

The American Rescue Plan Act

National League of Cities

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Urgent Funding to Stabilize Government Operations, Households, and Small Businesses

- The American Rescue Plan Act became law on March 11th, 2021 (P.L. 117-2)
- For the first time, all 19,000 municipal governments are entitled to a direct, non-competitive federal formula grant from the U.S. Treasury Department.
- **Direct funding means:**
 1. All cities, towns, and villages are entitled to a federal grant from the new Coronavirus Local Fiscal Recovery Fund.
 2. Aid obligated to municipalities is not in any way mingled with aid obligated to state or county governments.
 3. Aid for municipalities is protected from state or county interference by iron-clad statutes compelling states to comply, including penalties for states that fail to carry out their responsibilities to small cities and towns.

Principles for Coronavirus Local Fiscal Recovery Fund

- 1. Use dedicated grants and programs first whenever possible**
 - Save Local Fiscal Recovery Funds for gaps and priorities not eligible for other federal and state assistance programs
- 2. Assess government operations AND community needs**
 - Ask valuable staff and stakeholders for help creating a comprehensive needs assessment; be prepared to pivot
- 3. Prioritize fiscal stability and returning to work**
 - Save pet projects for earmarks
- 4. Maintain records and document success**
 - Create long-term information infrastructure for your future leaders
- 5. Your Congressional Delegation is part of your success**
 - Invite Members of Congress to re-openings, ribbon-cuttings, etc...

Coronavirus State and Local Fiscal Recovery Funds

The \$360 billion in funding under this section is broken down as follows:

- **State Governments:** \$195.3 billion
- **Tribal Governments:** \$20 billion to federally recognized tribal governments
- **Local Governments:** \$130.2 billion split evenly into
 - \$65.1 billion for 19,000+ municipal governments; and
 - \$65.1 billion for 3000+ county governments
- New “Capital Project Fund”: \$10 billion for **broadband** grants to states
 - “to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency.”

Grant Calculations for Cities, Towns, and Villages

\$65.1 billion in funding to address an estimated \$90 billion combined revenue shortfall.

- Most cities will not receive a grant amount that is completely equal to their needs

Grant Calculations Based on a Modified CDBG formula

- 70% of funds, or \$45.5 billion, is obligated to cities with 50,000 or more residents
 - Grant calculations based on population size, poverty rates, and measures of housing instability. *(Prioritizes targeting to need)*
- 30% of funds, or \$19.5 billion, is obligated to cities with less than 50,000 residents
 - Grant calculations based on population size only. *(Prioritizes simplification)*

Small Cities Cap

- Small city grants cannot be greater than an amount equal to 75 percent of the city's most recent pre-pandemic budget.
- Blunt instrument to overcome unavailability of precise data for small localities.

2 Year Funding Certainty

- Grants will be released in 2 tranches. ½ following enactment and ½ 12 months following receipt of first payment

Spending Deadline

- Money remains available until December 31, 2024; unexpended funds must be returned to Treasury.

Eligible Expenditures

- A. to respond to the public health emergency with respect to the Coronavirus Disease 2019 (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;
 - *No more restrictive than the CARES Act Coronavirus Relief Fund*
- B. to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
 - *Allows a municipality to provide up to \$13 per hour above regular wages.*
- C. for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or
 - *Allows revenue replacement. The base year to measure lost revenue against is not the most recent full fiscal year, but the most recent full fiscal year **prior to the emergency**.*
- D. to make necessary investments in water, sewer, or broadband infrastructure.
 - *Treasury will provide additional guidance*

Federal Regulations

Permissions

- Recipient governments can transfer funds to a:
 - Private nonprofit organization
 - A public benefit corporation involved in the transportation of passengers or cargo
 - A special-purpose unit of State or local government.
- No restrictions on local governments prohibiting tax-cuts or local stimulus payments

Restrictions

- Small cities may not receive more than 75 percent of the city's most recent budget
- Grant monies may not be used for pension funds - No state, metropolitan city, nonentitlement unit of local government, or county may use funds made available under this section for deposit into any pension fund.
- State governments are prohibited from spending to replace revenue declines resulting from tax cuts enacted since March 3, 2021. (Currently subject to lawsuits)

Requirements

- All grantees shall provide the Treasury Department with periodic reports providing a detailed accounting of the uses of funds

ARP Funding: Housing

Renter and Homeowner Assistance

- \$21 billion for Emergency rent relief and utility assistance; extra for rural housing
- \$10 billion for Homeowner Assistance Fund – mortgage payments, property taxes, utilities, insurance

Homeless Intervention

- \$5 billion for Emergency housing vouchers to address homelessness
- \$5 billion for HUD Homeless Assistance Programs
- \$400 million for FEMA Emergency Food and Shelter Program

Next Steps

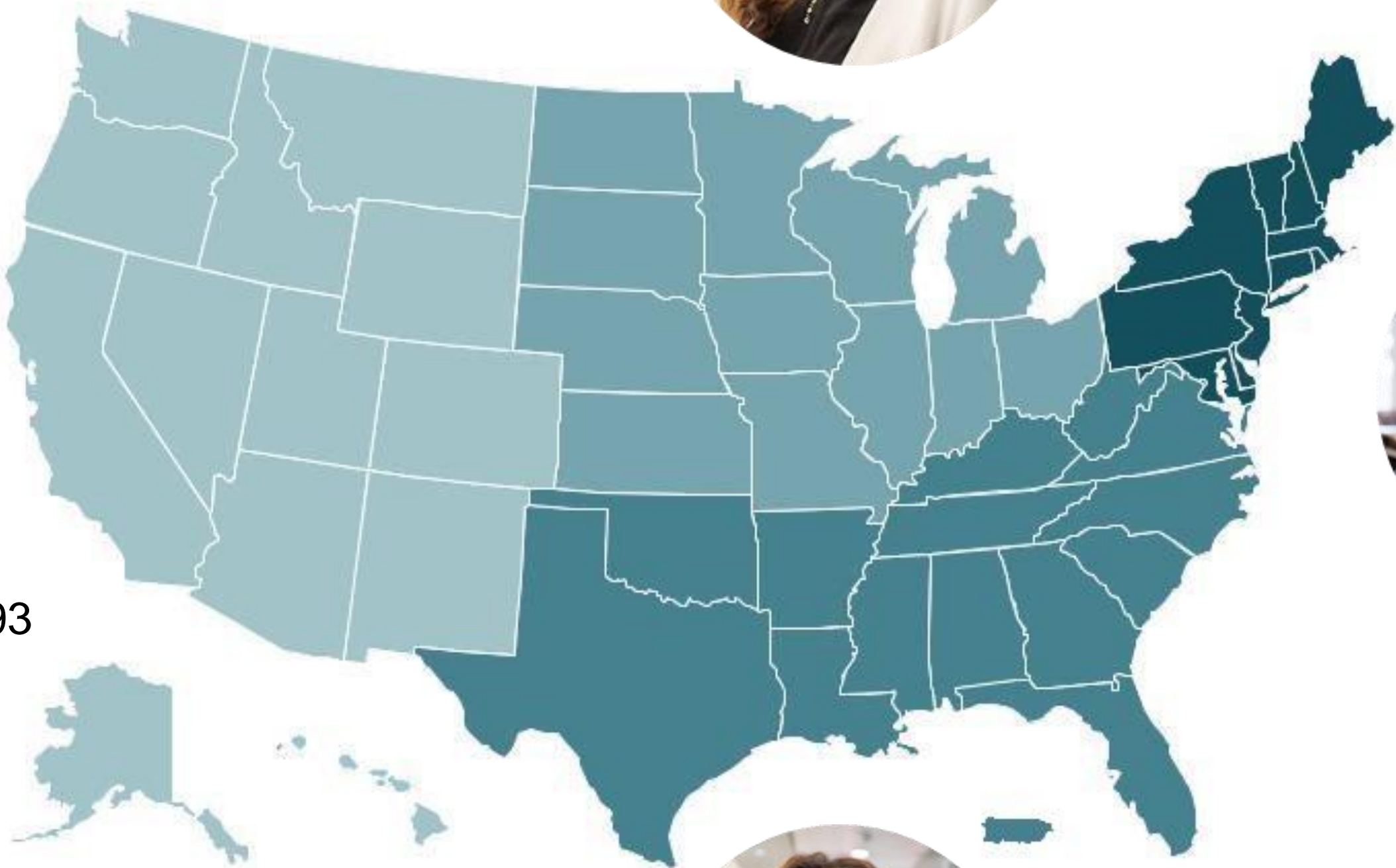
- NLC is working with the Treasury Department and White House on the implementation of this section of the American Rescue Plan Act, as well as work to make suggestions on guidance.
- Weekly NLC Calls on Friday @ 1:30PM EST
- If you have any input, questions or to share your ARP Story, please submit through this form which can be accessed by scanning here:



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