



U.S. DEPARTMENT OF THE TREASURY
**AMERICAN RESCUE PLAN:
TREASURY'S PROGRESS AND
IMPACT AFTER SIX MONTHS**

September 2021

Introduction

When President Biden signed The American Rescue Plan (ARP) into law six months ago, the economy was struggling to recover from the ongoing pandemic. The nation had just endured a record-setting wave of COVID-19, tens of thousands of businesses were shuttered, and millions of families were struggling to make ends meet. Putting us on the road to a robust recovery required decisive action on three fronts: aid for households and families, lifelines for struggling businesses, and support for cash-strapped state and local governments—all undertaken alongside a historic vaccination effort to bring down cases and allow in person economic activity to resume. The American Rescue Plan was designed to meet these urgent needs and put the country on a path not only to recovery but to come out of the pandemic stronger than when it began.

In January 2021, one year into the pandemic, the nascent economic recovery had lost steam. In the fourth quarter of 2020, U.S. GDP had fallen over 2 percent for the year, the unemployment rate averaged 6.7 percent, and employment growth averaged only 213,000 jobs per month. Employment growth slowed through December 2020, to the point where the economy lost jobs. Amidst this background, American families and workers, businesses, and state and local governments faced unprecedented difficulties.

Each of these three fronts in our battle against COVID-19 faced unique but interconnected challenges. Too many American families were struggling to pay for basic needs—to put food on the table and keep the roof over their heads—as they grappled with jobs losses or reduced hours. Businesses—and especially small businesses—were on the other side of this coin, forced to lay off workers or close altogether to decrease spread of the disease. These effects were most keenly felt in sectors particularly exposed to the abrupt changes forced by the pandemic—for example, travel, hospitality, and transportation companies that saw business dry up as Americans remained at home. These economic challenges created severe difficulties for state and local governments, whose revenues from taxes and services plummeted as businesses shuttered and public transportation sat empty.

Immediately upon entering office, President Biden began working to address these interlocking challenges and provide the relief American families, businesses, and state and local governments needed. On March 11, the President signed the American Rescue Plan into law and delivered much-needed support to Americans across the country. For families, the American Rescue Plan offered immediate relief in the form of Economic Impact Payments of up to \$1,400 per person, putting cash directly in the pockets of tens of millions of Americans. For businesses, the American Rescue Plan provided aid in the form of an additional \$7 billion for forgivable Paycheck Protection Program loans, tens of billions in aid for the hardest-hit industries like airlines, and critical tax credits that rewarded businesses for keeping employees on the payroll while offering them paid leave to care for sick loved ones or receive the vaccine. Finally, for state and local governments, the American Rescue Plan provided \$350 billion to support urgent needs and lay the foundation for long-term recovery, in addition to targeted programs to support critical investments in capital projects needed for the future.

The Impact of the American Rescue Plan

Six months later, the American Rescue Plan is supporting a strong, resilient recovery. Over 3 million jobs have been created since the American Rescue Plan was signed into law, and job creation has averaged more than 765,000 over the last three months. This recovery has been fueled by a historic public health response: over 179 million Americans are now fully vaccinated. America's families, small businesses, and state and local governments are already more financially secure. Aided by the American Rescue Plan, the economy is on the path to recovery, and the country is better poised to weather ongoing challenges like the Delta variant, although much work remains. Moreover, the American Rescue Plan's impact and investments will endure beyond the current moment—with some programs continuing for as long as five years—supporting growth and opportunity long into the future.

In total, the Treasury Department is responsible for managing over \$1 trillion in American Rescue Plan programs and tax credits and has already distributed approximately \$700 billion. The Treasury Department's implementation of the American Rescue Plan is part of a comprehensive strategy to support the entire economy during the pandemic by providing assistance directly to American families, assisting businesses impacted by the economic downturn, and delivering critical funds to state and local governments. Taken together, this approach has delivered real benefits for the economy and local communities across the country – and will continue to do so as the recovery progresses.

Today, our economy is back above water. Real GDP growth in the first half of the year was strong enough to push economic output above its pre-pandemic peak. Real GDP growth rose to 6.3% in the first quarter and 6.6% in the second quarter of 2021, with personal consumption growth (the largest component of GDP) rising at an impressive 11.4% in Q1 and 11.9% in Q2 on an annualized basis. For context, the real personal consumption growth achieved in the second quarter of 2021 was the fastest since 1965, excluding the immediate rebound from the pandemic due to reopening in the third quarter of 2020. This personal consumption growth came directly on the heels of the Economic Impact Payments made under the American Rescue Plan, which enhanced personal savings in March and April. These stimulus payments—\$400 billion in total—were quickly channeled into consumer spending, playing a crucial role in jump-starting 2021's impressive GDP growth.

Although the recovery has made major progress, more work remains to make sure its benefits reach all Americans, including communities of color that have too often been left behind in the economy as well as workers that remain unemployed, underemployed, or out of the labor force altogether. The Treasury Department is fully committed to an equitable economic recovery, and the American Rescue Plan provides key tools to get the job done.

Families and Households

Treasury has delivered over \$450 billion directly to families under the American Rescue Plan, helping them put food on the table, care for their children, and stay in their homes. By the end of August, Treasury had made more than 170 million Economic Impact Payments totaling over \$400 billion. Through September 15, Treasury has made over 106 million payments over three rounds of monthly Child Tax Credit (CTC) payments, totaling \$46 billion. The Child Tax Credit payments have been made to the families of over 60 million qualifying children, and the results are already showing: Food insecurity among families with children dropped 24 percent after the distribution of the first Child Tax Credit payments, as measured by the Census Bureau

Household Pulse Survey. Roughly half of families who received a July Child Tax Credit payment reported using it to pay for food and 1 in 4 spent some of their payment on clothing. In addition, the IRS has also made over 10 million adjustments to tax returns to refund taxes on the first \$10,200 of unemployment insurance benefits – another key source of tax relief to unemployed workers and families struggling during the pandemic.

Further, as of July 31, state and local governments had used Emergency Rental Assistance Program funds provided by Treasury to make more than 1 million payments to low-income households. With total spending of more than \$5 billion, these funds are helping families to avoid evictions and stay in their homes. In order to speed assistance to renters and landlords, Treasury has made a wide variety of program flexibilities available to grantees to streamline the documentation requirements for renters. These include increased use of self-attestations and fact-based proxies to reduce documentation burdens that can create barriers to access for many low-income families. Many rental assistance grantees are utilizing these flexibilities to quickly get funds into the hands of tenants and landlords, with numerous grantees, such as Louisville, Kentucky and Des Moines, Iowa having spent all or most of their first tranche of Emergency Rental Assistance funding.

The American Rescue Plan's support for children and families has also helped make the economic recovery more equitable. The Child Tax Credit is now fully refundable, resulting in more families benefiting from the credit, including those who need it the most. Previously, one third of all children—and half of Black and Latino children—lived in families that were not eligible for the full Child Tax Credit because their incomes were too low, according to an analysis by the Columbia University Center on Poverty and Social Policy. Today, Treasury estimates that the families of more than 26 million children who would have previously received no credit or a fraction of the credit will now receive the full, expanded amount.

In addition, Emergency Rental Assistance grantees as varied as the City of San Antonio, the Commonwealth of Virginia, and the State of Maine have contracted with community organizations to reach target populations, including communities of color, households where English is not the primary language, and households without internet access. Data shows that this outreach is paying off in helping the Emergency Rental Assistance Program funds reach the lowest income tenants, with more than 60% of households served falling at or below 30% of area median income.

Businesses

The American Rescue Plan is assisting millions of small businesses and helping the hardest-hit sectors weather the pandemic and invest in longer-term growth. The American Rescue Plan is helping the businesses hit hardest make it to the other side of the pandemic, keep their employees on the payroll, and return to growth. For example, the Employee Retention Tax Credit provides up to \$28,000 per employee for 2021 to help small businesses that faced declining revenue or shutdowns retain their staff, preventing damaging turnover.

In addition, Treasury's other programs beyond the rescue plan also support critical industries like transportation and airlines that faced unprecedented challenges during the pandemic. This includes support for over 500,000 airline workers as well as transportation businesses that employed 262,000 workers when COVID-19 hit. In particular, the Coronavirus Economic Relief for Transportation Services (CERTS) program has disbursed almost \$2 billion in grants to over 1,400 hard-hit transportation businesses, like buses and ferries, that are vital to the economic health of their communities. Over 90% of grants went to small and family-owned

businesses, many of whom were left out of larger pandemic relief programs for other transportation sectors, and over 44% went to women- and minority-owned businesses.

All of these programs operate alongside the crucial aid programs provided by the Small Business Administration including \$285 billion in Paycheck Protection Program loans and other programs like the Restaurant Revitalization Fund. Finally, programs like the State Small Business Credit Initiative will provide capital and technical assistance to foster long-term growth in small businesses, especially in disadvantaged communities.

State and Local Government

Treasury has sent over \$240 billion in fiscal support to state, territorial, local, and Tribal governments that is being used to fight the pandemic and accelerate local economic recovery. Over 99% of currently available State and Local Fiscal Recovery Funds are in the hands of governments across the country, who are using these resources not only to meet immediate pandemic response needs but to make long-term investments in the recovery, equity, and prosperity of their local communities.

During the Great Recession, state and local governments made deep budget cuts to make ends meet—eliminating services on which Americans depended and dragging down the overall economic recovery. Similarly, lost Tribal government revenue hindered the delivery of services and employment within Tribal and non-Tribal communities, particularly in rural areas. The American Rescue Plan reflects the hard lessons learned in the aftermath of the Great Recession by providing vital funding to help state, territorial, local, and Tribal governments avoid painful budget cuts, limit layoffs, more quickly rehire vital public workers, and lay the foundation for long-term investments in their communities.

State, territorial, local, and Tribal governments are using funds to support their most pressing economic recovery challenges, from public health and vaccinations to affordable housing to broadband access and infrastructure. Harris County, Texas has provided \$100 incentives for people to receive their first dose of the vaccine, boosting vaccination rates in particular among young people and members of the Black and Latinx communities. Washington, D.C. is planning to use \$350 million in American Rescue Plan funds to make historic investments in the production and preservation of affordable housing, addressing needs which are both urgent and longstanding. And Kentucky plans to devote \$250 million to water and sewer infrastructure projects which will deliver safe and reliable water to people across the state while also creating more than 3,800 direct and indirect jobs. Further, across the country, state and local governments are using these funds to reinvest in their workforces, prevent further layoffs and service cuts, and hire back vital public workers who were laid off when state and local revenues plummeted.

The American Rescue Plan also contains historic support for Tribal governments, delivering \$31 billion in critical public health and economic investment for Tribal governments, with \$20 billion of those funds coming through the State and Local Fiscal Recovery Funds. As part of the process of distributing these funds, Treasury engaged in extensive government-to-government consultations with Tribes, engaging over 1,000 Tribal leaders. As a result of these historic efforts, 99% of the Tribal funds have been distributed and Tribal governments have deployed these funds for a variety of critical uses, including vaccination.

Looking Ahead

Six months after the passage of the American Rescue Plan, our country and economy are in a stronger place. We have added millions of jobs, thousands of businesses at risk have been able to safely reopen, and state and local governments are in a far stronger fiscal position than in January. Still, much work remains to be done. Too many Americans are still at risk of losing their homes to eviction or are struggling to find high-quality job opportunities, and the Delta variant poses a renewed challenge to our economy. That is why the American Rescue Plan was designed not only to provide immediate relief, but also to deal with unexpected bumps in the road and to continue supporting Americans, businesses, and state and local governments for years to come.

The Biden-Harris Administration knows that making investments that put us on the road to recovery, and ensure we emerge from the pandemic stronger than before, will take time and ongoing commitment. Moving forward, the Child Tax Credit, Emergency Rental Assistance Program, and the Homeowner Assistance Fund will continue to put billions of dollars into the hands of low-income families still fighting the pandemic and its economic impact. Significant additional funds will be disbursed under the Emergency Rental Assistance program to fight evictions and to continue building a national infrastructure for rental assistance, which will increase housing security, with attendant benefits for families' well-being and economic prospects. Approximately \$9 billion will also be disbursed from the Homeowner Assistance Fund to help homeowners make their mortgage payments and avoid foreclosures.

This support for families not only provides an immediate improvement in households' economic well-being, but pays long-term dividends for families and for our economy. Research shows that children whose families receive income support, food assistance, and similar benefits have better health, education, and economic outcomes years later. The investments made today through the American Rescue Plan can provide a long-term boost to millions of children, with compounding benefits for the economy.

Similarly, Treasury programs like the State Small Business Credit Initiative (SSBCI) will soon begin making lasting investments in financial institutions focused on underserved communities and in state entrepreneurial ecosystems across the country. The State Small Business Credit Initiative will work through state and Tribal governments to provide \$10 billion to facilitate lending and venture capital investments in small businesses across the country. This program sets aside \$2.5 billion in capital for investments in businesses owned by socially and economically disadvantaged individuals, helping to ensure these funds reach the communities and businesses where they are needed most. This complements previously authorized programs such as the Emergency Capital Investment Program will provide \$9 billion in capital directly to community development financial institutions (CDFIs) and minority depository institutions (MDIs) to support them in providing capital access to communities of color and low-income areas. Critically, these programs are designed to provide enduring investment, facilitating capital access and business opportunities not just in response to the pandemic but over the long run to ensure the economy builds back better. This seed investment from the American Rescue Plan can change the economic trajectory of disadvantaged communities over the years to come.

For state and local governments, over \$100 billion in State and Local Fiscal Recovery Funds will be available in a second tranche to be delivered next year, offering governments additional funds to meet pressing pandemic needs and to create more equitable economic recovery. Treasury's guidance for these funds encourages cities and states to make long-term investments in communities that were hardest hit by the pandemic and its economic fallout—to build affordable housing, increase access to childcare, invest in critical infrastructure like broadband and clean drinking water, revitalize disadvantaged neighborhoods and communities, and focus on generational opportunities to build more inclusive economies. As in other areas of the American Rescue Plan, investments in these services today will promote prosperity long after the immediate program has ended, helping American families access jobs, afford their homes, provide opportunities for their children, and live in vibrant communities for years to come.

Further, states, territories, and Tribes will soon receive additional support from the Capital Projects Fund, a \$10 billion program to invest in capital projects that support communities' recovery from the COVID-19 pandemic by enabling work, education, and health monitoring. These capital projects will help establish a strong foundation for equitable access to basic services that will last beyond the pandemic—especially in rural America, low- and moderate-income areas, and Tribal communities. A key priority of this program is investments in high-quality and affordable broadband infrastructure, for which Treasury expects many recipients to use these funds. Access to high-quality broadband is a prerequisite for a strong 21st century economy; these projects will help more families reach good jobs and provide a quality education for their children.

Conclusion

The American Rescue Plan was passed at a challenging time for our nation, but it was purpose built to meet the moment. By providing critical aid on three fronts—for families, businesses, and state and local governments—the American Rescue Plan has already helped our economy begin to recover and provided historic support to those in need. The investments we make today through the American Rescue Plan will have long-term, compounding benefits on economic opportunities available to American families and communities for many years. As we look toward the next six months—and well beyond—Treasury will continue to ensure these programs serve those in need, remain focused on improving equity, and keep our economy on path to a strong and inclusive recovery.

