

Federal American Rescue Plan Act Directs Aid to Lower-Income Children, Unemployed Workers, and Public Services

In March 2021, the U.S. Congress passed and the President signed into law the [American Rescue Plan Act](#) (ARPA), which provides substantial relief and support for both households and public services as well as targeted [economic stimulus](#). The substantial new federal law is projected to allocate [more than \\$1.8 trillion](#) to bolster the recovery from the COVID-19 crisis. Of this national total, at least \$3.8 billion would come to New Hampshire entities and families based on available state-by-state estimates, although aid is dependent on both finalized federal guidance and rules, economic conditions, and the actions of State policymakers. New Hampshire's businesses, nonprofit organizations, public entities, individuals, and families have received [more than \\$9 billion in aid](#) from prior relief packages, and the targeted aid in ARPA will help support Granite Staters as the COVID-19 crisis continues and subsides.

UNEMPLOYMENT COMPENSATION AND FOOD ASSISTANCE

The new law extends existing expanded eligibility for unemployment benefits and enhanced unemployment benefit levels. While an additional \$300 per week in federally-funded unemployment compensation would have previously begun phasing out on March 14, 2021, ARPA [extends the full benefits to September 6, 2021](#). It also maintains the broadened eligibility for workers who would otherwise be excluded from traditional unemployment benefits, continuing eligibility expansions from prior policy actions. While estimates for the total amount of dollars in unemployment compensation are not available and depend on the number of people unemployed in any given week, the weekly \$300 boost during the [Lost Wages Assistance program](#), which covered August and the first five days of September in 2020, resulted in [\\$101.8 million in aid](#) to New Hampshire residents. The additional aid from this provision of ARPA may not generate as much federal revenue flowing to New Hampshire each month as the Lost Wages Assistance program, as [fewer residents may be unemployed](#) in future months than were in August 2020. Unemployment benefits provide effective economic stimulus, and these benefits will continue to efficiently support New Hampshire's economy. Estimates from Moody's Analytics modeled the economic benefit of each additional dollar in federal expenditures to extend unemployment benefits during the first quarter of 2009, close to the end of the Great Recession, and found each dollar invested [generated \\$1.61 of economic activity](#).

An increase in Supplemental Nutrition Assistance Program (SNAP) benefits, also known as benefits through [the Food Stamp Program](#) in New Hampshire, established in the [federal relief package passed in December 2020](#), was also extended in ARPA. The 15 percent increase in these federally-funded supports that was set to expire in June 2021 has now been [extended](#) through September 30, 2021. These benefits help families afford food and are very effective at stimulating the economy as well, with

Moody's Analytics estimating a similar temporary increase in SNAP benefits [generated \\$1.74 in 2009](#) for each additional dollar invested. The Center on Budget and Policy Priorities [estimated](#) the average monthly increase in benefits for Granite Staters would be about \$27 per person, and 64 percent of benefits would go to households with children.

ARPA also extends the [Pandemic EBT](#) program, which provides food assistance to students who are missing free or reduced-price meals that would have been provided in person at school, through the summer months. The Act also [temporarily increases certain benefits](#) through the Women, Infants, and Children Nutrition Program.

DIRECT AID TO GRANITE STATE HOUSEHOLDS

As with other provisions from earlier pandemic assistance laws, ARPA redeploys direct payments to aid individuals and families and stimulate the economy. Individuals will receive another round of [Economic Impact Payments](#), with expanded amounts for both individuals and their dependents. Individuals with less than \$75,000 (or \$112,500 for a head of household) per year in income [will receive \\$1,400](#), or \$2,800 for couples earning up to \$150,000 in income, based on 2019 or 2020 tax returns. Families will be provided an [additional \\$1,400 per dependent](#), including adults and college students. These direct payments will phase out for higher levels of income more quickly than previous rebate checks. These payments will not count as income for the purposes of means-tested programs that rely on income thresholds as a qualifier, such as Medicaid, Supplemental Security Income, or SNAP.

The Congressional Research Service [estimated](#) these Economic Impact Payments would be received by 597,274 households in New Hampshire and total about \$1.46 billion. Payments from two previous pieces of federal legislation, both of which provided more limited amounts, [totaled \\$1.18 billion](#) in aid to Granite Staters.

EXPANDED CHILD AND EARNED INCOME TAX CREDITS

With a temporary change that will deliver substantially more tax relief and assistance to low-income families with children, ARPA expands the Child Tax Credit and makes the value fully refundable for 2021. Adults with children could only credit \$2,000 against their tax bill for each child previously, with only a portion of that total being fully refundable for parents with low incomes and more limited tax bills. In 2021, the Child Tax Credit [expands](#) to \$3,000, with a child under six years old making the taxpayer eligible for a \$3,600 tax credit, and eligibility is also expanded to 17-year-old children. Most critically for households with limited incomes, the credit is fully refundable, and the credit phaseout begins at the same income thresholds as the Economic Impact Payments.

Additionally, starting in July 2021, the U.S. Treasury will make periodic payments of portions of the Child Tax Credit to tax filers, potentially creating a monthly (depending on administrative capacity) payment of this tax credit and supplying a stream of income support for eligible households with children. This method of crediting households would be a substantial change in policy and income supports for these families.

This Child Tax Credit expansion for 2021 will make the credit available to an estimated [approximately half](#) of children nationally who live in rural areas, or who are Black, African American, Hispanic, or Latino whose families have not qualified for the full credit because their incomes have been too low. One estimate from Columbia University suggests this policy alone could reduce [a key measure of national child poverty](#) by about 45 percent. In New Hampshire, the Center on Budget and Policy Priorities

[estimates](#) that 222,000 children (87 percent of all children), including 15,000 Latino children and 6,000 Asian children, will benefit from the expanded Child Tax Credit. About 8,000 children will be lifted out of poverty (about [18,000 children](#) in New Hampshire lived in poverty [in 2019](#)), and 52,000 will benefit from the fully refundable tax credit that their families did not have access to under prior law.

For 2021, ARPA will also [increase the cap](#) on the Earned Income Tax Credit, a wage subsidy for low-income workers provided through the tax code, for workers without children. That cap will rise from \$543 to \$1,502 for 2021 by increasing the credit from 7.65 percent to 15.3 percent of earnings, raising the phaseout income threshold, and increasing the maximum credit amount. ARPA also [generally](#) permits the credit to be used by 19- to 24-year-olds (excluding some students) and individuals over 65 years old, who were previously not eligible. The Center on Budget and Policy Priorities [estimated](#) approximately 70,000 workers in New Hampshire may benefit from this tax credit expansion.

HEALTH COVERAGE SUBSIDIES

For those purchasing individual health insurance on the marketplace for themselves or their families, ARPA establishes significant increases in subsidies for both lower-income and middle-income people for 2021 and 2022. For enrollees with household incomes between 100 percent and 400 percent of the federal poverty threshold, the 2010 Affordable Care Act places limits on the percentage of income that can be used to pay for premiums for the benchmark health plan in each marketplace. This effectively subsidizes enrollees to ensure they do not pay more than a certain percentage of their incomes in health insurance premiums.

ARPA [reduces those income percentage caps](#) for all income groups above the poverty threshold, providing subsidies to those with over 400 percent of poverty-level incomes for the first time through this mechanism and completely subsidizing premiums for those with incomes between 100 percent and 150 percent of the federal poverty threshold. Changes in ARPA also subsidize health coverage for people who have [recently lost their jobs](#), and pay the entire cost of COBRA premiums between April and September 2021 to provide continuity on employer-sponsored health plans after job loss.

Lowering the caps on income that can be used for premiums before subsidies will substantially reduce out-of-pocket expenses for many health insurance customers on the marketplace, particularly those middle-income households that did not previously have an income cap on premium payments, as well as older adults and people who live in areas with particularly high premiums.

The Center on Budget and Policy Priorities [estimates](#) that a New Hampshire couple comprised of two 60-year-olds with a household income of \$75,000 (435 percent of the federal poverty threshold) will see their premium payments drop by about \$985 per month. A family of four, with \$120,000 in income (458 percent of the federal poverty threshold), two 40-year-olds, one 10-year-old child, and one five-year-old child would see their monthly premium drop an estimated \$291. Separately, the Kaiser Family Foundation [calculated](#) that the average decrease in cost for a benchmark plan premium for a 60-year-old in New Hampshire with \$55,000 of income (430 percent of the federal poverty threshold) would decline by an estimated \$317 per month.

HOUSING ASSISTANCE

Coming after the enactment of federal emergency rental assistance in December 2020, ARPA will appropriate to New Hampshire [approximately \\$152 million](#) in assistance to augment previously-allocated funds. [Eligible renters](#) must have incomes below 80 percent of the area median income, have

experienced financial hardship or qualified for unemployment compensation due to the pandemic, and have a risk of homelessness.

The [December 2020 federal law](#) resulted in an allocation of [\\$200 million for emergency rental assistance](#) in New Hampshire, which is being administered by the [New Hampshire Housing Finance Authority](#). With nearly half of New Hampshire renters paying [more than 30 percent](#) of their household income to rent and utilities in 2019, and low-wage workers the [most heavily impacted](#) by the COVID-19 crisis, this assistance will likely be critical to the housing stability of many Granite Staters.

ARPA establishes emergency housing vouchers targeted at individuals and households that are either experiencing or at risk of homelessness, as well as survivors of domestic violence or human trafficking. There are also provisions designed to support homeless students and [aid communities](#) in reducing homelessness. ARPA also creates a Homeowner Assistance Fund to support those facing difficulty paying their mortgage, utility, or insurance costs due to financial hardship associated with the pandemic. Additional grants provided to the Federal Emergency Management Agency's Emergency Food and Shelter Program through ARPA will also support certain homeless services and housing costs.

CHILD CARE FUNDING

Under ARPA, states receive [Child Care Stabilization Grants](#) to support child care providers that are either open or temporarily closed. The support can be used for personnel expenses, rent, mortgage payments, cleaning supplies, personal protective equipment, mental health services for either children or staff, and other expenses necessary to maintain or resume operations. New Hampshire will receive an [estimated](#) \$48 million in Child Care Stabilization Grants, according to the Congressional Research Service.

Additionally, New Hampshire will receive a \$30 million increase in Child Care and Development Block Grant funding, which can be used flexibly by states and are often used for subsidizing child care for low-income families. ARPA specifically grants states authority to provide child care assistance to essential workers [regardless](#) of their income. The Act also will increase the estimated payment to New Hampshire under the federal Child Care Entitlement to States program by \$2 million per year.

As the public health impacts of the COVID-19 crisis recede and more workplaces open, child care will provide a [critical service](#), enabling more Granite Staters to return to work.

AID TO STATES, COUNTIES, AND MUNICIPALITIES

Unlike previous federal responses to the COVID-19 pandemic, ARPA provides assistance [directly to state and local governments](#) that can be used to offset revenue shortfalls associated with the pandemic. The Act also allocates a portion of the aid directly to counties and municipal governments, some of which will be administered by the State government, and ensures that smaller states and their constituent local governments receive at least a certain amount of funding. Funds are to be distributed based on minimum amounts set forth for states and by the share of total unemployed workers in each state.

Assistance to states, counties, cities, and towns can be used for four broad purposes, including to:

- respond to the public health or negative economic impacts of the pandemic, including assistance to households, small businesses, nonprofits, or aid to impacted industries

- provide premium pay to people performing essential work during the COVID-19 crisis, either directly or to eligible employers
- fund public services to the extent of the reduction in revenue due to the pandemic relative to revenues collected in the most recent full fiscal year prior to the federal public health emergency
- make necessary investments in water, sewer, or broadband infrastructure

These funds cannot be deposited into pension funds, nor can they be used by States to offset any net reductions in tax revenue resulting from a policy change after March 3, 2021. Net reductions in State tax revenue cannot be funded directly or indirectly with these federal funds. A March 23 [statement](#) from U.S. Treasury Secretary Janet Yellen indicated that every dollar used for net tax reductions would forfeit a dollar in federal assistance, resulting in [two dollars of lost revenue](#) for services and economic stimulus. These funds will be available until December 31, 2024.

In New Hampshire, the State will receive an [estimated](#) \$960 million in funds from these provisions, although final figures will be determined after the U.S. Treasury Department has provided guidance and rules based on ARPA's language. State policymakers must submit a certification of need to the federal government to receive these funds, and may choose to deploy them through the State Budget, through separate legislation, directly to State agencies, or through the Governor's office in some other form. State funding will arrive within 60 days of the submission of certification of need, but if [additional](#) certification or information is required, the U.S. Treasury Department can withhold half of funds for states for up to a year. Additionally, the State will receive an estimated \$122 million for critical capital projects that directly enable work, education, and health monitoring in response to the pandemic.

Counties in New Hampshire are expected to receive approximately \$264 million directly from the U.S. Treasury Department, distributed based on population and ranging from an estimated \$6 million for Coos County to \$81 million for Hillsborough County. A total of \$194 million is expected to be allocated to cities and towns in New Hampshire based in part on a modified Community Development Block Grant formula, with no community receiving amounts greater than 75 percent of the municipal budget enacted immediately prior to January 27, 2020. Funding for local governments will arrive in two tranches, with half arriving within 60 days of ARPA's enactment and half arriving a year later.

Additionally, states will receive more aid through enhanced Medicaid matches in various portions of the [Medicaid program](#), which is a state-federal fiscal partnership that provides health coverage for certain people, generally including those with low incomes or limited means. ARPA includes many changes in federal matching fund policies, which will support state health coverage programs. One key example is a year-long increase in the federal match for home and community-based services for older adults and people with disabilities; the Kaiser Family Foundation [estimated](#) this enhanced match, from April 2021 to March 2022, would provide about \$43 million in additional funding to New Hampshire for these services.

EDUCATION AID

Local school districts and certain other educational institutions will receive financial support from the federal government under APRA, including funding designed to support the safe reopening of schools. Appropriations are also specifically allocated to address learning loss associated with the pandemic using evidence-based interventions, including at least 20 percent of the support to school districts. States will also receive funds to specifically address learning loss, as well as support after school

programs and summer enrichment programs for students. ARPA [institutes](#) a maintenance of effort requirement for school funding levels to help prevent reductions in local public education funding relative to previous levels, and also has provisions to help ensure funding for school districts serving disproportionately more students in poverty.

New Hampshire is [expected](#) to be allocated approximately \$350 million in aid for local public education through ARPA. Non-public schools in New Hampshire would be allocated approximately \$7 million, with the State distributing the funds to support schools that have significant low-income student enrollment and students that have been most impacted by the pandemic.

Both public and private nonprofit higher education institutions will also be allocated funding under ARPA. Direct grants will go to these entities, as well as postsecondary vocational institutions, based in part on a formula based on the numbers of Pell Grant recipients and total enrollees at an institution in remote and non-remote settings. Grants would also be provided to institutions disproportionately serving students from racial and ethnic minority populations, and the federal government will maintain and deploy appropriations in the Fund for the Improvement of Postsecondary Education.

Estimates from the Congressional Research Service [indicate](#) higher education institutions in New Hampshire will receive approximately \$162 million through these ARPA provisions. At least half of funding to colleges and universities must be spent on emergency financial assistance grants to students for college costs and basic needs, such as food, housing, and health care.

OTHER KEY PROVISIONS

Additional provisions in the new law include:

- allocating significant funding for COVID-19 testing and contact tracing, as well as for vaccine distribution and procurement
- providing more direct supports for community health centers and assistance to help sustain and expand public health workforces, including awards to health departments and funding for scholarships and certain loan repayments for health care workers
- providing states with the option to extend Medicaid eligibility to individuals for a year after the birth of a child, as well as enhanced federal support for certain mobile crisis intervention services to individuals experiencing a mental health or substance use disorder crisis
- adding support for heating and cooling costs to the Low Income Home Energy Assistance Program, and establishing a new program to support drinking water and wastewater services for low-income households
- supporting the Temporary Assistance for Needy Families program with additional [pandemic-related funding](#) for states
- extending and expanding a tax credit for employers offering paid sick leave and family medical leave, as well as expanding and extending a tax credit for businesses to retain and rehire workers
- expanding the Payroll Protection Program to certain nonprofits, including labor and agricultural organizations, and digital news services
- providing assistance specifically for restaurants and closed venues
- appropriating money for certain public transit operations, including urban and rural operations in New Hampshire

- repealing a provision permitting taxpayers to apportion interest expenses on a worldwide basis
- supporting health and housing services for Native Americans and debt relief for socially disadvantaged farmers nationally
- providing funding for global public health initiatives, including responses to the pandemic and food aid

ECONOMIC IMPACT

With ARPA, the federal government has provided significant resources to both combat the pandemic and support the economic recovery. The substantial amount of assistance to individuals and families with low incomes helps grow the entire economy by helping ensure those who have been most negatively impacted by the pandemic, and who are most likely to deploy the aid into the economy quickly, have the resources to support themselves, their families, and the recovery overall. Available estimates of the ARPA's effects from [Columbia University](#) and the [Urban Institute](#) both suggest ARPA's provisions may reduce child poverty by more than half in 2021, with a significant reduction in overall poverty. The tax policy provisions of ARPA will boost after-tax incomes for those in the bottom 20 percent of income earners nationally by 21 percent, with the next 20 percent seeing a 10 percent boost in after tax incomes, according to [estimates](#) from the Tax Policy Center. Given the relative effectiveness of economic stimulus [when directed](#) at assistance to people with low incomes and to support public services, this assistance will likely strengthen the financial prospects of all businesses, individuals, and families participating in New Hampshire's economy. The aid from ARPA has the high potential to create both a more equitable and a more robust economic recovery than New Hampshire experienced after the Great Recession.

- *Phil Sletten, Senior Policy Analyst*