



Michigan Department of
TREASURY



michigan municipal league

COVID-19 Updates and Resources for Local Governments

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Tuesday, January 19, 2021

COVID-19 Updates and Resources
for Local Governments - Tenth Webinar
Tuesday, January 19, 2020
2 p.m. – 3 p.m.

I. Welcome & Introductions

*Heather Frick, Bureau Director, Bureau of Local Government and School Services, Michigan
Department of Treasury*

II. Michigan Consensus Revenue Estimating Conference Update

*Eric Bussis, Chief Economist and Director of the Office of Revenue and Tax Analysis, Michigan
Department of Treasury*

III. What Local Governments Need to Know about Single Audits

Stephen Blann, Director of Governmental Audit Quality, Rehmann

IV. Question and Answer

V. Closing Remarks

*Heather Frick, Bureau Director, Bureau of Local Government and School Services, Michigan
Department of Treasury*



Welcome & Introductions

Heather Frick
Bureau Director,
Bureau of Local Government and School Services,
Department of Treasury



Michigan Consensus Revenue Estimating Conference Update

Eric Bussis,
Chief Economist and Director of the Office of
Revenue and Tax Analysis,
Michigan Department of Treasury



Economic Summary: Baseline Scenario

The economic forecasts from the May and August Consensus Revenue Estimating Conferences (CREC) were essentially on target, but FY 2020 state revenue was better than forecasted.

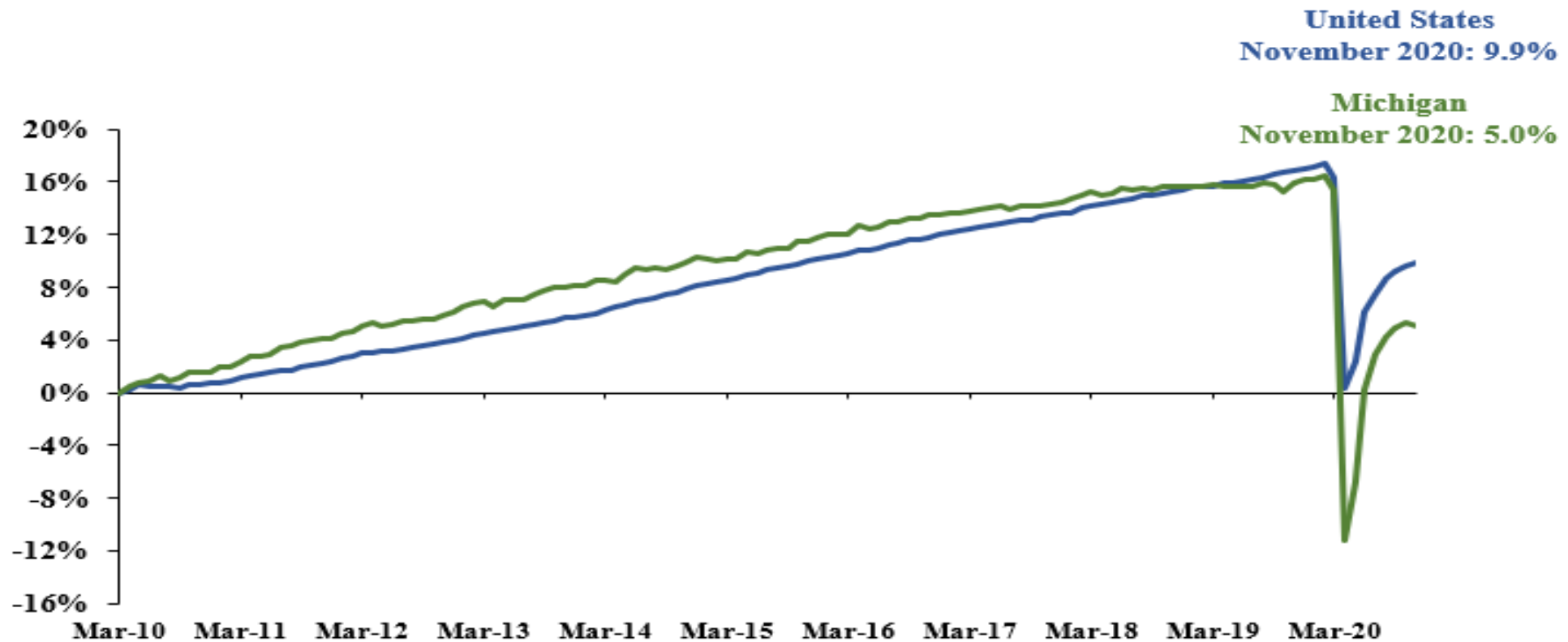
National

- COVID-19 has drastically affected the economy and will continue to alter the outlook
- A slow recovery is expected

Michigan

- Michigan was hit harder from the recession, but is benefiting from a rapid rebound in the vehicle sector
- Economic recovery is forecasted to keep pace with the national economic recovery, supported by the vehicle sector
- Economic recovery will take many years

Michigan & US Cumulative Employment Growth

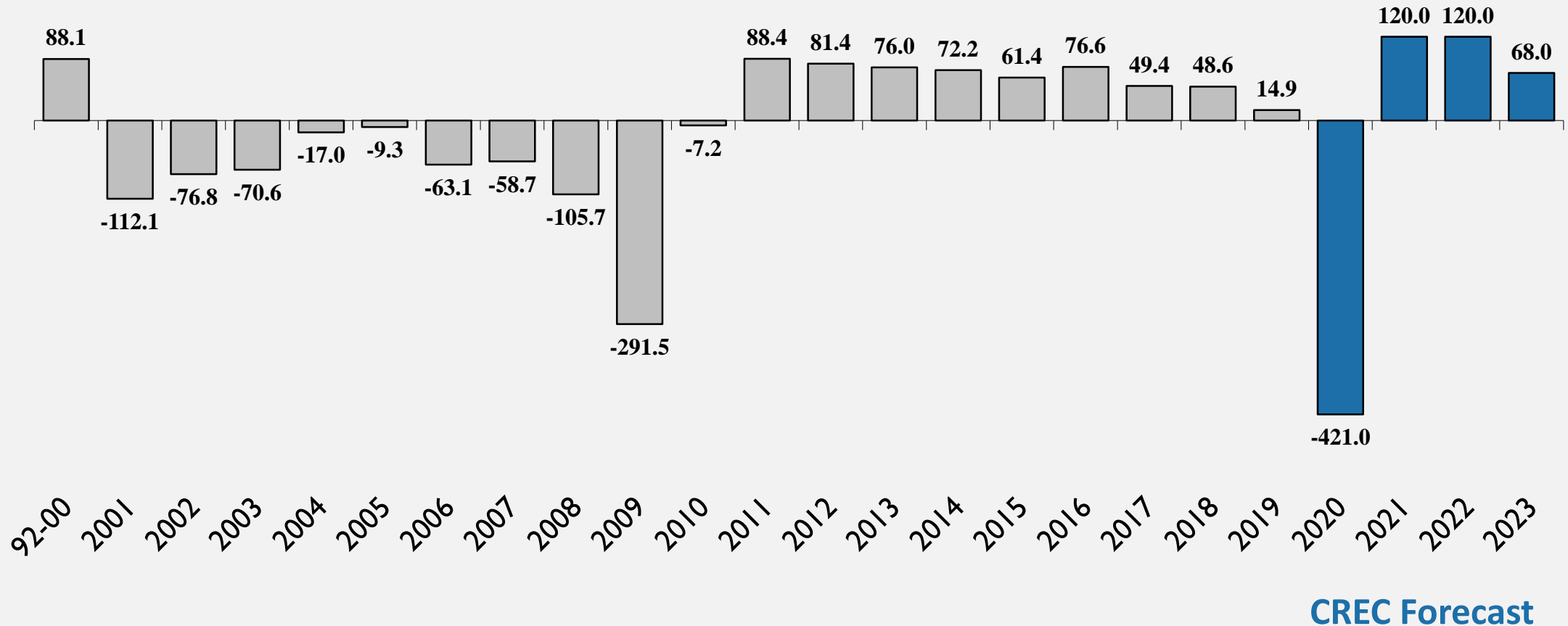


Cumulative growth, relative to March 2010.
Seasonally adjusted values

Sources: Bureau of Labor Statistics

Michigan Job Gains Expected Through 2023:

Change in Michigan Wage and Salary Employment
Thousands



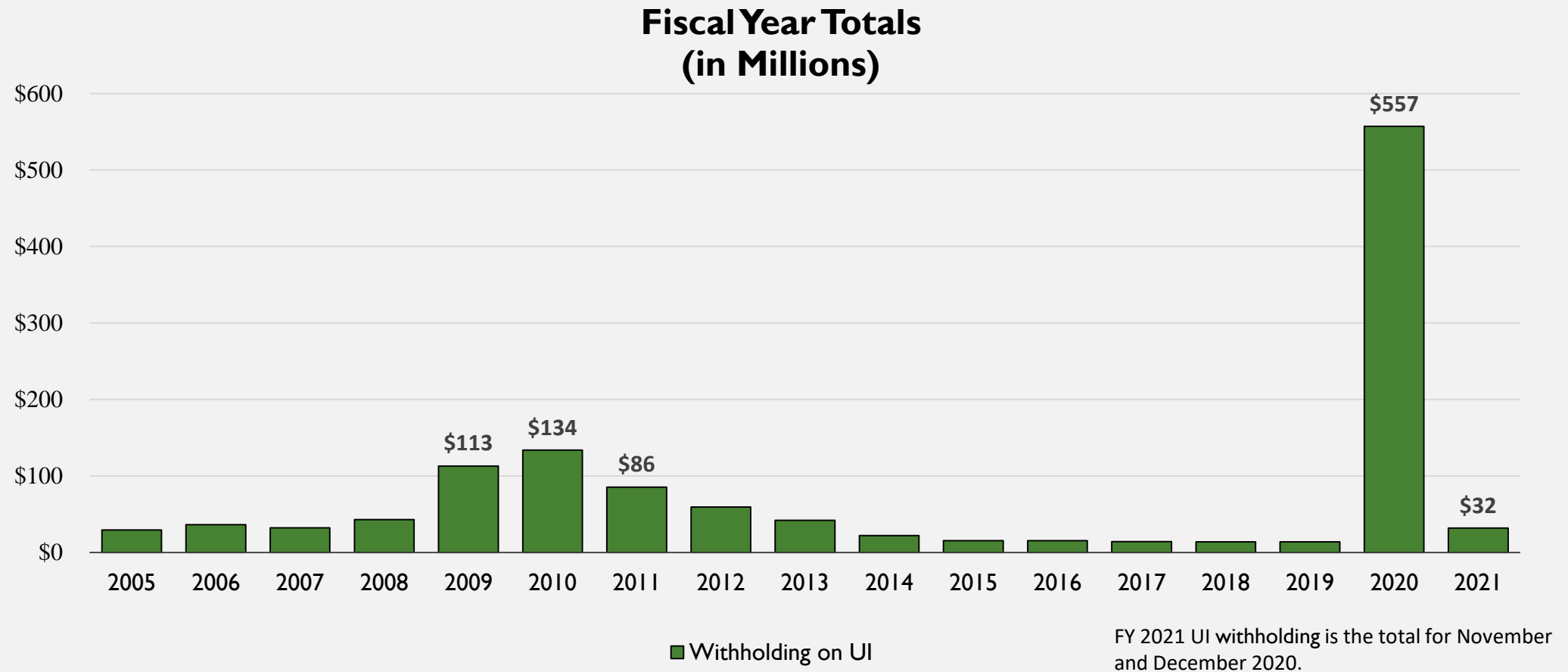
Preliminary FY 2020 Revenue

Revenue collections continued at stronger than expected levels.

- Total FY 2020 GF-GP and SAF revenue was approximately \$760 million above the August forecast
- Income tax withholding continues to be strong
- Sales and Use tax were both higher than expected, boosted by consumer spending
 - Consumer spending, including shifts in types of purchases, increased collections from remote sellers and marketplaces

Withholding on Unemployment Benefits

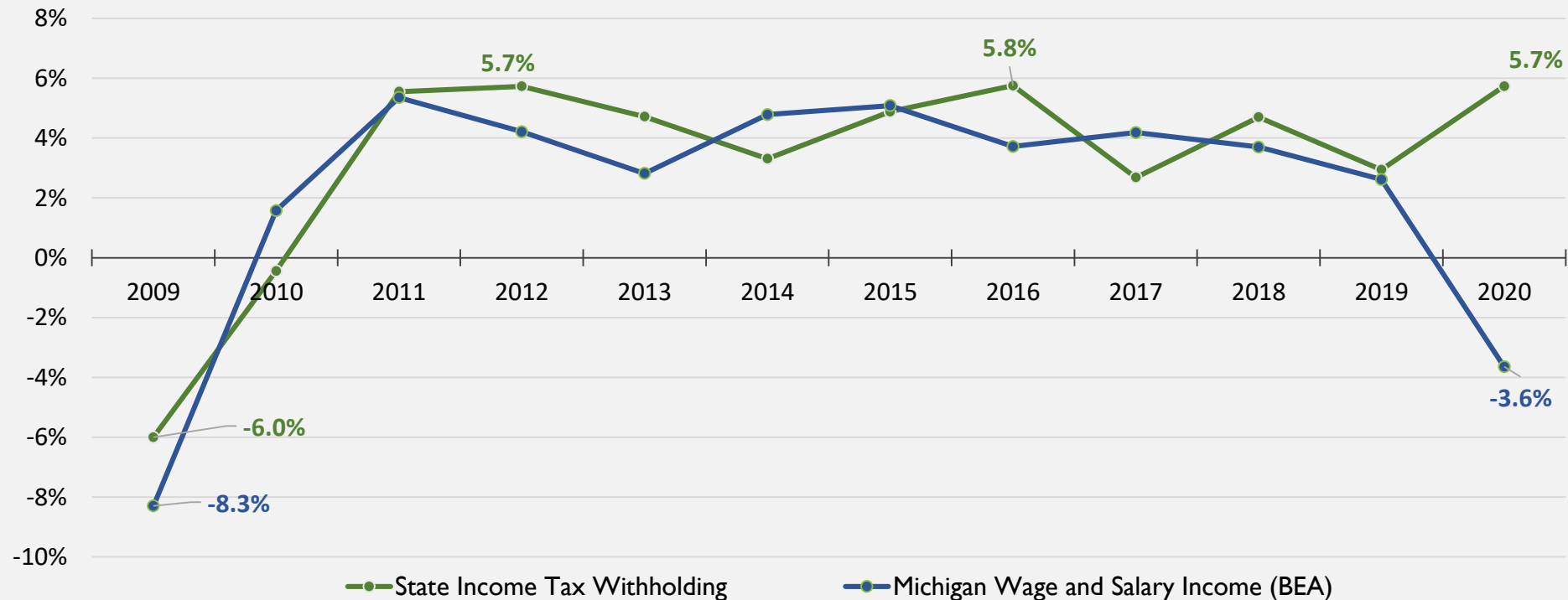
Withholding on unemployment benefits in FY 2020 is over four times the level in FY 2009 or FY 2010. The support for withholding from unemployment benefits has been unprecedented.



Withholding Nears Record Growth in FY 2020

The change in state income tax withholding has outpaced the change in wages and salary income during the pandemic.

**Withholding versus Wage and Salary Income
Percent Change from Prior Year**

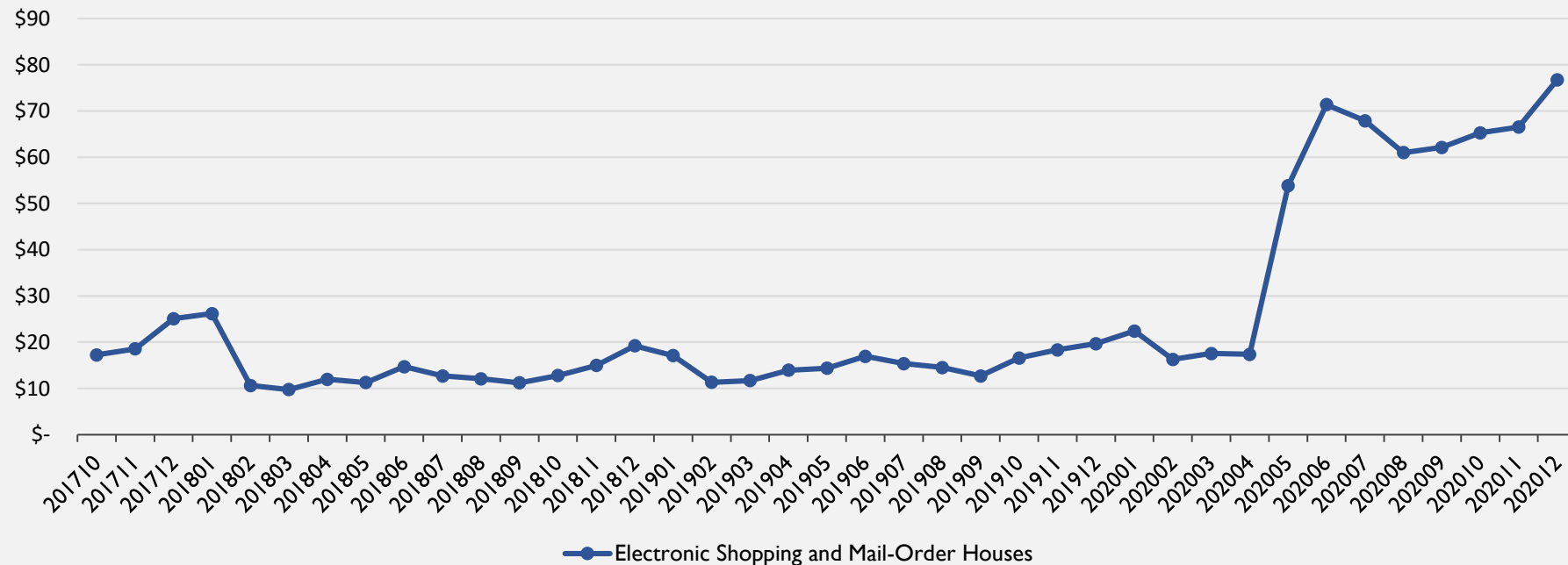


Online Spending Boosts Sales and Use Tax Revenue

In FY20, sales and use tax collections from online shopping and mail order businesses totaled over \$493 million, an increase of over \$318 million from the FY19 level of only \$175 million

Since the beginning of the pandemic, collections from online retailers have averaged \$65 million per month, up from about \$17 million per month in the twelve months prior to the pandemic

**Monthly Sales and Use Collections
Values in Millions of Dollars**

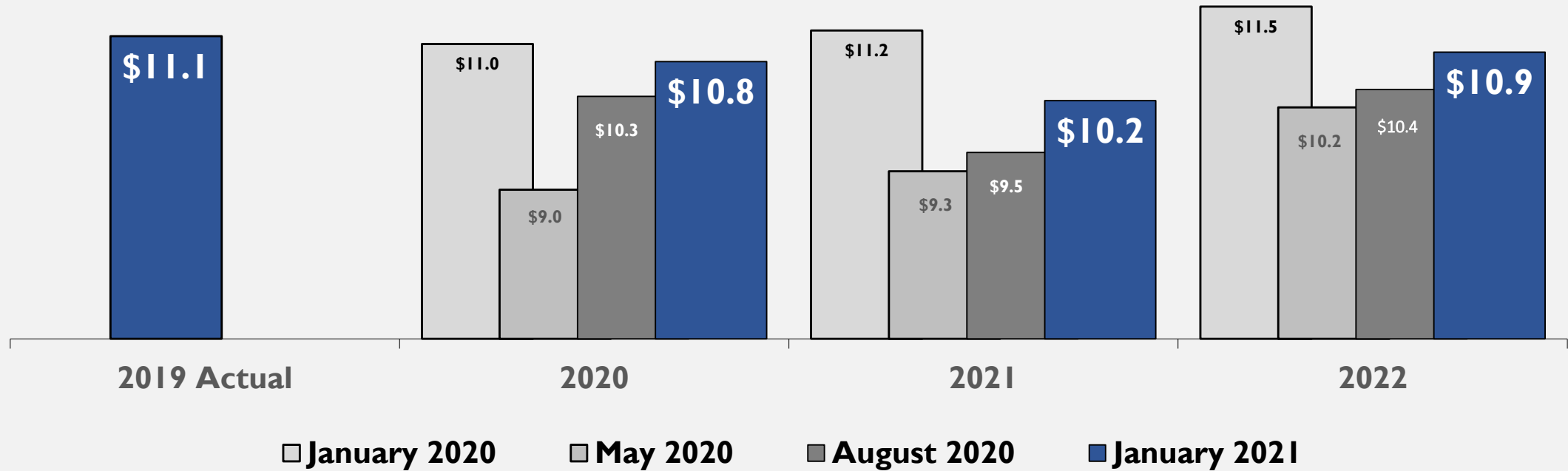


Revenue Projections in Recent Conferences

General Fund-General Purpose

Fiscal Year

Billions

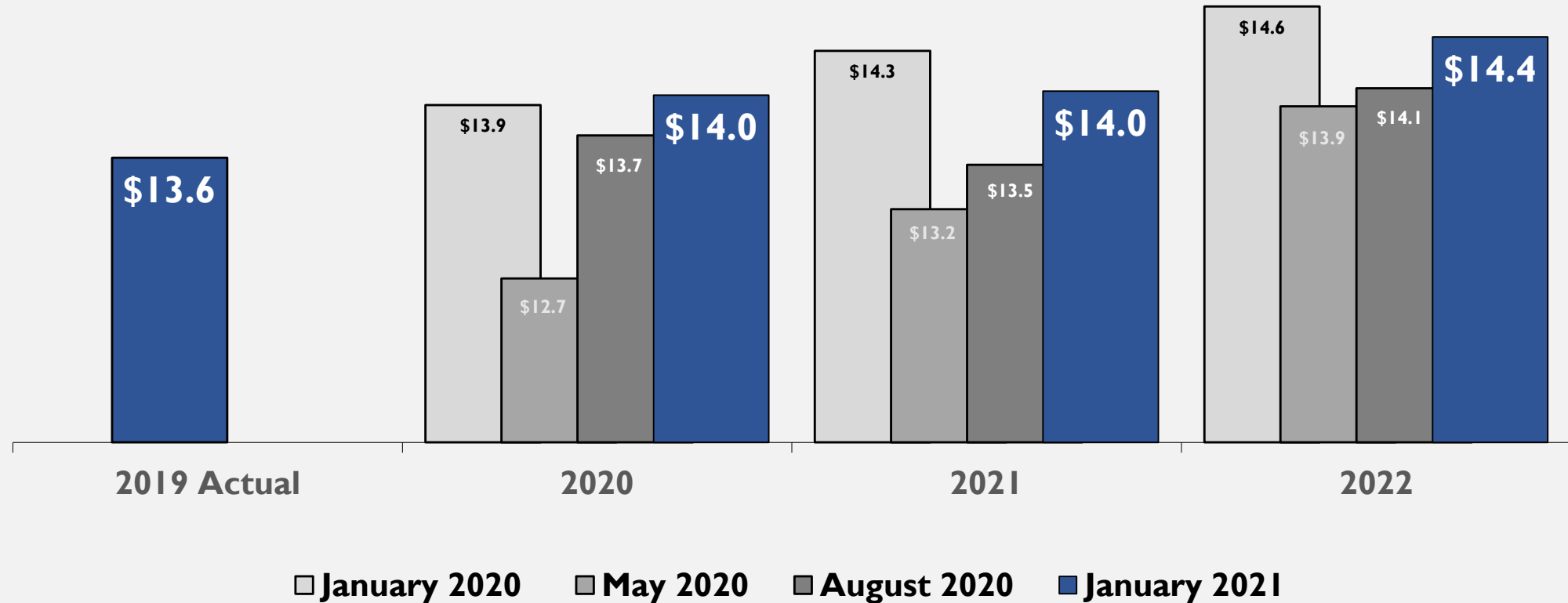


Revenue Projections in Recent Conferences

School Aid Fund

Fiscal Year

Billions

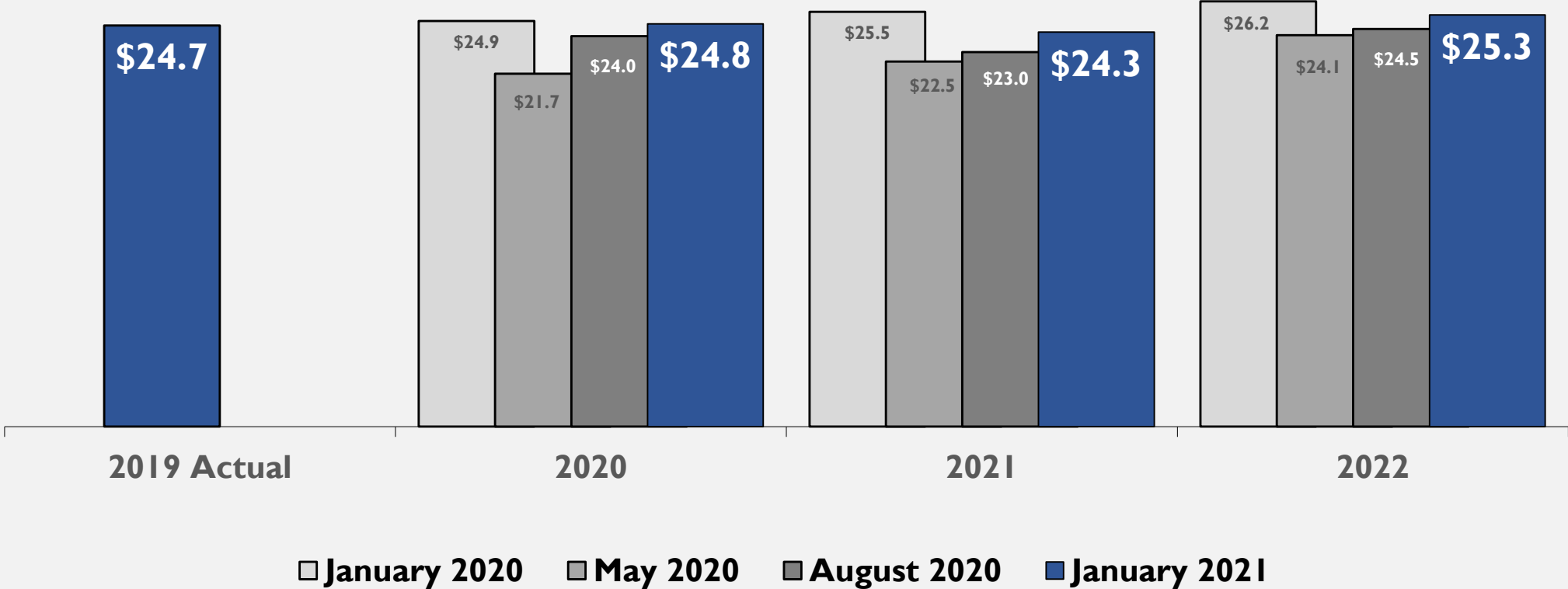


Revenue Projections in Recent Conferences

GF-GP and SAF Combined

Fiscal Year

Billions

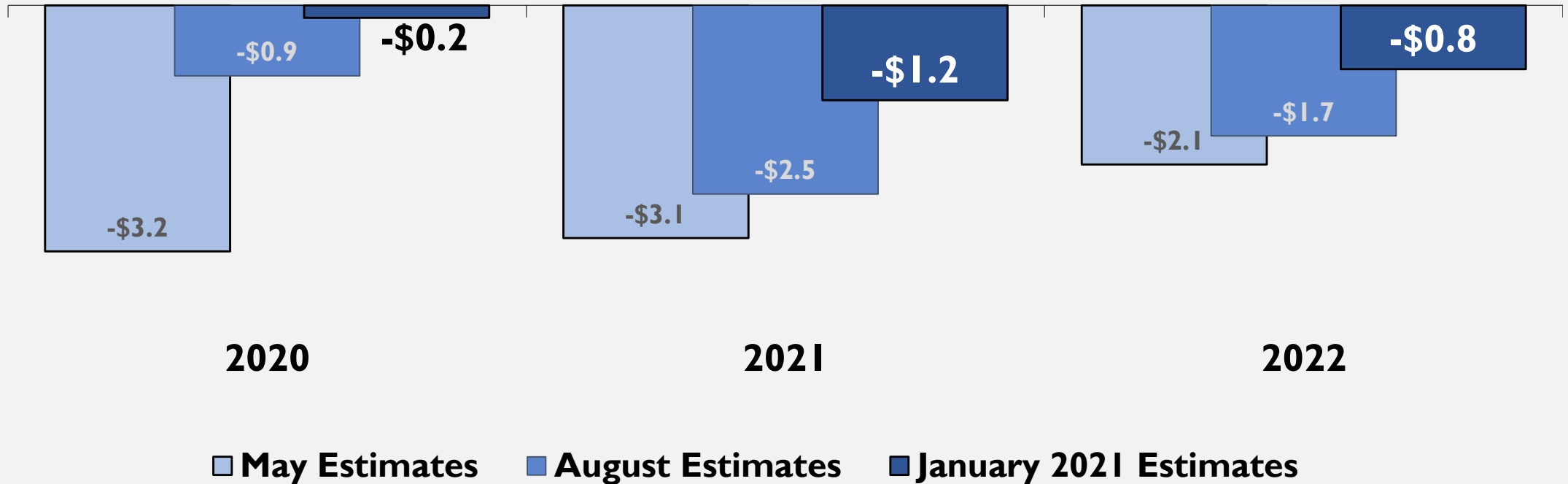


Projection Changes From January 2020 CREC

General Fund and School Aid Fund Combined Revenue Drop

Compared to January 2020 Estimates

Fiscal Year (Billions)



Income Tax Rate under MCL 206.51(1)

Revenues will be impacted by the income tax rate reduction under MCL 206.51(1), which limits revenue growth to inflation from FY 2021 levels

Conference Estimates that the rate will drop from 4.25% beginning in 2023

- **Rate cut to 4.15% on 1/1/2023**
 - FY 2023 GF revenue reduction of \$193 million
- **Rate cut to 4.07% on 1/1/2024**
 - Total FY 2024 GF revenue reduction of \$439 million

Forecast Risks

Economy

- Uncertainty from the path of the pandemic
- Further federal stimulus in 2021 could boost revenue short-term, while the drop may cause the economy to fall

Michigan Tax Revenue

- Large increases in FY 2020 taxable consumer spending creates uncertainty about FY 2021
- Additional federal stimulus could increase state revenue, while federal tax changes could impact revenue in both directions
 - Each additional \$100 per week in federal unemployment benefits increase withholding and income tax by \$4.6 million, assuming current levels of unemployment
 - Increasing the stimulus payments to \$2,000 would increase Michigan personal income by almost \$14 billion and may increase sales and use tax by \$375 million

What Local Governments Need to Know about Single Audits

Stephen W. Blann,
CPA, CGFM, CGMA
Director of Governmental Audit Quality,
Rehmann



Outline

- The Uniform Guidance
- When is a single audit required?
- What does a single audit entail?
- Can my existing auditor perform my single audit?
- How do I prepare for a single audit?
- Q&A

The Uniform Guidance

- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Applicable to non-federal entities receiving federal awards:
 - State, local, and tribal governments
 - Colleges and universities
 - Not-for-profit organizations

The Uniform Guidance

- Major requirements of recipients of federal awards:
 - Financial management systems to separately identify, track, and effectively control each source of federal funds
 - Written procedures covering at a minimum: cash management, allowability of costs, procurement, and compensation and benefits
 - Establish and maintain effective internal control over both financial reporting and compliance with federal requirements
 - In certain circumstances, recipients must have a “single audit” conducted

When is a single audit required?

- In general, a single audit is required for any fiscal year in which a non-Federal entity expends at least \$750,000 of federal awards. This is typically based on when federal money was expended (not when the award was made). However, this can be complicated by the fact that not all federal programs are subject to the single audit.

When is a single audit required?

- Treasury - CARES Programs
 - Coronavirus Relief Local Government Grants (CRLGG) Program
 - First Responder Hazard Pay Premiums Program (FRHPPP)
 - Public Safety and Public Health Payroll Reimbursement Program (PSPHPR)

What does a single audit entail?

- A single audit begins with a traditional financial statement audit, conducted in accordance with *Government Auditing Standards*. In addition, the auditor will identify one or more “major programs”. Each major program is subjected to rigorous compliance testing for adherence to Federal regulations. The results of the audit are posted to a public website.

Can my existing auditor perform my single audit?

- Possibly. A single audit must be conducted in accordance with *Government Auditing Standards*. Only certain CPA firms have undergone the industry-specific training necessary to conduct a single audit.
- Consider looking for a firm that is a member of the AICPA's Government Audit Quality Center
 - <https://www.aicpa.org/interestareas/governmentalauditquality/membership/findamemberfirm.html>

How do I prepare for a single audit?

- The first step is developing and implementing appropriate policies and procedures. If you haven't received federal financial assistance in the past, you may need assistance in identifying the key compliance areas and best practices for ensuring a clean audit.
- In addition, obtaining appropriate training for the members of your organization responsible for expending federal funds may be helpful.

How do I prepare for a single audit?

- Free training from the AICPA's GAQC:

<https://www.aicpa.org/interestareas/governmentalauditquality/resources/single-audit-archived-events.html>

Preparing for your First Single Audit: An Auditee Perspective ([Audio Playback](#)) ([Access Slides](#))

Originally presented on September 14, 2020. Open to public.

Questions?



Questions



Contact & Website Information

Websites:

- www.Michigan.gov/Treasury
- [Treasury Local Government Website](#)
- [Treasury COVID-19 Updates for Local Governments and School Districts](#)
- www.house.mi.gov/hfa/Consensus.asp

Contact Information:

- View [Treasury Local Government Contact List](#)
- Michigan Finance Authority (MFA):
TreasMFA@michigan.gov
- Revenue Sharing:
TreasRevenueSharing@michigan.gov
- Treasury's CARES Act programs:
Treas-CARES@michigan.gov



MTA

MICHIGAN TOWNSHIPS ASSOCIATION

Thank You!



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MAC

MICHIGAN ASSOCIATION OF COUNTIES