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Overview of American Rescue Plan: Implications for California

PRESENTED TO:

Assembly Subcommittee No. 6 on Budget Process,
Oversight and Program Evaluation
Hon. Philip Y. Ting, Chair



LEGISLATIVE ANALYST'S OFFICE

Major State Budgetary Issues

Fiscal Relief

- ***\$26 Billion in Fiscal Recovery Funds to the State.*** Legislature only can use funds for specific purposes (in particular: to respond to coronavirus disease 2019 and its negative economic impacts, to replace a reduction in revenue, among others) and includes other restrictions. Available until December 31, 2024.
- ***\$16 Billion in Fiscal Recovery Funds to Local Governments.*** Counties and cities with population over 50,000 will receive funding directly from the federal government. The state will have to disburse a portion of funds reserved for local governments that do not qualify for direct federal funds (based on a formula).

Housing and Homelessness

- ***\$2.2 Billion for Rental Assistance.*** Legislature can distribute funding to help renters pay for rent and utilities.
- ***Roughly \$1 Billion for Homeowner Assistance.*** Legislature can distribute funding to help homeowners pay for mortgage payments, utilities, and property tax payments.

Infrastructure

- ***\$550 Million for Capital Projects.*** State will receive funding to carry out capital projects to directly enable work, education, and health monitoring in response to the public health emergency.



Major Assistance Categories for Individuals and Businesses

- ***\$40 Billion in Unemployment Insurance (UI) Benefits.*** Extends enhanced UI benefits and Pandemic Unemployment Assistance. Increases the number of weeks workers can receive benefits.
- ***\$35 Billion in Cash Assistance to Individuals.*** Provides direct cash assistance of \$1,400 to qualifying taxpayers.
- ***\$15 Billion in Tax Credits.*** Increases the Earned Income Tax Credit, Child Tax Credit, and Child Care Tax Credits. Makes the Child Tax Credit fully refundable.
- ***\$5.5 Billion in Business Support.*** Provides grants to underserved small businesses and direct relief to businesses in the restaurant industry.



Major Programmatic Funding Amounts

- \$15.9 billion to schools for in-person learning, addressing learning loss, and other activities.
- \$5 billion for emergency student financial aid grants and relief funding for college and university campus operations.
- \$4.7 billion for distributing vaccines and related supplies, testing, contact tracing, increasing lab capacity, and supporting the public health workforce.
- \$4 billion to provide fiscal relief to transit agencies.
- \$3.9 billion to child care and head start providers to help with expenses, such as personnel and rent or mortgage payments.



Appendix: Tables

Summary of American Rescue Plan and Fiscal Effects for California				
<i>(In Billions)</i>				
Program or Activity	Amount: U.S.	Amount: CA	Description	Legislative Role
State and Local Governments				
Fiscal aid—states, territories, and tribes	\$195.0	\$26.0	Direct aid to states, territories, and tribes.	Substantial
Fiscal aid—local governments	130.2	16.0	Direct aid to cities and counties.	None
Emergency rental assistance	21.6	2.2	Assistance to families to pay rent and utilities.	Substantial
Testing ^a	49.6	3.2	Testing, contact tracing, lab capacity, disease monitoring, quarantine and isolation, public health workforce, and genomic sequencing.	Potential
Public transportation	30.4	4.0	Additional relief funding to transit agencies.	None ^b
Capital projects	10.0	0.6	Funding for critical capital projects directly enabling work; education; and health monitoring, including remote options, in response to COVID-19.	Substantial
Homeowner assistance ^c	10.0	1.0	Assistance to homeowners for mortgage payments, utilities, and property tax payments.	Substantial
Vaccine distribution and supplies ^a	7.5	0.7	Vaccine distribution and administration.	Potential
Public health workforce	7.7	0.8	Funding for state and local public health workforce and COVID-19 response.	Potential
Emergency housing vouchers ^c	5.0	0.5	Emergency housing vouchers for individuals and families that are at risk or experiencing homelessness.	None
Homelessness assistance and supportive services ^c	5.0	0.5	Rental assistance, supportive services, non-congregate shelter, and affordable housing.	Minimal
Energy and water utility bill assistance	5.0	0.2	Assistance for low-income families to pay for energy and water utility bills.	Potential ^d
Medi-Cal	1.0	0.2	100 percent federal share of cost for COVID-19 vaccine administration.	None
Education and Child Care Agencies				
Schools	\$128.6	\$15.9	Funding to provide in-person learning, address learning loss, offer student services, and various other activities.	Partial ^e
Child care and Head Start	40.0	3.9	Funding for child care providers to help with expenses, such as personnel, rent and mortgage payments, and cleaning supplies.	Partial ^f
Student financial aid and campus operations	39.6	5.0	Emergency student financial aid grants and relief funding for campuses (to cover revenue losses and higher operational costs).	None

(Continued)



Appendix: Tables

(Continued)

Program or Activity	Amount: U.S.	Amount: CA	Description	Legislative Role
Individuals				
Unemployment insurance ^c	\$246.0	\$40.0	Extends enhanced unemployment insurance benefits and PUA.	None
Direct payments	410.0	35.0	Provides \$1,400 payment to qualifying taxpayers.	None
Tax credits	143.0	15.0	Increases the Child Tax Credit (CTC), Earned Income Tax Credit, and Children and Dependent Care Credit. Makes the CTC fully refundable.	None
Nutrition assistance	TBD ^g	TBD ^g	Extends into the 2021-22 school year the ability for states to develop plans to provide nutrition assistance dollars to students affected by school closures. About 3.8 million California students could qualify for as much as \$120 per student per month if their schools remain closed.	None
Nutrition assistance	0.7	0.3	Extends 15 percent increase in Supplemental Nutrition Assistance Program benefits through September 30, 2021.	None
Health insurance premium subsidies	34.2	3.0	Increases premium support for the Patient Protection and Affordable Care Act.	None
Businesses and Nonprofits				
Small businesses	\$15.0	\$2.0	Provides grants to underserved small businesses.	None
Restaurants	28.6	3.5	Direct relief for the restaurant industry.	None
Hospitals	8.5	0.3	Relief funding to rural hospitals.	None
Community health centers	7.6	1.1	Funding for community health centers to administer vaccines and conduct testing and contact tracing.	None
<p>^a A share of this funding goes directly to Los Angeles County.</p> <p>^b Caltrans will administer aid to smaller transit agencies, but most funds are direct to transit agencies.</p> <p>^c LAO estimate of amount to California, which is subject to uncertainty.</p> <p>^d Legislature could potentially play a role in determining how to distribute the water funds.</p> <p>^e State has discretion to spend roughly \$750 million. At least \$13.6 billion must be provided directly to LEAs. Remaining funding must be spent based on certain criteria.</p> <p>^f Legislature will have some role in the details of how the child care funding will be provided. No state role for Head Start (\$105 million).</p> <p>^g Amounts could vary substantially and will depend on school closures in the fall.</p> <p>COVID-19 = coronavirus disease 2019; PUA = Pandemic Unemployment Assistance; TBD = to be determined; Caltrans = California Department of Transportation; and LEAs = local education agencies.</p>				

