

## Where's the Relief? The Distribution of Federal Funding in Massachusetts

By Nancy Wagman, Kids Count Director

### Key Takeaways

- Understanding decisions about the use of past federal COVID-19 relief funds is particularly important since billions of dollars will be coming to Massachusetts with the newly-signed American Rescue Plan.
- Much of the billions in federal money that has already come to the state as COVID-19 relief has come with restrictions and guidelines from the federal government; changes in the guidance can cause delays and confusion about how the money can be used.
- Sometimes changes in rules can be advantageous, such as a recent change in the availability of federal disaster funding.
- Overall, there has been little public awareness about decisions affecting hundreds of millions of dollars over this past year, yet these decisions can have significant equity impacts for the Commonwealth if funds are not targeted to communities with the highest levels of need.

As difficult as this past year has been, it would have been worse without the more than [\\$70 billion in federal relief](#) to Massachusetts so far from just the first five of the COVID-19 federal relief bills. About \$39 billion in federal dollars goes directly to individuals and businesses, through stimulus checks and programs like the Paycheck Protection Program. About \$3 billion goes to regional transportation authorities and Head Start providers. And about \$29 billion is expected for programs operated through the state's executive agencies. But how does this money get distributed?

Since March 2020, Congress has passed six major pieces of legislation to address the COVID-19 pandemic and the economic downturn (see Appendix Table 1). The latest legislation, the American Rescue Plan, was signed into law in early March. Its ultimate impact on our communities will in part depend on the distribution of the estimated \$1.9 trillion authorized in the bill. In considering these new funds, it is useful to look at how the state distributed prior

**How Do Funding Formulas Matter? An Example from Health Care**

The CARES Act distributed billions of dollars nationally to health care providers for COVID-19 response. Initially, the Department of Health and Human Services distributed funds based on “net patient revenue.” This formula favored hospitals with privately-insured patients because private insurance typically pays hospitals more for the same service than does publicly-funded insurance. Under this formula, hospitals in communities serving low-income patients—who might be uninsured or rely on Medicaid (MassHealth in Massachusetts)—received less of these funds during the early pandemic surge, even though these hospitals might have been in communities hardest hit by COVID. An analysis of this funding distribution concluded that this formula “resulted in allocations largely unrelated to health or financial needs” and that “the relief funding allocation may have [had] a ‘disparate impact’ on Black populations.” Notably, after this first round of funding, there were later distributions that explicitly targeted hospitals in Black, brown, and low-income communities hardest hit by the virus.

**An Example from Education**

The CARES Act included funds for K-12 education and for colleges and universities. The K-12 dollars were distributed across states and to school districts based on the number of Title I eligible (i.e., low-income) students. This means that districts like Boston, Springfield, Lawrence, Holyoke, Fall River, and other communities with large numbers of low-income students received a greater share of this funding. Similarly, 75 percent of the funds for colleges and universities went to schools based on the number of students receiving Pell grants, the federal program providing scholarships to very low-income students. In both cases the formulas targeted the funding to schools serving low-income students, thereby ensuring better equity in the distribution of the resources.

relief funds, especially the funds over which the state has had the most discretion—the Coronavirus Relief Funds.

Federal funding is critical for addressing [inequities](#) laid bare over the course of the pandemic and the recession. But many of the decisions about the distribution of this funding have not been made under public view. This may have had an impact on whether these dollars have been used to address the communities’ most critical needs.

**From Law to the State Treasury**

Once Congress passes legislation and it is signed into law there can be a weeks-long delay before any funding goes out to the states. For example, the CARES Act was signed on March 27, 2020. The Treasury was given 30 days to distribute the funds. On April 13, the U.S. Secretary of the Treasury announced that state and local governments would receive the full amount of their funding by April 24.

Massachusetts received its allocation in April.

The COVID-19 federal relief funds come to the state with different funding formulas, limitations on spending, and timing. And these rules sometimes change mid-stream. It becomes the responsibility of the Governor’s Executive Office for Administration and Finance (A&F) to match the right funding source with the intended use of funds, and there is a certain amount of juggling and redistribution to keep things aligned.

These seemingly technical decisions usually happen outside of public review and can have significant implications for how funds are ultimately allocated. But at the same time, this administrative discretion can be a valuable strategy for the state’s being able to make the best use of available dollars. The Administration can—and over this past year has—used its discretion to switch among the various funding sources when assigning spending. So something that might

first have been funded out of one federal grant might get switched (even retrospectively) to a different grant, based on which set of funding rules might be most advantageous.

The state has created a [website](#) to help track the spending of these dollars, but even so the details of this process can be confusing.

### From the State Treasury to the Community

Each of the implementation stages of federal policy can have important equity implications. Depending on language in the law, funding from these federal bills takes different paths into the community. Sometimes there are limitations on funding use or on who is eligible to receive funds written directly into the law. Sometimes there are rules or formulas that the U.S. Treasury and the federal executive agencies establish that govern the distribution of funds (see “How Do Funding Formulas Matter”).

Much of the federal funding that came to the state in the CARES Act and the other federal relief legislation was distributed through existing federal grant programs that have their own distribution formulas and program rules (see Appendix Table 2). For the most part, these funds go straight out to local communities, with state agencies simply the mechanism for distribution.

There are other types of federal grants as well. For example, there has been about \$17 billion in federal funding for expanded unemployment benefits that have gone directly to individuals. In addition, the Families First Act included enhanced reimbursement for the state’s Medicaid program (MassHealth) which is bringing in more that \$1.5 billion that goes directly into support the state budget (see Appendix Table 3 and Table 4).

### The Coronavirus Relief Fund

Another significant source of federal funding has been the Coronavirus Relief Fund (CvRF) from the CARES Act. The U.S. Treasury imposed (not always entirely clear and sometimes changing) restrictions on these funds, but the state and localities had some discretion in how they could be used, within the imposed federal guidelines.

CORONAVIRUS RELIEF FUND	
Mass. total	\$2.673 billion
Boston	\$121 million
Plymouth County	\$91 million
Payment to State	\$2.461 billion
<i>Reserved for remaining municipalities</i>	<i>\$501.6 million</i>
<i>Remaining for state use</i>	<i>\$1.959 billion</i>

The law required that funds be used for “necessary expenditures” incurred due to the pandemic; that they were for costs not accounted for in the most recent (state or local) budget approved prior to the bill signing date (March 27); and that they be for costs incurred during the period that begins March 1, 2020 and ends December 31, 2021.

Massachusetts received a total of \$2.67 billion (see box). Language in the CARES Act allowed counties and large municipalities to administer their own allocations, and Boston (\$120.9 million) and Plymouth County (\$90.9 million) opted to do that. There were concerns from some local and

state officials that the county government might not be well-equipped to manage the administration of the program. (The state's total allocation was reduced by the amounts sent to Boston and Plymouth County, and the state did not include those cities and towns in their municipal distributions.)

The state set up the Coronavirus Relief Fund municipal program to distribute the remaining portion of funds designated for local governments using a formula based on population, as directed by Congress. (For a discussion of the equity implications of funding formulas driven by decennial Census population counts, see [Bringing in the Relief Part II: The Census Counts for Equity](#).)

In mid-May, the state administration announced the first round of the distribution of \$501.6 million to municipalities. At that time, it noted that all the guidelines for the use of this funding were not yet in place. Massachusetts announced the second round on September 30, and the third (and presumably final) round of applications is open through the remainder of the current state fiscal year.

For the remainder of the CvRF dollars—well more than \$1 billion directly overseen and spent by the state—the process has not been quite as transparent. The state first put CvRF dollars into an account called an “expendable trust”. These trusts are intended to be temporary holding places, but the funds stayed there for several months. On July 24, 2020 the Legislature passed Chapter 124 of the Acts of 2020 (known as the “COVID supp”) which moved all of these funds into a newly-created non-budgeted (“off-budget”) Massachusetts Coronavirus Relief Fund. This fund is under the control of A&F, and notably no longer subject to further appropriation. With a non-budgeted fund, the Legislature no longer has authority to further decide how the dollars can be spent.

The July COVID supp is a particularly interesting case study. In addition to creating the CvRF non-budgeted fund to “hold” the federal funds, the [legislation](#) created large reserve accounts full of earmarks allocating funding to support state and local COVID-related expenses. The expectation was that these appropriations would all be eligible for various federal funding programs and would result in little or no net cost to the state.



Originally, the Governor proposed the COVID supp as a single undesignated lump sum appropriation in mid-May. During the legislative review process, the House and Senate added specifics. In part because of lack of clarity about whether the federal government would allow for reimbursement of certain kinds of expenses, or perhaps disagreement about whether certain expenses would be “allowable”, there were proposals for spending that did not get included. For example, funding an unemployment or stimulus benefit check for people who file taxes with Individual Taxpayer Identification Numbers rather than

Social Security Numbers did not get included in the bill. Ultimately, this \$1.1 billion COVID support offered little significant legislative discretion over how the funds were to be spent, as the appropriations were constrained by various and specific federal eligibility guidelines.

One of the larger expenditures from the CvRF was when the Fiscal Year (FY) 2020 state budget used approximately \$352 million for payroll expenses of public safety personnel (see “Public safety payroll” in Appendix Table 5). When the Governor released his revised FY 2021 budget in October 2020, he expected he would need to use \$550 million from the CvRF to cover these budgetary costs again in this next year’s budget. But as the state’s tax revenue picture improved and as the federal government extended the deadline for the expenditure of CvRF dollars, that particular diversion of funds did not become necessary. Instead, the Governor used \$650 million of the CvRF to support grants for small businesses. (See listing in Appendix Table 5.)

## **FEMA**

In addition to changing guidance on uses of the Coronavirus Relief Fund, changing guidance on the use of Federal Emergency Management Agency (FEMA) funding has also affected federal revenues available for the state budget. FEMA receives appropriations from Congress, and then states apply for reimbursement from FEMA for certain kinds of costs. As long as the FEMA appropriation does not run out, there is no limit on the eligible costs that a state can submit for FEMA reimbursement. It can be very strategic to use FEMA dollars first to support state costs, before looking to other federal or state funds. On top of that, there can be a sense of urgency to submit costs for reimbursement, as it’s “first-come, first-served” until the money runs out.

The COVID-19 pandemic was declared a major disaster on March 27, 2020 in Massachusetts, so FEMA can reimburse both state and local governments (as well as some non-profit health care organizations) for certain eligible disaster-related costs. The “incident period” of this disaster started on January 20, 2020 and continues to the present day.

Typically, the FEMA program reimburses a state or local government for 75 percent of eligible costs. This means that the state or local government pays 25 percent of these costs out of their own funds. In May, the Treasury modified its policy and announced that funds from the CARES Act CvRF could be used to match FEMA funds.

There have been program changes that have had a significant budgetary impact and changing guidance can make it difficult for planning. For example, in September 2020 FEMA changed its policy on allowable expenses, and no longer allowed reimbursement for some costs that the state had presumed to be eligible, such as personal protective equipment (PPE) purchased for any public employees other than first responders (for example, teachers or administrative staff). Yet under the new Administration on January 21, 2021 the President expanded eligible costs to include vaccine distribution, PPE, cleaning, sanitation, and school reopening costs.

There have also been changes in the reimbursement rate. In February 2021 FEMA announced that the federal government would now pay for 100 percent of eligible costs, and this would be

applied *retroactively* to costs incurred since January 20, 2020 and go forward until September 30, 2021.

These changes have significant impact moving forward. The Baker Administration estimates that as of early March, the state had been approved for close to \$590 million in FEMA applications (see Appendix Table 6). It will be prudent for the state to continue to re-allocate as much eligible spending as possible into the now fully-reimbursable FEMA program in order to free up other, less-restricted resources.

The enhanced FEMA reimbursement rate will have two budgetary impacts: it will bring in more federal revenue to pay for these eligible costs, and the CvRF dollars previously used as the 25 percent state match will be reallocated to the General Fund.

### **Looking forward to the American Rescue Plan**

The American Rescue Plan, the first major piece of federal legislation in 2021, will bring billions of dollars to Massachusetts. The U.S. Treasury has not yet published its guidance for the disbursement of the state and local aid, as they have 60 days to work out the details.

In addition to direct payments to individuals and support for businesses, there will be as much as \$8 billion for Massachusetts state and local governments. States can use this funding (known as the Coronavirus State Fiscal Recovery Fund) through 2024 to:

- Respond to the public health emergency or its immediate impacts
- Provide premium pay to eligible essential workers
- Address revenue shortfalls due to the pandemic
- Invest in water, sewer, or broadband infrastructure

There are specific restrictions on the use of these funds, but even so it will be the responsibility of policymakers and administrators at the state and local levels to ensure that the funds coming to the state are directed first and foremost to the communities hardest hit by the pandemic and the recession.

This next step in the relationship between Washington and Massachusetts has the opportunity to be transformative and profound. If the state targets funding to those most in need and uses these dollars to move policy that will address and redress long-standing inequities in our communities, this can be the moment when we set ourselves up for a “new post-pandemic normal.” This means creating the foundation for a more equitable Commonwealth where all communities—even those that have suffered the most—have an opportunity to thrive.

**APPENDIX: TABLES**

Table 1: FEDERAL COVID-19 RELIEF LEGISLATION			
Legislation	Date Passed	Selected Initiatives Funded in This Legislation	Mass. Revenue Expected/Purpose
Coronavirus Preparedness and Response Supplemental Appropriations Act	3/6/2020	Public health department testing and surveillance; epidemiology	\$18,411,000 for health and human services grants
Families First Coronavirus Response Act (“Families First”)	3/18/2020	Increased Medicaid reimbursement; funding for home-delivered meals and congregate meals for elders; funding for WIC; administrative support for unemployment insurance; school nutrition support	\$1,530,000,000-\$1,610,000,000 in enhanced Medicaid reimbursement  \$125,895,600 for other health, human services, and unemployment administrative grants
Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)	3/27/2020	Expanded unemployment benefits; Coronavirus Relief Funds for states and municipalities, medical supplies, funding for K-12 and higher education; child nutrition; housing supports; more	\$16,788,000,000 for the Coronavirus Relief Fund; education, health, human services, housing, economic development, transportation, and other grants; and for unemployment benefits
Paycheck Protection Program and Health Care Enhancement Act	4/24/2020	COVID-19 testing and surveillance	\$374,116,000 for health and human services grants
Coronavirus Response and Relief Supplemental Appropriations Act of 2021	12/27/2020	Funding for K-12 schools to address learning loss, support remote learning, and prevent virus transmission; funding for private schools; public health support for vaccination programs; testing and contact tracing for high-risk communities; mental health and substance misuse disorder support; emergency rental assistance; and more	\$1,854,722,000 for education, health and human services, and housing and economic development grants
American Rescue Plan	03/12/2021	Various	TBD

Table 2: FEDERAL GRANTS	Revenue Expected	Obligated (committed)
Elementary and Secondary School Emergency Relief ("ESSER")	1,029,785,000	203,887,000
CDC Epidemiology and Laboratory Capacity ("ELC") Testing Funding	785,692,000	254,743,000
Federal Emergency Rental Assistance Program ("ERAP") - State	436,459,000	199,324,000
Child Nutrition and National School Lunch Programs	186,525,000	108,201,000
Unemployment Insurance - Admin & Other	115,000,000	25,324,000
CDC COVID-19 Vaccine Funding	88,923,000	40,000
Community Development Block Grant ("CDBG") - State	75,093,000	38,255,000
Governor's Emergency Education Relief Fund ("GEER")	73,469,000	36,748,000
Grants to Address Mental and Substance Use Disorder	72,878,000	1,687,000
Emergency Solutions Grant ("ESG") - State	44,414,000	32,065,000
Low Income Home Energy Assistance Program ("LIHEAP")	27,158,000	27,143,000
Community Services Block Grant	24,777,000	23,121,000
Governor's Emergency Education Relief Fund ("GEER") - Emergency Assistance to Non-public Schools ("EANS")	24,225,000	0
Crisis Response Cooperative Agreement CDC Grant	16,499,000	6,559,000
Older Americans Act: Congregate and Home-Delivered Meals	15,047,000	13,217,000
Federal Transit Authority Nonurbanized Formula	12,620,000	5,750,000
Housing Choice Vouchers (Sec. 8) - State Subsidies & Admin.	11,293,000	19,554,000
Coronavirus Emergency Supplemental Funding ("CESF")	11,144,000	8,343,000
COVID-19 Vaccine Preparedness Grant	7,915,000	3,215,000
Dislocated Worker Grants	6,993,000	5,381,000
Supp. Nutrition for Women, Infants, and Children ("WIC")	5,880,000	4,612,000
Other Grants	25,434,000	20,489,000
<b>Sub-Total Grants</b>	<b>3,097,223,000</b>	<b>1,037,658,000</b>

Table 3: FEDERAL FUNDS FOR UNEMPLOYMENT BENEFITS	Revenue Expected	Obligated (committed)
Federal Pandemic Unemployment Compensation ("FPUC")	9,740,995,000	9,014,345,000

Pandemic Unemployment Assistance ("PUA")	4,242,536,000	3,519,090,000
Pandemic Emergency Unemployment Compensation ("PEUC")	2,081,096,000	1,403,465,000
Lost Wage Assistance Grants ("LWA")	1,221,353,000	1,215,441,000

Table 4: FAMILIES FIRST CORONAVIRUS RESPONSE ACT		Estimated Revenue Expected
Enhanced Federal Medical Assistance Percentage	1,530,000,000 – 1,610,000,000	

Table 5: CORONAVIRUS RELIEF FUNDS OBLIGATED SO FAR	2020	2021
Boards of health payments	9,023,000	3,657,000
Command Center/Response Coordination	1,506,000	9,517,000
Community Foundations Grant Program	0	5,000,000
Contact Tracing	28,946,000	90,000,000
COVID-19 Grants for Mass. Small Businesses (Economic Recovery Plan)	0	40,000,000
COVID-19 Grants for Mass. Small Businesses (Small Business Relief Package)	0	650,000,000
Coronavirus Relief Fund Municipal Program	94,735,000	235,552,000
Cultural Organization Economic Recovery Grant Program	0	8,552,000
Early childcare parent fees	19,832,000	0
Field hospitals	11,933,000	5,229,000
Food programs	1,034,000	6,865,000
Funding administration and compliance	397,000	16,832,000
Healthy Incentives Program support	0	4,212,000
Holyoke Soldiers' Home	326,000	5,635,000
Incentive/Hazard pay	16,545,000	1,000
Infection control and social distancing in public buildings	3,501,000	8,311,000
Isolation hotels	7,746,000	14,464,000
Local housing authorities payments	0	13,968,000
National guard deployment	4,838,000	1,549,000
PPE warehouse	90,172,000	42,384,000

PPE warehouse – Health and Human Services	662,000	6,344,000
Provider relief payments	95,985,000	2,000
Provider relief payments - residential schools	0	16,200,000
Public hospitals and congregate care facilities	3,390,000	12,109,000
Public safety payroll	351,804,000	551,000
Remote learning support	0	5,965,000
Remote Learning Support Services grants	0	9,986,000
Residential Assistance for Families in Transition	5,000,000	30,000,000
School nutrition support	0	5,000,000
School Reopening and Remote Learning Technology Essentials Transfers	0	242,207,000
Small Business Technical Assistance Grant Program	0	4,300,000
Support for school reopening	0	4,141,000
Testing	15,351,000	6,738,000
Other Grants	6,855,000	10,471,000
<b>TOTAL</b>	<b>769,580,000</b>	<b>1,515,740,000</b>

Table 6: FEMA FUNDS AWARDED SO FAR		
Agency	Purpose	Amount
Bureau of the State House	Other	101,000
Governor's Office	Other	124,000
Hampden County Sheriff's Department	Other	143,000
MEMA	Temporary shelter	880,000
	Food boxes	9,325,000
	Field hospitals	50,429,000
	PPE	315,816,000
EOHHS	Vaccine distribution	213,285,000
<b>TOTAL</b>		<b>590,102,000</b>

See data at <https://www.mass.gov/info-details/about-covid-19-federal-funds>. Tables 1,2,3,4,6 data updated 3/22/2021. Table 5 data updated 2/28/2021.