American Rescue Plan Act
Senate-Passed Changes to the State and Local Fiscal Recovery Funds

New Funds Added

- A new $10 billion **Coronavirus Capital Projects Fund** would give $100 million to each state, D.C., and Puerto Rico to fund "critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency with respect to the Coronavirus Disease." An additional $100 million would be split between the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, the Marshall Islands, Micronesia, and Palau. An additional $100 million would be split equally between Tribal governments and Hawaii, with each receiving a minimum of $50,000. Of the remaining money left in the Fund, 50% would be distributed based on population, 25% would be distributed based on rural population, and 25% would be distributed based on household income that is below 150% of the poverty line.
- A new $2 billion **Local Assistance and Tribal Consistency Fund** would give $750 million to eligible revenue sharing counties and $250 million to eligible Tribes for any government purpose other than lobbying, to be obligated in 2022 and 2023. Among other things, this is intended to assist counties currently reliant on the Payment in Lieu of Taxes (PILT) and Secure Rural Schools (SRS) programs, among other revenue sharing programs, but based on their real economic conditions rather than historic payments.

General Changes to State and Local Fiscal Recovery Funds

- The topline $350 billion for the State and Local Fiscal Recovery Funds was maintained, despite a proposal to reduce the local funding by $10 billion.
- The Senate-passed language clarifies that eligible uses:
  - Measure revenue loss as "the provision of government services to the extent of the reduction in revenue" of the entity "due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year" prior to the emergency (in keeping with the intent of the House-passed provision);
  - Include premium pay for eligible workers performing essential work (as determined by each state or Tribal government) during the pandemic, providing up to $13 per hour above regular wages;
  - Include water, sewer and broadband infrastructure;

    - Exclude directly or indirectly offsetting a tax cut; and
    - Exclude pension funds.
- Funds must now be spent by the end of calendar year 2024.
- The small state minimum has been increased from $500 million (from the State Recovery Fund) to a total of $1.25 billion (from both the State and Local Fiscal Recovery Funds).
- Recipient governments must provide periodic reports to the Treasury Department with a detailed accounting of the use of funds. States and territories must also provide any modifications to tax revenue sources.
- Funds can be recouped by the Treasury Department if the recipient does not comply with the eligible uses.
- Treasury would receive $50 million to administer the funds.

<u>Changes Specific to the State Fiscal Recovery Fund</u>

- Treasury could choose to withhold up to 50% of the allocation to each State and territory for up to 12 months from the date the certification of need is received, though such a withholding would not be required. A second certification would need to be submitted for the withheld amount.

<u>Changes Specific to the Local Fiscal Recovery Fund</u>

- Local governments would receive their allocations in two tranches—the first half 60 days after enactment and the other half one year later. For nonentitlement units of local government, those deadlines are the dates for Treasury to send the funding to the state, which has an additional 30 days to distribute to each nonentitlement unit of local government.
- Any nonentitlement funds not distributed to a nonentitlement unit of local government due to the cap at 75% of its pre-pandemic budget will now be returned to the Treasury Department.