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## MTF Bulletin

November 3, 2021

### Senate Ways and Means ARPA Proposal

The ongoing legislative process for ARPA legislation continued today with the release of a \$3.7 billion spending plan from the Senate Committee on Ways and Means (SWM). As with the House plan finalized last week, the SWM proposal mixes federal Fiscal Recovery Fund and fiscal year 2021 surplus funds to support a variety of pandemic recovery uses. All three bills share a number of spending priorities, but the SWM proposal is notable for exceeding earlier spending levels for public health and mental health services.

*Figure 1. ARPA Spending Plans Compared<sup>1</sup>*

	Governor	House	Senate
FRF assigned spending	\$2,915	\$2,510	Up to \$2.5B
Surplus assigned spending	\$1,253	\$1,313	Up to \$1.45B
<b>Total</b>	<b>\$4,168</b>	<b>\$3,824</b>	<b>\$3,668</b>

*\$ in millions*

Unlike the Administration and House proposals, the SWM plan does not assign each spending item to either federal or surplus funds. Instead, SWM establishes a cap on FRF resources used (\$2.5 billion) and surplus resources used (\$1.45 billion) and directs ANF to determine the appropriate resource for each spending item within those caps. Spending proposed by SWM falls short of the caps by \$282 million.

The SWM bill spends \$155 million less than the House version and \$500 million less than the Governor's combined ARPA and surplus spending bills. It is likely that the final Senate version will increase bottom-line spending by between \$150 and \$200 million.

#### Spending

All of the ARPA proposals fund infrastructure, mental health, workforce, housing and supports for disproportionately impacted communities to varying degrees. Figure 2 provides a general sense

<sup>1</sup> Governor spending does not capture up to \$750 million for clean energy sector support, proposed by the Administration in separate legislation

of how the Administration, House and Senate Ways and Means plan on using these resources to galvanize our recovery.

*Figure 2. ARPA Spending by Priority Area*

Category	Governor	House	SWM	SWM v. Gov	SWM v. House
Health Care	\$225	\$769	\$901	\$676	\$131
Housing	\$1,000	\$612	\$610	-\$388	-\$2
Premium Pay	\$40	\$500	\$500	\$460	\$0
UI	\$1,000	\$500	\$500	-\$500	\$0
Infrastructure	\$1,000	\$427	\$515	-\$573	\$88
Education	\$0	\$375	\$181	\$375	-\$195
Economic Development	\$450	\$251	\$133	-\$199	-\$118
Low-income/Disp. Impact	\$0	\$165	\$97	\$165	-\$68
Workforce	\$240	\$160	\$170	-\$80	\$10
Deficiencies & CNS	\$213	\$60	\$60	-\$153	\$0
Oversight & Innovation	\$0	\$5	\$2	\$5	-\$3
<b>Total</b>	<b>\$4,168</b>	<b>\$3,824</b>	<b>\$3,668</b>	<b>-\$213</b>	<b>-\$155</b>

*\$ in millions*

Looking at spending by category masks important distinctions between each proposal. Within each priority area there are some similarities, but important differences between the SWM proposal and its predecessors.

***Programs Included in Each ARPA Proposal***

In total, \$1.715 million of the program spending is common to the SWM proposal, the Governor’s initial plan, and the House bill finalized last week.<sup>2</sup>

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<sup>2</sup> SWM changed line-item numbers for several programs included in the Administration and/or House legislation. This and subsequent charts is based on underlying programs as opposed to shared line item numbers.

Figure 2. ARPA Spending Common to All Proposals

Program	Gov	House	SWM	SWM v. Gov	SWM v House
Behavioral health	\$175	\$250	\$400	+\$225	+\$150
Hospital payments	\$50	\$270	\$200	+\$150	-\$70
Water and Sewer Infrastructure	\$400	\$100	\$175	-\$225	+\$75
Supportive Housing	\$300	\$150	\$150	-\$150	\$0
Homeownership production	\$200	\$100	\$125	-\$75	+\$25
Rental production	\$200	\$100	\$125	-\$75	+\$25
Environmental infrastructure	\$300	\$100	\$125	-\$175	+\$25
Workforce	\$240	\$150	\$100	-\$140	-\$50
Marine Port & Wind	\$100	\$100	\$100	\$0	\$0
Culture and tourism	\$100	\$125	\$75	-\$25	-\$50
Broadband/Internet	\$100	\$50	\$75	-\$25	+\$25
Homeownership support	\$300	\$100	\$50	-\$250	-\$50
State parks/recreational facilities	\$100	\$25	\$15	-\$85	-\$10
<b>Total</b>	<b>\$2,565</b>	<b>\$1,620</b>	<b>\$1,715</b>	<b>-\$850</b>	<b>\$95</b>

*\$ in millions*

The three bills share spending for 13 programs, but program requirements and priorities differ. SWM and the House, include relatively less in funding for infrastructure and housing programs than did the Administration, likely in anticipation that upcoming federal legislation will provide dedicated resources in these areas. The scope of need for water and sewer projects and housing production is substantial and multiple streams of funding will be necessary to make meaningful progress.

SWM and the House outspend the Administration in terms of funding for health care providers and mental health services. SWM’s \$400 million for mental health and substance use more than doubles the \$175 million proposed by Governor Baker and is \$150 million more than the House figure. The SWM proposal directs \$240.4 million of the amount to a new behavioral health trust fund (see page 8 for more details) and earmarks the remaining \$159.6 as follows:

- \$110.5 million in student loan repayment programs for six different types of mental health professionals who work in community health centers community mental health centers, or an in-patient psychiatric hospital;
- \$15 million for mental health services provided in collaboration with law enforcement to avoid arrest and provide appropriate treatment;
- \$11.6 million for a mental health nurse practitioner fellowship program;
- \$10 million for assertive community treatment programs;

- \$5 million for a public awareness campaign on the availability of culturally competent behavioral health services;
- \$5 million for an online portal to provide information and coordination services related to emergency department boarding for children and adolescents experiencing behavioral health symptoms; and
- \$2.5 million for a mental health data warehouse.

Support for providers is much higher in the legislative proposals than the \$50 million put forward by Governor Baker, but the funding is organized differently in each proposal:

*Figure 3. Provider Spending Compared*

	Gov.	House	Senate
Reserved for community health centers	\$0	\$20	\$0
Reserved for fiscally strained providers in disproportionate impact communities	\$50	\$0	\$0
Reserved for high public-pay	\$0	\$50	\$0
Reserved for acute care hospitals	\$0	\$0	\$200
Amount for other hospitals	\$0	\$200	\$0
<b>Total funding</b>	<b>\$50</b>	<b>\$270</b>	<b>\$200</b>

*\$ in millions*

Hospital grants in the House bill are open to a wide variety of provider types and the Executive Office of Health and Human Services (EOHHS) is given broad discretion in structuring how grant applications will be scored. The SWM plan limits grants to acute care hospitals and requires EOHHS to prioritize providers that meet at least two of the following four criteria:

- Serve communities disproportionately impacted by the pandemic;
- Have a financial loss, as documented by the Center for Health Information and Analysis (CHIA) in either 2020, 2021 or 2022;
- Are classified by CHIA as an independent community hospital or independent teaching hospital; and
- Medicaid/Medicare and other public-payer sources make up at least 65 percent of their “public-payer mix,” as calculated by CHIA.

Notably absent from all three ARPA proposals is the lack of funds for early childhood education. This policy choice could be due to the fact that the state received approximately \$500 million in dedicated childcare funding through other ARPA programs or because additional federal investments are expected in the Build Back Better legislation. It is important to note, however, that dedicated federal childcare funding received through ARPA and earlier legislation will be expended within the next 12-18 months while the staffing, capacity and access challenges facing our system will continue past that time.

### *Programs Included in Both SWM and House Proposals*

The SWM bill includes \$798 million for 10 programs first proposed in the House bill, with the largest amounts for local and regional public health system improvement grants and a variety of education and afterschool programs.

*Figure 4. SWM and House Common Spending*

Program	House	SWM	SWM v. House
Local public health	\$150	\$251	+\$101
Education supports/scholarships	\$265	\$181	-\$85
Public Housing Maintenance	\$150	\$150	\$0
Food security	\$78	\$60	-\$18
Nursing facilities	\$70	\$50	-\$20
Small business relief	\$60	\$50	-\$10
At-Risk Youth/Gun Violence Prevention	\$65	\$25	-\$40
Greening Communities	\$25	\$20	-\$5
Refugee Supports	\$12	\$12	\$0
Oversight	\$5	\$2	-\$3
<b>Total new item spending</b>	<b>\$875</b>	<b>\$798</b>	<b>-\$77</b>
<i>\$ in millions</i>			

Even in programs the House and SWM bills generally share, there are major differences in how the money is appropriated. For example, the House included one \$265 million item that funded several scholarship, education infrastructure, and after-school programs, while SWM included four different items that accomplished many of the same things.

Grants to businesses hard hit by COVID-19 are included in both the House and SWM bills, but the programs have important differences. The House requires that all grants go businesses with 50 or fewer employees and earmarks \$25 million for small businesses ineligible for prior grant programs and \$35 million for minority/women/veteran owned businesses or businesses that focus on underserved markets. The Senate does not include a specific size requirement, but does require that all \$50 million appropriated go to businesses either owned by or serving communities comprised of socially and economically disadvantaged and historically underrepresented groups.

In many cases, SWM included significantly more specificity as to how recovery programs will be administered. For example, the House allowed EOHHS and the Department of Public Health relatively broad discretion in expending public health grants, while SWM was much more prescriptive. Under the SWM public health plan:

- \$118.4 million will be used to create and implement a standardized public health data collection system;
- \$95 million to fund a five-year technical support pilot program; and

- \$37.5 million would be used to support the education and training of local public health.

Both the House and SWM dedicate resources for oversight of FRF spending. The House bill provides \$5 million for the Inspector General to create a public database and meet oversight requirements, while SWM appropriates \$2 million to be split among the Inspector General, Attorney General and Comptroller for a variety of oversight functions, with \$500,000 earmarked for an Equity and Accountability Review Panel created in the SWM legislation.

Both bills include \$500 million to subsidize the Unemployment Insurance Trust Fund and \$500 million to provide premium pay to essential workers unable to work remotely during the pandemic. The UI subsidy level is \$500 million short of the amount proposed by Governor Baker and will need to be increased to materially reduce the increased assessments thousands of businesses will be required to pay to repay federal loans and restore fund solvency.

The SWM proposal for premium pay differs from that put forth by the House. Both plans require the Executive Office of Administration and Finance (ANF) to develop eligibility and other program details, but differ in notable ways. The SWM plan:

- Allows premium pay to be provided in the form of a tax credit;
- Does not include the \$500 minimum bonus level included by the House;
- Creates a Premium Pay Advisory Council to make recommendations on program design to ANF; and
- Does not establish a deadline for payments, while House required bonuses to be paid by the end of January, 2022.

Neither the SWM nor House proposals include \$450 million in spending to support economic revitalization in Gateway Cities and other communities around the Commonwealth as proposed by the Governor.

### ***SWM Spending Initiatives***

SWM introduces six new initiatives totaling \$93.1 million. The majority of this new spending (\$70 million) is directed to sector-specific workforce development initiatives.

*Figure 5. SWM Spending Initiatives*

Program	SWM
Human service workforce	\$55,000,000
Cyber Security Workforce	\$15,000,000
Affordable Housing Retrofitting	\$10,000,000
Agricultural Supports	\$8,000,000
Geothermal Technology Pilots	\$5,000,000
Local and Regional COVID-19 Response & Recovery	\$100,000
<b>Total new item spending</b>	<b>\$93,100,000</b>
<i>\$ in millions</i>	

### *Use of FRF and FY 2021 Surplus*

The SWM plan uses \$3.7 billion in resources in their bill but, as mentioned earlier, does not specify exactly how much of this total will come from FRF and how much will come from the FY 2021 surplus and instead directs ANF to determine spending source subject to caps described earlier in the Bulletin. This approach is likely intended to ensure that expenditures from FRF meet various oversight and compliance requirements. SWM requires ANF to make quarterly reports on how spending is assigned, but if this approach were to be adopted in the final bill, it would make it challenging to know exactly how much in FRF funds are available for future legislation.

*Figure 6. Use of Resources<sup>3</sup>*

	Governor	House	Senate
FRF assigned spending	\$2,915	\$2,510	Up to \$2.5B
Surplus assigned spending	\$1,253	\$1,313	Up to \$1.45B
<b>Total</b>	<b>\$4,168</b>	<b>\$3,824</b>	<b>\$3,668</b>
<b>Total resources remaining</b>	<b>\$2,218</b>	<b>\$2,562</b>	<b>\$2,718</b>

*\$ in millions*

### *Policy Sections*

The SWM bill includes 103 policy sections, of which the majority are legislative fixes or technical corrections proposed by the Administration or the Comptroller. Notable policy sections proposed in the SWM bill include:

- COVID-19
  - Creates caps on the use of FRF and surplus resources, as described earlier. (section 96)

<sup>3</sup> Governor spending does not capture up to \$750 million for clean energy sector support, proposed by the Administration in separate legislation

- Creates a process for ANF to administer premium pay bonuses to eligible workers (see page 6 of this Bulletin for more details). (Sections 88, 89 & 97; the House bill included similar sections though details differ).
- Creates a Behavioral Health Trust Fund to receive \$240.4 million in recovery resources to be used for removing barriers to equitable, culturally-competent and high-quality behavioral health services. The trust fund will be governed by a 21 member advisory commission. (section 91)
- Creates a 17 member Federal Funds Advisory Review Panel, within ANF to create a database to track recovery spending in communities disproportionately impacted by the pandemic. (section 92)
- Requires all state Requests for Proposal (RFP) related to ARPA funds to develop rules to ensure fair participation of diverse businesses. (section 93)
- Authorizes the Secretary of ANF to transfer funds and incur costs as necessary to ensure that the Commonwealth meets all federal American Rescue Plan oversight requirements. (section 102; previously proposed by the Administration)
- Requires the Secretary of ANF to allocate FRF funds in a manner that complies with federal requirements and maximizes federal funds available to the Commonwealth. (section 103; previously proposed by the Administration)
- Requires the Secretary of ANF to report on all recovery spending proposed in the bill and report to the legislature on the calculation of revenue replacement used to determine the amount of FRF resources available for general government services. (sections 104 & 105)
- Surplus
  - Directs \$20 million in surplus funds to the Community Preservation Act trust fund (\$10 million) and Massachusetts Life Sciences Center (\$10 million). (section 97; also included in Administration and House legislation)
- Tax policy
  - Makes technical corrections to the recently expanded Child Tax Credit (sections 29-32; also included in the House bill)
  - Extends or establishes tax deductibility of federal and state COVID-related loans and grants for tax year 2021 (section 94 & 95; also included in Administration and House legislation)
- Other
  - Corrects statutory citations to the Center for Public Management at UMass Boston's McCormack School of Policy and Global Studies. (section 33; previously proposed by the Administration )
  - Creates a \$500,000 needs-based scholarship for police recruits. (section 85)
  - Revives or extends the deadline for several legislative commissions. (sections 90, 100, 101)

### *Next Steps*

Amendments to the SWM bill will be filed over the coming days. While the SWM and House proposals share many programs and priorities, notable differences between the bills are already



apparent and will likely increase after Senate debate. The bills differ on policy, program administration details and fiscal approach. It will require significant work to reconcile these bills by the November 17<sup>th</sup> end of formal sessions for the year.