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## That’s A Relief: Federal Fiscal Relief to Massachusetts in Recently Passed Legislation

By Nancy Wagman, Kids Count Director

We are in the midst of an unprecedented public health emergency, economic emergency, and an emerging state fiscal crisis created by the COVID-19 novel coronavirus pandemic. The extent of these challenges only emphasizes the pressing nature of the partnership between the federal and state governments. Massachusetts cannot possibly meet all the immediate and emerging needs of our residents without federal support. There has been some fiscal relief already provided in federal coronavirus legislation, but there is a greater need and an opportunity to do more.

So far, Congress has passed three related pieces of legislation. These three bills -- the Coronavirus Preparedness and Response Supplemental Appropriations Act (“C1”), the Families First Coronavirus Response Act (“C2”) and the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act” or “C3”) -- each provide specific types of funding to address this extreme public health crisis. The first bill focuses primarily on public health infrastructure; the second bill addresses some of the emerging health and economic concerns; and the third bill moves more directly into support for workers affected by the economic crisis and fiscal relief for the states.

Although these three bills bring in a total of more than \$4 billion in federal funds to Massachusetts, they barely fill the hole we can expect from the economic and fiscal impact of this public health crisis.

<b>Families First Coronavirus Response Act</b>	Estimated amount for Mass.	Available to help the overall state budget?
Increase in Federal Medicaid Assistance Percentage (FMAP) for Medicaid	\$1.08 billion	Yes
Increase in Enhanced FMAP for CHIP	\$46.5 million	Yes
<b>Coronavirus Aid, Relief, and Economic Security (CARES) Act</b>	Estimated amount for Mass.	Available to help the overall state budget?

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Coronavirus Relief Fund	\$2.67 billion	Yes - but potentially only \$1.656 billion for the state and \$1.017 billion to local governments with populations over 500,000
Increased funding for child care	\$45.5 million	Yes - for child care
Education Stabilization Fund: K-12 schools	\$214.9 million	No - directly to districts based on Title I distribution (see Appendix A)
Education Stabilization Fund: Higher education	\$275.2 million	No - directly distributed to colleges and universities
Education Stabilization Fund: Emergency education relief	\$51.0 million	Potentially but still unclear
Supplemental transportation funding	\$1.044 billion	No
Supplemental community development funding	\$60.7 million	No
Supplemental emergency shelter funding	\$30.4 million	No

### Coronavirus Preparedness and Response Supplemental Appropriations Act (“C1”)

The first bill, passed on March 6, focuses largely on funding to develop vaccines and procure medical supplies to prepare for and fight the newly-spreading virus, and to bolster medical infrastructure. There is also funding for small business loans and for international efforts. None of this funding targets state fiscal relief.<sup>1</sup>

### Families First Coronavirus Response Act (“C2”)

The second bill, passed on March 18, focuses largely on addressing the emerging economic crisis created by the pandemic. It includes providing paid sick leave for some workers, tax credits for some employers, free COVID-19 testing, expanding food assistance and unemployment benefits, and increasing federal reimbursement rates for state Medicaid spending.

This bill includes a 6.2 percentage point increase in the Federal Medicaid Assistance Percentage (FMAP).<sup>2</sup> This is the reimbursement rate at which the federal government reimburses the state for a portion of its spending on the state's Medicaid program. (In Massachusetts, this publicly-subsidized health insurance program is known as MassHealth.) The basic Massachusetts FMAP will increase from 50% to 56.2%, and the enhanced FMAP for the Children's Health Insurance Program (CHIP) which has been temporarily increased under the Affordable Care Act will further increase from 76.5% to 80.8%. The increase is retroactive to January 1, 2020, and will extend throughout the public health emergency. In order to receive this funding increase, the state may not cut Medicaid eligibility or make eligibility more restrictive, nor can the state exclude coverage of COVID-19 testing and treatment.<sup>3</sup> The FMAP increase will also apply to the federal reimbursement rate for the state's spending on Title IV-E foster care and adoption services, which in Massachusetts supports the child protection services at the Department of Children and Families.<sup>4,5</sup>

**\$1.08 billion estimated additional Medicaid federal reimbursement and \$46.5 million in additional CHIP federal reimbursement<sup>6,7</sup>**

## **Coronavirus Aid, Relief, and Economic Security Act ("CARES Act," or "C3")**

The third bill, which became law on March 27, provides substantial federal fiscal relief for the states, as well as direct payments to individuals suffering hardship due to the pandemic and the subsequent economic disruption.<sup>8</sup> The bill provides an extension of unemployment insurance, expanded unemployment benefits, and direct cash payment to many individuals and children (although notably excluding dependent older teenagers, college students, and dependent adults.) Moreover, these benefits are unavailable to immigrants with work authorizations but no Social Security Numbers, and working immigrants without documentation.

Federal funding directed to the states includes:

### **Coronavirus Relief Fund**

*\$150 billion for the Coronavirus Relief Fund.* This funds "necessary expenditures incurred due to" the COVID-19 public health emergency. These funds can only be used for expenses "not accounted for" in a state's most recently-approved budget. And these funds are only available for expenses incurred between March 1, 2020 and December 30, 2020. A portion of this funding can be directed straight to larger cities (such as Boston) or counties.<sup>9</sup>

**\$2.673 billion estimated Massachusetts fiscal relief. \$1.656 billion of this is available for the state, and \$1.017 billion for local governments with a population over 500,000.<sup>10</sup>**

### **Childcare Funding**

\$3.5 billion for child care, distributed to states through the Child Care Development Block Grant (CCDBG). Massachusetts uses CCDBG funding to support affordable child care programs funded through the state budget at the Department of Early Education and Care. These new funds from the CARES Act can help pay child care providers that have closed due to the pandemic, or help them remain open, or be used to fund emergency child care for health care workers or other essential employees, regardless of income.<sup>11</sup> Because child care providers are often themselves low income and

disproportionately women of color, these funds are important for providing some measure of economic stability to a sector of the economy particularly hard-hit by the pandemic.

**\$45.5 million estimated Massachusetts funding for child care.**<sup>12</sup>

### Education Funding

The CARES Act also includes significant funding for education. However, the distribution of this funding is built into the law, and as it is designed to supplement existing funding, it will not directly support the state's current operating budget.

*\$30.75 billion for the Education Stabilization Fund, including \$13.23 billion for K-12 schools, \$13.95 billion for colleges and universities, and \$2.95 billion that governors may use as needed for "emergency relief" for educational institutions.*

The two separate funds for K-12 education and for colleges and universities are particularly directed to benefit low-income students. The K-12 dollars are distributed based on the number of Title I eligible students. This means that districts like Boston, Springfield, Lawrence, Holyoke, Fall River, and other communities with large numbers of low-income students will receive a greater share of this funding (see Appendix A for distribution to selected school districts). Similarly, 75 percent of the funds for colleges and universities are distributed to these schools based on the number of students receiving Pell grants. Moreover, guidance from the U.S. Secretary of Education states that 50 percent of the funding going to the colleges and universities must be targeted to provide emergency financial aid grants to help students cover expenses associated with the disruption caused by the pandemic (food, housing, child care, etc.)<sup>13</sup>

**\$214.9 million for K-12 schools, \$275.2 million for higher education, and \$51.0 million in emergency education relief grants estimated for Massachusetts.**<sup>14</sup>

### Additional Federal Funding

There is also additional funding in the CARES Act to support a variety of other essential services, but again, this funding will not be part of the state's operating budget.

*\$25 billion for transportation.* This funding would go to support several federal transit initiatives, including for repair of roads and bridges as well as public transportation.<sup>15</sup> This funding will be distributed based on the current formulas for the allocation of these federal funds.

**\$1.044 billion estimated for Massachusetts transportation programs.**<sup>16</sup>

*\$5 billion total for community development funding, which includes a \$2 billion boost to existing community development block grants (CDBG).* CDBG funding provides important economic development support for local communities, including housing and social services such as food pantries.<sup>17</sup> The remaining funding will be distributed based on factors determined by the U.S. Department of Housing and Urban Development.<sup>18</sup> In Massachusetts, these community development funds have little to no impact on the state's operating budget as they are distributed directly to cities and towns and local organizations.

**\$60.7 million estimated boost to Massachusetts for CDBG.**<sup>19</sup>

*\$4 billion total for homelessness assistance, \$1 billion of which is to supplement existing emergency solutions grants.* In Massachusetts, these grants are available to municipalities and community-based organizations that provide emergency shelter, financial assistance or other services for households at immediate risk of becoming homeless. People and families that are unstably housed during this pandemic are at particular health risk, and these emergency funds are a critical first step to provide some immediate support.

**\$30.4 million estimated boost to Massachusetts for emergency solutions grants.**<sup>20</sup>

## What's Still Missing?

Although there is much to be grateful for in the existing federal coronavirus relief legislation that provides essential support for many businesses and individuals, there is much still left to do, and the efforts will need to be widespread. For example, just this past week, the Federal Reserve Bank announced a measure to help state and local governments manage their cash flow during the pandemic. The Bank will offer loans to states and municipalities up to a total of \$500 billion.<sup>21</sup>

Moreover, and in particular, federal assistance provided by the CARES Act overlooks many Massachusetts residents, including immigrants without documents, immigrants with work authorizations who file taxes without a Social Security Number, and dependent adults and older teenagers. This leaves this relief to either come from another federal relief bill or from the state. Moreover, unlike during the Great Recession, Congress has not included an emergency fund to immediately provide a boost to very low-income families through existing electronic benefit transfer (EBT) cards and through the Supplemental Nutrition Assistance Program (SNAP). Already the state is seeing an unprecedented increase in applications for the state's cash assistance program and for food assistance, and additional federal funding would be critical to support this increased demand.<sup>22</sup>

One of the most important elements missing from federal legislation so far has to do with the extent and timing of assistance. Some of the additional funding provided so far is one-time, or tied to the duration of the public health emergency. The public health emergency has created an economic emergency, and these additional funds will be critical for Massachusetts residents until there is a strong economic recovery when most families will be able to go back to work and make ends meet without need of direct assistance.

And finally, states like Massachusetts are just beginning to see the scale and scope of the fiscal crisis ahead. In the past two recessions, tax collections dropped by anywhere from 13-16% in the first year, and it took a full five years after that for collections to recover to pre-recession levels. For Massachusetts to move forward into a strong, equitable and just recovery, the state will need to examine its own tax code to make sure that the state is not overlooking important revenues, will need to consider drawing on its own reserves,<sup>23</sup> and will certainly need to rely heavily on substantial support from our partnership with the federal government.

## APPENDIX A

<b>ESTIMATED EDUCATION STABILIZATION FUND Allocations for Selected K-12 School Districts</b>	
Boston	\$32,236,200
Springfield	\$17,790,800
Worcester	\$9,483,500
Lawrence	\$6,368,700
New Bedford	\$5,665,300
Lynn	\$4,905,000
Fall River	\$4,769,500
Lowell	\$4,685,000
Brockton	\$4,353,700
Holyoke	\$4,238,600
Chelsea	\$2,581,200
Chicopee	\$2,446,800
Revere	\$2,270,200
Fitchburg	\$2,042,400
Quincy	\$2,020,400
Taunton	\$2,008,300
Haverhill	\$1,882,500
Malden	\$1,838,300
Framingham	\$1,803,100
Everett	\$1,555,200
Pittsfield	\$1,498,900
Methuen	\$1,363,000
Leominster	\$1,258,800
Westfield	\$1,200,500
West Springfield	\$1,088,700

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- <sup>1</sup> <https://www.congress.gov/bill/116th-congress/house-bill/6074>.
- <sup>2</sup> <https://www.congress.gov/bill/116th-congress/house-bill/6201/text>.
- <sup>3</sup> <https://ccf.georgetown.edu/2020/03/25/cms-guidance-clarifies-that-families-first-covid-19-response-bills-fmap-increase-will-benefit-chip-too/>.
- <sup>4</sup> [https://www.everycrsreport.com/files/20200331\\_IN11297\\_4789332a3962a7b73a36bee61308764e64e9192f.pdf](https://www.everycrsreport.com/files/20200331_IN11297_4789332a3962a7b73a36bee61308764e64e9192f.pdf).
- <sup>5</sup> [https://massbudget.org/report\\_window.php?loc=Partnership-in-Peril-Federal-Funding-at-Risk.html](https://massbudget.org/report_window.php?loc=Partnership-in-Peril-Federal-Funding-at-Risk.html).
- <sup>6</sup> <https://www.cbpp.org/blog/medicaid-funding-boost-for-states-cant-wait>.
- <sup>7</sup> From a Center on Budget and Policy Priorities preliminary, rough estimate of increase in Federal CHIP Funding from FMAP Increase in Families First Coronavirus Relief Act. Assumes increase in effect Jan. 1, 2020 - Mar. 31, 2021.
- <sup>8</sup> <https://www.congress.gov/bill/116th-congress/house-bill/748?q=%7B%22search%22%3A%5B%22Coronavirus%22%5D%7D&s=3&r=3>.
- <sup>9</sup> CARES Act, Section 5001(d). <https://crsreports.congress.gov/product/pdf/R/R46298>.
- <sup>10</sup> <https://www.cbpp.org/research/state-budget-and-tax/how-will-states-and-localities-divide-the-fiscal-relief-in-the>.
- <sup>11</sup> <https://www.acf.hhs.gov/occ/resource/summary-of-child-care-provisions-of-cares-act>.
- <sup>12</sup> Author's calculations based on <https://www.acf.hhs.gov/occ/resource/summary-of-child-care-provisions-of-cares-act>.
- <sup>13</sup> See Section 18003 (b) and (c) and Section 18004 (a) <https://www.documentcloud.org/documents/6819239-FINAL-FINAL-CARES-ACT.html>. See also letter from Secretary Betsy DeVos to College and University Presidents, dated April 9, 2020.
- <sup>14</sup> Based on preliminary estimates provided in a memo from Congressional Research Service staff, March 27, 2020, available at <https://www.politico.com/states/f/?id=00000171-31b8-da0d-a17b-ffb32a90000>.
- <sup>15</sup> See CARES Act, Title XII, p. 839 <https://www.documentcloud.org/documents/6819239-FINAL-FINAL-CARES-ACT.html>.
- <sup>16</sup> See allocations itemized at <https://www.transit.dot.gov/cares-act-apportionments>.
- <sup>17</sup> <https://www.mass.gov/doc/fy-2019-award-list/download>.
- <sup>18</sup> <https://crsreports.congress.gov/product/pdf/IN/IN11315>.
- <sup>19</sup> See funding allocations here <https://www.hud.gov/sites/dfiles/CPD/documents/fy2020-CARES-allocations-AllGrantees.xlsx>.
- <sup>20</sup> See funding allocations here <https://www.hud.gov/sites/dfiles/CPD/documents/fy2020-CARES-allocations-AllGrantees.xlsx>.
- <sup>21</sup> <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>.
- <sup>22</sup> <https://www.bostonglobe.com/2020/04/12/business/food-banks-see-surge-need-amid-coronavirus-crisis/>.
- <sup>23</sup> <https://medium.com/this-is-not-a-drill/amid-plummeting-state-tax-collections-the-commonwealth-has-options-4b9881548213>.