



333 Washington Street | Suite 853 | Boston, MA 02108 | 617.720.1000
www.masstaxpayers.com

MTF Bulletin

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House Ways & Means ARPA Legislation

Earlier today, the House Committee on Ways & Means (HWM) released their plan to spend \$3.65 billion in federal Fiscal Recovery Funds (FRF) and fiscal year (FY) 2021 surplus dollars on a variety of programs and policies intended to spur the Commonwealth’s ongoing recovery.

The \$3.65 billion in spending proposed by HWM exceeds Governor Baker’s earlier ARPA legislation by \$735 million. However, the HWM plan combines FRF and surplus spending in one bill, while Governor Baker proposed two pieces of legislation. As illustrated in Figure 1., once both spending elements are included, the HWM plan is \$518 lower than the Governor.¹

Figure 1. ARPA & Surplus Spending, HWM v. Gov.

| | Governor | HWM |
|--------------------------|----------------|----------------|
| FRF spend | \$2,915 | \$2,000 |
| UI subsidy | \$1,000 | \$500 |
| Premium Pay | \$40 | \$500 |
| Other surplus spending | \$213 | \$650 |
| Subtotal | \$4,168 | \$3,650 |
| Clean energy legislation | \$750 | \$0 |
| Total | \$4,918 | \$3,650 |

\$ in millions

Notable Spending Themes

HWM follows the Administration’s lead in devoting \$1.6 billion in items recommended by the Governor in five core ARPA policy areas: housing, economic development, workforce, health care and infrastructure. In addition, HWM includes \$958 million in new proposals related to education, public health, food insecurity, and other smaller programs.

¹ In addition to Governor Baker’s ARPA bill, the Administration has also filed Clean Energy Legislation (H4204) which would dedicate up to \$750 million in further FRF resources to a new Clean Energy Investment Fund. This spending is reflected in Figure 1.

Figure 2. HWM Spending by Priority Area

| Category | Governor | HWM | Difference |
|------------------------|----------------|----------------|---------------|
| Housing | \$1,000 | \$600 | -\$400 |
| Workforce | \$240 | \$150 | -\$90 |
| Infrastructure | \$1,000 | \$400 | -\$600 |
| Health Care | \$225 | \$740 | \$515 |
| Economic Development | \$450 | \$175 | -\$275 |
| Low-income/Disp. Impac | \$0 | \$155 | \$155 |
| Oversight | \$0 | \$5 | \$5 |
| Education | \$0 | \$365 | \$365 |
| Deficiencies & CNS | \$213 | \$60 | -\$153 |
| Premium Pay | \$40 | \$500 | \$460 |
| UI | \$1,000 | \$500 | -\$500 |
| Total | \$4,168 | \$3,650 | -\$518 |

\$ in millions

HWM does include \$500 million to subsidize the state’s Unemployment Trust Fund, but this support is just half of the level proposed by the Administration. Employers are on the hook for billions in additional assessments to repay federal UI advances and recapitalize the state fund. MTF has demonstrated that using FRF and surplus funds to offset these employer costs will reduce economic costs now and save millions in future interest costs. A higher level of state subsidy is critical to reducing burdens to employers and maintaining our recovery.

HWM also sets aside \$500 million for essential worker premium pay, compared to \$40 million in premium pay and essential worker payments included in Governor Baker’s supplemental budget. The HWM language requires that the Executive Office of Administration and Finance (ANF) determine eligibility for the program and make bonus payments by January 22nd of 2022. Under the HWM language, recipients would include, but not be limited to low-income essential workers who were not able to work remotely during the pandemic.²

The HWM and Administration ARPA plans prioritize housing spending and several other programs to communities and populations disproportionately impacted by the pandemic, consistent with US Treasury guidance. The federal government leaves it up to FRF recipients to set forth a consistent and appropriate definition of disproportionate impact; neither the HWM nor the Administration bills establish a statutory definition and so the practical definition may vary from program to program.

The HWM bill does not include the \$350 million proposed by the Administration for downtown revitalization programs and includes \$375 million for a suite of water, sewer, environmental, and other infrastructure programs for which Governor Baker proposed \$1 billion.

HWM includes substantially more than what the Governor proposed for direct payments to health care providers, setting aside \$250 million for supplemental payments to eligible hospitals that can demonstrate negative impacts of COVID-19 on their finances and \$20 million for Community

² Treasury guidance for FRF states that “essential worker” includes, but need not be limited to: nursing home staff, workers at food production facilities (farms, restaurants, grocery stores), janitors, truck drivers, transit staff, warehouse workers, public health and public safety staff, childcare workers, educators, and social and human service workers.

Health Center infrastructure, compared to \$50 million for hospital payments in the Administration’s bill. The HWM proposal is also distinct from Governor Baker’s proposal on education supports. HWM appropriates \$265 million for a variety of K-12 and higher education programs and \$100 million for HVAC improvements at public schools, neither of which was proposed by the Administration. DESE is required to develop the HVAC program and make grant payments by January of next year.

Spending Detail

The HWM bill appropriates FRF and surplus spending in 28 items, of which 17 overlap with the Governor’s bill. HWM spending includes several items included in the Governor’s closeout supplemental budget, but not in the version signed into law last week, including \$39 million for human service providers contracted with the state.

HWM’s new spending covers education capital needs, public higher education support, and grant programs to assist a variety of entities impacted by the pandemic. In addition to new COVID spending, outlined in Figure 5., the House also provides \$12 million for the state costs related to the resettlement of Afghan refugees.

Figure 3. New ARPA Spending Proposed by HWM

| Program | Amount | Description |
|--------------------------------|--------------|---|
| Public housing maintenance | \$150 | Funds for rehab and modernization of public housing. The item provides five types of projects eligible for funding |
| Greening communities | \$25 | Fund for forestry and tree planting projects throughout the state. Prioritization for Gateways Cities, Environmental Justice communities and communities without adequate tree cover |
| At-risk youth supports | \$65 | Funds earmarked for three at-risk youth programs: at-risk youth summer jobs (\$40M); gun violence prevention (\$10M); and criminal justice reentry (\$15M). |
| Education supports | \$265 | Funds earmarked for 11 different programs and uses. Of the total, \$130M is for K-12 (with \$100M for vocational school capital projects); \$115M for public higher education; and \$20M for YMCAs and Boys and Girls Clubs |
| Local public health | \$150 | Funds for local boards of public health to be administered by EOHHS. |
| Nursing facilities | \$70 | Funds for nursing facilities, with \$30M for facility improvements and \$40M to address workforce shortages. |
| Small business grants | \$50 | Funds to be distributed by MGCC to help small businesses negative impacted by COVID. Half the funds to go to small businesses ineligible for prior program and the other half to go to minority and women owned businesses or those reaching underserved markets. |
| Food security | \$78 | Funds to supplement the state’s Food Security Infrastructure Grant program |
| IGO Accountability | \$5 | Funds to enable the Inspector General to track COVID spending. |
| K-12 HVAC | \$100 | Funds to be expended by DESE to create a program to improve HVAC systems. |
| Total new item spending | \$958 | |

\$ in millions

Among the spending areas common to both the HWM and Administration bills, several key differences are apparent:

- **Health care** – the HWM bill substantially increases health care provider support to \$270 million, from the \$50 million in the Governor’s bill (this funding is also referenced on page 3). Further, HWM provides \$75M more for behavioral health and addiction services.
- **Infrastructure** – the HWM bill explicitly includes offshore wind infrastructure as part of a \$100 million marine port program first proposed by Governor Baker. As mentioned earlier, HWM significantly reduces infrastructure investments for water, sewer, and environmental facilities.
- **Housing** – HWM also reduces the \$1 billion in affordable housing investments proposed by the Governor to \$450 million. HWM does add a new housing item to provide \$150 million to local housing authorities.

Figure 4. HWM & Governor Items in Common

| Program | Gov | HWM | HWM policy change |
|--|----------------|----------------|---|
| Homeownership support | \$300 | \$100 | |
| Homeownership production | \$200 | \$100 | Establishes a minimum unit requirement for qualifying projects |
| Rental production | \$200 | \$100 | |
| Senior and veteran housing | \$300 | \$150 | Expands item to housing for homeless and domestic violence populations. Also allows funds to be used for rental assistance |
| Cultural and tourism support | \$100 | \$125 | Limits program to cultural assets and gives Mass. Cultural Council authority to administer |
| Workforce training | \$240 | \$150 | |
| Behavioral health & addiction services | \$175 | \$250 | \$100M earmarked for mental health workforce programs |
| Hospital payments | \$50 | \$270 | \$250M for eligible providers; \$20M for community health centers |
| State parks/recreational facilities | \$100 | \$25 | Language expanded to include acquisition of recreation and park land |
| Environmental infrastructure | \$300 | \$100 | Limits spending to climate adaptation and resilience programs to low-income, environmental justice and disproportionate impact communities. Adds additional flexibility for spending on aquatic ecosystems. |
| Water and Sewer Infrastructure | \$400 | \$100 | Adds language prioritizing environmental justice communities and communities disproportionately impacted by the pandemic. |
| Broadband and internet access | \$100 | \$50 | |
| Marine Port Development | \$100 | \$100 | Expands the program to offshore wind projects. |
| Total | \$2,565 | \$1,620 | |

\$ in millions

As with the Governor’s bill, each discrete reserve provides general program guidelines for the topic area, but retains significant flexibility for the administering agency. Unlike Governor Baker, HWM earmarks funds within several larger items to ensure that specific program priorities are

funded. Several items, included education supports, small business grants, nursing home assistance and health care provider grants are fully earmarked for directed uses.

Use of FRF and FY 2021 Surplus

The HWM bill is the next step in the state’s process to ultimately appropriate \$4.9 billion in FRF resources and dispose of a \$1.5 billion FY 2021 surplus. HWM’s total spending of \$3.65 billion uses 51 percent of remaining FRF and approximately 77 percent of the budget surplus leaving \$2.4 billion in FRF funds available for future appropriation. Figure 5. lays out how HWM and the Administration differ in total spending and use of resources.

Figure 5. Gov. v. HWM Use of Resources

| | | |
|-------------------------|-----------------|----------------|
| ARPA | \$4,892 | |
| | Governor | HWM |
| ARPA bill | \$2,915 | \$2,500 |
| Clean energy | \$750 | \$0 |
| Total spend | \$3,665 | \$2,500 |
| Amount remaining | \$1,227 | \$2,392 |
| FY 2021 Surplus | \$1,494 | |
| | Governor | HWM |
| UI | \$1,000 | \$500 |
| Other costs | \$233 | \$630 |
| CNS transfers | \$20 | \$20 |
| Total spend | \$1,253 | \$1,150 |
| Amount remaining | \$241 | \$344 |

\$ in millions

It is likely that the final bill put before the Governor will look materially different from the HWM proposal. The House amendment process will add additional spending, while the Senate is almost certain to include a number of items and provisions not included in the House version. As MTF highlighted in our recent spending bill preview, it is vital that a significant portion of FRF resources remain unexpended so that the state can react to future fiscal and public health needs.

Policy Provisions

The HWM bill includes 72 policy sections in addition to spending items. The majority of these sections (47) are technical legislative corrections proposed by the Baker Administration. In addition to these fixes, the HWM bill:

- Extends the non-tax status of several state and federal COVID relief programs through tax year 2021 and extends that status to state grants made through the MGCC and Restaurant Revitalization grants. (sections 69 & 70);
- Creates a new Broadband Innovation Fund, administered by the Executive Office of Housing and Economic Development, for the distribution of \$50 million digital divide and digital literacy funding included in the bill (section 4);

- Creates an Offshore Wind Industry Investment Trust Fund, which would receive some portion of the \$100 million offshore wind and port development item in the bill (section 13);
- Directs Administration and Finance to administer \$460 million essential worker premium pay bonuses. The bill sets board criteria for eligibility and requires ANF to further determine eligibility and make payments by January 22nd of 2022 (sections 66, 68 & 71);
- Directs the Executive Office of Health and Human Services to make \$250 million in hospital payments, appropriated in the bill. The language requires at least \$50 million to CHIA designated community high public payer hospitals, with the remaining \$200 million intended to assist eligible hospitals offset costs related to the COVID-19 prevention, response and preparation. The section sets forth elements of the grant application that eligible hospitals will be required to submit (section 67);
- Makes several technical corrections to the recent expansion of the state's child tax credit (sections 32-35);
- Directs \$500 million from the FY 2021 surplus to the state's Unemployment Insurance Trust Fund;
- Directs \$20 million from the FY 2021 surplus to the Massachusetts Life Sciences Center (\$10 million) and the Community Preservation Act trust fund (\$10 million);
- Changes the appointing mechanism for naming the chair of a commission to study correctional facility protocols and training. Under the original language, the Chief Justice of the SJC made the appointment; under the revised language, the chair would be appointed jointly by the Governor and Attorney General (section 59);
- Requires that \$300,000 appropriated in the bill be used to support a previously created commission on poverty (section 63);
- Extends the deadline for a commission to study the long-term fiscal health of rural school districts to March of 2022 (section 75).

Next Steps

The House will debate the ARPA/surplus spending bill later this week, after the period of time for amendment filing ends Tuesday afternoon. The Senate will next act on its version of the bill in early November. The critical deadline for the Legislature to complete this legislation is November 17th, when formal sessions for this calendar year conclude. Governor Baker will have a full range of veto options, including striking or reducing spending and proposing alternate language, as he considers action on the bill.