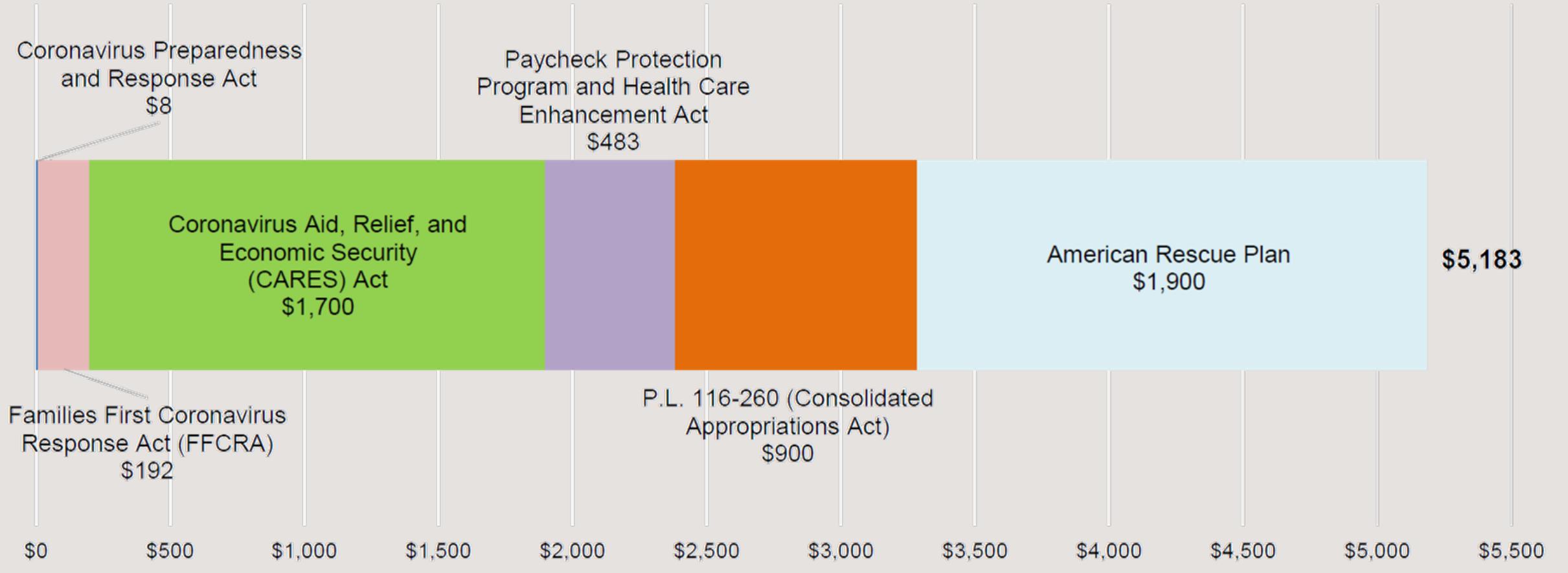




Overview of the American Rescue Plan of 2021

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Enacted COVID-19 Relief Funding (\$ in billions)



Source: Federal Funds Information for States (FFIS)



American Rescue Plan of 2021: Overview

- Major Areas of Concern for Michigan
 - State Fiscal Relief Fund
 - Local Fiscal Relief Fund
 - Metro-cities
 - Counties
 - Non-Entitlement Local Units
 - Elementary and Secondary School Emergency Relief Fund (ESSER)
 - Individual Rebates, Tax Changes, and Unemployment Insurance
 - Emergency FMAP
 - Health and Human Services Programming

State and Local Fiscal Relief Funds

State and Local Fiscal Relief Fund: Overview

State and Local Fiscal Recovery Funds Estimates: Michigan	
	(Millions of Dollars)
State	\$5,654.7
Metropolitan Cities	1,781.6
Non-Entitlement Local Units	686.4
Counties	<u>1,936.9</u>
Total	\$10,059.5

Source: FFIS estimates as of March 8, 2021



State and Local Fiscal Relief Fund: Overview

- The Act appropriates \$350.0 billion in state and local fiscal recovery funds
 - \$219.8 billion for states, territories, tribal governments, and D.C.
 - \$130.2 billion for cities, counties, and other local governments
- Distribution to states includes:
 - \$500.0 million to each state
 - Remaining share based on each state's share of seasonally adjusted unemployment from Q4 of 2020
 - Hold harmless provision ensures each entity receives not less than it received under CARES Act
- Funds are available for costs incurred through Dec. 31, 2024

State and Local Fiscal Relief Fund

- Michigan is estimated to receive more than \$5.6 billion based on formula distribution of State Fiscal Relief Fund
 - The Act allows payments to states to be split, with up to 50% withheld for up to 12 months
 - US Treasury is expected to issue guidance regarding acceptable uses of funding and final allocations
- Metropolitan cities in Michigan are estimated to receive \$1.8 billion
 - Payments will be made directly by US Treasury
 - Distribution is defined by the Housing and Community Development Act
 - Generally for cities with population greater than 50,000
 - Payments anticipated to follow Community Development Block Grant (CDBG)
- Counties in Michigan are estimated to receive \$1.9 billion
 - Payments will be made directly by US Treasury
 - Distribution based on population
 - Includes hold-harmless provision to ensure urban counties receive at least as much as they would under CDBG formula

State and Local Fiscal Relief Fund

- “Non-Entitlement” Local Governments
 - Means: local units that are not metro areas or counties
 - Estimated to receive \$686.4 million in Michigan
 - Payments will be paid to states based on population
 - State must distributed funds within 30 days of receiving funds
 - Funds are to be distributed to local governments based on population
 - Payments to any non-entitlement government may not exceed 75% of the most recent budget of that government (as of Jan. 27, 2020)
 - Undistributed funds must be returned to the Federal government
 - If a state does not make payments to local units within 120 days, undistributed funds become state debt owed to the Federal government, paid from the State allocation

State and Local Fiscal Relief Fund

- Acceptable Uses
 - Response to the COVID-19 public health emergency and costs related to it, including assistance to households, small businesses, nonprofits, and aid to affected industries
 - Providing premium pay to state, territory, or tribal government workers who perform essential work
 - Providing government services to the extent of the reduction in revenue from the public health emergency, relative to revenues collected in the fiscal year ending before the pandemic
 - Make necessary investments in water, sewer, or broadband infrastructure

State and Local Fiscal Relief Fund

- Restrictions on Use:
 - May not use funds to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation
 - May not be used to make a deposit into any pension fund
- Recipients must certify they need the funds and intend to use them for approved purposes
- Reporting is required on the use of funds
- Payments under the Local Fiscal Recovery Funds must be split with 50% to be sent no sooner than 12 months after the first payment

State and Local Fiscal Relief Fund

- Capital Projects
 - The Act also includes \$10.0 billion nationwide for critical capital projects enabling work, education, and health monitoring in response to public health emergency
 - Each state receives a minimum of \$100.0 million plus a mix based on:
 - Population (50%)
 - Share of population living in rural areas (25%)
 - Share of population living in households with income less than 150% FPL (25%)
 - Michigan is estimated to receive a total of \$249.8 million
 - State is required to apply for funds
 - US Treasury will establish an application process within 60 days

Elementary and Secondary School Emergency Relief Funds

Elementary and Secondary School Emergency Relief Funds (ESSER)

ESSER FUNDS DISTRIBUTION	<u>Nationwide</u>	<u>Michigan</u>
ESSER	\$122.8 billion	\$3.7 billion
Emergency Assistance for Nonpublic Schools (EANS)	\$2.8 billion	\$93.0 million
Higher Education Emergency Relief Fund	\$39.6 billion	\$1.8 billion
IDEA Part B	\$2.6 billion	\$87.6 million
IDEA Part C	\$250.0 million	\$13.4 million

ESSER Funds

- Michigan's estimated allocation: \$3.7 billion
 - Not less than 90% of funds must be allocated to local districts and public school academies using Title 1 basic grant formula (~\$3.3 billion)
 - Not less than 5% must be used to address learning loss (~\$186.0 million)
 - Not less than 1% for evidence-based summer enrichment (~\$37.2 million)
 - Not less than 1% for comprehensive after school programs (~\$37.2 million)
 - Not more than 0.5% for administration (~\$18.6 million)
 - Not more than 2.5% for emergency needs determined by the State (~\$93.0 million)
- Distribution – ARP requires states to make formula allocations to districts in an expedited and timely manner and, to the extent practicable, within 60 days of receiving the funds

ESSER Funds

- Mandatory Allocation to Districts (90%)
 - Districts must use at least 20% of the funding to address learning loss through evidence-based interventions
 - For Michigan, this would equate to \$669.6 million
 - Remaining funds may be used for many activities, including:
 - Any activity authorized by the Elementary and Secondary Education Act
 - The IDEA
 - The Adult Education and Family Literacy Act
 - The Carl D. Perkins Career and Technical Education Act,
 - COVID-19 response coordination
 - Resources for school leaders
 - Activities to address needs of low-income students, children with disabilities, English language learners, minority students, students experiencing homelessness, and foster youth

ESSER Funds

- **Mandatory Allocation (90%)**
 - Districts receiving these funds must develop and make available within 30 days of receiving ESSER funds a plan to return to in-person instruction and continuity of services
 - Districts with existing plans for in-person instruction can use that plan to comply with these requirements
- **State Maintenance of Effort:**
 - Act requires funding for FY2021-22 and FY2022-23 State funding for elementary and secondary education and for higher ed, must be at least proportional to the average total state spending for FYs 2016-17, 2017-18, and 2018-19
- **State and Local Maintenance of Equity:**
 - Act prohibits states from reducing per-pupil funding for any high-need district by an amount that exceeds the overall per-pupil reduction in state funds in FY2021-22 or FY2022-23
 - The act prohibits the reduction of State per-pupil funding for any highest poverty district below the level of funding provided in FY2019

Individual Rebates, Tax Credits,
and Unemployment Insurance

Individual Rebates and Tax Credits

- 2021 Recovery Rebates to Individuals
 - The Act authorizes rebate checks to individuals, generally using prior distribution methods.
 - Eligible individuals will receive \$1,400 (\$2,800 for eligible joint filers)
 - Additional \$1,400 for each qualifying dependent
 - ARP expanded eligibility to include all dependents claimed on an income tax return under 24 and adult dependents
 - Rebates are reduced or eliminated for individuals with Adjusted Gross Income greater than \$75,000 (\$150,000 for joint filers)
 - Requires no action from the State

Tax Credits

- Child Tax Credit
 - Currently the credit is \$2,000 per qualifying child
 - For 2021 only, the act increases the credit to \$3,600 for children under 6 and \$3,000 for all other children
- Earned Income Tax Credit
 - Currently, the max credit ranged from \$543 per person/couple to \$6,728 for a person with three or more qualifying children
 - For 2021 only, the Act raises the max EITC credit from \$543 per person/couple without children to \$1,502
 - Some changes to program eligibility are made permanent

Tax Credits

- Child and Dependent Care Assistance
 - Currently, the credit allows a taxpayer to claim expenses up to \$3,000 for one child and up to \$6,000 for two or more children
 - For tax year 2021, the Act makes the credit refundable and the max amount of qualifying expenses is increased to \$8,000 for one child and \$16,000 for two or more children
- Credits for Paid Sick and Family Leave
 - Act extends previous COVID-19 paid sick and family leave requirements through Sept. 2021
- Extension of Employee Retention Credits
 - Act extends previous Employee Retention Credits allowing an employer to receive a refundable credit up to 70% of qualified wages against the employer portion of Social Security taxes
 - Generally, this credit is available to any employer whose business was ordered closed at some time during a calendar quarter because of COVID-19

Unemployment Insurance

- Unemployment Insurance Agency
 - Benefits
 - The Act extends the \$300 weekly Federal Pandemic Unemployment Compensation, the Pandemic Unemployment Assistance program, and the Pandemic Emergency Unemployment Compensation program until September 6, 2021
 - Pays 100% of the first full week of State unemployment benefits
 - Fraud Prevention
 - Appropriated \$2.0 billion for states to detect and prevent fraud, promote access, and ensure the timely payment of benefits
- Suspension of tax on UI Compensation
 - For tax year 2020 only, if the AGI of a tax payer is less than \$150,000, the taxpayer may exclude up to \$10,200 of unemployment compensation
 - In the case of a joint return, up to \$10,200 of unemployment compensation received by each spouse
 - There is no exclusion for taxpayers with AGI above \$150,000
- Impact to Michigan
 - Treasury estimates the exclusion will cost the State approx. \$665.0 million

Health and Human Service Issues

Human Services Issues

- Continuation of Emergency FMAP through Dec 2021
- COVID Response
 - Vaccine Funds
 - The Act allocates \$7.5 billion to the CDC for vaccine distribution
 - SFA estimates, based on prior distributions, Michigan to receive \$80 million
 - Testing/Tracing/Mitigation
 - The Act includes \$47.8 billion for states and other entities to develop, purchase, administer, process, and analyze COVID-19 tests and to conduct contact tracing
 - SFA estimates Michigan will receive approximately \$1.1 billion to \$1.4 billion
 - Genomic Sequencing
 - The Act includes \$1.75 billion to expand work related to genomic sequencing, analytics, and disease surveillance
 - SFA estimates Michigan to receive \$52.5 million of these funds

Human Services Issues

- Nutrition Services

- SNAP:

- The Act extends the SNAP 15% benefit uplift from June 30 to Sept 30, 2021
 - Also lengthens the pandemic EBT (P-EBT) program from FY2019-20 and FY2020-21 to “any school year in which there is a public health emergency declaration”
 - E-PBT provides food assistance through EBT card to qualifying students in Pre-K-12 grade

- WIC Benefit Enhancements

- The Act appropriates \$490.0 million to increase cash vouchers for fresh food and produce by up to \$35 per month
 - The enhancement can only last for one four-month period
 - FFIS estimates Michigan will receive \$17.2 million

- Provider Relief Fund

- The Act allocates \$8.5 billion for grants and other mechanisms to eligible health care providers for care-related expenses or lost revenue attributable to the pandemic
 - Entities in Michigan are estimated to receive \$255.0 million paid directly
 - Combined with previous funding, the total statewide impact is estimated at \$5.6 billion

Human Services Issues

- Child Care

- Child Care Stabilization Grants

- The Act provides \$24.0 billion through Sept. 2021 for qualified child care providers that are open or temporarily closed to help support their operations
 - In Michigan, this is estimated to be \$702.5 million
 - These funds will need to be appropriated by the State and spent within the current child care and development block grant timeline of Sept. 30, 2023
 - Funds must be used by child care providers for operations costs, rent and facility costs, cleaning supplies and PPE, mental health services

- Child Development and Care Block Grant

- The Act includes \$15.0 billion for Federal child care and development block grants
 - Michigan is estimated to receive \$439.2 million which will need to be spent by Sept. 30, 2023
 - Allows states to expand eligibility to essential workers, regardless of income

Other Issues of Interest

Other Areas of Interest:

- Rental Assistance
 - The Act includes \$21.6 billion for emergency rental assistance, in addition to \$25.0 billion appropriated in December 2020
- Community Mental Health Services Block Grant
 - The Act includes \$1.5 billion for prepaid inpatient health plans (PIHPs) and community mental health service providers (CMHSPs) to provide mental health services
 - FFIS estimates Michigan to receive \$41.4 million
- Substance Abuse Prevention and Treatment Block Grant
 - The Act appropriates \$1.5 billion for authorized activities such as planning, carrying out and evaluation of activities to prevent and treat substance abuse disorders
 - Michigan is estimated to receive \$45.1 million

Other Areas of Interest:

- Housing/Homelessness
 - The Act allocates \$5 billion nationwide for emergency housing vouchers to provide tenant-based rental assistance under Section 8 for individuals who are homeless, at risk of homelessness, or fleeing domestic violence
 - The Act also provides \$5 billion for Homelessness Assistance and Supportive Services program. SFA estimates the State to receive \$58.0 million with an additional \$87.0 million paid directly to locales within the State
- Older American Act Funding
 - The Act appropriates \$1.4 billion nationwide for programs under the Older Americans Act
- Transit/Transportation
 - The Act appropriates \$30.5 billion for transit agencies and funds are available until September 2024 at 100% Federal match
 - \$26.0 billion is appropriated to urban transit agencies under the urbanized area formula
 - \$317.2 million is appropriated for rural transit agencies under the nonurbanized formula
 - Michigan is estimated to receive:
 - \$250 million for urban transit agencies distributed directly by Federal Government
 - \$20.6 million for rural transit agencies to be distributed by the State

Questions?

“Federal Stimulus Act in Response to the Coronavirus Pandemic: HR 1319” can be found online at: www.senate.michigan.gov/sfa