Relief at the Right Time: How Michigan's Local Governments are Spending their State and Local Fiscal Relief Funds

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Executive Summary

The Michigan State University Extension Center for Local Government Finance and Policy (Center) began tracking planning and spending of American Rescue Plan (ARPA) State and Local Fiscal Recovery Funds (SLFRF) at the state and local level in late 2021 (Note: the Center as yet has not tracked award spending to Tribal governments). State data is made publicly available from the U.S. Treasury on a quarterly and annual basis depending on awardee, as well as via university databases and discussions with local government representatives via the Center's long-standing Government Fiscal Sustainability Workgroup. Analysis of project planning and spending obligations are provided here.

As of March 31, 2023 approximately $1.9 billion, or about 42 percent, has been obligated out of the $4.4 billion dispersed among over 1,700 local Michigan units. Most dollars have been obligated to projects in the category of revenue replacement (58 percent of funds obligated) and negative economic impacts (24 percent of funds obligated). Fund use designation by category differed greatly between larger Michigan units receiving awards in excess of $10 million (awarded a total of $3.4 billion) and smaller units (total award of $1 billion). Large local units have only allocated about a third of their funds, with 42 percent and 35 percent of obligated funds going to projects in the categories of revenue replacement and negative economic impacts, respectively. By contrast, Michigan's numerous and diverse small local governments have already allocated 60 percent of their SLFRF awards, of which 94 percent have been allocated to revenue replacement.

The evolution of federal aid programs can play a significant role into how funds are used. In the case of the SLFRF, the emergency nature and novelty of the program and uncertainty about spending constraints early on led to significant caution among local governments in how they chose to utilize funds in the first year of the program. Initially, program funds were used sparingly for immediate issues directly related to the pandemic such as PPE, COVID-appropriate facilities adjustments, and premium pay for essential workers. As a result, as of December 31, 2021, only $218 million (8 percent) of the $3.4 billion allocated to the 64 largest local governments had been obligated. Just over 3 percent of the funds had been spent. Most obligated funds fell into the less stringent revenue replacement category (35 percent of total obligations), followed by negative economic impacts (18 percent), public health (14 percent), and administration and other (12 percent). As the rules and regulations became clearer in Treasury's Final Rule and subsequent program adjustments (such as the flexibility in spending expanded by Congress at the start of 2023), the 64 larger local governments began allocating funds to more varied projects with greater speed and confidence. Smaller local governments, facing their own capacity and planning issues, focused allocations on revenue replacement spending.

As of the end of March 2022, 656 Michigan local governments reported a total of 1,328 unique projects with total obligations of $755 million, accounting for just over 17 percent of Michigan's $4.4 billion SLFRF to local governments. One year later, in Treasury's April 2023 Project and Expenditure data release, 1,220 units reported 3,787 individual projects, accounting for 42 percent of the total award (with 1 year remaining to obligate funds). Funds obligated as of early 2022 included 72 percent to revenue replacement, 11 percent to negative economic Impacts, and less than 5 percent each to the remaining expenditure categories of admin, public sector capacity, infrastructure, public health, and premium pay. One year later, funds obligated include 58 percent to revenue replacement, 24 percent to negative economic impacts, and less than 5 percent to each of the remaining categories. These are significant shifts, largely due to local units assigning funds into revenue replacement while larger units (with substantially greater award amounts that are not matched to demonstrated revenue losses) know some of their funds must be allocated elsewhere, due to caps on how much money can be allocated in the relatively less stringent revenue replacement category.

This focus on revenue replacement for all local government types, regardless of size, reflects the need for greater spending flexibility in the design of federal aid, if the goal is to truly get the money "out the door" as quickly as possible. Once flexibility was confirmed in the Treasury's Final Rule, and later in the ARPA Flex legislation at year end of 2022, remaining funds were obligated at a faster pace. This is especially obvious in the obligation patterns of the 64 large local governments, each with awards exceeding $10 million. These units went from 8 percent obligated (3 percent spent) at year end 2021 to 16 percent obligated (8 percent spent) as of the end of the second quarter of 2022, to 30 percent obligated (18 percent spent) as of the end of the first quarter 2023. Projects reported in another expenditure category than revenue replacement increased as time went on.

Small local governments often face additional challenges. Many small cities and towns have neither the labor or capacity to manage large-scale aid like the SLFRF program when spending requirements are complicated and stringent, require cooperation from surrounding local governments and organizations to form a plan. As a result, almost all projects from the smaller localities are in revenue replacement. These trends highlight the importance of spending flexibility with widespread aid programs such as the SLFRF if they are to repair and rejuvenate communities at pace in the wake of a national economic shock such as the global pandemic.

Table of Contents

Introduction

In early February 2021, while the world was in the throes of the COVID-19 pandemic and the county had just registered over 500,000 deaths attributed to the deadly virus (CDC COVID Data Tracker, accessed June 2023), the American Rescue Plan Act of 2021 (ARPA) was enacted. ARPA provided additional fiscal relief to address the pandemic's impact on public health, the economy and the finances of state, territories, Tribal and local governments, businesses, and individuals. The law established the $350 billion Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program with the resources needed to respond to the pandemic and its economic effects and to build a stronger, more equitable economy during pandemic recovery. SLFRF relief funds added to other funds provided to these entities since March 2020, including the $150 billion Coronavirus Relief Fund established in the CARES Act of 2020.

The U.S. Department of Treasury is the administrator of the SLFRF program. The Treasury issued an interim final rule implementing the SLFRF program on May 10, 2021 and the final rule became effective April 1, 2022. Both the public health and economic situations facing the country were changing from when the Treasury issued the interim final rule to the final rule. By April 16, 2022 the U.S. deaths due to COVID-19 had reached 1 million persons (CDC COVID Data Tracker, accessed June 2023). The U.S. had implemented testing and vaccination campaigns along with other services that states and local governments were on the front lines delivering. The economy was experiencing supply chain disruptions and slowly adding back jobs after a historic period of unemployment, peaking at 13 percent in Q2 of 2020, and people leaving the labor force (U.S. Bureau of Labor Statistics, 2022). However, state and local governments that had cut a combined 1.5 million jobs during the first few months of the pandemic, still had over 950,000 fewer jobs than before its start (U.S. Bureau of Labor Statistics, 2023). State and local governments were predicting severe reductions to revenues that could take several years to recover back to pre-pandemic trends (Government Fiscal Sustainability Workgroup, 2020).

The SLFRF program fiscal resources were designed to help prevent cuts to vital government services and allow state, local, and Tribal governments to continue to respond to the economic consequences of the pandemic and make needed community investments. The final rule simplified the program and broadened the flexibility of how funds can be used. Subsequent adjustments from Congress and additional aid coming through the pipeline have opened up the possibilities for how local units use and leverage funds.

Scope of Review

This report focuses on obligated spending associated with the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program through March 31, 2023 by Michigan local units of government. These obligations reflect spending for immediate efforts to respond to the public health emergency as well as long-term initiatives informed by community input and planning.

The ARPA SLFRF funds are being spent at the same time that trillions of federal funds have also been made available to respond to and recover from the COVID-19 pandemic. According to the GAO, six COVID-19 relief laws enacted in 2020 and 2021 provided about $4.6 trillion of funding for pandemic response and recovery and nearly all of it has been spent (see Table 1).

Table 1: Major Spending Areas Under COVID-19 Relief Funding, as of Jan. 31, 2023

Major spending areas ($ in billions)	**COVID-19 relief funding**	**Total obligations**	**Total expenditures**
Economic Impact Payments (Treasury)	$858.6	$858.2	$858.2
Business Loan Programs (Small Business Admin)	$833.0	$828.1	$828.0
Unemployment Insurance (Labor)	$701.6	$699.5	$690.5
Coronavirus State and Local Fiscal Recovery Funds (Treasury)	$350.0	$349.9	$349.7
Public Health and Social Services Emergency Fund (Health and Human Services)	$345.7	$325.1	$277.5
Education Stabilization Fund (Education)	$277.7	$277.3	$161.5
Coronavirus Relief Fund (Treasury)	$150.0	$149.9	$149.8
Supplemental Nutrition Assistance Programs (Agriculture)	$121.1	$102.2	$101.4
Other areas (includes over 300 accounts)	$978.8	$909.6	$754.0
Total	**$4,614.5**	**$4,499.8**	**$4,170.6**

Source: GAO analysis of data from the Department of the Treasury and applicable agencies. GAO-23-106647

In addition to the pandemic relief funds, states and local governments have grant opportunities through the Infrastructure Investment and Jobs Act of 2021 which provides $1.2 trillion for roads, bridges, rails, drinking water, and high-speed internet investments and the Inflation Reduction Act of 2022 which provides $370 billion for investments in clean energy technology and climate change mitigation.

States and local units, especially larger governments, are prioritizing ARPA projects and leveraging their recovery fund allocations as well as securing and administering funds from the other federal money. This fact could skew the pace of spending as well as the use of certain expenditure categories over others.

Specifically, the ARPA provides that SLFRF funds may be used for :

- *Public Health and Negative Economic Impacts:* To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries, and support of public sector employment capacity. Capital expenditures for affordable housing, childcare facilities, schools, and hospitals are eligible. Allows for a broader set of uses to restore and support government employment, including hiring above a recipient's pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, and providing retention incentives.
- *Premium Pay:* To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay with a focus on lower-income and frontline essential workers.
- *Revenue Loss:* For the provision of government services. Spending of designated revenue loss funds on government services is the most flexible eligible use and requires the least amount of program reporting and oversight. Recipients can choose a standard allowance for revenue loss of up to $10 million, not to exceed a recipient's SLFRF award amount or complete annual revenue loss calculations to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency. Under either method recipients may use their revenue loss amount for government services. Government services include any service traditionally provided by a government such as construction of schools and hospitals, road building and maintenance, other infrastructure, health services, general government administration, staff, and administrative facilities, environmental remediation, provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles).
- *Water, Sewer, and Broadband Infrastructure:* To make needed investments in water and sewer including lead remediation and stormwater management projects, and broadband infrastructure to address challenges with broadband access, affordability, and reliability.

These uses are divided into 7 Expenditure Categories (ECs). As of the Final Rule, these are Public Health, Negative Economic Impacts, Public Sector Capacity, Premium Pay, Infrastructure, Revenue Replacement, and Administrative (U.S. Department of Treasury 2022a).

There are three general ineligible uses of funds: funds may not be used for deposit into any pension fund; funds may not be used to offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation [for states and territories only]; and third, recipients may not use SLFRF funds directly to service debt, satisfy a judgment or settlement, or contribute to a “rainy day” fund.

Funds can however, generate interest while held in a local unit’s bank account. There has been some confusion as to whether this interest is subject to the same rules as the award itself, but treasury documents indicate that it may be used as the local unit sees fit (U.S. Department of Treasury, 2023a, pg 9). Whether this has contributed to some localities “sitting” on funds for longer than necessary remains unclear.

Fiscal Responsibility:

Multitudes of entities have provided input on how to use SLFRF funds in addition to the guidance from the Treasury. In general spending guidance focused on the following principles:

- Temporary Nature of SLFRF Funds*:* SLFRF funds are non-recurring. Their use should be applied primarily to non-recurring expenditures. Local units were cautioned to avoid creating new programs or expanding existing programs that require additional ongoing financial commitment. Investment in infrastructure was highlighted as a well-suited use of funds because it is a non-recurring expenditure that can be used on long-term assets that will last many years.
- Leveraging and Partnering: Local units should be aware of state-level spending programs and potential enhancements of state funding resources for local projects. Consider partnering with other local units.
- Take Time and Carefully Consider Opportunities: SLFRF funds were released in two payments and funds need to be obligated to projects by the end of 2024. Because funds designated as revenue loss are very flexible these should be reserved for projects that are not eligible for other grants sources.

ARPA Spending Transparency

The U.S. Treasury set five compliance and reporting tiers for recipients (U.S. Department of Treasury, 2023). These are outlined in Table 2, and include an Interim Report, Project and Expenditure Report, and a Recovery Plan Performance Report. The majority of local governments are required to submit project and expenditure reports annually. 64 local governments that received the largest levels of fiscal recovery funding (totaling 77 percent of Michigan's SLFRF funds to local governments) are required to provide quarterly reports. 10 of these local units (accounting for nearly 50 percent of the total funds) require additional transparency via a dedicated webpage on ARPA projects and spending. Table 2 provides an overview of this compliance and reporting guidance.

Table 2. SLFRF Compliance and Reporting Tiers

<table>
<tr><th>Tier</th><th>Recipient</th><th>Interim Report</th><th>Project and Expenditure Report</th><th>Recovery Plan Performance Report</th></tr>
<tr><td>1</td><td>States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents</td><td rowspan="5">By August 31, 2021 or 60 days after receiving funding if funding was received by October 15, with expenditures by category.

Note: NEUs were not required to submit an Interim Report</td><td rowspan="3">By January 31, 2022, and then the last day of the month after the end of each quarter thereafter

Note: NEUs were not required to submit a Project and Expenditure Report on January 31, 2022. The first reporting date for NEUs was April 30, 2022.</td><td>By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31</td></tr>
<tr><td>2</td><td>Metropolitan cities and counties with a population below 250,000 residents that are allocated more than $10 million in SLFRF funding, and NEUs that are allocated more than $10 million in SLFRF funding</td><td rowspan="4"></td></tr>
<tr><td>3</td><td>Tribal Governments that are allocated more than $30 million in SLFRF funding</td></tr>
<tr><td>4</td><td>Tribal Governments that are allocated less than $30 million in SLFRF funding</td><td rowspan="2">By April 30, 2022, and then annually thereafter</td></tr>
<tr><td>5</td><td>Metropolitan cities and counties with a population below 250,000 residents that are allocated less than $10 million in SLFRF funding, and NEUs that are allocated less than $10 million in SLFRF funding</td></tr>
</table>

Source: Compliance and Reporting Guidance: SLFRF Version 5.1 (Updated June 6, 2023)

Michigan has 10 “Tier 1” local units of government (see Table 2). These 10 governments received over $2 billion or nearly half of the LFRF funds allocated to all of Michigan’s subgovernments. The Treasury requires more reporting of ARPA spending from these governments, given the magnitude of LRFR grant funds each government received. Specifically, to date these governments are required to submit Recovery Plan performance reports (“Recovery Plan”) for 2021 and 2022 and each “Recovery Plan must be posted on an easily discoverable webpage on the public-facing website of the recipient by the same date the recipient submits the report to Treasury. Treasury recommends that Recovery Plans be accessible within three clicks or fewer from the homepage of the recipient’s website.[1]”

Table 3: Michigan SLFRF Tier 1 Local Governments ARPA websites

Detroit City	https://detroitmi.gov/departments/office-chief-financial-officer/how-detroits-arpa-funds-are-being-spent
Ingham County	https://www.ingham.org/NewsEvents/NewsandAnnouncements/tabid/228/articleType/ArticleView/articleId/9945/American-Rescue-Plan-Act--Ingham-County-Recovery-Plan-Reports.aspx
Genesee County	https://www.geneseecountymi.gov/departments/fiscal_services/arpa_recovery_plans/index.php#outer-2264
Kalamazoo County	https://www.kalcounty.com/finance/american-rescue-plan.php
Kent County	https://kentcountyarpa.com/
Macomb County	No website
Oakland County	https://www.oakgov.com/community/american-rescue-plan
Ottawa County	https://www.miottawa.org/Departments/FiscalServices/arpa-plan.htm
Washtenaw County	https://www.washtenaw.org/3427/Washtenaw-Rescue-Plan
Wayne County	No website

[1] https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf
August 15, 2022. Version 4.2. Page 34.

For many Michigan local governments, the SLFRF program provided the first experience navigating the Federal Award Management System. Unlike other large-scale federal stimulus such as the General Revenue Sharing program of 1972-1986, local governments were required to request or accept their funding allocations. In order to receive funding, city, county, and township governments with a population greater than 250,000 and/or SLFRF allocation greater than $10 million requested their SLFRF allocations directly from the U.S. Treasury. Local units that do not fit either criteria (referred to as Non-entitlements units (NEUs) were required to accept or reject their allocations through the Michigan Treasury web portal (MI Treasury, 2022a). While fairly straightforward for larger units familiar with managing federal grants-in-aid programs, small units of government faced unique challenges. Each unit must maintain records and financial documents for five years after all funds have been expended or returned to the Treasury.

Of the $4.4 billion in fiscal recovery funds Michigan received, $1.9 billion was allocated to the 83 Michigan counties, $1.8 billion to metropolitan cities and townships, and $686.4 million to non-metro areas - NEUs (Michigan Treasury 2022a). Fiscal recovery funds were distributed in two installments, with 50% provided beginning in May 2021 and the balance delivered in June 2022. The federal support for each local unit ranges from the tens of thousands of dollars for smaller local governments to hundreds of millions of dollars for some of the largest counties and cities. Just 64 local units received the majority of the money, $3.4 billion of the total $4.4 billion designated for over 1,700 Michigan general purpose local units.

In a proportionate sense, these fiscal recovery dollars may represent a very significant amount compared to a local government's annual expenditures. For instance, Lapeer Township (population 5,020 in 2019), received SLFR funds totalling approximately 35% of their total expenditures for fiscal year 2020. The cities of Lansing and Detroit received funds totalling 20% and 60% of total expenditures for 2020, respectively. By contrast, cities like Alpena (population 9,956 in 2019) and Escanaba (population 12,160) received funds equal to 4% and 9% of annual expenditures in 2020.

Reporting Revenue Loss

Governments were given the opportunity to choose to accept the $10M standard allowance or to use a formula provided by the Treasury to calculate lost revenue for each year from 2020 through 2023. The revenue loss formula was released under the Interim Final Rule and a recipient was required to make this decision, and once made could not be changed. Under the final rule (U.S. Department of Treasury 2022a), the Treasury then made multiple changes to the revenue loss calculation that had the effect of enhancing calculated revenue loss. Significant formula changes include:

- Adding “Liquor Store Revenue” as “Tax Revenue” and include in base revenue calculation
- Adding “Utility Revenue” as part of the base revenue calculation
- Changing the default growth rate to 5.2% from the original 4.1%.

According to the revenue reduction formula, a local unit’s reduction in revenue is based on the difference between a local unit's counterfactual revenue (determined by a formula to establish the revenue that would have been collected without the pandemic) less its actual revenue. The Government Finance Officers Association (GFOA) released a revenue loss calculator to assist governments with this calculation[2].

The SLFRF program allows recipients to use their grant awards for general government services under the option of revenue replacement. Revenue replacement designated spending is the most flexible with the least compliance requirements. Governments that show revenue loss attributable to the pandemic can report spending under the option of revenue replacement rather than another expenditure category. SLFRF Project and Expenditure reporting data for Quarter 4 of 2022 from the largest SLFRF recipients (Tiers 1 and 2) indicates whether a local unit opted to calculate revenue loss or use the standard revenue loss allowance.

States and local governments (Tiers 1 and 2) nationwide have calculated annual revenue losses for the years 2020-2022 stemming from the pandemic. Reported revenue losses have declined each year. In total, States reported revenue losses of $129 billion. Local governments reported revenue losses totaling $109 billion. Michigan local governments have reported nearly $3.8

[2] The GFOA revenue reduction calculator:https://www.gfoa.org/materials/arpa-revenue-calculator

billion of revenue losses through 2022. The latest release of data from the Treasury for all SLFRF recipients as of March 31, 2023, reported $283 billion in lost revenue resulting from the pandemic (U.S. Department of Treasury, 2023b).

Of the Tier 1 and 2 Michigan local governments 35 chose to claim the $10 million standard allowance. Table 4 shows the standard revenue loss allowance as a percentage of the Michigan local government's SLFRF allocation. The standard allowance revenue loss represents a range from 6 percent of the SLFRF award for Macomb County to 99 percent of Cass and Tuscola County's award.

Table 4: Standard Revenue Loss Allowance as Percentage of SLFRF Allocation, Tier 1 & 2 Units

Government Name	**SLFRF Allocation $**	**$10M Standard Allowance**	**% Revenue Loss of SLFRF Allocation**
Allegan County	$22,935,850	$10,000,000	44%
Ann Arbor, City	$24,182,630	$10,000,000	41%
Barry County	$11,955,366	$10,000,000	84%
Battle Creek, City	$30,545,339	$10,000,000	33%
Bay County	$20,031,017	$10,000,000	50%
Cass County	$10,059,018	$10,000,000	99%
Clinton County	$15,460,396	$10,000,000	65%
Dearborn Heights, City	$24,314,463	$10,000,000	41%
Eaton County	$21,418,266	$10,000,000	47%
Genesee County	$78,824,418	$10,000,000	13%
Grand Traverse County	$18,081,253	$10,000,000	55%
Ionia County	$12,566,634	$10,000,000	80%
Isabella County	$13,571,817	$10,000,000	74%

Jackson County	$30,788,709	$10,000,000	32%
Jackson, City	$31,444,825	$10,000,000	32%
Lapeer County	$17,016,633	$10,000,000	59%
Lenawee County	$19,122,953	$10,000,000	52%
Lincoln Park, City	$19,146,461	$10,000,000	52%
Livingston County	$37,292,778	$10,000,000	27%
Macomb County	$169,758,815	$10,000,000	6%
Midland Count	$16,152,078	$10,000,000	62%
Monroe County	$29,232,861	$10,000,000	34%
Monroe, City	$29,232,861	$10,000,000	88%
Montcalm County	$12,409,495	$10,000,000	81%
Muskegon County	$22,881,894	$10,000,000	44%
Pontiac, City	$37,717,953	$10,000,000	27%
Port Huron, City	$17,959,874	$10,000,000	56%
Redford, Township	$21,962,768	$10,000,000	46%
Roseville, City	$14,393,345	$10,000,000	69%
Saginaw County	$37,009,967	$10,000,000	27%
St. Joseph County	$11,841,542	$10,000,000	84%
Taylor, City	$11,593,181	$10,000,000	86%
Tuscola County	$10,147,979	$10,000,000	99%
Warren, City	$27,318,439	$10,000,000	37%
Wyoming, City	$13,155,842	$10,000,000	76%

Of the Tier 1 and 2 Michigan local governments, 28 and the State of Michigan chose to calculate an estimate of revenue loss using the formula.Table 5 shows the calculation of revenue loss for years 2020 through 2022 as a percentage of the Michigan local government's SLFRF allocation. The calculation of revenue loss represents a range from 21 percent of the SLFRF award for Berrien County to 116 percent and 225 percent of Sterling Height and East Lansing's awards, respectively.

Table 5: Calculated Revenue Loss for Years 2020, 2021, 2022 as a Percentage of SLFRF Allocation, Tier 1 & 2 Units

Government Name	**SLFRF Allocation $**	**Calculated Revenue Loss 2020 to 2022**	**% Revenue Loss of SLFRF Allocation**
Bay City, City	$31,076,578	$12,215,163	39%
Berrien County	$29,796,346	$6,316,102	21%
Calhoun County	$26,058,813	$22,200,281	85%
Clinton, Township	$14,816,245	$14,816,245	100%
Dearborn, City	$47,212,828	$42,274,841	90%
Detroit, City	$826,675,290	$651,571,840	79%
East Lansing, City	$12,170,077	$27,375,449	225%
Flint, City	$94,726,664	$69,556,596	73%
Grand Rapids, City	$92,279,500	$64,730,012	70%
Ingham County	$56,796,438	$27,433,951	48%
Kalamazoo County	$51,485,963	$51,485,963	100%
Kalamazoo, City	$38,872,877	$24,653,660	63%
Kent County	$127,605,807	$124,490,418	98%
Lansing, City	$49,924,664	$37,960,176	76%

Marquette County	$12,955,499	$12,955,499	100%
Muskegon County	$33,713,161	$31,179,433	92%
Oakland County	$244,270,949	$77,850,230	32%
Ottawa County	$56,684,556	$39,742,630	70%
Royal Oak, City	$28,107,502	$25,975,782	92%
Saginaw, City	$52,089,151	$12,705,802	24%
Shiawassee County	$13,231,900	$11,930,745	90%
St. Clair Shores, City	$21,247,393	$9,753,396	46%
St. Clair County	$30,908,749	$8,107,925	26%
State Of Michigan	$6,540,417,627	$1,626,668,551	25%
Sterling Heights, City	$19,837,262	$23,060,677	116%
Van Buren County	$14,699,370	$12,105,456	82%
Washtenaw County	$71,402,185	$71,402,185	100%
Wayne County	$339,789,370	$273,897,153	81%
Westland, City	$25,932,032	$25,932,032	100%

The primary benefit of choosing to allocate funds to revenue replacement (calculated or standard allowance) is the relative ease with which localities can report project spending. Reporting requirements for spending categorized as revenue replacement is significantly less stringent. For smaller local units receiving less than $10 million, this means that there is significant incentive to categorize all of the award money as revenue replacement, streamlining and simplifying reporting efforts. A downside of this reporting option is the public may not learn very much about how this portion of the $4.4 billion was spent.

Of the $923.7 million allocated to units in Tier 1 and 2 who chose the standard $10 million allowance (see Table 4), $350 million can be reported as governmental services. For those units that chose to complete the revenue loss calculation, this amount is significantly more. As a result, of Michigan's 10 largest recipients which received over $2 billion or about half of the program funds allocated to the state's local units, only Genesee and Macomb counties chose the standard allowance. Macomb and Genesee received larger awards, $169.7 million and $76 million respectively, than other entities that chose the standard allowance for revenue replacement. Only $20 million can be reported by Macomb and Genesee counties as projects providing governmental services, $226 million will need to be accounted for under expenditure categories 1-5.

Most recipients with the largest funding awards chose to calculate revenue loss with the Treasury formula. These recipients received over $2.4 billion in program funds. To date, 21 of the 29 governments have reported revenue losses greater than 50 percent of their SLFRF award. Some governments have made the decision to limit the use of reporting project spending as revenue loss below what they have reported as revenue losses to the Treasury using the formula, e.g. Detroit. Others, like Kalamazoo County are reporting nearly 100% of project obligated funds under the revenue loss category. Some government staff have indicated that for political reasons the reporting of spending under revenue replacement could be seen as not transparent or responsive enough to their community members. Under the reporting rules, projects reported in expenditure categories of 1-5 the public should expect to learn more about these investments such as project summaries, planned performance outcomes, supporting evidence for a chosen project, a project schedule and expenditures deadlines, and quarterly performance reporting.

SLFRF Usage: Projects, Obligations, and Expenditures

Under ARPA, $330 billion[3] was appropriated to the SLFRF and distributed to 50 states, the District of Columbia, U.S. territories, and general purpose local governments. Every Michigan local unit that accepted ARPA funds is required to annually report their projects and government service expenditures and obligations funded in whole or in part by the SLFRF and provide a brief 50-250 word description for each project in the P&E report. Local recipients are required to report quarterly or annually, depending on the reporting tier. These publicly available data sets

[3] $20 billion was allocated to Tribal governments.

from the Treasury provided a starting point for analyzing SLFRF fund usage in Michigan. From there, the Center analyzed each quarterly release to track how fund usage was changing over time.

The Center began tracking SLFRF distribution, local government awareness and readiness for the funds, as well as attitudes toward the aid among officials and citizens as the program was implemented in 2021. See Schulz and Klammer (2022) and Klammer and Schulz (2022) for previous reports related to the Center's work. In the early stages of the SLFRF, much energy was focused on coordinating local governments to receive and begin preparing for their awards. Not all local governments chose to accept the funds, but those that did varied in readiness. Large local governments used to significant government oversight like the City of Detroit began planning meetings and organized community engagement early on, rolling out project ideas and obligating funds almost immediately. Smaller local governments, especially those whose staff had never experienced a federal grant award anywhere near the size and scope of the SLFRF, varied greatly in their procedures for project planning and timelines. As a result, the Center tracked fund usage on multiple levels: all MI local units receiving SLFRF (reporting annually), and the 64 "large" local units (reporting quarterly). The Center also collaborated with the Center for Local, State, and Urban Policy (CLOSUP) in 2022 to include questions relevant to ARPA spending in the annual Michigan Public Policy Survey (MPPS). The results from similar questions in 2023 are used to provide further context to decision-making across Michigan jurisdictions.

The following pages briefly summarize Michigan Project and Expenditure data for all reporting periods to date. This is followed by analysis of the most recent P&E reporting data, covering project obligations and expenditures through March (or first quarter) 2023. Based on trends observed by the Center over the program's lifespan, SLFRF reporting is organized into three phases: Phase 1, when the money initially went out and local governments were struggling to manage the mounting costs of the COVID-19 pandemic; Phase 2, when most localities had some kind of plan in place for beginning to obligate funds, and Phase 3, including the latest data release from Treasury through March 2023 and our expectations for the remainder of the funds that are as yet unobligated.

Early Projects and Expenditure Activity

Phase 1: Receipt of first tranche funds to year end 2021[4]

The SLFRF program was enacted in March of 2021 during the height of the pandemic. These additional and flexible program funds allowed governments to continue to respond to the pandemic and its economic consequences. These fiscal resources were designed to help prevent cuts to vital government services and as well as make investments that support opportunity, equity and growth in their communities. When the first tranche of money came in, local governments focused largely on immediate pandemic-related costs, including premium pay, grants to businesses, nonprofit organizations, individuals, public health, assistance to households, assistance to small businesses, assistance to nonprofits, aid to impacted industries, and public sector capacity.

Center staff first collected Project and Expenditure (P&E) reports in January 2022 for activity from receipt of funds through December 31, 2021. P&E reports collected in January 2022 included information from the 64 largest recipients of SLFRF funds, including city, county, and township units with populations over 250,000 or awards over $10 million. All project and spending descriptions in these early P&E reports were certified to the Treasury in accordance with the Interim Final Rule. This means that the projects described in this data refer to 7 Expenditure Categories (EC) broken down into 66 subcategories. The major categories were Revenue Replacement, Negative Economic Impacts, Public Health, Infrastructure, Services to Disproportionately Impacted Communities, Premium Pay, and Administrative and Other. Subsequent reporting, as clarified in the Treasury's Final Rule, include 83 reporting subcategories. The interim rule was published without clear direction for every category of spending, and many questions from local leaders were not answered. As a result, some cities and towns paused grant expenditures until a final rule was released.

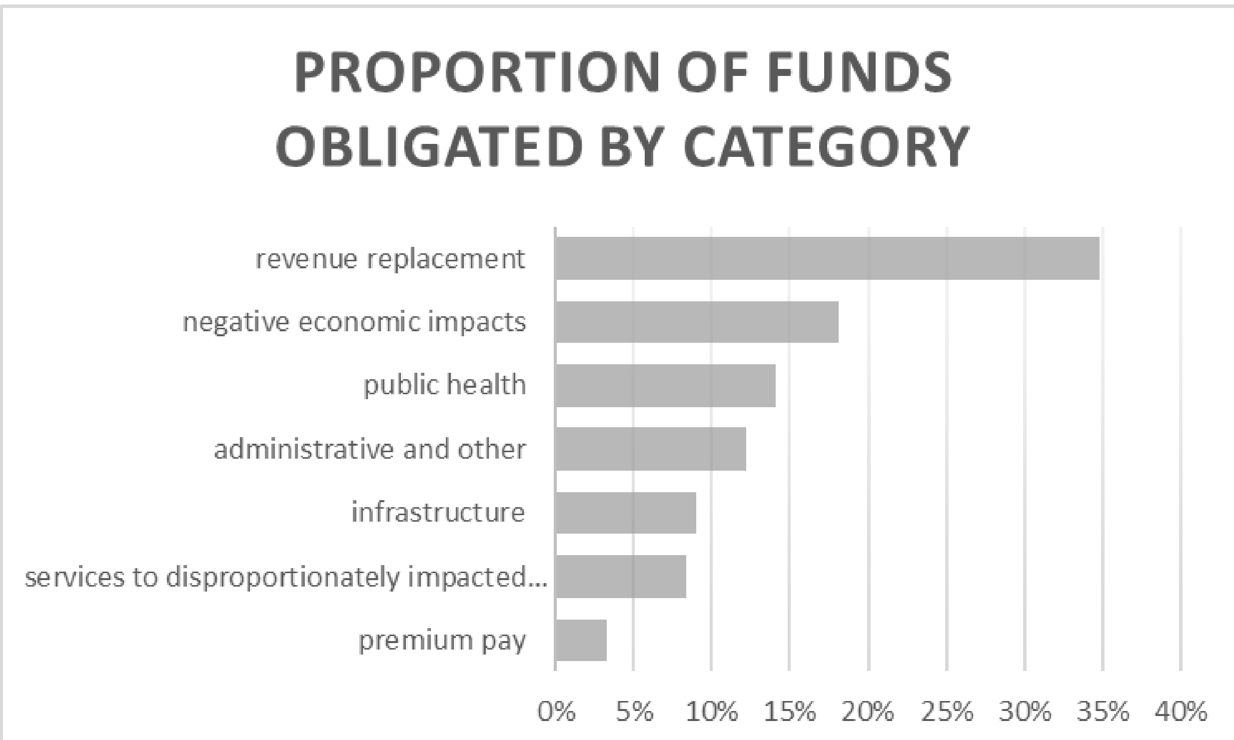
The 2021 year-end P&E reports reflected a potential $3.4 billion dollars[5] in SLFRF program allocations to 61 large local units. 3 units (Macomb County, Muskegon County, and Muskegon Heights County) did not provide reports upon request and follow up. The 61 units range from

[4] For a complete report on this first round of reporting, see Schulz and Klammer, (2022).
[5] This figure includes the second tranche of funds.

localities like Cass county (population 51,787) and Tuscola County (population 52,245), each receiving just over $10 million in funds, to large metropolitan localities like Wayne County (population 1.7 million) and the City of Detroit (population 670,031), who received $340 million and $827 million respectively.

As of year end 2021, only $218 million of allocated funds had been obligated (and less than half that number had been spent). Figure 1 shows the relative amount of funds dedicated to each major Treasury spend category by these 61 reporting units. There were 226 unique projects reported in total, with 53 unobligated entries, representing projects without a dollar amount assigned.

Figure 1. Spending by Category, Tier 1 & 2 Michigan Units, As of Year-end 2021

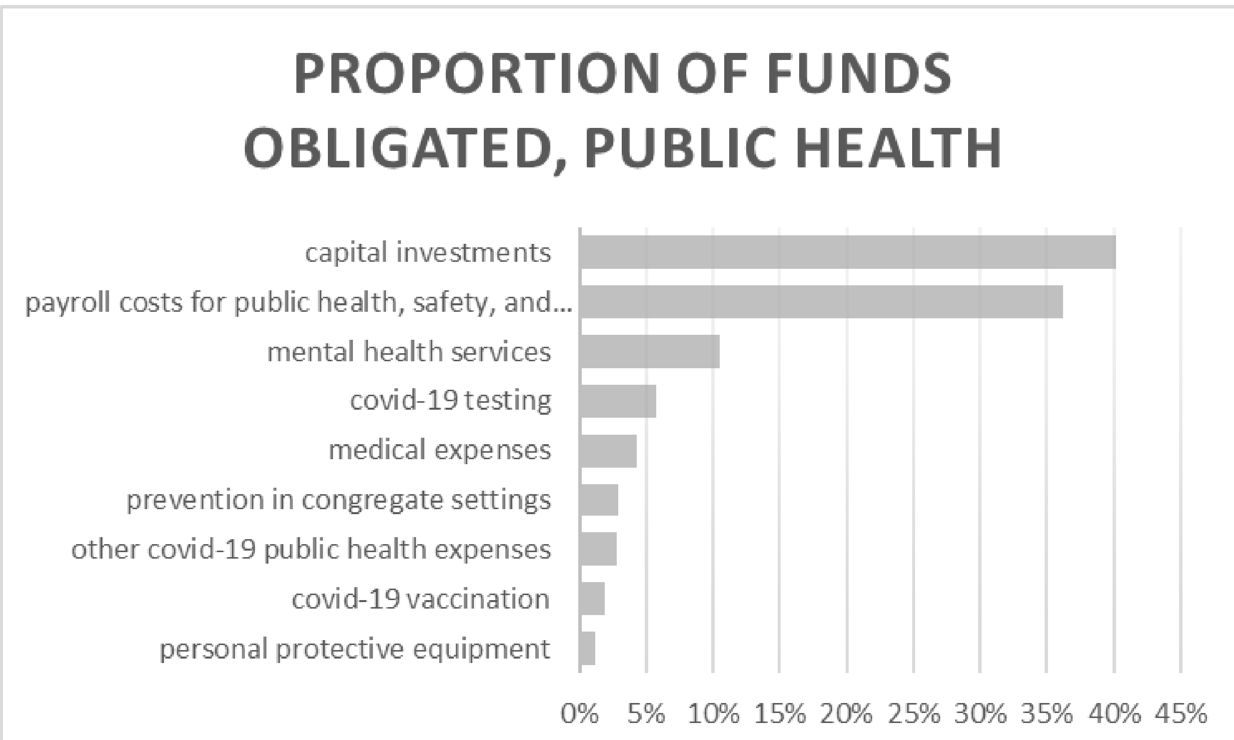


Source: (Schulz and Klammer, 2022)

Revenue replacement was by far the largest EC for obligated project funds at 35 percent of all obligations reported. It also accounted for over half of the funds that had already been spent. Revenue replacement projects included everything from road and infrastructure repairs to elections and general “government services”. As mentioned in the revenue loss calculation discussion above, local units had broad latitude over how they could designate projects in this EC. This flexibility has only increased in subsequent reporting cycles.

Beyond revenue replacement, the vast majority of unique spending obligations were reported under the expenditure categories of public health and negative economic impacts at 14 percent and 18 percent of total obligated dollars, respectively. Funds that had been expended as of year end 2021, spending in the EC of public health made up 9 percent of total obligated funds spent. This is second only to revenue replacement, at 27 percent of obligated funds spent at that time. Capital investments, payroll costs for public health and safety workers, mental health services, and Covid-19 testing projects took up the majority of obligated dollars in the public health EC (Figure 2).

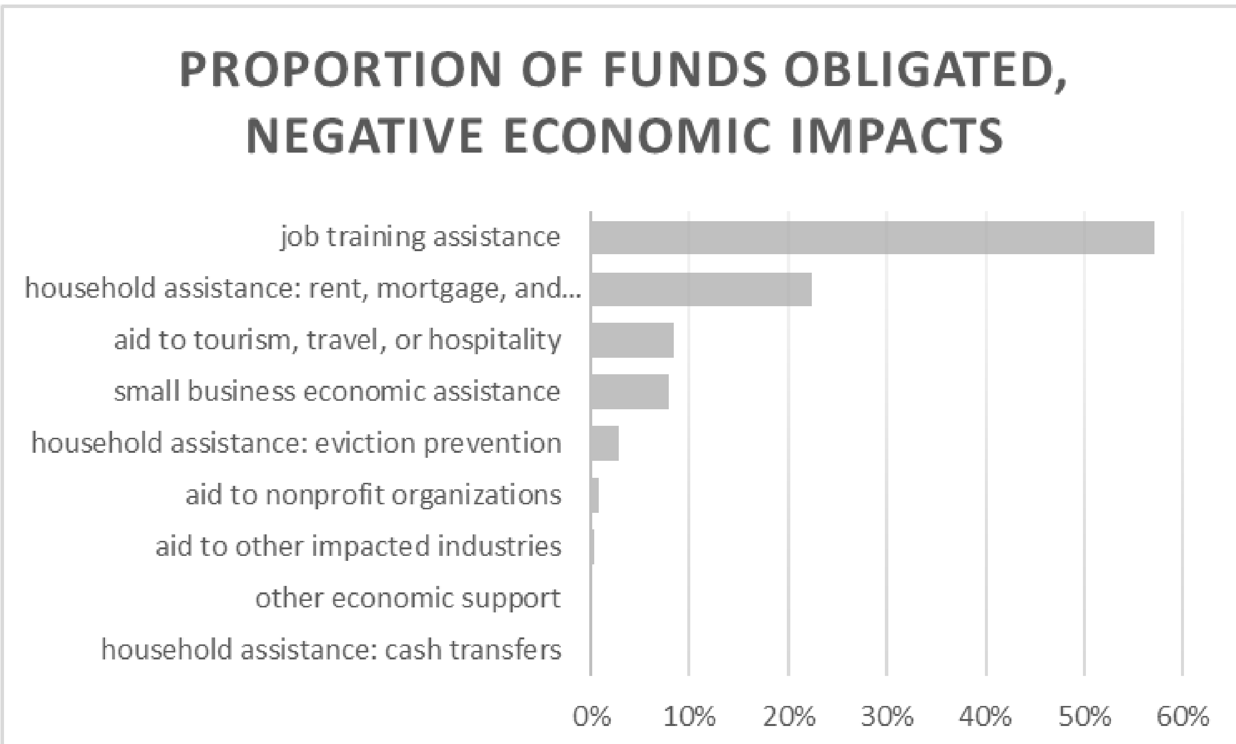
Figure 2. Spending by Sub-category: Public Health, Tier 1 & 2 Michigan Units, As of Year-end 2021



Source: Schulz and Klammer, 2022

In the EC of negative economic impacts, project design was similarly focused on immediate needs, largely allocated in the areas of job training assistance and household rental, mortgage, and utility assistance (Figure 3). Notably, the City of Detroit made up the entirety of obligated funds for job training, allocating over $16 million in funds to Skills for LIfe career training and education program through Detroit at Work and the City's General Services Department. The funds specifically were to be used to support unemployed or underemployed Detroit residents in gaining access to work while providing wrap-around support services (e.g., childcare subsidies, transportation, among others). Ingham county and the cities of Kalamazoo, Roseville, and Sterling Heights all obligated funds towards various direct household rent, mortgage, and utility programs for those in need.

Figure 3. Spending by Sub-category: Negative Economic Impacts, Tier 1 & 2 Michigan Units, As of Year-end 2021



Source: Schulz and Klammer, 2022

It is unsurprising that there were reporting issues with this first set of data. Notably, units were inconsistent in how they filed reports with the Treasury (some didn't file at all), and there was not a great deal of clarity into what differentiated project expenditure categories beyond general revenue loss. Some governments were very specific in their project lists while others provided less transparency. This made it difficult to use ECs to track specific fund usage by project type, as there was substantial overlap and confusion around reporting. The fourth largest EC in terms of reported obligated dollars in this quarter was administrative and other (representing 12% of dollars obligated), largely covering fees for managing the SLFRF, either internally or through external consultant groups.

Spending for smaller local units was much harder to track at this time, given the absence of quarterly P&E reports for localities of this size. The Center relied on survey data and informal interviews to understand the planning environment at the time. In a survey of an 8-county region of Northeastern Michigan conducted in early 2022, more than half of respondents indicated that their local unit did not currently have a plan for spending the funds (Schulz and Klammer, 2022). With regard to areas where the greatest support was needed, over 60% of respondents indicated needing assistance properly documenting expenditures per Treasury’s requirements. This falls in line with information gathered in subsequent months via informal interviews of various decision makers, highlighting the early uncertainty in SLFRF planning. This early phase consisted of stagnated planning, with local units largely focused on immediate needs in the wake of COVID-19 and waiting for the Treasury to finalize the program rules.

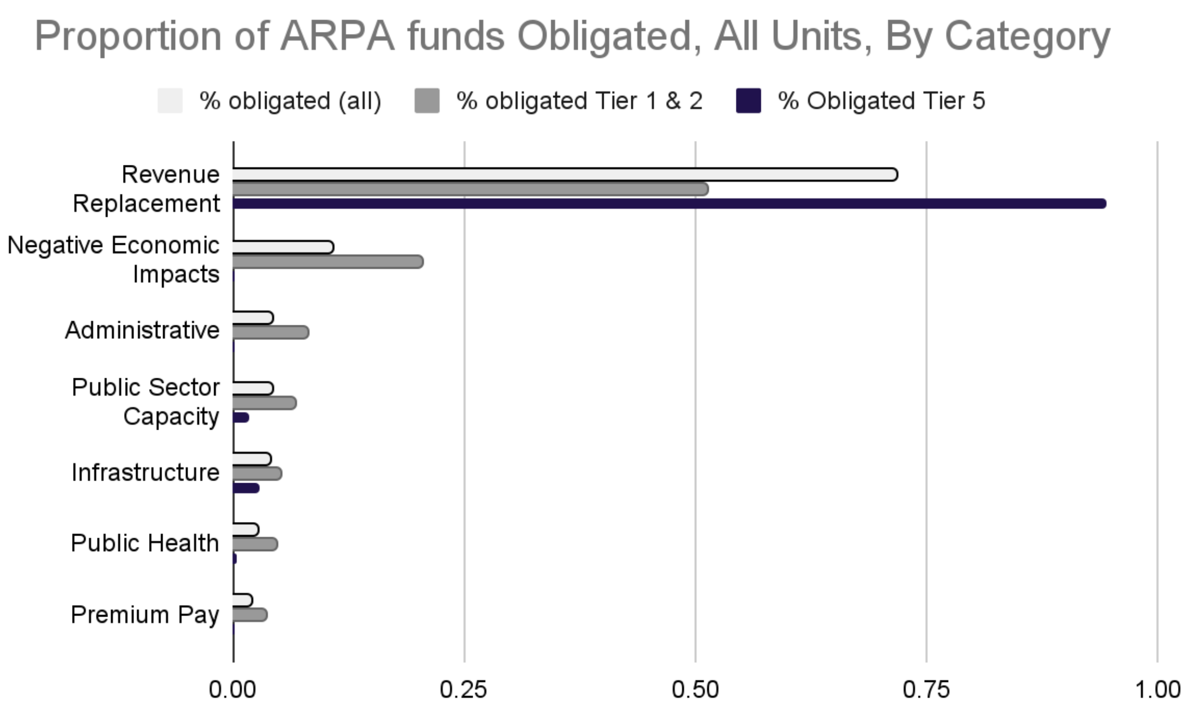
Phase 2: Receipt of First Tranche Funds through Fourth Quarter 2022

The final rule of the SLFRF became effective on April 1, 2022. This date was after the first annual report for all recipients was due to the Treasury. After this point, local decision-makers seemed to proceed with obligating program funds with more confidence. Treasury's wide allowance for replacing lost public sector revenue made this easily the most attractive reporting option to allocate funds for local units. In this period, spending shifted away from many of the public health and safety project expenditures early on, to more varied (and often new) social programs, infrastructure projects, and collaborative efforts (such as broadband development across multiple units).

Data in the first annual report (January 2022) continued the trends highlighted above while also including a great many more local units. Notably, the first quarter 2022 reporting period is prior to when recipient governments began receiving their second tranche payments of SLFRF beginning in May 2022 (U.S. Department of Treasury, 2022b). It is also after the Final Rule had gone into effect, meaning some projects had been recategorized into the new EC system. This created some issues in the data, with projects often categorized in multiple inconsistent ECs[6].

This first annual data release included project information from only 655 unique local units out of the 1,709 listed fund recipients. From the sample collected by the Center, it is apparent that some, if not most, excluded units may have turned in a report, but had no project plans as of yet. The Center collected many blank reports from the same missing units, some of which indicated that they were still in the early stages of the planning process. These 655 Michigan local governments reported a total of 1,329 unique projects utilizing ARPA funds as of the end of March 2022. These obligated funds (total obligated $755 million as of Q1 2022) account for just over 17% (with 8% expended) of Michigan's $4.4 billion. See Figure 4 for a breakdown by EC.

Figure 4: Proportion of ARPA SLFRF Obligated By Spend Category, As of First Quarter 2022



[6] Due to inconsistencies in reporting, statistics reported here may vary slightly depending on whether discussing numbers by subcategory or major EC. These discrepancies are small, however, and do not change the conclusions or important details of the work.

Smaller local units (Tier 5) accounted for $358 million in obligated funds ($155 million expended), or about 36 percent of the $1 billion allocated to this tier. Much like in the first reporting period, the majority of obligated funds in Q1 (72 percent) had gone toward projects reported under revenue replacement ($541 million reported). Revenue replacement was the only project category to which projects were assigned by the majority of smaller local governments in this quarter. Over a third of their funds had been obligated to date, and of these, 94 percent had been assigned to revenue replacement. This is unsurprising, given changes in the Final Rule that made this allocation category the most attractive and straightforward way to allocate funds before the 2024 deadline.

It is hard to accurately compare changes in reported project allocations by ECs between fourth quarter 2021 and first quarter 2022 among the 64 large recipients due to the modifications made to the ECs in the Final Rule. As of March 2022, the 64 largest recipients of SLFRF had both obligated and expended more of their funds (just under $400 million, or 12 percent of the $3.4 billion they were to receive compared to January's $218 million). As of the first quarter 2022 reporting, even for the largest local units, over 50 percent of obligated funds had been assigned to the revenue replacement expenditure category. This dominance only slightly reduced for the 64 large recipients as time has gone on. Figure 5 captures how spending obligations have shifted across quarters for these units.

Table 5. Michigan SLFRF Obligations By Expenditure Category, Tier 1 & 2 Units

	Q1		Q2		Q3		Q4	
Expenditure Category	$ Obligated	% Obligated	$ Obligated	% Obligated	$ Obligated	% Obligated	$ Obligated	% Obligated
Public Health	$ 18,980,417	5%	$ 27,814,205	5%	$ 45,003,466	6%	$ 48,236,454	5%
Negative Economic Impacts	$ 81,228,141	20%	$ 134,807,294	26%	$ 229,330,714	30%	$ 372,371,002	38%
Public Sector Capacity	$ 26,323,497	6%	$ 34,998,687	7%	$ 40,105,109	5%	$ 34,262,503	4%
Premium Pay	$ 14,570,092	4%	$ 23,525,135	4%	$ 24,240,973	3%	$ 24,266,616	2%
Infrastructure	$ 20,716,026	5%	$ 26,923,245	5%	$ 35,711,634	5%	$ 40,757,900	4%
Revenue Replacment	$ 213,583,179	52%	$ 219,752,494	42%	$ 346,297,606	45%	$ 397,152,461	41%
Administrative	$ 31,651,072	8%	$ 59,526,300	11%	$ 54,544,939	7%	$ 55,002,087	6%
TOTAL *	$ 407,052,424	12%	$ 527,347,360	16%	$ 775,234,441	23%	$ 972,049,023	29%
***percentage in this row is of total award of $3.4 billion**								

With the release of the final rule, it was clear that revenue replacement would continue to dominate much of the project classifications, making it more difficult to track how a large portion of funds were being spent. Again, P&E reports only require brief descriptions of projects, and many units keep these descriptions broad. As in the first reporting period, new projects reported in the revenue replacement EC included items that could have been classified under each of the other ECs.

In early 2022, Center staff talked to numerous decision-makers in the ARPA SLFRF expenditure process around the state (and beyond), to get a better sense of why revenue replacement was the favored reporting category (Klammer and Schulz, 2022). In general, it was reported that given the greater reporting and oversight requirements and therefore increased costs of managing funds allocated to ECs 1-5, it made sense for governments to utilize revenue replacement as often as possible. Around this same time period there were multiple attempts to “clawback” unspent or misused funds, often with broad interpretations of what amounted to proper use, sometimes in opposition to what was outlined in official guidance. This environment further encouraged local units to exercise caution, often to the detriment of getting funds out the door.

For the larger awardees, the Center anticipated, based on trends in the newest projects reported in 2022, that these larger units would continue to expand investments in projects falling into negative economic impacts, public sector capacity, and infrastructure. The increased use of these reporting ECs would occur as local units allocated and reported their project funds received that went beyond their revenue loss amount. As time has gone on this prediction has proven correct, as reported project obligations in categories outside of revenue replacement have continued to grow. Obligations in the EC of negative economic impacts jumped from 20 percent of total obligations in first quarter 2022 to 38 percent of total obligations in the last part of 2022, matching Center predictions from first quarter 2022. This is significant, as it reflects the portion of award funds that go beyond revenue loss calculations.

Current Projects and Expenditure Activity

Phase 3: Receipt of Funds Through First Quarter 2023

The 2023 Annual P&E Report data continues the trends discussed above, with obligations in the revenue replacement expenditure category further encouraged by recent legislative changes in SLFRF usage rules. Of the 1,677 unique recipients identified by Treasury in the Q1 2023 data release (reporting period through March 2023), 1,220 recipients of SLFRF funds reported projects. The project count for all Michigan units reporting in this P&E report was 3,787 individual projects. The number of recipients reporting projects is nearly double what it was a year prior, with project count almost tripled. These annual reports are the only standardized release of spending information that could include all Michigan fund recipients.

In December 2022, Congress passed the final budget for 2023, setting funding levels for every federal agency and grant program for the year. The budget package included the Cornyn-Padilla Amendment (State, Local, Tribal and Territorial Fiscal Recovery, Infrastructure and Disaster Relief Flexibility Act), a provision that increased the flexibility of SLFRF fund usage and provided additional funding for Treasury's continued support of the program (Klammer, 2023; Hurley, 2023). This additional flexibility provision is known as ARPA Flex. The new eligible SLFRF grant expenditures include spending on:

- Emergency relief from natural disasters (including emergency food, housing, wages, and other emergency assistance)
- The greater of $10 million dollars or 30 percent of their total ARPA funds for eligible transportation infrastructure and Community Development Block Grant (CDBG)-eligible projects. Examples include the National Highway Performance Program, Bridge Investment Program, Carbon Reduction Program, etc.
- Modernization of cybersecurity (hardware, software and critical infrastructure)

Through March 31, 2023, all recipients had obligated $1.9 billion (42 percent) of the $4.4 billion paid out in two installments (May 2021 and May 2022) by the U.S. Department of Treasury. $600 million (23 percent) had been expended as of the end of March 2023. This is in contrast to the $755 million obligated (17 percent) and $371 million (8 percent) spent as of the end of first quarter 2022. Notably, much of the obligated funds continue to be in the category of revenue replacement at 58 percent of obligated funds. See Figure 5. Negative economic impacts made up 24 percent of total obligations.

Figure 5: Percent Obligated by Expenditure Category, All Units as of First Quarter 2023

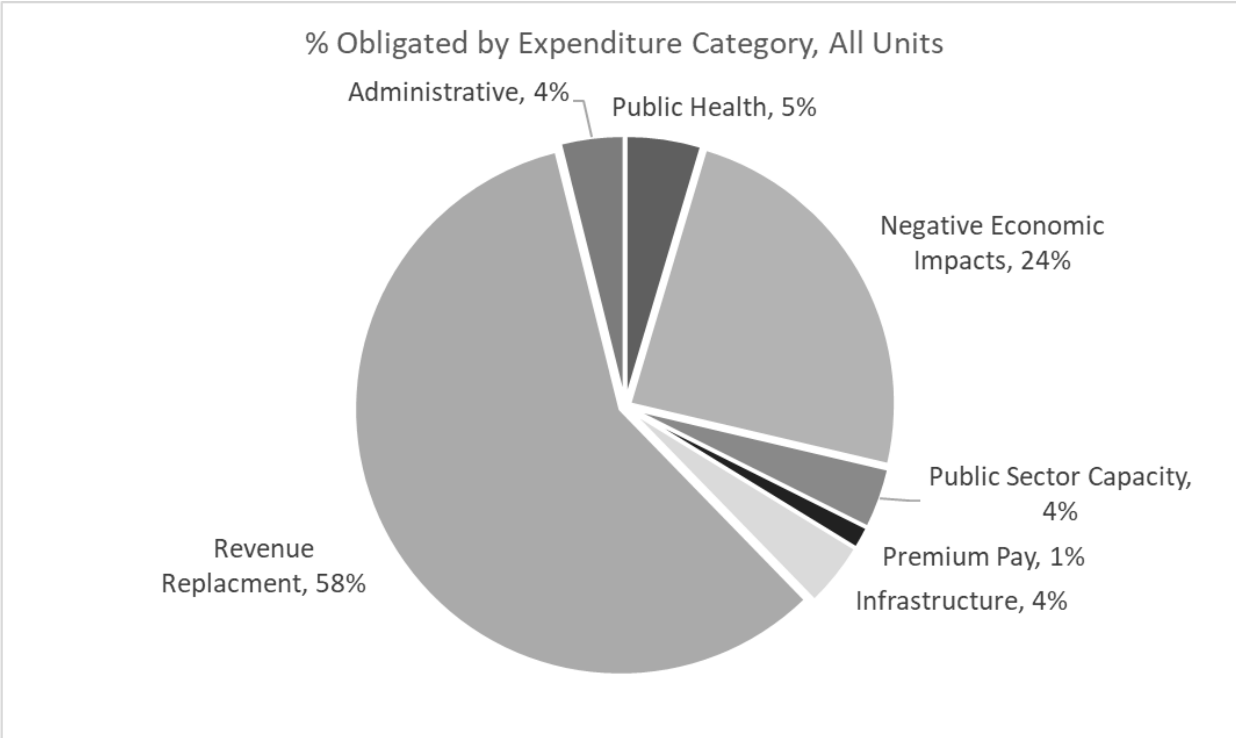


Table 6 shows project and expenditure data as divided by reporting tier (the 64 Tier 1 & 2 units vs the over 1600 smaller Tier 5 governments).

Table 6: Comparison of Larger and Smaller Michigan Government Spending and Projects

Local Unit	**Obligated**	**Expended**	**Project Count**	**Remaining Award**
Tier 1 & 2	$1,278,363,639	$599,809,934	991	$2,121,636,361
Tier 5	$590,835,825	$413,194,792	2,795	$409,164,175
Total	$1,869,199,464	$1,013,004,726	3,786	$2,530,800,536

Small local governments (Tier 5) have been advised by the Treasury to designate all of their SLFRF allocation to revenue replacement. These units have largely followed this advice, devoting a greater share of obligations to date to revenue replacement when compared to their larger peers (94 percent, compared to the overall average of 58 percent percent). See Table 7 below.

Table 7: Michigan SLFRF Obligations By Expenditure Category and Reporting Tier

	All Units		Tier 1 & 2		Tier 5	
Expenditure Category	$ Obligated	% Obligated	$ Obligated	% Obligated	$ Obligated	% Obligated
Public Health	86,259,158	5%	80,826,448	6%	5,432,711	1%
Negative Economic Impacts	449,745,304	24%	447,584,487	35%	2,160,816	0%
Public Sector Capacity	69,256,411	4%	60,039,765	5%	9,216,646	2%
Premium Pay	25,700,343	1%	24,528,555	2%	1,171,788	0%
Infrastructure	74,179,551	4%	60,136,975	5%	14,042,576	2%
Revenue Replacment	1,091,347,345	58%	537,255,538	42%	554,091,807	94%
Administrative	72,711,352	4%	67,991,870	5%	4,719,482	1%
TOTAL	1,869,199,464		1,278,363,639		590,835,825	

The reason for this difference in trends in spending obligations could be attributed to administrative convenience. Small governments, with small awards, were much more likely to elect to take a standard allowance for revenue loss of up to $10 million and have it cover their full award allocation as revenue replacement, which could help minimize compliance and reporting costs. As a result, the vast majority of Tier 5 units report only one project, often revenue replacement for government services covering a range of spending. Of the 2,795 projects reported by these Tier 5 units, 2,176 of them were categorized as revenue replacement. These project descriptions are brief, but mentioned spending includes infrastructure investments, construction, software, road improvements, and other maintenance.

Large units are not behaving so differently, though their resources could allow a great deal more creativity in project planning and efforts to leverage funds across programs.The majority of these units have funds beyond what they are allowed to categorize under revenue replacement. Despite only including 64 large local governments, these Tier 1 & 2 governments make up more than a quarter of total projects planned, with a large portion of the award (over $2 billion) as yet unallocated.

In terms of the pace of spending, the 64 larger Tier 1 & 2 units obligated only $1,278,363,639 (30 percent) of its $3.4 billion through March 2023 (see Table 7). Tier 5 governments have obligated $590,835,825 (60 percent) of their $1 billion by contrast, indicating most of the smaller Michigan governments using the revenue replacement reporting option had the ability to report usage relatively quicker. As of 4th quarter 2022, only ten of the large local units had allocated more that 75 percent of their SLFRF award to project plans. As of first quarter 2023, this number is sixteen. Four units have allocated nothing as of this latest P&E release (Table 8).

Table 8: Michigan SLFRF Allocations and Obligations as of March 31, 2023, Tiers 1 & 2

Local Unit	Type	Allocation	Total Obligated	Obligated (%)
Allegan	County	22,935,850	$ 337,236	1%
Ann Arbor	City	24,182,630	$ 4,817,472	20%
Barry	County	11,955,366	$ 5,153,302	43%
Battle Creek	City	30,545,339	$ 15,436,853	51%
Bay	County	20,031,017	$ 9,495,253	47%
Bay City	City	31,076,578	$ 25,573,989	82%
Berrien	County	29,796,346	$ 2,153,587	7%
Calhoun	County	26,058,813	$ 15,736,574	60%
Cass	County	10,059,018	$ 10,000,000	99%
Clinton	Twp	14,816,245	$ 14,816,245	100%
Clinton	County	15,460,396	$ 5,959,120	39%
Dearborn	City	47,212,828	$ 9,974,099	21%
Dearborn Heights	City	24,314,463	$ -	0%
Detroit	City	826,675,290	$ 270,666,751	33%
East Lansing	City	12,170,077	$ 3,166,022	26%
Eaton	County	21,418,266	$ 16,544,000	77%
Flint	City	94,726,664	$ 34,769,537	37%
Genesee	County	78,824,418	$ 35,080,090	45%
Grand Rapids	City	92,279,500	$ 21,160,204	23%
Grand Traverse	County	18,081,253	$ 75,000	0%
Ingham	County	56,796,438	$ 39,514,497	70%
Ionia	County	12,566,634	$ 12,566,634	100%
Isabella	County	13,571,817	$ 1,402,259	10%
Jackson	County	30,788,709	$ 18,393,483	60%
Jackson	City	31,444,825	$ 7,839,611	25%
Kalamazoo	County	51,485,963	$ 50,131,211	97%
Kalamazoo	City	38,872,877	$ 18,401,884	47%
Kent	County	127,605,807	$ 6,447,773	5%
Lansing	City	49,924,664	$ 28,624,605	57%
Lapeer	County	17,016,633	$ 3,587,569	21%
Lenawee	County	19,122,953	$ 2,054,885	11%
Lincoln Park	City	19,146,461	$ 13,405,000	70%
Livingston	County	37,292,778	$ 6,312,000	17%
Macomb	County	169,758,815	$ -	0%
Marquette	County	12,955,499	$ 12,955,499	100%
Midland	County	16,152,078	$ 15,552,078	96%
Monroe	City	11,405,523	$ 11,405,523	100%
Monroe	County	29,232,861	$ 5,795,150	20%
Montcalm	County	12,409,495	$ 10,536,164	85%
Muskegon	City	22,881,894	$ 15,366,425	67%
Muskegon	County	33,713,161	$ 28,359,486	84%
Muskegon Heights	City	10,684,772	$ -	0%
Oakland	County	244,270,949	$ 51,138,037	21%
Ottawa	County	56,684,556	$ 47,242,630	83%
Pontiac	City	37,717,953	$ -	0%
Port Huron	City	17,959,874	$ 12,225,919	68%
Redford	Twp	21,962,768	$ 15,671,433	71%
Roseville	City	14,393,345	$ 2,759,648	19%
Royal Oak	City	28,107,502	$ 5,968,347	21%
Saginaw	County	37,009,967	$ 22,939,629	62%
Saginaw	City	52,089,151	$ 52,089,151	100%
Shiawassee	County	13,231,900	$ 6,434,693	49%
St Clair	County	30,908,749	$ 4,367,530	14%
St Clair Shores	City	21,247,393	$ 4,775,547	22%
St Joseph	County	11,841,542	$ 10,000,000	84%
Sterling Heights	City	19,837,262	$ 8,943,547	45%
Taylor	City	11,593,181	$ 3,693,457	32%
Tuscola	County	10,147,979	$ 10,147,979	100%
Van Buren	County	14,699,370	$ 776,895	5%
Warren	City	27,318,439	$ 17,368,439	64%
Washtenaw	County	71,402,185	$ 68,708,355	96%
Wayne	County	339,789,370	$ 115,162,318	34%
Westland	City	25,932,032	$ 7,198,072	28%
Wyoming	City	13,155,842	$ 1,184,941	9%

Surveys of local government leaders across Michigan also provide insight into where the remaining $2.5 billion of as yet unobligated funds could be directed. Local leaders surveyed in spring 2023 report that their ARPA SLFRF spending plans are largely unchanged from 2022, with a majority statewide (53 percent) planning SLFRF spending on capital improvements to facilities such as public buildings, public parks, etc, followed by roads and other transportation infrastructure (38 percent), water and sewer infrastructure (31 percent), and public safety (27 percent) (U-M CLOSUP, 2023). These projects can take additional time to plan, especially if local leaders plan to coordinate funds with other federal and state grant sources.

2022 Recovery Plan Performance Reports:

Initial recovery fund spending plans for the state and its largest local governments through the end of 2022 give additional context as to where the remaining funds could go. In addition to the P&E Reports required by Treasury on a Quarterly and Annual basis, 10 Tier 1 local units in Michigan are required to release an additional annual Recovery Plan to the public. These plans are performance reports that provide information to each unit's constituents on projects and investments these governments are undertaking or planning to undertake with program funding to respond to the pandemic and promote an equitable economic recovery. There is significant variation in how Michigan's largest governments are prioritizing these grant funds.

The Center reviewed the ARPA websites to learn the extent the 10 largest governments are communicating with their constituents about the SLFRF awards two years into the program. As of July 2023, not all of these governments have a dedicated web page for SLFRF planning. However, those with websites provide information on spending priorities, community input, projects submitted for consideration and projects selected for funding, and required recovery performance reports. There is also a wide range in the level of information these localities are providing about their SLFRF investments in their 2022 Recovery Reports. The City of Detroit's 2022 recovery report of nearly 400 pages on how the city is investing the $826.7 million award provides the public useful information about the projects, as well as project timelines, each project's long-term goals, expected outputs and planned outcomes of the project. At the other end of the range is Macomb County's 9 page report that relayed that the county has not obligated any of its $169.7 million award. Using the recovery plan documents and websites (see Table 3 earlier in this document), Table 9 provides summaries of obligations and major spending priorities as referenced in recovery plans and media outlets to date.

Table 9: Tier 1 Awards and Major Project Investment Plans

Government Unit	**Award (millions)**	**Major Project Investments**
Oakland County	$244.2	Mental health services for adults and students $23.6M; $10M affordable & unhoused housing; $18M business consultants to provide counseling and technical assistance.
Kent County	$127.6	Established new Chief Inclusion Officer position in the Kent County Administrator's Office and is a member of the SLFRF planning & implementation team; $17.5M affordable housing "revolving housing fund"; $15M greenways/parks includes $6M for 40 plus mile paved trail along the Grand River corridor. The current Greenway plan will connect from the Lake Michigan shoreline to the eastern Kent County border in Lowell , $4M Domestic Violence Community Coordinated Response Team.
Washtenaw County	$71.4	$7M Construction of a recreation center; $14M "Last mile" high speed broadband services for unserved/underserved households; $2M childcare; $3.8M every public-school student Childhood Savings Account in their name to address educational disparities; $8M Community Priority Fund.
Genesee County	$78.8	$8 million for Demolition partnership with Genesee County Land Bank and city of Flint. The Genesee County Land Bank Authority (GCLBA) is currently in possession of over 4,000 unoccupied properties and intends to demolish up to 2,410 vacant or abandoned structures that are unfit for sale or occupancy; Rent/mortgage assistance $2M; $14.9M for water/sewer infrastructure projects partnered with other local units of government.
Kalamazoo County	$51.4	$5M for new Behavioral Health Urgent Care and Access Center will allow police officers and EMS personnel to drop people off to see mental

		health clinicians when it is determined that behavioral health treatment would be appropriate; $9.2M premium pay for public sector employees.
Ingham County	$56.8	$8.25M for 360 small business owners; $1M for 162 households for mortgage/utility assistance & $1.1M 219 households for direct assistance; $750,000 toward the development of neighborhood health center
Ottawa County	$56.6	Governmental services including $39.7M in payroll expenses for departments that provide public safety services, court services, prosecuting attorney services, and county clerk services; $7.5M early childhood centers; $6.3 county parks.
Macomb County	$169.7	Up to $170M for a new jail intake center that is part of a future new jail project.
Wayne County	$339.7	$50M for job training and workforce development; $20M for Joe Louis Greenway creating a recreational path totaling 27.5 miles that will connect neighborhoods previously separated by freeways and discontinuous transit; $25 million for investments in several Wayne county communities infrastructure projects.
Detroit	$826.7	$95M blight remediation of commercial and industrial properties; $105M Employment and Job Creation for skills for life employment (work and education), intergenerational mentoring and senior employment, and IT jobs and careers access; $41M Parks, Recreation, and Culture for green initiatives, parks, walking paths, streetscapes, and arts and cultural investments; $67M Intergenerational Poverty; $80M Neighborhood Investments including Community Health Corps and targeted employment and wraparound services, including community-based gun violence intervention initiatives.

In short, much of the planning for SLFRF usage has already occurred, with only the largest units left with substantial funds to allocate. It is possible that these remaining funds may go to subcontractors within the community, as local units engage locals to come up with ideas for remaining funds, but it is more likely that officials already have planned and ear-marked ideas for money remaining and not reflected in this latest batch of Treasury data.

Phase 1 could be summarized as pandemic relief and early planning, phase 2 comprised much of the logistics of community planning, with the most important and pressing projects sorted first. Phase 3 is largely a continuation of trends previously observed, with communities looking to leverage funds for the health of their communities into the future, knowing that this kind of money may come by once-in-a-lifetime.

Drivers and Challenges of Obligated Spending to Date

Drivers: Program Realities and Community Needs

There are numerous factors that influence why certain expenditure categories have been prioritized over others. The structure of the program itself, including visibility of initial roll-out, involvement of local governments in Treasury's design of the expenditure categories and reporting protocols, and capacity of each unit to understand and comply are one piece. There are also considerations such as the economic environment that decision makers are operating in, community involvement and needs, as well as the institutional structure and political environment of the individual recipient governments themselves. An assessment of these factors on spending decisions is informed by review of recovery plans and expenditure data reported to the Treasury, interviews with government officials, surveys of decision makers, media reporting of spending, and reports issued by interested parties.

At current time, it appears that the SLFRF revenue loss provision may be the single most influential reason why government services (revenue replacement) spending accounts for such a large share of SLFRF reported commitments and expenditures. Because funds categorized as revenue replacement are free from many of the usage restrictions and reporting requirements that are attached to other SLFRF expenditure category dollars, revenue replacement funds are easier for governments to appropriate and spend. The Treasury has strongly indicated that the most appropriate spending category for recipients that were awarded under $10 million is revenue replacement. Beyond this obvious motivator, decision making seems largely centered around the non-recurring and short-term nature of the funds and the necessity of community input.

The SLFRF program was enacted during a pandemic and program funds are required to be spent within a specific time frame several years later, with the intent to give municipal and county governments the chance to make meaningful, forward-looking investments in the community. Local units were encouraged to think of this as a one-time opportunity to invest in their community, leverage funds with other monies and surrounding partners, and to take time to solicit input on project investments from their community members. Some designed processes to receive and evaluate community input for ARPA projects. For example, Kent County established a community engagement dashboard[7] that shows community priority ranking for each funding type group and captures a catalog of community ideas for spending of the county's $127.6 million. Community health followed by quality of life emerged as the top priorities among respondents. To gather public input on spending priorities from as many Detroit residents as possible, the city of Detroit held dozens of community meetings and administered a survey (Federal Reserve Bank of Chicago, 2022). The top funding priorities for the $826.7 million identified from the survey were rebuilding neighborhoods and fighting intergenerational poverty[8]. Emmet County sent out a survey to residents about how they would like to see the county's $6.4 million in ARPA funding spent. Workforce housing, childcare and transportation were the top priorities voiced by county residents.

Community members also advocated for themselves. For example, parents in Marquette County formed an advocacy group and lobbied the county commissioners who initially appeared not to be supportive of using ARPA funds for childcare. But the parent group eventually prevailed and the county is designating $200,000 of its $12.9 million for childcare. Creative Washtenaw, an advocate for the arts and creative industries within the county region, asked the city of Ann Arbor to put $2.4 million of their $24.2 million award toward the support of artists and art organizations. The group was awarded $500,000 to administer a grant program[9].

Community members are not the only ones lobbying for funds. Many Michigan counties have road commissions and these agencies used various methods to secure funds including working with all the townships in a county to pass a resolution to support ARPA money going to the road commission or road commission staff attending commission meetings and making a direct ask to the county commissioners. Small businesses in Detroit are getting $9 million of direct

[7] https://kentcountyarpa.com/dashboard/
[8] Detroit Recovery Plan 2021.
[9] https://creativewashtenaw.org/ann-arbor-american-rescue-plan-grant-program/

financial support through Detroit Means Business (DMB), a small business service initiative housed within the Detroit Economic Growth Corporation (DEGC)[10].

Challenges: Economic Conditions and Capacity Issues

While project planning is well underway, significant challenges have emerged when it comes to actually spending the money. There are multiple challenges at play with obligating these funds, including capacity constraints for those local governments used to less resources in general, as well as issues related to the current economic climate. In Michigan, local governments have approximately 20,000 fewer employees than a decade ago, as well as a construction sector with thousands of fewer jobs. These realities, in addition to rising wage costs, have serious implications for how local governments, especially small local governments, are capable of getting things done (Scorsone, Schulz, and Klammer, 2023).

A spring 2023 survey of Michigan local government officials highlighted these issues. A majority of Michigan local governments statewide reported problems with inflation and other cost challenges in their ARPA projects (63 percent). Additionally, local leaders from the state's smaller jurisdictions —those with 5,000 residents or fewer—are the most likely to say that their governments have problems navigating state and federal bureaucracies for their ARPA funding, with half saying it is somewhat of a problem (32 percent) or a significant problem (18 percent) (U-M CLOSUP, 2023).

These results echo the issues uncovered in informal interviews conducted by the Center. Local governments are having a difficult time contracting out work, even when the money is there. Per the survey, 56 percent of respondents reported problems with other procurement issues such as lack of available contractors and supply chain challenges.

With so many challenges, it is unsurprising that collaborative efforts have decreased since 2022. Per MPPS, "Only 15% of local governments statewide report engaging in regional or multi-jurisdictional collaboration on ARPA projects, down from 20% in 2022. Counties (21%) and

[10] https://detroitmi.gov/news/detroit-means-business-gets-9m-arpa-boost-provide-financial-support-citys-small-businesses

jurisdictions with over 30,000 residents (30%) were the most likely types of governments to say they were engaged in such collaboration on ARPA projects this year."

Not every local government that received ARPA funds has reported to the Treasury about their use of program funds. According to the Treasury's reporting guidelines, if a locality is found to be late and not in compliance with its grant reporting requirements, this could result in a "finding of noncompliance, which could result in development of a corrective action plan, or other consequences" (U.S. Department of Treasury, 2023c). Approximately 400 Michigan units have not yet submitted an annual Project and Expenditure report. A possible reason for the delay in reporting may be partially attributed to the Treasury call support help desk being scaled back and closed beginning in October 2022. It was reopened in late February 2023. State government should be aware of this situation and know potential consequences.

Confusion and capacity constraints may not be the only reason some local units are not reporting out information about their use of program funds. Politics and the political climate are also contributing factors. For example, late in 2022, the legislative body of one of Michigan's most populated counties had just learned of the county executive's decision as to how he had decided to spend all of the $170 million ARPA award. County commissioners said that they should have been part of the decision process. In July 2023, after the state made $40 million available to the jail project, the commission voted to spend the majority of the program funds on the jail. The remaining $40 million of ARPA money will go towards public works projects to improve drainage and reduce sewage overflows into Lake St. Clair. In this case, it seems that political differences could be worked out and spending decisions agreed in order to meet the spending deadlines of the SLFRF program.

Relief at the Right Time: Lesson Learned

The $4.4 billion of ARPA SLFRF funds offered to all of Michigan local governments represents the single largest, most broadly distributed direct federal aid package since the General Revenue Sharing program of 1972 until it was eliminated in the mid 1980s. Both programs provided direct federal grants to local units based on population size and other factors with local discretion about their spending priorities. Given the emergency nature of the SLFRF and the speed at which the program was released, Congress relied heavily on the GRS program template. In order to create universally permissible expenditures, adjustments to the program through enhancements to the revenue replacement rules resulted in the near elimination of spending limitations of program funds. Similar to the initial years of spending under the GRS program, reported spending of SLFRF allocations are going towards government operations as opposed to infrastructure investments. However, the SLFRF flexible reporting rules allow local units to report investment in infrastructure projects as spending on government operations, reporting of infrastructure projects may be under-represented in the Treasury data.

Unlike the Coronavirus stimulus checks and business loans intended to stimulate the economy in the face of a recession, the State and Local Fiscal Relief was intended for just that— relief. It is well-known that local municipalities in Michigan have been struggling for some time (Kleine and Schulz, 2017; Kleine and Schulz, 2018). Shifting economic conditions in Michigan over the last several decades have left many communities behind, facing fiscal distress and insolvency. These localities received some of the largest SLFRF grant awards. For instance, the City of Flint budgeted $55 million in general funds revenues for FY 2019 and its relief award was $94.7 million. For those local governments who have not faced the severe economic consequences due to deindustrialization, none were in any position to anticipate and fully respond to the impacts of a global pandemic. The impact of the shut-downs and unprecedented pressure on social services further stressed the community resources millions of Americans rely on for their day-to-day health and well-being.

While direct-to-consumer payments like the stimulus checks enable individuals to purchase the goods and services needed, they do not address instances where those goods or services are simply not available– often the case in rural or underserved communities across Michigan.

SLFRF resources enabled localities to hire and retain workers throughout the tumultuous months of the pandemic. The SLFRF was designed to shore up integral community foundations– many of which had been cracking long before the pandemic.

This kind of local fiscal assistance is uncharted territory for today's leaders. Since the 1980s, the federal government has almost exclusively utilized block grants as a form of aid to local governments. These grants require that local units apply for them, often requiring a fair amount of resources up front to do so, and only cover specific projects. The SLFRF, by contrast, allows individual community members and leaders broad discretion about how funds should be spent.

The SLFRF gives local governments control over decisions regarding what projects need to be tackled first, which needs are most urgent, encouraging community input along the way. This degree of individual choice is reflected in the wide variety of projects chosen, from road and school repairs, to broadband initiatives across townships, to individualized employment and rent assistance. Some municipalities built parks that would never have existed otherwise, or were able to save historic buildings for municipal uses. Others could address urban blight and the associated problems of housing and food insecurity. All of these examples help set communities up for healthier, more economically secure futures.

The SLFRF is not immune to criticism. Like any other spending program, opinions of what constitutes or should constitute appropriate use remain controversial. The adjustments made between the Interim Final Rule and the Final Rule reflect Treasury's attempts to most closely match the goals of the Act with the capabilities and needs of the local governments. Subsequent legislation further shifts potential avenues for how funds may be leveraged and used, again reflecting the widespread interests of those advocating for how funds could be used.

While it is still too soon to fully calculate the fiscal impact the SLFRF relief has had for Michigan's local governments, it is clear that the massive cash infusion the SLFRF presented for local governments has placed them in a markedly different situation than following the 2007-2009 fiscal crisis. These funds helped to assuage local leaders fears of what would happen to their communities in an uncertain economic environment. In part due to these funds, the budget cuts and austerity measures most governments dealt with due to diminished revenues following the Great Recession is not the situation these same governments face today. Instead of facing layoffs and the continued effects of budget shortfalls, local governments report capacity issues such as difficulty attracting and retaining employees and managing reporting requirements. It is not too early to acknowledge that the SLFRF relief can take some credit for this markedly different reality.

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