

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Amanda Bickel, JBC Staff, in consultation with Ed DeCecco, Office of Legislative Legal Services, Kate Watkins, Legislative Council Staff, and Other Members of the JBC Staff
DATE March 19, 2021
SUBJECT American Rescue Plan Act

Federal H.R. 1319, the American Rescue Plan Act of 2021 (ARPA), was signed by the President on March 11, 2021. This \$1.9 trillion federal package builds on approximately \$3.6 trillion in previous federal spending packages intended to address the impacts of the COVID-19 pandemic that began in the spring of 2020.

RECOMMENDATIONS

- Based on current information, staff believes \$3.90 billion from the Coronavirus State Fiscal Recovery Fund will be subject to appropriation by the General Assembly. Staff is therefore recommending that the JBC sponsor a bill in collaboration with legislative leadership to deposit these funds, when received, into a cash fund from which the General Assembly can appropriate or transfer the funds based on legislative decisions. At least 50 percent of the federal funds are expected to arrive no later than 60 days from when an authorized officer of the state makes the appropriate certification to the Secretary of Treasury. Funds may be used to cover costs incurred by December 31, 2024.
- Staff anticipates that the General Assembly may be able to use money from the Coronavirus State Fiscal Recovery Fund in lieu of state General Fund for many of the items already identified in the General Assembly's \$700 million stimulus package. Staff assumes legislators will have additional ideas.
- With limited exceptions, staff does not recommend including federal funds from the ARPA in the Long Bill for the 2021-22 fiscal year.
 - Appropriations from a new cash fund that includes money from the Coronavirus State Fiscal Recovery Fund cannot occur until such a fund has been created in state law, and it will take time to determine how to best allocate the money amongst the various uses and the manner and amount that can be used to backfill lost revenue. Further, staff anticipates that most related appropriations will be for one-time costs that the JBC has not thus far chosen to include in the Long Bill. There is no reason to add these amounts now to the Long Bill. Staff therefore expects that appropriations and transfers that use Coronavirus State Fiscal Recovery Funds will be authorized in separate bills.
 - The JBC has already acted to make some Long Bill adjustments in the Department of Health Care Policy and Financing, based on how the new federal law will affect Medicaid match rates, and individual JBC staff members may recommend other minor adjustments to informational funds when relevant. However, most amounts that could be shown for informational purposes are still too uncertain, and, in general, the JBC has not included informational amounts from

the prior stimulus packages in appropriations bills due to timing and uncertainty about when and how the Executive agencies would spend the related dollars.

- Additional child care funds from federal Child Care Development Funds that are subject to appropriation are expected to be addressed in separate legislation.

CORONAVIRUS FISCAL RECOVERY FUNDS

The ARPA includes direct aid for state and local governments. The table below shows Legislative Council Staff's estimates for funds to be received from the Coronavirus State and Local Fiscal Recovery Funds. These are close to the Office of State Planning and Budgeting (OSPB) estimates. As can be seen, Legislative Council Staff expects \$3.90 billion in state funds and \$2.29 billion in local funds. The local funds for metropolitan cities will flow directly to them, while the other local funds will flow through the State to be allocated on a formula basis.

STATE GOVERNMENT ALLOCATIONS		
Total Allocation	\$195,300,000,000	CO Allocation
Equal allocation all states	\$25,500,000,000	\$500,000,000
DC Allocation	\$1,250,000,000	
Remaining allocation	\$168,550,000,000	
Allocation based on Unemployment		
CO Unemployed	218,576	
US Unemployed	10,837,667	
CO Share	2.0%	\$3,399,351,735
CO State Allocation		\$3,899,351,735
LOCAL GOVERNMENT ALLOCATIONS		
Total Allocation	\$130,200,000,000	Colorado Allocation
Metropolitan cities	\$45,570,000,000	2019 Census Data \$798,578,203
Other local govts	\$19,530,000,000	\$348,952,903
Counties	\$65,100,000,000	\$1,141,820,020
CO Local Govt Allocation		\$2,289,351,126

The funds must be spent by December 31, 2024 for the following purposes:

“(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to

MARCH 19, 2021

impacted industries such as tourism, travel, and hospitality;
“(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
“(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or
“(D) to make necessary investments in water, sewer, or broadband infrastructure.

The law also:

- Prohibits the funds from being used to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation or policy during the covered period that begins March 3, 2021, and ends once the funds have been expended, transferred to eligible recipient organizations, or returned to the federal government.
- Prohibits the funds from being deposited to any pension fund.
- Allows the funds to be transferred to a private nonprofit organization, a public benefit corporation involved in transportation, or a special-purpose unit of state or local government.

POTENTIAL USES OF RECOVERY FUNDS

Based on the information now available, General Assembly may be able to use the funds for some of the following:

- Many of the proposed bills that have been included in the \$700 million state stimulus plan announced on March 10, 2021, the “Colorado Recovery Plan.”
<https://static1.squarespace.com/static/5e04f6d46d7ba64e2ed33479/t/6049054a25c6f0549b096ef4/1615398268061/Colorado+Stimulus+Agenda+%281%29.pdf>
- Backfilling the General Fund for revenue reductions that occurred due to the pandemic, although additional clarification about the manner and amount of this use may be necessary to determine the allowable amount.
- Expenditures incurred by some departments, such as the Colorado Department of Public Health and Environment, for responding to COVID-19.

Staff recommends that the JBC and General Assembly:

- **Continue to focus the FY 2021-22 Long Bill on ongoing operating needs of state government and, for now, avoid Long Bill appropriations that use Coronavirus State Fiscal Recovery Fund money.** Significant new spending and initiatives should generally be addressed in later legislation that is more clearly targeted, takes into account a newly-created cash fund, and reflects better information as such information becomes available.

MARCH 19, 2021

- **Avoid creating “fiscal cliff” effects.** We recommend using the money for short-term expenditures, rather than building the state operating budget in ways that will not be sustainable once the funds are no longer available. The federal law assumes the states’ financial needs for responding to the COVID-19 pandemic, including its economic impacts, are time-limited, and the State should plan Coronavirus Fiscal Recovery Funds expenditures accordingly.
- **Identify a process for deciding how to spend these funds, including determining how to allocate the money amongst the allowable categories.** The ARPA gives the State substantial discretion on how to spend this money, and it has until December 31, 2024, to spend it. Accordingly, it would be helpful for the State to develop a high-level allocation strategy for how and when the State will spend the money.
- **Remember that some spending decisions may wait.**
 - Infrastructure projects need to be authorized soon, given the typical 3-year time frame for capital construction projects. If the General Assembly uses some of the funds to provide premium pay to workers performing essential work during the public health emergency (an option described in the bill), this should also occur as soon as possible.
 - Other spending decisions do not need to happen as quickly, as the State has until December 31, 2024, to spend the money.
 - The bill authorizes, though it does not require, the U.S. Treasury to split its payment to states based on the state's unemployment rate as of the date of the first transfer, with the second payment potentially delayed by as much as 12 months from the date of certification. It is uncertain how the U.S. Treasury will use this flexibility.

OVERVIEW OF AMERICAN RESCUE PLAN IMPACT ON COLORADO

For the Committee’s reference, staff has attached a preliminary summary developed by OSPB that reflects its high level estimates of funds anticipated to be received by the State related to this Act, as well as a comparison with the funds received from previous federal stimulus packages. As shown:

- OSPB estimates that Colorado receipts from ARPA will be approximately **\$27.0 billion**.
- OSPB identifies \$6.1 billion as a “Possible State Budget Impact.” However, this does not include all amounts that flow through state government and state accounts but are not reflected in the Long Bill (such as unemployment insurance and food assistance benefits) or amounts that fund services similar to those funded by the General Fund (particularly funding for K-12 schools and higher education institutions). Staff has therefore **highlighted** OSPB’s document to show:

In blue: Amounts that staff currently anticipates could be subject to appropriation by the General Assembly or that directly affect state funds appropriations due to matching requirements. This includes an anticipated \$3.9 billion in Direct Aid (Coronavirus State Fiscal Recovery Funds), amounts from the Child Care Development Block Grant (a portion of available child care funds), and some Medicaid funds.

In yellow: Amounts that staff currently anticipates are likely to be “custodial” federal funds (funds for specific purposes dictated by the federal government) for spending either by the State or by other government entities for activities that the State typically funds. Custodial funds are not subject to appropriation by the General Assembly, although some custodial funds are shown for informational purposes in the Long Bill.

MARCH 19, 2021

In green: Amounts that flow through State accounts and are managed at least in part by State personnel, even though the funds will generally flow to individuals as benefit payments.

In pink: Amounts for local governments. A portion of these funds will go directly to larger metropolitan “entitlement” areas. The balance must be distributed on a population-based formula basis to other units of local government by the State.

For additional information on the activities funded by these dollar amounts, particularly for the custodial federal funds, staff believes the National Conference of State Legislatures’ summary is a helpful reference. It is available here:

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

The full federal act is available here: <https://www.congress.gov/bill/117th-congress/house-bill/1319/text>

**H.R. 1319 AMERICAN RESCUE PLAN
OSPB PRELIMINARY SCORING 3-15-21**

PRELIMINARY 3/15/21 SUBJECT TO CHANGE

(\$ in Billions)	All prior COVID Bills (H.R. 748, 266, 6201, 6074)	Bipartisan Deal (H.R. 133) (Dec. 2020)	American Rescue Plan (H.R. 1319 Senate Version)	Possible CO Amount	Possible State Budget Impact
TOTAL PACKAGE	\$ 2,686.3	\$ 900.0	\$1,900	\$27.00	\$6.10
Direct Aid to States			\$ 223.00	\$ 3.91	\$ 3.91
Direct Aid to Localities and Tribes			\$ 127.00	\$ 2.28	-
EDA Grants to States			\$ 3.00	\$ 0.05	\$ 0.05
Direct Payments to Taxpayers	\$293.0 (\$1200 payments)	\$166.0 (\$600 payments)	\$390.0 (\$1400 payments)	\$ 6.74	
Expanded UI Benefits				\$ 1.67	
Pandemic Unemployment Assistance	\$268.0 (\$600/wk)	\$120.0 (\$300/wk)	\$250.0 (\$300/wk)	\$ 0.50	
Extended Benefits for Long Term Unemployed (Pandemic Emergency Unemployment Comp)				\$ 0.46	
Partial Income Tax Exemption for UI Benefits Received in 2020	\$ -	\$ -	\$ 30.00	\$ 0.61	\$ -
COBRA Extension to Sept	\$ -	\$ -	\$ 92.76	\$ 1.62	
PPP	\$ 659.00	\$ 284.45			
Housing/Rental/Utility Assistance	\$ 12.40	\$ 25.00	\$ 26.75	\$ 0.47	\$ 0.25
Homeowner Assistance			\$ 10.35	\$ 0.18	
Homelessness			\$ 5.00	\$ 0.09	
SBA EIDL Advances (Forgivable)	\$ 10.00	\$ 20.00	\$ 15.00	\$ 0.20	
CDFI's	\$ -	\$ 12.00			
Support for Restaurants (Revitalization Fund)			\$ 28.60	\$ 0.50	
State Small Business Credit Initiative (SSBCI)			\$ 10.00	\$ 0.18	\$ 0.18
Other Small Business Provisions			\$ 3.00	\$ 0.05	
Education (Direct to K-12)	\$ 13.30	\$ 54.30	\$ 123.00	\$ 1.12	
Education (Direct to Higher Ed)	\$ 13.95	\$ 22.70	\$ 39.50	\$ 0.48	
Education (Flexible, to Governor)	\$ 2.95	\$ 4.05	\$ 2.70	\$ 0.04	\$ 0.04
COVID Testing	\$ 36.00	\$ 22.40	\$ 50.00	\$ 0.74	\$ 0.74
Vaccine	\$ -	\$ 8.75	\$ 7.50	\$ 0.04	\$ 0.04
Health Care Workforce	\$ -	\$ -	\$ 7.66	\$ 0.05	\$ 0.05
Community Health Centers	\$ -	\$ -	\$ 7.60	\$ 0.05	\$ -
Healthcare Providers	\$ 175.00	\$ 3.00	\$ 8.50	\$ 0.13	\$ -
Medicaid vaccine/treatment match				\$ 0.01	\$ 0.01
Medicaid HCPB FMAP bump				\$ 0.22	\$ -
Medicaid nursing facility strike teams			\$ 0.25	\$ 0.00	\$ -
Child Care	\$ 3.38	\$ 10.00	\$ 42.00	\$ 0.53	\$ 0.53
Nutrition (SNAP, WIC, TANF, etc.)	\$ 24.90	\$ 26.00	\$ 14.00	\$ 0.22	
Transportation/Transit	\$ 41.50	\$ 45.00	\$ 30.46	\$ 0.27	\$ 0.19
Direct Aid to Farmers	\$ 9.50	\$ 13.00			
Agricultural Supply Chain		\$ 1.50	\$ 4.00	\$ 0.07	\$ -
Broadband Support	\$ 25.00	\$ 7.00	\$ 7.10	\$ 0.12	\$ -
Airports & Aviation			\$ 26.00	\$ 0.46	\$ -
Substance Abuse/Mental Health	\$ 0.43	\$ 4.50	\$ 4.00	\$ 0.08	\$ 0.08
Cultural Institutions/Live Venues		\$ 15.00	\$ 1.25	\$ 0.02	
Earned Income Tax Credit/Child Tax Credit "lookback"	\$ -	\$ 4.14	\$ 3.19	\$ 0.04	\$ (0.00)
Other Income Tax Provisions (extenders, expansions, modifications)	\$ -	\$ 58.68	\$ 0.00	\$ 0.00	\$ 0.00
<i>Child and Dependent Care Tax Credit Expansion</i>	\$ -	\$ -	\$ 8.08	\$ 0.15	\$ (0.03)
<i>Child Tax Credit Expansion</i>	\$ -	\$ -	\$ 105.08	\$ 1.99	\$ -
<i>EITC Expansion</i>	\$ -	\$ -	\$ 16.19	\$ 0.19	\$ (0.02)
<i>Insurance Premium Tax Credit Expansion</i>	\$ -	\$ -	\$ 0.18	\$ 0.01	\$ -
<i>FFCRA Paid Family/Medical Leave Payroll Tax Credit Extension</i>	\$ 104.86	\$ 1.60	\$ 6.25	\$ 0.11	\$ -
<i>Hiring and Retention Payroll Tax Credit Expansion</i>	\$ 54.57	\$ 20.63	\$ 10.22	\$ 0.19	\$ -
Coronavirus Capital Projects Fund			\$ 10.00	\$ 0.17	\$ 0.10