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## FISCAL UPDATE Article

Fiscal Services Division

March 22, 2021



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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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Doc ID 1217546