

## American Rescue Plan Act Program Summary

The latest round of federal COVID assistance was passed by the U.S. Senate as the American Rescue Plan (ARP) Act on Saturday, March 6. The U.S. House is expected to vote on the bill the week of March 8th. This program summary provides a preliminary overview of ARP provisions that may affect the state budget. Provisions are organized according to broad topics. We have listed the affected state agency at the beginning of each program. With a few exceptions, we do not yet have formal estimates of Arizona's share of the federal funding. To approximate that amount, we have calculated Arizona's share as 2% of the total nationwide amount. Our Arizona share projection is listed in parentheses and is bolded. We have noted instances where the Governor's FY 2022 budget proposal is comparable to the new federal funding.

According to the 2% calculation, the bill will result in at least \$12.3 billion to the state, \$2.6 billion to local governments, and \$1.2 billion in business aid. However, Arizona may receive more or less than 2% of the funding for any particular program. Please see *Table 1* for a listing of each program. These amounts do not include the additional federal aid from an extension of unemployment compensation benefits, tax credits and some other business aid.

### State/Local Government Aid (\$7.4 billion)

- Coronavirus State and Local Fiscal Recovery Funds (name has been changed from Coronavirus Relief Fund):
  - States: \$195.3 billion (**\$4.8 billion**) – this estimate is based on the bill's formula rather than the 2% rule): Available through December 31, 2024. Funds may be used to respond to COVID-19 or its negative economic impacts, premium pay to essential workers (up to \$13/hour, maximum of \$25,000 per worker), lost revenues, and water/sewer/broadband infrastructure. May not be used to reduce taxes directly or indirectly or make payments to pension funds.
  - Locals: \$130.2 billion (**\$2.6 billion**): Available through December 31, 2024.
    - Cities with a population of 50,000 or more: \$45.6 billion nationwide. Follows Community Development Block Grant (CDBG) formula.
    - Nonentitlement units of local government (cities with a population of less than 50,000): \$19.5 billion nationwide.
      - Distributed to states (from locals fund) for redistribution to local governments, based on population.
      - Total amount received by nonentitlement unit of local government may not exceed 75% of most recent budget as of January 27, 2020.
    - Counties: \$65.1 billion nationwide. Distributed based on population, with hold-harmless provision relative to CDBG formula for urban counties.
  - Coronavirus Capital Projects Fund: \$10 billion (**\$187 million**) for capital projects to carry out "critical capital projects directly enabling work, education and health monitoring, including remote options, in response to the public health emergency." The legislation directs the Treasury Secretary to establish an application process within 60 days after the bill's enactment. Available until expended.
  - Local Assistance and Tribal Consistency Fund: \$2 billion nationwide. Available until September 30, 2023. To counties that experienced negative revenue impacts due to changes in federal programs, \$750 million in FY 2022 and \$750 million in FY 2023 based on economic conditions. Monies may be used for any governmental purpose other than lobbying.

### Education (\$3.2 billion) – Arizona Department of Education (ADE), Department of Economic Security (DES), Governor's Office, Universities, Community Colleges, Arizona Commerce Authority (ACA)

- ADE – Elementary and Secondary School Emergency Relief Fund (ESSERF): added \$122.8 billion to original CARES Act program (**\$2.6 billion**). Monies remain available through September 30, 2024.
  - Local Education Agencies (districts and charters) will receive 90%, according to prior formula, and must reserve at least 20% (**\$465 million**) to address learning loss.
  - ADE – 5% (**\$129 million**) retained by ADE to address learning loss as well. With LEA share, represents total of **\$594 million** related to learning loss. Executive budget includes \$389 million for learning loss.

- ADE – 1% (**\$26 million**) for summer enrichment programs for children that are disadvantaged/fostered/homeless.
- ADE – 1% (**\$26 million**) for afterschool programs for children that are disadvantaged/fostered/homeless.
- ADE – 0.5% (**\$13 million**) for administrative costs.
- ADE – 2.5% (**\$65 million**) at the Superintendent’s discretion.
- The U.S. Department of Education will also use \$800 million nationwide of ESSERF monies for wrap-around services and assistance to enable homeless youth to attend school.
- Individuals with Disabilities Education Act funding: \$3 billion (**\$54 million**):
  - ADE – \$46 million (based on formula) for special education formula grants.
  - ADE – \$3 million (based on formula) for grants for preschool for children with disabilities.
  - DES – \$5 million for early intervention services for infants and toddlers with developmental delays.
- Governor’s Office, ADE – Emergency Assistance to Non-Public Schools: \$2.75 billion (**\$55 million**) for services for private schools, to be allocated by the Governor. Available through September 30, 2023.
- Universities, Community Colleges – Higher Education Emergency Relief Fund (HEERF): \$39.6 billion (**\$792 million**). Of the \$792 million, we expect **\$363 million** will go to public universities (based on COVID 4 distributions). Public and private nonprofit institutions of higher education (IHEs) must spend at least 50% of ARP allocations on student grants; other (i.e., for-profit) IHEs must spend 100% of ARP allocations on student grants. Monies remain available through September 30, 2024. Executive budget includes \$35 million ongoing in operating funding.
- ADE – Maintenance of Effort (applies only to ESSERF): maintain FY 2022 and FY 2023 spending levels on both K-12 and higher education at the proportionate level of state spending on those categories averaged from FY 2017, FY 2018, and FY 2019. Allows for waiver by Secretary of Education. We expect to meet the MOE when K-12 and higher education spending are combined.
- ACA – Emergency Connectivity Fund: \$7.2 billion (**\$143 million**) to provide funding to schools and libraries for the provision of connected devices, internet service, and equipment. Available until September 30, 2030. As noted above, State Fiscal Recovery Funds may also be spent on broadband. Executive budget includes \$10 million.

Health (**\$1.7 billion**) – Department of Health Services (DHS), AHCCCS, DES

- DHS – Centers for Disease Control (CDC) vaccine grants: \$7.5 billion (**\$150 million**). Available until expended.
- DHS – COVID-19 testing, contact tracing, and mitigation: \$48 billion (**\$960 million**). Available until expended.
- DHS – Public health workforce: \$7.7 billion (**\$153 million**) in awards to state/local public health departments for recruiting, hiring, and training of public health workers. Available until expended.
- Community Health Centers (CHCs): \$7.6 billion (**\$152 million**). Available until expended. The federal government would grant these monies directly to CHCs.
- AHCCCS – Grants for Teaching Health Centers that operate Graduate Medical Education: \$330 million (**\$7 million**). Available until September 30, 2023.
- AHCCCS – Community Mental Health Services Block Grant: \$1.5 billion (**\$30 million**). Must be expended by states by September 30, 2025.
- AHCCCS – Substance Abuse Prevention Treatment Block Grant: \$1.5 billion (**\$30 million**). Must be expended by states by September 30, 2025. Executive budget includes \$6 million PDRF for opioid treatment.
- Health Resources and Services Administration (HRSA) mental and behavioral health training for health care professionals, paraprofessionals, and public safety officers: \$80 million (**\$2 million**). Available until expended.
- Mental and behavioral health promotion among health professional workforce: \$40 million (**\$0.8 million**). Available until expended. The federal government would grant these monies directly to entities providing health care.
- AHCCCS – Local substance use disorder services: \$30 million (**\$0.6 million**) to be awarded to states and local governments. Available until expended.
- AHCCCS – Local behavioral health needs: \$50 million (**\$1 million**) to be awarded to states and local governments. Available until expended.
- AHCCCS – Medicaid/KidsCare:
  - 100% federal match for Medicaid and Kids Care COVID-19 vaccines. Executive budget includes \$23 million for state share of vaccine administration in FY 2021.

- State option to provide coverage to uninsured for COVID-19 vaccines and treatment without cost sharing through the public health emergency, with vaccines matched at 100% federal match.
- State option to extend eligibility to women for 12 months postpartum, for 5 years.
- Enhanced federal match at 85% for mobile crisis intervention services.
- 100% federal match for services to beneficiaries under Urban Indian Organizations for 2 years.
- Eliminates cap on drug rebates, beginning in CY 2024. We estimate this would increase Prescription Drug Rebate Fund revenues by \$13 million.
- Temporary federal match increase of 10% (with COVID 2 federal match, total of 86.21%) for states to make improvements to Medicaid Home and Community Based Services for 1 year. Contains supplement not supplant requirement.
- Nursing facilities strike teams: \$250 million (**\$5 million**). Available until expended.
- Rural health care providers: \$8.5 billion (**\$170 million**) for rural health care related expenses and lost revenues as a result of the pandemic. Health care providers would apply directly to the federal government for these funds.
- Emergency rural development grants: \$500 million (**\$10 million**) for rural health care, including vaccine distribution and lost revenues. Funds would be available through September 30, 2023. Monies will not be distributed according to a formula.
- Subsidies for workers eligible for continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 (COBRA) due to involuntary termination or reduction in hours: 85% premium assistance available through September 30, 2021; provides refundable payroll tax credit to allow employers and health plans to be reimbursed for the full amount of COBRA premiums.

Human Services (\$979 million) – DES, ADE, Department of Child Safety (DCS), Department of Veterans' Services (DVS), Arts Commission

- DES – SNAP (Food Stamps) administration: \$1.1 billion (**\$23 million**) for FY 2021-FY 2023.
- DES – Extends, from June 30, 2021, to September 30, 2021, the requirement that SNAP benefits be calculated at 115% of the regular level.
- DES – Commodity Supplemental Food Program: \$37 million (**\$0.7 million**), available through September 30, 2023.
- DHS – Women, Infants and Children (WIC) food program: Secretary of Agriculture may temporarily boost the value of the Cash Value Voucher up to \$35/month for women and children for a 4-month period.
- ADE – Child and Adult Care Food Program: temporarily expands the age of eligibility at emergency homeless shelters from 18 to 25 during COVID
- DES – Pandemic Electronic Benefit Transfer: may be implemented for any school year during COVID and may be extended through the summer. Extends earlier COVID relief program which provides SNAP-like benefits to children who have received free or reduced price school meals if not for COVID-related school closures or reduced hours.
- DES – Pandemic Emergency Assistance Fund: \$1 billion (**\$20 million**) through September 30, 2022. Up to 15% may be spent on administrative costs. Benefits may be used for non-recurrent short-term benefits in cash or other forms. May not supplant other federal or state monies. This is a new program.
- DES – Adult Protective Services (APS): \$276 million for FY 2021 and FY 2022 (**\$6 million**). Executive budget includes \$2.9 million for APS staff.
- DES – Older Americans Act: \$1.4 billion (**\$28 million**), available until expended.
  - \$750 million for nutrition programs (**\$15 million**).
  - \$470 million for home- and community-based support services programs (**\$9 million**).
  - \$44 million for evidence-based health promotion and disease prevention (**\$0.9 million**).
  - \$145 million for the National Family Caregiver Support Program (**\$3 million**).
  - \$10 million for the long-term care ombudsman program (**\$0.2 million**).
- DES – Child Care and Development Block Grant Program: \$15 billion for FY 2021-2023 (**\$300 million**) to provide assistance to workers deemed essential during the pandemic without regard to income eligibility requirements. Funding must be obligated by September 30, 2023. Includes supplement not supplant provision. Along with the Child Care Stabilization Grants, these monies are subject to legislative appropriation. These monies are in addition to \$249 million for Arizona child care in December's Consolidated Appropriations Act (CAA) of 2021.

- DES – Child Care Stabilization Grants: \$24 billion (**\$480 million**). DES may reserve up to 10% for administrative and technical assistance costs. Remainder must be awarded to qualified child care providers either open or closed due to COVID, based on current operating expenses. Funds must be used to supplement and not supplant other federal or state child care funds. DES is to notify the federal government if it is unable to obligate at least 50% of the funds within 9 months of the bill’s enactment. Available through September 30, 2021.
- DES – Child Care Entitlement to States: suspends state match on funding for FY 2021 and FY 2022.
- Local Education Agencies – Head Start: \$1 billion (**\$20 million**) to be awarded based on number of children enrolled. Available through September 30, 2022.
- DES – Family Violence Prevention and Services Act: \$180 million (**\$4 million**) for formula grants, not subject to matching requirements. Available through September 30, 2025.
- DCS – Child Abuse Prevention and Treatment Act: \$250 million (**\$5 million**) child abuse and neglect prevention programs, not subject to matching; \$100 million (**\$2 million**) for child abuse and neglect treatment and response state grant program, without regard to discretionary activity allocation requirements. Available through September 30, 2023.
- DES – Low Income Home Energy Assistance Program (LIHEAP): \$4.5 billion (**\$90 million**) through September 30, 2022.
- DVS – State Veteran’s Homes: \$500 million in construction funds, with matching requirements. \$250 million one-time funds for state-operated facilities based on number of beds. Available until September 30, 2022.
- Arts Commission – National Endowment for the Arts grants: \$135 million (**\$0.5 million**), based on CARES Act grant proportion). Available until expended. Executive budget includes \$2 million.

**Housing (\$787 million) – DES, Department of Housing (DOH)**

- DES – Water Assistance Program: \$500 million (**\$10 million**) to assist low income consumers in paying for drinking water and wastewater expenses. Available until expended.
- DES – Emergency Rental Assistance: \$18.7 billion (**\$374 million**). ARP funds remain available until September 30, 2027. December’s CAA of 2021 included \$492 million for Arizona. CAA funds remain available until September 30, 2022 (extended). Makes other changes to eligibility and program administration.
- DOH – Homeowner Assistance Fund: \$10 billion (**\$199 million**), to remain available until September 30, 2025. Monies may be used for mortgage and utilities payment assistance.
- Homeless Assistance and Supportive Services Program: \$5 billion (**\$100 million**) for tenant-based rental assistance, affordable housing development, supportive services, and non-congregate shelter units. Individuals and households qualify based on homelessness/domestic violence/veteran status. Monies remain available through September 30, 2025.
- Emergency Housing Choice Vouchers: \$5 billion (**\$100 million**) for individuals or households based on homelessness/domestic violence. Formula based on public housing capacity and geographic diversity. Available until September 30, 2030.
- DES - Emergency assistance for rural housing: \$100 million (**\$2 million**), available until September 30, 2022. For payments to households that have experienced income loss.
- DOH – Housing Counseling: \$100 million (**\$2 million**) for Neighborhood Reinvestment Coalition (NeighborWorks) grants, to remain available until September 30, 2025.

**Transportation (\$690 million) – Arizona Department of Transportation**

- Federal Transit Administration mass transit grants: Available until September 30, 2024.
  - Urbanized areas: \$26.1 billion (**\$522 million**).
  - Seniors and persons with disabilities: \$50 million (**\$1 million**).
  - Rural areas: \$317 million (**\$7 million**).
- Airports: \$8 billion (**\$160 million**). Available until September 30, 2024.

**Business Aid (\$1.2 billion) – ACA**

- Reauthorizes State Small Business Credit Initiative Act of 2010. Provides \$10 billion (**\$200 million**) to support small business financing, to be expended by September 30, 2030.

- Paycheck Protection Program (PPP): expands eligibility to 501(c) nonprofits (except 501c4) and larger nonprofits, as well as internet-only news and periodical publishers. Provides additional \$7.25 billion for PPP **(\$145 million)**.
- Targeted Economic Injury Disaster Loan (EIDL) Advances: \$15 billion **(\$300 million)**. Advances for small businesses of up to \$10,000 may be converted to grants if used to cover business's operating expenses.
- Assistance to restaurants: \$25 billion **(\$500 million)**. Grants of up to \$10 million per entity (maximum of \$5 million per location) based on difference between 2020 and 2019 revenue. Available until expended. May be used for payroll, rent, operational expenses, etc. State Crisis Contingency and Safety Net Fund currently provides restaurant assistance.
- Economic Adjustment Assistance: \$3 billion **(\$60 million)**. Provides competitive technical, planning, and public works and infrastructure assistance to regions experiencing adverse economic impacts. Available until September 30, 2022.
- Payroll Support Program: \$14 billion to air carriers, \$1 billion to contractors. Available until September 30, 2023.

#### Tax Provisions

- Economic Impact Payments: \$1,400 for single filer (\$2,800 for joint filer) and \$1,400 per child or non-child dependent. Full amount provided to filers with Adjusted Gross Income (AGI) of \$75,000 single and \$150,000 married filing jointly).
- Child tax credit: fully refundable for 2021. Amount increased from \$2,000 to \$3,000 per child (or \$3,600 per child under 6). Allows 17-year-olds to qualify.
- Earned Income Tax Credit, changes for 2021: minimum age lowered from 25 to 19 and maximum age eliminated. Increases phaseout percentage from 7.65% to 15.3%. Maximum credit increases from \$543 to \$1,502 for childless adults.
- Child and Dependent Care Tax Credit, changes for 2021: makes credit fully refundable. Increases maximum credit rate to 50%. Increases phaseout threshold from \$15,000 to \$125,000.
- Paid Sick and Family Leave Credits: extended from March 31, 2021, through September 30, 2021. Increased from \$10,000 to \$12,000 per employee. Allows state and local governments to access credits.
- Employee Retention Credit: extended through December 31, 2021. Employers whose gross receipts declined by at least (20)% compared to the same quarter in 2019 or the prior quarter are allowed a payroll tax credit of 70% of wages, up to \$10,000 per employee per quarter.
- 36B Credits: Allows individuals with income up to 400% of federal poverty line to qualify for the refundable Health Insurance Premium Tax Credit in TY 2021 and TY 2022.
- EIDL Advances: exempts EIDL grants from tax.
- Restaurant Revitalization Grants: exempts from tax.
- COVID-related student loan relief: exempt from tax.
- Exempts \$10,200 of Unemployment Insurance benefits from federal taxation for households with incomes up to \$150,000. Potential state conformity issue. We are currently attempting to estimate the state conformity cost.

#### UI – DES

- Federal Pandemic Unemployment Compensation (additional \$300/week): 100% federal funding extended through September 6, 2021.
- Pandemic Unemployment Assistance (self-employed): 100% federal funding extended through September 6, 2021; total number of weeks of benefits increased from 50 to 79.
- Pandemic Emergency Unemployment Compensation (increase in number of weeks): increases number of weeks from 24 to 53, and extends program through September 6, 2021, at 100% federal funding
- Extended Benefits (EB): extends through September 6, 2021, 100% federal funding of extended benefits for high-unemployment states (waives 50% state cost share). Arizona's 13-week EB period was triggered beginning the week of June 14, 2020.
- Waiving waiting week: full reimbursement, retroactive to December 31, 2020, and continued through September 6, 2021.
- Short-time compensation: extends 100% federal financing of short-time compensation through September 6, 2021.

- Reimbursing employers (50% subsidy to government and nonprofit entities): subsidy increases from 50% to 75% after March 31, 2021; extends reimbursement through September 6, 2021 at 75% rate.
- Allows states to take federal loans with 0% interest through September 6, 2021.
- Exempts \$10,200 of UI income from federal taxation for households with incomes up to \$150,000 (see last bullet of Tax Provisions in the section above).

**Table 1****American Rescue Plan (as passed by Senate) <sup>1/</sup>**

	<b><u>\$ in Millions</u></b>
<b><u>State/Local Government Aid</u></b>	
State Fiscal Recovery Fund	4,800 <sup>2/</sup>
Local Fiscal Recovery Fund	2,645 <sup>2/</sup>
Coronavirus Capital Projects Fund	187
<b><u>Education</u></b>	
K-12 Emergency Relief Fund (ESSERF)	2,600
Individuals with Disabilities Education Act (IDEA)	54
Emergency Assistance to Non-Public Schools	55
Higher Education Emergency Relief Fund (HEERF) – Public Universities	363
Emergency Connectivity Fund – Schools and Libraries	143
<b><u>Health</u></b>	
CDC Vaccine Grants	150
COVID-19 Testing, Contact Tracing, and Mitigation	960
Public Health Workforce	153
Community Health Centers	152
Graduate Medical Education	7
Community Mental Health Services Block Grant	30
Substance Abuse Prevention Treatment Block Grant	30
Mental and Behavioral Health Training	2
Mental and Behavioral Health for Healthcare Workers	0.8
Local Substance Use Disorder Services	0.6
Local Behavioral Health Needs	1
Nursing Facilities Strike Teams	5
Rural Health Care Providers	170
Emergency Rural Development Grants	10
<b><u>Human Services</u></b>	
SNAP Administration	23
Commodity Supplemental Food Program	0.7
Pandemic Emergency Assistance Fund – 1-time, short-term benefits	20
Adult Protective Services	6
Older Americans Act	28
Child Care and Development Block Grant	300
Child Care Stabilization Grants	480
Head Start	20
Family Violence Prevention and Services Act	4
Child Abuse Prevention and Treatment Act	7
Low Income Home Energy Assistance Program	90
State Veterans' Homes	NA
Arts Commission	0.5 <sup>2/</sup>

(Continued)

**American Rescue Plan (as passed by Senate) <sup>1/</sup>**

**\$ in Millions**

Housing

Low Income Drinking Water Assistance	10
Emergency Rental Assistance	374
Homeowner Assistance Fund	199
Homeless Assistance and Supportive Services Program	100
Emergency Housing Choice Vouchers	100
Emergency Assistance for Rural Housing	2
Housing Counseling	2

Transportation

Federal Transit Administration Mass Transit Grants	
Urbanized Areas	522
Seniors and Persons with Disabilities	1
Rural Areas	7
Airports	160

Business Aid

Small Business Financing	200
Paycheck Protection Program	145
Targeted Economic Injury Disaster Loan Advances	300
Assistance to Restaurants	500
Economic Adjustment Assistance	60
Payroll Support Program (Air Carriers)	NA

<b>Total</b>	<b>16,180 <sup>3/</sup></b>
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1/ Unless otherwise noted, all estimates assume Arizona will receive 2% of the national funding level. These estimates may be refined as better information becomes available.

2/ Estimate is based on the program-specific allocation formula.

3/ Numbers may not add to total due to rounding.