



Potential Revenues for COVID-19

Summary

The outbreak of COVID-19 imposes great pressure on counties' resources. From increased needs for health and social services to added law enforcement for stay at home order, counties along with other local government entities are working on the front line to keep their residents safe. Additional resources and revenues are needed more than ever to ensure critical services are delivered efficiently, effectively, and equitably. In this article we point counties to potential revenue sources, while noting capacity-building strategies to optimize these resources.

Federal Aid

Sweeping impacts of the pandemic require intervention at a larger scale. To this end, the federal government has provided support both through new appropriations like the Coronavirus Aid, Relief, and Economic Security (CARES) Act and through additional funding of existing federal programs. Organizations including International City/County Management Association (ICMA) and the MSUE Center for Local Government Finance and Policy at MSU have provided guides to understand and navigate the resources. Table 1 includes a list of federal grants and assistance made available to local communities to address various challenges due to COVID-19. Although not exhaustive, the list focuses on programs for which counties can be direct recipients and presents potential resources for various aspects of local operations.

Counties should also be mindful of the fact that some grants may be distributed to the state first and then administered by state designated officers. For instance, the Coronavirus Emergency Supplemental Funding Program by the Department of Justice has allocated \$8 million to Michigan counties and municipalities, and according to the Michigan Association of Chiefs of Police, the following Michigan counties qualify for DOJ CESF program funds: Bay, Berrien, Calhoun, Eaton, Genesee, Grand Traverse, Ingham, Jackson, Kalamazoo, Kent, Macomb, Mecosta, Monroe,

Muskegon, Oakland, Ottawa, Saginaw and St. Clair. This relief program provides support for coronavirus-related overtime, equipment including law enforcement and medical personal protective equipment, supplies such as gloves, masks, and sanitizer, hiring, training, and travel expenses particularly related to the distribution of resources to the most impacted areas. In this case, the efforts may be more productive with effective state-local communication and collaboration.

The federal government also reduces administration burdens for many of the grant applications. For example, HUD CDBG now has an expedited process to prepare or modify statement of activities. The HUD Secretary also has broader discretion for waivers to allow for flexibility for eligible uses. HUD Homeless Assistance Grants also eliminate planning and procurement requirements and habitability and environmental standards for temporary emergency shelters.

Property Taxes

In addition to addressing immediate needs for combating the pandemic, it is also crucial to plan ahead. At the federal level, there are discussions about multi-year stimulus package(s) for enhancing access to critical infrastructure such as drinking water, broadband, and transportation. Unfortunately, due to increased unemployment and business closures, counties have to prepare for the possibility that their own-source revenues, such as property taxes, would grow at a lower rate or even decline in the next couple of years. It would be helpful for counties to start identifying projects and services that anticipate increased spending in the near future, as well as explore revenue sources to support these functions. A couple options include:

Mills above the general limit. The state constitution sets a 15-mill cap on property taxes charged to any parcel in a given year, but also allows exceptions to the limit. Voters can raise this limit to 18 mills through referendum. Voters can also raise the limit to a total of 50 mills as long as the use of extra voted millage is specified, such as for parks, roads, water and sewer. On top of that, additional millage can be raised to repay general obligation debt whose issuance was approved by voters before.

Total property tax levy of a county is the product of property tax base (taxable values of properties) and mill rates. With the property tax base weakening, extra mills can stabilize revenue and secure funding for projects and services.

Special assessments. There has been increased use of special assessments in the past few years for public improvements. Historically, special assessments were used for capital projects, but gradually they were used to fund operations and services. Unlike general property taxes, special assessments are based on benefits that a community would receive due to the improvement. The special assessment rate is generally determined by the cost of a public improvement and the base on which the costs are to be apportioned. Unlike general property taxes, there is no limit on the special assessment rate.

Special assessments can provide designated revenues for public improvement projects and operations. Should a county anticipate increased needs for certain capital projects and local services, special assessments could be considered as a revenue tool. The use of special assessments may have legal, administrative, and political implications. Counties should be aware of their impacts on local communities before implementing special assessments.

Both options require stakeholder buy-in either through voter approval or property owner initiative. For special assessments imposed unilaterally by counties, voters can also oppose through petition referendum. Although the need for social distancing moves communication to a virtual platform and imposes challenges for stakeholder engagement, transparency and accountability are always critical. Communicating with residents about the need for additional revenues to sustain service delivery is important for garnering support and building trust.

Capacity Building

Apparently, it takes resources to get more resources. In order to maximize COVID-19 resources for your county, it is recommended for counties to establish a COVID-19 task force responsible for coordinating the County's needs and resources. Members should understand the County's structure and processes, implement strategies to identify and capture eligible and recoverable costs through funding sources, and identify and align priority projects and funding needs with available resources.

Counties are also encouraged to record and track the spending of county resources dedicated to

COVID-19 response (county health departments/multi-county community health agencies, utilities, public safety, etc.) to demonstrate these expenditures were necessary and incurred due to the public health emergency. This tracking isolates to funding sources specific eligible and recoverable expenditures.

For counties that desire the assistance of consultants familiar with navigating federal and state funding sources, consultant fees expenses may be recoverable. For example, depending on disaster specific guidelines, 75%-100% of management costs are reimbursable by FEMA. If your county is considering hiring consultants to support the work of its COVID-19 task force, you may want to inquire about the recovery of fees related to this work.

Additionally, counties should track lost revenues (decline in property taxes, service fees, etc.) that are not directly accountable to COVID-19. This tracking will help Michigan counties communicate to Michigan's congressional delegation their challenges and advocate for additional resources.

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Program	Agency	Purpose	Recipients	Distribution Mechanism	Total Amount Available
Public Health & Safety					
Disaster Relief Fund	FEMA through Michigan's designated Public Assistance Representative	To fund emergency protective measures including management, control, & reduction of immediate threats to public health & safety, emergency medical care & sheltering, and purchase and distribution of food, water, and other supplies	State, local, territorial, tribal, and local governments	Reimbursement	\$45 billion
State & Local Preparedness	CDC through State Health Department	To carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities	State, local, territorial, and tribal health departments	Project-based & reimbursement	\$1.5 billion
Coronavirus Emergency Supplemental Byrne Grants	DOJ	To provide funding to law enforcement to prevent, prepare for, and respond to the coronavirus	State, local, territorial, tribal, and local governments	Formula-based	\$850 million (So far \$8.4 million for MI local governments)
Community Development & Social Services					
Emergency Solutions Grants	HUD	To support essential services related to emergency shelter operations, street outreach, expanded staffing, and other	Metropolitan cities, urban counties, territories, and states	Formula grant, 100% federal share	\$4 billion

		services to protect homeless and at-risk populations			
CARES Act for CDBG	HUD	Original CDBG can be repurposed to cover health care and other services in response to COVID - 19	Entitlement communities	Formula grant	\$5 billion
Economic Development & Infrastructure					
CARES Act	FTA	Support capital, operating, and other expenses related to public transportation to prevent, prepare for, and respond to COVID-19	Urban and rural areas	FTA Apportionment s through formula, 100% federal share	\$ 25 billion
Economic Adjustment Assistance	EDA through Michigan's Regional Officer	To support long-term, regionally coordinated economic development and disaster recovery projects that create and retain jobs. Uses include disaster recovery plans, construction projects, research studies, technical assistance and capacity-building, and capitalization.	Local governments that can demonstrate needs for disaster recovery and resilience enhancement	Project-based	\$1.5 billion
Liquidity Loan Program	Federal Reserve Bank	To provide liquidity to eligible businesses, states and municipalities related to losses as a result of coronavirus	To be determined	To be determined	\$454 billion
Coronavirus Relief Fund	US Dept. of Treasury	To support expenditures related to coronavirus, e.g., local health department, law enforcement, medical and sanitary supplies, social services, public communications, utility bill forgiveness, and expenditures to ensure continuity of local government	Local governments with population >500,000	Population-based allocation, minimum of \$1.25 billion per state	\$3.87 billion for the state of Michigan (55%) and local governments (45%)