



American Rescue Plan State and Local Government Fiscal Relief Funds

The Coronavirus State and Local Fiscal Recovery Funds in the American Rescue Plan (ARP) provides aid for state and local governments (cities, counties) COVID-19 economic recovery. Following receipt of the funds, states and localities will be able use these funds to stabilize from economic losses resulting from the pandemic, rebuild critical infrastructure, and replace lost revenue. These funds are opportunities for states and local governments to invest in programs that will spur economic mobility for residents. Moreover, because these funds are relatively flexible in their use, Results for America recommends states and localities to consider investing funds in the backbone infrastructure, data, personnel, and other activities that support evidence-based policy capacities and activities.

Available Funding

The Coronavirus State and Local Fiscal Recovery Funds provide \$350 billion in aid for State and local governments in two rounds of funding. The first payment will be made within 60 days of enactment of the bill and the second will be sent a year after the first payment. While the law requires the Department of Treasury to disburse funds to localities in two rounds of funding, the Secretary has the authority to withhold additional payments if states do not comply with allowable spending activities (see section below on Funding Use).

Funding Flows

Coronavirus State Fiscal Recovery Funds	\$195 billion (total)
	\$25.5 billion equally divided among states
	\$169 billion allocated based on the states' share of unemployed workers over three months, from October and December 2020
	\$10 billion for Critical Infrastructure - capital projects directly enabling work, education, and health monitoring, including remote options
Coronavirus Local Fiscal Recovery Funds	\$130 billion (total)
	\$45.6 billion to cities with a population of 50,000+ (modified CDBG formula)

	\$19.5 billion to cities with a population <50,000
	\$65.1 billion in direct aid to counties
	\$20 billion for tribal governments
	\$4.5 billion for U.S. territories

Timing of Funding

The ARP funding directed toward state governments will be distributed 60 days from the enactment of the ARP. This funding can be delivered in two rounds, however two installments are not mandatory. It is mandatory for the local government funding to be distributed by the Treasury in two rounds. One installment will be provided 60 days of enactment of the bill and the second will be distributed one year after the disbursement of the initial payment.

Use of Funds

Allowable:

Fiscal Assistance to Address Negative Impacts of COVID-19

States and local governments can use ARP stabilization funds to respond to COVID-19 or its negative economic impacts by, among other things, providing fiscal assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.

Compensation for Essential Works

Funding can be used for premium pay (up to \$13/hr.) for essential services to eligible workers (as defined by state, local or tribal government).

Capital Investment Projects

State and municipalities can also make necessary investments in water, sewer or broadband infrastructure and other provisions of government services to the extent of the reduction in revenue due COVID-19.

Transfer Funds

Lastly, states and localities can transfer funds to a private nonprofit organization, a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of the state or local government.

Prohibited:

Taxes and Pension Funds

State and local governments may not use ARP funding to cut taxes or for filling pension funds.

Results for America Recommendations

State and local governments have a myriad of issues to address as they recover from the impacts of COVID-19. They must stabilize their budgets and fill revenue gaps first and foremost. But state and local governments should also consider investing recovery funds in backbone infrastructure, data, personnel, and other activities that are critical to supporting not just their response but also their recovery efforts in a sustainable and equitable manner. For instance:

- **Boosting Economic Mobility**

This includes evidence based, scalable programs in RFA's [Economic Mobility Catalog](#). Additionally, RFA suggests that states and localities use a portion of their funding to scale evidence based practices to help schools and students recover from education-related consequences as a result of the pandemic.

- **Supporting Schools, Teachers, and Students**

RFA and the Annenberg Institute's [EdResearch for Recovery](#) offers evidence-based approaches and interventions that state and local governments can invest in and implement to mitigate learning losses and help students, teachers and schools recover from the negative impacts of COVID-19.

- **Investing in Data, Innovations, and Other Evidence-Building Capacities**

Cities, counties and states should consider using their funds for the infrastructure, personnel, training, technology, and technical assistance that will allow them to match, gather, analyze, transform, and understand their data. Moreover, because investments in data systems and other supporting activities will have short-term uses for responding to COVID-19 and long-term uses. For reference, the [Invest in What Works State Standard of Excellence](#) and [What Works Cities](#) highlights best practices for state and local investments in data and evidence.

- **Funding Research and Evaluation**

The COVID-19 pandemic has required governments to administer innovative programs. States, localities, and their grantees should consider using funds for conducting and funding evaluations to build knowledge and evidence about these COVID-19 interventions. This investment will build an evidence-base about what works in recovering from economic crises in the future.

Learn more about the American Rescue Plan on the Results for America [website](#).