

What we know now about the American Rescue Plan

Every township has been impacted in some way by the COVID-19 pandemic. Maybe it has created strain on your emergency services, revealed the true impact of lack of broadband access or the need to update your facilities, or changed how your township is providing services.

To help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery, every township will receive federal COVID-19 relief funding through the American Rescue Plan Act of 2021 (ARPA). Michigan is expected to receive \$10.3 billion—including an estimated \$1.46 billion for municipalities—through the Coronavirus State and Local Fiscal Recovery Funds program, authorized by ARPA.

While additional guidance was released in May by U.S. Department of Treasury with instructions and details on usage of ARPA funding, many questions remain on the overall process and how townships will receive and can use the funding.

Who gets what—and how

Although Michigan counties and larger municipalities will receive the funding directly from the federal government, **all but eight of Michigan's 1,240 townships are considered "non-entitlement units" (NEUs)**. NEUs—communities under 50,000 population—will receive funding through the state of Michigan. Just prior to *Township Focus* press time, U.S. Treasury released guidance on distribution for NEUs.

Before distributing the funds to townships and other NEUs, the state must request payment from the federal government, calculate allocations and collect documentation—including a current DUNS number (*see next page for details on DUNS numbers*), contact and financial institution information, and the unit's *total* budget. Allocations are based on relative population counts with a maximum amount based on 75% of the local government's budget—both general fund and all other funds—as of Jan. 27, 2020 (pre-pandemic annual budget).

The state will have 30 days after receiving the funds to distribute them to NEUs, though it can apply for extensions. The state will receive funding in two tranches, with the second made no earlier than 12 months after the initial payment.

According to the U.S. Treasury guidance, NEUs will have to request funding from the state. The state Department of Treasury had not released the application process as of press time; MTA will share information as it becomes available.

Townships will have to submit periodic reports to the state on the use of the funds. The first report will be due on Oct. 31, 2021; reporting guidelines have yet to be released.

The initial NEU guidance, and estimated allocations and summaries are available on www.michigantownships.org/covidrelief.asp. Allocations are subject to change. If your township includes a village, the village allocation may be included in your township's allocated amount.

Michigan is also expected to receive \$250 million in ARPA funds for a Critical Infrastructure Projects Program, to be used for projects that would directly enable work, education and health monitoring in response to COVID-19, such as water, sewer and broadband. Unrestricted ARPA funding for the state level potentially benefit local programs, projects or initiatives as well.

Broad latitude for using the funding

U.S. Treasury guidance outlines broad eligible uses for the funding, as well as examples under each category. The guidance specifically notes that it is not an exhaustive list and recipients have flexibility in its use, as long as it meets the objectives of responding to the impacts of COVID-19.

Not all of the uses outlined in the guidance, however, are lawful expenditures for Michigan townships under state statute. At this point, MTA is awaiting additional guidance from Treasury and legal analysis to offer more concrete advice on whether certain allowable uses noted in the guidance are applicable to Michigan townships. If you are making plans now, please reach out to your township attorney for advice.

There is no need to rush; **townships should take some time to determine how to best put the funding to use for your community**. Funds must be "**obligated**" by Dec. 31, 2024, but the "period of performance" does not end until Dec. 31, 2026. Primary funding uses include:

Replace public sector revenue lost due to the pandemic

- Townships can use APRA funding to replace "general revenue" lost as a result of the pandemic. A

formula—comparing actual pandemic-era revenue to an estimate of revenue if the pandemic had not occurred—must be used to determine the amount of lost general revenue.

- To determine estimated revenue, townships may use either a formula based on their average annual revenue growth OR 4.1%, whichever is higher. Any loss using this formula is presumed to be due to the COVID-19 emergency; there is no need to demonstrate that reduction in revenue is due to the pandemic.
- There is broad latitude to use funds to provide local services, like maintaining or building new infrastructure, modernizing cybersecurity, environmental remediation, or providing public safety services like police and fire.

Provide premium pay for essential workers

- Premium pay—up to \$13 an hour or \$25,000 per worker—can be paid to essential workers performing essential functions in the pandemic, including township public safety and emergency services staff.
- Essential work is defined as work involving regular in-person interactions or regular physical handling of items that were also handled by others. Workers who worked from home are not eligible.

Invest in water, sewer, and broadband infrastructure

- Broadband investments must be in currently under- and unserved areas.
- Consider working with cooperatives and nonprofits that own, operate or are affiliated with broadband networks.
- There is “wide latitude to identify investments in water and sewer infrastructure that are of the highest priority for their own communities.”
- Eligible uses align with project types eligible to receive U.S. Environmental Protection Act Clean Water State Revolving Fund or Drinking Water State Revolving Fund assistance—such as constructing, improving and repairing wastewater treatment plants, control non-point sources of pollution, creating green infrastructure.

Respond to the public health emergency or its negative economic impacts

- Rehire township staff and rebuild capacity to pre-pandemic levels, including payroll, benefits and other costs.
- Improving efficacy of programs addressing negative economic impacts, including improvements to data or technology infrastructure.
- COVID-19 vaccination programs.
- Adaptations to public buildings to implement COVID-19 mitigation tactics.
- Payroll and covered benefit expenses for public safety employees, to the extent that their services are devoted to mitigating or responding to the COVID-19 emergency

According to U.S. Treasury guidance, townships may also transfer fund to authorities, such as fire authorities and sewer and water authorities.

Ineligible uses

Prohibited ARPA expenditures include deposits in pension funds; offset revenue loss due to a tax cut; paying interest on principal on outstanding debt; replenishing rainy day funds or financial reserves; and non-federal match for other federal programs if the program bars the use of federal funds to meet matching requirements.

Preparing now

If your township has not already done so, you must ensure that you have a current DUNS number, which tracks how federal money is allocated. **This is a requirement to request ARPA funding from the state.** If your township does not have a valid DUNS number, visit <https://fedgov.dnb.com/webform/> or call (866) 705-5711 to register.

All townships also must have a current SAM.gov registration, and the state Department of Treasury recommends securing that **now**, or as quickly as possible after receiving the funding. SAM is the government-wide database to register with to do business with the U.S. government. SAM registration must be renewed annually. Visit [SAM.gov](https://sam.gov) to begin the registration or renewal process, which can take up to three weeks.

If your township has received other federal funds, including Coronavirus Relief Funds, you may already have this information. DUNS and SAM.gov registrations are both free of charge; we have been made aware of scams or companies approaching townships offering to secure these for a fee. Townships may register themselves for both numbers for free, and do not need to pay for another such services.

A time for recovery

ARPA relief funding represents an enormous opportunity for townships to shore up, create or expand programs or services to the benefit of their community and residents following one of the most uncertain and chaotic times in recent memory. Answers and information will continue to be released over the next months. Meanwhile, townships can take time to analyze, ask and assess the best way to put these dollars to work for your community.

—*Information for this article came from the National Association of Towns and Townships Special Report on Eligible Uses for the American Rescue Plan, and U.S. Treasury Interim Final Rule*

ARPA resources and updates

Watch for ARPA details, as they become available, in *Township Focus*, *Township Insights*, MTA eblasts and on our social media channels. We've also created a **American Rescue Plan Act webpage**, www.michigantownships.org/covidrelief.asp, that is updated regularly with information and links to state and federal resources, including guidance, fact sheets, FAQs, eligible uses and more.

Mark your calendars for **June 17** for a state **Department of Treasury webinar for non-entitlement communities**. Watch MTA communications for registration information. A recorded version will also be posted on our ARPA webpage, if available. MTA will also hold free Q&A webinars to provide members with information and the ability to ask questions.