

MEMORANDUM

Office of the City Manager



DATE: March 18, 2021
TO: Mayor and Councilmembers
THROUGH: Steve McHarris, City Manager *Steve McHarris*
FROM: Ashwini Kantak, Assistant City Manager *Ashwini Kantak*
SUBJECT: American Rescue Plan Act of 2021

Background

On Thursday March 11th, President Biden signed into law the \$1.9 trillion-dollar coronavirus relief package entitled the American Rescue Plan Act of 2021. The newly signed legislation includes \$350 billion in direct aid to states and local governments referred to as the augmented Coronavirus Relief Fund with \$195 billion allocated to states, \$65 billion to counties and \$65 billion to municipalities. Such direct aid was absent from the two 2020 federal coronavirus relief packages. The \$65 billion for municipalities will be allocated to the nation's 19,000 cities, towns, and villages through a CDBG formula, which includes \$45.7 billion for cities with more than 50,000 residents and \$19.5 billion for municipalities, towns, and villages below 50,000 residents. As per this CDBG formula, which incorporates population, growth, housing, and poverty factors, the City of Milpitas is estimated to receive \$16.86 million.

In addition to aid to state and local governments, health care, and education institutions, the American Rescue Plan Act provides direct payments to individuals and families, unemployment insurance benefits, rental and housing assistance, and relief for small businesses. Noteworthy allocations include \$25 billion for emergency rent assistance; \$10 billion for homeowner assistance; \$28 billion for restaurant-focused grants; \$122 billion for education; \$30 billion to public transit agencies; \$7.5 billion for vaccine-related efforts at the CDC; \$47 billion for testing and contact tracing; and \$7 billion for community health centers.

The \$1.9 trillion-dollar American Rescue Plan Act of 2021 is the second largest recovery relief bill in U.S. history, trailing only the CARES ACT. Most funds will be distributed to states and local governments within 60 days of the bill's enactment with remaining funds to be distributed within 12 months after the first allocation.

Key highlights

The information below provides details of the relief package that are especially pertinent to Milpitas.

Aid to state and local governments

In addition to the \$16.86 million of direct relief to Milpitas, California will receive \$26 billion, and Santa Clara County will receive \$373 million. The funds cover expenses incurred through December 2024 and can be used to:

- Respond to the COVID-19 emergency and address its negative economic impacts, including aid to households, small businesses, nonprofit organizations
- Provide premium pay to public employees that carry out essential services and to employers whose workers conduct essential services

- Provide government services for local governments that have suffered revenue reductions as a result of COVID-19; note these are eligible expenses that the CARES ACT had specifically prohibited
- Make investments in water, sewer, or broadband infrastructure

The City can expect to receive approximately \$8 million of its \$16.86 million allocation by mid-May. The remaining funds will be dispersed to Milpitas within one year of the first allocation.

The American Rescue Act includes an additional \$50 billion to the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund, which continues to reimburse states and local governments for a limited array of COVID-19-related expenses including personal protective equipment, vaccine distribution, sanitization of certain public facilities, and other direct responses to the health emergency. The current administration increased the reimbursement rate from 75% to 100%.

The American Rescue Act of 2021 includes \$500 million for the new Low-Income Household Drinking Water and Wastewater Emergency Assistance Program, which was started with \$638 million in the December 2020 federal stimulus. The \$500 million will be distributed to the states, which will provide grants to owners or operators of public water systems and wastewater treatment facilities to reduce rates and arrearages for low-income households for water and wastewater services.

Direct payments to individuals and families

Single tax filers that earned up to \$75,000 and joint filers that earned up to \$150,000 as reported on their 2019 or 2020 tax returns will receive payments of \$1,400 and \$2,800, respectively. These taxpayers will receive \$1,400 for each dependent child or adult. Payments will gradually phase out for single filers earning up to \$80,000 and joint filers earning up to \$160,000. Payments for dependents will phase out similarly.

Tax credits for families with children

The stimulus package significantly increases the existing child tax credit, which provides tax credits for low to moderate-income families with children. In 2021, for individuals that earn up to \$75,000 and for couples that earn up to \$150,000, the credit will be \$3,600 per child under six years old and \$3,000 per child between six and 17 years old. The \$3,000 credit will be gradually phased out for eligible individuals earning up to \$95,000 and for couples earning up to \$170,000.

Unemployment Insurance Benefits

The December 2020 federal relief package provided \$300 a week of federal unemployment insurance (UI) benefits, on top of state UI benefits, for the 11 weeks between December 26th through March 14th. The American Rescue Act extends the federal UI \$300 weekly benefits through September 6th. Certain workers that report both wage and self-employment income will be eligible for an additional \$100 weekly enhancement, in addition to the \$300 federal UI benefits.

COBRA

The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances such as voluntary or involuntary job loss. The American Rescue Act requires employers to extend offers of free COBRA coverage to certain individuals for the period from April 1, 2021 through September 30, 2021. The City will be required to provide COBRA benefits to any employee who has involuntarily lost their job, regardless of the reason, as far back as November 1, 2019. The City's responsibility will be to cover the cost of the premiums

plus the administrative fees. The Rescue Act then provides tax credits to individuals as a means of offsetting the costs of the free COBRA coverage. The law also requires employers to extend offers of COBRA coverage to other individuals whose right to COBRA coverage previously ended. Details on the proper notifications necessary to implement this are pending.

Rent Assistance and Homeowner Assistance Funding

The December 2020 coronavirus package included \$25 billion for the first-ever federal emergency rent assistance program to be administered by states and local governments. The Rescue Act provides an additional \$21.6 billion to help low-income renters with rent and utility payments. Funds will be allocated to states and to localities and counties with at least 200,000 people. The bill also includes \$5 billion for emergency Section 8 Housing Choice Vouchers, which HUD will provide to public housing agencies to support transitional housing for survivors of domestic violence, victims of human trafficking, and to those experiencing or at risk of homelessness. The legislation includes \$10 billion to assist homeowners who have struggled during the pandemic by providing direct assistance with mortgage payments, property taxes, property insurance, and utilities.

Noteworthy for Milpitas, \$400 million was allocated to FEMA's Emergency Food and Shelter Program (EFSP). The Milpitas Rent Relief Program has already received \$120,000 in EFSP funding, which saw its competitive grants program significantly increased due to CARES ACT allocations. Milpitas low-income renters may stand to benefit from the Rescue Act allocations to EFSP.

Small businesses

The American Rescue Plan provides a much-needed lifeline to the business community. The relief package sets aside \$28.6 billion in Small Business Administration (SBA) grants specifically for food service establishments. Eligible restaurants, bars, food trucks, and caterers can receive up to \$5 million for individual venues; food service establishments with multiple locations can receive up to \$10 million. Grants funds can be used for payroll, rent, utilities, and personal protective equipment.

The Paycheck Protection Program (PPP), the forgivable loan program that was developed for the CARES ACT, and which was renewed for \$284 billion in the December 2020 coronavirus package, will receive an additional \$7 billion in the 2021 coronavirus package. Fifteen billion dollars was allocated to the Small Business Administration (SBA) Emergency Injury Disaster Loan program to help severely impacted small businesses in low-income communities, providing grants up to \$10,000 per business. The SBA also received \$1.25 billion for grants to help movie theaters, live performance venues, and other cultural institutions. The Employee Retention Credit, which was created by the CARES ACT, was extended through the end of 2021. This provision provides tax credits to businesses that keep employees on their payrolls. Lastly, \$175 million will be used to establish a Community Navigator Program for Small Business Development Centers and community financial institutions to help small businesses access financial assistance programs more easily.

Other noteworthy highlights

The bill extends the 15% increase in Supplemental Nutrition Assistance Program (SNAP) benefits through September 30, 2021. This increase was enacted in the December 2020 COVID-19 stimulus bill and targets an estimated 50 million Americans that struggle to put food on their tables. The Rescue Act provides \$15 billion for the Child Care and Development Block Grant (CCDBG) program to ensure that qualified childcare providers can safely operate, increase pay and benefits for childcare workers, and lower childcare costs for families.

Next steps

The City will continue the process for pursuing grant funds and reimbursements for COVID-19 expenses. City staff will continue to share information and provide support to small businesses seeking relief through government-backed programs. City Council will receive updates as more information about the \$1.9 trillion-dollar relief package becomes available. Based on Council direction at the March 16 City Council meeting, staff will also bring forward a discussion about the allocation of funds that Milpitas will receive, as part of the May 11 Budget Study Session.

Additional information

- An [in-depth report](#) by the Ferguson Group about the American Rescue Plan Act of 2021
- Estimates of direct relief to state and local governments allocated by the American Rescue Plan Act [can be found here](#)
- The Small Business Administration's (SBA) [press release](#) about the American Rescue Plan Act's relief for small businesses, which includes links to key SBA loan and grant programs
- The [National League of Cities summary](#) of the American Rescue Plan Act with additional helpful links