Biden's $1.9 Trillion First Stage Rescue Package, What it Could Mean for Municipals

- President-elect Biden's $1.9 trillion proposal is meant to be a first stage rescue effort with a more detailed economic plan coming later this year.
- Highlighted in this stage are two key spending items: the extra $1,400 per person on top of the $600 issued at the end of 2020 for a cost of about $465 billion and $350 billion of direct aid to state and local governments.
- The proposal included a total of $540 billion for municipal entities broken down into the following line items: $170 billion for K-12 schools and higher education entities for COVID-19 containment measures, $350 billion for state and local governments (noted above), and $20 billion for mass transit providers.
- If this proposition passes, it would be the first fiscal relief package to include direct, unencumbered aid to state and local governments.
- Overall, this plan could boost state and local government credit quality and alleviate or in some cases eliminate budget shortfalls.
- Although the Democrats won the Senate seats in Georgia, the legislative path for a sixth phase or President-elect Biden's First Stage of relief generally is still unclear. It should be reinforced that state and local aid received significant pushback from lawmakers in 2020 and is likely to receive pushback in 2021 as well. Therefore, it is difficult to estimate at this time the chances state and local aid being are included in final legislation.

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