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The American Rescue Plan: What GFOA Members Need to Know

On March 10, the House of Representatives approved the \$1.9 trillion American Rescue Plan largely along party lines. The relief package provides funding in several areas such as state and local aid, education, rental assistance, and transit. The President is expected to sign the bill shortly.

Despite having a number of notable differences with the original House bill, such as a slight decrease in the federal supplement to unemployment assistance, other areas in the final package remained generally the same. **Regarding the additional state and local aid, the top line remained at \$350 billion but the Senate adopted a few modifications to the funding.**

Below are some highlights of state and local aid included in the bill:

- **The state portion of the funding is approximately \$195 billion:**
\$25.5 billion of that amount will be distributed equally among the 50 States and the District of Columbia.
Remaining amount will be distributed according to a formula that takes into account each state's share of unemployed individuals.
- **The local portion of the funding is approximately \$130 billion, equally divided between cities and counties:**
For cities, \$45.5 billion of the \$65 billion will be allocated to metropolitan cities (pop. over 50,000) utilizing a modified CDBG (Community Development Block Grant) formula, and the remaining amount for smaller jurisdictions (pop. under 50,000) will be allocated according to population share but will not exceed 75 percent of their most recent budget as of January 27, 2020.
For counties, the \$65 billion will be allocated based on the county share of population. Counties that are CDBG recipients would receive the larger share between the population based on CDBG formula.

Payments to local governments will be made in two tranches – first half 60 days after enactment, second half one year later.

- **Funding available through and must be spent by end of calendar year 2024.**
- Eligible use of the funding is broader than CRF funding. Specifically, eligible uses include:
 - Revenue replacement for the provision of government services to the extent the reduction in revenue due the COVID-19 public health emergency relative to revenues collected in the most recent fiscal year prior to the emergency,
 - Premium pay for essential workers
 - Assistance to small businesses, households, and hard-hit industries, and economic recovery,
 - Investments in water, sewer and broadband infrastructure.

The bill contains two restrictions on eligible uses: funds cannot be used to directly or indirectly offset tax reductions or delay a tax/tax increase; funds cannot be deposited into any pension fund.

[FEDERAL LIASON ANALYSIS OF THE BILL AND ADDITIONAL RESOURCES](#)

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