

# NACo LEGISLATIVE ANALYSIS FOR COUNTIES: U.S. SENATE'S SUBSTITUTE AMENDMENT STATE & LOCAL CORONAVIRUS FISCAL RECOVERY FUND

UPDATED: MARCH 6, 2021



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**To find your county's estimated allocation through the U.S. Senate's Substitute Amendment of State and Local Coronavirus Recovery Funds, [click here.](#)**

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## SUMMARY

On March 6, the U.S. Senate passed [The American Rescue Plan Act of 2021](#). Now that the Senate passed this legislation, it will move back to the U.S. House next week for final consideration before being sent to the president for his signature.

As part of the overall package, **the Coronavirus State and Local Fiscal Recovery Fund** would provide (1) approximately \$350 billion in new federal fiscal assistance for our nation's states, territories, tribes, counties, and municipalities and (2) \$10 billion for coronavirus capital projects.

The measure outlines that **states, along with the District of Columbia, would receive \$195.3 billion**, distributed mostly upon each state's share of unemployed workers over the 3-month period of October-December 2020. Each state and the District of Columbia would be guaranteed a minimum of \$500 million, plus D.C. would receive a special allocation to compensate for its treatment under the CARES Act last year.

**Local governments would receive \$130.2 billion**, split evenly between municipalities and counties, **resulting in a direct county allocation based on population of \$65.1 billion**. Tribal governments would receive \$20 billion and U.S. territories would receive \$4.5 billion.

The U.S. Department of Treasury would still oversee and administer these payments to state and local governments, and every county would be eligible to receive a direct allocation from Treasury. **Municipalities, and counties would now receive funds in two tranches** – both tranches would provide 50 percent of the entity's total allocation.

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## DISTRIBUTION FORMULA FOR STATE AND LOCAL RECOVERY FUNDS

Of the approximately \$350 billion in the Senate bill for fiscal relief, 57 percent would be allocated to states and 35 percent to local governments. The distribution formula is as follows:

- **States and District of Columbia:** \$195.3 billion
  - \$25.5 billion is **equally divided** with state minimum of \$500 million.

- \$169 billion based on the state **share of unemployed workers** over a three-month period from October-December 2020.
- \$1.25 billion in **additional aid** for the District of Columbia.
- **Local governments:** \$130.2 billion divided evenly between non-county municipalities and counties.
  - **COUNTIES:** \$65.1 billion in direct federal aid to **all counties** (including parishes in Louisiana, boroughs in Alaska and consolidated city-county entities) based on the county share of the U.S. population. *Counties that are CDBG recipients would receive the larger share, based on its population or calculated share under the CDBG allocation method.*
  - **NON-COUNTY MUNICIPALITIES:** \$65.1 billion to cities and other non-county municipalities.
    - \$45.57 billion in **direct federal aid for municipalities with populations of at least 50,000**, using a modified Community Development Block Grant formula.
    - \$19.53 billion for **municipalities with populations of less than 50,000** based on each jurisdiction's percentage of the state's population. Amount per jurisdiction may not exceed 75 percent of its most recent budget as of January 27, 2020. Aid is distributed through the states, with the ability for states to request an extension if they are unable to distribute within 30 days. Any amounts that are not distributed to non-entitlement municipalities shall be returned to the U.S. Treasury. **If the state fails to distribute to these local entities**, the penalty comes from the *state portion* of the State and Local Coronavirus Recovery Fund.
- **U.S. Territories:** \$4.5 billion.
- **Tribal governments:** \$20 billion to federally recognized Tribal governments.

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## ALLOWABLE USES OF RECOVERY FUNDS

The Senate bill outlines that funds **may be used to:**

1. **Respond to the public health emergency with respect to the 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
2. For the provision of **government services to the extent of the reduction in revenue (i.e. online, property or income tax)** due to the public health emergency, or

3. Make necessary investments in **water, sewer, or broadband infrastructure.**

*It is important to note under #1 that the examples outlined are intended to clarify congressional intent that these activities would be eligible. However, state and local activities would NOT be limited only to these activities.*

The Senate bill also outlines that:

1. **States are not allowed to use the funds to either directly or indirectly offset a reduction in the net tax revenue** that results in the state reducing its tax revenue through the passage of a new state law.
2. **States are not allowed to use the funds to either directly or indirectly offset a reduction in the net tax revenue** that results from a change in law, regulation or administrative interpretation during the covered period that reduces any tax. If a state violates this provision, it would be required to repay the amount of the applicable reduction to net tax revenue.
3. **No funds shall be deposited into any pension fund.**
4. **State and local governments are allowed to transfer to** a private nonprofit organization, a public benefit corporation involved in the transportation of passengers or cargo or a special-purpose unit of State or local government.

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## REPORTING REQUIREMENTS, CERTIFICATION & RECOUPMENT

The Senate bill would require **state and local governments to fulfill reporting requirements**, such as:

- States are required to report how funds are used and how their tax revenue was modified during the time that funds were spent during the covered period (covered period begins on March 3, 2021 and ends on the last day of the fiscal year a state or local government has expended or returned all funds to the U.S. Treasury).
- **Local governments would be required to provide “periodic reports”** providing a detailed accounting of the use of funds.
- If a state, county or municipality does not comply with any provision of this bill, they will be **required to repay the U.S. Treasury** an equal amount to the funds used in violation.

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## ADMINISTRATION OF RECOVERY FUNDS

The Senate bill further outlines that funds would be administered as follows:

- Funds would be distributed by the U.S. Department of Treasury.
- **The deadline to spend funds would be December 31, 2024.**
- In order to receive a payment either under the first or second tranche, local governments **must provide the U.S. Treasury with a**

**certification** signed by an authorized officer. **The U.S. Treasury is required to pay first tranche to counties not later than 60-days after enactment**, and second payment no earlier than 12 months after the first payment.

- The bill would provide \$117 million for **oversight and to promote transparency and accountability** of all federal coronavirus relief funds, with \$77 million for the Government Accountability Office and \$40 million for the Pandemic Response and Accountability Committee.

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## **CORONAVIRUS CAPITAL PROJECTS FUND (SEC. 604)**

- **\$10 billion for states, territories, and tribal governments to carry out critical capital projects**, specifically related to enabling work, education, and health monitoring, including remote options, in response to the COVID-19 public health emergency.
- Each state, District of Columbia and Puerto Rico would receive a **minimum allocation of \$100 million**, plus another \$100 million is divided among other U.S. territories and another \$100 million is designated for Tribal governments and Native Hawaiian use.
- **Of the remaining funds, states would receive an additional allocation** based on population (50 percent), number of individuals living in rural areas of the state as a percentage of the U.S. rural population (25 percent), and proportion of the state's population of households living below the poverty line.
- The funding for coronavirus capital projects **is available until expended**.

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## **RESOURCES**

To access **NACo's resource hub on the State and Local Coronavirus Recovery Funds**, [click here](#). This resource hub contains a **searchable table that contains projected allocations for each county** under the U.S. Senate's bill.

To access the bill text of the U.S. Senate's bill, [click here](#).

# NACo GOVERNMENT AFFAIRS DIRECTORY



[Mark Ritacco](#)

Director

**Government Affairs**

(202) 942-4286

[Blaire Bryant](#)

Associate Legislative Director

**Health**

(202) 942-4246

[Daria Daniel](#)

Associate Legislative Director

**Community, Economic & Workforce Development**

**Liaison to the Large Urban County Caucus**

(202) 942-4212

[Eryn Hurley](#)

Associate Legislative Director

**Finance, Pensions & Intergovernmental Affairs**

**Liaison to the Immigration Reform Task Force**

(202) 942-4204

[Jessica Jennings](#)

Associate Legislative Director

**Transportation**

(202) 942-4264

[Rachel Mackey](#)

Associate Legislative Director

**Human Services & Education**

**Liaison to the Veterans Affairs Standing Committee**

(202) 661-8843

[Brett Mattson](#)

Associate Legislative Director

**Justice & Public Safety**

(202) 942-4234

[Adam Pugh](#)

Associate Legislative Director

**Environment, Energy & Land Use**

(202) 942-4269

[Arthur Scott](#)

Associate Legislative Director

**Agriculture and Rural Affairs**

**Telecommunications and Technology**

**Political Outreach Manager**

**Liaison to the Rural Action Caucus**

(202) 942-4230

[Jonathan Shuffield](#)

Associate Legislative Director

**Public Lands**

**Liaison to the Western Interstate Region**

(512) 965-7268

[Zachary George](#)

Legislative Assistant

(202) 661-8819

[Nicolette Gerald](#)

Legislative Assistant

(202) 942-4260

[Aaliyah Nedd](#)

Legislative Assistant

(202) 661-8833

[Sarah Gimont](#)

Legislative Assistant

(202) 942-4256