

The American Rescue Plan's Impact on New York State and City Government, Businesses, and Nonprofits

Summary

On March 11, 2021, President Joe Biden signed the American Rescue Plan (ARP) into law. This historic \$1.9 trillion COVID relief plan will have a major impact on the country by providing relief to businesses, nonprofit organizations, state and local governments, and millions of individual Americans. The bill includes direct stimulus payments to individuals and families, the extension of unemployment aid, and an expansion of the child tax credit. In New York, the ARP has altered the economic outlook by potentially alleviating severe budget shortfalls across state and city government. This article will summarize the ARP's impacts on New York state and city government as well as the implications for businesses and nonprofits.

The ARP directs \$350 billion in state and local funding across the country, including nearly \$24 billion to New York. The ARP sets guardrails for the use of funding, including the establishment of the following eligible cost criteria:

- Funding is required to be associated with responding to the COVID-19 public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits or aid to impacted industries such as tourism, travel, and hospitality;
- Funding may support workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers or by providing grants to eligible employers that have eligible workers who perform essential work;
- Funding may be used to cover revenue losses caused by the COVID-19 public health emergency; or
- Funding may be used to make necessary investments in water, sewer, or broadband infrastructure.

In New York state, funding is allocated as follows:

- \$12.569 billion for state government
- \$6.141 billion for major cities
- \$3.907 billion for counties
- \$825 million for small cities, towns, and villages
- \$358 million for a statewide broadband investment program

Senator Schumer's office has provided a breakdown of funding by municipality, which is [available here](#).

In addition to the state and local relief funding described above, the ARP also includes \$10 billion for a nationwide Coronavirus Capital Projects Fund to allow states, territories, and tribal governments to carry out critical capital projects that directly enable, "work, education, and health monitoring, including remote options," in response to COVID-19. The ARP provides for at least \$100 million per state, territory, and tribal government. The roughly \$4.6 billion of remaining funds are to be distributed by formula, with 50 percent allocated based on state population, 25 percent allocated based on the proportion of the population living in rural areas, and 25 percent allocated based on the proportion of the state's population with household incomes below 150 percent of the poverty line. The Treasury Department is currently developing rules to guide eligibility and applications for this funding; guidance is expected to be finalized within the next six weeks.

The ARP also includes \$30.5 billion in transit relief funds, including \$6.5 billion specifically



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designated to assist the fiscally beleaguered Metropolitan Transportation Authority (MTA). This allocation is in addition to \$8 billion in funding received through CARES Act I and II. The MTA had previously projected a \$17.1B shortfall through 2024 before federal relief efforts.

Impact on New York State Budget

As the epicenter of the COVID-19 pandemic throughout much of 2020, New York state is facing historic budget challenges. This includes a budget deficit estimated at around \$15 billion in the current fiscal year before higher-than-forecast tax revenues were recently received. Since the governor released his proposed budget in January, the governor and the state legislature have been engaged in negotiations to meet the April 1 deadline. An array of revenue-raising options and new programs have been put on the table, including an increased tax on millionaires, a new capital gains tax, a new pied-a-terre tax, an increased estate tax, a corporate surcharge, and a stock transfer tax. The governor and legislature have also been negotiating the potential legalization of adult-use cannabis and of mobile sports betting, both of which would provide significant additional revenue for the state. The New York Senate and Assembly have also proposed \$1 billion in direct grants for small businesses.

The influx of billions of federal dollars through the ARP may release some of the pressure to enact major new taxes in order to close what seems to be a significantly smaller budget deficit, but negotiations are ongoing. Governor Cuomo says that an additional \$5 billion has been “located” that would avoid the need for budget cuts or new taxes.

Given that the American Rescue Plan allows for states to use monies received for assistance to small businesses, nonprofits, and impacted industries, we will be monitoring these opportunities closely as the budget process continues.

Impact on New York City Budget

New York City’s budget has also been strained by the pandemic, both in terms of increased COVID-related expenditures and decreased revenues brought by the economic shut-down. On January 14, 2021, Mayor de Blasio released his preliminary budget for Fiscal Year 2022, which was balanced through cuts to agency spending, reduced headcount, and projected savings achieved through union contract negotiations. Now that the ARP will provide approximately \$6 billion to New York City, government leaders are determining how best to utilize this significant federal funding.

It is likely that some of the federal funding will be used to offset COVID costs incurred in the current fiscal year while some of the funds will likely be applied to COVID costs projected for FY22. This will free up significant funds to roll back proposed agency spending cuts and possible layoffs. It may also be enough to fund new programs, including those designed to help to jump start the city’s economy and address historic racial inequities. The de Blasio administration will release the FY22 executive budget in May and we will have a better sense of how the federal funding may help to restore essential city services that are scheduled for cuts as well as new programs.

Impact on Businesses and Nonprofits

The American Rescue Plan includes a number of promising opportunities for businesses and nonprofits. As mentioned above, states and localities may utilize their state and local aid funding to assist small businesses, nonprofits, and industries negatively impacted by COVID-19. In addition to those funds are the following funds established at the federal level, along with some changes to law and policy.

The bill includes \$28.6 billion for a Restaurant Relief Fund (RRF) that directs the U.S. Small Business Administration to make direct grants of up to \$10 million to eligible entities to cover pandemic-related losses. Eligible entities include those with the primary purpose of serving food or drink, including restaurants, food stands and trucks, caterers, bars, and tasting rooms.

The bill also includes \$15 billion to recapitalize the Economic Injury Disaster Loan program for small businesses. Eligibility remains at fewer than 300 employees and at least a 35 percent reduction in revenue, but the ARP directs the SBA to prioritize future grants towards businesses with 10 or fewer employees, a 50 percent loss in revenue, and/or location in a low-income area.

The bill also adds an additional \$7.25 billion for the Paycheck Protection Program (PPP) and expands eligibility to certain nonprofits. This expanded eligibility includes other types of 501(c) organizations and larger nonprofits.

The bill dedicates \$1.25 billion to a newly established Shuttered Venue Operators Grant (SVOG) program administered by the U.S. Small Business Administration. Entities eligible for an SVOG include live music venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theater operators, and talent representatives. The bill also allows performing arts organizations to apply for both a PPP loan and a SVOP grant under certain conditions. The SBA may begin accepting applications for this program in April.

The bill also extends the employee retention tax credit through December 31, 2021. This is a refundable payroll tax credit for wages paid by employers to employees during COVID.

The bill also extends unemployment benefit reimbursements for nonprofits and increases the federal reimbursement rate to 75 percent through September 6, 2021.

Next Steps

Cozen O'Connor Public Strategies will continue to monitor pandemic recovery efforts at the federal, state, and local levels.

We are prepared to assist with applications to any of the programs mentioned herein as they become available. If you have any questions, please contact a member of our team.

Please follow Cozen O'Connor's Coronavirus Task Force for additional updates and alerts.