

BROOKINGS

Local Effects of Federal Legislation



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SP2: A Preview of Federal Actions

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What's in the American Rescue Plan Act?

- Historic expansions of the **Child and Earned Income Tax Credits**
- **\$1,400 stimulus checks** to most
- Enhanced **Unemployment Insurance**
 - Including a \$300 federal supplement to normal benefits
- COVID response and **\$160 billion** for **vaccine** production and distribution

Category	Spending (billions)
Fiscal support to state governments	\$220
Vaccination efforts	160
Fiscal support to local governments	130
K-12 education	123
Higher education	40
Businesses	39
Transit	30
Rental aid	22
Assisting homeless people	10
Assisting homeowners	10

Source: Brookings analysis of American Rescue Plan Act

American Rescue Plan Act – fiscal support

- States receive **\$220 billion**
 - Allocated based on unemployment in 2020 Q4
- Cities and counties receive **\$130 billion**
 - Split equally between cities and counties
 - Distributed on either per-capita or CDBG basis
- Funds can be used to backfill revenue losses, respond to COVID, and invest in water, sewer, and broadband infrastructure



American Rescue Plan Act – schools and child care

- K-12 schools receive **\$123 billion**
 - Distributed like ESEA grants, mostly based on the number of low-income students
 - 90% to school districts, 20% of that must be used to address “learning loss”
- Higher education institutions receive **\$40 billion**
 - Higher education grants based 75% on enrollment of Pell Grant students
- Maintenance of effort requirements prevent states from shrinking schools' share of the state budget
- **\$15B** increment to Child Care Development Fund, plus **\$24B** for states to subgrant directly to providers

American Rescue Plan Act – transit and businesses

- Transit agencies receive \$30 billion
 - Allocated based on operating cost
 - Can be used to meet payroll, backfill lost revenue, and respond to COVID
- Businesses receive \$39 billion
 - Mostly for restaurants
 - Distributed by SBA



American Rescue Plan Act – housing

- Housing aid receives \$39 billion
- Allocated to states mostly by population, although small states get more
- Also included: \$10 billion for housing homeless people and \$10 billion for assisting homeowners pay mortgages



The next package: stimulus to 'Build Back Better'

- Possible categories and rough magnitudes
 - **Infrastructure**: transportation, water, broadband (\$1,400B)
 - **Clean energy**: grid upgrades, energy efficiency, electric car (\$600B)
 - **Manufacturing and workforce support**: Buy American, labor/safety standards (\$400B)
 - **Innovation/R&D**: federal R&D, regional growth centers, minority businesses (\$300B)
 - **Caregiving economy**: medical homes, childcare subsidies, universal pre-K (\$775B)
- Will likely need to use **reconciliation**
 - So, no changes in law that don't primarily affect spending; would likely proceed under a new FY22 budget resolution

Organizing for success

- Understand your local fiscal baseline
- Learn from CARES experiences
- Identify local opportunities to advance racial and geographic equity

Small businesses	Critical infrastructure	Public health
Affordable housing	Job creation	College and universities