ARPA Fiscal Recovery in Michigan - Year 1

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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. This process uses varied methods of data collection to match the breadth of diversity of the funds recipients. State data comes from publicly available information from the U.S. Treasury as well as university databases and discussions with local government representatives via the Center's long-standing Government Fiscal Sustainability Workgroup. Gathering fund usage data at the local level was much more challenging. The study relies on data gleaned from mandatory Interim Reports, Planning and Expenditure reports, and Recovery Plan Performance Reports,[1] survey findings from three regional survey instruments, two interviews with the Chief Financial Officer of localities that have been under state oversight as well as several state-level officials responsible for the fiscal oversight of their respective local units of government.

Many factors influence local government spending decisions of SLFRF, including the program rollout timeline. A SLFRF-like program was vigorously requested by state and local officials and their lobbying apparatuses long before the program was announced. However, it is one thing to request federal relief resources and it's a whole other thing for every community across the country to identify qualifying projects and make investments. Major program challenges include: determining allowable activities in a dynamic environment where the most recent version of the Treasury's Compliance and Reporting Guidance for SLFRF is on version 4.1 as of June 17, 2022; identifying projects that can be leveraged with other state and/or federal funding in an environment where information about these supplemental resources are unknown; a widely held feeling that these resources come with a "gotcha" string which is causing unease and inertia; the cognitive dissonance experienced with identifying

[1] Tier 1: States, U.S. territories, metropolitan cities and counties with a population greater than 250,000 residents and tier 2: Metropolitan cities and counties with a population below 250,000 residents which received more than $10 million in SLFRF funding. Michigan has 64 local units that were required to submit their first P&E report for the reporting period March-Dec 2021 by January 31, 2022. This report focuses on these local units as these are the localities with the most accurate and detailed information about their ARPA plans and spending.

"transformative" projects that will "drive equity"[2] with SLFR funds at the same time as being "fiscally responsible" with this "one-time-money" and only investing in projects that will not require any additional resources to support ambitious projects.

Eventually all Michigan local governments receiving funds will be required to report SLFRF funded projects to the Treasury, accounting for the full $4.4 billion. As of now, the P&E reports collected by the Center reflect $3.4 billion dollars in SLFRF program allocations across 61 local units of government and 226 unique projects (some without any funds obligated as of writing). The 61 units reporting range from 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. Of the $3.4 billion these units have available to spend, only $218 million have been obligated in total. Of the 7 major Treasury spend categories (Revenue Replacement, Negative Economic Impacts, Public Health, Administration and Other, Infrastructure, Services to Disproportionately Impacted Communities, and Premium Pay), revenue replacement was the largest category for obligated and expended project funds at 35% of all obligations (and 54% of those expended). This is unsurprising, given the broad latitude given by the Treasury to categorize spending as "revenue replacement". This category is only likely to increase in the next reporting period following changes in the Final Rule making this allocation category the most straightforward way to allocate funds before the 2024 deadline. Regional survey results gathered for this report support this finding, with 75% of local government representatives across 20 Michigan counties indicating that their communities intend to take the standard allowance for lost revenue.

The remaining categories had proportions of obligated project funds as follows (Table 4): Negative Economic Impacts (18%), Public Health (14%), Administration and Other (12%), Infrastructure (9%), Services to Disproportionately Impacted Communities (8%), and Premium Pay (3%). Figures 6 and 7 provide breakdowns of project types in the categories of Public Health

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[2] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://home.treasury.gov/system/files/136/SLFRF-Equity-Webinar.pdf. Accessed July 6, 2022.

and Negative Economic Impacts. Expenditures in the Administration and Other category highlight the need most communities feel to hire additional staff or consultants to oversee fund usage or to assist in the lost revenue calculations. This highlighted survey results that indicated that the number one type of support needed by local governments is help with documentation of fund usage per Treasury's guidelines.

It is important to note, however, that for the majority of the recipients, it is very early in the process of planning and spending. Subsequent reports are therefore likely to contain a more complete picture. This situation will continue until all the funds are spent in 2026.

Part I: ARPA State and Local Fiscal Recovery Funds Program

Overview

The COVID-19 pandemic and nationwide policy response caused a public health emergency and a sudden, severe economic recession. The U.S. government responded by enacting various spending bills to respond to these dual crises. In March 2021, the American Rescue Plan[3] spending package was enacted providing $1.9 trillion for public health efforts fighting COVID-19, extending and expanding tax and economic incentives for individuals, families and businesses, and providing grant aid to states, localities, tribes, and territories.

The American Rescue Plan Act ("ARPA") established the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF") program and endowed it with $350 billion. The program includes two funds: those for state recovery (SFRF) and those for local recovery (LFRF), hereinafter referred to together as "SLFRF". In order to make these resources quickly available to states, localities, tribes[4] and territories, Treasury launched and began distributing program funds in May 2021 under an interim final rule. The interim final rule defined eligible and ineligible uses of SLFRF, as well as other program requirements. In January 2022, after receiving more than 1,500

[3] Text - H.R.1319 - 117th Congress (2021-2022): American Rescue Plan Act of 2021, H.R.1319, 117th Cong. (2021), https://www.congress.gov/bill/117th-congress/house-bill/1319/text.
[4] This report does not cover planning and expenditures of SLFRF funds received by Tribal governments.

comments and other input from the public, the U.S. Department of the Treasury ("Treasury") adopted the "Final Rule" implementing the SLFRF program. The Final Rule became effective on April 1, 2022 (U.S. Treasury 2022a). **The planning and spending period covered in this report follows the Interim Final Rule**, which we expound on going forward. Subsequent research will utilize the Final Rule, and any reports will highlight major changes as needed.

ARPA provided approximately $11 billion to Michigan through the new Coronavirus State and Local Fiscal Recovery Funds (see Table 1 for a full list of state numbers). In addition to significant federal aid dedicated to specific programs, the State of Michigan received approximately $6.5 billion from the SLFRF. Michigan counties and municipalities received $4.4 billion. $1.9 billion is allocated to the 83 Michigan counties, $1.8 billion to metropolitan cities and townships, and $686.4 million to additional non-metro areas (Michigan Treasury 2022a). Michigan funds were distributed in two installments, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later. ARPA also included an additional $250 million to the state of Michigan through the Critical Infrastructure Projects Program. The monies are to be used for projects that would directly enable work, education and health monitoring-including remote options-in response to COVID-19 (MI Association of Townships, 2022a).

SLFRF funds may be used to cover eligible expenses incurred during the period beginning on March 3, 2021 and ending on December 31, 2024. All SLFRF funds are to be spent by December 31, 2026. SLFRF funds may be used for four eligible categories (U.S. Treasury 2022a):

1. Responding to the public health and negative economic impacts of the pandemic (which includes several sub-categories, outlined in detail in the following section and in Appendix A)
2. Providing premium pay to essential workers
3. Providing government services to the extent of revenue loss due to the pandemic, and
4. Making necessary investments in water, sewer, and broadband infrastructure.

Each eligible use category has separate and distinct standards for assessing whether a use of funds is eligible. Fortunately, the Final Rule broadens the eligible uses and provides recipients with more flexibility in administering SLFRF funds. For instance, the Final Rule (U.S. Treasury 2022a) offers a standard allowance for revenue loss of $10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount for government services. While we do not go into detail about other aspects of the Final Rule in this report, the standard deduction is worth noting as many localities hopefully anticipated that this would be a likely change, and subsequently waited to plan spending until after the Final Rule took effect. The following sections therefore only contain what data could be gathered from those (mostly large) units that started planning under the Interim Final Rule. We look briefly at state-level SLFRF usage before delving more deeply into primary data collection relating to local SLFRF planning and expenditures.

Coronavirus Local Fiscal Recovery Funding

Michigan metropolitan city, county, and township governments requested their SLFRF allocation directly from the U.S. Treasury. Non-entitlement units of government ("NEUs")[5] were required to accept or reject their allocations through a Michigan Treasury web portal (MI Treasury, 2022a).

Across the nation it was an "all hands-on deck" effort to convey to smaller cities, townships and villages information about the SLFRF program and how to effectively request their SLFRF allocations. Michigan State University Extension faculty and staff partnered with the Michigan Association of Regions and held 14 workshops virtually and in-person for local government leaders on the ARPA program (Gagner, 2021). The Michigan Department of Treasury ("MI Treasury") sent emails and certified letters, made phone calls and held webinars to notify

[5] NEUs are typically local governments with fewer than 50,000 people. See MI Treasury, 2021 for a complete list with funding amounts and population.

Michigan's 1,724 NEUs of their funding opportunity. Most Michigan NEUs accepted their funding allocation. The $1.28 million allocated to the 28 local units that declined it is to be redistributed to the 1,696 governments that requested funding (MI Treasury, 2022b).

For those that did accept the SLFRF, there remains the challenges of planning and executing expenditures and meeting reporting requirements. Heading into the early months of 2022 many local units (especially those in the lower half population-wise), continued to lag in processing and planning of fund usage.

Required Compliance & Reporting

It is the recipient's responsibility to ensure all SLFRF award funds are used in compliance with the requirements outlined in the Act and the Interim Final (and eventually Final) Rule. The Treasury provides written and video resources outlining comprehensive compliance and reporting guidance (U.S. Department of Treasury, 2021a; U.S. Department of Treasury, 2022b). Most of the requirements relate to proper documentation detailing award management internal controls, subrecipient oversight and management and support for determinations of costs (in addition to any other applicable compliance requirements[6]). The specific reporting requirements are outlined below, and in Figure 1.

There are three types of reporting requirements for the SLFRF program (see Figure 1):

1. Interim Report: Provide initial overview of status and uses of funding. This is a one-time report.
2. Project and Expenditure Report: Report on projects funded, expenditures, and contracts and subawards over $50,000,
3. Recovery Plan Performance Report: The Recovery Plan Performance Report provides information on the projects that large award recipients are undertaking with program funding and how they plan to ensure program outcomes are achieved in an effective,

[6] It is important to note that other rules and regulations exist in each unit in regards to water, broadband, sewer, and many other types of municipal projects that recipients must work with in tandem.

efficient, and equitable manner. It will include key performance indicators identified by the recipient and some mandatory indicators identified by the Treasury. The Recovery Plan will be posted on the website of the recipient as well as provided to the Treasury.

Generally, recipients must submit one initial Interim Report, quarterly or annual Project and Expenditure reports which include subaward reporting, and in some cases annual Recovery Plan reports[7]. Treasury's Final Rule and Part 2 of this guidance provide more detail around SLFRF reporting requirements (U.S. Department of Treasury 2022a; 2022b).

[7] The initial Recovery Plan will cover the period from the date of award to July 31, 2021 and must be submitted to the Treasury by August 31, 2021. Thereafter, the Recovery Plan will cover a 12-month period and recipients will be required to submit the report to the Treasury within 30 days after the end of the 12-month period (by July 31).

Figure 1. U.S. Treasury 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: U.S. Treasury Department Compliance and Reporting Guidance State and Local Fiscal Recovery Funds. June 17, 2022. Version 4.1.

For many Michigan local governments, this was their first time navigating the Federal Award Management System. This meant making sure they were in compliance with general rules for award recipients in addition to ARPA compliance, such as the Code of Federal Regulation requirement that all fund use be reported to the U.S. Treasury[8]. This requires all eligible

[8] Code of Federal Regulations, Title 2, Subtitle A, Chapter 1, Part 25: https://www.ecfr.gov/current/title-2/subtitle-A/chapter-I/part-25

recipients to have an active registration with the System for Award Management ("SAM") (https://www.sam.gov). This reporting requires each local unit to register with the federal government and annually renew their registration. While the process is free, some units have reported difficulty in the process[9]. To ensure timely receipt of funding, Treasury has stated that NEUs who have not previously registered with SAM.gov may do so after receipt of the award, but before the submission of mandatory reporting. As of mid-2022, several local units in Michigan had not met reporting deadlines, leading to additional guidance being given by local groups to help these units avoid any issues with Treasury regarding the late filing (MI Township Association, 2022b).

In addition to these general reporting requirements, recordkeeping and single audit requirements are also outlined in the compliance guidance. For instance, each unit must maintain records and financial documents for five years after all funds have been expended or returned to the Treasury. Additionally, recipients and subrecipients that expend more than $750,000 in Federal awards during their fiscal year will be subject to an audit under the Single Audit Act[10]. All of this guidance is meant to ensure that recipient dollars are being spent on eligible uses under the Act and as clarified under the Final Rule.

Eligible Uses

Treasury urges state and local governments to use ARPA funds to confront the most pressing challenges that our economy and communities face:

- continuing to fight the virus,
- bringing more workers into the labor market,
- supporting the public employees who teach our kids and keep our communities safe, and
- making investments to build a more equitable economy through affordable housing, childcare, job training, and other drivers of economic mobility.

[9] Unfortunately, some Michigan governments have been contacted by scammers offering for a fee to renew their "SAM.gov" registration causing confusion and mistrust.

[10] Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, Subpart F.

So long as local units focus their spending on addressing these key challenges, the Treasury has indicated support for flexibility and creativity in spending. Each unit has substantial discretion to use the award funds in the ways that best suit the needs of their constituents – as long as such use fits into one of the four statutory categories mentioned above and described in detail here using the Interim Final Rule as adopted by the Secretary of Treasury (U.S. Treasury 2022a; 2021a).:

1. To respond to the COVID-19 public health emergency or its negative economic impacts: Recipients may use SLFRF award funds to provide assistance to households, small businesses, and nonprofits in response to the COVID-19 pandemic. Such assistance may include rent, mortgage, or utility assistance for costs incurred by households. These uses are listed in Expenditure Categories 1, 2, and 3 of the example Expenditure Report in Appendix A.

2. To provide premium pay to essential workers[11]: Recipients may use program funds to provide premium pay to workers performing essential work during the COVID-19 public health emergency. Essential work in this case is defined as "work that is not performed through telework but rather involves regular in-person interactions or the physical handling of items that are also handled by others". Premium pay may be allocated retroactively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be "in addition to" wages and remuneration already received. Under the statute, premium pay means an amount up to $13 per hour, not to exceed $25,000 per worker, and may apply to full-time, part-time, salaried, and non-salaried workers. Funds may alternately be used to provide grants to eligible employers that have eligible workers who perform essential work.

   As a final requirement, premium pay must "respond" to the COVID-19 pandemic. To be considered, eligible individuals or groups must meet one of two conditions. These conditions are:

[11] providing premium pay is an exception to the general rule, as SLFRF must be used for costs incurred after March 3, 2021

a. the eligible worker's total wages and remuneration – when taking into account the premium pay – is less or equal to 150 percent of the state's or county's average annual wages for all occupations as defined by the Bureau of Labor Statistics Occupational Employment and Wage Statistics[12] **or**

b. the eligible worker receiving premium pay must be eligible for overtime under the Fair Labor Standards Act (FLSA)[13].

If one of these two conditions is not met, a written justification must be provided to the Treasury Department illustrating the premium pay is responsive to the COVID-19 pandemic.

3. Providing government services to the extent of revenue loss due to the pandemic: Recipients may use SLFR funds for the provision of government services relative to what was provided before the COVOD-19 pandemic. While calculation of lost revenue is based on the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021. "Government services" is very broad, encompassing any service traditionally provided by local governments. As such, this category is largely defined by exclusion. For example, debt service is not an allowable use. However, local governments have been encouraged to think and respond creatively to the identified needs of their constituents. For example, providing childcare services, direct assistance to individuals and households services for including the unbanked, survivor's benefits and direct cash payments.

   The Final Rule includes one very significant change. To ease the burden for recipients with smaller amounts of SLFRF and those who found their revenue did not decrease significantly, the Final Rule offers recipients the opportunity to elect a baseline lost revenue amount of $10 million (or the amount of the recipient's SLFRF, if less than $10 million).

[12] Accessed at https://www.bls.gov/oes/
[13] Accessed at https://www.dol.gov/agencies/whd/overtime

4. Investments in Water, Sewer, and Broadband: Recipients may use SLFRF awards to make necessary investments in water, sewer, and broadband infrastructure. Recipients may use SLFR funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the SLFRF award funds were incurred by the recipient after March 3, 2021.

Treasury's Final Rule provides greater flexibility and simplicity for recipients to fight the pandemic and support families and businesses struggling with its impacts, maintain vital services amid revenue shortfalls, and build a strong, resilient, and equitable recovery. As such, recipients will report on a broader set of eligible uses and associated Expenditure Categories (EC's), starting with the April 2022 Project and Expenditure Report. Many expenditures that were implied by interim rule are fully spelled out in the final rule, including expenditures oriented to long-term recovery efforts such as rehabilitation and construction of affordable housing, facilities and services for childcare and early learning, violence intervention and deterrence activities, job training and workforce supports, and financial services for unbanked residents. Appendix B includes the 83 categories included in the Final Rule. The Interim Rule had 66 categories (Appendix A). The first round of reports will follow the Interim Rule– the second round as of 4/31/22 will be consistent with the Final Rule. In Part II of this report, we rely on data from the first round, relevant only to Appendix A.

Of course, to go along with specific eligible uses, Treasury has also defined specific restricted uses for the SLFRF funds. These are outlined in the following section.

Restricted Uses

In general, restrictions reflect the principle that grant funds must be used prospectively, rather than retrospectively. Among the specific restrictions, local governments may not use grant funds to address pension fund liabilities; to replenish financial reserves; for payments on bonds or other debt services; or payments required by settlement, judgment, or consent decree. In general, funds may not be used for projects that conflict with the purpose of the American Rescue Plan Act statute expenditure categories as described above and in more detail in treasury's documentation (Appendix A).

How States and Local Governments are Spending Funds

Spending priorities vary widely across units of government. Planning and Spending at the State level, for instance, is highly institutionalized and includes a much more rigorous process. Table 1 includes the amounts of SLFR funds received by each state.

Table 1: SLFRF Program Allocations by State

State	State Total Funding	County Total Funding	Metro Total Funding	NEU Total Funding	TOTAL
Alabama	2,120,279,417	952,386,209	430,650,620	356,382,822	3,859,699,068
Alaska	1,011,788,220	142,094,040	52,928,564	43,189,176	1,250,000,000
Arizona	4,182,827,492	1,413,805,450	1,003,151,239	226,731,767	6,826,515,948
Arkansas	1,573,121,581	586,173,048	208,848,763	216,225,138	2,584,368,530
California	27,017,016,860	7,350,150,054	7,004,519,561	1,218,261,277	42,589,947,752
Colorado	3,828,761,790	1,118,566,954	551,290,906	265,396,436	5,764,016,086
Connecticut	2,812,288,082	692,515,202	661,392,193	202,744,874	4,368,940,351
Delaware	924,597,608	189,142,241	63,965,037	90,583,517	1,268,288,403
District of Columbia	1,802,441,116	137,083,470	372,859,344	0	2,312,383,930
Florida	8,816,581,839	4,171,798,633	1,517,703,957	1,416,425,123	15,922,509,552
Georgia	4,853,535,460	2,072,390,644	576,059,064	861,827,586	8,363,812,754
Hawaii	1,641,602,610	275,016,538	196,954,703	46,191,175	2,159,765,026
Idaho	1,094,018,353	347,116,427	123,848,501	107,940,808	1,672,924,089
Illinois	8,127,679,949	2,461,352,676	2,726,470,825	742,179,391	14,057,682,841
Indiana	3,071,830,673	1,307,654,622	847,639,658	432,551,280	5,659,676,233
Iowa	1,480,862,558	612,835,359	339,004,380	221,737,821	2,654,440,118
Kansas	1,583,680,553	565,877,094	260,286,572	167,352,563	2,577,196,782
Kentucky	2,183,237,291	867,793,106	395,397,702	324,203,207	3,770,631,306
Louisiana	3,011,136,887	902,973,736	589,077,802	315,493,318	4,818,681,743
Maine	997,495,130	261,097,422	121,542,636	119,223,764	1,499,358,952
Maryland	3,717,212,336	1,174,302,468	619,195,908	528,963,161	6,039,673,873
Massachusetts	5,286,067,526	1,338,787,907	1,664,510,656	385,056,772	8,674,422,861
Michigan	6,540,417,627	1,939,829,897	1,822,870,482	644,291,475	10,947,409,481
Minnesota	2,833,294,345	1,111,301,984	644,156,385	376,932,399	4,965,685,113
Mississippi	1,806,373,346	578,082,050	101,070,869	268,046,958	2,753,573,223

Missouri	2,685,296,131	1,192,123,439	830,549,274	450,143,657	5,158,112,501
Montana	906,418,527	207,597,597	49,606,047	86,377,829	1,250,000,000
Nebraska	1,040,157,440	375,736,074	176,030,046	111,189,720	1,703,113,280
Nevada	2,738,837,229	598,284,192	291,940,963	150,738,524	3,779,800,908
New Hampshire	994,555,878	264,107,922	85,984,098	112,208,773	1,456,856,671
New Jersey	6,244,537,956	1,827,756,800	1,189,566,651	578,121,375	9,839,982,782
New Mexico	1,751,542,835	407,284,450	171,356,430	126,089,079	2,456,272,794
New York	12,744,981,589	3,900,063,031	6,040,655,651	774,248,894	23,459,949,165
North Carolina	5,439,309,692	2,037,187,362	668,167,686	705,384,207	8,850,048,947
North Dakota	1,007,502,515	148,021,613	41,300,897	53,174,975	1,250,000,000
Ohio	5,368,386,901	2,270,470,641	2,175,200,110	843,726,939	10,657,784,591
Oklahoma	1,870,417,576	768,595,226	315,826,918	238,432,979	3,193,272,699
Oregon	2,648,024,988	819,245,967	436,927,036	248,351,580	4,152,549,571
Pennsylvania	7,291,328,098	2,840,920,418	2,335,018,856	983,008,128	13,450,275,500
Rhode Island	1,131,061,057	205,768,455	272,919,729	58,146,731	1,667,895,972
South Carolina	2,499,067,329	1,000,077,338	191,161,056	435,125,080	4,125,430,803
South Dakota	974,478,793	171,834,638	38,440,065	65,246,504	1,250,000,000
Tennessee	3,725,832,113	1,326,486,991	516,849,109	438,055,590	6,007,223,803
Texas	15,814,388,615	5,676,347,221	3,377,178,266	1,386,117,819	26,254,031,921
Utah	1,377,866,888	622,719,759	289,623,303	186,820,600	2,477,030,550
Vermont	1,049,287,303	121,202,550	20,721,902	58,788,245	1,250,000,000
Virginia	4,293,727,162	1,657,924,506	618,276,089	633,753,549	7,203,681,306
Washington	4,427,709,356	1,479,103,697	770,396,884	442,823,871	7,120,033,808
West Virginia	1,355,489,988	348,103,547	168,188,715	162,490,814	2,034,273,064
Wisconsin	2,533,160,627	1,130,939,548	780,300,679	411,577,691	4,855,978,545
Wyoming	1,068,484,768	112,417,150	21,307,153	47,790,929	1,250,000,000

Source: (U.S. Treasury, 2022c)

Treasury has received the first batch of Project and Expenditure Reports, reflecting spending between March and December 31, 2021. This first wave only reflects the activities of 1,756 governments—including all states, U.S. territories, and many (but not all) large metropolitan cities and counties. They do not give insight into how small governments are using funds at this point, or into any indirect effects of the funds (such as redirected spending in other areas or budget lines). So far, the 50 states have obligated $41.4 billion of their funds, or about 27% of the SLFRF aid they had available to spend. The 1,703 local governments who filed an expenditure report have obligated $16.3 billion, or approximately 33% of what was available at the time. In total, including stats, local governments, and territories, $58.2 billion, or 28%, of funds available have been obligated (Rocco & Kass, 2022).

According to a National Association of State Budget Officers (NASBO) analysis from fall of 2021, states were planning to use about a third of their ARPA dollars to replace revenue—more than for any other eligible spending category (NASBO, 2021). Among the allowable uses of state and local ARPA aid, revenue replacement is notable because it provides recipients the greatest leeway with how to spend compared to other spending categories. For instance, in California $11.2 billion of the state's $27 billion allocation will go to replace state revenue lost due to the COVID-19 public health emergency (CA Department of Finance, 2022). According to the University of Illinois Chicago Government Finance Research Center, states have obligated 39.3% of available funds to revenue replacement in total. Similarly, local governments have obligated 48.2% of available funds to this category (Rocco & Kass, 2022). For states, a large share of remaining obligated funds (48.7%) were in the Negative Economic Impacts category, which includes contributions to Unemployment and other forms of direct support to households and small businesses (ibid).

SLFRF Rollout and Planning: State Comments

An open forum-style meeting of state budget and audit representatives provided further context into state use of funds. The Center's Government Fiscal Sustainability Workgroup meets annually to discuss the challenges facing state fiscal solvency year over year. The ARPA SLFRF played a large role in this year's discussions among workgroup participants, including Ohio, Louisiana, New Jersey, Connecticut, Colorado, Tennessee, New York, Washington, Pennsylvania, Michigan, Illinois, Utah, and Massachusetts. Key comments are summarized by state below.

Ohio

Many local governments in Ohio held their 2021 SLFRF payment in anticipation of Treasury's issuance of the Final Rule, which did not occur until January 2022. Subsequently little to no spending occurred. However, many Ohio local governments plan to declare their entire allocation to be Lost Revenue under the standard election option per Treasury's Final Rule (capped at total award or $10 million, whichever is less). Most local governments are contemplating Procurement for construction and/or equipment[14], and most larger local governments (i.e., direct-funded counties and cities) are creating assistance programs for individuals, small businesses, not for profit organizations. Most smaller local governments (i.e., NEUs) are using awards for general government services only. In part, state officials believe this decision is due to a lack of resources, knowledge, and experience with federal programs to establish complex and administratively-burdensome assistance programs for individuals, small businesses, not for profit organizations, etc. Ohio shared a specific example of a township with only three board of trustees members and one fiscal officer, and this is not a unique situation[15].

[14] The State of Ohio is advising local governments to use caution and work with their legal counsel as Treasury's Final Rule provides many considerations regarding capital outlay purchases and Federal Procurement Rules are complex.

[15] Personal communication with the Ohio Auditor of State, Local Government Services. May 17, 2022.

Louisiana

Louisiana municipalities received the first distribution of ARPA funds in September 2021. The Louisiana Legislative Auditor advisory services is responsible for monitoring municipal fiscal health. ARPA SLFRF awards for these monitored localities (mostly villages with a population of fewer than 1,000 and towns with a population between 1,000 and 4,999) ranged from $47,000 to $2,460,000. Initial ARPA fund uses some monitored local units have identified and may have begun include: premium pay of $5/hour; capital, maintenance and repair projects related to water and sewer; replacement of gas meters; water meter replacement; water line upgrades; accounting software and personnel; contracted accounting services; water tower pump; water tower; general fund and utility fund expenses; overhaul of water plant; water distribution system upgrades; add and replace street lights; upgrades to town's wifi; fiber cable installation; collections software; online library and internet cafe at recreation center[16].

New Jersey

New Jersey is strongly encouraging multiple local units to collaborate in using SLFRF funds for capital or programmatic eligible uses. Recipients passing through dollars to third-parties (especially businesses and nonprofits) should consider hiring a grant consultant and/or an independent integrity monitor to administer program funds and ensure compliance. Local governments are reminded to develop a realistic timeline for public bidding, especially for projects expected to exceed $12.5 million. These more expensive projects must be submitted to the New Jersey State Comptroller's Procurement Division for review at least 30 days prior to advertisement.[17] For contracts valued at $2.5 million or more, but less than $12.5 million, local governments are required to notify Office of the State Comptroller within twenty business days after award[18].

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[16] Personal communication with Louisiana Legislative Auditor Director of Local Government Services. May 27, 2022.

[17] N.J.S.A. 52:15C-10(b)

[18] Personal communication with the New Jersey Department of Community Affairs, Division of Local Government Services. June 23, 2022.

$595 billion was distributed by the U.S. Treasury to 48 New Jersey “metropolitan city” municipalities in summer of 2021. Early uses by some of these municipalities include revenue replacement (61% of respondents), payroll costs for public health, safety, and other public sector staff responding to COVID-19 (44%), administrative expenses (28%), other COVID-19 public health expenses (22%), and small business economic assistance (22%).[19]

Anticipating the potential difficulties in having concrete data about how its subgovernments were planning and spending their SLFRF allocations, New Jersey Governor Murphy in early October 2021 signed Executive Order 267 which “requires all municipalities and counties receiving LFRF funds to provide the Division of Local Government Services with a copy of all ARP reports filed with the U.S. Treasury.” These documents must be submitted in pdf format and includes: Project and Expenditure Reports filed with the U.S. Treasury, along with any Interim Reports and Recovery Plan and Performance Reports (New Jersey Department of Community Affairs Division of Local Government Services, 2022).

Connecticut

Most Connecticut municipalities were still in the planning phase for the lion’s share of their SLFRF allocated funds as of May 2022. Some local units such as the Town of Windsor (population around 30,000), have invested in strong public outreach and engagement regarding use of their SLFRF allocation. In Windsor, they have developed a public relations and branding strategy to raise awareness and promote funding opportunities with their $8.5 million SLFR funding allocation. The home page of the town’s website has ARPA public information with an overview of ARPA funds, chronicle of pubic presentation and planning session with Town Council, as well as ARPA impacts pages that profile each small business and non-profit benefiting from funds received[20]. Figures 2 shows profiles of small business/nonprofit ARPA grant recipients.

[19] These numbers are based on the 18 reports (units) New Jersey had access to at time of meeting.
[20] Personal communication with Connecticut’s Office of Policy and Management. May 19, 2022.

Figure 2. Windsor, Connecticut Small Business Grant Recipients

American Rescue Funds

IMPACTS

Competitive & Sustainable Economy

Small Business & Non-Profit Grants

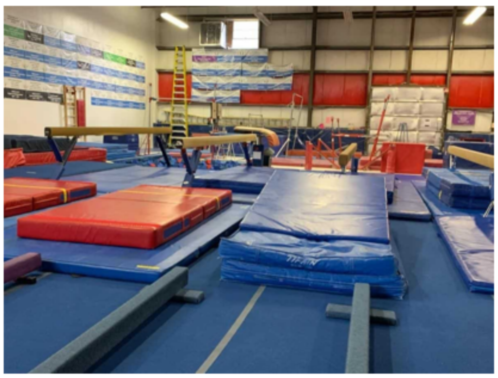
Learn more about how the American Rescue Funds (ARF) has made a positive impact on small businesses & non-profits in Windsor through our grant recovery program.

20/20 Eye Care

Quality Eye Care is an eye care facility that have been providing eye exams, glaucoma screenings, glasses frames, and more since 2016. When the pandemic hit, they were forced to close their doors for several months, and even once they were able to open, their numbers were restricted. This, along with rising costs for equipment and PPE, created significant gaps in their income. Then came the announcement that Windsor would be able to provide ARPA grant funding to struggling small businesses. Quality Eye Care received $10,000 through the ARF Small Business and Nonprofit Grant, which they plan to use for essential expenses like payroll and operational costs. This funding will hopefully provide a cushion for the company as COVID-19 lingers, so they can get back on their feet, and get back to what they do best: keeping the Windsor community seeing clearly.

All Stars Gymnastics Academy

All Stars Gymnastics Academy is a gymnastics training school, locally owned and run in Windsor for over 15 years. The business prides itself on working with the families of Windsor and providing quality gymnastics instruction to children ages 1.5 to 18. Like many athletic facilities, All Stars was forced to close its doors for three months when COVID hit. The business expenses, however, did not stop. All Stars was able to open with limited capacity in July 2020, but has continued to struggle to reach their pre-pandemic class capacity. The ARF Grant awarded All Stars Gymnastics $10,000, which will go toward the costs of operating the business, like payroll and rent. With the help of this funding, All Stars will continue the process of rebuilding from the pandemic – and, hopefully, stick the landing.



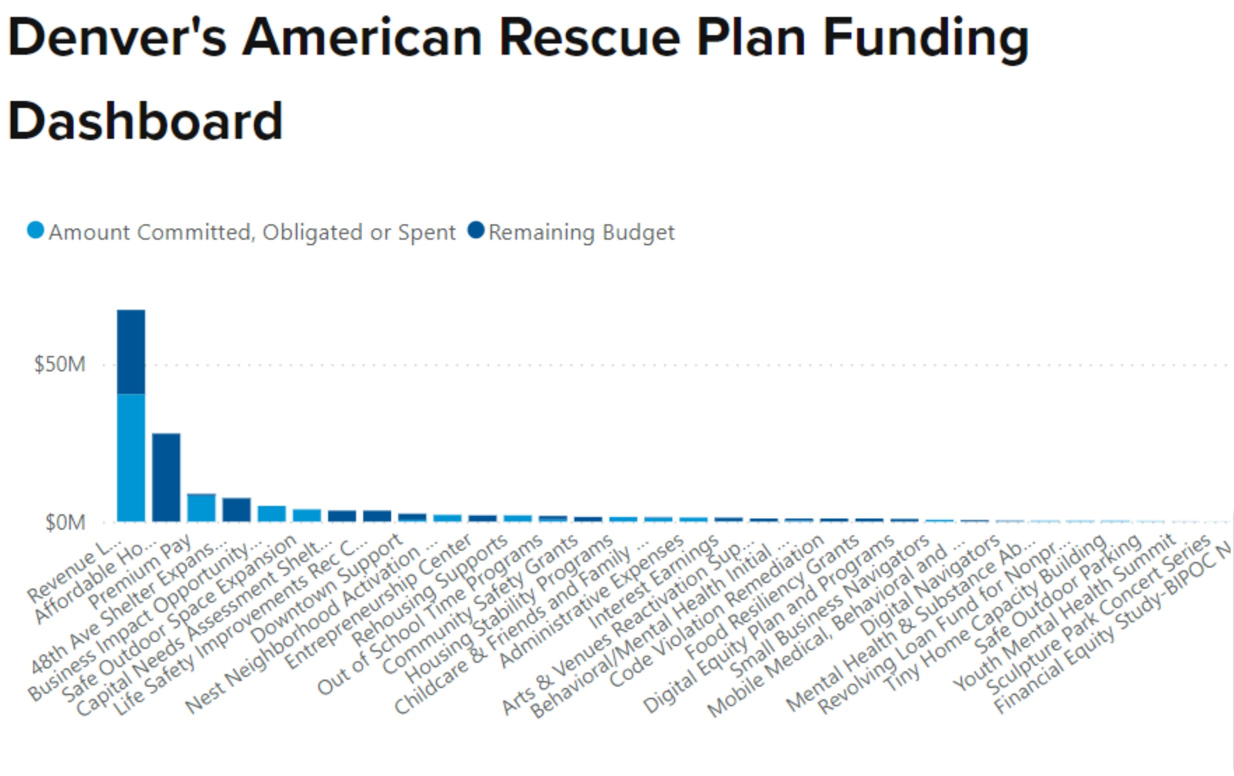
Source: Source: Town of Windsor Small Business Recovery Grant Program Recipient. Accessed from https://townofwindsorct.com/economic-development/recovery-grant-program/

Colorado

Colorado at the state level is relatively "hands off" with providing any specific and tailored guidance to its local units about ARPA SLFRF beyond what the U.S. Treasury is providing. In terms of specific state engagement, the Division of Local Government (DLG) administers the ARPA funds to NEUs. The DLG also leads regularly scheduled local government coordination calls, as well as an American Rescue Plan Act working group, in conjunction with the Governor's Office. These have been a venue for state department leaders to provide local official's updates and answer questions on timely COVID response and recovery topics, including ARPA and other funding opportunities. The DLG's eight regional office managers are the primary contact for local officials' questions, offer management, planning, community development and technical assistance[21]. As of June 2022 many states, including Michigan and Colorado are not directly tracking their local units' ARPA spending. Instead, partner organizations such as Michigan State University Extension Center for Local Government Finance and Policy and the Recovery Officer with the Colorado Office of Economic Development and International Trade working with the Regional Managers in the Division of Local Government collect information on local government uses of ARPA SLFRF through direct engagement with local units within their respective state. According to its ARPA dashboard (Figure 3) Denver, Colorado has spent 45.5% of its $152.170 million allocated ARPA funding. By far the largest budgeted category of spending is for revenue replacement at $67.3 million. Affordable housing is the second largest project category using $28 million. Denver has identified several project categories that are focused on neighborhood recovery and revitalization, including $250,000 towards tiny home capacity building, with the goal of increasing the city's Tiny Home Village with 40 additional household units (Colorado Village Collaborative, 2022).

[21] Personal communication with Colorado Department of Local Affairs, Division of Local Government. June 24, 2022.

Figure 3: ARPA Spending Dashboard: Denver, CO



Source: https://www.denvergov.org/Government/Citywide-Programs-and-Initiatives/American-Rescue-Plan-Act-Funding

Other States

Other states represented at the GFSW meeting such as Massachusetts (MA), Washington (WA), Pennsylvania (PA), and New York (NY) emphasized state-level efforts to get the funds out the door and into critical projects as quickly as possible. MA reported that $2.5 billion went out in December to fund pandemic related healthcare needs, with another $3.5 billion proposed for economic development. These early pushes may not have the same level of public engagement as later project planning.

At the local level, there is general concern over local units using funds to “plug holes temporarily” rather than to address underlying structural issues. This is especially true in states that are taking a hands-off approach to providing guidance, such as in MA. In places where the state government is prohibited from advising on how localities may spend their ARPA funds, such as PA, local government associations have stepped in to try to pick up the slack. Some states are investing a lot of time and energy and are very active communicating program requirements and opportunities with their subgovernments. For example, Tennessee[22] devoted 20 weeks traveling around the entire state holding 30 in-person information presentations (Figure 4).

Figure 4: Tennessee ARP Tour Schedule

Source: Tennessee Comptroller of the Treasury, Division of Local Government Finance

[22] Personal communication with the Director of the Division of Local Government in the Comptroller of the Treasury for Tennessee. May 16, 2022.

Other state offices such as WA do provide more active guidance through online help desks and grant training but face the logistical hurdles of assisting units that have no means to handle the massive administrative burden associated with grant and project management of this scale.

Local governments also continue to struggle with political issues relating to 1) how and why money should be spent and 2) who has the authority to make decisions/spend it. While most communities seem keen to use funds to shore up financial concerns relating directly to the pandemic such as health department funds and provision of resources like personal protective equipment, gaining broad support for investment in capital needs and wish list items are proving tougher. These issues are exacerbated by the broader economic climate local governments are operating in. Inflationary impacts and difficulty finding workers, vendors, or bids on contracts complicate timelines and cost estimates. Fortunately, the Treasury's Final Rule should alleviate some of these burdens, as most localities can opt to use the funds for revenue replacement, as is reported to be the case already in PA.

Part II: MSUE Study of ARPA Local Fiscal Recovery Fund Expenditures

ARPA SLFRF in Michigan

Michigan State University's Extension Center for Local Government Finance and Policy set out to track local SLFRF funds using several varied methods to match the breadth of diversity in the funds recipients. The backbone of the study involved creating a framework for collecting and analyzing data gleaned from various stages of mandatory Interim Reports, Planning and Expenditure reports, and Recovery Plan Performance Reports[23]. This database of information is supplemented with survey findings[24] from three regional instruments: surveys of the membership of the Southeast Michigan Council of Governments, the Northeast Michigan Council of Governments, and the West Michigan Shoreline Regional Development Commission. With the findings of the reports and the survey responses providing valuable context to local

[23] The Center plans to collect these reports annually going forward, contingent on continued project funding.
[24] Additional survey results are expected for future iterations of this work.

government attitudes and action regarding ARPA SLFRF allocations, the Center attempted to conduct one-on-one interviews with key communities to provide a deeper look into local unit planning and spending. At such an early stage of planning and spending, only two interviews were able to be conducted: Flint, MI and Wayne County. The combination of these methods creates an initial picture of the current and anticipated impact of the SLFRF.

It is important to note that the findings described here are very early in the reporting cycle. While approximately $4.4 billion dollars[25] have gone out to the nearly 1,856 general purpose local Michigan governments, only 64 of these were required to submit a project and expenditure report for 2021 at the end of January 2022[26]. While these units each received funds in excess of $10 million (totaling $3.4 billion cumulatively), only an average of 8% of these funds have been obligated to specific projects, with just over 4% of funds expended[27]. There remains a great deal of uncertainty over how the remainder of funds will be allocated, or of how those units who have not yet completed reports or who have not responded to requests for information are approaching use of the funds. These reports only capture how SLFRF allocations are being used, and do not look at how other government spending has changed in response to the influx of funds. This means that this report cannot capture indirect effects[28] of SLFRF due to fungibility or down-stream impacts which may be significant. Moreover, it is clear that the data available through this project will increase in depth and breadth in subsequent years, especially in fiscal year 2023 when all funds have made their way out of the Treasury and are worked into local spending plans according to the Final Rule. Our findings, including some of the challenges of data collection and compilation in the first year of the SLFRF, are explored below.

[25] this number does NOT include award to the State of Michigan

[26] Note, 28 general purpose local units of government declined ARPA SLFRF funds.

[27] These averages exclude Macomb County, Muskegon County, and the City of Muskegon Heights, for whom we were unable to obtain P&E reports by time of data analysis.

[28] Indirect effects are the changes in sales, income, or employment within the region in backward-linked industries supplying goods and services in the private and public sectors.

Data Collection

There are supposedly "mountains of data" when it comes to project planning and expenditures, due to federal reporting requirements (Kettle, 2022). While this may eventually be this case after several rounds of reporting deadlines for all recipients of SLFR funds, it will take time and effort to get data in one easy-to-use place, unless The Treasury makes these reports publicly available. Before the Recovery Plan, P&E, and Interim reports were due in late 2021 and early 2022, the only source of information regarding ARPA spending plans included local papers, meeting and minute documents of legislative bodies, and word of mouth. Papers have paywalls, meeting minutes can be hundreds of pages long if even publicly posted, and word of mouth can be inconsistent, however. The best source of information is therefore the required reports as filled out by the funding recipients themselves. The information below was collected through active research and direct submissions of information to the Center from local leaders from October 2021 to June 2022.

Recovery Plans

Submission of a Recovery Plan was required for all units with a population greater than 250,000 in 2021 and will subsequently be required annually for these same units. Plans collected to date reflect $2 billion in SLFRF investments across 10 local governments: Wayne County, Oakland County, Macomb County, Detroit, Kent County, Genesee County, Washtenaw County, Ingham County, Ottawa County, and Kalamazoo County. These plans explore the level of community engagement involved in determining future fund allocations as well as broad trends in fund usage and evidence-based reporting plans. All units in general plan to use a large chunk of funds for revenue replacement and premium pay. The nine counties plan to allocate much of the remaining funds to public health initiatives and infrastructure improvements in addition to grant or aid programs for rental, utility, or small business assistance. Detroit, as the only City in the group, had a much greater focus on individual neighborhood improvements and a much greater level of community involvement (City of Detroit, 2021).

Oakland County ($244 million) and the City of Detroit ($827 million) have both allocated just around 7% of their funds to projects. Ingham and Ottawa counties (each receiving around $57 million) have obligated 52% and 21% of funds respectively. The remainder have obligated between 0 and 3 percent. Oakland County is notably obligating $10 million to work with nonprofits providing mental health services and another $3 million to support career navigators for communities across the county (Oakland County, 2021). While not in the Recovery Plan document, Detroit has obligated $16 million to a local job training program that provides "wrap-around" support services like childcare and transportation, in addition to another $15 million to support the Community Health Corps, a project that serves residents living significantly below the federal poverty line. Detroit's Recovery Plan does indicate plans to allocate over $250 million to revenue replacement (with focuses on city services and cybersecurity), $105 million to employment and job creation initiatives yet to be defined, and a number of neighborhood improvement, public safety, and small business initiatives ranging from $7-$50 million (City of Detroit, 2021). Table 2 below summarizes the total award allocations, per capita values, and obligation and expenditure percentages for these 10 populous units. See Appendix C for data on all 64 units receiving greater than $10 million.

Table 2. SLFRF Allocation and Obligations for Michigan's 10 most populous units

Local Unit	Allocation $	Population ('19)	$/capita	% Spent	% Obligated
Wayne County	339,789,370	1,749,343	194.2383	0.34%	1.18%
Oakland County	244,270,949	1,257,584	194.2383	7.18%	7.18%
Macomb County	169,758,815	873,972	194.2383	-	-
City of Detroit	826,675,290	670,031	1233.787	0.57%	6.54%
Kent County	127,605,807	656,955	194.2383	0.00%	0.00%
Genesee County	78,824,418	405,813	194.2383	1.18%	2.89%
Washtenaw County	71,402,185	367,601	194.2383	0.03%	0.06%
Ingham County	56,796,438	292,406	194.2383	27.79%	52.12%
Ottawa County	56,684,556	291,830	194.2383	20.76%	20.76%
Kalamazoo County	51,485,963	265,066	194.2383	0.11%	0.21%

While still vague and accounting for only a small portion of funds obligated in this early stage, these plans provide greater detail into context around recovery spending than is available in P&E reports and elsewhere. Genesee County's report, for instance, includes a list of other relevant grants and funded projects that the County has received in response to the pandemic. In Genesee's case, these included multi-million dollar grants covering emergency rental assistance, in addition to grants for premium pay, utility assistance, and other general government expenditures in response to the pandemic (Genesee County, 2021). Many of these funding sources were also available to the other units, such as Emergency Rental Assistance (ERA) funds through ERA1 and ERA2 funding (Genesee County, 2021; Kalamazoo County, 2021). Kent County reports their first strategy in their planning process is to, "Maximize all funding resources, including other COVID recovery funds, state funds, and grants, to build a strategic response to the pandemic and use funds wisely." (Kent County, 2021). This means that SLFRF allocations are in addition to funds already in action, likely reducing SLFRF expenditures in these categories. With the addition of the Treasury's Final Rule, this will likely contribute to the broad use of the Revenue Replacement full allocation.

Notably, much of the spending planned by these units involves efforts that will need recurring funding. A question remains as to the sustainability of SLFRF supported projects, especially equity-oriented activities, spending on mental health, job training, etc. that may come to a halt when federal dollars are depleted. This looming "cliff" in program support could leave people hanging. At this early stage in program reporting, there is little to no indication of how local governments plan to back up project funding for these sensitive programs.

Project & Expenditure Reports – January 31, 2022 (interim final rule):

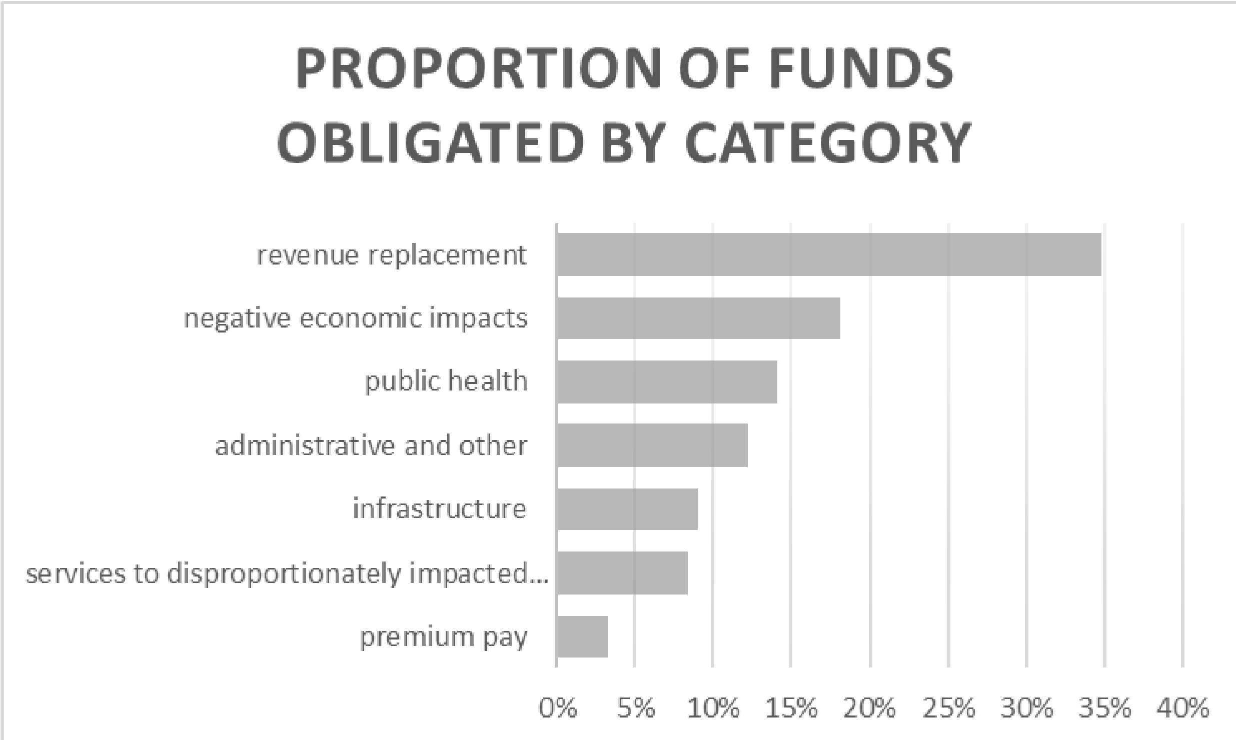
Project and Expenditure (P&E) reports were collected in January 2022 for activity from receipt of funds through December 31st, 2021. P&E reports collected in January 2022 include information from the largest recipients of SLFRF funds, including city, county, and township units with populations over 250,000 or awards over $10 million. All project and spending descriptions relayed in this report are based on these reports as certified to the Treasury in accordance with the Interim Final Rule.

As mentioned in the section on Eligible Uses above, The Final Rule established new Project Expenditure Categories (ECs). These numbered 83, as opposed to the 66 EC's included in the Interim Final Rule. 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. For those units that did not pause project planning and outlays however, it is important to note that they utilized the existing P&E report formatting consistent with the Interim Final Rule's 66 ECs. This is shown in Appendix A, and is what we use for the duration of reporting purposes in this document. Subsequent reports will utilize the new P&E report as shown in Appendix B.

The P&E reports collected to date reflect $3.4 billion dollars in SLFRF program allocations across 61 local units of government. 3 units (Macomb County, Muskegon County, and Muskegon Heights County) did not provide reports upon request and follow up. The 61 units range from 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 $827 million and $340 million respectively. Appendix C shows fund allocations for these units with population statistics and dollar per capita award statistics.

Only $218 million of allocated funds have been obligated (and less than half that number has been spent). Figure 5 shows the relative amount of funds dedicated to each major Treasury spend category by these 61 reporting units. There were 226 unique projects reported total, with 53 unobligated entries– or projects without any kind of dollar amount currently attached. Of those projects that did have funds obligated, the majority of them had not been expended. We refer to obligated funds rather than expended funds going forward, because it is the most complete picture of how units will use their money, whether they already had billed projects out as of the January 2022 deadline.

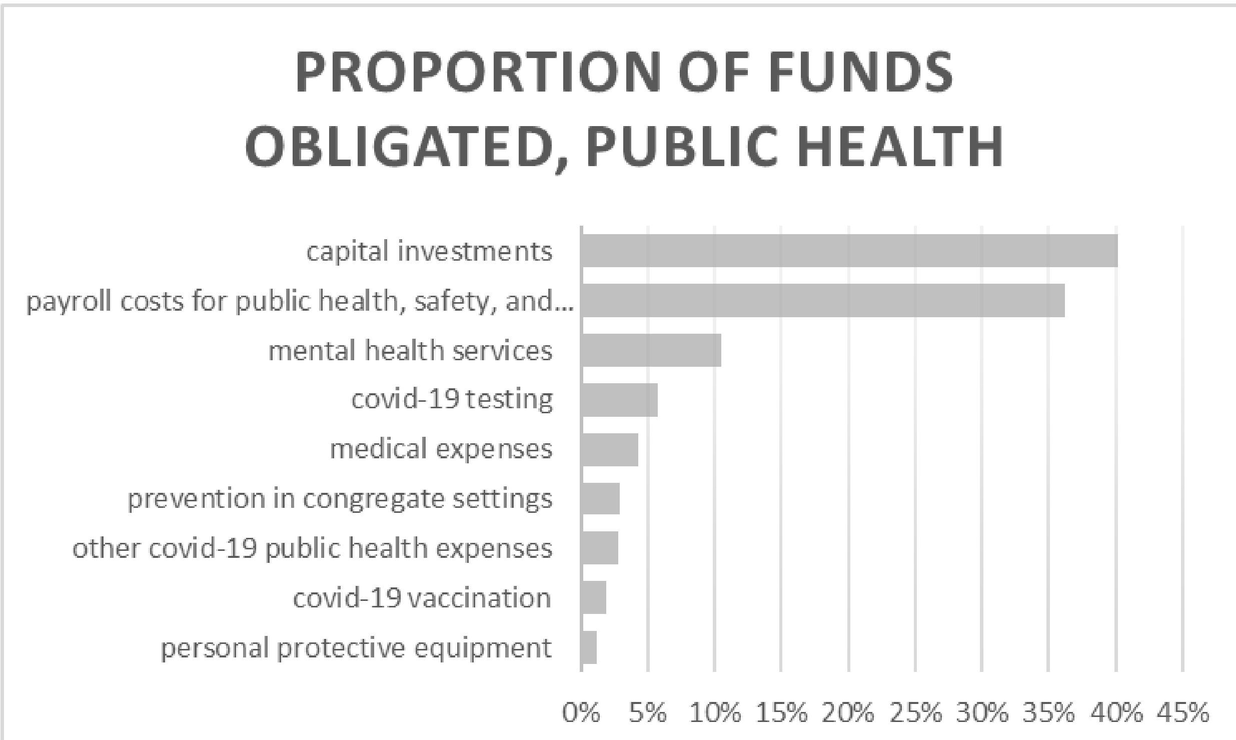
Figure 5. Spending by Category



Like in the recovery plans, revenue replacement was the largest category for obligated and expended project funds at 35% of all obligations (and 54% of those expended). This is unsurprising, given the broad latitude given by the Treasury to categorize spending as "revenue replacement". This category is only likely to increase in the next reporting period following changes in the Final Rule making this allocation category the most straightforward way to allocate funds before the 2024 deadline. Administration and Other is another similarly straightforward category (12% of obligated dollars), with much expenditure here going towards hiring some form of consultant or team to oversee fund usage or the hire of CPAs to calculate lost revenue.

The vast majority of unique spending obligations fall under the categories of Public Health and Negative Economic Impacts at 14% and 18% of total obligated dollars, respectively. In the category of public health, capital investments made up the largest proportion of obligated money. Figure 6 explores how funds in the category of public health are being used. These projects largely relate to upgrades to public buildings and spaces to help with social distancing and work from home measures. Expansion of internet and cybersecurity capabilities were also a large part of this category, with some overlap into the “other covid-19 public health expenses category”. Payroll for Covid-19 leave and public safety workers made up the second largest designation of funds in this category. Many localities listed separate projects for purchases of Personal Protective Equipment, but these were by far the least expensive projects.

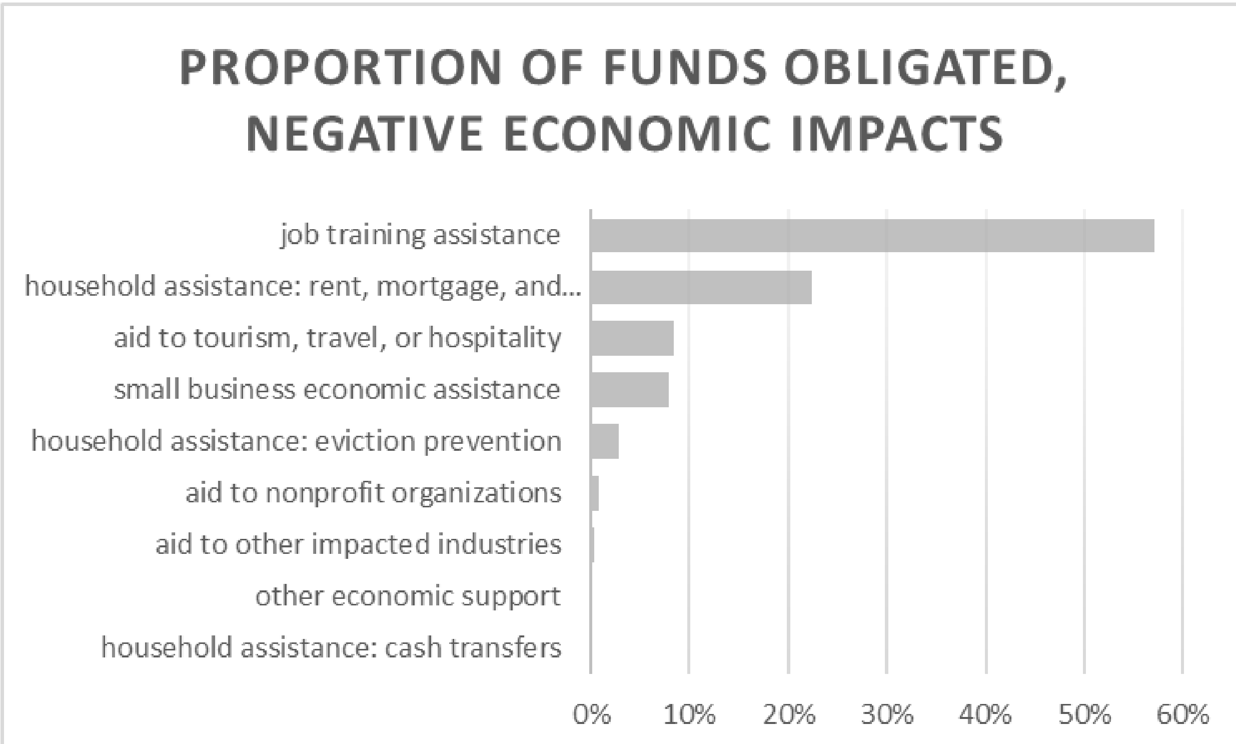
Figure 6. Spending by Sub-category: Public Health



Similarly, projects for which funds were obligated in the category of negative economic impacts belong broadly to two areas: job training assistance and household rental, mortgage, and utility assistance (see Figure 7). 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 will 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 7. Spending by Sub-category: Negative Economic Impacts



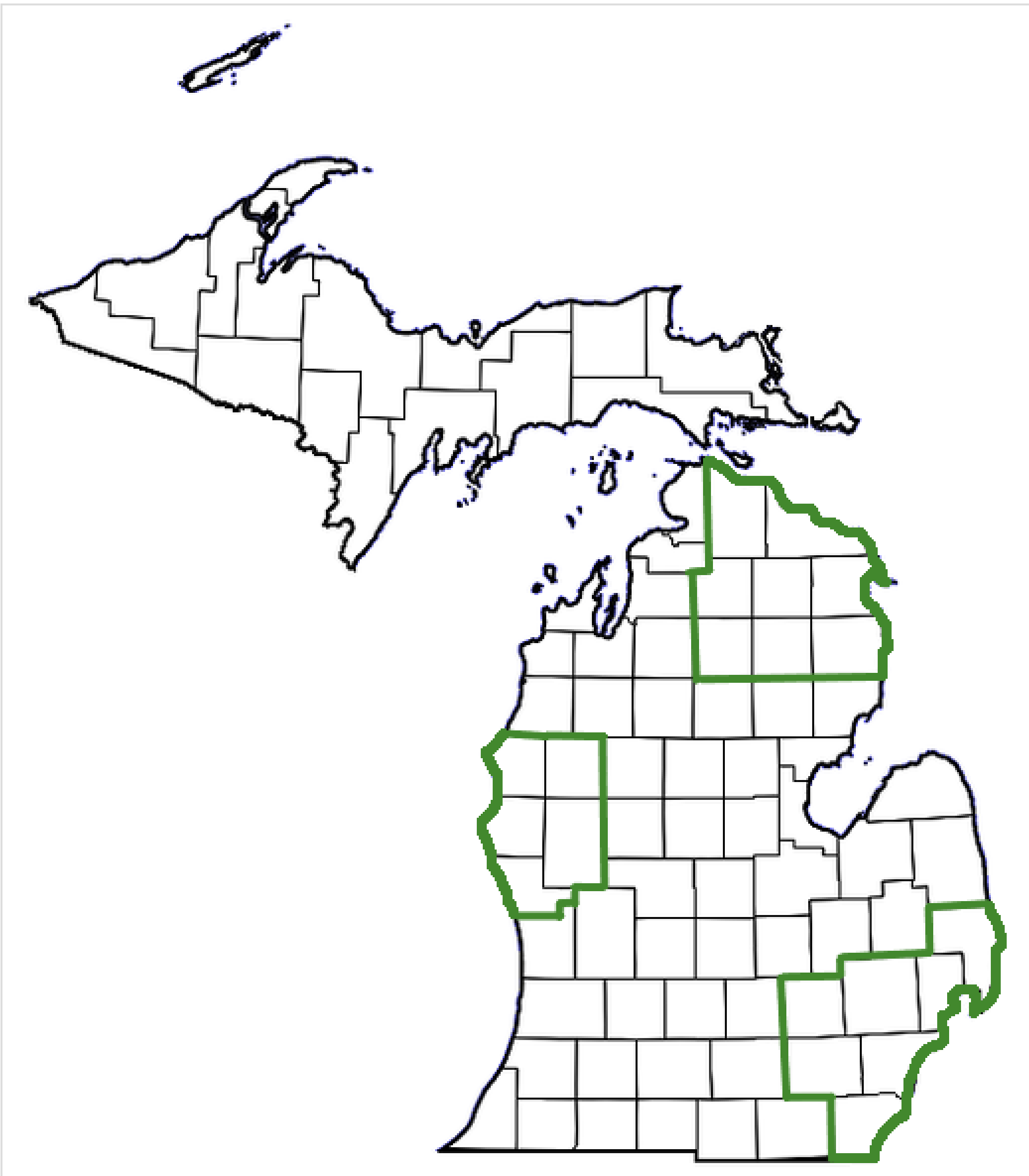
There was significant overlap between these categories and those remaining. Many infrastructure projects, for instance, could fall into the Public Health sub-category of capital investment depending on how the grantee described the project or interpreted Treasury's intent. There seemed to be particular confusion around sub-categories under Services to Disproportionately Impacted Communities, which may have discouraged units from listing as many projects in that category for this first report. It seems likely that with the significant clarifications from Treasury in the Final Rule, and the additional time for units to gather input and make decisions, a much greater portion of funds will be obligated and some projects clarified in the next round of reporting.

Regional Survey Results

Survey responses provide valuable context to local government attitudes and action regarding ARPA SLFRF usage. A few of the Michigan Association of Regions including the Southeast

Michigan Council of Governments (SEMCOG), the Northeast Michigan Council of Governments (NEMCOG), and the West Michigan Shoreline Regional Development Commission (WMSRDC) surveyed their members to gain insight into how a broader collection of local units were thinking (or not) about ARPA SLFRF fund usage. Figure 8 shows the survey areas. Respondents included members at the county, township, city, and smaller level.

Figure 8. SLFRF Survey Area



In total, the surveys gathered 120 responses from members across 20 Michigan counties, with a handful of units reporting more than once. The questions asked are as follows:

1. Has your community received your Coronavirus Fiscal Recovery Funds?
2. Have you already determined how your community will spend these funds?
3. The final rule offers a standard allowance for revenue loss of $10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Does your community intend to claim the standard allowance?
4. What areas do you need or anticipate needing support with regards to your community's use of Coronavirus Fiscal Recovery Funds?
    a. Understanding eligible expenses/Final US Treasury Rules
    b. Documenting use of funds
    c. Public engagement in decision-making/Communicating funding priorities
    d. Finding peer communities engaged in similar projects
    e. Facilitation to help determine funding priorities
    f. Accessing Content Experts (I.E. Broadband, public health, infrastructure, etc. If you are checking this box, please expound in the comment box.)
    g. Other (please specify)
5. Do you anticipate dedicating funds to any collaborative/multi-jurisdiction efforts?

These questions were also accompanied with text boxes where relevant to garner as much context as possible.

Results were consistent across the three survey instruments. Across all three surveys, a majority of communities have not yet determined how they will spend their SLFRF funds or indicated that decision making was in-progress. Similarly, the majority of respondents (over 75%) indicated their communities' intent to take the standard allowance for revenue loss of $10 million rather than complete a full revenue loss calculation. For many small communities, this would be all their funds. This percentage is likely higher, as several respondents were unfamiliar with the standard allowance.

NEMCOG

In Northeast Michigan, all local governments in the 8-county region were invited to respond to a survey to better understand their needs in the wake of COVID-19. The brief survey garnered

51 responses, with a handful of units responding more than once. This region was awarded more than $4.5 million in relief funds. Given that most local units in this region reported no revenue loss during the pandemic, there is greater opportunity for units to use funds for economic development, growth, and resiliency efforts.

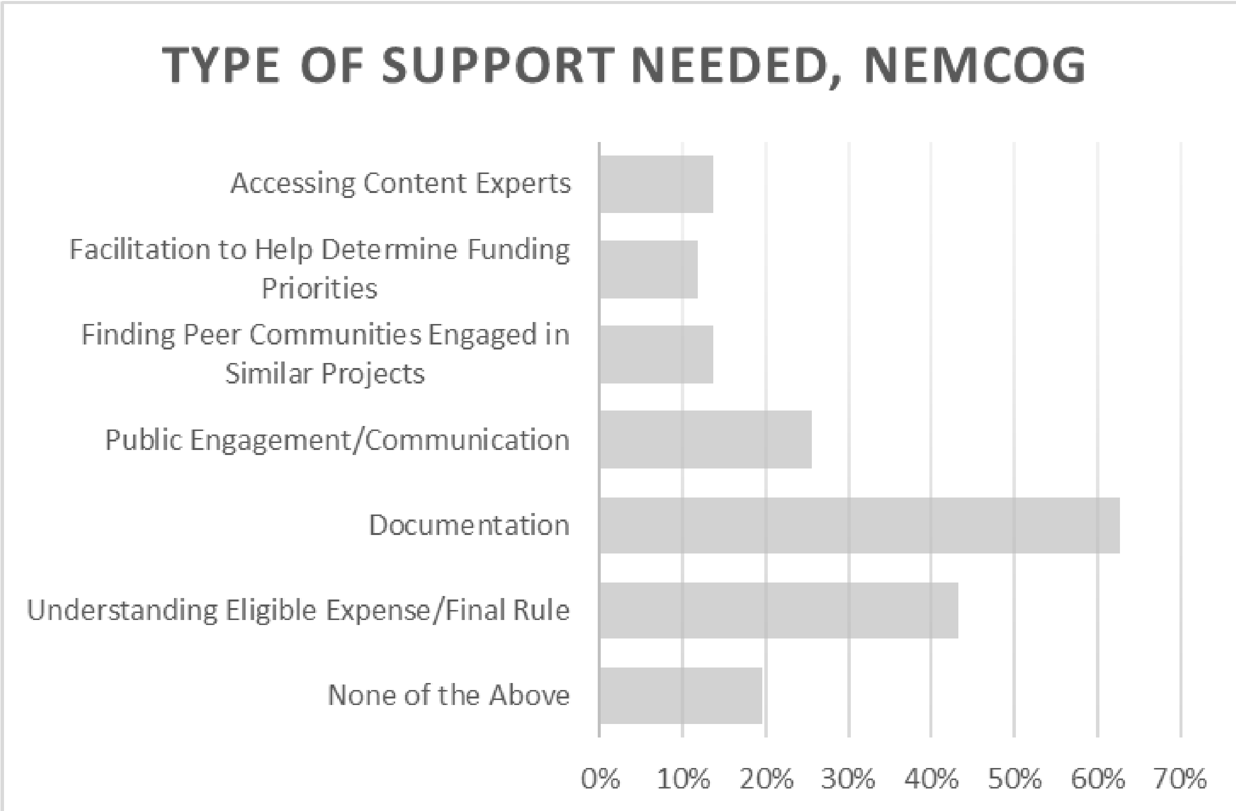
When asked about priority uses for the funding, respondents identified five priority areas:

- Improvement to local government property and services
- Investments in emergency services
- Infrastructure, including water and sewer infrastructure
- investments in parks and recreation

While potential uses of funds have been identified, more than half of respondents indicated that their local unit does not currently have a plan for spending the funds. This is consistent with the responses in the other regions, as well as with plans for responding localities to claim the $10 million standard revenue loss allowed by the Treasury's Final Rule (over 50% NEMCOG respondents indicated that they plan to claim, with 25% yet unsure). There is also interest in collaborative or multi-jurisdictional efforts to get the most out of the funds, with over 20% of respondents indicating that their unit is already participating in such projects, and an additional 30% remaining open to the idea.

With regard to areas where the greatest support is needed, over 60% of respondents indicated needing assistance properly documenting expenditures per Treasuries requirements. See Figure 9. 40% of the same respondents indicated needing assistance in understanding eligibility requirements for project expenditures. Notably, just under 20% of respondents for the NEMCOG region indicated needing no additional assistance at all. These numbers are out of 51 respondents, with each able to make multiple selections.

Figure 9. Support Needed in Administering SLFRF Funds in Northeast Michigan



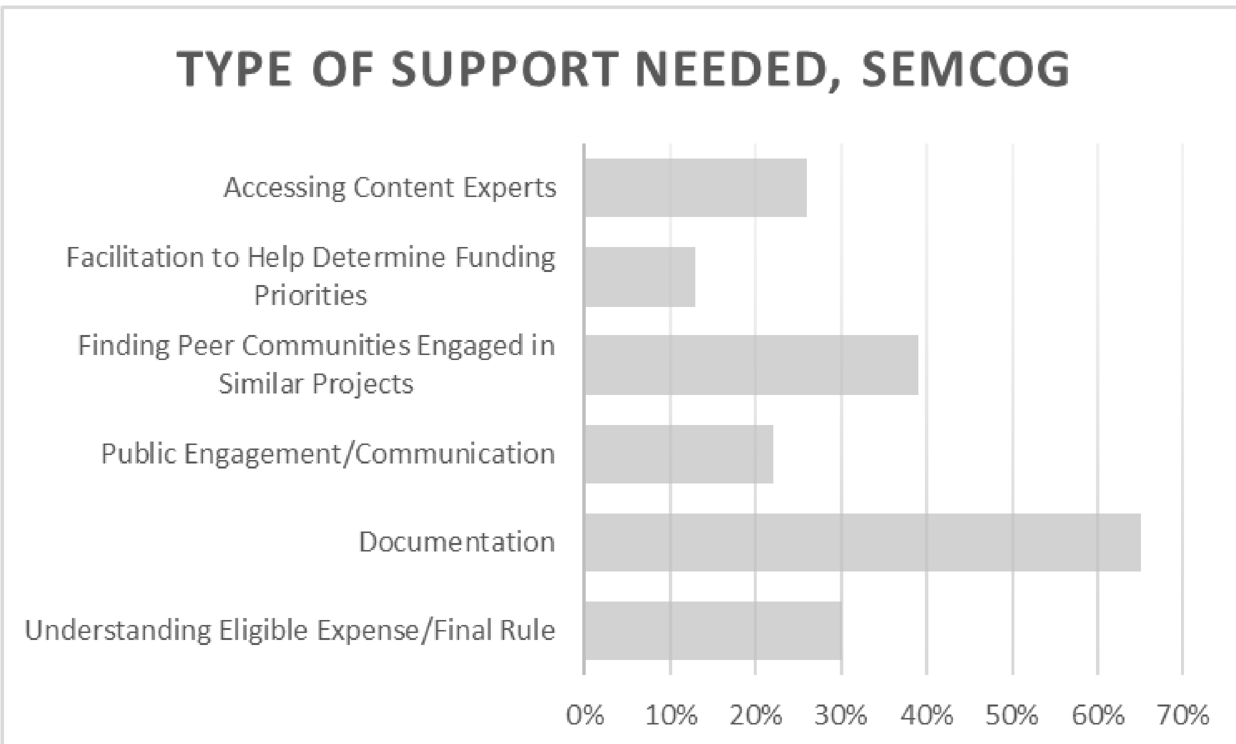
SEMCOG

The Southeast Michigan region covers 7 counties. The SEMCOG survey garnered only 26 responses, likely due to survey fatigue across membership. Nevertheless, responses were detailed and informative, providing further insight into the diversity of specific uses of SLFRF funds across communities. Uses included various infrastructure improvements (including water, sewer, sidewalks and roads), public safety wages and equipment, community development, community wellness programming, technology upgrades (like internet and broadband), affordable housing, establishment of childhood savings accounts, and general administration and reporting costs related to fund and project management.

Like the northeastern region, over 20 percent of respondents indicated that their communities are planning to collaborate with other entities/jurisdictions in using funds. Many other respondents (36%) indicated an openness to the possibility yet to be explored. A plurality of communities (40%) said that they do not intend to dedicate ARPA funds for collaborative/multi-jurisdictional efforts.

Respondents each largely indicated multiple areas in which they could use support. 65% of the 23 respondents who answered the question indicated needing help with documenting the use of funds per Treasurys guidelines. 39% of this same group indicated needing greater aid in finding peer communities engaged in similar projects, and just over 30% indicated the need for help in understanding eligible expense requirements. See Figure 10 below. This question allowed for multiple responses.

Figure 10. Support Needed in Administering SLFRF Funds in Southeast Michigan



WMSRDC

In Western Michigan, a 5-county area, 43 units in the WMSRDC membership responded to survey questions.

Respondents indicated that their top 5 anticipated uses for funds were as follows: 1) Building improvements, 2) Roads, 3) Water and Wastewater, 4) Local Business Help, and 5) Broadband infrastructure. Building improvements were indicated as a planned major spend for the majority of respondents.

Over 80% of respondents indicated no plans to dedicate funds to collaborative or multi-jurisdiction efforts. Of the just over 15% who indicated that these efforts were part of their plans, collaborative efforts listed included those involving fire and medical, increasing internet services, collaborating with sewer treatment owned by an adjoining city, and funds dedicated to clubs and services serving a larger community interests, such as art museums and Boys and Girls Club.

Many of the respondents in Western Michigan indicated that they do not anticipate needing support with SLFRF fund usage in any of the areas listed (45% of respondents). Of the remaining 55% that did indicate needing support, assistance documenting use of funds was most often listed (42%), with help with interpreting and understanding eligible expenses per the final rule a close second (40%). Additional areas of needed assistance include help with public engagement in decision making and communicating fund priorities (27%), and accessing content experts for things like broadband, public health, etc. (27%). Again, this question allowed for multiple responses.

Local Government Interviews: Wayne County and Flint, MI

Center staff conducted two interviews with key Michigan local governments: the City of FLint, MI and Wayne County, MI. Questions asked were as follows:

1. How are you (local unit) using the ARPA SLFRF money?
2. What were your logistical hurdles, purchasing hurdles and other concerns with the ARPA funds in general?
3. What were the communication strategies around fund usage?
4. What were the political issues and strategies around this external funding?
5. Will the ARPA funding/COVID funds put [local unit] on a more fiscally sustainable path?

The following sections provide an overview of findings from conversations with the Chief Financial Officer of each locality.

City of Flint Framework for SLFRF:

The City of Flint received nearly $95 million in SLFRF allocations Additionally, in 2021 the city received over $2.1 million in COVID relief funds from the Department of Justice and the U.S. Department of Treasury (Federal Audit Clearinghouse[29]). These federal COVID dollars translate into approximately $1,000 per capita (Appendix C). Undoubtedly, Flint struggles to generate enough locally derived revenue, even as one of 24 Michigan cities that collect an income tax. Generations of Flint residents have endured dwindling services through two rounds of state control[30]. Kleine and Schulz (2017) highlight this long struggle and according to their analysis, classify Flint as service insolvent.

The large influx of federal grants for combating the effects of the global COVID-19 pandemic and the attendant fiduciary, oversight and reporting requirements caused the city to hire the firm Ernst & Young (EY). EY is providing support related to compliance, reporting, and communication to stakeholders (City Administration, City Council, Citizens) as part of their role in the ARPA efforts. EY is additionally looking for and suggesting leverage opportunities to maximize the impact of Flint's COVID dollars[31].

Center staff interviewed the Chief Financial Officer for the City of Flint during the spring of 2022. Responses reflect the city's thinking and use of ARPA funds to date.

Questions and Answers

1. *How are you using the money:*

[29] The FAC will accept single audits and revisions of single audit submissions qualifying under Uniform Guidance. https://facweb.census.gov/uploadpdf.aspx

[30] Flint was under state oversight with multiple emergency managers in 2002 through 2004 under Gov. John Engler, then again from 2011 to 2015 under Gov. Rick Snyder. The city remained under the guidance of a Receivership Transition Advisory Board (RTAB) until April 2018. chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.cityofflint.com/wp-content/uploads/RTAB-Resolution-to-Repeal-EM-Orders-2018-3.pdf

[31] Leverage with Infrastructure Investment and Jobs Act (IIJA) funds, for example.

The city continues to face difficulties with attracting and retaining workforce talent. The first use of $2.769 million of SLFR funds was dedicated to premium pay for Flint City employees, including police, fire and other essential city employees. Flint city employees who were required to work on-site were considered essential. Premium Pay was calculated at $5/hour for Public Safety personnel and $3/hour for other general employees. The city made the decision to focus the additional pay on current employees. The city's June 2022 draft ARPA plan proposes $13.5M of SLFRF revenue replacement funds for budget stabilization. Undoubtedly, the decision to provide premium pay to the Flint workforce may help with employee retention in the near term. However, the city is in a Catch-22 scenario with respect to its ability to self-generate the revenue to cover the full cost of its past and present labor force. The current labor force is no longer contributing to its pension systems and therefore all the mandatory minimum pension contribution expense is paid by city revenues; and this bill is slated to increase 25% in 2 years. Perhaps the state can work with the city and provide funds on behalf of the city toward its pension system.

The City is still in discussions with administration, City Council, residents, and community stakeholders regarding how best to spend the SLFRF funds.

2. *Logistical hurdles, purchasing hurdles and other concerns with the ARPA funds in general*:

The city operates and delivers services to its residents with what can best be described as a skeleton workforce. For example, the city has one payroll person for approximately 530 city employees. The already small staff is having difficulties filling vacant positions. The city does not have the internal staffing capacity to properly manage the nearly $100 million of grant funds. The City identified the need to enhance existing experienced staff with advisory support that would accelerate the City’s process to prioritize the use of their funds. It was decided that, given that these ARPA dollars have an end date, an outside firm could assist in the identification of leverage opportunities. Ernst & Young (EY) was retained by the City to provide guidance to the city to manage any logistical, purchasing and other concerns with respect to the ARPA funds.

3. *Communication strategies around the ARPA money*:

Flint city officials, specifically city council and city administration held listening sessions across the city to inform residents about the federal COVID relief funding and gather citizen input on how and on what they would like these resources used.

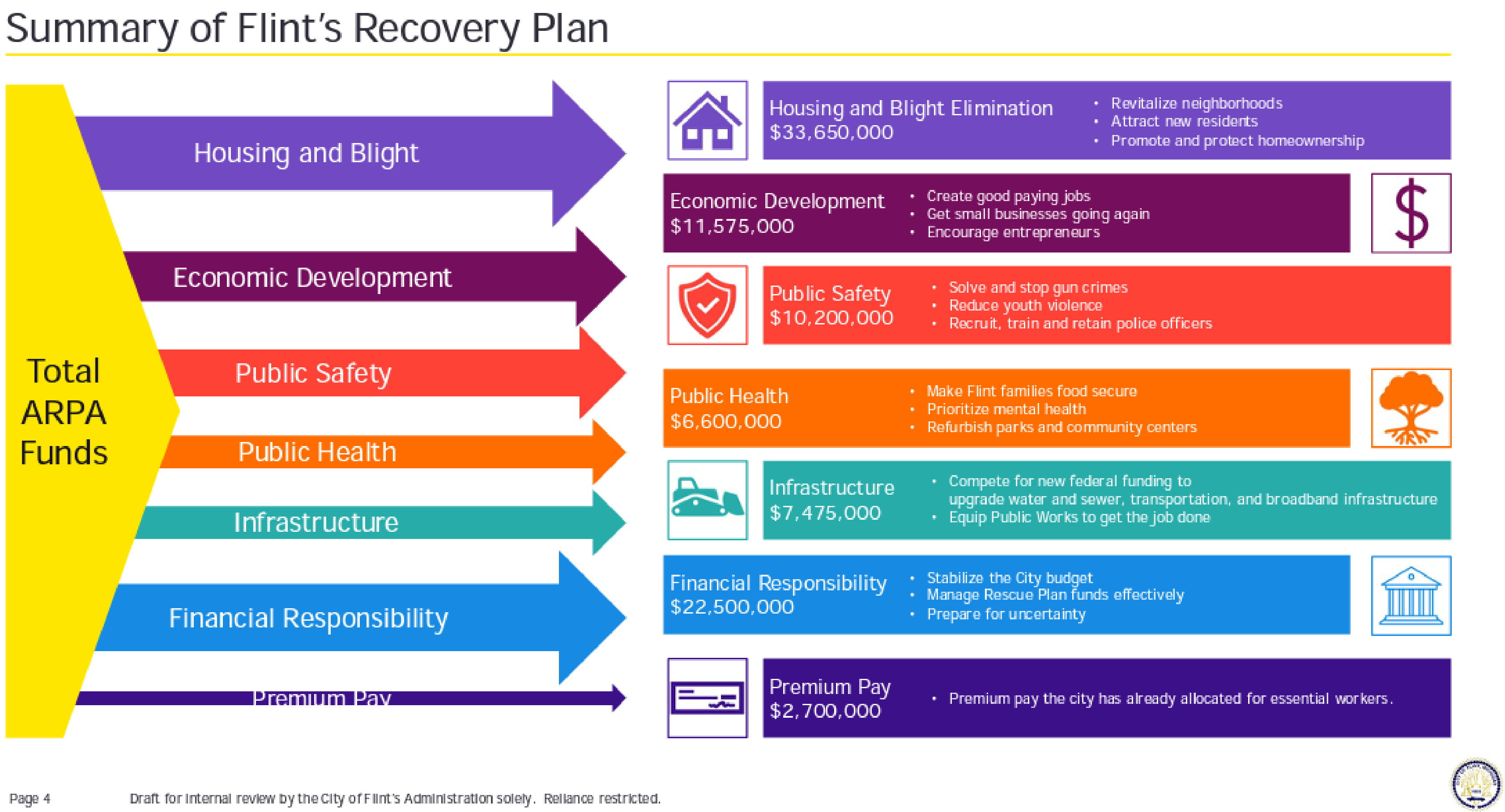
4. *Political issues and strategies around this external funding*:

The city council's ad hoc ARPA SLFRF committee and city administration have agreed to a global framework resolution to allow for the deployment of SLFR funding. The following "5 buckets" and an additional "contingency" bucket have been identified for spending of ARPA SLFR funds:

- Economic Development & Blight: e.g., blight removal, facade grants, start up loans, brownfield cleanup
- Crime Prevention & Safety: e.g., neighborhood safety officers, retention/recruitment incentive pay, community police stations, cameras, speed bumps
- Public Health: e.g., Haskle community center ADA updates, mental health youth program, community centers upgrades, access to vaccines and testing
- Homeowner Repairs: e.g., owner-occupied home repair grants
- Infrastructure: e.g., leverage infrastructure opportunities in Infrastructure Investment and Jobs Act of 2022

Flint's plan for investment of their $94.7M SLFRF allocation was developed after discussions with the City Council, engagement with community residents and partners and input from city staff. The plan is organized around five community priorities and provides details about proposed projects and initiatives, including desired outcomes, measures of success, implementation strategy, and estimated costs (Figure 11).

Figure 11: Summary of Flint's Recovery Plan



Source: City of Flint. Draft ARPA Spending Plan - June 14, 2022. Accessed 6/27/2022.

The City will issue Notice of Funding Availability (NOFAs) for various spending proposals within the five buckets (e.g., facade grants, start-up loans, home repair grants, etc.).

5. *Will the ARPA funding/COVID funds put Flint on a more fiscally sustainable path*:

The conversation ended with thinking about whether the emergency infusion of pandemic relief funds will put the city on a fiscal sustainable path. On the one hand, the nearly $100 million is needed and it is unimaginable what the city would do without these grant dollars. However, Flint, like many localities, has legacy pension and OPEB[32] issues that are not going away with these resources. And given the state of the investment environment and a looming recession coming on the heels of the 2020 recession, not to mention the Great Recession's anemic and slow recovery the entire state of Michigan experienced, in conjunction with the exponential growth in healthcare costs, these legacy issues can only get worse. The City of Flint is facing an approximate 25% increase in its minimum pension contribution payment starting in Fiscal Year 2024. The required contribution is scheduled to go from $32M annually to approximately $40M on July 1, 2023, and remain around $40M for the next four fiscal years. This drastic increase makes pension contributions the most significant expense in the City's budget. When the external federal resources are no longer available to the city's budget, this expense will cripple the budget.

The Chief Financial Officer did not want to end our conversation on a pessimistic note. He suggested that these emergency federal funds could help spur local economic development and activity. This growth in turn could attract more people and businesses to the city thus improving, in the longer term, Flint's economy and ability to generate city revenues and deliver city services at the level that reinforces its economic growth and strengthens families who want to make Flint their home.

Wayne County Framework for SLFRF:

The County of Wayne received nearly $340 million in SLFR funds. In august of 2015, the Michigan Department of Treasury and Wayne County entered into a consent agreement as a

[32] Other Post Employment Benefits (OPEB)

result of the Treasury Department's determination that a financial emergency exists within the County[33]. The stated goals of this oversight agreement:

> "The County Commission, County Executive, and State Treasurer want the County to undertake remedial measures to address the County's financial emergency and provide for the financial stability of the County (the "Remedial Measures") to: (1) improve the County's cash position; (2) reduce the underfunded amount needed to pay future pension obligations for participants in the Wayne County Employees Retirement System (the "WCERS") and other post-employment benefit ("OPEB") commitments; and (3) eliminate the County's $52 million structural deficit."[34]

The legacy of this state oversight surely influences the principles by which the County is thinking about and developing plans for spending their ARPA allocation.

Center staff interviewed the Chief Financial Officer for the County of Wayne in June of 2022. Responses reflect the county's consideration and use of ARPA funds to date.

1. *How are you using the money:*

The County Administrator announced two major initiatives June 1, 2022 that will use approximately one-third of their funds. The first is a $54 million collaboration between the Wayne County Executive's Office and philanthropic partner New Economy Initiative, called the Wayne County Small Business Hub. Its purpose is to provide technical assistance and support to emerging businesses throughout the county (New Economy Initiative, 2022). The initiative will focus on businesses within the County with 50 or fewer employees. It will target minority- or women-owned businesses, and micro businesses with 10 or fewer employees (Chanel, 2022). The second is a $50 million workforce development initiative for Wayne County residents

[33] Under the Local Financial Stability and Choice Act, 2012 PA 436, as amended, MCL 141.1541 to MCL 141.1575.

[34] Consent agreement between Wayne County and State Treasurer. August 2015. chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/County/Wayne/Wayne_County_Consent_Agreement_2015.pdf?rev=a274ccbbe6a949f9964ad98ed2e30bb9&hash=D41E19602A7BA560B7FED9878A2C8E4A. Accessed June 28, 2022.

aimed at improving their economic and social situations (Herndon, 2022). These initiatives are in the early stage and County Administration and County Commissioners now will start identifying and developing specific spending programs.

Wayne County hired the consulting firm Guidehouse to administer their nearly $340 million ARPA SLFRF allotment. Their $4 million contract was the only spending for the County in 2021 according to their first project and expenditure report.

2. *Logistical hurdles, purchasing hurdles and other concerns with the ARPA funds in general:*

Guidehouse was hired to manage the SLFRF compliance reporting, assist with accounting and single audit reporting. Wayne county has not experienced any issues with respect to purchasing, procurement, program logistics relating to project investments and fund distribution because they have been taking a slower approach to determining how to allocate funds. The County is looking into the feasibility of formalizing their services with Guidehouse via a Project Management Office (PMO) structure. A PMO, "one-stop-shop" type of administrative support process, could manage project eligibility criteria, project selection, fund distribution, etc for their ARPA funds. The county is aware that it could face bottlenecks further slowing down funds spending once it is ready to roll out specific projects under the two major economic development initiatives.

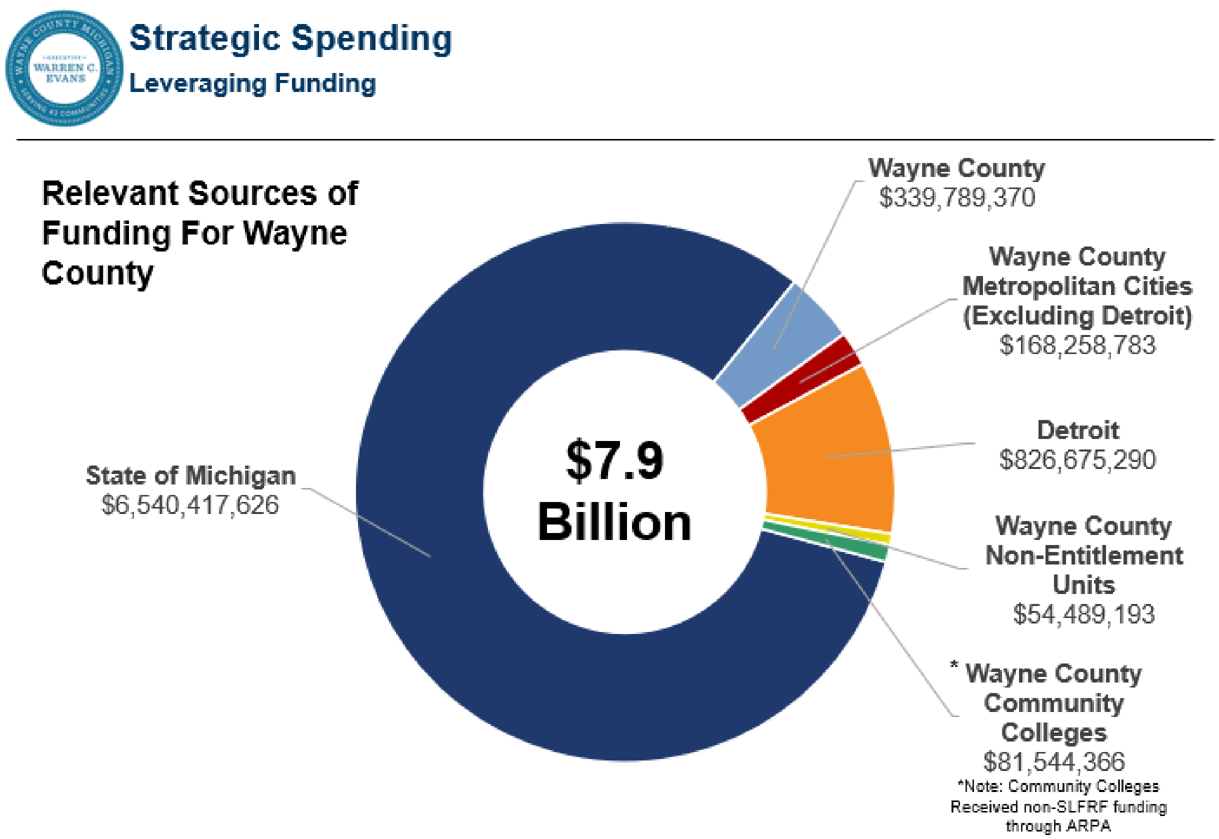
3. *Communication strategies around the ARPA money:*

The County administration took the opportunity during the Detroit Regional Chamber's Mackinac Policy Conference to announce its economic development ARPA platform. This decision gave the county's plans for significant investments in workforce development and support of small businesses "big splash" media attention.

4. *Political issues and strategies around this external funding*:

In July 2021, the County shared a preview of how it is thinking about and approaching their ARPA investments. It is not a spending plan framework per say. The county is taking a holistic approach to its ARPA spending. This approach serves multiple purposes. First, having open communication and being aware of the county's largest partners and sources of ARPA funds, the State of Michigan and the City of Detroit, as well as the local units of government within Wayne County, will allow for the County to maximize its own investments without creating any conflicts with communities within the county and/or for the State (Figure 12). Specifically, it would not be fiscally prudent to invest in projects that would create redundant spending or would create potential inefficiencies or problems for these entities .

Figure 12: Relevant Sources of SLFRF Funding for Wayne County



Source: Wayne County Commission. CARES Act and American Rescue Plan Act Spending Update. July 21, 2021.

Second, the county will evaluate its ARPA spending options asking whether investments will increase or decrease the county's taxable value. And third, the county will invest in projects and programs that create operational efficiencies and/or not grow its operational budget.

5. *Will the ARPA funding/COVID funds put Wayne County on a more fiscally sustainable path*:

The conversation with Wayne County's CFO ended back where it began. The county is still living with the memory of being under a state imposed consent agreement for 14 months. The CFO is keeping top of mind the fiscal principles that the county has built. One of these principles is Enterprise Resource Planning (ERP). A selling point of ERP is, through the integration and automation of an entity's financial and other business processes across departments, redundancies can be removed, thus improving accuracy and productivity. A guiding principle regarding capital projects is that recurring maintenance spending on a capital project should be less not more than the one-time expense of the initial capital project. Tandem goals of the county's CFO are to cut county costs and/or increase the county's revenue. If the county plays its cards right, these goals are achievable.

Conclusion: Potential Challenges & Hurdles

It may not be the wisest decision to heavily criticize the program that gave to U.S. subgovernments the largest single infusion of flexible grant funds. As the saying goes, "don't look a gift horse in the mouth". However, not everyone thinks that these federal grants to states, counties, and municipalities are a gift. These concerns are for others to raise. Our focus of critique is on the initial "standing up" of the ARPA SLFRF program for general purpose local governments over its first year.

Through this program, Congress allocated funds to tens of thousands of eligible general purpose local governments[35]. The program funding is to be released to most localities through two payments (tranches). Not surprising to most anyone, and The Treasury Department has acknowledged that, some local governments experienced and continue to experience technical and administrative issues with this program. These problems are not limited to the smallest local units. Of the many challenges identified in our research above, key hurdles relate to

[35] As well as sovereign Tribal governments and U.S. territories.

reporting compliance and coordination, regional coordination (or multi-jurisdictional use of funds), resources (including the issue of short timeframes and single audit requirements), issues of politics and transparency, as well as issues more strongly felt by our research team, such as data availability (and misunderstandings related to what information should be available to the public). We summarize each briefly here.

Reporting Compliance:

According to 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 non-compliance, which could result in development of a corrective action plan, or other consequences[36]." State governments should be aware of these difficulties and potential consequences, as they are responsible for the distribution of the second payment to its NEUs.

Given the emergency nature under which the SLFRF program was developed and implemented, it is not surprising that there was not better coordination between The Treasury and state governments.

Regional coordination:

It appears that the U.S. Treasury's primary focus for program delivery rested with the states. During the 14 training workshops on ARPA SLFRF by Michigan State University Extension and Michigan Association of Regions (MAR) in the fall of 2021, many local government participants indicated that they desired to partner with neighboring localities on SLFRF projects (Neumann, 2021). At the time of these workshops, local units were most concerned with the rules of the program. Now, about 14 months after the launch of the ARPA SLFRF program and with local officials and staff more familiar with the program, they have the "head-space" to think about coordinated regional projects. The MSUE and MAR partners have recently reconnected to look for ways the organizations can support regional coordination and collaboration of ARPA spending.

[36] U.S. Treasury Department. Project and Expenditure Report User Guide State and Local Fiscal Recovery Funds. Appendix F FAQ, Question 1.17. January 24, 2022. Version 1.1.

In September 2021, the International City/County Management Association (ICMA) surveyed local government chief administrative officers about their priorities for utilizing the ARPA SLFR funds. Nearly 600 city, town and county managers representing populations ranging from fewer than 2,500 to over one million residents, of which two-thirds are from communities of 25,000 or fewer residents. The ICMA survey found that overall, one-third of respondents are considering regional collaboration on a project or investment. Regional collaboration is expected most frequently in ICMA's Mountain Plains region[37] and by counties nationwide. Additionally, 15% of local governments that received funding directly from The Treasury (the largest local governments and counties) anticipate transferring at least part of their allocation to another entity. This is in line with regional survey results reported in this paper.

Another issue impacting regional projects relates to the attitudes of the specific regional localities. Typically, when resources are more constrained local units can be more amenable to working together to stretch their dollars. However, when resources are more plentiful, collaboration on projects isn't as appealing as adopting a more independent mentality. Of course, this is not the case for all localities and the relationships among localities matter. When there is a history of collaboration among local units and there are additional available resources, this fact may not cause the communities to scrap their ability to partner.

Time Frame:

Under the SLFRF program, funds must be used for costs incurred on or after March 3, 2021. Funds must be obligated by December 31, 2024 and expended by December 31, 2026. This time frame may be problematic for local units that are using program funds for infrastructure projects or other projects that require inputs that are currently unavailable or delayed due to supply chain issues. Many local units, especially smaller units with few employed staff, may make their spending decisions based on their ability to execute projects within the program time frame. Smaller units received smaller amounts of funding which will also influence and perhaps constrain the types of projects they can invest in using only SLFRF funds.

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[37] Mountain Plains Region: Arizona, Arkansas, Colorado, Idaho, Kansas, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming.

Single Audit:

The program single audit requirement is stretching available resources for this work. For example, Ohio auditors, like many government auditors across the country, are at capacity with the increase in required Single Audits and the ripple effect of COVID-19 Single Audit extensions that were in effect for periods up through June 30, 2021. The Uniform Guidance Act requires effective internal controls over Federal awards and specific, up-to-date policies, including Federal Procurement policies. Ohio auditors are finding lack of up to date policies or weak internal controls over compliance. The most common cause of noncompliance and questioned costs is due to the lack of adequate supporting documentation[38],[39].

Data Availability:

As a research entity, we would be remiss if we didn't mention the difficulty getting specific project data from local governments. The Treasury said that it will publish data reported by fund recipients throughout the SLFRF program. The first batch of data released by the Treasury was not complete for Michigan local units. For example, the city of Muskegon Heights is a "tier 2" category for compliance purposes as per Treasury guidelines and was required to submit a SLFRF Compliance Project and Expenditure Report for March – December 2021 by January 31, 2022. However, Muskegon Heights data was not provided in the first batch of data Treasury released as it should have been. Hopefully future program data Treasury releases will be complete and available in a more timely manner. However, from our collection and review of compliance reports, there is still a lot of confusion about how to correctly categorize SLFRF projects. For example, a local government will say that it is spending $X on a project associated with the expenditure category 3, Services to Disproportionately Impacted Communities and then attribute the project to a subcategory associated with expenditure category 2, Negative

[38] Documentation should include both fiscal and programmatic compliance, including how the expenditure is necessary to prevent, prepare for, and respond to the COVID-19 pandemic and how the cost incurred is reasonable under Uniform Guidance Cost Principles. Documentation should also include identification of management's intended Eligible Use Spending Category/Subcategory. Auditors cannot substitute their judgment for management's; therefore, it is critical management make these determinations prior to spending.

[39] Personal communication with the Ohio Auditor of State, Local Government Services. May 17, 2022.

Economic Impacts. Depending on if and/or how the Treasury wants to address this issue may impact the timeliness of data release and readiness.

Politics & Transparency:

It needs to be said that not every administration has a productive working relationship with its counterpart governing body, e.g., commissioners, council, trustees, etc.. These situations can and are influencing all aspects of how the SLFRF program is functioning or not functioning for each of the tens of thousands local government grant recipients. Attitudes toward how transparent a government wants to be with its residents influence program activity. Some local units have “forgotten” that they are required to have information about what they are planning for and how ARPA SLFR funds are being used. According to the Treasury’s Portal for Recipient Reporting State and Local Fiscal Recovery Funds guidance, “the plan should be posted on a prominent public-facing website of your government – somewhere interested members of the public will be able to find it, such as your home page or general web pages related to your coronavirus response.” (U.S. Department of Treasury 2021b.) Additionally, it appears that politics are influencing attitudes about sharing program information with the research community. Of the 64 Michigan local units contacted by our research team about their use of program funds, about half required the request for information to be submitted through the FOIA process. Perhaps, now that it is more widely known that the Treasury will be releasing project data, fewer local units will require this formal process.

A related transparency issue is the fungibility of program funds. The thinking behind the practice of earmarking is to limit administrative discretion in spending for specific purposes and/or explicitly prohibit spending in certain ways. The SLFR funds can only be used for certain types of expenditures (see Restricted Uses section). But in reality those funds are to some degree fungible. This phenomenon would occur when SLFR funds are allocated to an eligible activity and then own source resources are moved away from this activity, thus freeing up these resources for another activity.

Past & Future of Unrestricted Aid to Local Governments

Sometimes it takes a crisis to do the right thing. Sometimes, no matter the crisis, the right thing just doesn't have the support behind it to manifest. The dual global pandemic and economic meltdown crises gave birth to the ARPA SLFRF program. Not everyone wanted this program to be born. But as the saying goes, sometimes things are just too far along to stop. The SLFRF program came to be in an environment different from the unrestricted federal aid the General Revenue Sharing (GRS) program of 1972 provided. However, if things keep going as they are, it soon will feel more like 1972, than 2022.

Eventually, after 15 years the GRS program was terminated. The politics behind why it didn't survive are fascinating. Over the next few decades, the balance sheets of many localities that received GRS funds worsened. Their residential services were cut and/or reduced and the quality of life their residents experience diminished as well. Other localities that didn't receive GRS funds also experienced stagnant, reduced or eliminated local services. Then came the COVID-19 pandemic and for the first time in a long time (or ever) localities have received unrestricted federal aid. The SLFRF program has its challenges, but perhaps the program is a first step in the return of a broad-based federal revenue sharing program?

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Appendix A: Preliminary Expenditure Categories for ARPA, 2021 (Interim Final Rule)

2021 Interim Report Submission		
Recipient Name - XX		
EXPENDITURE SUMMARY LEVEL INFORMATION		
1. Expenditure Category: Public Health		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
1.1 COVID-19 Vaccination	$0.00	$0.00
1.2 COVID-19 Testing	$0.00	$0.00
1.3 COVID-19 Contact Tracing	$0.00	$0.00
1.4 Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)	$0.00	$0.00
1.5 Personal Protective Equipment	$0.00	$0.00
1.6 Medical Expenses (including Alternative Care Facilities)	$0.00	$0.00
1.7 Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency	$0.00	$0.00
1.8 Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)	$0.00	$0.00
1.9 Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19	$0.00	$0.00
1.10 Mental Health Services	$0.00	$0.00
1.11 Substance Use Services	$0.00	$0.00
1.12 Other Public Health Services	$0.00	$0.00
2. Expenditure Category: Negative Economic Impacts		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
2.1 Household Assistance: Food Programs	$0.00	$0.00
2.2 Household Assistance: Rent, Mortgage, and Utility Aid	$0.00	$0.00
2.3 Household Assistance: Cash Transfers	$0.00	$0.00
2.4 Household Assistance: Internet Access Programs	$0.00	$0.00
2.5 Household Assistance: Eviction Prevention	$0.00	$0.00
2.6 Unemployment Benefits or Cash Assistance to Unemployed Workers	$0.00	$0.00

2.7 Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)	$0.00	$0.00
2.8 Contributions to UI Trust Funds	$0.00	$0.00
2.9 Small Business Economic Assistance (General)	$0.00	$0.00
2.10 Aid to nonprofit organizations	$0.00	$0.00
2.11 Aid to Tourism, Travel, or Hospitality	$0.00	$0.00
2.12 Aid to Other Impacted Industries	$0.00	$0.00
2.13 Other Economic Support	$0.00	$0.00
2.14 Rehiring Public Sector Staff	$0.00	$0.00
3. Expenditure Category: Services to Disproportionately Impacted Communities		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
3.1 Education Assistance: Early Learning	$0.00	$0.00
3.2 Education Assistance: Aid to High-Poverty Districts	$0.00	$0.00
3.3 Education Assistance: Academic Services	$0.00	$0.00
3.4 Education Assistance: Social, Emotional, and Mental Health Services	$0.00	$0.00
3.5 Education Assistance: Other	$0.00	$0.00
3.6 Healthy Childhood Environments: Child Care	$0.00	$0.00
3.7 Healthy Childhood Environments: Home Visiting	$0.00	$0.00
3.8 Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System	$0.00	$0.00
3.9 Healthy Childhood Environments: Other	$0.00	$0.00
3.10 Housing Support: Affordable Housing	$0.00	$0.00
3.11 Housing Support: Services for Unhoused persons	$0.00	$0.00
3.12 Housing Support: Other Housing Assistance	$0.00	$0.00
3.13 Social Determinants of Health: Other	$0.00	$0.00
3.14 Social Determinants of Health: Community Health Workers or Benefits Navigators	$0.00	$0.00
3.15 Social Determinants of Health: Lead Remediation	$0.00	$0.00
3.16 Social Determinants of Health: Community Violence Interventions	$0.00	$0.00
4. Expenditure Category: Premium Pay		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
4.1 Public Sector Employees	$0.00	$0.00
4.2 Private Sector: Grants to other employers	$0.00	$0.00
5. Expenditure Category: Infrastructure		

Category	Cumulative Obligations	Cumulative Expenditures
5.1 Clean Water: Centralized wastewater treatment	$0.00	$0.00
5.2 Clean Water: Centralized wastewater collection and conveyance	$0.00	$0.00
5.3 Clean Water: Decentralized wastewater	$0.00	$0.00
5.4 Clean Water: Combined sewer overflows	$0.00	$0.00
5.5 Clean Water: Other sewer infrastructure	$0.00	$0.00
5.6 Clean Water: Stormwater	$0.00	$0.00
5.7 Clean Water: Energy conservation	$0.00	$0.00
5.8 Clean Water: Water conservation	$0.00	$0.00
5.9 Clean Water: Nonpoint source	$0.00	$0.00
5.10 Drinking water: Treatment	$0.00	$0.00
5.11 Drinking water: Transmission and distribution	$0.00	$0.00
5.12 Drinking water: Transmission and distribution: lead remediation	$0.00	$0.00
5.13 Drinking water: Source	$0.00	$0.00
5.14 Drinking water: Storage	$0.00	$0.00
5.15 Drinking water: Other water infrastructure	$0.00	$0.00
5.16 Broadband: “Last Mile” projects	$0.00	$0.00
5.17 Broadband: Other projects	$0.00	$0.00

6. Expenditure Category: Revenue Replacement		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
6.1 Provision of Government Services	$0.00	$0.00

7. Expenditure Category: Administrative and Other		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
7.1 Administrative Expenses	$0.00	$0.00
7.2 Evaluation and data analysis	$0.00	$0.00
7.3 Transfers to Other Units of Government	$0.00	$0.00

Cumulative Amounts to Date, excluding NEU and Non-UGLG transfers		
	Total Cumulative Obligations	**Total Cumulative Expenditures**
	$0.00	$0.00

7. Expenditure Category: Recipient Allocation		
Category	**Cumulative**	**Cumulative**

	Obligations	Expenditures
7.4 Transfers to Nonentitlement Units (NEU)	$0.00	$0.00
7.5 Transfers to Non-UGLGs	$0.00	$0.00
Cumulative Amounts to Date, for NEU and Non-UGLG transfers only		
	Total Cumulative Obligations	**Total Cumulative Expenditures**
	$0.00	$0.00

Appendix B: Expenditure Categories for ARPA, 2022 (Final Rule)

EXPENDITURE SUMMARY LEVEL INFORMATION		
1. Expenditure Category: Public Health		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
COVID-19 Mitigation & Prevention		
1.1 COVID-19 Vaccination^	$0.00	$0.00
1.2 COVID-19 Testing^	$0.00	$0.00
1.3 COVID-19 Contact Tracing^	$0.00	$0.00
1.4 Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, Child care facilities, etc.)*^	$0.00	$0.00
1.5 Personal Protective Equipment^	$0.00	$0.00
1.6 Medical Expenses (including Alternative Care Facilities)^	$0.00	$0.00
1.7 Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)^	$0.00	$0.00
1.8 COVID-19 Assistance to Small Businesses^	$0.00	$0.00
1.9 COVID-19 Assistance to Non-Profits^	$0.00	$0.00
1.10 COVID-19 Aid to Impacted Industries^	$0.00	$0.00
Community Violence Interventions		
1.11 Community Violence Interventions*^	$0.00	$0.00
Behavioral Health		
1.12 Mental Health Services*^	$0.00	$0.00
1.13 Substance Use Services*^	$0.00	$0.00

Other		
1.14 Other Public Health Services^	$0.00	$0.00
2. Expenditure Category: Negative Economic Impacts		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
Assistance to Households		
2.1 Household Assistance: Food Programs*^	$0.00	$0.00
2.2 Household Assistance: Rent, Mortgage, and Utility Aid*^	$0.00	$0.00
2.3 Household Assistance: Cash Transfers*^	$0.00	$0.00
2.4 Household Assistance: Internet Access Programs*^	$0.00	$0.00
2.5 Household Assistance: Paid Sick and Medical Leave^	$0.00	$0.00
2.6 Household Assistance: Health Insurance*^	$0.00	$0.00
2.7 Household Assistance: Services for Un/Unbanked*^	$0.00	$0.00
2.8 Household Assistance: Survivor's Benefits^	$0.00	$0.00
2.9 Unemployment Benefits or Cash Assistance to Unemployed Workers*^	$0.00	$0.00
2.10 Assistance to Unemployed or Underemployed Workers (e.g. job training, subsidized employment, employment supports or incentives)*^	$0.00	$0.00
2.11 Healthy Childhood Environments: Child Care*^	$0.00	$0.00
2.12 Healthy Childhood Environments: Home Visiting*^	$0.00	$0.00
2.13 Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System*^	$0.00	$0.00
2.14 Healthy Childhood Environments: Early Learning*^	$0.00	$0.00
2.15 Long-term Housing Security: Affordable Housing*^	$0.00	$0.00
2.16 Long-term Housing Security: Services for Unhoused Persons*^	$0.00	$0.00
2.17 Housing Support: Housing Vouchers and Relocation Assistance for Disproportionately Impacted Communities*^	$0.00	$0.00
2.18 Housing Support: Other Housing Assistance*^	$0.00	$0.00
2.19 Social Determinants of Health: Community Health Workers or Benefits Navigators*^	$0.00	$0.00
2.20 Social Determinants of Health: Lead Remediation*^	$0.00	$0.00
2.21 Medical Facilities for Disproportionately Impacted Communities^	$0.00	$0.00
2.22 Strong Healthy Communities: Neighborhood Features that Promote Health and Safety^	$0.00	$0.00
2.23 Strong Healthy Communities: Demolition and Rehabilitation of Properties^	$0.00	$0.00
2.24 Addressing Educational Disparities: Aid to High-Poverty Districts^	$0.00	$0.00
2.25 Addressing Educational Disparities: Academic,	$0.00	$0.00

Social, and Emotional Services*^		
2.26 Addressing Educational Disparities: Mental Health Services*^	$0.00	$0.00
2.27 Addressing Impacts of Lost Instructional Time^	$0.00	$0.00
2.28 Contributions to UI Trust Funds^	$0.00	$0.00
Assistance to Small Businesses		
2.29 Loans or Grants to Mitigate Financial Hardship^	$0.00	$0.00
2.30 Technical Assistance, Counseling, or Business Planning*^	$0.00	$0.00
2.31 Rehabilitation of Commercial Properties or Other Improvements^	$0.00	$0.00
2.32 Business Incubators and Start-Up or Expansion Assistance*^	$0.00	$0.00
2.33 Enhanced Support to Microbusinesses*^	$0.00	$0.00
Assistance to Non-Profits		
2.34 Assistance to Impacted Nonprofit Organizations (Impacted or Disproportionately Impacted)^	$0.00	$0.00
Aid to Impacted Industries		
2.35 Aid to Tourism, Travel, or Hospitality^	$0.00	$0.00
2.36 Aid to Other Impacted Industries^	$0.00	$0.00
Other		
2.37 Economic Impact Assistance: Other*^	$0.00	$0.00
3. Expenditure Category: Public Health-Negative Economic Impact: Public Sector Capacity		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
General Provisions		
3.1 Public Sector Workforce: Payroll and Benefits for Public Health, Public Safety, or Human Services Workers	$0.00	$0.00
3.2 Public Sector Workforce: Rehiring Public Sector Staff	$0.00	$0.00
3.3 Public Sector Workforce: Other	$0.00	$0.00
3.4 Public Sector Capacity: Effective Service Delivery	$0.00	$0.00
3.5 Public Sector Capacity: Administrative Needs	$0.00	$0.00
4. Expenditure Category: Premium Pay		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
4.1 Public Sector Employees	$0.00	$0.00
4.2 Private Sector: Grants to other employers	$0.00	$0.00
5. Expenditure Category: Infrastructure		
Category	**Cumulative**	**Cumulative**

	Obligations	Expenditures
5.1 Clean Water: Centralized wastewater treatment	$0.00	$0.00
5.2 Clean Water: Centralized wastewater collection and conveyance	$0.00	$0.00
5.3 Clean Water: Decentralized wastewater	$0.00	$0.00
5.4 Clean Water: Combined sewer overflows	$0.00	$0.00
5.5 Clean Water: Other sewer infrastructure	$0.00	$0.00
5.6 Clean Water: Stormwater	$0.00	$0.00
5.7 Clean Water: Energy conservation	$0.00	$0.00
5.8 Clean Water: Water conservation	$0.00	$0.00
5.9 Clean Water: Nonpoint source	$0.00	$0.00
5.10 Drinking water: Treatment	$0.00	$0.00
5.11 Drinking water: Transmission and distribution	$0.00	$0.00
5.12 Drinking water: Transmission and distribution: lead remediation	$0.00	$0.00
5.13 Drinking water: Source	$0.00	$0.00
5.14 Drinking water: Storage	$0.00	$0.00
5.15 Drinking water: Other water infrastructure	$0.00	$0.00
5.16 Water and Sewer: Private Wells	$0.00	$0.00
5.17 Water and Sewer: IIJA Bureau of Reclamation Match	$0.00	$0.00
5.18 Water and Sewer: Other	$0.00	$0.00
Broadband		
5.19 Broadband: “Last Mile” projects	$0.00	$0.00
5.20 Broadband: IIJA Match	$0.00	$0.00
5.21 Broadband: Other projects	$0.00	$0.00
6. Expenditure Category: Revenue Replacement		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
6.1 Provision of Government Services	$0.00	$0.00
6.2 Non-federal Match for Other Federal Programs	$0.00	$0.00
7. Expenditure Category: Administrative and Other		
Category	**Cumulative Obligations**	**Cumulative Expenditures**
7.1 Administrative Expenses	$0.00	$0.00
7.2 Transfers to Other Units of Government	$0.00	$0.00

Appendix C: total award allocations, per capita values, and obligation and expenditure percentages for the 64 units of government receiving greater than $10 million

Local Unit	Type	Allocation $	Population ('19)	$/capita	% Spent	% Obligated
Allegan	County	22,935,850	118,081	194.2383	0.03%	0.03%
Ann Arbor	City	24,182,630	119,980	201.5555	0.00%	0.00%
Barry	County	11,955,366	61,550	194.2383	0.00%	0.00%
Battle Creek	City	30,545,339	51,093	597.838	2.70%	4.56%
Bay	County	20,031,017	103,126	194.2383	0.00%	0.00%
Bay City	City	31,076,578	32,717	949.8603	0.08%	7.72%
Berrien	County	29,796,346	153,401	194.2383	2.36%	2.36%
Calhoun	County	26,058,813	134,159	194.2383	34.74%	34.74%
Cass	County	10,059,018	51,787	194.2383	0.00%	0.00%
Clinton	Twp	14,816,245	100,471	147.4679	0.00%	0.00%
Clinton	County	15,460,396	79,595	194.2383	11.86%	11.86%
Dearborn	City	47,212,828	93,932	502.6277	0.00%	0.00%
Dearborn Heights	City	24,314,463	55,353	439.2619	0.00%	0.00%
Detroit	City	826,675,290	670,031	1233.787	0.57%	6.54%
East Lansing	City	12,170,077	48,145	252.7797	0.00%	0.00%
Eaton	County	21,418,266	110,268	194.2383	10.28%	49.36%
Flint	City	94,726,664	95,538	991.5077	0.00%	0.00%
Genesee	County	78,824,418	405,813	194.2383	1.18%	2.89%
Grand Rapids	City	92,279,500	201,013	459.0723	25.90%	27.18%
Grand Traverse	County	18,081,253	93,088	194.2383	0.00%	0.00%
Ingham	County	56,796,438	292,406	194.2383	27.79%	52.12%
Ionia	County	12,566,634	64,697	194.2383	0.00%	0.00%
Isabella	County	13,571,817	69,872	194.2383	7.78%	7.78%
Jackson	County	30,788,709	158,510	194.2383	15.22%	30.39%

Local Unit	Type	Allocation $	Population ('19)	$/capita	% Spent	% Obligated
Jackson	City	31,444,825	32,440	969.3226	0.24%	0.53%
Kalamazoo	County	51,485,963	265,066	194.2383	0.11%	0.21%
Kalamazoo	City	38,872,877	76,200	510.1427	0.08%	2.83%
Kent	County	127,605,807	656,955	194.2383	0.00%	0.00%
Lansing	City	49,924,664	118,210	422.3388	0.00%	0.00%
Lapeer	County	17,016,633	87,607	194.2383	4.12%	20.68%
Lenawee	County	19,122,953	98,451	194.2383	0.51%	0.51%
Lincoln Park	City	19,146,461	36,321	527.1458	0.02%	65.18%
Livingston	County	37,292,778	191,995	194.2383	1.59%	2.17%
Macomb	County	169,758,815	873,972	194.2383	-	-
Marquette	County	12,955,499	66,699	194.2383	0.00%	0.00%
Midland	County	16,152,078	83,156	194.2383	16.10%	16.10%
Monroe	County	29,232,861	150,500	194.2383	0.99%	0.99%
Monroe	City	11,405,523	19,552	583.343	0.66%	4.87%
Montcalm	County	12,409,495	63,888	194.2383	11.10%	16.10%
Muskegon	County	33,713,161	173,566	194.2383	-	-
Muskegon	City	22,881,894	36,565	625.7868	0.00%	0.00%
Muskegon Heights	City	10,684,772	10,736	995.2284	-	-
Oakland	County	244,270,949	1,257,584	194.2383	7.18%	7.18%
Ottawa	County	56,684,556	291,830	194.2383	20.76%	20.76%
Pontiac	City	37,717,953	59,438	634.5764	0.00%	0.00%
Port Huron	City	17,959,874	28,749	624.713	5.10%	6.66%
Redford	Twp	21,962,768	46,674	470.5568	2.41%	7.81%
Roseville	City	14,393,345	47,018	306.1241	4.75%	22.76%
Royal Oak	City	28,107,502	59,277	474.1721	0.65%	1.78%
Saginaw	County	37,009,967	190,539	194.2383	2.08%	2.08%
Saginaw	City	52,089,151	48,115	1082.597	0.00%	0.00%

Local Unit	Type	Allocation $	Population ('19)	$/capita	% Spent	% Obligated
Shiawassee	County	13,231,900	68,122	194.2383	21.17%	21.17%
St Clair	County	30,908,749	159,128	194.2383	0.02%	0.02%
St Clair Shores	City	21,247,393	58,984	360.223	3.53%	4.71%
St Joseph	County	11,841,542	60,964	194.2383	0.00%	0.00%
Sterling Heights	City	19,837,262	132,438	149.7853	2.74%	2.74%
Taylor	City	11,593,181	60,922	190.2955	5.08%	5.20%
Tuscola	County	10,147,979	52,245	194.2383	1.54%	1.54%
Van Buren	County	14,699,370	75,677	194.2383	1.07%	1.07%
Warren	City	27,318,439	133,943	203.9557	2.55%	3.13%
Washtenaw	County	71,402,185	367,601	194.2383	0.03%	0.06%
Wayne	County	339,789,370	1,749,343	194.2383	0.34%	1.18%
Westland	City	25,932,032	81,511	318.1415	0.00%	0.00%
Wyoming	City	13,155,842	75,667	173.865	0.00%	0.54%

Note: Blank percentage obligated and spent columns indicate that Center staff were not successful getting the SLFRF Compliance Project and Expenditure Report for March – December 2021 from those local governments. Staff requested many of these compliance reports through Freedom of Information Act requests.