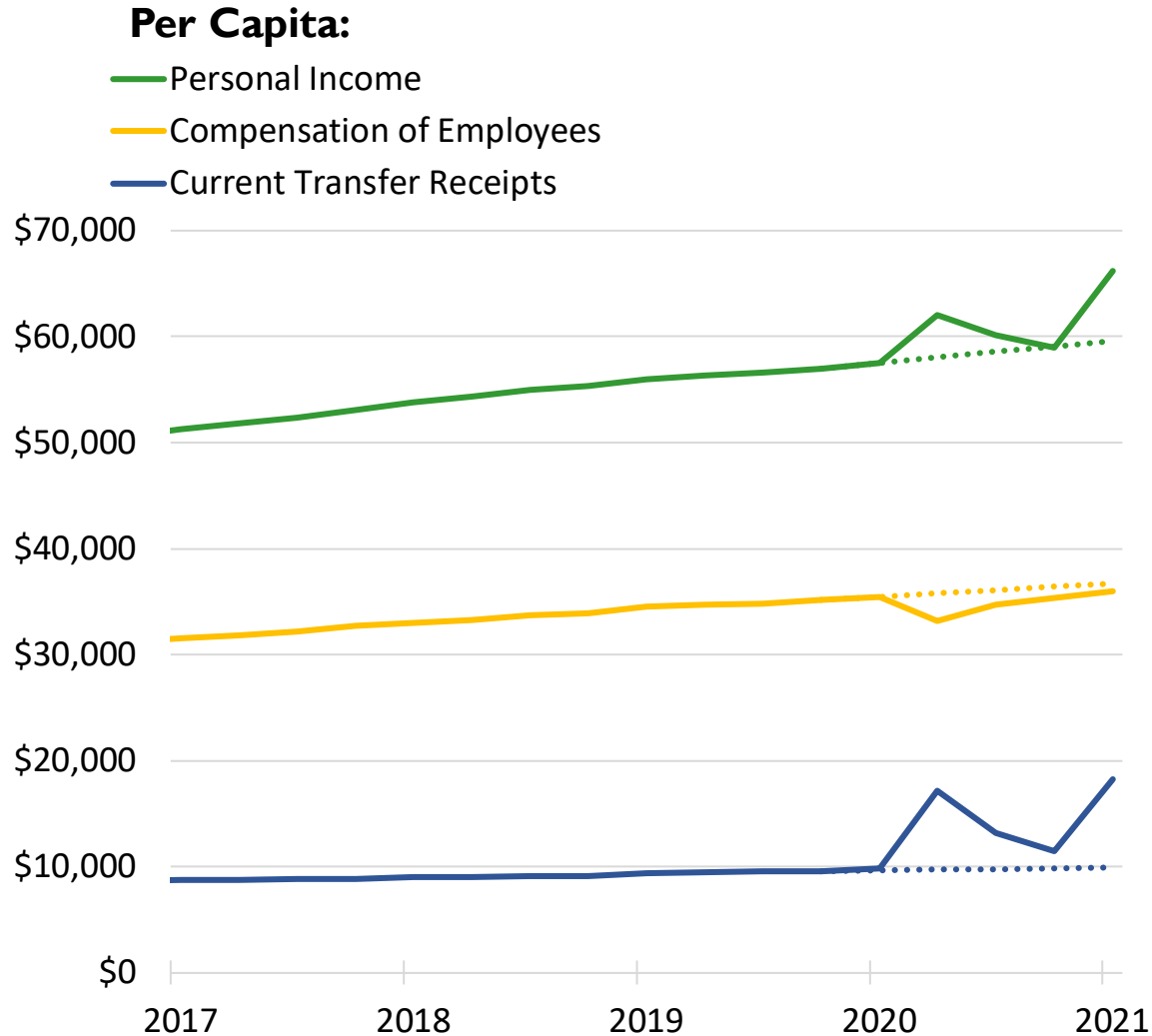
Major U.S. Fiscal Stimulus Plans as a Percent of GDP



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

Revenue Updates Since January

Consensus Revenue Estimating Conference (CREC) estimates always assume current Federal and State law

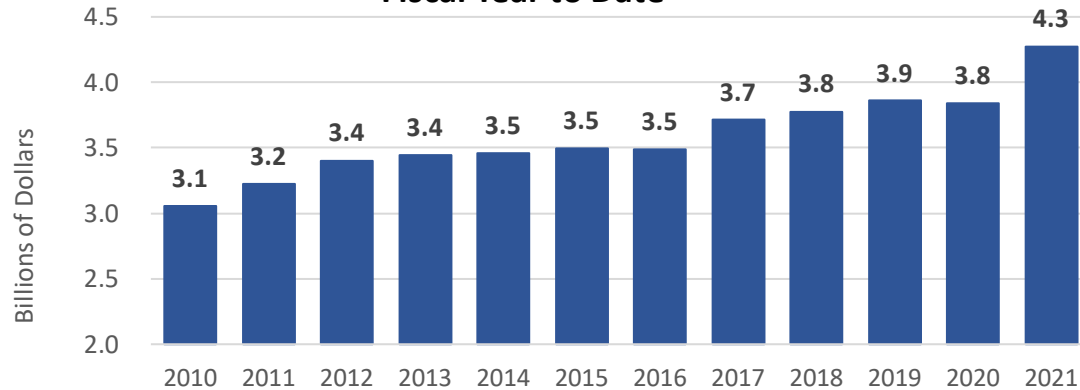
The May conference was the first to include the impacts of the American Rescue Plan Act

- 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

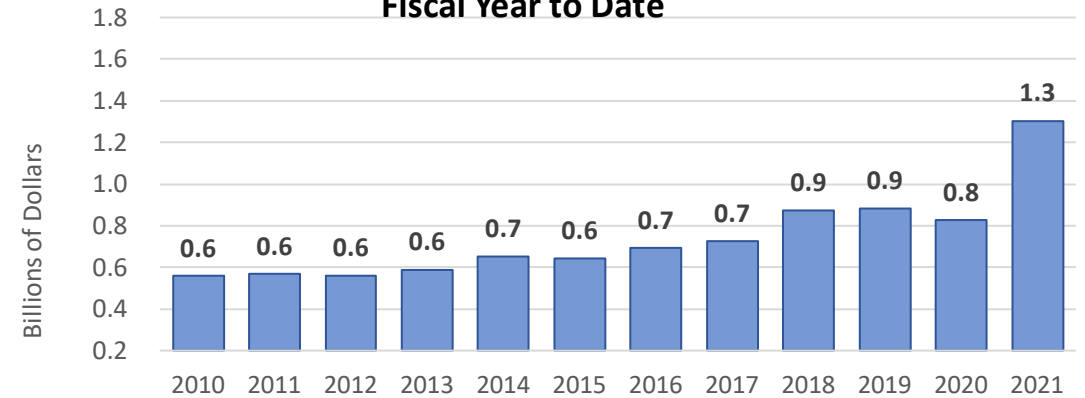
The state revenue collections continue to outperform economic metrics since January

Revenue Collections Accelerate in FY 2021

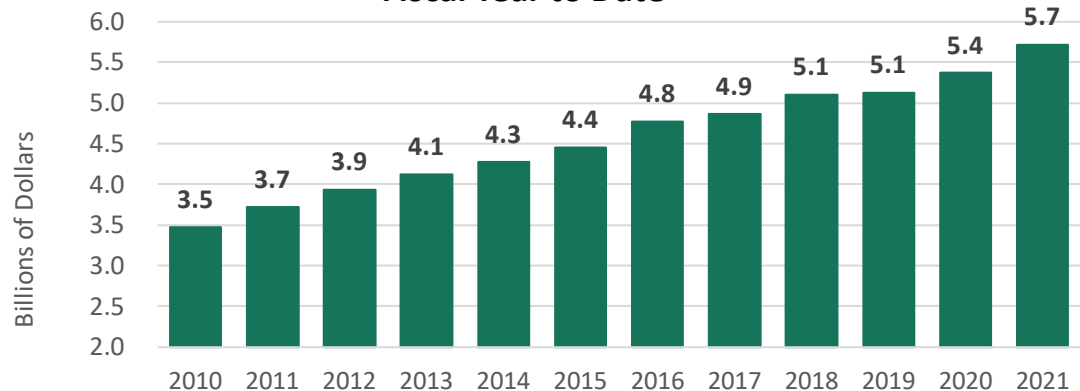
**Sales Tax Collections
Fiscal Year to Date**



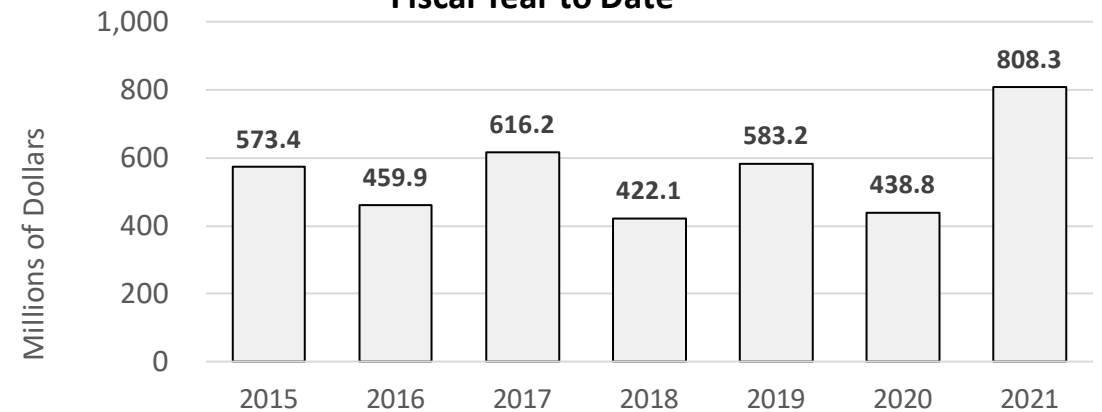
**Use Tax Collections
Fiscal Year to Date**



**Withholding Tax Collections
Fiscal Year to Date**



**CIT Tax Collections
Fiscal Year to Date**

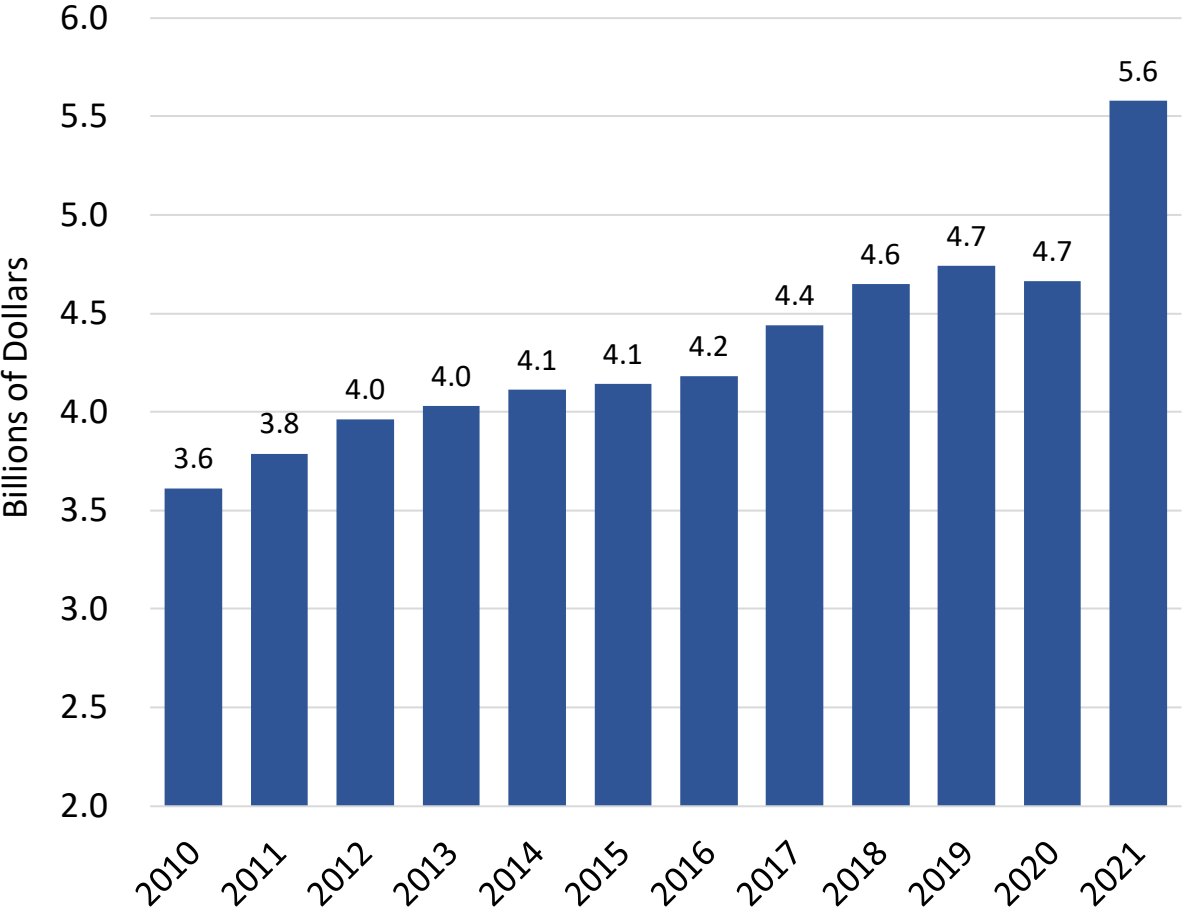


Source: Michigan Department of Treasury, 5/13/2021

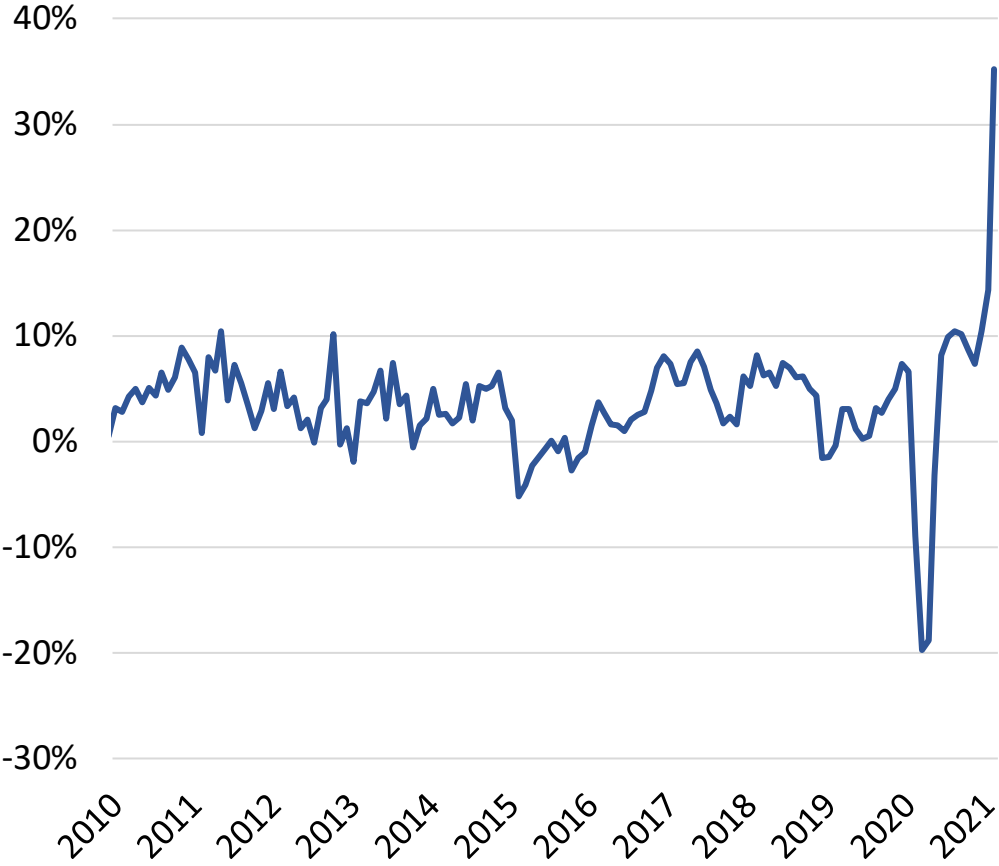
Fiscal year to date are collections reported from November through April

Sales and Use Tax Increase

**Sales and Use Tax Collections
Fiscal Year to Date**

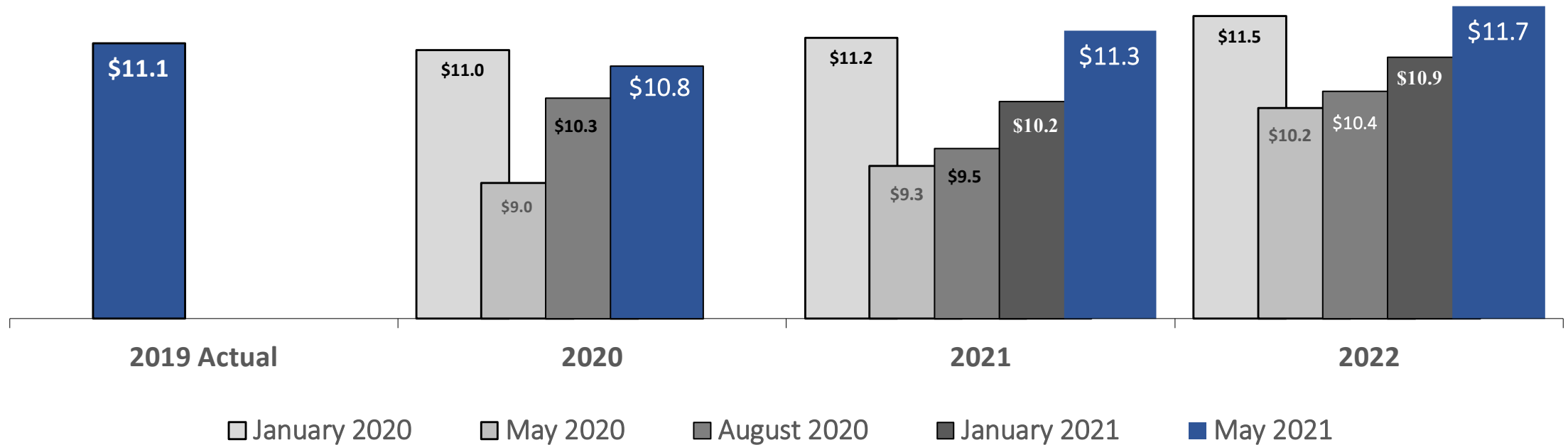


**Year-Over-Year Percent Change
Three Month Rolling Average**



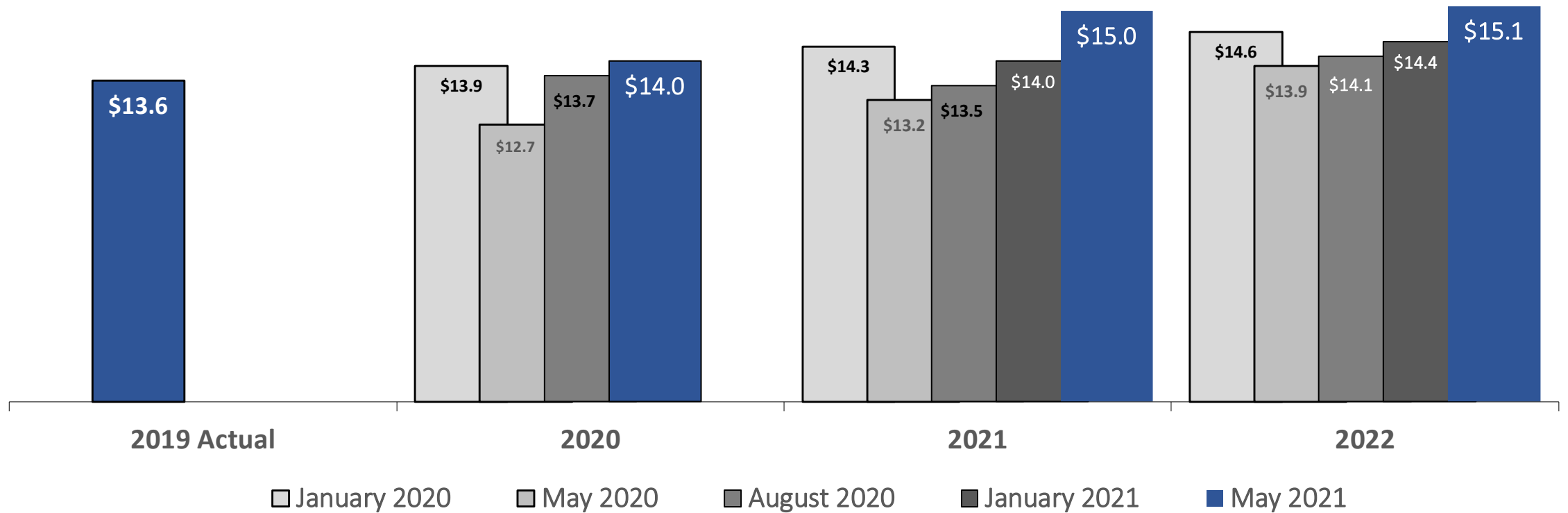
May 2021 CREC Forecast – GF-GP

General Fund-General Purpose Fiscal Year Billions

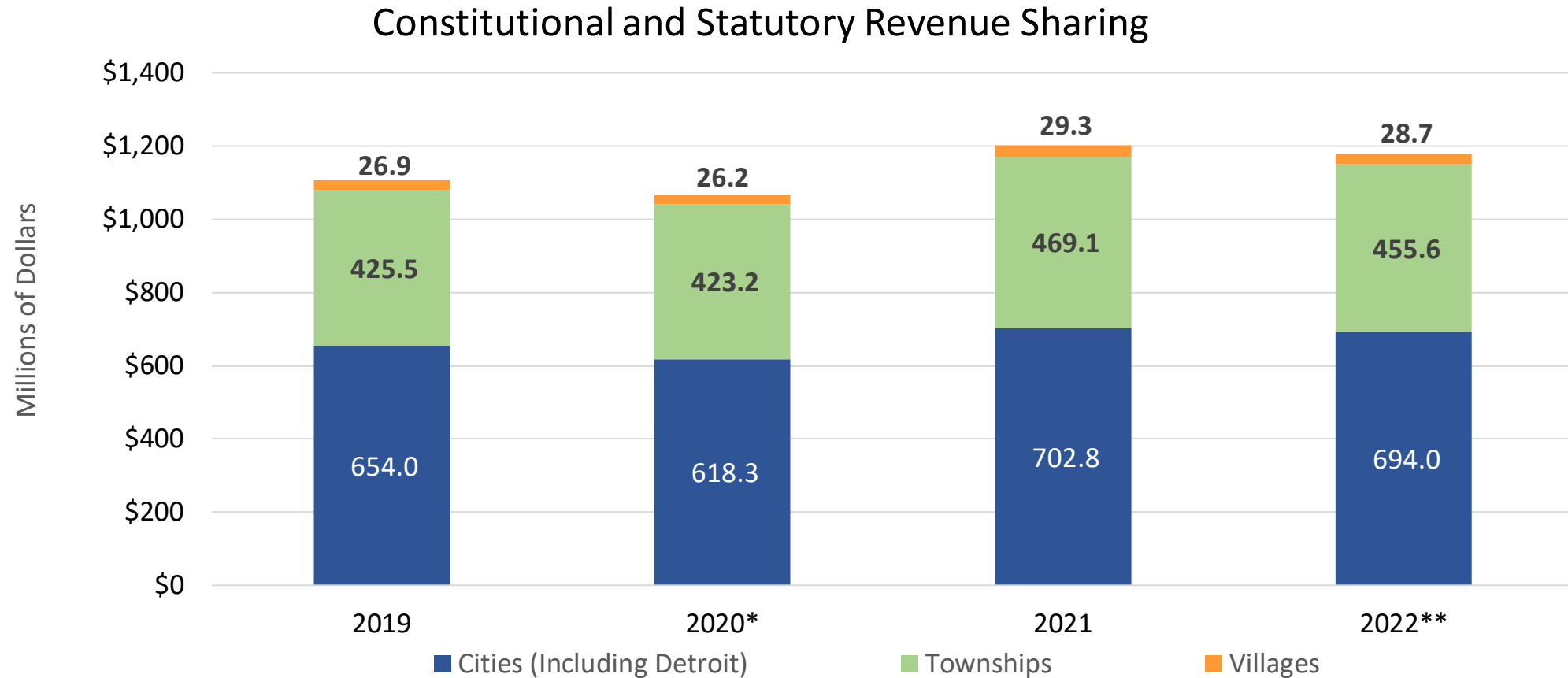


May 2021 CREC Forecast – SAF

School Aid Fund Fiscal Year Billions



Revenue Sharing



*FY 2020 - The August 2020 payment was eliminated. Local units received funding from the Coronavirus Relief Local Government Grants (CRLGG) Program. The CRLGG amounts are not included in these totals.

**FY 2022 assumes revenue sharing funding from the Governor's Executive Budget Proposal

Source: Michigan Department of Treasury, 5/21/2021

Forecast Risks

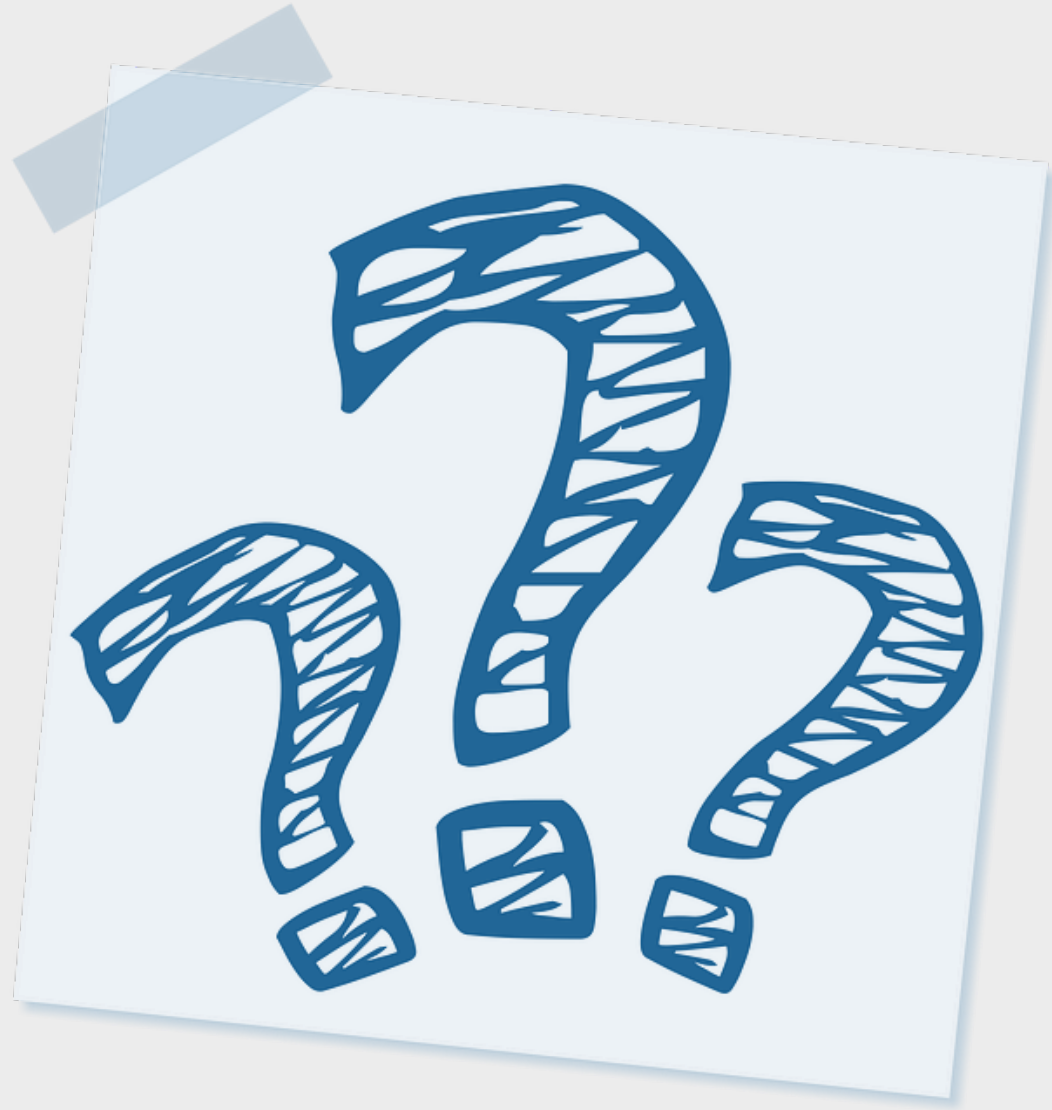
Economy

- 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





michigan municipal league



Michigan Department of
TREASURY

