

Using State Fiscal Recovery Funds: Sustainable, Equitable, and Community-Driven Planning

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The passage of the American Rescue Plan Act (ARPA) and the availability of significant new federal revenue gives Massachusetts a once-in-a-generation opportunity to create building blocks for antiracist investments in the Commonwealth's future.

ARPA is sending billions of dollars to Massachusetts. About \$23 billion is going straight to Massachusetts residents or businesses, in the form of expanded unemployment insurance, "stimulus checks", the expanded child tax credit, subsidies for health insurance, and more.

Of the remaining \$17 billion, only a portion is up for grabs. Most of this money goes to specific grants, so how it can be used is already restricted.

ARPA also includes significant new money that will be critical for an equitable recovery from COVID and the economic downturn: \$5.29 billion for a new state fiscal recovery fund and \$3.39 billion for a local fiscal recovery fund. In June, the Governor took \$109 million from the state fund to give more funding to four communities hard-hit by COVID¹. The remaining \$5.18 billion in the state fund is available for policymakers to use under broad guidelines, and it is critical that lawmakers distribute these funds with equity considerations foremost.

In particular, there are four core issues critical to the recovery of the Commonwealth: Education, Housing, Transportation, and Families.

Using ARPA Funds to Focus on Equity

Education

Because there is substantial new federal money to support education through specific restricted grants, the state fiscal recovery funding could be used to go beyond the grant funding to achieve bolder solutions in the education sector.

Key Takeaways

- Spending federal relief dollars should be cross-sectional and community-driven.
- The plan for utilizing ARPA fiscal recovery funds should include long-term revenue options to sustain critical investments.
- ARPA recovery fund usage is not limited based on citizenship, and addressing the disparate impact of COVID-19 is encouraged – so funds can and should be used equitably and inclusively.

- Increase non-loan aid to students in public higher education institutions to alleviate the higher education [student debt crisis](#) and increase funding to institutions of public higher education;
- Fully fund the still-existing [gaps in the Student Opportunity Act \(SOA\)](#) in order to support the return to school in the K-12 system and address some of the deep educational inequities exacerbated by the pandemic;
- Increase [funding for early care and education](#) to support the sector's recovery and ensure that low-income workers can return to work knowing their children will be in affordable and high quality early learning environments.

Housing

Most of the significant new federal investments in housing have addressed the need for rental subsidies and other forms of immediate housing support. The state fiscal recovery funds could target housing initiatives that address systemic issues and position the Commonwealth to be better able to support statewide housing needs long-term, including:

- Acquiring more permanent housing and non-congregate shelters to address increased need;
- Improving the quality and availability of affordable housing by making capital investments in affordable housing production or preservation, and public housing improvements in qualified census tracts or areas disproportionately impacted by the pandemic, to address systemic inequities;
- Increasing access to homeownership, particularly for first-generation home buyers.

Transportation

Most federal recovery funds have been grants that directly support the MBTA and the 15 regional public transit authorities (as well as airports and Amtrak) in the face of reduced fare revenue. The state fiscal recovery funds could advance long-term goals for better and more equitable transportation, such as:

- [Eliminating transit fares](#) (as Worcester regional transit is doing) or reducing fares;
- Fund relatively fast capital projects that can be completed in a few years like improved bus stops, bicycle and pedestrian paths, low-income bikeshare passes, renovating repair facilities, or purchasing new shuttle buses.

Families

Expanded access to school meals, protections from eviction, expanded unemployment benefits, direct cash payments, and tax credits directed to lower-income families have been important for family economic stability during the pandemic. As policymakers look to build an equitable recovery for families, programmatic funding decisions could include initiatives that:

- Do not limit access to benefits based on immigration status;
- Provide direct, targeted cash support to people in communities hardest hit by the pandemic, with initiatives such as a guaranteed income, expansion of the earned income tax credit, or direct increase to the Temporary Assistance for Needy Families cash assistance benefit;

- Ensure populations that have historically experienced economic disadvantages are prioritized for services (e.g. Black, Indigenous and other communities of color).

What are the rules for using ARPA recovery funds?

State fiscal recovery funds can be used for 4 primary purposes:

- Responding to public health needs .
- Filling gaps from state revenue loss (within certain limits).
- Providing premium pay for essential workers.
- Funding water, sewer, and broadband.

There are also a number of disallowable uses such as filling in for tax cuts, servicing debt, funding pensions, etc.

Most notably, there are 3 considerations policymakers should weigh heavily when making their decisions about how to spend funds:

- There is no mention of citizenship, therefore access to any benefits created or provided through these funds should not exclude on the basis of immigration status.
- Federal guidance clearly states that community-engagement is encouraged.
- Addressing disparities exacerbated by the pandemic is an allowable use of funds.

Beyond ARPA: Ongoing Equitable State Revenue

The options provided above are ways to utilize dollars from the fiscal recovery fund to propel the Commonwealth into an equitable recovery. In order to sustain the necessary investments and forge a path toward long-term recovery, lawmakers should consider identifying other ongoing sources of revenue. Examples could include taxes on wealthy households and corporations or other progressive tax policies – so that the revenue options used to support equitable policy advancements do not themselves perpetuate inequity. We cannot achieve an equitable recovery without a plan for equitably funded long-term investments.

¹ Massachusetts Executive Office of Administration and Finance. “About Covid-19 Federal Funds”. <https://www.mass.gov/info-details/about-covid-19-federal-funds>