



# Updated Summary of the American Rescue Plan Act

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ISSUE BRIEF

## Overview

The American Rescue Plan Act of 2021 (ARPA) is a \$1.9 trillion stimulus bill, signed into law on March 11, 2021, that provides a third round<sup>1</sup> of fiscal relief to states, local governments, businesses, and individuals in an effort to speed the country’s recovery from the health and economic ramifications of the COVID-19 pandemic. The following summary updates information as to the allocation of funds and allowable uses for Utah. This information is subject to change as the Department of the Treasury finalizes its guidance.

## Total Estimated Stimulus Dollars to Utah

- \$2.61 billion in flexible fiscal relief to state and local governments
- \$2.62 billion to specific agency grants and funding
- \$3.92 billion to individual stimulus payments
- \$9.16 billion total funding

<b>Updated American Rescue Plan Funding to Utah<sup>2</sup></b>	
<b><i>State/Local Funding</i></b>	
State Fiscal Relief Fund	\$ 1,377,867,000
Local Fiscal Relief Fund	\$ 1,099,164,000
Capital Projects	\$ 135,986,000
<b><i>Subtotal</i></b>	<b>\$ 2,613,017,000</b>
<b><i>Agency-Specific Grants and Funding</i></b>	
Education	\$ 1,182,519,000
Health and Human Services	\$ 746,611,000
Housing and Urban Development	\$ 29,523,000
Agriculture	\$ 6,130,000
Transportation	\$ 276,219,000
Federal Emergency Management Administration	\$ 3,754,000
Treasury	\$ 292,786,000
Other independent agencies	\$ 87,390,000
<b><i>Subtotal</i></b>	<b>\$ 2,624,932,000</b>
<b><i>Direct Individual Payments</i></b>	
Direct Individual Stimulus Payments	\$ 3,924,143,000
<b><i>Total</i></b>	<b>\$ 9,162,092,000</b>

<sup>1</sup> The ARPA follows the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act (~\$2 trillion total, ~\$13.6 billion to Utah) and the Consolidated Appropriations Act (~\$900 billion total, ~\$4.3 billion to Utah).

<sup>2</sup> Source: Federal Funds Information for States

## State Fiscal Recovery Fund

- Utah est.: \$1.38B, revised down from \$1.52B
- First tranche of \$688,933,443.80 received in June 2021

### *Updates to Allowable Uses*

The information below relates to allowable uses for the federal stimulus funds; note that this list is not exhaustive, and supplements the initial summary found [here](#). Part of the ARPA permits states to use stimulus funds as revenue replacement for revenue lost due to the pandemic; these revenue replacement funds may be spent on other priorities that are not directly related to COVID-19. Uses of the revenue replacement funds are addressed in the “Revenue Replacement” section below.

- Activities related to COVID-19 response, mitigation, and prevention
  - Vaccination programs, medical care, testing, contact tracing, support for isolation or quarantine, supports for vulnerable populations to access medical or public health services
    - Includes vaccine incentive programs
  - Enforcement of public health orders, public health surveillance, public communication efforts, enhancement of public health data systems
  - Enhancement to healthcare capacity, including capital investments in public facilities to meet pandemic operational needs
  - Personal protective equipment
  - Prevention, mitigation, or other services in congregate living facilities and schools, including ventilation improvements
- Replenishment of state unemployment trust funds to pre-pandemic balances or to pay back advances
- Assistance to households
  - Food assistance
  - Rent, mortgage, or utility assistance
  - Counseling and legal aid to prevent eviction or homelessness
  - Cash assistance
    - Must be reasonably proportional to negative economic impact
  - Job training
  - “Back to work” incentives, including childcare assistance and interview or jobsite transportation
  - Internet access or digital literacy assistance
  - Emergency assistance for burials, home repairs, weatherization
- Assistance to small businesses and non-profits
  - Loans, grants, or in-kind assistance to mitigate financial hardship or to implement COVID-19 prevention and mitigation tactics
  - Technical assistance and counseling to assist with business planning
- Prevention and response to crime and support of public safety
- Assistance to impacted industries other than tourism, travel, and hospitality, as long as there is a demonstrated impact (i.e., declines in employment and/or revenue) due to COVID-19 that is comparable to the impact on the aforementioned industries

- For populations, households, or geographic areas disproportionately affected by the pandemic (i.e., low-income or Native American communities), there is a broader range of permissible uses, including:
  - Addressing health disparities and the social determinants of health
  - Building stronger neighborhoods and communities
  - Addressing educational disparities exacerbated by COVID-19
  - Promoting healthy childhood environments
- Water, sewer, and broadband infrastructure projects
  - Eligible water and sewer projects include those that would qualify for funds through the EPA's Clean Water State Revolving Fund or Drinking Water State Revolving Fund, including:
    - Treatment, transmission, distribution, and storage of drinking water
    - Drinking water source rehabilitation and decontamination
    - Nonpoint source pollution management
    - New systems development
    - Decentralized wastewater treatment systems, stormwater systems
    - Water conservation, efficiency, security, and reuse measures
    - Watershed pilot projects
    - Energy efficiency for water treatment
  - Broadband projects must:
    - Serve unserved or underserved households and businesses
      - Those that do not have connections that reliably deliver at least 25 Mbps download speed and 3 Mbps upload speed
    - Reliably deliver minimum speeds of 100 Mbps download and 20 Mbps upload, with upload speed scalable to 100 Mbps

### Revenue Replacement

- ARPA funds may be used for the provision of government services to the extent revenue declined compared to a pre-COVID baseline.
- Current estimates suggest Utah's revenue replacement will be sufficient to address all legislative priorities identified in the May 2021 special session.
- The Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget continue refining Utah's revenue loss amount as calculated per ARPA guidelines.
- Appropriate uses of these funds exclude the following:
  - Using funds to offset a reduction in net tax revenue
  - Paying interest or principal on outstanding debt
  - Replenishing rainy day or other reserve funds
  - Paying settlements or judgments
  - Pension fund deposits
  - Using funds for non-federal match amounts where barred by regulation or statute

## FAQs

- *Are eligible infrastructure projects subject to the Davis-Bacon Act?*
  - Not if projects are funded solely with ARPA funds. Projects funded with both ARPA and other federal funds may be subject to the Davis-Bacon Act if the other federal funds require enforcement of the act.
- *How could the ARPA's prohibition on using federal funds for new tax reductions affect future tax cuts in Utah?*
  - While fiscal recovery funds may not be used to directly offset a reduction in net tax revenue, to the extent that a state's new tax revenue exceeds the amount of revenue collected in FY2019, adjusted for inflation, a state may still enact a new tax reduction. Thus, for example, if Utah's FY2021 tax revenue were higher, after adjusting for inflation, than its revenue in FY2019, the amount of the difference between the two years' collections could be used for a tax reduction. If multiple tax reductions were considered (i.e., a rate reduction and a new tax credit), the sum of the reductions could be no more than the growth in the state's revenue.
- *Are there implications for state revenue from the passage of the ARPA?*
  - The ARPA exempts the first \$10,200 in unemployment payments received in 2020 from federal income tax for households with incomes under \$150,000. As that money would otherwise have been considered taxable income for state income tax purposes, the state will forego some income tax revenue as a result of this provision. The Utah State Tax Commission, the Office of the Legislative Fiscal Analyst, and the Governor's Office of Planning and Budget estimate that this amount is approximately \$52.1 million.
- *Can states use ARPA funds to supplant current state funding?*
  - Flexible fiscal relief funds may be used to supplant current state funding, provided that the existing state funding was allocated for ARPA-appropriate uses. There are exceptions in the agency-specific grants, namely the Child Care and Development Block Grant, Child Care Stabilization Grants, and Pandemic Emergency Assistance; these funds must supplement and not supplant other federal, state, and local public funds.
- *Can states deposit ARPA funds, directly or indirectly, into reserves or restricted accounts?*
  - Neither ARPA fiscal relief funds nor revenue replacement funds may be used to replenish rainy day or other reserve funds, as such a use of funds could not be considered provision of a government service. It is not yet clear whether state funds made available through supplantation could be deposited into reserves or restricted accounts.

## Additional Resources

- [Treasury's Interim Final Rule for the American Rescue Plan Act](#)
- [Treasury's Coronavirus State and Local Fiscal Recovery Funds Frequently Asked Questions](#)
- [Federal Funds Information for States](#)