



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

MTF Bulletin

December 2, 2021

Conference Committee ARPA Legislation

Today, the House and Senate passed a \$4 billion spending bill which uses the remaining fiscal year 2021 surplus and up to \$2.55 billion in Fiscal Recovery Funds provided through the American Rescue Plan. The compromise legislation increases total spending by \$175.9 million over the versions passed by the House and Senate earlier in the fall.

Figure 1. ARPA Spending Plans Compared

	Governor	House	Senate	Conference
FRF spending	\$2,915.0	\$2,510.1	Up to \$2.5B	Up to \$2.55B
Surplus spending	\$1,252.9	\$1,313.4	Up to \$1.45B	Up to \$1.45B
Total proposal	\$4,167.9	\$3,823.5	\$3,822.8	\$3,998.7

\$ in millions

The legislative plan, which will go to Governor Baker after enactment, spends \$169.2 million less than the combined total of the separate surplus and FRF spending proposals filed by the Governor during the summer.

The conference committee adopted the Senate approach to assigning spending to state or federal revenues. Under this approach, the Executive Office For Administration and Finance (ANF) is given the discretion to determine whether or not FRF resources are appropriate for any given expenditure provided that total FRF spending does not exceed \$2.55 billion and surplus spending does not exceed \$1.45 billion.

This MTF Bulletin outlines key spending and policy decisions included in the ARPA bill and highlights notable provisions that were either eliminated or adjusted during conference.

Spending Overview

The conference committee bill adheres to the same general spending priority areas first proposed by Governor Baker and largely adopted by the House and Senate, focusing on infrastructure, housing, health care, workforce and economic development. For each of these broad spending categories the conference committee plan dedicates funds for or requires reporting related to expenditures in disproportionately impacted communities.

The final conference bill retains \$500 million to supplement the state's Unemployment Insurance Trust Fund and \$500 million for premium pay for essential workers. Details on the final premium pay proposal can be found on page 6.

As in the House and Senate bills, the conference version includes a larger focus on health care than originally proposed by the Governor, while including relatively less for housing and infrastructure. The inclusion of more than \$200 million in spending earmarks provides another point of distinction between the Legislature and Administration.

Figure 2. Total Spending by Category

Category	Governor	House	Senate	Conference
Health Care	\$225	\$769	\$906	\$964
Housing	\$1,000	\$612	\$610	\$624
Premium Pay	\$40	\$500	\$500	\$500
UI	\$1,000	\$500	\$500	\$500
Infrastructure	\$1,000	\$427	\$520	\$414
Education	\$0	\$375	\$187	\$389
Economic Development	\$450	\$251	\$255	\$267
COVID Human Services	\$0	\$165	\$105	\$124
Workforce	\$240	\$160	\$178	\$155
Deficiencies & CNS	\$213	\$60	\$60	\$60
Oversight & Innovation	\$0	\$5	\$2	\$2
Total	\$4,168	\$3,824	\$3,823	\$3,999
<i>\$ in millions</i>				

Health Care

In their respective ARPA spending plans, both the House and Senate prioritized public health, behavioral health, and other financial support for impacted health care providers. That prioritization carries through to the conference committee report. Figure 3 compares conference spending with previous proposals and indicates items that either direct or prioritize funds to communities disproportionately affected by the pandemic.

Figure 3. Health Care Spending

Item	Governor	House	Senate	Conference	Disp. Impact Language
Behavioral health & addiction services	\$175	\$250	\$400	\$400	Y
Hospital payments	\$50	\$270	\$200	\$260	Y
Local Public Health	\$0	\$150	\$251	\$200	Y
Nursing Facilities/workforce	\$0	\$70	\$50	\$50	
Other health care	\$0	\$29	\$5	\$54	
Total	\$225	\$769	\$906	\$964	
<i>\$ in millions</i>					

While the total spending level for the major health care items look similar to the House or Senate versions, the components of those line items varied significantly between the branches. The conference report resolved those differences as follows:

- Public health – the conference report includes \$200.1 million to support local and regional public health. The funds are dedicated to three uses, similar to the Senate proposal:
 - \$98.5 million to establish and implement a standardized public health data system;
 - \$71.2 million for a four-year technical assistance grant program to improve local public health services; and
 - \$30 million to support training and credentialing for local public health staff.
- Mental health – the bill largely follows the Senate approach for mental health funding, while also incorporating several House funding proposals related to workforce and community and school based care. Directed funding includes:
 - \$198.7 million for a new Behavioral Health Trust Fund that will fund recommendations from a Behavioral Health Advisory Commission;
 - \$110 million for a loan repayment assistance program for mental health professionals working in community health centers or other facilities with staffing needs;
 - \$15 million for pre-arrest, co-response mental health support services;
 - \$15 million for primary care workforce development at community health centers;
 - \$11.6 million for a mental health nurse practitioner fellowship program; and
 - \$2.5 million to create a data warehouse to locate mental placements for patients boarding in emergency departments.
- Providers – the bill adopts the House approach to provider payments, earmarking \$50 million for high-public pay hospital support, \$10 million for community health centers, and directs the Secretary of the Executive Office of Health and Human Services (EOHHS) to distribute the remaining \$200 million through a grant program to providers based on the financial impact of the pandemic.
- Nursing facilities – like the Senate, the Conference report provides \$50 million for nursing facilities and divides the money between capital improvement loans (\$25 million) and workforce recruitment and retention (\$25 million).

Workforce

One of the most acute pandemic recovery needs is to ensure that all potential workers have opportunities to enter the workforce or find new positions that provide economic stability and prospects for advancement. The Conference ARPA bill includes \$155 million for workforce programs, slightly less than the amounts proposed in either the House or Senate bills and \$85 million less than the Governor's original proposal.

Figure 4. Workforce

Item	Governor	House	Senate	Conference	Disp. Impact Language
Workforce training	\$240	\$150	\$108	\$108	Y
Human service workforce	\$0	\$0	\$55	\$30	
Cybersecurity workforce	\$0	\$0	\$15	\$15	
Other workforce	\$0	\$10	\$0	\$3	
Total	\$240	\$160	\$178	\$155	

\$ in millions

The largest item provides \$107.5 million for workforce supports, with \$80 million dedicated to five specific areas:

- \$37.5 million to the Workforce Competitiveness Trust Fund;
- \$25 million for Career Technical Institutes to provide training and credentialing at vocational schools and other facilities;
- \$10 million for the Jewish Vocation Service to expand rapid reemployment programming;
- \$7.5 million for green jobs training programs at eligible 2-year colleges; and
- \$500K for job training services for individuals with Down Syndrome.

Housing & Infrastructure

The Conference committee bill includes \$1.04 billion for housing and infrastructure spending. This amount is substantially less than the \$2 billion proposed by Governor Baker who advocated for larger immediate investments in housing and infrastructure in recognition of the long lead times these capital investment projects require before reaping the benefits.

Figure 5. Housing & Infrastructure

Item	Governor	House	Senate	Conference	Disp. Impact Language
Homeownership support	\$300	\$100	\$50	\$65	Y
Homeownership production	\$200	\$100	\$125	\$115	Y
Rental production	\$200	\$100	\$125	\$115	Y
Supportive housing	\$300	\$150	\$150	\$150	Y
Public housing maintenance	\$0	\$150	\$150	\$150	Y
State parks/recreational facilities	\$100	\$25	\$15	\$15	Y
Environmental infrastructure	\$300	\$100	\$125	\$100	Y
Water and sewer infrastructure	\$400	\$100	\$175	\$100	Y
Broadband and internet access	\$100	\$50	\$75	\$50	Y
Marine port/wind development	\$100	\$100	\$100	\$90	
Other housing/infrastructure	\$0	\$63	\$40	\$87	
Total	\$2,000	\$1,038	\$1,130	\$1,037	

\$ in millions

Education, Economic Development & Human Services

The majority of the remaining \$780 million in ARPA funds is concentrated in education, economic development, and human services spending.

Figure 6. Education, Economic Development & Human Service Spending

Item	Governor	House	Senate	Conference	Disp. Impact Language
Vocational Infrastructure	\$0	\$0	\$100	\$100	
Community College workforce	\$0	\$0	\$30	\$15	
Endowment incentive program	\$0	\$25	\$30	\$25	
Boys and Girls Clubs/YMCAs	\$0	\$20	\$25	\$25	Y
Education supports	\$0	\$220	\$0	\$105	
DESE HVAC funding	\$0	\$100	\$0	\$100	Y
Small business relief	\$0	\$60	\$50	\$75	Y
Cultural and tourism support	\$100	\$125	\$85	\$145	
Downtown revitalization	\$350	\$0	\$0	\$0	
Youth At-Risk Supports	\$0	\$0	\$0	\$38	Y
Food security grants	\$0	\$78	\$60	\$45	Y
Refugee supports	\$0	\$12	\$20	\$20	Y
Other	\$0	\$151	\$148	\$88	
Total	\$450	\$791	\$547	\$780	

\$ in millions

Earmarks

The Conference ARPA legislation includes 13 spending items comprised of earmarks totaling \$146 million. However, as noted in the Housing and Infrastructure section, the bill includes a large number of earmarks within several programmatic items, making the total amount of earmark spending significantly higher. For example, of the \$44.8 million appropriated for food security grants, more than \$30 million is earmarked for specific local food assistance programs in the state, leaving less than \$10 million for a competitive grant program.

MTF will update this Bulletin in the coming days to provide a more precise picture of how much of the bills \$4 billion in spending is used for local earmarks and how much is available for programmatic spending.

Policy Sections

The Conference report includes 88 policy sections, slightly more than the 79 sections in the House bill and considerably fewer than the 121 sections in the Senate. Perhaps the most notable policy difference between the House and Senate bills was the proposed timeline and process for providing premium pay to essential workers (see Figure 7.). The Conference report reflects a compromise between the two proposals. Like the Senate version, the final language creates a Premium Pay Advisory Panel to assist with program design. However, the final version does not explicitly

authorize the bonus payment to be provided as a tax credit, as the Senate proposed, and establishes a March 31st deadline for payments.

Figure 7. Premium Pay Proposal Comparison

	House	Senate	Conference
Explicit tax credit option	No	Yes	No
Minimum payment	\$500	None	\$500
Maximum payment	\$2,000	\$2,000	\$2,000
Advisory panel to make recommendations on design	No	Yes	Yes
Income cap	Priority at 300% of FPL and below	Ineligible above 300% FPL	Priority at 300% of FPL and below
Deadline for payment	1/31/2022	None	3/31/2022

Figure 8 summarizes the disposition of other major policy differences:

Figure 8. Disposition of Major Policy Proposals

Policy	House	Senate	Conference Section
Creation of Equity and Accountability Panel	No	Yes	74
Requirement for diverse business participation goals in ARPA spending	No	Yes	75
Sales tax prepayment fix	No	Yes	34
Job order contracting extension	No	Yes	No
UI overpayment awareness campaign	Yes	Yes	76
Extension of drug stewardship program	No	Yes	45
HPC health care workforce study	Yes	No	80
Tax treatment of state/federal COVID grants in 2021	Yes	Yes	77 & 78
Creation of Broadband Innovation fund	Yes	No	4
Creation of Offshore Wind Investment fund	Yes	No	13
\$10M to Community Preservation Act	Yes	Yes	84
\$10M to Mass. Life Sciences	Yes	Yes	84
ANF ARPA reporting requirements	No	Yes	No
DPH development/implementation of local public health standards	No	Yes	No

Status of FRF, Surplus and Stabilization Fund

The ARPA bill that now heads to the Governor’s desk relies on the \$1.45 billion in FY 2021 budget surplus revenue and up to \$2.55 billion in FRF resources, leaving \$2.34 billion in FRF available for future appropriation.

Figure 9. Status of Fiscal Recovery Funds

Total MA Award	\$5,286.1
Supplemental local distribution	\$109.0
COVID paid leave set-aside	\$75.0
VaxMillions	\$10.0
Administration set-aside	\$200.0
ARPA bill cap	\$2,550.0
FRF Remaining	\$2,342.1

\$ in millions

The Commonwealth will head into 2022 with a Stabilization Fund Balance of \$4.6 billion, after making \$1.1 billion in deposits over the course of FY 2021. The initial FY 2022 budget assumes a further \$1.2 billion deposit over the course of the current fiscal year. With tax revenues running significantly above the benchmark, the Stabilization Fund balance should reach \$6 billion by the end of FY 2022.

Next Steps

The ARPA legislation now moves to Governor Baker’s desk where he has ten days to review the bill. Governor Baker can sign the bill while still reducing spending, vetoing spending or policy sections, or return policy sections with amendment. Total spending in the Conference bill aligns with the parameters put forward by the Administration, but allocates the money among spending priorities differently, and so spending vetoes will likely reflect disagreement on specific spending proposals. On policy, the details regarding premium pay bonuses could be problematic and result in an amendment from the Administration.

In the coming weeks, MTF will provide additional analysis on the breakdown in programmatic versus earmarked spending in this proposal. In addition, we will assess how this initial ARPA bill aligns with the fiscal and policy recommendations put forward by MTF and what this means for remaining FRF resources.