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# American Rescue Plan Act
# State & Local Funding

*March 9, 2021*

# American Rescue Plan Act

Highlights

- **$350 billion** to state and local governments.
- **$1,400 Stimulus check** to most Americans earning under $75,000.
- **Extends unemployment benefits** through September (the current benefit ends in mid-March) at an amount of $300 per week.
- **$30 billion** to help renters and landlords weather economic losses.
- **$50 billion** for small-business assistance.
- **$160 billion** for vaccine development & distribution.



# How this bill allocates state & local funds

- The $350 billion in state and local aid is **divided into four areas**:
  - 195.3 billion in aid for state governments,
  - $130.2 billion for city and county governments,
  - $20 billion to tribal governments, and
  - $4.5 billion for U.S. territories.

  States will also receive $10 billion under a new Critical Infrastructure Projects program that would help states, territories and tribal governments carry out capital projects like broadband, that directly enable work, education, and health.

- Funds can only cover costs incurred by the end of 2024 and **can't be used** to offset tax cuts or create a pension fund.

- Most of the direct aid in the bill, $300 billion, is allocated **proportionate to states' unemployment** as determined by the number of unemployed individuals over a three-month period that ended in December. The consideration of **unemployment,** as opposed to population, marks a change from last year's allocation of COVID-19 relief funds.

- Local government aid is determined based on population (counties) and Community Development Block Grants (cities), while territories receive a base allocation plus a per capita amount, and tribal governments' aid is determined by the Treasury.

- **American Rescue Plan delivers a baseline of $1.25 billion to all 50 states** (same as the CARES Act), boosting the share of funds for small states.

- **Biden's bill allows the funding to be used to replace lost revenue.** The federal CARES Act, passed in March 2020, provided $150 billion through the Coronavirus Relief Fund across all states, tribal governments, territories and the 38 cities with more than 500,000 people. Funds were limited to expenses "directly related" to COVID-19.

- **Democratic-leaning states will get a slight boost** in Biden's bill compared to Trump's CARES Act. Three out of every five dollars (60.4%) of the direct aid in Biden's bill goes to states that Biden won in the November election. The same states received about 56% of relief dollars in last year's CARES Act.

# How much money will each state receive?

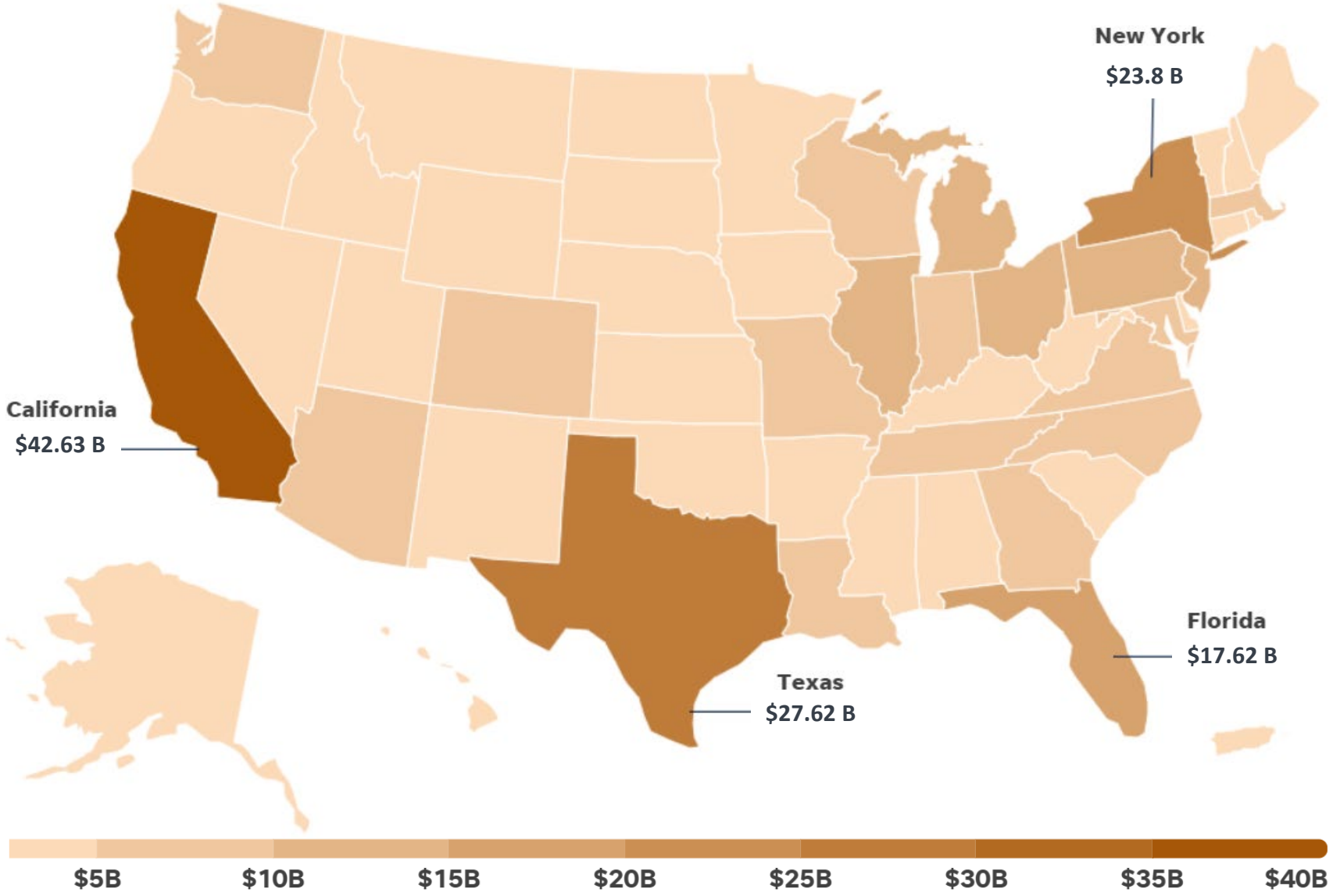
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California, Texas and New York would receive 29% of the $350 billion in direct aid that President Joe Biden has proposed for states and cities in his COVID-19 relief bill. That's slightly more than the three states' share of the U.S. population – 27%.

The minor discrepancy is the result of a formula used in Biden's American Rescue Plan that largely **relies on the number of unemployed citizens in each state at the end of 2020, *not* overall population**, to determine the funding amount for each state.

The third largest recipient is New York, even though Florida is the third largest state by population. That's because New York had a higher unemployment rate in December than Florida.

*Source: USA Today, U.S. Census Bureau*



# Support for Communities & Small Businesses - $440 billion



$350 billion in emergency funding for state, local and territorial governments to keep front-line workers paid, distribute vaccines, increase testing and reopen schools.



Restaurants and bars hurt by the pandemic receive $28.6 billion. The grants provide up to $10 million per company with a limit of $5 million per physical location.



Provides $7.25 billion for the Paycheck Protection Program, a tiny fraction of what was allocated in previous legislation.



Provides $27 billion toward emergency public transit funding and $1.7 billion to Amtrak that will keep workers on the payrolls and avoid service cuts. Each urban area will receive 132 percent of Fiscal Year 2018 operating costs in combination of previously awarded CARES and CRRSA funding. The bill also provides $281 million for rural area transit.



$20 billion to support tribal governments' pandemic response and increase access to personal protective equipment, internet connectivity, clean water and electricity in Indian Country.

# Pandemic Response - $400 billion



$14 billion to speed up the distribution and administration of COVID-19 vaccines across the country.



$170 billion for schools, $40 billion of which goes to public institutions. Governors would have $2.75 billion to share with private schools, and state education agencies could hold on to about 12.5 percent of the allocation before distributing the remainder to districts.



Provides $46 billion to expand federal, state and local testing for COVID-19 and to enhance contract tracing capabilities with new investments to expand laboratory capacity and set up mobile testing units.



$8.5 billion for rural providers for COVID-19 relief. Hospital trade groups lobbied senators to tack on more money for hospitals to help maintain sufficient staffing and purchase personal protective equipment while caring for large numbers of critically ill patients.



Funds 100,000 public health workers to carry out vaccine outreach and contact tracing. It also seeks to tackle health disparities, particularly in communities of color that the pandemic has disproportionately hit. The proposal includes funding for health services in underserved populations, including on tribal lands.



Expands access to emergency paid leave for millions of Americans and paid sick and family and medical leave for parents juggling childcare responsibilities.

# Direct Relief to Families - $1 trillion



Covers a third round of stimulus checks, this time for $1,400. These checks end for individuals making $80,000 and couples earning $160,000.



The Biden plan originally increased the benefits to $400 per week and extended the program through August 29. However, on March 5, Senate leaders struck a deal to lower the benefit to $300 per week but extend the benefits to September 6. That's on top of what beneficiaries are getting through their state unemployment insurance program.



Provides a 100% subsidy of COBRA health insurance premiums to ensure that the laid-off workers can remain on their employer health plans at no cost through the end of September. Additionally, financial assistance for ACA premiums will be considerably more generous and a greater number of solid middle-class households qualify.



Provides about $30 billion to help low-income households and the unemployed afford rent and utilities, and to assist the homeless with vouchers and other support. States and tribes receive an additional $10 billion for homeowners who are struggling with mortgage payments because of the pandemic.



Extends the 15% increase in monthly Supplemental Nutrition Assistance Program (SNAP) benefits approved by lawmakers earlier to the end of September. The measure also covers a $3 billion investment in Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).



Includes a significant expansion of an existing tax credit for children in poor and middle-class households. The bill increases the credit to $3,000 per child ($3,600 for a child under age 6) and makes 17-year-olds qualifying children for the year. The bill also significantly expands the Earned Income Tax Credit for 2021 by making it available to people without children.



Includes a provision that makes any student loan forgiveness passed from 2021-2025 to be tax-free.

# Highlight: States

- **$195.3 billion for states:** Each state plus the District of Columbia will receive an initial $500 million (comprising the first $25.5 billion of the fund) with the remaining approximately $169 billion divided according to each state's share of unemployed workers from the last three months of 2020.

- Treasury Secretary Janet Yellen has the optional authority to withhold 50 percent of the state funds up front. The language stipulates that Yellen "shall" exercise that authority based on each state's unemployment rate.

- A restriction on the uses of funds based on the need to provide government services stipulates that states and localities can use the money only to replace the amount of revenue lost during the pandemic compared to the prior full fiscal year.

- Each state will receive funds within 60 days after the Department of Treasury receives a certification from the governor or other authorized officer of the state attesting that the state needs federal assistance to:
  - Provide "premium pay" to essential workers (of up to $13 per hour, capped at a maximum $25,000);
  - Respond to the public health emergency by assisting households, small businesses, nonprofits, or aid to impacted industries;
  - To aid in government services that have suffered as a result of the reduction in revenue;
  - Make necessary investments in water, sewer, or broadband infrastructure.

- The deadline to spend funds is December 31, 2024.

# Highlight: Local Governments

- **$130 billion for local governments**:
  - $45.5 billion to metropolitan cities (cities above 50,000),
  - $19.5 billion to states to distribute to localities below 50,000 people, and
  - $65.1 billion to counties based upon population.

- Additionally, the state and local aid provides **$20 billion for tribal governments and $4.5 billion for territories.** Local governments are required to follow the same certification process as states to receive their funds. The final bill added another $1.5 billion, split evenly over federal FYs 2022 and 2023, for eligible revenue share counties (i.e. public land counties).

- Local governments are required to provide "periodic reports" providing a detailed accounting of the use of funds. The deadline to spend funds is December 31, 2024.

- States will also **receive $10 billion under a new Critical Infrastructure Projects** program that would help states, territories and tribal governments carry out capital projects, like broadband. Distribution is based on general population, rural population, and poverty levels.

- Other funds authorized in the stimulus package for state and local governments include:
  - $130 billion for schools, of which 90 percent goes to school districts. With the funds from the three other previous stimulus bills, federal assistance to school districts in response to the pandemic amounts to $282 billion.
  - $20 billion for local transit systems bringing to a total of $45 billion in aid since the pandemic started.
  - $50 billion for FEMA's Disaster Relief Fund for reimbursement to states, local tribal and territorial governments for costs associated with the ongoing response to the pandemic. This is an addition to the $45 billion provided to the Fund in the CARES Act.

# Highlight: Education

- **$170 billion for schools**:
  - **$125.8 billion for K-12 schools**, to help them reopen. The funds can be used to reduce class sizes and modify spaces for social distancing, improve ventilation and provide personal protective equipment.
    - The amount of funding allocated to each state and district will be based on the relative amount of Title I funding the state or district receives. States are required to subgrant at least 87.5 percent of their funding to school districts.
    - States are required to set-aside funds from their grants for educational technology, afterschool programs, summer enrichment, and to address learning loss from the pandemic.
    - Local educational agencies must set aside at least 20 percent of funds to address learning loss through evidence-based interventions that respond to students' academic, social, and emotional needs. The remaining funds can be used in a variety of ways, including coordinating with health departments, addressing the needs of students from low-income families, children with disabilities, racial and ethnic minorities, or to purchase educational technology.
    - To receive funding, states must provide at least as much funding for K–12 and higher education in fiscal years 2022 and 2023 as a proportion of the state's overall spending. In addition, states and districts must comply with new Maintenance of Equity requirements that prevent state and local funding cuts from disproportionately impacting high poverty districts and schools.
  - **$40 billion goes to higher education institutions**, with the money used to defray an institution's pandemic-related expenses and to provide emergency aid to students to cover expenses such as food, housing and computer equipment.
  - **$2.75 billion for Governors** to share with private schools, and state education agencies could hold on to about 12.5 percent of the allocation before distributing the remainder to districts.
- **$7.2 billion** would go toward the E-rate program that makes it easier to connect homes and libraries to the internet. The fund helps schools and libraries pay for students' distance learning cost.

# Highlight: Broadband

- **$7.2 billion Emergency Connectivity Fund (ECF)**
  - $7.2 billion would go toward the E-rate program that makes it easier to connect homes and libraries to the internet. The fund helps schools and libraries pay for students' distance learning cost. The FCC is tasked with implementing the fund and will have 60 days to set it up. The ECF will go to eligible schools and libraries to pay 100% for the costs of equipment and/or advanced communications service for students both in school and remote learning, and for library patrons both in libraries and remotely. The money is available until 2030.
- **$1 billion for the Technology Modernization Fund**
  - Will help address many of the common challenges still hampering effective IT transformation across the government, such as identity management, secure data sharing, leveraging AI and other emerging technologies to enhance citizen service delivery and expanding critical cybersecurity shared services to combat persistent threats.
- **$650 million for cybersecurity risk mitigation**
- **$350 million for other related IT modernization efforts**
- **$200 million to the U.S. Digital Service**
- **$150 million to Federal Citizen Services Fund**

- **Homeowner Assistance Fund:** States and tribes receive an additional $10 billion for homeowners who are struggling with mortgage payments because of the pandemic. States and localities can tap into this fund (until 2025) for payment assistance for "qualified expenses" of individuals, primarily low-income households, who need help due to the COVID-19 pandemic. While the fund can be used for everything from mortgage relief to flood insurance, it can also be used for "internet service, including broadband internet access service." No state will get less than $40 million from the fund.

# State Coronavirus Relief Fund Estimates*

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| State | Funds (in billions) |
|---|---|
| California | 42.634 |
| Texas | 27.620 |
| New York | 23.538 |
| Tribal Gov't | 20.1 |
| Florida | 17.623 |
| Pennsylvania | 13.725 |
| Illinois | 13.705 |
| Ohio | 11.237 |
| Michigan | 10.309 |
| New Jersey | 10.188 |
| North Carolina | 8.942 |
| Georgia | 8.396 |
| Massachusetts | 8.102 |
| Arizona | 7.632 |
| Washington | 7.103 |
| Virginia | 6.875 |
| Maryland | 6.355 |
| Tennessee | 6.307 |

| State | Funds (in billions) |
|---|---|
| Colorado | 6.068 |
| Indiana | 5.856 |
| Wisconsin | 5.711 |
| Missouri | 5.475 |
| Louisiana | 5.185 |
| Minnesota | 4.881 |
| Connecticut | 4.351 |
| Oregon | 4.262 |
| Puerto Rico | 4.195 |
| Nevada | 4.115 |
| Alabama | 4.043 |
| South Carolina | 3.869 |
| Oklahoma | 3.649 |
| Mississippi | 2.903 |
| Arkansas | 2.806 |
| Utah | 2.744 |
| Kansas | 2.718 |
| Iowa | 2.694 |

| State | Funds (in billions) |
|---|---|
| New Mexico | 2.456 |
| Hawaii | 2.272 |
| West Virginia | 2.064 |
| Idaho | 1.890 |
| Rhode Island | 1.780 |
| Nebraska | 1.771 |
| Maine | 1.652 |
| DC | 1.619 |
| New Hampshire | 1.538 |
| Montana | 1.369 |
| South Dakota | 1.366 |
| Vermont | 1.366 |
| North Dakota | 1.362 |
| Delaware | 1.362 |
| Alaska | 1.362 |
| Wyoming | 1.360 |

Funding amounts are the combined dollars for state, city and county governments of each state.

The Senate bill requires that small states get at least the same amount that they received under the last COVID relief package from last March ($1.25 billion was the minimum).

*Estimates are based on unemployment numbers in Q4 2020

Source: NCSL, House Committee on Oversight & Reform