



## American Rescue Plan Act Provides Federal Funding for Michigan Local Governments

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On March 11, 2021, the federal government enacted a new COVID-19 relief package, the American Rescue Plan Act (ARPA), which earmarked approximately \$130.2 billion for distribution to local governments. Michigan is set to receive nearly \$4.4 billion for its local governments. Below is a summary of the how these funds may be used and distributed under the ARPA.

**Please note:** Currently, we are not aware of any federal guidance from the Secretary of Treasury on the legislation, but will update this article once more information is provided.

### 1. What can the money be used for?

- Costs incurred by the municipality by December 31, 2024:
  - **Economic Assistance to Businesses and Households Affected by COVID**
    - To respond to COVID-19 or its negative economic impacts including assistance to households, small businesses, and non-profits or to aid impacted industries such as tourism, travel, and hospitality.
  - **Economic Assistance to Municipal Employees/Contractors**
    - To respond to workers performing essential work during COVID-19 by providing premium pay to eligible workers (workers needed to maintain continuity of operations of essential critical infrastructure sectors) of the municipality that are performing such essential work or providing grants to eligible employers that have eligible workers who perform essential work.
    - "Premium pay" means up to \$13/hour in addition to wages or remuneration that the eligible worker otherwise receives up to \$25,000 per worker.
  - **Provision of Government Services**

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- For the provision of government services to the extent of the reduction of revenue of the municipality due to COVID-19 relative to the revenues collected in the most recent full fiscal year of the municipality prior to the state of emergency.

- **Water, Sewer Broadband Infrastructure**

- To make necessary investments in water, sewer, or broadband infrastructure.

**2. What can money NOT be used for?**

- Deposits to pension funds.
- Anything not specified above.

**3. Can the money be transferred to another entity?**

- Yes, to any of the following:
  - a private non-profit (pursuant to the McKinney-Vento Homeless Assistance Act, 42 USC 11360(17)),
    - "Private Non-Profit Organization" is defined as an organization:
      - (A) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual;
      - (B) that has a voluntary board;
      - (C) that has an accounting system, or has designated a fiscal agent in accordance with requirements established by the Secretary; and
      - (D) that practices nondiscrimination in the provision of assistance.
  - a public benefit corporation involved in the transportation of passengers or cargo,
  - a special-purpose unit of a state or local government,
  - the state of Michigan.

**4. How should a municipality keep track of expenditures?**

- The municipality must provide the Secretary of Treasury periodic reports with a detailed accounting of the uses of the funds including any information the Secretary may require.

**5. What if a municipality spends money that is not permitted?**

- The unlawful expenditures must be repaid to the Secretary of Treasury.

If you have any questions not answered by this article, please contact a Foster Swift municipal attorney.