



AFSCME Facts

State and Local Government Direct Aid In the American Rescue Plan March 23, 2021

The American Rescue Plan, which was signed into law by President Biden on March 11, provides \$350 billion in flexible, direct aid to states, cities, counties and certain other governmental entities to cover increased expenditures, replace lost revenue and mitigate the economic harm due to the COVID-19 pandemic. The state aid is provided through the Coronavirus State Fiscal Recovery Fund, and the local assistance is provided through the Coronavirus Local Fiscal Recovery Fund. The American Rescue Plan also provides \$10 billion for critical capital projects through the newly created Coronavirus Capital Projects Fund and an additional \$2 billion in targeted relief mainly for public land counties through the Local Assistance and Tribal Consistency Fund. This fact sheet provides an overview of each of these recovery and assistance funds.

What is the Coronavirus State Fiscal Recovery Fund?

The Coronavirus State Fiscal Recovery Fund was established in the American Rescue Plan to provide \$219.8 billion in flexible, direct aid to states, the District of Columbia, the U.S. territories (including Puerto Rico) and Tribal governments to mitigate the fiscal effects stemming from the COVID-19 public health emergency.

How much money does each state receive from the Coronavirus State Fiscal Recovery Fund?

Each state and the District of Columbia receive a base payment of \$500 million (\$25.5 billion total).

Another \$169 billion is allocated based on each state's share of seasonally adjusted unemployed workers in the last quarter of calendar year 2020. Each state receives — counting both the state and local allocations — at least the amount it received from the Coronavirus Relief Fund established in the CARES Act (minimum state allocation was \$1.25 billion). It is projected that Alaska, Delaware, Montana, North Dakota, South Dakota, Vermont and Wyoming will benefit from this provision.

The District of Columbia receives an additional \$755 million to bring it up to the state minimum allocation under the CARES Act.

How much money do Puerto Rico, the other territories and Tribal governments receive from the Coronavirus State Fiscal Recovery Fund?

Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands and American Samoa receive a total of \$4.5 billion. Each territory receives a base payment of \$450 million (\$2.25 billion total) with the remaining \$2.25 billion allocated based on population.

Federally recognized Tribal governments receive \$20 billion, of which \$1 billion is allocated equally and \$19 billion is allocated as determined by the secretary of the Treasury.

What is the Coronavirus Local Fiscal Recovery Fund?

The Coronavirus Local Fiscal Recovery Fund was established in the American Rescue Plan to provide \$130.2 billion in flexible, direct aid to cities, other municipalities and counties to mitigate the fiscal effects stemming from the COVID-19 public health emergency.

How much money do large cities receive from the Coronavirus Local Fiscal Recovery Fund?

Metropolitan cities (generally defined as those with populations of 50,000 or more) receive a total of \$45.57 billion allocated using a modified Community Development Block Grant formula based on factors related to population, poverty and housing. Cities located in counties that are not units of general local government (i.e., that do not have an organized county government) also will receive their share of the county distributions from this Fund.

How much money do small cities and other municipalities receive from the Coronavirus Local Fiscal Recovery Fund?

“Nonentitlement units of local government” (generally defined as cities with populations of less than 50,000, including towns, villages, boroughs and other general-purpose local governments) receive a total of \$19.53 billion. This money is paid to states based on each state’s relative share of the non-metropolitan cities’ population of all states. States are then required to distribute recovery funds to local governments based on population, with assistance capped at 75% of a local government’s most recent budget as of Jan. 27, 2020. Cities located in counties that are not units of general local government (i.e., that do not have an organized county government) also will receive their share of the county distributions from this Fund.

How much money do counties receive from the Coronavirus Local Fiscal Recovery Fund?

Counties receive a total of \$65.1 billion allocated based on population. For counties that are not general units of local government, funds are distributed directly to the state, which then distributes the money to each local government based on its population. Urban counties get a minimum distribution based on the urban county formula used for the Community Development Block Grant, which is based on factors related to population, economic growth, poverty and housing. The District of Columbia will be treated as a single county for distribution of this money.

Will only large cities and counties receive money as was the case with the Coronavirus Relief Fund established in the CARES Act?

No. Local governments of every size regardless of population receive dedicated allotments.

How can money from the Coronavirus State and Local Fiscal Recovery Funds be used?

The American Rescue Plan gives states and local governments broad discretion in how they use this new federal assistance so long as they operate within certain guardrails. Funds *may be used* for expenses incurred by state and local governments for the following:

- To respond to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, nonprofits and impacted industries such as tourism, travel and hospitality.
- To provide premium pay (up to \$13 per hour and capped at a maximum of \$25,000) to eligible state and local government workers who are performing essential work during the COVID-19 public health emergency or by providing grants to eligible employers that have eligible workers who perform essential work. Essential workers are defined as those “needed to maintain continuity of operations of essential critical infrastructure sectors” or others as designated by state and local officials as critical to “protect the health and well-being” of their residents.
- To provide government services to the extent of lost revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.
- To make investments in water, sewer or broadband infrastructure.

States and local governments can also transfer funds to private nonprofit groups, public benefit corporations involved in passenger or cargo transportation, and special purpose units of government such as a water district. Local governments may transfer funds to the state in which they are located.

The U.S. Treasury Department is expected to issue regulations or guidance providing greater detail about these permitted uses of the aid.

Earlier relief in the CARES Act prohibited state and local governments from using aid to replace lost revenue. Does the American Rescue Plan change that?

Yes. Money from the Coronavirus State and Local Fiscal Recovery Funds can be used by state and local governments to *directly* replace lost revenue, cover increased expenditures and to close budget shortfalls or deficits.

Are there any restrictions on how money from the Coronavirus State and Local Fiscal Recovery Funds can be used?

Yes. *States* cannot use funds to directly or indirectly offset a reduction in net tax revenue resulting from a change in law that reduces any tax (by providing a rate reduction, rebate, deduction, credit or otherwise) or delays the imposition of any tax or tax increase during the covered period, which begins March 3, 2021, and ends on the last day of the fiscal year in which all funds received have been spent or returned. The Treasury Department has indicated that this restriction is not a blanket prohibition on tax cuts. States remain free to make tax policy decisions and offset any reduction

through other means (e.g., a budget surplus or by natural growth in state revenue) so long as states use their own funds to offset those cuts.

State and local governments are prohibited from using recovery funds to make payments to pension funds.

When will the money be distributed to states and local governments?

There will be two disbursements from the Coronavirus Local Fiscal Recovery Fund, with 50% delivered no later than 60 days from the date of enactment (March 11, 2021) and the remainder delivered no earlier than one year later. States must distribute funds to small cities and other municipalities within 30 days of receiving a payment from the Treasury Department. States that miss the deadline would have to pay back any undistributed funds. The secretary of the Treasury may withhold up to 50% of a state's allocation from the Coronavirus State Fiscal Recovery Fund for a period of up to 12 months based on its unemployment rate.

Is there a deadline for spending the money? What happens if the money is not spent?

Yes. States and local governments must spend the money by Dec. 31, 2024. If the assistance is not used by the deadline, it must be returned to the federal government.

How can I find out how much money my state or local government will receive?

[Click to download fiscal recovery funding estimates for individual state and local governments.](#)

What is the Coronavirus Capital Projects Fund?

The Coronavirus Capital Projects Fund was established in the American Rescue Plan to provide \$10 billion in direct aid to states, the District of Columbia, Puerto Rico, various territories and Tribal governments for “critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the COVID-19 public health emergency.”

How will money from the Coronavirus Capital Projects Fund be allocated?

Each state, the District of Columbia and Puerto Rico receives \$100 million. An additional \$100 million is allocated equally among various territories. Tribal governments and Hawaii (in addition to its state share) receive a total of \$100 million allocated equally. The remaining funds will be allocated to each of the 50 states, the District of Columbia and Puerto Rico, with 50% allocated based on population, 25% based on rural population and 25% based on household income below 150% of the poverty line.

What is the Local Assistance and Tribal Consistency Fund?

The Local Assistance and Tribal Consistency Fund was established in the American Rescue Plan to provide \$2 billion for “eligible revenue sharing counties” and Tribal governments in fiscal years 2022 and 2023 with allocations based on economic conditions.

What is an “eligible revenue sharing county?”

“Eligible revenue sharing county” is a county, parish or borough (1) that is independent of any other unit of local government; (2) that is the principal provider of government services for the area within its jurisdiction, as determined by the secretary of the Treasury; and (3) for which there is a negative revenue impact due to implementation of a federal program or changes to such program, as determined by the secretary of the Treasury. “Eligible revenue sharing county” also includes the District of Columbia, Puerto Rico, Guam and the U.S. Virgin Islands.

How are payment amounts from the Local Assistance and Tribal Consistency Fund determined?

This money is mainly targeted to eligible counties that rely on revenue from resource extraction from federal lands, such as timber harvests. \$750 million will be provided each fiscal year to eligible revenue sharing counties in payment amounts determined by the secretary of the Treasury taking into account the economic conditions of each eligible revenue sharing county, using measurements of poverty rates, household income, land values and unemployment rates as well as other economic indicators, over the 20-year period ending Sept. 30, 2021.

An additional \$250 million will be provided each fiscal year to Tribal governments in amounts determined by the secretary of the Treasury taking into account the economic conditions of each eligible Tribe.

How can money from the Local Assistance and Tribal Consistency Fund be used?

Funds can be used for any governmental purpose other than lobbying.

Will the Treasury Department be providing program guidance for the state and local government recovery and assistance funds established in the American Rescue Plan?

Yes. The Treasury Department is expected to provide detailed program guidance in the coming weeks and months.