
FISCAL UPDATE Article

Fiscal Services Division

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AMERICAN RESCUE PLAN ACT OVERVIEW

American Rescue Plan Act. On March 15, 2021, the National Conference of State Legislatures (NCSL) presented an overview of the impact of the [federal American Rescue Plan Act](#) of 2021 on States for legislators and staff. A video of the presentation is available [here](#) and an overview of the American Rescue Plan Act of 2021 from NCSL is available [here](#). The Act provides \$1.9 trillion for COVID-19 relief funding to individuals, businesses, states, and local governments. The information below is a brief summary of some of the provisions in the Act but is not all inclusive. A separate **Fiscal Update Article**, with estimated Iowa allocations, is available [here](#). The LSA will continue to analyze the provisions of the Act and will provide future updates.

State and Local Provisions. The Act provided \$350.0 billion to state and local governments, including:

- \$195.3 billion to states and the District of Columbia with a minimum of \$500.0 million going to each state and the rest being allocated based on the states' share of unemployed workers over a three-month period from October through December 2020.
- \$130.2 billion to local governments, which includes counties (\$65.1 billion), metropolitan cities (\$45.6 billion), and towns with fewer than 50,000 people (\$19.5 billion).
- \$4.5 billion to U.S. territories.
- \$20.0 billion to tribal governments.

Funds provided to state and local governments have broad spending flexibility which includes emergency and economic effects of the pandemic; replenishing revenue losses due to the shutdown of the economy; investments in water, sewer, and broadband infrastructure; and premium pay to essential workers. States have until December 31, 2024, to use the funds.

Unemployment Insurance Provisions. The Act extended the federal unemployment insurance provisions through September 6, 2021. This includes:

- \$300 per week Federal Pandemic Unemployment Compensation (FPUC) payments.
- Fully funding states' Short Time Compensation Programs.
- Continuing to provide full federal financing of extended benefits.
- Increases the number of benefit weeks a worker may receive in the Pandemic Emergency Unemployment Compensation (PEUC) program from 24 to 53 weeks.
- Interest-free federal loans to states. States may have to begin paying interest after September 6, 2021, if the provision is not extended.
- Restoring full reimbursement for state costs related to waiving the waiting week beginning December 31, 2020.

In addition, the Act makes the first \$10,200 in unemployment payments received in 2020 nontaxable for households with income below \$150,000. The Act also makes state and local governments eligible for the emergency paid leave reimbursable tax credit beginning April 1, 2021, through September 30, 2021.

Small Business Provisions. The Act provides the following for small businesses:

- An additional \$7.25 billion for the Paycheck Protection Program forgivable loans and expands the eligibility for the Program to additional nonprofit organizations.

- \$15.0 billion for targeted Economic Injury Disaster Loan (EIDL) advance payments for businesses in low-income communities with fewer than 300 employees.
- \$29.0 billion for restaurants, bars, and other eligible providers of food and drink. This includes up to \$10.0 million per entity or \$5.0 million per physical location, and entities are limited to 20 locations.
- \$15.0 billion for the Shuttered Venue Operators Grant Program, which is intended to help museums, concert halls, theaters, and similar venues.
- \$10.0 billion through the State Small Business Credit Initiative for state governments to use private capital and make low-interest loans or other investments to help small businesses recover.

Education Provisions. The Act provides \$168.0 billion in funding through the Education Stabilization Fund. This includes:

- \$123.0 billion for K-12 education distributed based on the federal Title I formula.
- \$40.0 billion for higher education based primarily on how many low-income students they serve.
- \$2.75 billion for private K-12 education, which will be distributed by the governors for pandemic-related expenses.

The funds appropriated are subject to various maintenance of effort (MOE) or maintenance of equity requirements, which specify minimum funding levels, staffing levels, or other requirements.

Health Provisions. The Act provides \$92.2 billion allocated for various activities aimed at improving public health and responding to COVID-19. This includes:

- \$8.5 billion for vaccine activities at the CDC, including a supplemental funding opportunity for vaccine distribution grants.
- \$7.66 billion for state, local, and territorial public health departments for the workforce.
- \$3.0 billion for block grant programs under the Substance Abuse and Mental Health Services Administration (SAMHSA).
- \$6.09 billion to the Indian Health Service.
- \$7.6 billion for community health centers.
- \$800 million for the health workforce.
- States may apply for a 10.0% FMAP increase for Home and Community-Based Services (HCBS) beginning April 1, 2020. The increased FMAP is available for 12 months.
- States may apply to receive an 85.0% FMAP for five years for the development of community-based mobile mental health and substance use disorders (SUD) crisis intervention services.
- States may also apply to receive post-partum Medicaid coverage for up to a full year. Coverage is currently only available for up to 60 days.

Human Services Provisions. The Act provides various appropriations to Human Services-related activities, including:

- \$39.0 billion for childcare, which includes \$15.0 billion for the Child Care and Development Block Grant (CCDBG) and \$24.0 billion for newly created Childcare Stabilization Grants.
- \$150.0 million in additional funds for the Maternal, Infant, and Early Childhood Home Visiting Program.
- \$1.5 billion for Prevention and Treatment of Substance Abuse Block Grants for 2021.
- \$420.0 million for grants to Certified Community Behavioral Health Clinics.
- \$450.0 million for programs under the Family Violence Prevention and Services Act.
- \$250.0 million for programs under the Child Abuse Prevention and Treatment Act.

Other Provisions. The Act includes the following provisions directly affecting individuals:

- \$1,400 sent directly to every American making less than \$75,000 per year individually or \$2,800 per couple making less than \$150,000 per year combined, based on 2019 or 2020 tax returns. Phase-out will begin at \$75,000/\$150,000 and end completely at \$80,000/\$160,000 for individuals/couples.

- Expands the Child Tax Credit in 2021 only to \$3,000 per child ages 6 to 17 and \$3,600 per child for children under 6 years of age. Currently, the Credit is \$2,000 per child.
- Expands the Child and Dependent Care Tax Credit to 50.0% of up to \$8,000 per child in eligible expenses from up to 35.0% of up to \$3,000 in eligible expenses in 2021. Phase-out will begin for couples at \$125,000 per household.
- Eliminates tax payments that would otherwise be included in income for any student loan discharged.
- Reduces the minimum age to 19 and removes the maximum age, for 2021 only, for individuals without children to claim the Earned Income Tax Credit (EITC).
- 100.0% of the monthly cost for up to six months in 2021 of Consolidated Omnibus Budget Reconciliation Act (COBRA) subsidies for workers who have been laid off or have experienced reduced hours.
- \$27.4 billion in emergency rental assistance.
- \$10.0 billion in mortgage assistance.

More Information. Additional information on prior COVID-19 relief funds received by the State of Iowa can found in reports published by the LSA [here](#).

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