Press Release

The American Rescue Plan: Aid to State and Local Governments Has Strings Attached

ALLISON EDWARDS | APRIL 8, 2021

The recently enacted American Rescue Plan (ARP) provides state and local governments approximately $362 billion in additional financial assistance despite their improving fiscal situation. This aid, however, also comes with a number of vague restrictions that may complicate the efficient and timely use of these funds, contends AAF's Director of Fiscal Policy Gordon Gray in a new analysis.

Gray concludes:

> After a year of vocal lobbying, state and localities secured $362 billion in additional funding, paired with a number of restrictions on how those funds can be used. The legislation allows for fairly varied uses of the funds for spending, and grants these governments apparent latitude in some areas while simultaneously highly restricting the disposition of funds in others. These restrictions may complicate the efficient and timely use of these funds and may expose states and localities to recoupment at a later date. The ARP further restricts the use of these funds to preclude the funds being used to offset any reduction in revenue. In practice, this policy introduces some needless confusion and complexity for states and stands at odds with other policies enacted in the ARP and elsewhere.

Read the analysis.