



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

MTF in Brief

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SPECS Principles for Fiscal Recovery Funds

MTF's recent bulletin outlines five fiscal principles that should govern use of approximately \$5 billion in Fiscal Recovery Funds, provided through the American Rescue Plan. These principles – Sustainability, Prioritization, Evidence, Coordination & Strategic planning or SPECS – will support an effective and equitable recovery by addressing infrastructure and workforce development needs while addressing barriers to shared prosperity in order to strengthen the Commonwealth's fiscal health and position the state for economic growth.

Sustainability means recognizing the one-time nature of these funds and avoiding a fiscal cliff. Policymakers can do this by:

- Prioritizing one-time investments including:
 - Critical infrastructure improvements;
 - Replenishment of the Unemployment Insurance trust fund; and
 - Temporary expansion of job-training or educational attainment programs.
- Identifying programs that will generate future revenue or savings, such as:
 - Regionalization projects;
 - Evidence-based programs proven will result in future savings (i.e. programs to reduce recidivism or provide near-term social service interventions that mitigate the need for more expensive future treatments); and
 - Program integrity investments.

Prioritization means identifying spending priorities and then aligning use of ARPA funds to advance them in both the immediate and longer-term. Short-term investments to expand existing programs can be made while big ideas for future appropriations in those areas are being developed. Policymakers can do this by:

- Adopting the 'Colorado model' for FRF funds:
 - Setting funding targets for identified priority areas (i.e.: housing, workforce, infrastructure) to meet immediate needs or to initiate projects with a long lead time, while leaving a sizeable portion of the award for transformational investments that will position the Commonwealth for long-term growth.
 - Identifying effective, existing programs for initial investments; and

- Creating expert-led working groups to develop investment recommendations for 2022 and beyond.

Evidence means using the Fiscal Recovery Funds to strengthen Massachusetts’ ongoing fiscal and policy decision-making process through the use of evidence-base programs the effective evaluation for measuring progress. Policymakers can do this by:

- Incorporating multiyear fiscal forecasts to the annual consensus revenue process;
- Adopting best practices from states like Washington and Minnesota that have a formal process to identify and support programs with a strong record of evidence-based success;
- Creating a unit in government tasked with rigorous and regular evaluation of programs;
- Articulating the policy goals at the time a program is created; and
- Expanding the state’s federal recovery website to collect and monitor expenditure information and planning documents at all levels of government.

Coordination means working with communities and school districts to ensure that federal funds at all levels of government work together to achieve shared goals. Policymakers can do this by:

- Using a portion of FRF resources for state/local match programs in which communities making qualified investments would receive additional state resources;
- Incenting municipal governments to partner with the state in advancing shared priorities.
 - This could entail working with school districts to use ESSER funds to invest in effective educational achievement programs that can ultimately be supported with increased state and local investment through the Student Opportunity Act.

Strategic use of resources means ensuring that Fiscal Recovery Fund (FRF) decisions are made as part of a more comprehensive, multi-year fiscal strategy. Policymakers can do this by:

- Creating a transparent process to link FRF decisions with investment decisions for other ARPA funding streams by:
 - Continuing to hold topic specific public hearings;
 - Forming expert-led working groups to collect information and develop recommendations that cut across different programs;
- Using state surplus revenues in conjunction with FRF funds to maximize flexibility and impact.