

AMERICAN RESCUE PLAN ACT: CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

JUNE 2021

The [American Rescue Plan Act](#) provides \$350 billion to help states, counties, cities, and tribal governments respond to the COVID-19 public health emergency, address its economic fallout, and lay the foundation for an equitable recovery. The [Coronavirus State and Local Fiscal Recovery Funds](#) (“Fiscal Recovery Funds”) provide flexibility for each government to meet local needs, including support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the crisis. State and local governments can use these funds to help meet communities’ affordable housing needs, including providing emergency rental assistance, addressing the housing and health needs of people experiencing homelessness, and building and preserving affordable housing in disproportionately impacted communities, among other housing-related investments.

FISCAL RECOVERY FUNDS

Allocations

Treasury will distribute Fiscal Recovery Funds to eligible state, territorial, metropolitan city, county, and tribal governments. Congress allocated \$195 billion to states and the District of Columbia (a minimum of \$500 million for each state), \$65.1 billion to counties and \$45.6 billion to metropolitan cities (a minimum of \$1.25 billion per state is provided by the statute inclusive of the amounts allocated to local governments within the state), \$20 billion for tribal governments, \$4.5 billion to U.S. territories, and \$19.5 billion to non-entitlement units of local governments.

Eligible local governments that are classified as non-entitlement units (generally, local governments with populations of less than 50,000) should expect to receive the funding through their state government. Treasury has posted detailed allocation information on this [webpage](#). Eligible state, territorial, city, county, and tribal governments may request their allocation of the Fiscal Recovery Funds through the U.S. Department of the Treasury’s [Submission Portal](#).

Payments to State and Local Governments

Local governments will receive funds in two tranches, with 50% provided in May 2021 and the remaining delivered approximately one year later. Treasury will [split](#) the total amount of state funding into two equal payments for all state governments, except for states where the unemployment rate is 2 or more percentage points above its pre-pandemic level. U.S. territorial governments will receive a single payment. Tribal governments will receive two payments, with the first available in May and the second payment, based on employment data, to be delivered in June 2021.

Use of Funds

The Fiscal Recovery Funds may be used to support public health expenditures, address negative impacts caused by the public health emergency, replace lost public sector revenue, provide premium pay for essential workers, and invest in water, sewer, and broadband infrastructure.

The [American Rescue Plan Act](#), [Treasury’s Interim Final Rule](#), and [guidance from Treasury](#) explicitly mention assistance to households as an eligible expense to respond to the negative impacts of the pandemic. Assistance to households may include **rent, mortgage, utility, and relocation assistance**.

Treasury’s revised FAQ (6/24, #2.21) states Fiscal Recovery Funds can be used to provide **housing stability services** that enable eligible households to maintain or obtain housing, such as housing counseling, fair housing counseling, case management related to housing stability, outreach to households at risk of eviction or promotion of housing assistance programs, housing-related services for survivors of domestic abuse or human trafficking, and specialized services for individuals with disabilities or seniors that supports

their ability to access or maintain housing. This includes **legal aid, court-based eviction prevention or eviction diversion programs**, and other legal services that help households maintain or obtain housing.

Fiscal Recovery Funds also can be used to support COVID-19 prevention, mitigation, or other services in congregate living facilities, such as homeless shelters and group living facilities; ventilation improvements in congregate settings and other key locations; support for vulnerable populations to access medical or public health services; support for isolation or quarantine; and other activities.

Treasury's [Interim Final Rule](#) provides additional flexibility for governments to address the disproportionate negative impacts on certain communities and populations by investing in housing and neighborhoods. These equity-focused services are broadly applicable to Qualified Census Tracts (QCT; as designated by the Department of Housing and Urban Development), other disproportionately impacted areas, and when provided by Tribal governments. Recipients may provide these services to other populations, households, or geographic areas that are disproportionately impacted by the pandemic, but recipients must be able to support their determination that the populations served have been disproportionately impacted (IFR, p. 19).

ELIGIBLE HOUSING-RELATED INVESTMENTS UNDER THIS CATEGORY INCLUDE:

- **Services to address homelessness, such as supportive housing**, and to improve access to stable affordable housing among individuals experiencing homelessness;
- **Affordable housing development** to increase the supply of affordable and high-quality living units; and
- **Housing vouchers, residential counseling, or housing navigation assistance** to facilitate household moves to neighborhoods with high levels of economic opportunity and mobility for low-income residents, to help residents increase their economic opportunity and reduce concentrated areas of low economic opportunity.

Using Fiscal Recovery Funds to build affordable housing in a QCT would be an allowable use of funds since it would address a specific negative economic impact of the pandemic (see [Treasury's FAQ](#), #4.2).

The Interim Final Rule governing distribution of these funds raised questions for affordable housing advocates, who need clarity on the specific ways Fiscal Recovery Funds can be used to support the development, preservation, and operation of affordable housing, and additional guidelines to ensure funds are being targeted to communities with the greatest needs and distributed equitably. With input from state and local advocates, NLIHC submitted on June 17 a [comment](#) to Treasury with suggestions for how the department can alter the Interim Final Rule to address the affordable, accessible housing needs of the lowest-income renters.

Additional Resources

Treasury's Coronavirus State and Local Fiscal Recovery Funds webpage: <https://bit.ly/3eT9Rp7>

Treasury's FAQ on Coronavirus State and Local Fiscal Recovery Funds: <https://bit.ly/3uYeOSY>

Treasury's Fact Sheet on Coronavirus State and Local Fiscal Recovery Funds: <https://bit.ly/3uUueYI>

Treasury's Quick Reference Guide: <https://bit.ly/3wpQ8U3>

Treasury's Interim Final Rule: <https://bit.ly/3byMGy7>

NLIHC's comment to Treasury: <https://bit.ly/3q7jB2R>

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