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## *MTF Bulletin*

*September 29, 2021*

### **Immediate Opportunities for Fiscal Recovery Funds**

As MTF set forth in its [recent Bulletin](#), the state's approach to using Fiscal Recovery Funds (FRF) should include investments in effective, existing programs in conjunction with funds set aside for the development of transformative initiatives that result in a sustainable and equitable recovery. This Bulletin focuses on opportunities for immediate investment in priority areas.

The list of programs highlighted in this Bulletin is not exhaustive; rather, it is illustrative of existing programmatic infrastructure that, with additional Fiscal Recovery Funds, can quickly be expanded in furtherance of recovery priorities.

This Bulletin demonstrates that we already have in place policy initiatives that can be pivotal to our recovery, but there are also critical aspects of that recovery missing from the examples below. In many cases, new programs and new strategies will be necessary to meet our goals. In other cases, such as early childhood education and eviction diversion, new approaches funded through other CRRSAA or ARPA programs may provide an appropriate template for new state programs but they are not included in this brief because of their separate funding source.<sup>1</sup>

Expanding existing programs is an important element of a smart strategy for FRF, but it is not sufficient. At the conclusion of this Bulletin, MTF provides recommendations for how the state can build on what works now while quickly developing big ideas to use once-in-a-generation federal resources to make the largest impact.

#### **Priority Areas**

MTF has previously identified four broad program areas as FRF priorities. Each of these areas is vital for the Commonwealth to emerge from the pandemic prepared to meet future challenges with a resilient economy that works for all residents:

- [Pandemic recovery](#) – assisting economic sectors, communities and regions of the state hardest hit by the pandemic's public health and economic consequences.

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<sup>1</sup> CRRSAA is the Coronavirus Response and Relief Supplemental Appropriations Act, passed in December of 2020. ARPA is the American Rescue Plan Act, passed in March of 2021.

- Barriers to prosperity – addressing fundamental obstacles to economic success that disproportionately affect low-income communities and communities of color. These obstacles include housing and food security, educational opportunity, and access to mental and public health services.
- Workforce development – providing Commonwealth residents with the skills, training and connections to employers necessary to find and maintain work that provides strong wages and opportunity for growth.
- Physical infrastructure – investing in the critical improvements to the state’s water, public health, technology and other aspects of infrastructure.

In assessing opportunities to make an immediate impact, we highlight programs that can take advantage of funding quickly to address one or more of the priority areas above and should be included in ARPA legislation. To be included in this report, programs had to meet two criteria:

- The program already exists in Massachusetts. The purpose of this requirement is to highlight spending that can have the most immediate impact;
- The program must work with a temporary increase in funding. Fiscal Recovery Funds are non-recurring and so it is vital that new investments now do not require permanent support in the future.

To the extent possible, this Bulletin also focuses on spending areas that have a proven track record of effectiveness and the ability to be scaled quickly. In order to get the most out of ARPA funds, Massachusetts should only fund programs that work to advance a clearly articulated policy goal, such as those outlined above. Where data demonstrating programmatic effectiveness is lacking, putting rigorous evaluation structures in place moving forward should be a condition of receiving ARPA funds.

### **Pandemic Recovery**

A primary purpose of the American Rescue Plan is to help individuals, communities and employers recover from the impacts of COVID-19. While Massachusetts has fared better than many states, the pandemic has taken its toll on the people and businesses of our state. As of the start of September, the state’s COVID test positivity rate exceeded 2.4 percent and hundreds of residents are hospitalized with the virus on any given day. Meanwhile, more than 180,000 workers remain unemployed, a 72 percent increase from the pandemic’s start.<sup>2</sup> To alleviate stresses on our public health infrastructure and the broader economy, we suggest providing additional resources for public health and unemployment insurance relief.

**Public Health: Funds should expand assistance grants to local boards of health to meet quality standards and incent regionalization and cross-jurisdiction collaboration.** The imperative for effective, local public health services has never been more apparent, and yet there is wide variation in the capacity of local boards of public health to do their work.

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<sup>2</sup> Executive Office of Labor and Workforce Development Jobs Release published on 9/17/2021 (<https://www.mass.gov/news/massachusetts-unemployment-and-job-estimates-for-august-2021>)

In 2019, the Special Commission on Local and Regional Public Health released its report on the state of public health in Massachusetts.<sup>3</sup> It found that many local boards were unable to meet minimum statutory or professional standards, while the number of local public health boards cried out for increased regionalization and cross coordination.

The Legislature should use the local public health grant program to adopt and implement the recommendations of the Special Commission on Local and Regional Public Health. These grants are consistent with the Massachusetts Public Health Association recommendation to use \$19 million a year, over the course of ARPA, to address critical gaps in the system. This investment would build on an existing state grant program created in FY 2021, and funding would support certification, planning, capacity building and regionalization for local public health departments. Priority should be given to efforts that promote regionalization and shared services, to prioritize efficiency and effectiveness as well as quality and capacity.

**Unemployment Insurance Relief: Legislators should dedicate significant FRF and/or surplus funds to the state’s Unemployment Trust Fund.** Subsidizing the state UI trust fund is the most direct way to help the vast majority of employers recover from the economic impact of the pandemic. In order to repay the outstanding federal UI advance of \$2.3 billion and make the fund solvent, Massachusetts passed legislation that authorizes the issuance of several billion dollars in bonds to be repaid by increased assessments on employers.<sup>4</sup>

Subsidizing the trust fund would either reduce the amount of borrowing or buoy the fund balance, thereby improving experience ratings for employers. Either option provides an efficient way to reduce negative drags on the state economy. Subsidizing the state trust fund to reduce the amount of necessary borrowing also offers the state a return on investment because it saves employers not just the amount of the avoided borrowing, but associated interest costs as well.

*Figure 1. Principal & Interest Costs of UI Bond Repayment<sup>5</sup>*

Principal & Interest Savings			
	10 year repayment	15 year repayment	20 year repayment
Assumed fixed interest	1.5%	1.75%	2%
Deposit	Principal & Interest Savings		
\$1B	\$1,150,000,000.00	\$1,262,500,000.00	\$1,400,000,000.00
\$1.5B	\$1,725,000,000.00	\$1,893,750,000.00	\$2,100,000,000.00
\$2B	\$2,300,000,000.00	\$2,525,000,000.00	\$2,800,000,000.00

The total savings to the state economy depends on the interest rate and duration of the borrowing, but based on reasonable assumptions as illustrated in Figure 1., a \$1 billion deposit into the UI Trust Fund will save employers up to \$400 million in future interest costs.

<sup>3</sup> The Special Commissions recommendations can be found here: <https://www.mass.gov/orgs/special-commission-on-local-and-regional-public-health>

<sup>4</sup> Federal UI advance information current as of 9/23/21 ([https://www.treasurydirect.gov/govt/reports/tfmp/tfmp\\_advactivitiesched.htm](https://www.treasurydirect.gov/govt/reports/tfmp/tfmp_advactivitiesched.htm))

<sup>5</sup> Simplified principal and interest calculation presented to provide a range of possible savings

The Commonwealth could also reduce employer costs more immediately by using FRF resources under the “revenue replacement” category to reimburse increased UI assessments over the next several years. Under the UI borrowing plan enacted earlier this year, additional employer assessments will total \$400 million in 2021 and 2022, with future assessment amounts to be determined at a later date. The state could set aside FRF support to offset these additional assessments. This approach, which could also use fiscal year 2021 surplus funds, would provide direct relief to employers now, as opposed to spreading savings out over the entire term of the UI bond.

### **Barriers to Prosperity**

The pandemic has disproportionately affected communities that faced barriers to prosperity prior to the current crisis. Sustainable housing, educational opportunity, food security and access to mental health services are four areas that require significant investment to promote an equitable and inclusive recovery and reduce disparities. Each of the programs highlighted here has the capacity to use new funding now to help disproportionately impacted communities around the state.

***Affordable Homeownership:*** The legislature should adopt the Governor’s COVID-19 proposal to use FRF funding to ramp up two existing homeowner programs that will both increase supply and help moderate and low-income families overcome barriers to homeownership:

- **The Commonwealth Builder Program (CBP):** CBP is a promising model for incenting affordable housing production and warrants FRF investment. The program provides subsidies for the construction of low and moderate-income housing units. To date, the program has committed \$68 million in subsidies which will create 750 units for a per-unit cost of approximately \$90,000. The \$200 million investment, proposed by the Governor, would support a further 2,200 units, which would be subject to affordability requirements for 15 years. The program will spur some new construction of affordable housing projects, but also will result in existing market-rate projects setting aside more affordable units for purchase. Because the program applies to ongoing development projects, the pipeline for demand is robust.
- **Home-buying assistance:** According to a recent Urban Institute survey, 68 percent of renters cite down payments as a barrier to homeownership and programs that provide down payment assistance have been demonstrated to remove these barriers.<sup>6</sup> MassHousing, along with similar municipally-run programs, help between 3,000 and 5,000 home-purchasers each year to overcome this barrier, with assistance averaging about \$10,000. Each \$1 million provided to augment these programs will help a further 100 low to moderate-income families buy a home and build wealth. Pairing \$300M in homeowner assistance with a \$200M infusion in CBP is a smart starting strategy to use FRF resources to make homeownership a reality for hundreds of families in Massachusetts.

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<sup>6</sup> *Barriers to Accessing Homeownership*, published September of 2018  
([https://www.urban.org/sites/default/files/publication/99028/barriers\\_to\\_accessing\\_homeownership\\_2018\\_4.pdf](https://www.urban.org/sites/default/files/publication/99028/barriers_to_accessing_homeownership_2018_4.pdf)  
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**Rental unit production: FRF resources should be used to increase financial incentives for rental production.** Both MassHousing and DHCD provide financial incentives to developers to “buy” affordable units in building projects. Currently, the state spends about \$100 million annually on these affordable rental subsidies and the Administration’s proposal to use FRF to increase the annual spend by about 50 percent over the next four years is a valuable use of \$200 million.

**Early College: Lawmakers should set aside \$50 million in FRF funds to ramp up Early College.** MTF’s *Racial Disparities in the US and Massachusetts: A Baseline Analysis* estimates that increasing college graduation rates among Black and Hispanic youth to that of white students would increase annual wages in Massachusetts by \$365 million for each graduating class. Early College is a program that already serves about 4,000 students in Massachusetts with a state subsidy of \$10 million supporting program start-up, administrative costs and course costs for participating colleges. FRF resources can help the program grow over the next several years towards a goal of 45,000 students. Rigorous analyses from the American Institute for Research shows that the program is effective in boosting college attendance and graduation and that the increase in participant future earnings is 10X the per-student cost of the program.<sup>7</sup>

**Food Security: FRF resources should be used to recapitalize the state’s Food Security Infrastructure Grant program with \$35 to \$50 million.** COVID-19 illustrated the prevalence of food insecurity in Massachusetts and the fragility of our current system to alleviate hunger during a public health crisis. In light of these challenges, the state created the Food Security Infrastructure Grant (FSIG) program in 2020, at the recommendation of the Food Security Task Force. Over the course of 2020, the state awarded more than 350 grants totaling \$35.7 million. These awards barely scratched the surface of demand as the state received more than 1,300 grant applications. New FSIG grants would support hundreds in the food security supply chain, from farms to schools to food banks, and promote changes necessary to improve the system.

**Mental health: The Legislature should increase funding for the existing loan repayment program created to increase the number of child/adolescent mental health professionals at community health centers.** The pandemic created and amplified a number of contributors to mental health issues among young people in Massachusetts and conditions were particularly pronounced in minority populations and disparately impacted communities. These are the very communities that often have the least access to mental health services. The state’s mental health loan repayment program, funded at \$3 million in the FY 2022 budget, provides financial incentives for qualified mental health professionals to work with children and adolescents in community health centers. Expanding this program would augment the number of mental health providers and improve access to care. Because of time limitations on FRF use, new funding for this program would need to be structured so that federal resources are fully expended over the next several years.

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<sup>7</sup> *Evaluating the Impact of Early College High Schools* (<https://www.air.org/project/evaluating-impact-early-college-high-schools>)

## Workforce

Thousands of Massachusetts residents lost their jobs since the start of the pandemic, compounding the existing need for workforce training to a staggering extent. Whether the population for assistance is the 180,000 unemployed workers cited in monthly employment statistics or the almost 400,000 residents who have recently received some form of unemployment assistance, a major expansion of efforts to recruit, train, and place unemployed or underemployed workers is critical. The existing workforce development infrastructure has pockets of excellence and a strategic approach, but serves a fraction of the thousands of workers it must help in the coming years. Furthermore, we need better evidence and evaluations to understand the effectiveness of workforce investments and to inform program design.

The programs highlighted below reflect the work of groups including the Massachusetts Workforce Association, the Workforce Solutions Group, the Business Coalition on Skills and other entities, each of which have developed or identified workforce strategies that meet the needs of workers and the economy. We suggest additional investments in these programs to provide skills, including language proficiency, to those entering the workforce; to provide training, wrap-around services and employment opportunities necessary for low-wage workers to find or improve employment; and to help mid-career workers transition to new fields, upskill, or adapt to changing job requirements.

The state's existing strategy is to support effective programs that recruit participants, provide them with industry-recognized training and other supports necessary for employment and to place them in jobs. The programs highlighted below are among those that advance this strategy, but may require some retooling to bring them to scale and enable additional ongoing evaluation of efficacy. As the state makes investments in these programs, it must also develop a more robust, streamlined approach to meet workforce's present and future needs.

**English for Advancement: This workforce and language acquisition program administered by Jewish Vocational Service (JVS), targets assistance to English-learners looking to enter the workforce or sustain employment and should receive additional funds to expand.** Started in 2016, EfA provides workforce-oriented, language skills to non-native English speakers coupled with job-placement services. A randomized-control study of EfA, conducted by the Economic Mobility Corporation found that after two years program participants earned significantly more (\$2,621) than the control group and were much more likely to have year-round employment.<sup>8</sup> EfA, with its strong record of effectiveness, could, with additional resources, serve the more than 10 percent of unemployment claimants with limited English proficiency. Between 2016 and 2019, EfA served about 1,100 individuals focusing primarily on Boston. Expanding this program in Boston and to other Gateway Cities would help meet a critical workforce need.

**Several existing, related, workforce training programs provide workers with in-demand skills and connections to local employers, and the state should commit to a multi-year, significant increase to dramatically grow the number of workers served.** These programs use

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<sup>8</sup> *Stepping Up: Interim Findings on JVS Boston's English for Advancement Show Large Earnings Gains* (<https://economicmobilitycorp.org/wp-content/uploads/2020/10/SteppingUp.pdf>)

complementary strategies that differentiate training, as well as other wraparound services, based on the need of the worker and the region.

- **The Workforce Competitiveness Trust Fund (WCTF):** The WCTF is the state’s primary mechanism for “up-skilling” workers to connect them with growing economic sectors. In addition, the WFCT oversees several programs to assist unemployed and employed workers attain the skills and receive other supports they need to gain employment or improve career opportunities. The programs are administered under the Kenneth J. Donnelly Workforce Success Grants umbrella. In FY 2020, four different versions of the Donnelly grant expended \$7 million on 27 different grants, but did not fund a further 32 grant applications. With increased funding and improved processes, WCTF can massively expand the number of programs supported through a more streamlined selection process while collecting outcome data on program participants.
- **Learn to Earn (LTE):** LTE, funded through the WCTF and administered by the Commonwealth Corporation, serves workers facing significant employment challenges and is specifically designed to help families receiving public benefits attain employment while managing “cliff effects”. As with the Donnelly grants, LTE is relatively small in scope (its first two cohorts served about 250 individuals) and its track record is limited, but it is a promising model that has shown initial success in helping individuals complete training and attain employment.
- **Career Technical Institutes (CTI) & Rapid Reemployment Grants:** These relatively new programs take the same approach to provide un/underemployed workers with skills and job placements in technical trades, IT, health care, and other in-demand fields. The state funds programs that demonstrate the capacity to recruit participants, train and partner with local employers. In the case of CTI, these programs are offered through vocational schools outside of the standard school day to take advantage of training facilities that already exist. Both require participating programs to demonstrate evidence of effectiveness as well as collaboration with employers. The FY 2022 state budget provides \$15.4 million for CTI.

Investments in workforce training programs must be accompanied by an expansion in career navigator services offered around the state. These services assist jobseekers find training programs, apply for open positions and better understand their career options. Any bottlenecks that delay connecting potential workers to training and/or employment will exacerbate labor force challenges. FRF resources should provide MassHire career centers with the resources necessary to temporarily staff up in order to meet this additional demand.

### **Infrastructure**

The unprecedented availability of federal resources provides a unique opportunity to make vital infrastructure investments that would otherwise have been postponed or considered unaffordable. Infrastructure can also provide an efficient and effective way to make FRF investments with immediate impact by using existing infrastructure programs related to water, climate and school infrastructure.

**Water infrastructure: Massachusetts should dedicate \$400 to \$600 million from the FRF to enable the state’s Clean Water Trust State Revolving Fund to serve more projects.**

Massachusetts faces two distinct water infrastructure challenges: making system improvements necessary to provide safe drinking water and to protect the Commonwealth’s water resources from contamination. Billions in state, federal and local funds have already been spent to upgrade our existing system; billions more are required. The American Society of Civil Engineers estimates that Massachusetts will need to invest \$12.2 billion in drinking water projects over the next 20 years and a further \$8.4 billion to address wastewater.<sup>9</sup> Clean and safe drinking water infrastructure is clearly an eligible use of Fiscal Recovery Funds and, unlike most other infrastructure uses, is not limited to pay-go capital costs. Dedicating FRF resources in this area will enable communities around the Commonwealth to begin projects that might otherwise take years. Action now is all the more imperative given the already apparent impacts of climate change.

FRF Investments could be used in several ways within the existing Clean Water Trust State Revolving Fund (SRF). First, the state could simply increase the number of committed loans and grants over the next five years. In FY 2021, the SRF committed to just over \$400 million in clean and safe drinking water projects; that amount could easily be boosted by 25 to 50 percent over the next three to five years. Another option is to use FRF funds to incent specific types of water infrastructure projects, such as combined sewer overflow (CSO) correction projects, PFAS remediation or lead abatement. Each of these issues presents critical public health and safety issues. In the case of CSO and lead, the need for improvement disproportionately impacts our Gateway Cities. A third use of the RFR funds would be to assist low-income communities by enhancing existing affordability subsidies. The SRF typically provides funding through low-interest loans, but the cost of many of these projects makes them unaffordable for low-income communities. Enhancing existing affordability subsidies would help projects in low-income communities come to fruition.

**Climate change infrastructure: FRF provides an opportunity to expand several smaller capital programs related to climate change adaptation, mitigation and resilience.**

Over the last decade, the state has created or expanded several capital programs that help rebuild crumbling environmental infrastructure and mitigate climate change impacts:

- *Municipal Vulnerability Preparedness Program* – created in 2017, MVP is funded at \$21 million in the state’s FY 2022 capital budget. The MVP programs fund both planning and action grants to communities considering climate change adaptation projects;
- *Dam and Seawall Repair or Removal Program* – created in 2013, the program is funded at \$12.5 million in the FY 2022 capital budget. It supports local dam and seawall repair and reconstruction projects;
- *Coastal Resilience Program* – created in 2014, the program is funded at \$5 million in the FY 2022 capital budget and funds projects intended to reduce the impact of coastal flooding, erosion and sea level rise.

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<sup>9</sup> ASCE 2021 Report Card for America’s Infrastructure (<https://infrastructurereportcard.org/state-item/massachusetts/>)

The need far exceeds the current scope of these programs and FRF resources could significantly accelerate the pace of action. It is important to note that, under US Treasury guidelines, any spending in these capital areas would likely have to occur on a pay-go basis or in the form of direct grants to local entities.

**School construction: The Massachusetts School Building Authority's Accelerated Repair Program can use temporary federal funds to ramp up the pace of vital repair projects to improve the energy efficiency of our schools and the health and safety of our students.** Many of the projects that could be served are in communities disparately impacted by the pandemic and should be prioritized in selecting new repair programs. Since 2012, the Accelerated Repair Program has provided more than \$200 million in 189 projects around the state. Additional funds could be used to increase the number of projects funded and/or to improve financial incentives for disparately impacted communities looking to participate in the program.

### **Next Steps**

The challenge to lawmakers in deciding how to maximize the use of the FRF funds is striking the right balance between immediate investments that will maintain the momentum of the economic recovery with more transformational efforts that make systemic change. Effective, equitable and sustainable use of FRF resources will require a strategy that uses existing programs to achieve the former while expeditiously developing those transformative ideas to spur our recovery and tackle long-term issues to achieve the latter.

It bears repeating that this Bulletin provides a sample of existing programs aligned with one of the four recovery goals that can expand quickly, has a track record of success or is suitable for rigorous evaluation, and therefore warrants new investment now. These programs should be an essential part of our FRF strategy, but only a part. The list above does not cover critical areas like early childhood education, economic recovery assistance for individuals, employers and communities, information technology improvements and various other investment priorities. Existing programs may be part of the solution in these areas, but new programs will need to be quickly developed and implemented, oftentimes in conjunction with other ARPA resources, to effectively address these areas.

To develop transformative ideas that both build on what works and fit together as part of a cohesive, sustainable plan, we suggest the Legislature:

1. Appropriate significant resources for agreed upon priority areas like pandemic recovery, workforce, infrastructure and identified barriers to prosperity;
2. Dedicate funding within those appropriations for immediate use in programs like those highlighted in this Bulletin;
3. Set aside a portion of each appropriation for the development of new ideas; and
4. Create a near-term structure to help develop those ideas. Each priority areas could have a dedicated advisory group that draws upon the cross-field expertise in government, academia, business and the advocacy communities to make specific recommendations over the next several months.

The approach described above allows for a two-track FRF strategy that enables near-term impact, while providing time, structure and expertise to create big solutions to big challenges. The programs outlined in this Bulletin will help the state make a strong start to taking full advantage of these unprecedented federal funds.