

## Federal Relief and Recovery Funding and Massachusetts' Transportation Future

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### Unprecedented Needs and Opportunity

Families and businesses rely on transportation systems like roads, sidewalks, buses, and trains for almost everything we do. These are the ways we get to work, to school, to the store, and how goods get to market. Transportation systems connect us to opportunity, save time and help Massachusetts achieve our [commitment](#) to net-zero carbon emissions by 2050. The COVID-19 pandemic has created new challenges for everyone, especially for people of color and those with lower incomes. While the pandemic has reduced travel for some, traffic has generally [returned](#) to unacceptable pre-COVID levels. *U.S. News and World Report* last year [ranked](#) Massachusetts' transportation 39<sup>th</sup> out of the 50 states, and 47<sup>th</sup> when it comes to commute times. Our urgent climate needs, aging infrastructure, and inequitable transportation system make major investments even more important to ensure people have safe, convenient, and accessible ways to travel.

### Key Takeaways

- Although crucial to how we live and connect to opportunity, Massachusetts transportation systems are inadequate and inequitable.
- Federal COVID-19 relief has provided \$3.3 billion to Massachusetts for public transit, airports, Amtrak, and the Department of Transportation.
- ARPA fiscal recovery funds (\$5.3 billion to the state and \$3.4 to municipalities) could also support transportation needs, such as cutting or eliminating transit fares or quick construction projects.
- The infrastructure bill moving through Congress could provide significant one-time transportation funding, but the Commonwealth will still need longer-term revenues for operations and upkeep.
- The Fair Share Amendment ballot question coming before voters in November 2022 can provide longer-term revenues to help sustain improved transportation systems.

Billions of dollars in federal relief and recovery aid provide an unprecedented opportunity to invest in a better, more equitable transportation future. Federal support is a lifeline to help Massachusetts recover from the pandemic, its economic impacts, and decades of underinvestment. It is also a down payment to advance world-class transportation systems that will provide opportunity and further equity for future generations. The most recent of these federal bills, the American Rescue Plan Act (ARPA), in particular calls on the state to listen to community voices and spend accordingly to address transportation and other needs identified.

## Snapshot of Federal Recovery Funds for Transportation

Legislation starting in March 2020 and most recently in March 2021 provided financial support to the Commonwealth for responding and recovering from the COVID-19 pandemic. These acts together provide \$3.26 billion in transportation funds to the Commonwealth, independent governmental authorities, and private businesses in Massachusetts. These resources are detailed in the table below.<sup>1</sup>

Federal COVID Aid for Transportation in Massachusetts			
Programs ( <i>click on legislation for info</i> )	\$	Mode	Entity
FTA Urbanized Formula ( <a href="#">ARPA</a> , <a href="#">CARES</a> , <a href="#">CRRSA</a> )	2,385,186,944	Transit	Public authorities
FTA Capital Investments ( <a href="#">ARPA</a> )	103,554,165	Transit	Public authorities
FTA Other Funding ( <a href="#">ARPA</a> )*	46,352,416	Transit	Public authorities
FTA Nonurbanized Formula ( <a href="#">ARPA</a> , <a href="#">CARES</a> , <a href="#">CRRSA</a> )	23,328,243	Transit	Massachusetts DOT
FTA Enhanced Mobility of Seniors & Individuals with Disabilities – Local ( <a href="#">ARPA</a> )	910,275	Transit	Public authorities
FTA Intercity Bus Formula ( <a href="#">ARPA</a> )	562,967	Transit	Massachusetts DOT
FTA Enhanced Mobility of Seniors & Individuals with Disabilities – State ( <a href="#">ARPA</a> )	179,217	Transit	Massachusetts DOT
Airport Payroll Support Program ( <a href="#">ARPA</a> )	311,429,852	Airports	Private businesses
Grants-in-Aid for Airports ( <a href="#">CARES</a> , <a href="#">CRRSA</a> )	212,069,337	Airports	Public authorities
Airport Funding ( <a href="#">ARPA</a> )	16,814,735	Airports	Public authorities
Highway Support ( <a href="#">CRRSA</a> )	150,831,906	Highway	Massachusetts DOT
Amtrak Funding ( <a href="#">ARPA</a> , <a href="#">CARES</a> )	3,510,000	Intercity Rail	Public authorities
Amtrak Support ( <a href="#">CRRSA</a> )	840,000	Intercity Rail	Public authorities

Source: Executive Office of Administration and Finance, Federal Funds Office, “[About COVID-19 Federal Funds.](#)”

\*According to the Executive Office of Administration and Finance, the Federal Transit Administration (FTA) “Other Funding” figure is a placeholder for funds which allotments to states have not been finalized. The estimate is based on past apportionments of similar funding.

Over three-quarters of these federal transportation funds (\$2.56 billion) are Federal Transit Administration (FTA) funds distributed to public transit authorities for capital projects and operations. Most of this funding (about \$2 billion) will support the Massachusetts Bay Area Transit Authority (MBTA) operating budget, just over \$100 million in capital grants has been allocated to construct the MBTA’s Green Line Extension, and most of the remainder will be distributed to the Commonwealth’s 15 Regional Transit Authorities (RTAs). In addition, federal

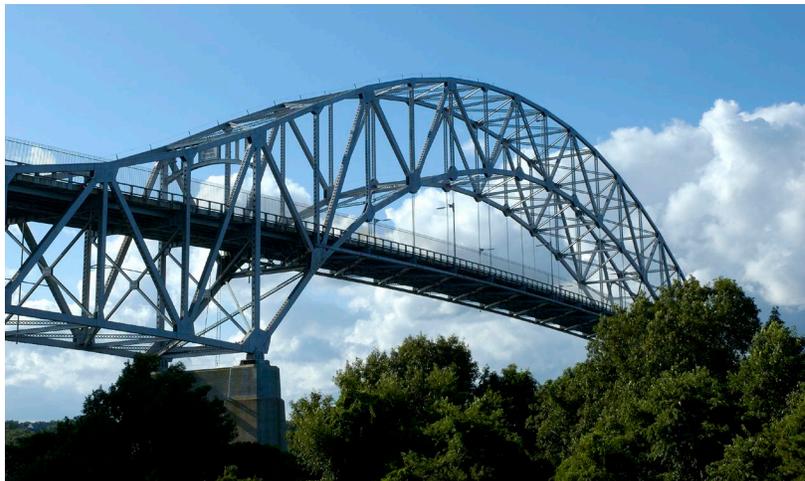
legislation provides \$540 million to airports and to support business payroll at airports. Just over \$150 million is provided to the Massachusetts Department of Transportation for Highway Infrastructure Programs that can also be used for public transit and hasn't yet been allocated to specific projects.

Federal pandemic relief and recovery funds have made it possible for the MBTA to stop service cuts that would have caused additional hardships for essential workers and slowed recovery by discouraging people from riding to where they need to go. The loss of MBTA fare revenue due to decreased pandemic ridership comes on top of long-term, state-level underfunding related to relatively stagnant growth of the MBTA's two main sources of funding: sales taxes and annual operating support from the state budget. The Boston-area transit authority's [largest funding source](#) is a portion of (non-meals) state sales taxes, which has consistently [grown slower than the economy](#) as a whole. Moreover, [state support for MBTA operations](#), also known as "contract assistance" was cut by approximately a third in Fiscal Year 2018 and has been frozen at that level since.<sup>2</sup>

The MBTA has used federal relief to plug operating deficits that are likely to return after COVID funds are depleted. The MBTA has used about \$1 billion of these federal funds to prevent operating deficits in Fiscal Years 2020 and 2021 and plans to use about \$700 million to supplement the operating budget in Fiscal Years 2022 and 2023 (which ends in July 2023). The MBTA anticipates about \$200 million remaining for Fiscal Year 2024 operations or other priorities.

The Worcester Regional Transit Authority used federal COVID-19 funds to replace lost revenue while keeping fares free since the pandemic. This has provided relief for the authority's mostly low-income bus riders in the Worcester area, about half of whom are people of color.

Eliminating fares has helped essential workers while keeping ridership levels from declining as compared to other state transit authorities in Massachusetts. Other policies put in place to eliminate fares on certain routes or days of the week in Boston, Brockton, Lawrence, and Cape Cod might similarly use federal funds to make up for the forgone revenue.



Federal funds can make it possible for transit authorities to help economic recovery by improving service and encouraging greater ridership. The FY 2022 budget requires the MBTA to advance the planning and design of several infrastructure projects toward cutting climate emissions, electrifying regional rail, increasing transit capacity, and improving equity in the public

transportation system. The budget also directs the MBTA to prepare projects in anticipation of the much-debated federal infrastructure funding act.

## Flexible State and Municipal Fiscal Recovery Funds

Some COVID-19 relief and recovery funds are more flexible than others, most notably the American Rescue Plan Act (ARPA) enacted in March 2021, which provided \$5.3 billion to the Commonwealth and \$3.4 billion to municipalities. In addition to water, sewer, and broadband investments, these Coronavirus State and Local Fiscal Recovery Funds can be used in three other categories of eligible uses that could apply to transportation investments:<sup>3</sup>

- *Respond to the public health emergency* with respect to COVID-19 or its negative economic impacts;
- *Provide premium pay to employees* providing essential work during the COVID-19 public health emergency; and
- *Provide government services* to the extent of government's *reduction in revenue* due to COVID-19.

ARPA funds can be used for certain kinds of spending on durable capital projects, but not the way state and local governments traditionally finance large-scale capital projects. For a bridge, or bus, or rail station, for instance, the Commonwealth and municipalities typically issue bonds to borrow the required funding up front and then pay off those debt payments over the long life of these projects. ARPA recovery aid may not be used for debt payments.

The Legislature clarified in July 15

[legislation, however](#), that COVID-19 recovery funding received through the federal government is eligible for other kinds of capital spending, specifically, "maintenance or pay-go funded building of transportation infrastructure." In other words, instead of using long-term debt, capital projects financed with Fiscal Recovery Funds could pay for construction and other expenses upfront or as they are incurred. This could be a particularly good fit for smaller projects such as bike lanes, walking paths, or improving buses and bus stops that could provide rapid help, especially for communities hit hardest by the pandemic and its economic impact.

### Federal Funds for Free Fares

The state and municipalities can use some of their Coronavirus State and Local Fiscal Recovery funds to eliminate fares on public transportation and replace the lost revenue for transit authorities. **Using federal funds to eliminate transit fares makes sense for several reasons:**

- **Provides immediate economic relief to riders.** Fares hit hardest low-income riders and Black and Latinx riders, who have borne the heaviest brunt of the pandemic. Eliminating fares is an [especially potent way to advance economic and racial equity](#).
- **Stimulates the economy** by encouraging people to travel, shop, or reach other appointments. Each dollar that riders don't spend at the farebox is a dollar they can spend at a local business.
- **Encourages people to return to riding public transportation** by [making transit more convenient](#), eliminating lines to pay for boarding, and enabling buses to use front and back doors for boarding.
- **Helps avoid traffic congestion** that would otherwise hold back recovery and [helps the Commonwealth fulfill commitments to reduce climate emissions](#).
- **Makes Massachusetts more competitive for federal infrastructure funding** if ridership increases.

U.S. Treasury rules specifically state that a broader range of services and programs are deemed eligible if provided in low-income neighborhoods or other disproportionately impacted areas or populations.<sup>4</sup> For this undesignated pool of ARPA funds, spending will be presumed as in response to the COVID health emergency if it is provided to populations, households, neighborhoods or other geographic areas disproportionately impacted by the pandemic. Transportation improvements and improved access to transportation that advance racial and economic equity can fit these eligibility criteria well. As examples, the Treasury even explicitly encourages services that address health disparities and social determinants of health, or which build stronger neighborhoods and communities.

### **Additional Transportation Funds from an Upcoming Infrastructure Bill?**

The new federal Infrastructure Investment and Jobs Act advancing through Congress would reauthorize and update traditional federal transportation support. It also creates large new pools of support for transportation that the Commonwealth can compete for. Before the pandemic, federal funds already provided a [substantial portion of MassDOT and transit authorities' capital funding](#) through annual formulas for highway, bridge, and transit support. According to a [White House fact sheet](#), passage of the bill would deliver \$5.3 billion for highways and bridges, and \$2.5 billion for transit over five years, an increase from traditional annual levels.

Massachusetts public officials may be inclined to wait until the federal funding picture has been fully clarified before allocating transportation funds from COVID relief legislation. However, people hurt by the pandemic need help now. The sooner their travel becomes easier and their travel costs reduced, the better. Businesses are counting on their customers, their workers, and deliveries of their goods.

Moreover, some of the opportunities for new federal funds may be through competitive grants that could take as much as a year or more to be awarded to specific states. For instance, the infrastructure act would guarantee Massachusetts \$63 million in new funds for electric vehicle charging, while providing the opportunity to compete for \$2.5 billion in grants. According to the White House, "Massachusetts can also compete for the \$12.5 billion Bridge Investment Program for economically significant bridges and nearly \$16 billion of national funding in the bill dedicated for major projects that will deliver substantial economic benefits to communities."

An August 2021 report by the business group A Better City, titled "[Ready to Move in Massachusetts](#)," detailed \$43 billion in unfunded Massachusetts transportation projects that are in the MassDOT capital plan, consistent with completed long-term master planning efforts, or recommended by MassDOT-supported commissions. The paper noted that Massachusetts can best position itself to receive competitive federal grants from the upcoming infrastructure bill by investing now in the early design, planning, and permitting for these projects to make them ready to break ground more quickly and to demonstrate their worth and feasibility.

## A Bridge to a Better Transportation Future

Massachusetts can do better than building back the transportation system we had before the pandemic. Decades of underinvestment in our transportation systems holds back Massachusetts' economy and worsens our economic and racial disparities. A long list of governmental commissions and reports have made clear that our transportation system is not sufficient to meet our long-term needs with existing resources.<sup>5</sup> Funding will reemerge as a chronic problem when federal COVID dollars run out, and will be further strained by the challenges climate change is rapidly posing to infrastructure.

In order to fund ongoing operations and maintenance of investments made with one-time COVID recovery and infrastructure funds, the popular [Fair Share Amendment](#) ballot question in 2022 can, if approved, generate over \$2 billion in additional revenue dedicated each year between education and transportation. These funds can help sustain and build upon ambitious investments we launch today for a better and more equitable transportation future.

### More MassBudget Resources on Federal COVID Funds:

- [Using State Fiscal Recovery Funds: Sustainable, Equitable, and Community-Driven Planning](#) (July 2021)
- [Envisioning Equity: Federal Relief Funds for K-12 Schools in Massachusetts](#) (June 2021)
- [Relief is on the Way II: On and Off Budget](#) (May 2021).
- [That's a Relief II: Federal Fiscal Relief for Community Development in the CARES Act](#) (April 2021)
- [Relief is on the Way I: State and Local Funding from the American Rescue Plan](#) (April 2021)
- [That's a Relief Part I: Federal Fiscal Relief to Massachusetts in Recently-Passed Legislation](#) (April 2021)
- [Bringing in the Relief: The Census Counts for Equity](#) (updated April 2021)
- [Unemployment Insurance Saved the Economy: How Can We Ensure It Will be Strong for the Future](#) (November 2020).

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## Endnotes

<sup>1</sup> According to the Executive Office of Administration and Finance, the March 2020 Coronavirus Aid, Relief, and Economic Security (CARES Act) provided \$1.21 billion designated for transportation in Massachusetts; the December 2020 Coronavirus Response and Consolidated Appropriations Act (CRRSA) provided \$535 million for transportation; the March 2021 American Recovery Plan Act (ARPA) provided \$1.51 billion for transportation.

<sup>2</sup> The \$60 million cut to this MBTA budget item in FY 2017 was at the time accompanied by an equivalent increase in capital funds. In Fiscal Year 2022, \$145,000 is added to the line item but is not available for improved operations because it is earmarked for construction of new sound mitigation and visual shielding of its properties at two sites.

<sup>3</sup> See “[About the Coronavirus State and Local Fiscal Recovery Funds.](#)” Funds are specifically prohibited from being used for public pension funds or to offset tax cuts. From the state funds, [\\$109 million will be distributed](#) to four particularly hard hit local communities. Municipalities are subject to [similar rules](#) on how they spend these funds.

<sup>4</sup> U.S. Treasury, [Coronavirus State and Local Fiscal Recovery Funds, Frequently Asked Questions](#), as of July 19, 2021, section 2.11, “How does the Interim Final Rule help address the disparate impact of COVID-19 on certain populations and geographies?”

<sup>5</sup> See Massachusetts Transportation Finance Commission, “[Transportation Finance in Massachusetts: An Unsustainable System](#)” (2007); “[MBTA Review](#)” [D’Alessandro Report] (2009); Transportation for Massachusetts, “[Maxed Out: Massachusetts Transportation at a Financing Crossroad](#)” (2011); Mass Dept. of Transportation, “[The Way Forward: A Twenty-First Century Transportation Plan](#)” (2013); Commission on the Future of Transportation, “[Choices for Stewardship: Recommendations to Meet the Transportation Future](#)” (2018); A Better City, “[Funding Transportation Solutions: A Comprehensive Transportation Finance Plan for a Better Commonwealth](#)” (2019); Raise Up Massachusetts and Green Justice Coalition, “[Corporate Fair Share for Transportation: How Massachusetts Can Invest in Equitable Transportation and Make Our Tax System More Fair](#)” (2020); Massachusetts Taxpayers Foundation, “[The Capital Budget: Critical Demands; Insufficient Funds](#)” (Sept. 2020).