

ANALYSIS FOR STATES:

The Coronavirus State and Local Fiscal Recovery Fund

The American Rescue Plan Act of 2021, a \$1.9 trillion economic relief package, was signed by the president on March 11. Part of this package includes the Coronavirus State and Local Fiscal Recovery Fund, which provides approximately \$350 billion in new federal fiscal assistance for states, territories, tribes, counties and municipalities. An additional \$10 billion is available to states, territories and tribal governments for critical capital projects that directly enable work, education and health monitoring in response to COVID-19.

The Coronavirus State and Local Fiscal Recovery Fund allocations may be used by state and local governments to:



Respond to the COVID-19 public health emergency and the negative economic impacts of the pandemic.



Cover premium pay to workers performing essential tasks during the pandemic.

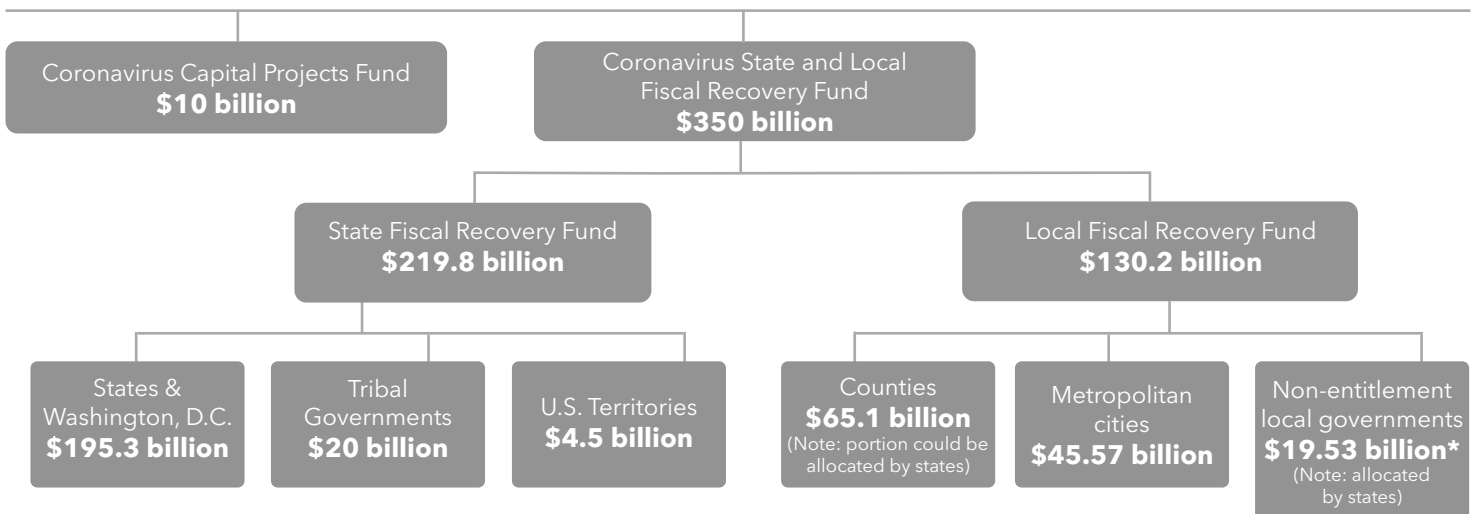


Cover government revenue losses that are due to the pandemic.



Make necessary investments in water, sewer or broadband infrastructure.

The \$1.9 Trillion American Rescue Plan Act of 2021



*Non-entitlement areas include those units of general local government which do not receive Community Development Block Grant funds directly from the U.S. Department of Housing and Urban Development (HUD). Non-entitlement areas are cities with populations of less than 50,000 (except cities that are designated "principal cities" of Metropolitan Statistical Areas) and counties with populations of less than 200,000.



The \$219.8 billion allocation of the State and Local Fiscal Recovery Fund will be divided among the states and Washington, D.C., U.S. territories and tribal governments. Approximately 89% (\$195.3 billion) will go to states and the District of Columbia, 9% (\$20 billion) will go to tribal governments and 2% (\$4.5 billion) will go to U.S. territories.

Half of the appropriations for territories will be divided equally and the other half will be allocated based on relative population. For tribal governments, \$1 billion is allocated equally and \$19 billion is appropriated by the U.S. Department of the Treasury secretary.

State Fiscal Recovery Fund

The \$195.3 billion allocated to the states and the District of Columbia as part of the State and Local Fiscal Recovery Fund will be distributed according to the following:

\$25.5 billion equally divided with each state assured **a minimum of \$500 million**

\$755 million in additional aid for the District of Columbia to increase its overall Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 allocation to the state minimum

\$169 billion allocated based on the **state share of unemployed workers over the three-month period** from October to December 2020

Local Fiscal Recovery Fund

Approximately 34% (\$120.2 billion) of the State and Local Fiscal Recovery Fund from the American Rescue Plan Act of 2021 will be distributed to the Local Fiscal Recovery Fund, which provides support to metropolitan cities, non-entitlement local governments and counties.

\$65.1 billion to counties which could be allocated by states

\$45.57 billion to metropolitan cities

\$19.53 billion to non-entitlement local governments to be allocated by states

It is also important to note:

- Funding earmarked for metropolitan cities follows the Community Development Block Grant entitlement formula, substituting “all metropolitan cities” for “all metropolitan areas” in the formula’s application.
- The allocation for non-entitlement local governments will be paid to states based on each state’s relative share of the non-entitlement population of all states.
- Funding for counties will be allocated by relative population, with a hold-harmless provision for urban counties to ensure they receive at least as much as they would under the Community Development Block Grant formula.
- For counties that are not units of general local government, these funds will go to the state, which will distribute them to the local governments in the county based on relative population.
- The District of Columbia will receive an allocation from this portion of funding.

Coronavirus Capital Projects Fund

In addition to the State and Local Fiscal Recovery Fund, the American Rescue Plan Act of 2021 includes an additional \$10 billion Coronavirus Capital Projects Fund available to states, territories and tribal governments for critical capital projects that directly enable work, education and health monitoring – including remote options – in response to the COVID-19 public health crisis.

Each state will receive **\$100 million**

The U.S. territories will receive **\$100 million** to be split among them

Tribal governments plus **Hawaii** will receive **\$100 million**, with at least **\$50,000** going to each tribal government and **at least \$50,000 to Hawaii** for the exclusive use by the Department of Hawaiian Home Lands and the Native Hawaiian Education Programs

The remaining funding will be allocated to the 50 states based on population (50%), the share of the population living in rural areas (25%) and the share of the population with a household income less than 150% of the federal poverty level (25%). The U.S. Department of the Treasury will establish an application process for these funds.

Allowable Uses of Allocations from the Coronavirus State and Local Fiscal Recovery Fund

Usage

State and local governments may utilize funding from the Coronavirus State and Local Fiscal Recovery Fund as part of the American Rescue Plan Act of 2021 to:



Respond to the public health emergency with respect to COVID-19 or its negative economic impacts including assistance to households, small businesses and nonprofits or aid to impacted industries such as tourism, travel and hospitality

**These examples are intended to clarify congressional intent. State and local spending is not limited to these activities.*



Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the county who are performing such essential work or by providing grants to eligible employers that have eligible workers who perform essential work



Provide government services to the extent of the reduction in revenue – such as online, property or income tax – due to the public health emergency relative to revenues collected in the most recent full fiscal year of the county prior to the emergency



Make necessary investments in water, sewer or broadband infrastructure

Restrictions

The American Rescue Plan Act of 2021 outlines the following restrictions on usage of allocated funds:



States are not allowed to use funds to either directly or indirectly offset a reduction in the net tax revenue that results from a change in law, regulation or administrative interpretation during the covered period that reduces any tax

**The covered period begins March 3, 2021 and ends on the last day of the year that a state receives funds from the U.S. Department of the Treasury. If a state violates this provision, it would be required to repay the amount of the applicable reduction to net tax revenue.*



No funds are to be deposited into any pension fund



State and local governments are allowed to transfer to a private non-profit organization, a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of the state or local government



Any local government, including counties, that fails to comply with the federal law and related guidelines will be required to repay the federal Treasury



“Premium pay” is an additional amount of up to \$13 per hour paid to an eligible worker during the COVID-19 pandemic; this legislation imposes a cap of \$25,000 for any single eligible worker receiving premium pay

State Authority to Utilize Funds

State and local fiscal recovery funding is available for costs incurred through Dec. 31, 2024. The American Rescue Plan Act of 2021 does not define who has the authority to utilize these recovery funds, but the legislation provides several guidelines to states on how to distribute local fiscal recovery funding.

- **Within 30 days of receiving funds, a state should distribute funds based on relative shares of the state's non-enrollment population.** A 30-day extension can be requested for administrative relief. A second 30-day extension would be possible if the state were to submit a plan.
- **Assistance to local governments cannot exceed 75% of the most recent budget for that government as of Jan. 27, 2020.** Any undistributed funds stemming from this provision would be returned to the federal government.
- **If state payments are not made within 120 days, any unpaid amounts will become state debt owed to the federal government.** This debt will be paid from the state recovery funding allocation.
- **For counties that are not units of general local government, funds would go to the state, which would distribute them to the local governments in the county based on relative population.** The District of Columbia would receive an allocation from this portion of funding. Consolidated governments would be eligible for all three funding streams.

Reporting Requirements, Certification and Recoupment

The American Rescue Plan Act of 2021 requires state and local governments to fulfill the following reporting requirements:

- **States are required to report how funds are used and how tax revenue was modified during the time that funds were spent during the covered period.** This period begins March 3, 2021 and ends on the last day of the fiscal year a state or local government has expended or returned all funds to the U.S. Department of the Treasury.
- **Local governments are required to provide reports.** These "periodic reports" should provide detailed accounting of the use of allocated funds.
- **If a state, county or municipality does not comply with any provision of the American Rescue Plan Act, it will be required to repay the U.S. Department of the Treasury.** This repayment will be equal to the funds used in violation.

Administration of Funds

- Funds will be distributed by the U.S. Department of the Treasury.
- The deadline to spend funds is Dec. 31, 2024.
- The Treasury is required to pay the first installment to counties not later than 60 days after enactment and the second payment no earlier than 12 months after the first disbursement.
- To promote transparency, accountability and oversight, the American Rescue Plan Act provides \$77 million for the Government Accountability Office and \$40 million for the Pandemic Response and Accountability Committee.

Additional Resources

Estimated Coronavirus State and Local Fiscal Recovery Funding can be accessed through Federal Funds Information for States at ffis.org

Read the full text of the American Rescue Plan Act of 2021 by [CLICKING HERE](#).

The title-by-title summary of the American Rescue Plan act of 2021 can be accessed by [CLICKING HERE](#). **This was prepared by the staff of the Senate Democrats*

The Council of State Governments will distribute additional information as it becomes available.



WHITE HOUSE OFFICE OF
INTERGOVERNMENTAL AFFAIRS

JULIE CHÁVEZ RODRÍGUEZ | Director

[Whitehouse.gov/iga](https://whitehouse.gov/iga)

For More Information

SARAH NEEDLER | Director of Research

The Council of State Governments, Center of Innovation
sneedler@csg.org | csg.org

LINDSEY GRAY | Director

CSG South/Southern Legislative Conference
sgray@csg.org | slatlanta.org

Impact of Funding from the American Rescue Plan Act of 2021



The 15 states of CSG South will receive \$109.9 billion from the American Rescue Plan Act of 2021. Approximately 29% of the State Fiscal Recovery Fund (\$64 billion) is allocated to Southern region states, and 33% of the Local Fiscal Recovery Fund (\$42.59 billion) will go to this region.

From the Coronavirus Capital Projects Fund, an additional \$3.39 billion (about 34% of the total fund) is allocated to the states in CSG South.

Estimated Coronavirus State and Local Fiscal Recovery Funds Allocated to Southern Region States *(\$ in thousands; Source: House Oversight and Reform Committee)*

State	State Government	Metropolitan Cities	Other Non-Counties	Counties	States (Capital Projects)	Total
ALABAMA	\$2,120,063	\$417,312	\$362,431	\$950,943	\$191,787	\$4,042,535
ARKANSAS	\$1,650,382	\$202,335	\$210,146	\$585,285	\$157,785	\$2,805,933
FLORIDA	\$10,231,776	\$1,464,923	\$1,396,853	\$4,165,475	\$364,444	\$17,623,470
GEORGIA	\$4,654,502	\$551,780	\$856,599	\$2,071,269	\$261,682	\$8,395,831
KENTUCKY	\$2,440,591	\$444,686	\$306,765	\$866,478	\$185,355	\$4,243,873
LOUISIANA	\$3,208,887	\$571,879	\$322,437	\$901,605	\$179,788	\$5,184,596
MISSISSIPPI	\$1,804,500	\$97,204	\$258,415	\$577,206	\$166,066	\$2,903,392
MISSOURI	\$2,816,399	\$830,239	\$442,164	\$1,190,316	\$195,451	\$5,474,570
NORTH CAROLINA	\$5,276,272	\$672,032	\$682,061	\$2,034,099	\$277,061	\$8,941,526
OKLAHOMA	\$2,174,309	\$303,644	\$237,103	\$767,430	\$166,719	\$3,649,205
SOUTH CAROLINA	\$2,095,191	\$144,803	\$442,262	\$998,561	\$187,984	\$3,868,800
TENNESSEE	\$3,820,754	\$513,184	\$431,314	\$1,324,476	\$216,850	\$6,306,578
TEXAS	\$16,696,904	\$3,372,067	\$1,399,387	\$5,667,795	\$483,801	\$27,619,954
VIRGINIA	\$3,766,101	\$628,133	\$603,973	\$1,655,411	\$221,739	\$6,875,359
WEST VIRGINIA	\$1,249,449	\$175,816	\$153,213	\$347,576	\$137,947	\$2,064,001
TOTAL	\$64,006,080	\$10,390,037	\$8,105,123	\$24,103,924	\$3,394,460	\$109,999,624