

# THE AMERICAN RESCUE PLAN ACT OF 2021

## OVERVIEW

President Biden signed the [American Rescue Plan Act of 2021](#) into law on March 11, 2021. The law dispenses \$1.9T in COVID-19 relief, including allocations of roughly \$125B for the K-12 education system, and nearly \$40B for the higher education system. The package also contains several other funding streams that are impactful to our work and makes some changes to existing COVID-19 relief distribution mechanisms.

### Additional Funding for Education

Utilizing the structure created by [the CARES Act](#), and maintained by the 2020 year-end COVID-19 relief bill, [the Coronavirus Response and Relief Supplemental Appropriations Act \(CRRSA\)](#), the American Rescue Plan Act provides roughly \$165B through [a modified Education Stabilization Fund](#) that includes two main funding streams: the Elementary and Secondary School Emergency Relief Fund (ESSER III) and the Higher Education Emergency Relief Fund (HEER III). Unlike CARES and CRRSA, the bill does not fund the Governor's Emergency Education Relief Fund (GEER). Due to the restrictions built into the reconciliation process, there are minor changes to the existing structure of the funds, with a few exceptions detailed below.

The law includes two critical fiscal policies: maintenance of effort and [maintenance of equity](#) protect our nation's most underserved students from disproportionately harmful cuts as we experienced in past recessions. As a condition of receiving funds, states are now required to:

- **Maintain effort:**
  - Ensure that spending for K-12 education and higher education represents at least the same share of total state spending in FY22 and FY23 as it did, on average, in FY17, FY18 and FY19
- **Maintain equity:**
  - Ensure that any cuts to state funding in FY22 and FY23 for "high-need" school districts are less than the overall reduction in state funding across all districts in the state, on a per-student basis. High-need districts are defined as the districts with the highest percentages of economically disadvantaged students that collectively serve 50% of the state's students
  - Ensure that "high-poverty" school districts receive at least as much state funding in FY22 and FY23 as in FY19, on a per-student basis. High-poverty districts are districts with the highest percentages of economically disadvantaged students that collectively serve 20% of the state's students
  - Ensure that districts do not reduce funding or staff in any high-poverty school in a manner that exceeds the total reduction in district funding or staff or all schools, on a per-student basis. A high poverty school is defined as a school that is in the top 25% of schools in the district based on the percentage of economically disadvantaged students. Districts are exempt from this requirement if they:

- Have fewer than 1,000 students
- Operate a single school
- Serve all students in each grade span in a single school
- Demonstrate an exceptional or uncontrollable circumstance as determined by the Department of Education

### **THE ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND (ESSER III)**

- \$122.8 billion in federal funding
  - **Distribution to states:** K-12 funds will be distributed to states based on the share of funding they receive under Title I of the Every Student Succeeds Act (ESSA), which is used to allocate federal education funding to states for students from low-income backgrounds
  - **Distribution to districts:** Once states receive the money, they must distribute at least 90% of those funds to districts based on how much the district receives from Title I of ESSA
  - **Uses of funds:** Funds can be used flexibly and can be used to address the impact of significant interrupted instruction; to prepare schools for physical reopening; to test, repair, and upgrade projects to improve air quality in school buildings; to purchase education technology; to provide mental health supports; as well as other activities authorized by existing law
    - The use of funds remains largely the same as under prior COVID-19 relief packages, but the bill contains minimum set-asides for state educational agencies (SEAs): 5% to address interrupted learning for underserved students, 1% (\$1.25B) for evidence-based summer programs, 1% (\$1.25B) for after-school programs, and \$800M for supporting students experiencing homelessness
    - LEAs must also set aside at least 20% of their funds to address interrupted learning for underserved students
  - The bill also provides \$2.75B in emergency funding assistance to non-public schools
  - Within 30 days of receiving funds, districts must release a plan that includes information about returning to in-person instruction. Districts are not required to reopen as a condition of receiving funds
  - All funds must be used by September 30, 2023

### **THE HIGHER EDUCATION EMERGENCY RELIEF FUND (HEER III)**

- \$39.5 billion in federal funding
  - Distribution of funds to institutions: The vast majority (91%) of the funds will flow to [public and private nonprofit institutions](#)
  - Historically Black colleges and universities (HBCUs), Hispanic-serving institutions (HSIs), and other minority-serving institutions (MSIs) will receive 7.5% of the remaining funds, while the rest will

be split between [aid for students attending for-profit institutions](#) and for institutions that have the greatest unmet need related to COVID-19

- Uses of funds: Institutions receiving funds will have a wide range of accepted uses, but [will be obligated to spend at least](#) the same amount [on emergency grants to students](#) as they did with funds allocated by the prior two packages. Additionally, a portion of received allocations must be used to implement evidence-based practices to monitor and suppress COVID-19 and conduct direct outreach to applicants about their ability to receive a COVID-19 related financial aid adjustment
  - This is all very similar to the structures set up by prior COVID-19 relief packages
  - All funds must be used by September 30, 2023

### Additional Support for Specific Programs and Populations

- **Head Start:** Provides \$1B to states to fund Head Start programs
- **Early Childhood Education:** Provides \$14.9B for Child Care and Development Block Grant (CCDBG), another \$23.9B for childcare stabilization funding, and expands the Child Tax Credit and makes it fully refundable for the first time
- **Broadband Access:** Provides \$7.1B for home broadband connectivity and devices for K-12 students through the E-Rate program
- **Nutrition:** Extends the 15% increase in SNAP benefits through September 2021 Authorizes the Pandemic EBT program to operate this summer, the duration of the COVID-19 pandemic, and during any school year and subsequent summer in which a public health emergency is declared
  - [College students](#) eligible for federal or state work-study and students with an Expected Family Contribution (EFC) of \$0 in the current academic year (including students eligible for the maximum Pell Grant) will remain eligible for SNAP benefits until 30 days after the public health emergency is lifted
- **Support for homeless students:** As noted above, as a part of ESSER, the bill provides \$800M for wraparound services and assistance for children and youth who are experiencing homelessness
- **Closes the 90/10 loophole:** Pending a negotiated rulemaking process, GI Bill education benefits will now be deemed federal educational aid for purposes of the 90/10 rule, which bars for-profit colleges from receiving more than 90% of their revenue from federal government sources
- **Eliminates taxation of student loan discharges:** Eliminates taxation on federal student loan discharges from Dec 31, 2020 through Jan 1, 2026
- **Students with disabilities:** Invests approximately \$3B into programs funded through the Individuals with Disabilities Education Act
- **AmeriCorps Tutors:** Provides \$1B for the Corporation for National Community Service and the National Service Trust to support, in part, an increase in tutors trained through AmeriCorps