



LEGISLATURE APPROVES FUNDING FOR INFRASTRUCTURE AND COMMUNITIES, BUT MORE NEEDED

October 2021

Following a contentious budget cycle, the Legislature approved, with strong bipartisan support, a 2021-22 budget that invests in Michigan's infrastructure—such as roads, bridges and access to clean, safe drinking water—and communities. Although greater investment is needed, future negotiations on allocating federal aid provided through the American Rescue Plan Act provide a great opportunity to continue to help the state and its communities emerge from the COVID-19 public health crisis.

Affordable Housing:

The governor recommended a long-overdue investment in affordable housing. Her 2022 budget proposed \$10 million for the Michigan Housing and Community Development Program, which is supported by a trust fund to finance downtown revitalization and affordable housing developments. To date, the trust fund has received money only twice—\$2.2 million when it was first established in 2008, and \$3.7 million in 2012. The proposed funding would have alleviated housing needs for families with low incomes and revitalized downtown areas throughout the state.

Final Budget: The final budget does not include the proposed investment in the Michigan Housing and Community Development Program.

Safe Drinking Water:

The governor recommended \$55 million to replace drinking water fixtures in schools to ensure lead and other contaminants are filtered safely.

Final Budget: The Legislature included no funding for this particular school initiative. It does, however, include the following one-time investments to address environmental toxins in drinking water more generally:

- \$15 million in drinking water emergency assistance to address systems contamination response and remediation.
- \$14.5 million for grants to drinking water systems to remediate contamination by per- and polyfluoroalkyl substances (PFAS) or establish alternate water system connections.
- \$10 million to replace lead service lines and improve drinking water safety in Benton Harbor.

City Income Tax Backfill:

The governor proposed a one-time fiscal year 2021 investment of \$70 million to 24 cities that assess local income taxes to offset some of the loss anticipated due to COVID-19. In Michigan, 24 cities levy city income taxes on residents and non-residents working in the city. During COVID-19 these cities were hit hard by high unemployment and workers working from home, as cities cannot collect local income taxes on unemployment income nor from workers working outside of their taxing jurisdictions. The \$70 million would be spread proportionately to the amount of income tax collected prior to the pandemic and capped at a maximum of \$25 million per city.

Final Budget: Neither the 2020-21 supplemental budget (included below) nor the 2021-22 budget included funding for this proposal. However, under the American Rescue Plan Act, municipalities that received federal aid could use it to replace revenue lost due to the pandemic.

Revenue Sharing:

The governor's budget included allocation of the automatic per-capita constitutional revenue sharing payment and a one-time 2% increase in city, village, and township revenue sharing (CVTRS) and county revenue sharing.

Final Budget: In addition to the constitutionally required per-capita revenue sharing payments, the final budget contains a 2% ongoing increase in the CVTRS and county revenue sharing programs. The budget also includes about \$433,000 in supplemental grants to cities, villages, and townships (CVTs) and counties that were unable to utilize and had to return an amount of previously allocated Coronavirus Relief Funds. While the increased investment is welcome and needed, revenue sharing for cities, villages and townships is still woefully inadequate, falling far below the statutory calculations.

Community Revitalization Grants:

The final budget includes \$100 million in federal relief dollars to establish and operate a program to help communities disproportionately impacted by COVID-19. The program intends to invest in projects that will rehabilitate vacant and blighted buildings and historic structures and develop permanent place-based infrastructure in social zones, traditional downtowns and outdoor dining spaces.

High Water Level and Resilient Infrastructure Grants:

The governor proposed \$40 million in one-time funding for high water level and resilient infrastructure and planning grants. Of this, \$30 million would be provided to local governments to address issues such as coastal erosion, flooding, transportation networks, urban heat and stormwater management. The remaining \$10 million would be provided in planning grants to help support the development of local resiliency plans.

Final Budget: The final budget includes \$14.3 million (General Fund) to provide planning and infrastructure grants to local governments for severe weather. The grants would be capped at \$500,000 each and would require a 20% match from the local government.

Dam Safety Emergency Fund:

The governor's budget also proposed a one-time \$15 million (General Fund) deposit into a Dam Safety Emergency Fund to respond to emergency situations where dam owners fail to properly maintain a dam.

Final Budget: The final budget includes \$6 million (General Fund) of one-time funding into a Dam Safety Emergency Fund. Additionally, the final budget includes \$13 million (General Fund) to establish grants to address imminent threats or significant risks at publicly and privately owned dams.

MI Clean Water Plan:

The governor included an appropriation of the remaining \$290 million in the Strategic Water Quality Initiatives Fund for the MI Clean Water Plan. The MI Clean Water Plan would provide clean water infrastructure grants for purposes such as eliminating sanitary sewer overflows, correcting combined sewer overflows, and increasing green infrastructure; grants to mitigate significant public health risks such as direct and continuous discharges of raw sewage to ground or surface water; and fund a new program to help eliminate failing septic systems.

Final Budget: The final budget did not include funding for the MI Clean Water Plan.

2020-21 SUPPLEMENTAL BUDGET:

A current-year supplemental was also included in the 2021-22 budget bill. Included in the supplemental are the following:

Local Bridge Bundling Initiative:

The governor proposed a one-time fiscal year 2021 investment of \$300 million in the current budget year to support the repair or replacement of about 120 locally owned bridges. The Local Bridge Bundling Initiative would select bridges based on specific criteria. The initiative would cover 100% of the costs, and no local cost share would be required. While including the initiative in FY 2021 would provide enough lead time to plan the projects, construction wouldn't begin until spring of 2022.

Final Budget: The final budget included \$196 million in federal aid through the Consolidated Relief and Response Supplemental Appropriations Act (CRRSAA) to support the repair or replacement of nearly 100 bridges owned by local road agencies. Bridges would be prioritized based on whether they are closed to traffic, restricted from Michigan load limits, or rated by Regional Bridge Councils to be in need of repair or replacement.

Rainy Day Fund Deposit:

The final budget includes the largest deposit in history—at \$500 million (General Fund)—into the state's rainy day fund. While state statute calculates the proposed pay-in (and possibly withdrawal) amounts, the final deposits are determined by the state budget process and can go beyond what is recommended through statute.