

American Rescue Plan

H.R. 1319, better known as the American Rescue Plan, was signed into law on March 11, 2021.

The \$1.9 trillion emergency relief bill provides \$65.1 billion to municipal governments to respond to the COVID-19 public health emergency, offset revenue losses, bolster economic recovery and provide premium pay for essential workers.

Here's what you should know:

Information and guidance on the details of the ARP are evolving

The Municipal Association of SC is continuing to learn about and evaluate the ARP as the federal government releases details.

The Association recommends that municipal officials carefully review the information below and closely consult with their municipal attorneys.

The U.S. Department of Treasury is expected to release definitive guidance on how the funds may be spent. However, there is no timeline on when it will release that guidance. As a result, the Association strongly recommends cities and towns refrain from spending any funds they receive until that guidance is released. Spending the funds on unauthorized uses could result in a city or town having to repay those funds to the federal government.

How will the money be allocated?

- \$45.57 billion is allocated to metropolitan cities, classified as having populations of at least 50,000.
- \$19.53 billion is allocated to non-entitlement cities, classified as having populations of fewer than 50,000.

Initial estimates have been released for South Carolina municipalities. However, they cannot be relied upon as the U.S. Department of Treasury is still working to finalize the distribution amounts. Do not use any of the estimates that are circulating for planning purposes. As soon as Treasury finalizes the amounts for SC cities and towns, the Association will make them available.

How are allocations determined?

- Grant allocations for metro cities are based on a modified Community Development Block Grant formula that uses population size, poverty rates and measures of housing instability to prioritize need.
- Grant allocations for non-entitlement cities are based on population size to prioritize simplification. Grants to non-entitlement cities cannot be greater than an amount equal to 75% of the city's most recent pre-pandemic budget as of January 27, 2020.

When can cities and towns expect to receive funds?

- Funding will be distributed in two tranches. The first tranche will be distributed within 60 days of enactment of the law, and the second tranche will be distributed 12 months after the first tranche is paid.
- Metropolitan cities will receive funding directly from the U.S. Department of Treasury.
- Each state will receive the funding for non-entitlement cities. The states then have 30 days to disburse the funds to local governments.
- The state can request multiple 30-day extensions for distributing funds. Once an initial extension is granted, future extension requests must include a written plan specifying when the state expects to make the distribution, and the actions the state has taken and will take to make the distribution before the end of the extension.
- States have no authority to change payment amounts, or attach additional requirements on local governments to receive the funds.

Can the state refuse to distribute funds to non-entitlement cities?

No. If funds are not allocated to local governments within 120 days from the state's receipt of them, the law contains a penalty that makes the received funds a debt of the state owed to the federal government.

What are the allowable uses for these funds?

The funds may be used to

- Respond to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel and hospitality.
- Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work.
- Provide government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.
- Make necessary investments in water, sewer or broadband infrastructure.

Funds may not be used to cut taxes.

Recipient governments can transfer funds to private nonprofit organizations, public benefit corporations involved in the transportation of passengers or cargo, or a special-purpose units of state or local government.

Funds can be recouped by the Treasury Department if the recipient does not comply with the eligible uses listed above.

Recipient governments must provide periodic reports to the Treasury Department with a detailed accounting of the use of funds.

Please note that the Department of Treasury has the authority to issue such regulations as may be necessary or appropriate to carry out this section.

How long does my city or town have access to the funds?

Funds must be spent by December 31, 2024.

The Municipal Association will update this page as additional guidance and regulations are released.

Main points of ARP funds for cities and towns:

- \$350 billion in total is allocated for all municipalities, counties, states, tribes and territories. Of that amount, \$130 billion is set-aside for local governments, equally divided between municipalities and counties.
- Of the remaining funds, \$195 billion is allocated for states and the District of Columbia, \$65 billion for counties, \$20 billion for tribes and \$4.5 billion for territories.

For more information, visit www.masc.sc (keyword: American Rescue Plan) or contact Erica Wright at ewright@masc.sc.