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# A Lifeline To Recovery

## An Analysis of The American Rescue Plan

Colorado Fiscal Institute



Colorado  
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# I N T R O D U C T I O N

For more than a year, the world has been dealing with the effects of one of the most far-reaching and consequential events in modern history: the COVID-19 pandemic. The response of the United States has included some of the most significant fiscal intervention in the country's history. Several bills passed in March of 2020—most notably the Coronavirus Aid, Relief, and Economic Security (CARES) Act—were followed by a smaller relief law just before year's end (the Colorado Fiscal Institute performed full analyses of both the March<sup>1</sup> and December<sup>2</sup> relief legislation).

In January of 2021, with millions of people across the country continuing to struggle with the health and economic effects of the virus, the newly sworn in Biden-Harris administration and legislative leaders began negotiations on a third package of relief. The final version of this legislation, the American Rescue Plan (ARP), was a \$1.9 trillion bill that authorized many health and eco-

nomics provisions designed to help the US through the end of the pandemic. These provisions included extended Unemployment Insurance (UI) and paid leave, significant enhancements to the Child Tax Credit (CTC) and other income tax provisions, increased nutrition assistance and additional agricultural aid, more direct economic assistance payments and grants for small businesses, fiscal relief for state and local governments and funding for schools to allow for in-person learning, money to fund public and private transportation, more rental relief, health care provisions, and additional money for broadband internet.

This paper, like our previous analyses, aims to explain what is in the ARP and how it will affect Colorado's economic health and the state's ability to get through the end of the pandemic.

1 <https://www.coloradofiscal.org/2020/04/pandemic-cares-families-first-covid19-colorado/>

2 <https://www.coloradofiscal.org/2021/01/2020-federal-covid-relief/>



## Highlights

- Colorado will benefit from nearly \$27 billion in investments from various American Rescue plan provisions.
- Continues unemployment provisions of the CARES Act through September 6, 2021, including boosted benefits. Colorado will see \$2.6 billion in UI payments.
- Exempts the first \$10,200 of unemployment benefits from federal income taxes.
- Provides substantial increases for families claiming the Child Tax Credit, along with other income tax changes including expanding eligibility for the Earned Income Tax Credit.
- Extends increased nutrition assistance programs and provides \$1.1 billion in funding programs like SNAP and WIC.
- The law appropriates \$10.4 billion for programs designed to strengthen the agricultural and food supply chain.
- Over \$17 billion in funding for broadband internet and other related expenses
- \$1,400 direct relief cash payments to individuals making up to \$75,000-\$80,000 and joint filers making up to \$150,000-\$160,000
- An additional \$7.25 billion for an expanded Paycheck Protection Program (PPP)
- \$350 billion for state, local, and tribal governments, including \$5.7 billion for Colorado, with provisions preventing spending any of this money on funding for pensions or tax cuts.
- \$122 billion will be allocated for education, of which Colorado will receive \$1.64 billion.
- \$40 billion will go to higher education, of which Colorado will get \$480 million.

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Unemployment insurance has been the country's first economic response to the pandemic, garnering bipartisan support for robust federal aid to unemployed workers and struggling businesses since the onset of the crisis. Hundreds of thousands of Coloradans have collected billions in unemployment payments since March. The ARP doubles down on the investment in Unemployment Insurance made through the prior relief bills and adds two important new provisions, including extending these provisions through September 6, 2021. The ARP:

- Continues Pandemic Emergency Unemployment Compensation (PEUC) for workers who have exhausted their regular unemployment benefit before finding a new job or returning to work. The maximum duration of leave under PEUC goes from 24 weeks to 53 weeks.
- Continues Federal Pandemic Unemployment Compensation (FPUC) at the \$300 per week level set in December. FPUC is the program intended to address the traditional UI program's low-benefit level. It provides a boost to a worker's regular weekly benefit. Started as an extra \$600 per week, FPUC has been winnowed down to \$300 per week for eligible workers. This additional benefit is also available until September 2021.
- Continues the Mixed Earners Unemployment Compensation (MEUC) program established by the Continued Assistance for Unemployed Workers (CAUW) in December of 2020. This program provides an additional \$100 weekly benefit to any worker receiving a state benefit with W-2 income who also had more than \$5,000 in self-employed, independent contractor income in the prior year. This helps to boost a benefit for mixed income workers in states with low state benefits.
- Continues full federal funding for state Extended Benefits (EB), which provides a benefit to workers who exhaust their regular state UI benefit before returning to work. This is typically a shared 50/50 state/federal cost. One of the very first COVID response bills, the Families First Coronavirus Response



The American Rescue plan extends the UI programs created last year. UI has been the biggest source of economic relief for unemployed workers in the US since the pandemic first hit in March of 2020. (Photo by Terri Sharp)

Act (FFCRA), provided for full federal funding for EB.

- Continues full federal funding for employers who have reduced their workers' hours and supplemented their earnings with UI through work-share programs or short-time compensation programs.
- Continues full federal funding for states that choose to waive the man-

unemployment insurance benefits to their employees rather than forward funding by paying an unemployment insurance premium.

- Most importantly, for states with trust funds in deficit (like Colorado), continues interest-free borrowing to pay state unemployment benefits.

pensation—typically considered taxable income—from federal and state income tax for households with adjusted gross income less than \$150,000. This exemption could increase other tax benefits or tax refunds for many households.

- Includes \$8 billion in funding for the US Department of Labor to assist with administration and technical assistance and \$2 billion to states to help with fraud prevention, technology upgrades, and increasing equitable access and timely payments.



The Emergency Paid Sick Leave and Paid Family Leave provisions of the FFCRA expired December 31, 2020. The ARP does not reinstate the mandate to provide leave but does extend the tax credit available to employers who voluntarily offer sick leave and family leave for qualifying reasons under the FFCRA to help offset the costs. This provision will help Colorado employers providing sick leave benefits under the new state Paid Sick Days law. The credit is available for benefits given through September 6, 2021.

The ARP also expands the qualifying reasons for paid sick leave (up to 10 days) to include leave to:

- Obtain a COVID-19 vaccine;
- Recover from an injury, disability, illness or other condition related to a COVID-19 vaccination; or
- Await or view the results of a COVID-19 test.

datory one-week waiting period. This provision is typically used to encourage laid off workers to first seek a new job before applying for UI and was deemed counterproductive in the pandemic recession.

- Continues 75% federal funding for nonprofit organizations and other employers who typically “reimburse” or self-finance

Colorado is expected to benefit from over \$2.6 billion in additional unemployment insurance payments due to the ARP provisions.

In addition to extending and expanding important provisions of Unemployment Insurance from prior relief bills, ARP enacts two new provisions:

- Exempts the first \$10,200 of unemployment com-



Employers are reimbursed for these reasons up to \$511 per day, and for all other eligible sick leave purposes two-thirds of the employee's salary, up to \$200 a day.

And ARP also expands the qualifying reasons for paid family leave (up to 12 weeks maximum) and still maintains eligibility to receive the credit to include all paid sick leave reasons as well as instances where an employee:

- Is subject to quarantine;
- has been exposed to COVID-19 and is seeking a medical diagnosis
- is caring for an individual in quarantine or seeking a medical diagnosis; or
- the employee's child's school or daycare is closed due to an outbreak.

Employers can receive the tax credit for up to 12 weeks of paid family leave with a total cap of \$12,000 per employee (increased from \$10,000). The available credit per employee is still limited to two-thirds of the employee's regular rate of pay up to a maximum of \$200 per day for all PFL reasons for leave, including the new leave reasons related to immunization or testing (described above) and reasons that qualify for a \$511 per day cap when the wages are paid under the paid sick leave provisions.

Finally, the ARP:

- Removes the two-week unpaid family leave requirement; and
- Makes state and local governments eligible for employer tax credits for leave benefits provided from March 31, 2021 through September 6, 2021. They had previously been excluded.

Unemployment and paid leave are both critical pieces of policy that ensure workers who are unable to work through no fault of their own, either because of the health or economic effects of the virus, can make ends meet and pay bills.





The bill contains several provisions that reduce federal tax liability for people who earn low and middle incomes who file their taxes using a Social Security Number. The Tax Policy Center<sup>1</sup> estimates that for families and workers who earn the lowest incomes, the cumulative reduction in their tax liability will be about 20 percent with families who earn middle incomes seeing a 5.5 percent reduction in taxes. All of the tax changes explained below apply to tax year 2021 only. (For more information on other individual income tax provisions, please review sections 9621-9643 of the bill.<sup>2</sup>)

These expansions will benefit more than 1 million Colorado kids younger than 17, or 89 percent of that age group. That number includes 345,000 Colorado kids who are left out of the CTC un-

der current law. Most of those children, 225,000, are kids of color. These provisions will lift over 132,000 kids out of poverty in 2021.

#### Child Tax Credit

The ARP makes the 2021 CTC more generous for those who earn low and middle incomes. For this tax year, the value of the refundable credit increases to \$3,000 per child (\$3,600 for those aged 5 and younger). The ARP also increases

the age of children eligible from 16 to 17.

Married couples filing jointly with an adjusted gross income (AGI) up to \$150,000

(heads of households with AGI up to \$112,000 and single filers with AGI up to \$75,000) will qualify for the full new benefit. The new benefit phases out at

**The expansion of the Child Tax Credit is expected to reduce child poverty in the U.S. by half.**

<sup>1</sup> <https://www.taxpolicycenter.org/model-estimates/american-rescue-plan-act-2021-senate-version-february-2021/t21-0039-major-individual>

<sup>2</sup> <https://www.congress.gov/117/bills/hr1319/BILLS-117hr1319enr.pdf>



ilies will get more than \$150 million in federal tax benefits from these changes.

### Earned Income Tax Credit

The ARP expands eligibility for the refundable EITC for most adults without children between 19 and 25, though some full-time students are still exempted. Adults over 65 are also eligible. The value of the credit for adults without kids nearly triples from \$543 to \$1,502. Eligible Coloradans are expected to share in over \$190 million in federal tax benefits through these changes.

For Colorado, these provisions are estimated to be worth about \$110 million.

AGI of \$170,000 for joint filers. Eligible families who make more than the phase-out amount will be eligible for the pre-pandemic credit.

The ARP allows tax filers the option to take advantage of this credit before they file their 2021 taxes. Up to half of the credit due a taxpayer advanced starting in July. The amount of the advance will be based on the 2020 tax info or 2019 taxes if 2020 is not available. The amount of the credit not advanced would be claimed when the 2021 taxes are paid.

Eligible Colorado families are expected to receive nearly \$2 billion in federal tax benefits through these changes.

### Child & Dependent Care Credit

The ARP increases this credit up to \$4,000 for one qualifying individual or \$8,000 for two or more. This credit can offset up to 50 percent of eligible expenses, up to certain limits, for those who qualify. Current law only offsets a maximum of 20-35 percent of expenses up to \$2,100 for two or more dependents. Eligible Colorado fam-



# AGRICULTURE & FOOD ASSISTANCE



The ARP appropriates roughly \$10.4 billion for programs designed to strengthen the agricultural and food supply chain. This includes:

- \$3.6 billion, to food and agricultural commodity purchasing, purchase and distribute agricultural commodities (including fresh produce, dairy, eggs, and meat) to individuals in need, including through delivery to non-profit organizations and through restaurants and other food related entities, as well as loans and grants to “small and mid-sized food processors or distributors, farmers markets, producers, or other organizations” and to assistance to maintain and improve food and agricultural supply chain resiliency.
- \$300 million for animal disease monitoring and surveillance of susceptible animals for incidence of COVID-19.
- \$100 million for overtime inspection cost reduction to small and very small US Department of Agriculture (USDA) inspected establishments that are engaged in meat, poultry, or egg products processing.
- \$500 million, to remain available until September 30, 2023, via USDA’s Rural Development agency for emergency grants for rural development needs related to the COVID–19 pandemic.
- \$47.5 million, to remain available until expended to administer pandemic programs at USDA.
- \$2.5 million, to remain available until September 30, 2022, for oversight of COVID-19 related program.
- Provide a payment in an amount equal to 120 percent of the outstanding indebtedness of each socially disadvantaged farmer or rancher as of January 1, 2021, to pay off the loan (the Congressional Budget Office estimated the cost of implementing this debt relief at around \$4 billion).
- \$1.01 billion, to remain available until expended, to provide outreach, financial training, capacity building training and other technical assistance; improve land access for socially disadvantaged farmers, ranchers, or forest landowners; support the development of one or more legal centers focused on agricultural legal issues; support and supplement agricultural research, education, and extension; support the activities of one or more equity commissions that will address racial equity issues; and support the development of agricultural credit institutions.

- \$800 million, to remain available until September 30, 2022 to use the Commodity Credit Corporation to acquire and make available commodities via grants as prescribed by the Food for Peace Act Title II.

ARP extends the provisions regarding the Supplemental Nutrition Assistance Program (SNAP) from previous relief legislation to September 30, 2021. The law also allocates:

- \$1.1 billion to for the costs of State administrative expenses associated with the supplemental nutrition assistance program (SNAP) and for necessary expenses for management and oversight.

- \$25 million for improving SNAP online and electronic benefit transfer technology.

- \$1 billion to provide grants for nutrition assistance to Puerto Rico, American Samoa, and the Commonwealth of Northern Mariana Islands.

- \$37 million for the Commodity Supplemental Food Program.

The law also contains improvements to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):

- Provides the Secretary of Agriculture with authority and funding to temporarily boost the value of the

Cash Value Voucher (CVV) in WIC up to \$35 per month for women and children for a four-month period during the COVID19 pandemic.

- Provides \$390 million for outreach, innovation, and program modernization efforts to improve participation and benefit redemption in WIC.
- Temporarily expands the age of eligibility for the Child and Adult Care Food Program (CACFP) at emergency homeless shelters from 18 to 25 for the duration of the COVID-19 pandemic.
- Allows the Pandemic Electronic Benefit Transfer (P-EBT) program to be implemented for any school



Nutrition supports like SNAP and WIC not only provide food for families who are struggling to make ends meet, they also act as critical stabilizers for local economies. The vast majority of the funding for federal food assistance programs that are administered by states flows through to local grocery and other food stores.

year in which the COVID-19 public health emergency designation is in effect and allows for P-EBT benefits to be extended through the summer.

Colorado can expect \$220 million in additional support for food assistance through ARP provisions.



Like the previous relief legislation, the ARP provides direct cash assistance to individuals and families earning low and middle incomes. Any individual filers making under \$75,000 will receive \$1,400. Single tax filers with incomes between \$75,000-\$80,000, heads of households with incomes between \$112,500-\$120,000, and married couples with incomes between \$150,000-\$160,000 will receive phased-out payments, and those with higher incomes will not receive these payments.

Unlike the two previous relief payments, families can receive \$1,400 for dependents over the age of 16, such as adults with disabilities living at home, elderly relatives, or college students. Over 4.7 million Coloradans can expect checks totaling \$6.7 billion in direct assistance for the state.

The ARP also expands the Paycheck Protection Program (PPP) by \$7.25 billion and now makes nonprofits and digital news services for the loans. The Shuttered Venue Operators Grant (SVOG) program, a \$16 billion grant program, is also expanded by the legislation. The SVOG program allows applicants to receive grants of up to 45 percent of their gross earned revenue, with a cap of \$10 million.

Additionally, the ARP provides \$15 billion in funding for Targeted Economic Injury Disaster Loan Advance (EIDL) payments, which are advance funds of up to \$10,000 for low-income community businesses. The ARP establishes two new small business aid programs, the Restaurant Revitalization Fund and a Community Navigator pilot program. Through the Restaurant Revitalization Fund, the restaurant industry will receive targeted grants and loans. The Community Navigator program was created to improve access to COVID-19 pandemic assistance programs, and will help communities, businesses, and organizations figure out if they qualify for federal assistance and how to apply.

Business assistance funds for Colorado should top \$730 million.



# FISCAL AID

\$350 billion in the ARP goes to help states, counties, cities and tribal governments. Of that overall aid amount, nearly \$6.2 billion will be available for state, local and tribal governments in Colorado. Those funds, which can be used to cover costs incurred through 2024, are distributed in two phases. 50% will be delivered over the next 60 days, and then the remainder delivered at least a year later. A town cannot receive more than 75% of its January 2020 budget.

The state portion of the Colorado allocation is \$3.9 billion. Local and tribal governments will share about \$2.28 billion in funding.

## Colorado will get \$6.2 billion in fiscal aid for state, local, and tribal governments

According to US Rep. Joe Neguse's office, these allocation rules would result in:

- \$287 million for Denver
- \$113 million for Jefferson County

- \$77 million for Colorado Springs
- \$2 million for Alamosa
- \$1.5 million for Aspen
- \$1 million for Brush

\$169 billion is allocated based on the state's share of unemployed workers between October-December 2020. The two big restrictions on the use of the money are no funds toward pensions or to offset revenue from tax cuts enacted since March 3, 2021 through 2024.

Under current law. Most of those children, 225,000, are kids of color. These provisions will lift over 132,000 kids out of poverty in 2021.

The biggest share of transportation-related funding, \$30.5 billion, will go to grants for transit agencies to cover operating expenses. \$8 billion goes to airports and airport concessions, with the stipulation that those receiving funding must retain a minimum of

90% of personnel. The bill gives \$18 billion to aviation manufacturers and airlines, and \$1.7 billion will go to Amtrak.

Colorado is expected to receive about \$730 million in transportation related investments with \$270 million for transit and the rest for airports and aviation.

The ARP allocates \$122.7 billion to the existing Elementary and Secondary School Emergency Relief Fund in

The bill gives another \$40 billion to the existing Higher Education Emergency Relief Fund, \$496 million of which goes to Colorado higher education institutions.

There is a maintenance of effort requirement that states maintain spending on both K-12 and higher education in the next two years as they did over the last three years. There is also a maintenance of equity requirement—meaning states are prohibited from cutting more per-pupil from “high-need” students.

Colorado’s share of education funding is expected to be around \$1.64 billion with K-12 directly receiving



proportion to each state’s Title-IA program. Of that, Colorado will receive \$1.2 billion, 90 percent of which it must be distributed to local education agencies based on the local education agencies’ share of ESEA Title I-A funds. There are also smaller parts of the total relief package that go to schools including \$2.75 billion for non-public schools who have a significant percentage of low-income students, \$800 million for students experiencing homelessness, and \$800 million for grants to the Bureau of Indian Education operated schools.

\$1.12 billion, higher education directly receiving \$480 million. The Governor will have an additional \$4 million for discretionary education investments.

# HOUSING



Housing and the ability to remain housed has been a critical issue for lawmakers as many US families and workers struggle to pay rent. The American Rescue Plan aims to address this immediate need by providing state dollars for rent relief<sup>1</sup> including:

- \$21.55 billion for emergency rental assistance for low-income renters who have lost their jobs or are experiencing hardship due to the pandemic.
- \$5 billion for emergency housing vouchers to support people experiencing homelessness or people at risk of becoming homeless.
- \$750 million for tribal nations and Native Hawaiians.
- \$100 million for rural housing needs.

Although it is unclear how much of these housing funds will come into Colorado, since December housing programs in the state have received more than \$300 million in state and federal funds.

Now that the relief plan has been signed, emergency rental assistance dollars will begin going out within 60 days of the bill's enactment. These dollars could not come at a more critical time, according to the Center on Budget and Policy Priorities, housing vouchers have been shown to reduce homelessness, overcrowding in homes, and frequent moves.

One piece missing from the ARP, however, was an extension of the housing moratorium, which is set to expire March 31, 2021. With many Coloradans at risk of eviction<sup>2</sup>, attention now turns to the Centers for Disease Control and Prevention, which has the power to extend the moratorium without action from Congress.

Colorado expects \$740 million in housing assistance funds through these various streams of revenue.

1 <https://www.ncsl.org/ncsl-in-dc/publications-and-resources/american-rescue-plan-act-of-2021.aspx>

2 <https://wp-cpr.s3.amazonaws.com/uploads/2020/06/COVID-19-Eviction-Defense-Project-Colorado-Data-Ext-06.08.20.pdf>



# B R O A D B A N D



In the relief bill passed in December, Congress approved \$3.2 billion in the Emergency Broadband Benefit, which comprises a \$50 per month subsidy to eligible low-income households (\$75 per on tribal lands), plus a \$100 one-time payment for equipment so long as the recipient of the payment also contributes to the equipment cost. ARP supplements that by providing:

- \$7.6 billion for the Federal Communications Commission to set up an E-rate Emergency Connectivity Fund (ECF), to remain available until September 30, 2020. That fund will go to eligible schools and libraries to reimburse 100% for the costs of eligible equipment, advanced telecommunications and information services, or eligible equipment and advanced telecommunications and information services.
- \$9.9 billion, to remain available until September 30, 2021, for the Homeowner Assistance Fund. Among the qualified expenses is internet service, including broadband internet access service. Other allowable expenses include mortgage payment assistance, utilities assistance, homeowner's insurance, flood insurance, and principal reduction.

Colorado communities will share in approximately \$120 million in broadband investments from the ARP.



# HEALTH CARE

The ARP contains many important improvements in federal support for Medicaid, COVID related testing and vaccine distribution, and community health centers. Total assistance from ARP for health-related public spending for Colorado is estimated at \$1.240 billion.

The ARP also includes provision to make individual purchases of health insurance more affordable for more people. Preliminary estimates suggest around \$200 million in premium relief, making nearly 82,000 more Coloradans eligible for premium assistance.

For details of these changes in the federal law, please read the analysis by the Center on Budget and Policy Priorities.<sup>1</sup>

<sup>1</sup> <https://www.cbpp.org/research/health/american-rescue-plan-act-strengthens-medicaid-better-equips-states-to-combat-the>



# CONCLUSION

The ARP is a substantial fiscal and economic relief package. It provides hundreds of billions of dollars in direct relief to families struggling to make ends meet in an unlevel pandemic economy. It gives small businesses more certainty about their ability to make it through until warmer weather comes.

The bill provides state, local, and tribal governments more stability and prevents them from having to lay off even more public workers. In total, it leaves the economy on steadier ground and increases confidence in the idea that the country will be able to make it through what remains of the COVID-19 era.

Perhaps the most uncertain aspect of the bill is whether some or any of the provisions it contains—like the enhancements to the Child Tax Credit—will be made permanent by Congress at some point in the future. While that remains to be seen, it will be a powerful test of whether such economic policies result in the shared economic benefits that Congress and the White House hope to accomplish.

How well the economy recovers will be largely dependent on how long the pandemic wears on, but experts will also be able to analyze and decide the efficacy of these types of policies in increasing incomes, reducing poverty, and promoting prosperity for a country desperately hoping for more prosperous days ahead.