

Impact of American Rescue Plan Act on State and Local Governments

March 18, 2021

On March 11, 2021, President Joe Biden signed the American Rescue Plan Act of 2021 ("ARPA"), which contains \$1.9 trillion in overall national spending to support relief and economic recovery efforts. ARPA provides a total of \$350 billion in assistance to states, counties, municipalities, territories and tribal governments to cover expenses, make up for lost revenue and ease the overall economic impact from the COVID-19 pandemic.

The Basics

- **\$195.3 billion to states and the District of Columbia from the Coronavirus State Fiscal Recovery Fund:**
 - \$25.5 billion equally divided to provide each state a minimum of \$500 million.
 - \$168.5 billion distributed based on each state's share of unemployed workers during the period of October through December 2020.
- **\$130.2 billion to local governments from the Coronavirus Local Fiscal Recovery Fund:**
 - \$65.1 billion to counties, allocated based on each county's share of the national population.
 - \$45.6 billion to metropolitan cities (cities with 50,000 or more people), allocated by an average of one of two sets of economic ratios, to be determined by the Secretary of the Treasury.
 - \$19.5 billion to municipalities with fewer than 50,000 people (to be distributed by the applicable state), allocated based on each municipality's share of the overall population of municipalities within that state.
- **\$10 billion for a Coronavirus Capital Projects Fund** to states, territories and tribal governments to carry out projects to support work, education and health monitoring during COVID-19. Each state, territory or tribal government will receive at least \$100 million, with additional amounts allocated based on population, percentage of population living in rural areas and percentage of population with a household income less than 150% of the applicable poverty line.

Timing

- Payments to each state will be made no more than 60 days after the state provides a required certification described below; however the Secretary of the Treasury has the authority to withhold up to 50 percent of the amount allocated to each state for up to 12 months from the certification date.
- Local government funds will be distributed in two equal tranches, the first by May 10, 2021, and the second by March 11, 2022. Metropolitan cities and most counties will receive their distributions directly. Funds for all other municipalities (and any counties that are not political subdivisions of a state) will be distributed to the states for redistribution by May 10, 2021, and the states must distribute allocated amounts to such municipalities within 30 days of receipt, although a state may request a 30-day extension—and in certain cases additional extensions—due to administrative burden.

Continued

Use of Funds

- Funds allocated from each of the State Fiscal Recovery Fund and Local Fiscal Recovery Fund may be used to:
 - Respond to the COVID-19 emergency and address its economic effects, including through aid to households, small businesses, nonprofits, and impacted industries such as tourism and hospitality.
 - Provide premium pay to essential employees of state or local governments or make grants to the employers of essential employees. Premium pay may not exceed \$13 per hour or \$25,000 per worker.
 - Provide government services to the extent of any revenue reduction resulting from COVID-19.
 - Make investments in water, sewer and broadband infrastructure.
- All funds must be spent on costs incurred on or before December 31, 2024.
- State and local governments cannot use the funds to make pension payments.
- States cannot use the funds to offset revenue losses resulting from any tax cut, tax delay or tax rebate enacted after March 3, 2021.
- State and local governments may transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special-purpose units of state or local governments.
- State and local governments must provide periodic reports to the Secretary of the Treasury giving a detailed accounting of the uses of funds and, in the cases of states, all modifications to the states' tax revenue sources.

Michigan will receive a total of \$10.6 billion in state and local relief, with \$6.6 to be distributed to the state government and \$4 billion allocated to local governments within the state. Illinois will receive \$13 billion total, with \$7.5 billion going to the state government and \$5.5 billion allocated to local governments.

Please contact the authors or your Miller Canfield attorney with additional questions.

This information is based on facts and guidance available at the time of publication and may be subject to change.