

Summary and Analysis of the American Rescue Plan Act of 2021

On March 11, President Joe Biden signed H.R.1319, the American Rescue Plan Act of 2021 (ARP), which will provide \$1.9 trillion in funding to support continued relief and recovery from the coronavirus pandemic. This expands on prior packages, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020 (approximately \$2.2 trillion) and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act in December 2020 (approximately \$900 billion). See [Appendix I](#) for a full summary of the education related funding in the ARP compared to the previous relief packages.

The final bill text of the ARP is [here](#).

The ARP represents a historic level of federal investment in early childhood, K-12, and higher education – larger than what was included in prior federal relief. While these funds are likely to flow quickly from the U.S. Departments of Education (USED), Health and Human Services (HHS), and other federal agencies, these funds are likely to be spent over several years.

The Biden Administration has now begun to consider a second major relief package focused largely on infrastructure and job creation. Advancing a robust infrastructure agenda, which could also include additional significant investments in education facilities, will require buy-in from Congress – even if the Administration and congressional Democrats pursue a second budget reconciliation process – so the president is laying the groundwork now in the hopes of achieving bipartisan support.

Table 1. Summary of Education Funding Available in the American Rescue Plan Act Compared to Previous Relief Bills.

	CARES Act	CRRSA	ARP
Governors Education Funding	\$3 billion	\$1.25 billion	N/A
ECE and Child Care Funding	\$4.25 billion	\$10.25 billion	\$40.6 billion
K-12 ¹	\$13.5 billion	\$57.9 billion	\$130.2 billion
Higher Education	\$14.25 billion	\$22.7 billion	\$40 billion
Total Education Funding	\$35 billion	\$92.1 billion	\$210.8 billion

Elementary and Secondary Education:

The ARP provides **approximately \$130 billion** to support K-12 education mostly through the Elementary and Secondary Education Emergency Relief (ESSER) Fund, which will receive approximately \$123 billion of this funding. Most of these funds will flow through states to local school districts. This is a similar funding structure to the previous two federal relief bills, but with some important differences. Specific funding includes:

- **Approximately \$12.2 billion (or 10 percent of ESSER Fund) for state education agencies (SEAs)** to implement evidence-based² activities to address the disparate impact of the pandemic on marginalized student populations³. This includes several set asides as follows:

¹ These totals also reflect additional funding for outlying areas and for the Bureau of Indian Education (BIE).

² The law states that the terms used in the text (e.g. “evidence-based,” “children with disabilities,” “full-service community school,” etc.) all have the same meanings as they do in the Elementary and Secondary Education Act, as amended by the Every Student Succeeds Act (ESSA).

³ Such activities must account for the disparate impact the pandemic has had on students of color, students from low-income backgrounds, students with disabilities, English language learners, students from immigrant families, students experiencing homelessness, and students and youth in foster care.

- **Approximately \$6.1 billion (or 5 percent of ESSER Fund) to address “learning loss,”** by supporting “evidence-based interventions”, such as summer learning or enrichment programs, comprehensive afterschool programs, extended day, or extended year, that “respond to students’ academic, social, and emotional needs” and “address the disproportionate impact of the coronavirus” on marginalized student groups;
- **Approximately \$1.2 billion (or 1 percent of ESSER Fund) on “evidence-based” summer enrichment programs** that “respond to students’ academic, social, and emotional needs” and “address the disproportionate impact of the coronavirus” on marginalized student groups;
- **Approximately \$1.2 billion (or 1 percent of ESSER Fund) on “evidence-based” afterschool programs** that “respond to students’ academic, social, and emotional needs” and “address the disproportionate impact of the coronavirus” on marginalized student groups; and,
- **Approximately \$609.9 million (or no more than 0.5 percent of ESSER Fund) may** be used on administrative costs.
- **\$800 million to support students experiencing homelessness**, including using funds to identify children and youth experiencing homelessness and provide them with wrap-around services and assistance needed to enable children and youth to attend school and participate fully.
- **\$109.7 billion (or 90 percent of ESSER Fund) for local educational agencies (LEAs)**, which must be allocated to districts via Title I formula. LEAs must:
 - Spend at least **20 percent of their funds (approximately \$21.9 billion) to address learning loss** supporting “evidence-based interventions”, such as summer learning or enrichment programs, comprehensive afterschool programs, extended day, or extended year, that “respond to students’ academic, social, and emotional needs” and “address the disproportionate impact of the coronavirus” on marginalized student groups; and,
 - Spend the remaining funds to **support the continued response and relief efforts related to the pandemic**. Some allowable uses include any activity authorized by ESEA, the Individuals with Disabilities Education Act (IDEA), or the Perkins Career and Technical Education Act; activities to address the unique needs of low-income students, children with disabilities, English language learners, students of color, students experiencing homelessness, and foster care youth; and purchasing supplies to mitigate the spread of the coronavirus and purchasing educational technology. For a full list of allowable uses, see [here](#) (page 17).

Outside of the ESSER Fund are other key funds for elementary and secondary education. These include:

- **\$3.03 billion for the Individuals with Disabilities Education Act (IDEA)**, allocated as:
 - \$2.58 billion for grants to states under IDEA, Part B;
 - \$200 million for preschool grants under IDEA, Section 619; and,
 - \$250 million for supporting infants and toddlers with disabilities under IDEA, Part C.
- **\$2.75 billion, allocated to Governors, to support non-public schools** that enroll a “significant percentage of low-income students that are most impacted” by the pandemic. Due to this separate funding, there is no equitable services requirement for public schools and the relief funding they receive from the ARP.
- **\$850 million to support the Bureau of Indian Education**, however, this funding is appropriated directly to the U.S. Interior Department, not to USED.
- **\$850 million to support outlying areas**.

Timing and Delivery – Once **states receive their allocations, they must make awards to LEAs within 60 days**; however, it is unclear how quickly the Department will send funds to states. While the Department will be motivated to disperse funds quickly, they will likely want to develop guidance or additional resources that correspond with the new funds. **Funding for the ESSER Fund will remain available through September 30, 2023.** However, the ARP notes that states must award funds within 1 year of receiving their allocations from the Department.

Maintenance of Effort and Equity – The ARP contains two provisions regarding state and local funding expectations:

- **Maintenance of Effort (MOE):** This provision seeks to ensure that states maintain financial support for public elementary and secondary schools and institutions of higher education. States receiving ARP funds must maintain the same level of financial support for fiscal years 2022 and 2023, as compared to the average financial support over fiscal years 2017, 2018, and 2019.
- **Maintenance of Equity (MOEquity):** This provision is intended to ensure that higher-poverty school districts and schools do not suffer from disproportionate budget cuts from state and local funding sources. For fiscal years 2022 and 2023, SEAs cannot reduce funding for high-need districts by amounts that exceed the overall per-pupil reductions in funding for all districts. Additionally, the law requires that SEAs cannot reduce state funding for any “highest poverty” LEAs below the level provided in fiscal year 2019. Additionally, the provision notes that LEAs cannot reduce their combined state and local per pupil funding or FTE staff of any high-poverty school by more than the average per-pupil staff or funding reduction for the rest of the LEA.

Table 2. Summary of K-12 Funding Available in the American Rescue Plan Act Compared to Previous Relief Bills.

	CARES Act ⁴	CRRSA ⁵	ARP ⁶
State Education Funding	\$1.3 billion	\$5.4 billion	\$12.2 billion
Public School District Funding	\$11.9 billion	\$48.9 billion	\$109.7 billion
Non-Public Schools Assistance	N/A	\$2.75 billion	\$2.75 billion
Support for Homeless Students and Youth	N/A	N/A	\$800 million
IDEA Funding	N/A	N/A	\$3.03 billion
Bureau of Indian Education (BIE)	\$153.8 million	\$409.4 million	\$850 million
Outlying Areas	\$153.8 million	\$409.4 million	\$850 million
Total K-12 Funding	\$13.5 billion	\$57.9 billion	\$130.2 billion

⁴ <https://oese.ed.gov/files/2020/04/ESSER-Fund-State-Allocations-Table.pdf>

⁵ [https://oese.ed.gov/files/2021/01/Final ESSERII Methodology Table 1.5.21.pdf](https://oese.ed.gov/files/2021/01/Final_ESSERII_Methodology_Table_1.5.21.pdf)

⁶ [https://www.democrats.senate.gov/imo/media/doc/CD%20memo ESSER EANS HEERF Senate%20passed%20sub%20to%20HR1319_3-8-21.pdf](https://www.democrats.senate.gov/imo/media/doc/CD%20memo_ESSER_EANS_HEERF_Senate%20passed%20sub%20to%20HR1319_3-8-21.pdf)

Higher Education:

The ARP provides **\$40 billion for the Higher Education Emergency Relief (HEER) Fund**. This includes:

- For **non-profit institutions, at least 50 percent** of their allocations must be used to provide emergency financial assistance grants to students. The Maintenance of Effort provision (see above) also applies to public colleges and universities.
- For **for-profit colleges and universities, 100 percent** of their allocations must be used for emergency financial assistance grants to students.

One key addition to the bill aimed at enhancing student protections is the inclusion of a long-sought **change to the so-called 90/10 rule**⁷ for for-profit institutions. The ARP would newly count all federal aid, including GI Bill benefits, toward the requirement that no more than 90 percent of revenue come from federal loans and grants.

Table 3. Summary of Higher Education Funding Available in the American Rescue Plan Act Compared to Previous Relief Bills.

	CARES Act	CRRSA	ARP
Institution Available Funding (maximum amount)	\$7.1 billion	\$11.3 billion	\$20 billion
Emergency Financial Aid Grants to Students (minimum amount)	\$7.1 billion	\$11.3 billion	\$20 billion
Total Higher Education Emergency Relief (HEER) Fund	\$14.25 billion	\$22.7 billion	\$40 billion

Early Childhood and Child Care:

The ARP provides **over \$40 billion for early childhood and child care**, as follows:

- **\$15 billion for the Child Care and Development Block Grant (CCDBG)** to allow states to continue to provide child care assistance to essential workers and low-income families who need help paying for child care. The funds can also be used to increase rates and compensation for providers, waive fees for families struggling to afford the cost of care, and ensure that underserved communities and populations have access to the care they need. Funds must be obligated within two years.
- **\$24 billion for a new Child Care Stabilization grant program.** These funds are designed for states to directly invest in child care providers (including centers, family child care homes, and Head Start agencies) to ensure that they can continue to provide care. States will provide direct grants to providers to cover personnel costs (salaries and other compensation), rent and mortgage costs, costs associated with the pandemic, including personal protective equipment (PPE) and other cleaning supplies, and any needed changes to facilities. States will be required to provide

⁷ Currently, the 90/10 rule requires that for-profit institutions not receive more than 90% of their revenue from USED loans and grants. The remaining 10 percent of revenue can come from other federal sources, including GI Bill benefits.

technical assistance to providers to ensure that the funds can be distributed equitably and reach those providers and communities most in need.

- **\$1 billion for Head Start** to meet the needs of children and families impacted by the pandemic who are eligible for Head Start.
- **\$633 million, permanent increase in mandatory funding annually for CCDBG**, which includes a temporary two-year waiver for the state match portion of this increase. As background, the CCDBG program includes a mandatory funding component – referred to as the Child Care Entitlement to States – and an annual funding component – referred to as discretionary spending. This increase would be specific to the mandatory component.

Table 4. Summary of Early Childhood Education (ECE) and Child Care Funding Available in the American Rescue Plan Act Compared to Previous Relief Bills.

	CARES Act	CRRSA Act	ARP ⁸
CCDBG (discretionary)	\$3.5 billion	\$10 billion	\$15 billion
CCDBG (mandatory)	N/A	N/A	+ \$633 million* (recurring annually)
Head Start	\$750 million	\$250 million	\$1 billion
Child Care Stabilization Fund	N/A	N/A	\$24 billion
Total ECE and Child Care Funding	\$4.25 billion	\$10.25 billion	\$40.6 billion

* The CCDBG program includes a mandatory funding component – referred to as the Child Care Entitlement to States – and an annual funding component – referred to as discretionary spending. This increase would be specific to the mandatory component and would remain for the next 10 years.

Other Education-Related Provisions:

- **\$7.2 billion for the Federal Communications Commission (FCC)** to support schools and libraries in providing broadband access for students.
- **\$1 billion for the Corporation for National and Community Service (CNCS)** and the National Service Trust to support AmeriCorps programs, state CNCS commissions, the volunteer generation fund, the National Senior Service Corps, and the National Services Trust.
- **\$100 million for IES** to carry out research related to addressing learning loss caused by the pandemic on marginalized student populations, and to disseminate findings to SEAs and LEAs.

Other Notable ARP Provisions and Relief:

In addition to the direct spending above on early childhood, K-12, and higher education, the ARP includes many other spending and tax provisions that are likely to supplement state and local education spending and/or directly support children and families:

- **State and Local Fiscal Relief: \$219.8 billion for a state fiscal recovery fund and \$130.2 billion for a local fiscal recovery fund.** State and local governments may use these funds to support a wide variety of government services, including education services. Additionally, both funds allow for state and local governments to make “necessary investments” in broadband infrastructure.

⁸ [https://www.democrats.senate.gov/imo/media/doc/CCDF%20in%20FY2021%20Reconciliation%20\(2-17-21\)\[1\].pdf](https://www.democrats.senate.gov/imo/media/doc/CCDF%20in%20FY2021%20Reconciliation%20(2-17-21)[1].pdf)

- **Student Loan Relief Tax Exclusion:** Currently, if a student loan is forgiven, the amount that is forgiven is taxable. The bill allows student loan debts that are forgiven over the next five years (between December 31, 2020 to January 1, 2026) to be tax-free.
- **Expansion of the Child Tax Credit:** The bill expands the Child Tax Credit for one year to \$3,000 (\$3,600 per child under the age of six) from \$2,000. The bill also makes the Child Tax Credit for 2021 fully refundable meaning the poorest families that did not have income can still claim the full amount of the credit (currently, you must have income of at least \$2,500 to claim up to a \$1,400 credit). Additionally, half of the credit can be received in advance by allowing families to receive likely monthly (or periodic in the bill) payments for part of 2021. It is estimated that the child poverty rate could be cut in half as a result of this expansion.⁹
- **Expansion of the Child and Dependent Care Tax Credit (CDCTC):** The CDCTC is specifically meant to help offset the cost to families of child care or caring for a dependent. The bill expands the credit for one year by increasing the amount of eligible expenses from \$3,000 to \$8,000 for one child (or from \$6,000 to \$16,000 for two or more children) and makes the credit fully refundable. Additionally, the bill increases the maximum amount of child care expenses that can be claimed from 35% to 50%. The bill also expands the phaseout threshold for which families can claim the maximum percent of eligible expenses from those with \$15,000 in income to \$125,000 in income (currently, families making more than \$43,000 in income can only claim up to 20% of expenses rather than 35%). Lastly, the bill adds a phaseout for taxpayers earning in excess of \$400,000.
- **\$1,400 in direct payments** for eligible individuals making up to \$80,000 per year, with an additional \$1,400 payment per child and adult dependent.
- **Extension of the Pandemic EBT (P-EBT) program**, which provides nutrition assistance funds in lieu of reduced-price and free meals for students, through the summer and through the end of the COVID-19 pandemic.
- **Extension of the temporary 15 percent increase in Supplemental Nutrition Assistance Program (SNAP) benefits** through September 30, 2021.
- **\$1 billion for a Pandemic Emergency Fund**, which will be provided to **Temporary Assistance for Needy Families (TANF) programs** to provide temporary, emergency assistance for low-income families with children (including those that are not currently receiving cash assistance). The funding could provide immediate cash support and direct payments to families, such as emergency housing payments and food aid.
- **\$880 million to deliver expanded access to fruits and vegetables** for women, infants, and children and **investments in innovation to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).**
- **\$300 per week for Federal Unemployment Insurance**, which will extend through September 6.

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⁹ <https://static1.squarespace.com/static/5743308460b5e922a25a6dc7/t/600f2123fdfa730101a4426a/1611604260458/Poverty-Reduction-Analysis-American-Family-Act-CPSP-2020.pdf>

APPENDIX I.

Table 4. Summary of All Education Funding within the American Rescue Plan Act Compared to Previous Relief Bills.

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Governors Education Funding:	\$3 billion	\$1.25 billion	N/A
ECE and Child Care Funding:	\$4.25 billion	\$10.25 billion	\$40.6 billion
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