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Financially Distressed Cities, Villages, and Townships (FDCVT) Grant Program
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Introduction

Since 2015, the FDCVT Grant Program has provided grants to financially distressed cities, villages, or townships (CVTs), i.e., CVTs with one or more conditions that indicate probable financial distress. A CVT with one or more conditions that indicate probable financial distress may apply to the Department of Treasury for a grant to pay for projects or services that move the CVT toward financial stability. The CVT must use the grant proceeds to do one of the following:

- Make payments to reduce unfunded accrued liability.
- Repair or replace critical infrastructure and equipment owned or maintained by the CVT.
- Reduce debt obligations.
- Pay for costs associated with a transition to shared services with another jurisdiction.
- Administer other projects that move the CVT toward financial stability.¹

Condition of Probable Financial Distress

A condition that indicates probable financial distress is subject to the determination of the Department of Treasury. The Department has listed the following conditions as those that indicate probable financial distress:

- The governing body or the chief administrative officer of the CVT has requested a preliminary review.
- The State financial authority (for CVTs, the State Treasurer) has received a written request from a creditor with an undisputed claim, that remains unpaid six months after its due date, against the CVT that exceeds the greater of \$10,000 or 1% of the annual general fund budget of the CVT.
- The State financial authority has received a petition containing specific allegations of financial distress signed by a number of registered electors residing within the CVT's jurisdiction equal to not less than 5% of the total vote cast for all candidates for governor within the CVT's jurisdiction at the last gubernatorial election.
- The State financial authority has received a written notification that the CVT has not timely deposited its minimum obligation payment to the CVT's pension fund.
- The State financial authority has received a written notification that the CVT has failed to pay wages, salaries, or other compensation owed to employees or benefits owed to retirees.
- The State financial authority has received notice from a trustee, paying agent, bondholder, or auditor engaged by the CVT of a default in a bond or note payment or a violation of one or more bond or note covenants.
- The State financial authority has received a resolution from either the Senate or the House of Representatives requesting a preliminary review of a CVT.
- The CVT has violated a requirement of, or a condition of an order issued under any law governing the issuance of bonds or notes.
- The CVT has violated the conditions of an order issued by the local emergency financial assistance loan board under the Emergency Municipal Loan Act.
- The CVT has violated a requirement of Sections 17 to 20 of the Uniform Budgeting and Accounting Act.

¹ Public Act 166 of 2022, Section 956.

- The CVT has failed to timely file an annual financial report or audit that conforms with the minimum procedures and standards of the state financial authority and is required for CVTs under the Uniform Budgeting and Accounting Act.
- The CVT is delinquent in the distribution of tax revenue that it has collected for another taxing jurisdiction, and that taxing jurisdiction requests a preliminary review.
- The CVT is in breach of its obligations under a deficit elimination plan, or an agreement entered into under a deficit elimination plan.
- A court has ordered an additional tax levy without the prior approval of the governing body of the CVT.
- The CVT has ended a fiscal year in a deficit condition or has failed to comply with the requirements for filing or instituting a financial plan to correct the deficit condition.
- The CVT has been assigned a long-term debt rating within or below the BBB category or its equivalent by one or more nationally recognized credit rating agencies.
- Other facts or circumstances exist that, in the State treasurer's sole discretion, are indicative of probable financial stress.²

Criteria

The Department has established the following criteria for a grant award: 1) the CVT has one or more conditions that indicate probable financial stress; 2) the CVT must submit a completed application with detailed information; and 3) the CVT must demonstrate how the budgeted costs will lead toward financial stability. The Department awards priority to applicants that have two or more conditions that indicate probable financial distress; have had a declared financial emergency within the preceding 10 years; and have an approved deficit elimination plan for its general fund and/or in which the general fund balance has been declining over the last five years and is less than 3.0% of general fund revenue.

Fiscal Year (FY) 2022-23 Grants

For FY 2022-23, the Legislature appropriated \$2.5 million for the FDCVT Grant Program. Additionally, the Department has roughly \$100,000 in excess FDCVT funds from the previous year's appropriations. In June 2023, the Department awarded approximately \$2.7 million in grants to 12 municipalities (15 projects). The table below includes the applicants awarded, a project description, and the amount of funding awarded for each project.

Applicant	Description of Project	Award Amount	CVT Totals
Benton Harbor	Replacement of fire hydrants	\$198,720	\$198,720
Ecourse	Replacement of fire engine	\$250,000	\$250,000
Flint	Installation of surveillance cameras	\$129,720	\$129,720
Gaastra	Lift station repair	\$273,000	\$273,000
Lansing	Replacement of police vehicle	\$30,000	\$30,000
Lansing Township	Replacement of police equipment	\$91,644	\$91,644
Laurium	Replacement of Department of Public Works building roof	\$149,500	
Laurium	Infrastructure replacement at village hall building	\$341,075	
Laurium	Replacement of firefighting equipment	\$20,300	\$510,875
Melvindale	Replacement of police equipment	\$210,309	\$210,309
Mt. Morris Township	Renovation of evidence storage building	\$130,000	
Mt. Morris Township	Replacement of police equipment	\$35,000	\$165,000
Muskegon Heights	Property reappraisal	\$217,319	\$217,139
Ontonagon	Replacement of vacuum extractor truck	\$250,000	\$250,000
River Rouge	Replacement of municipal building HVAC system	\$350,000	\$350,000
Grand Total			\$2,676,407

Source: Financially Distressed Cities, Villages, and Townships (FDCVT) Grant Program FY 2023 Report

² "Financially Distressed Cities, Villages, and Townships Application", Michigan Department of Treasury Form No. 5193 (Rev. 01-23).