The American Rescue Plan

State & Local Fiscal Relief

In the American Rescue Plan, organizers won $350 Billion in fiscal relief plus another $10 Billion for Capital Projects, including...

$4.5 billion to territories, half shared equally, and half based on each territory’s share of the population.

$20 billion to Tribal governments, $1 billion shared equally, and the rest distributed as determined by the Treasury Secretary.

$195.3B to States and the District of Columbia, with $25.5 billion shared equally, with a supplement to DC, and the remainder allocated based on each state’s share of unemployed workers.

How the Funds Can Be Used

The Treasury Department will put out additional guidance but here’s what we know now -- States, tribes, and territories can use funds for 4 general purposes:

- To respond to the public health emergency and its negative economic impacts, including assistance to households, small businesses, or nonprofits, and to support impacted industries.

  These funds are extremely flexible ... how would your members direct the state to spend the $$? This can be a critical mechanism to provide support to immigrants otherwise left out of federal relief.

  This will depend on who your state has designated as “essential.”

- To provide premium pay to essential government workers, or for grants to eligible employers with essential workers. Essential workers can receive supplemental wages up to $13/hour, to a max of $25,000 a year.

  Reach out to essential workers to engage them around securing premium pay. Also: it is important that these funds be used equitably, and not be used to support profiteering by private companies.
How the Funds Can Be Used (cont'd)

- To finance government services, up to the amount of the state’s revenue shortfall; and
- To support water, sewer, or broadband infrastructure.

States may also transfer funds to special purpose organizations (to support public transit, for instance).

Funds can be used to cover costs incurred through Dec. 31, 2024.

Restrictions

States may not use the funds to cover revenue reductions from cutting or delaying taxes nor to deposit funds into their pension funds.

How the Funds Flow

- Payments to tribal governments are to be made by May 11th, and the payment to DC by March 27th.
- States and territories are required to submit a certification that they require the funds and will use them as outlined above, and funds are to be paid by the Feds to the state within 60 days after its submission. The Secretary can withhold up to half of a state's funds for up to 12 months from the certification, depending on the state's unemployment rate. If the Secretary withholds the funds, the state must submit a second certification (and any other information the Secretary requires).
- Once the states have the funds, what they are used for and how those decisions are made will vary from state to state. In some cases, governors may have authority to decide; in others, the allocation may be subject to the state’s budget process.

A great in-state resource on this question is your state’s fiscal group -- you can find them at the State Priorities Partnership.

Monitoring and Enforcement

States, tribes and territories must provide periodic reports on the use of funds and any modifications to tax revenue sources from Mar. 3, 2021 until the end of the last fiscal year in which funds are used. The Treasury Department can recover any misused funds (or offset subsequent allotments if it held funds back initially).
$130.2 billion for Cities, Counties and Local Governments, including

- **$45.57 billion directly to metropolitan cities** based on the Community Development Block Grant (CDBG) formula

- **$65.1 billion directly to counties based on population.** (Note that there may be special distribution rules depending on the county’s fiscal status, so some county funds may run through the state).

- **$19.53 billion to states to pass through to non-entitlement local governments**, based on its share of the total non-metropolitan population. No local government can receive relief that is more than 75% of its most recent budget (these funds are returned to the federal government).
  - States must pass through these funds to local governments on a population basis within 30 days (this can be extended for 30 days upon request and further under certain circumstances).
  - If a state fails to make the distributions within a 120 day period (subject to any extensions) it must pay the funds back to the federal government.

- **Funds are available through Dec. 31, 2024.**

### How the Funds Can Be Used

The Treasury Department will put out additional guidance but here’s what we know now -- local funds can support four general purposes:

- To respond to the public health emergency and its negative economic impacts, including assistance to households, small businesses or nonprofits, and to support impacted industries.

  These funds are extremely flexible ... how would your members direct the state to spend the $$? This can be a critical mechanism to provide support to immigrants otherwise left out of federal relief. This will depend on who your state has designated as "essential."

- To provide premium pay to essential government workers or for grants to eligible employers with essential workers.

- To finance government services, up to the amount of the state’s revenue shortfall; and

- To support water, sewer, or broadband infrastructure.

These funds may also be transferred to special purpose organizations (to support public transit, for instance) and can also be transferred to the state.

Local funds can not be deposited into pension funds, but note that the restriction on tax cuts DOES NOT APPLY to local funds.

We will need to fight to make sure funds are used to expand support for families and communities, and not squandered on inequitable tax cuts.
How the Funding Flows

Generally, for cities, counties and local funds that are passing through the states, the money will move in two parts (called “tranches”).

- The first share—50% of the total—is (“to the extent practicable”) to be made by May 11th (60 days from enactment).
  
  This suggests that Treasury may have some ability to decide how much to provide based on how the first share is used.

- The second share—an amount up to 50% will be distributed no sooner than 12 months from the date that the first share is made.

Monitoring and Enforcement

States, tribes and territories must provide periodic reports to the Treasury Department on the use of funds. The Treasury Department can recover any misused funds (or offset subsequent allotments if it held funds back initially).

$10 Billion to states, tribes and territories for capital projects, including

- $100 million to each state
- $100 million divided equally among the territories
- $100 million shared equally among tribal governments and Hawaii (in addition to its entitlement share as a state).
- The remainder is divided based on populations, with carve outs specially calculated to support rural areas and states high percentages of low income residents.

How the Funds Can Be Used

Funds must be used for “critical capital projects” supporting work, education and health monitoring in response to the pandemic.

How the Funds Flow

The Treasury Department will develop an application process for grants to make funds available by May 12th.

###