

Relief Is on the Way: Part II—On and Off

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A lot of money has already come to Massachusetts from federal COVID relief legislation, and more is on the way. Will policymakers decide to spend this money where it is most needed? Will this be an opportunity to invest in the Black, brown, and low-income communities hardest hit and still affected by the pandemic? Who will have a say in that? Will those same people in the communities hardest hit have a voice?

Key Takeaways

- Massachusetts will receive more than \$20 billion from the American Rescue Plan. Most money is off-budget.
- Advocates and communities could influence the spending of more than \$8.7 billion in fiscal recovery funds.
- Lawmakers should ask those hardest hit by the pandemic how to spend this money.

The state has [already received](#) more than \$70 billion from five federal COVID relief bills. Over \$20 billion more is [now coming](#) thanks to a sixth bill, the American Rescue Plan (ARP), signed into law in March. Close to \$8.7 billion of this will go to state and local governments, and [can be used](#) to respond to the pandemic and its economic impacts; provide premium pay to essential workers; make up for revenue losses; or invest in water, sewer, or broadband infrastructure.

On and Off or Neither

Funding coming to the state from the ARP can be thought of as “on-budget”, “off-budget”, or neither. The on-budget and off-budget funds go through the state’s executive agencies, even if they eventually are distributed to the community. See below for more detail.

The third portion of federal COVID relief is **neither** on-budget nor off-budget as it has nothing to do with the state budget at all. This money goes **straight into people’s pockets** (such as the economic impact payments—“stimulus checks”—or unemployment insurance); goes directly to **businesses** (such as the Paycheck Protection Program from the CARES Act); or goes primarily to **health care providers** (for coronavirus testing, treatment, or vaccine distribution). This money does not affect the state budget, but nevertheless represents **tens of billions of dollars spent in the Massachusetts economy** as people use this income to buy groceries, pay their rent, meet other basic needs, or as businesses or health care providers pay their workers or suppliers.

On-Budget Funding: In the operating budget

How much ARP funding will be available to fund the state’s operating budget? This would be referred to as “on-budget” funding. Only a small portion of all the federal COVID relief so far has

been on-budget. This is funding that goes into the General Fund (or similar funds) and it is up to the state Legislature to decide how it's spent. Prior to the ARP, the most significant on-budget funding has been more than **\$2 billion** from the Families First legislation for enhanced federal reimbursement for MassHealth spending (“**FMAP**”). About \$526 million of this helped fund the Fiscal Year (FY) 2021 budget, and more than \$1.4 billion is counted on for the FY 2022 budget. This funding is included in the total “federal reimbursements” listed in **Section 1A** of the state’s operating budget. The funding in the ARP is not at the moment designated for supporting the state’s operating budget. But **billions could be**. (See “TBD” below.)

Off-Budget Funding: Federal Grants

Money that goes directly to communities or to fund existing federal grants is referred to as “off-budget”. Much of federal COVID relief so far—and also much of the funding from the ARP—is off-budget. Most off-budget funding goes into the “[Federal Grants Fund](#)” listed in **Section 2D** of the state’s operating budget. When it passes the state budget the Legislature technically approves the spending of these grants, but they cannot change the terms of the formulas and the rules of the federal grant programs that this money is paying for. State agencies distribute this funding directly to community organizations and local agencies.

The ARP includes funding for federal grants that have been in place for years (such as Head Start or fuel assistance) as well as grants newly-created by federal COVID relief legislation (such as the Elementary and Secondary School Emergency Relief Fund—ESSER or the Emergency Rental Assistance Program). Federal COVID relief transportation grant funding goes into the off-budget [Massachusetts Transportation Trust](#). The Department of Transportation then distributes it to the MBTA and regional transit authorities.

TBD: The American Rescue Plan’s Fiscal Recovery Funds

The ARP will send Massachusetts close to **\$5.29 billion in discretionary “Fiscal Recovery Funds”**. How will the state use this money? Policymakers have said they will wait until summer to decide.

The U.S. Treasury strongly recommends **community input**, so the time for that is now. Will there be an open, transparent, and inclusive process so residents of the communities hardest hit by the pandemic can shape where this recovery money goes? Will it be “on-budget” and under the direction of the state Legislature and subject to public scrutiny and input? Or will it be quickly put “off-budget” into a fund managed by the Baker Administration, similar to [what happened](#) to the \$2.4 billion Coronavirus Relief Fund created by the federal CARES Act?

One thing is very clear. The intent of the ARP is to use these dollars where the need is greatest, especially in the Black, brown, and low-income communities that have been hardest hit by the impacts of the pandemic. Now it’s up to the people and policymakers in Massachusetts to decide if that will be the case.