

Acceptable Use of Funds for Local Government Under the American Rescue Plan

- (A) To respond to the public health emergency with respect to COVID–19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- (B) To respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of local government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- (C) For the provision of government services to the extent of the reduction in revenue of such local government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; or
- (D) To make necessary investments in water, sewer, or broadband infrastructure.

Local governments cannot use funds for deposit into any pension fund. In addition, cannot be used for directly or indirectly offsetting a tax cut.

Other Key Provisions:

- Funding for towns and cities will be distributed in a modified CDBG formula with entitlement cities (those with a population over 50,000) receiving funding directly from the Treasury Department and non-entitlement towns (those with a population under 50,000) distributed by the State as a passthrough.
- There is a particular provision that will allow states—like Connecticut—to receive additional funds which would have been allocated if the State had county governments. Therefore, Connecticut would not miss on additional funding.
- Funds must be spent by the end of calendar year 2024.
- State and local governments must provide periodic reports to the Treasury Department with a detailed accounting of the use of funds. States and territories must also provide any modifications to tax revenue sources. Funds can be recouped by the Treasury Department if the recipient does not comply with the eligible uses.
- Local governments will receive allocations in two tranches—the first half 60 days after enactment and the other half one year later. For non-entitlement units of local government, those deadlines are the dates for Treasury to send the funding to the state, which has an additional 30 days to distribute to each non-entitlement unit of local government. The county funding will also be distributed in two tranches, likely around the same time period as non-entitlement towns as the state will be distributing the county allocations.
- States have NO discretionary authority to change the amount of, or attach additional requirements to, the payments allocated to local governments.
- For non-entitlement towns, funding may not exceed 75% of the most recent adopted local budget as of January 27, 2020. Those funds will be returned to the Treasury Department.