

**SENATE FISCAL AGENCY
 MEMORANDUM**

DATE: March 31, 2020

TO: Members of the Senate

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RE: Federal Stimulus Acts in Response to the Coronavirus Pandemic

The Federal Government recently has acted on three pieces of legislation intended to address the coronavirus disease 2019 (COVID-19) pandemic. The purpose of this memorandum is to briefly address the most notable aspects of those Congressional actions that affect the State of Michigan. This document does not encompass all facets of these Federal Acts. This memorandum provides an overview of the three Federal stimulus acts, House of Representatives bill (H.R.) 6074, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020; H.R. 6201, the Families First Coronavirus Response Act; and H.R. 748, the Coronavirus Aid, Relief, and Economic Securities Act (CARES) Act. In addition to each overview, this memorandum provides specific details of each of the three Acts. In total, the Federal Funds Information for States (FFIS) estimates the three stimulus acts will result in over \$5.6 billion of additional Federal funds allocated in Michigan.

OVERVIEW

House of Representatives bill 6074 was signed by the President on March 6, 2020, and is a supplemental appropriation for the Federal Departments of Health and Human Services (HHS), State, and the Small Business Administration (SBA), totaling \$7.8 billion. An additional \$500.0 million is appropriated for the Telehealth Services During Certain Emergency Periods Act of 2020 in Division B of the Act. Of these funds, \$3.1 billion is appropriated to the Office of the Secretary of HHS to supplement the Public Health and Social Services Emergency Fund, and \$2.2 billion is provided to the Centers for Disease Control and Prevention (CDC) to "prevent, prepare for, and respond to coronavirus , domestically or internationally", of which not less than \$950.0 million is provided for grants to, or cooperative agreements with, states, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health services providers. The Department of Health and Human Services announced initial awards to state and local jurisdictions on March 12 and Michigan's total awarded amount was \$15.3 million.

House of Representatives bill 6201 became law on March 18, 2020. This Act, the Families First Coronavirus Response Act, is divided into several major divisions addressing the following: nutritional waivers, emergency family and medical leave expansion and relevant tax credits, emergency unemployment insurance stabilization and access, emergency paid sick leave, and health provisions related to coronavirus tests, costs and cost-sharing. The item of greatest immediate impact to the State budget is a temporary 6.2% increase in Federal medical assistance percentages (FMAP). In Michigan, this increase will lead to an increase in Federal match of about \$177.0 million per quarter and a corresponding reduction in State General Fund/General Purpose (GF/GP) costs. The Act also includes \$1.0 billion to be distributed to individual state

unemployment trust funds, with \$500.0 million distributed within 60 days and the additional \$500.0 million distributed when state unemployment benefits increases 10% over the same quarter from the previous year. As such, Michigan likely will receive around \$16.4 million within the next 60 days.

House of Representatives bill 748, the CARES Act became law on March 27, 2020. The CARES Act appropriates \$2.0 trillion in Federal appropriations with the most immediately notable impact for the State being a \$150.0 billion Coronavirus Relief Fund for states, local units of government, territories, and tribal governments. These funds must be used for expenses incurred because of the coronavirus health emergency. Of the total funds, \$139.0 billion is available to states based on population, with a minimum of \$1.25 billion per state. In total, Michigan is anticipated to receive approximately \$3.8 billion from these resources. Local government funds for municipalities with a population in excess of 500,000 are eligible for a portion of these funds allocated to Michigan, reducing the amount directed to the State. The City of Detroit, Wayne County, Oakland County, Macomb County, and Kent County are eligible for these funds. The Act includes numerous other changes, including refundable tax credits against 2020 individual income tax liabilities and \$30.75 billion for the "Education Stabilization Fund" to "prevent, prepare for, and respond to coronavirus, domestically or internationally".

H.R. 6074 DETAILS

Title II: SBA Disaster Loans Program Account. The Act appropriated \$20.0 million for the Economic Injury Disaster Loan (EIDL) Program to allow loans for entities affected by COVID-19. Economic Injury Disaster Loans generally are available to small businesses, small agricultural cooperatives, and private nonprofit organizations. The loans can provide up to \$2.0 million to help meet financial obligations and operating expenses that could have been made had the disaster not occurred. The loans are made by lenders certified by the SBA and guaranteed by the Federal government. The interest rate must be no more than 4.0%, and the repayment term is determined by the borrower's ability to repay the loan (although no more than 30 years). Finally, EIDL assistance is available only to small businesses that the SBA determines are unable to obtain credit elsewhere.

To the extent that recipients of the loans can keep businesses and other organizations open and maintain payroll, the State will avoid a reduction in business tax and income tax revenue. Also, the State may avoid a reduction in consumption taxes that likely will accompany reduced spending by laid-off employees or employees and owners with reduced income.

Title III: CDC-Wide Activities and Program Support - Grants to States for Preparedness and Response Activities. The Act includes \$950.0 million through the end of fiscal year (FY) 2021-22 for grants to states for public health activities tied to COVID-19 including disease surveillance, epidemiology, lab capacity, infection control, mitigation, communication, and other preparedness and response activities. This equates to about \$30.0 million for Michigan to be available over the next two and a half years. Half of the money will be made available by early April 2020.

Title III: Public Health and Social Services Emergency Fund. The Act includes \$3.1 billion (with an additional \$300.0 million in reserve) to be available through the end of FY 2023-24 to support countermeasures and vaccines for COVID-19 including therapeutics, vaccines, diagnostics, supplies, equipment, and surge capacity. This funding generally will not be allocated to the states directly but may be used for preparedness grants at the State and local level.

H.R. 6201 DETAILS**Division A - Second Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020**

Title I: Women, Infants, and Children (WIC) Food Program. The Act includes \$500.0 million in increased funding for WIC through the end of FY 2020-21. Generally, absent other information, the Senate Fiscal Agency (SFA) assumes 3.0% of Federal funding goes to the State of Michigan. However, FFIS has estimated that the State of Michigan will receive \$12.5 million in additional WIC funding over the next 18 months. The current FY 2019-20 WIC appropriation in the Michigan Department of Health and Human Services (MDHHS) budget is \$231.3 million.

Title I: Commodity Assistance Program. The Act includes \$400.0 million in funding for this United States Department of Agriculture (USDA) program that purchases commodities for distribution to elderly and low-income individuals. In addition, H.R. 748 (the CARES Act) includes \$450.0 million for emergency food assistance programs and commodities.

Title V: Senior Nutrition. The Act includes \$250.0 million in funding through the end of FY 2020-21 for home-delivered meals for seniors (\$160.0 million), congregate meals for seniors (\$80.0 million), and nutrition services for Native Americans (\$10.0 million). In addition, H.R. 748 (the CARES Act) includes \$480.0 million for senior nutrition. All of these funds, with the exception of the \$10 million for Native American nutrition services, is expected to flow through states to local aging agencies. The FFIS estimates that Michigan will receive \$15.2 million for home-delivered meals and \$7.6 million for congregate meals over the next 18 months. The total appropriation for senior nutrition services (which includes both home-delivered and congregate meals) in the MDHHS budget is \$42.3 million.

Division B - Nutrition Waivers

Title III: Supplemental Nutrition Assistance Program (SNAP) Expansion. The Act increases SNAP benefits to households that contain at least one member who is an eligible child attending a school that was closed for at least five consecutive days during a public health emergency designation during which the school otherwise would have been in session. Since this school closure criteria applies to the entire state of Michigan, there likely will be a large expansion of benefits to existing cases as well as new cases.

The Act designates the United States Secretary of Agriculture to approve standards of eligibility and levels of benefits in State SNAP agency plans. At this time, the MDHHS has not updated the Food Assistance Program (FAP)—which is what Michigan calls SNAP—eligibility or benefit amounts. The funding amount is uncapped under the Act as Congress appropriated amounts necessary to carry out this section. It is not known what the total number of cases or the amount necessary to fund this expansion of benefits, but there is no GF/GP cost to the State as FAP is entirely federally funded. For FY 2019-20, the appropriated amount was \$1.76 billion Gross. As of February 2020, there were 1.2 million recipients enrolled in the FAP program with a total of \$677.1 million expended. The largest recent recipient total for the FAP program was in FY 2008-09 with approximately 2.0 million recipients. The largest FAP expenditure total was in FY 2010-11 with a total of approximately \$3.1 billion Gross.

Title III: SNAP Waivers and Lifting of Work Requirement. The Act allows the Secretary of Agriculture to permit waivers for several variances from current law including an allowance for

noncongregate feeding of school lunches and the adult care food program, waiving the physical presence reporting requirements for WIC, lifting the SNAP work eligibility requirements, disregarding nonworking periods during the crisis from the work eligibility requirements, and providing additional flexibilities for the Secretary for benefit levels and reporting requirements.

Division D - Emergency Unemployment Insurance Stabilization and Access Act of 2020

The Act includes expansion and increases to unemployment benefits to individuals who are laid off or become unemployed. Currently, Michigan requires an individual to show a history of working and earnings during a full one-year period (the base period) before the full quarter an individual applies for unemployment insurance. Additionally, the individual must have earned at least \$2,871 during one quarter of the base period, which is an average of 30 hours a week at the State minimum wage for one quarter. The weekly benefit for an eligible worker then is calculated at 4.1% of what was earned during the highest quarter of the base period, with an additional \$6 per week per dependent, for a maximum benefit of up to \$362 per week. Michigan currently allows up to 20 weeks of unemployment benefits by statute; this was increased to 26 weeks under Executive Order 2020-24.

The Act provides an additional \$600 per week to all unemployment claimants for up to four months including individuals who applied for unemployment benefits after January 31, 2020. It then expands the number of weeks that a claimant can receive unemployment benefits from 20 weeks to 26 weeks, with an additional 13 weeks in expanded benefits. Additionally, the Act expands the categories of individuals who qualify for unemployment benefits to individuals who were self-employed, gig-workers, independent contractors, freelancers, part-time workers, and furloughed employees who are no longer able to work because their employers have closed or reduced operations. Individuals who currently do not qualify for unemployment benefits but will under the eligibility expansion will receive at minimum 50% of the State average payouts as the base weekly allotment. In 2019, the average weekly benefit to unemployment insurance claimants was roughly \$315 per week, which means these individuals will receive roughly \$157.50 per week. This is in addition to the \$600 dollars per week described above.

The Act provides Federal support for the \$600 in additional dollars per week and the additional 13 weeks in extended benefits. It does not directly allocate appropriations to each state to support these benefits, only the guarantee of support.

The State will have to pay the standard payment to current claimants and newly eligible individuals for up to 26 weeks. Executive Order 2020-24 already allows individuals to receive up to 26 weeks of unemployment benefits as of March 16, 2020, which was estimated to increase total payments 14% from \$760.0 million to \$970.0 million. The week ending March 21 experienced a 123,000-case increase from the previous week in initial unemployment claims, which represents individuals who previously qualified for unemployment benefits. This will mean an increase of between \$38.7 million and \$44.5 million in additional weekly benefits paid out. With the expanded eligibility for individuals, additional claimants likely are to be a mix of previously and newly eligible claimants, which could mean an additional \$16.0 million to \$32.0 million in additional pay-outs for every 100,000 claimants per week. Executive Order 2020-24 requires benefits paid out during the duration of the executive order to be charged to the State's nonchargeable account, which is capped at 1.0% of wages. This will limit the total unemployment insurance taxes assessed on employers, which will result in less total revenue collected by the Michigan Unemployment Trust Fund. This means there may be a net reduction in the Trust Fund balance for the duration of the Executive Order and the changes to the unemployment benefits in the Act.

Michigan's Unemployment Trust Fund had a fund balance of \$4.6 billion at the end of the fourth quarter of 2019, which was the third highest state trust fund balance in the country. The Trust Fund can sustain an average weekly net negative of up to \$176.9 million per week over the next 26 weeks and remain solvent. It currently is unknown how many individuals will apply and receive unemployment benefits or how many weeks they will receive benefits, but the Michigan Unemployment Trust Fund could maintain a significant increase in unemployment benefit payouts and maintain solvency.

The Act allocates \$1.0 billion to be distributed to individual state unemployment trust funds, with \$500.0 million distributed within 60 days and the additional \$500.0 million distributed when state unemployment benefits increase 10% over the same quarter from the previous year. The distribution is based on the proportion of unemployment insurance tax revenue generated for each state in the previous 60 days. In the fourth quarter of 2019, Michigan businesses generated 2.2% in unemployment revenue out of the total revenue generated in the United States. This means the State will receive around \$11.0 million within the next 60 days. Since weekly initial unemployment claims increased 123,000 cases from the previous week, the State likely will experience at least a 10% increase in unemployment benefits paid out from the previous year and will be eligible to receive the second deposit. Up to 50% of this money may be used for administration (\$11.0 million), which represents a 10.5% increase from current Federal revenue projections for the Michigan Unemployment Insurance Agency, which is estimated at \$105.0 million. Currently, the FY 2019-20 budget authorizes up to \$140.0 million in Federal revenue for the Unemployment Insurance Agency, which means authorization will not be required to appropriate those additional dollars for administration.

Division F - Health Provisions

Coverage of COVID-19 Testing. Health insurers (including Medicare, Medicaid, and the State Children's Health Insurance Program (SCHIP, i.e. MiChild)) must cover testing (and the corresponding office visit) for people with COVID-19 infection without any cost sharing being imposed. This will lead to a minor increase in the overall net cost of COVID-19 on health insurers and the Medicaid and Medicare programs as not just the test and office visit will be covered but, unlike the case with most other disease testing, there will be no cost-sharing and the insurer will cover the entire cost.

Funding to Support COVID-19 Items and Services for Uninsured Individuals. The Act includes \$1.0 billion to reimburse providers for these services to uninsured individuals. This money will not flow through state governments.

FMAP Increase. The Federal Medicaid "FMAP" match rate will increase by 6.2% retroactive to the beginning of the fiscal quarter in which the emergency was declared (January 1, 2020), extending through the final quarter of the emergency. Furthermore, the SCHIP match rate, which is indirectly tied to the FMAP, will increase by about 4.2%. In Michigan, this increase will lead to an increase in Federal match of about \$177.0 million per quarter and a corresponding reduction in State GF/GP costs. Assuming the emergency lasts into the third calendar quarter of 2020, the State will see a reduction in GF/GP costs of \$531.0 million. If the emergency continues into FY 2020-21 the State would see a continued reduction of GF/GP costs in that fiscal year as well.

Conditions on the FMAP Increase. The Act includes conditions on the FMAP increase and those conditions will lead to cost increases for State Medicaid programs. Eligibility standards cannot be changed, premiums cannot be increased, COVID-19 cost sharing cannot be imposed,

and cases cannot be closed during the emergency unless the Medicaid client dies, leaves the State, or voluntarily disenrolls from the program.

The eligibility standards provision will restrict the ability of states to reduce Medicaid costs. The limits on case closures will cause growth in the caseload with significant costs. There usually are over 110,000 Medicaid case closures per quarter. That may lead to a caseload increase of 220,000 by the end of FY 2019-20. There are a number of reasons why this figure is overstated: 1) many of the people who leave Medicaid return to the rolls when their family income declines; 2) some of the case closures are due to leaving the State (which is exempted in the legislation); and 3) some of the case closures are due to death (also understandably exempted in the legislation).

About 1.3% of Michigan's population moves out during a year and 1.0% pass away. While the demographics of the Medicaid caseload may lead to different averages for Medicaid versus statewide, the global data imply that about 13% of Medicaid case closures are due to moving away or passing away.

Estimating the number of cases that are duplicated (i.e., a case that closes then reopens a few months later) is a separate challenge. But, assuming that this is a nontrivial factor and assuming some voluntary case closures, it seems that the caseload increase will be in the 100,000-150,000 range at the end of the next six months (that is, at the end of FY 2019-20).

For the sake of convenience, the SFA will use a caseload increase figure of 120,000. It should be noted that this will phase in (an increase of 20,000 in April, 40,000 in May, etc.) leading to an increase in member months of just over 1.1 million or an average caseload increase for the entirety of FY 2019-20 of about 90,000 cases. It appears that these will be less expensive cases, many of whom will be children (and of course 25,000-30,000 of these cases will be Healthy Michigan Plan (HMP) cases with a match rate of 90.0% Federal). As such, a figure of \$4,000 per case appears to be reasonable, leading to a Gross cost increase of \$360.0 million and, when the HMP case mix and enhanced FMAP are applied, a GF/GP cost increase of \$90.0 million. This estimate of \$360.0 million Gross and \$90.0 million GF/GP is based on a number of assumptions that may vary, so these amounts could fluctuate greatly. However, a caseload increase because of the limitations on case closures is nearly certain.

The caseload increase in FY 2020-21, if the COVID-19 emergency continues, will be much larger as the initial increase on October 1, based on the above analysis, will be 120,000. This amount will continue to climb throughout that fiscal year as long as the emergency continues.

Overall, the change in the FMAP will lead to a large reduction of GF/GP Medicaid expenditures, offset to a noticeable degree by the limitations on closing cases.

H.R. 748 DETAILS

Division A - Title I: Direct Appropriations

Grants to Hospitals and Certain Other Health Care Providers. The Act provides \$100.0 billion to be expended through grants or other mechanisms to eligible health care providers for health care-related expenses or lost revenue attributable to the public health emergency resulting from COVID-19. For the purposes of the Act, "eligible health care provider" is defined as a hospital, public entity, not-for-profit entity, Medicare and Medicaid enrolled supplier, or institutional provider

that provided diagnoses, testing, or care for individuals with diagnosed or presumed cases of COVID-19. These payments will not run through the State, rather eligible health care providers must submit an application to the Secretary of Health and Human Services that includes a statement justifying the funding need. Because grants will flow directly to eligible health care providers, there will be no direct impact on the State; however, it is estimated that the statewide impact on health care providers could be approximately \$3.0 billion.

Title II: Assistance for American Workers, Families, and Businesses

Paycheck Protection Program. The Paycheck Protection Program is a loan program for small businesses and certain other organizations to provide short-term cash flow assistance during the covered period, which is from February 15, 2020, through June 30, 2020. Loans will be made by lenders certified by the Small Business Administration and guaranteed by the Federal government. Loans generally will be available for businesses, nonprofit organizations, veterans organizations, and tribal business concerns with fewer than 500 employees, including sole proprietorships, self-employed individuals, and independent contractors. There are certain exceptions, including for businesses in the accommodation and food service sectors.

The maximum loan amount is 250% of average monthly payroll costs, determined either by the average monthly payroll cost of the one-year period before the loan origination, or, in the case of seasonal businesses, the monthly average for the 12-week period beginning either February 15, 2019, or March 1, 2019, at the election of the eligible recipient. (Payroll costs include employee compensation not exceeding \$100,000 annually, prorated for the covered period, and compensation to or income of a sole proprietor or independent contractor not exceeding \$100,000 annually, prorated for the covered period.) Alternate calculation methods are available for businesses that were not in business in the period of February 15, 2019, through June 30, 2019.

In addition to the above amount, a borrower that received an Economic Injury Disaster Loan after January 31, 2020, may refinance that loan under the Paycheck Protection Program. The maximum loan amount for any eligible organization can be no more than \$10.0 million.

Loan proceeds can be used for employee related costs (payroll, health care, sick leave, etc.), interest on a mortgage or rent, utilities, and interest on other debt obligations incurred before the covered period.

The loans do not require a personal guarantee, nor is collateral required. Also, the Program waives a requirement that an organization demonstrate that it cannot obtain credit elsewhere. The loans may not have an interest rate more than 4.0%. Payments must be deferred for at least six months, but no longer than one year.

The loan principal may be forgiven under certain circumstances. The amount forgiven will be the amount of eligible costs incurred in the eight-week period beginning on the loan date, but no more than the original principal amount of the loan. To receive the full amount of loan forgiveness, the borrower generally must maintain the same number of employees it had before February 15, 2020, and salary or wages of each employee of at least 75% for the covered period. There are exceptions for employers who previously laid off workers but eliminate the reduction before June 30, 2020. If a borrower does reduce its total employment, the maximum loan forgiveness will be reduced essentially by the percentage reduction in average employees during the covered period. It will be further reduced by the total salary reduction more than 75% of any employee (with a salary no more than \$100,000 per year) during the covered period. Also, borrowers with tipped

employees may receive forgiveness for additional wages paid to those employees during the covered period.

To the extent that recipients of the loans can keep businesses and other organizations open and maintain payroll, the State will avoid a reduction in business tax and income tax revenue. Also, consumption taxes may avoid a reduction that likely will accompany reduced spending by laid off employees or employees and owners with reduced income.

Recovery Rebates for Individuals. There is a refundable tax credit against 2020 income tax liability in the amount of \$1,200 (\$2,400 for joint filers), with an additional \$500 per qualifying child (no maximum number of children). The credit is reduced for individuals with adjusted gross income greater than \$75,000 (\$112,500 for head of household, \$150,000 for joint filers) by 5.0% of the income above the threshold until the credit reaches \$0. Since the payment is an advance of an income tax credit, the payment generally will not increase the tax liability of individuals who receive it.

Eligibility is based on 2019 tax return data. If an individual has not filed a 2019 tax return, 2018 return information will be used. If neither return has been filed, 2019 information will be used from Form SSA-1099 (Social Security Benefit Statement) or Form RRB-1099 (Social Security Equivalent Benefit Statement). Nonresident aliens, anyone who can be claimed as a dependent on someone else's tax return, and estates or trusts are excluded from receiving a credit.

Refunds will be advanced as rapidly as possible. Payments will be made electronically to any account a taxpayer authorized to receive a tax refund or to make a payment on or after January 1, 2018. Other eligible individuals will have checks mailed to their last known address. Within 15 days of distribution, a notice will be sent by mail to the taxpayer's last known address, letting the individual know how the payment was made, the amount of the payment, and a phone number to report any failure to receive it.

Since the payments are an advance tax refund and not income, they will generally not be subject to State income tax. However, if the payments are spent on taxable goods, that will lead to increased consumption tax revenue. Also, to the extent that the increased spending allows businesses to stay open and maintain workers, that will lead to a decreased reduction in business and income taxes, and decreased spending on social insurance, such as unemployment benefits.

Title III Part IV, Subtitle B - Education Provisions

The Act appropriates \$30.75 billion for the Education Stabilization Fund to "prevent, prepare for, and respond to coronavirus, domestically or internationally". The fund is divided into three main components, described below.

Grants to Governors and State Departments of Education. The first 9.8%, or roughly \$3.0 billion, is for grants to governors of states with an approved application. Allocations will be provided to each state based on their relative population of individuals aged 5-24 and on their relative number of elementary and secondary children. Funds may be used to provide emergency support through grants to schools that the state department of education deems to have been the most significantly impacted by coronavirus; to provide emergency support through grants to higher education institutions most impacted by coronavirus; and provide support to any other educational institution (higher education, school district, or other) that the Governor deems essential for carrying out emergency educational services, including the provision of child care

and early childhood education, social and emotional support, and the protection of education-related jobs. The FFIS estimate for Michigan from this component is \$89.7 million.

Grants to School Districts (Which Include Charter Schools). The next 43.9%, or roughly \$13.5 billion, is for elementary and secondary school emergency relief grants to each state department of education with an approved application. Grants to states with approved allocations will be in the same proportion as each state received under Title I, Part A. A state receiving a grant must allocate at least 90% of the grant to school districts in the proportion to the amount of funds each district received under Title I, Part A. A district may use the funds for the following:

- Any activity authorized by the Elementary and Secondary Education Act, the Individuals with Disabilities Education Act (IDEA), the Adult Education and Family Literacy Act, the Carl D. Perkins Career and Technical Education Act, or subtitle B of Title VII of the McKinney-Vento Homeless Assistance Act.
- Coordination of preparedness and response efforts to prevent, prepare for, and respond to coronavirus.
- Providing principals and other school leaders with the resources necessary to address the needs of their individual schools.
- Activities to address the unique needs of low-income children or students, children with disabilities, English learners, racial and ethnic minorities, homeless students, and foster care youth.
- Developing and implementing procedures and systems to improve the preparedness and response efforts of schools.
- Purchasing supplies to sanitize and clean facilities.
- Planning for and coordinating during long-term closures, including how to provide meals, how to provide technology for online learning to all students, how to provide guidance for carrying out IDEA requirements, and how to ensure education services can be provided consistent with all Federal, state, and local requirements.
- Purchasing educational technology.
- Providing mental health services and supports.
- Planning and implementing activities related to summer learning and supplemental after-school programs, including providing classroom instruction or online learning during the summer months and addressing the needs of low-income students, students with disabilities, English learners, migrant students, homeless students, and children in foster care.
- Other activities necessary to maintain the operation of and continuity of services in schools and continuing to employ existing staff of the school.

The remaining up to 10% of funding under this section is for emergency needs as determined by the state department of education to address issues responding to coronavirus, which may be addressed through the use of grants or contracts. A state department may reserve up to 0.5% for administrative costs. The FFIS estimate for Michigan for this component (both the 90% and 10% pieces) is \$389.8 million.

Higher Education and Community Colleges. The Act creates the Higher Education Emergency Relief Fund, which allocates about \$14.0 billion for institutions of higher education to defray costs

incurred directly and indirectly because of COVID-19.¹ The Fund will be divided into three primary parts. The FFIS estimates Michigan's share of these funds to be about \$347.3 million.

The first 90.0%, or about \$12.6 billion, will be distributed using same system as Federal funds are distributed under Title IV (Student Assistance) of the Higher Education Act of 1965. Seventy-five percent, or about \$9.4 billion of those funds, will be distributed based on full-time equivalent enrollment of Pell Grant students not exclusively enrolled in a distance learning program before the COVID-19 emergency. Twenty-five percent, or about \$3.1 billion, will be distributed based on full-time equivalent enrollment of non-Pell Grant students not exclusively enrolled in a distance learning program before the COVID-19 emergency. These funds will be used to prevent, prepare for, and respond to, COVID-19.

The next 7.5%, or about \$1.0 billion will be distributed under Parts A (Strengthening Institutions) and B (Strengthening Historically Black Colleges and Universities) of Title III (Institutional Aid), Parts A (Hispanic-Serving Institutions) and B (Promoting Postbaccalaureate Opportunities for Hispanic Americans) of Title V (Developing Institutions), and Part A (Graduate Education Programs) of Title VII (Graduate and Postsecondary Improvement Programs) of the Higher Education Act, distributed proportionately to the relative share of funding appropriated to those programs in the Further Consolidated Appropriations Act of 2020 (Public Law 116-94). Funds may be used to defray expenses incurred by institutions of higher education and for grants to students for any component of a student's cost of attendance including food, housing, course materials, technology, health care, and child care.

The final 2.5%, or about \$348.8 million, of the Fund will be distributed under Part B (Fund for the Improvement of Postsecondary Education) of Title VII of the Higher Education Act for institutions of higher education that the Secretary of Education determines have the highest unmet need relative to COVID-19. This money may be used to defray expenses incurred by institutions of higher education and for grants to students for any component of a student's cost of attendance including food, housing, course materials, technology, health care, and child care.

A local educational entity, the State, and institutions of higher education, or other entity that receives funds from the Education Stabilization Fund must continue to pay its employees and contractors during the period of any disruptions or closures related to coronavirus, to the greatest extent practicable.

A State applying for funds is required to include in the application assurances that the State will maintain support for elementary and secondary education, and State support for higher education (including operational funding and financial aid) in FY 2019-20 and FY 2020-21 at least at the levels of support that is the average in the three fiscal years preceding FY 2019-20. However, this maintenance of effort requirement may be waived by the Secretary of Treasury to relieve fiscal burdens on states that experience a precipitous decline in financial resources.

Title V: Coronavirus Relief Fund

The new Act appropriates \$150.0 billion in total, \$3.0 billion of which is reserved to make payments to the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the Northern

¹ This amount assumes that the Secretary of Education uses the full 2.0% of the Educational Stabilization Fund allocated under the Act for outlying areas, programs operated by the Bureau of Indian Education, and states with the highest coronavirus burden.

Mariana Islands, and American Samoa, and \$8.0 billion is reserved for payments to Tribal governments. The remaining \$139.0 billion is divided by population to the 50 states. No state shall receive a payment of less than \$1.25 billion. According to a preliminary analysis done by FFIS, Michigan will be eligible for over \$3.8 billion.

The payment to the state is reduced by an amount to give funding to eligible local units of government that have submitted a certification to receive direct payments. An eligible local unit is a county, municipality, town, township, village, parish, borough, or other unit of government below the state level with a population greater than 500,000. For the State of Michigan, eligible local units may include Detroit, Wayne County, Oakland County, Macomb County, and Kent County. The maximum amount a local unit is eligible for is the proportion of that unit's population divided by the whole State population, multiplied by 0.45. If all eligible local units in the State submitted certification and qualified for the maximum payment, the State share will be reduced by approximately \$787.0 million, leaving approximately \$3.1 billion directly to the State.

Local units of government may only use the funds under this section for costs that: 1) are necessary expenditures incurred because of the COVID-19 public health emergency; 2) were not accounted for in the most recently approved State budget as of the date of enactment; and 3) are incurred between March 1, 2020, and December 30, 2020.

This program gives money directly to the State and certain local governments, although the restrictions mean the money may only be spent on new costs incurred because of the COVID-19 public health emergency. The U.S. Treasury is expected to issue guidance soon regarding specifically what the funds can be used for, but currently it does not appear that the funds can be used to make up for lost revenue because of the COVID-19 public health emergency or related economic effects.

Division B: Emergency Appropriations for Coronavirus Health Response and Agency Operations

Title I: Agricultural Programs - SNAP Contingency Reserve. The Act provides \$15.5 billion into a contingency reserve necessary for the SNAP program, if program participation or costs exceed budget estimates to prevent, prepare for, and respond to coronavirus. The Act also appropriates \$450.0 million for the emergency food assistance program (TEFAP), which is a Federal program that helps supplement the diets of low-income Americans, including elderly people, by providing them with emergency food and nutrition assistance. Of this amount, \$150.0 million is dedicated for distribution costs.

TEFAP also provides administrative funds to State Distributing Agencies (SDAs) to support the storage and distribution of USDA Foods. The Michigan Department of Education (MDE) is the SDA for the State. Through TEFAP, the USDA purchases foods, including the processing and packaging, and makes it available to the MDE. The Department of Education provides the food to local agencies, usually food banks, which in turn distribute the food to local organizations, such as soup kitchens and food pantries that directly serve the public. Though each food package varies, each package includes protein, fruit, and vegetables. In FY 2019-20 the MDE is estimated to receive approximately \$20.5 million in food grant value for the TEFAP program. Based on previous year data, it is estimated that Michigan will receive approximately \$27.2 million of the \$850.0 million in food value made available under this Act and H.R. 6201. The FFIS estimate for Michigan for this component is \$27.3 million.

Title II: Department of Commerce - Economic Development Administration. The Act appropriates \$1.5 billion for local economic development assistance for affected industries and communities such as tourism and manufacturing supply chains, provide low interest loans, and other support. These dollars will be distributed based on the economic impact from COVID-19, which may include Michigan given the State's tourism and supply chain manufacturing industries. The funding may require local or private contributions for the economic assistance. The Michigan Department of Labor and Economic Opportunity may have to increase Federal authorization and/or provide matching dollars to appropriate additional Federal dollar received by the State.

Title VIII: Department of Labor - Employment and Training Administration. The Act allocates \$345.0 million for job training programs and services for dislocated workers, seniors, migrant, farmworkers, and homeless veterans. This includes funding for administration of these programs. This represents a 10% increase from current appropriations for these job training programs. If distribution follows current formulas, this represents an additional \$5.3 million to the State of Michigan. This increase will be within current appropriations in FY 2019-20 and will not require an increase in Federal authorization.

Title VIII: Department of Health and Human Services - State/Local Public Health Efforts. The Act includes \$1.5 billion for grants or cooperative agreements to States and other entities to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities. The Act requires that every grantee that received a Public Health Emergency Preparedness (PHEP) grant for FY 2018-19 receive not less than 100% of that grant level from funds appropriated in the bill. In FY 2018-19 the State received \$16,185,611 through the PHEP, from a total FY 2018-19 grant of \$622,858,200 (or approximately 2.5%). Additionally, the Act requires that \$125.0 million of this funding be allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes. Assuming that the State receives 2.5% of the remaining funding after accounting for the \$125.0 million for tribal entities and the \$622.9 million to fulfill the minimum grant level, it is estimated that the direct impact on the State will be approximately \$18.8 million.

The \$1.5 billion in funding for CDC does not appear to flow to the states, nor does the \$500.0 million for global disease prevention and emergency response, the \$500.0 million for public health data surveillance, or the \$300.0 million for the Infectious Diseases Rapid Response Reserve Fund.

Nursing Homes. The Act includes \$200.0 million for the Centers for Medicare and Medicaid Services, at least \$100.0 million of that is designated for assistance to nursing homes with infection control while prioritizing nursing home facilities with a high risk of contracting coronavirus through community transmission vectors. Since the funding will flow directly to eligible nursing homes, there will be no direct fiscal impact on the State, but the impact on nursing homes within the State is estimated to be approximately \$3.0 million to \$6.0 million.

Community Behavioral Health Clinics. The Act includes \$250.0 million to support the Certified Community Behavioral Health Clinic Expansion Grant Program. This program increases access to community mental health and substance use disorder treatment by expanding the number and quality of certified community behavioral health clinics. Currently there are seven certified community behavioral health clinics located in the State. Since this funding will be distributed as grants directly to community behavioral health clinics there will be no direct impact on the State, but the estimated impact on clinics within the State is approximately \$7.5 million.

Low-Income Home Energy Assistance Program (LIHEAP). This program provides funds to states to help low-income families pay their home energy bills. The Act makes some of the funding available for FY 2019-20 and the rest available for FY 2020-21. For FY 2019-20, the State's LIHEAP award is \$160.6 million Gross. It is estimated that the State will receive approximately \$39.5 million Gross of this supplemental funding. It is likely that the additional LIHEAP funding will be distributed through the existing LIHEAP processes. The FFIS estimate for Michigan for this component is \$12.3 million.

Child Care and Development Fund. The bill allocates \$3.5 billion for Federal child care development block grant, which is a 60% increase in current appropriations. This program funds the Michigan Child Development and Care program, which provides child care support to qualified families. The State of Michigan will receive around \$100.2 million in additional Federal block grant dollars. This money will be considered one-time funding that may be spent over the next three fiscal years.

The State of Michigan has maintained payments to child development and care providers for absent children and maintained child eligibility, which maintains current appropriation levels. The program has also extended maximum service hours for school age children to 90 biweekly hours, which is estimated to increase program appropriations \$11.4 million. The additional Federal funding may be used to maintain funding to child care centers, provide child care to essential employees regardless of income eligibility, for activities related to cleaning and sanitization activities necessary to maintain operations, and any other payments or reimbursements to prevent/prepare/respond to COVID-19. Federal authorization will need to be increased in the Child Development and Care program to appropriate any additional Federal dollars.

Community Services Block Grant (CSBG). The bill allocates \$1.0 billion for Federal community services block grant. The CSBG had not received a full year appropriation for FY 2019-20. The last appropriation was in FY 2018-19 of \$725.0 million, so the \$1.0 billion amount represents a 27.5% increase from the last full appropriation. This program funds the CSBG program is intended to focus on three overall (national) goals: reducing poverty, empowering low-income families and individuals to become self-sufficient, and revitalizing low-income communities. These funds are passed through from the state to local community action agencies (CAAs). Of the funds, 90% must be allocated directly to CAAs, with 5% reserved for administrative costs and the other 5% reserved for state discretionary funding. In FY 2019-20, the State appropriated \$25.8 million for the CSBG. Based on previous appropriations, it is estimated that the State will receive \$35.6 million in CSBG. The FFIS estimate for Michigan for this component is \$36.2 million.

Head Start. The bill appropriates \$750.0 million to Head Start and Early Head Start programs to meet staffing needs. This represents a 7.0% increase in current Federal appropriations to local providers. Unlike the Child Development and Care program, Head Start is administered directly to local providers. This means the dollars will flow immediately to providers without State involvement. In FY 2017-18, providers in the State of Michigan received \$330.1 million from the Federal Head Start program. If current formula distribution models are used, providers in the State may experience an additional \$25.8 million.

Child Welfare Services. The funds are authorized under Title IV-B of the Social Security Act, 42 USC 601 to 619. These funds may be used for child welfare services for the prevention of and response to child abuse and neglect. Additionally, there is funding to the family violence prevention and services funding. These funds will be provided without the normal condition of the

State providing matching funds. SFA estimates the State will receive approximately \$1.35 million Gross. The FFIS estimate for Michigan for these components is \$2.1 million.

Vaccines/Therapeutics Funding. The Act includes \$16.0 billion for the Strategic National Stockpile (supplies, personal protection equipment, life-saving medicine). This money does not appear to flow directly to states. The amount included for the Biomedical Advanced Research and Development Authority (which supports the transition of medical countermeasures, e.g., vaccines, drugs, and diagnostics from research through advanced development towards consideration for inclusion into the Strategic National Stockpile), \$3.5 billion, also does not appear to flow directly to states.

Hospital Preparedness Program. The Act provides \$250.0 million to be made available as grants or cooperative agreements to entities that have received grants through the Hospital Preparedness Program. This Federal program encourages the creation of regional health care coalitions to enhance the ability of a state's healthcare system to respond to large-scale public health emergencies. Given that Michigan received 2.3% of the total funding included in the FY 2018-19 Federal Budget (\$6,064,000 of \$264,555,000) and 2.4% of the total funding for the program (\$6,074,000 of \$264,555,000) in the President's proposed FY 2019-20 Federal Budget, it is estimated that the State will receive approximately \$5.75 million to \$6.0 million.

Ryan White HIV/AIDS Programs. The Act includes \$90.0 million for the Ryan White HIV/AIDS Program to modify and supplement existing grants and cooperative agreements. The Ryan White HIV/AIDS Program is a five-part program that provides grants to states and other entities to provide medical care and treatment to low-income people with HIV/AIDS to reduce transmission and improve health outcomes. Assuming that an increase in funding for the Ryan White HIV/AIDS Program will mirror the past distribution methodology, and given that Michigan received 1.4% of the total Federal funding for Part A and Part B of the program in the FY 2018-19 Federal Budget and in the President's proposed FY 2019-20 Federal Budget (\$28,296,000 of \$1,970,881,000), it is estimated that the State will receive approximately \$1.26 million.

Poison Control Centers. The Act provides \$5.0 million to increase funding for poison control centers to respond to increased calls and system strain. Michigan currently has one Poison Control Center located within Wayne State University as part of the University's Emergency Medicine Department. In FY 2019-20, the MDHHS budget includes over \$2.1 million Gross for the Michigan Poison Center. Funding under this portion of the Act will flow directly to the poison control centers, not through the State. Although there will be no direct fiscal impact on the State, it is estimated that the impact on the Michigan Poison Center will be approximately \$150,000.

Rural Critical Access Hospitals and Rural Health. Of the \$180.0 million included in the Act for telehealth and rural health activities, \$15.0 million is earmarked for tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes. The remaining \$165.0 million is for critical access hospitals, community health centers, telehealth networks, telehealth resource centers, and rural health networks to restore amounts incurred to prevent, prepare for, or respond to coronavirus. Because the funding will flow directly to eligible hospitals and centers, there will be no direct impact on the State; however, it is estimated that the statewide impact on eligible hospitals and centers will be approximately \$4.95 million. Additionally, the Act states that maintaining or increasing health center capacity and staffing levels to address coronavirus shall be an allowable use of the funding provided in FY 2019-20 for the Health Centers Program.

Senior Community Services. The Act includes \$200.0 million for Title III-B of the Older Americans Act, which supports senior community services delivered in Michigan through the Area Agencies on Aging. The FFIS estimates that Michigan will receive \$6.3 million in funding. The State appropriated \$46.0 million in funding for Senior Community Services in FY 2019-20.

Community Health Centers. The Act includes \$2.1 billion for community health centers (in addition to \$100.0 million included in H.R. 6074). The FFIS estimates that Michigan community health centers will receive \$35.8 million of this funding, likely through direct grants rather than through the State.

Justice Assistance Grants. The Act includes \$850.0 million for Byrne Justice Assistance Grants. The FFIS estimates that the State of Michigan will receive \$16.4 million of this funding and local units of government in Michigan will receive \$8.4 million. The State appropriated \$99.3 million in Federal funding for Justice Assistance Grants in the FY 2019-20 budget.

Centers for Independent Living. The Act includes \$85.0 million for centers for independent living. The FFIS estimates that Michigan centers for independent living will receive \$2.2 million of this funding. The enacted appropriation in FY 2019-20 for the centers was \$12.0 million.

Other Funding. The Act includes \$50.0 million for suicide prevention but there is not sufficient information on how the funding will be distributed. The Act includes \$100.0 million for activities authorized under section 501(o) of the Public Health Services Act. This appears to be flexible funding that will not necessarily go to the states.

Title XIII: Department of Housing and Urban Development - Tenant-Based Rental Assistance. The Act appropriates \$850.0 million to Section 8 Tenant-Based Rental Assistance. This is a Federally funded program that is administered by the Michigan State Housing Development Authority (MSHDA) and provides rental assistance to qualified individuals. The appropriation represents an estimated \$14.5 million increase to the State of Michigan. This increase is within the current Federal authorization for MSHDA.

Community Development Block Grant. The Act appropriates \$5.0 billion to entitlement and nonentitlement Community Development Block Grant programs to support and coordinate responses across communities to COVID-19. The funding will be available through FY 2021-22. The Department of Housing and Urban Development will have authorization on how to distribute \$2.0 billion dollars intended to be based on COVID-19 response distributed through the current formula distribution. The first \$1.0 billion will be distributed to states based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruption. The remaining \$2.0 billion will be distributed directly to states and local units of government at the discretion of the Secretary of Housing and Urban Development.

Most Community Development Block Grant dollars go directly to local community development organizations and not through the State. However, the State might have an administrative role to various programs involved with statewide responses. The State of Michigan currently oversees and distributes economic development grants to communities with populations less than 50,000 residents. The State is estimated to receive around \$33.0 million in Community Develop Block Grant dollars in FY 2019-20. The \$2.0 billion distributed to states through the current formula represents a \$20.5 million increase to the State of Michigan, which will bring total appropriations to \$53.5 million. The FY 2019-20 budget appropriated \$47.0 million for the Community

Development Block Grant program, which means the Department would need additional Federal authorization for these funds. Additionally, any other Federal dollars that are distributed to the State will need additional Federal authorization.

Conclusion

To date, the Federal Government has enacted three separate stimulus acts to address the COVID-19 pandemic: H.R. 6074, the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020; H.R. 6201, the Families First Coronavirus Response Act; and H.R. 748, the CARES Act. These Acts will have a fiscal impact on State revenue and on various State departments. Some aspects of these Acts require additional guidance to be issued from the Federal government, including the applicable uses of the Coronavirus Relief Fund included in H.R. 748.

If you have any questions regarding these Federal Stimulus Acts, please do not hesitate to contact us.

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