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Questions Loom for States, Localities About How to Spend Billions in Covid Relief Funds.

Federal and policy experts told city officials Thursday that governments that lost revenue during the pandemic have greater flexibility for using the American Rescue Plan money.

State and local governments that lost revenue as a result of the coronavirus pandemic have greater flexibility in how they can spend Covid-19 relief money than governments whose budgets withstood economic downturn, according to federal officials.

[Treasury Department rules](#) outline specific ways that state and local governments can spend \$350 billion in federal aid appropriated through the America Rescue Plan Act. But governments that experience a decline in revenue can offset those losses with the federal dollars—and use the offset amount to pay for any number of government services that would not otherwise be considered eligible expenses.

“The revenue loss category provides the greatest flexibility,” said Jacob Leibenluft, a counselor to Treasury Secretary Janet Yellen.

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Route Fifty

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