

ARPA: THREE YEARS LATER IN BRIEF

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Executive Summary

Executive Office for Administration and Finance

Introduction

The public health emergency caused by Coronavirus Disease 2019 (COVID-19) has had a significant impact on the lives, health, and economy of the Commonwealth of Massachusetts since March 2020. Residents, families, businesses, non-profits, and the public sector have worked together to respond to and recover from COVID-19 over the last three years.

The public sector effort, including federal, state, and local governments (counties, cities, and towns) has been enormous. The Executive Office for Administration and Finance (ANF) calculates the approximate magnitude of federal emergency response spending in Massachusetts at approximately \$87 billion.

The single largest aspect of this federal assistance for the Commonwealth came as a grant of \$5.3 billion from the Coronavirus State Fiscal Recovery Fund (CSFRF) created by the American Rescue Plan Act (ARPA). On the upcoming three-year anniversary of the arrival of these funds in the Commonwealth, this report summarizes the efforts undertaken by the Executive Branch and the Legislature to effectively and efficiently put these resources to work for the people of Massachusetts.

Key Takeaways

- The Commonwealth has assigned uses to approximately \$5.2 billion, or 98.3 percent, of the \$5.3 billion federal grant provided through ARPA and has an estimated \$89 million left to assign, though this amount remains subject to change due to flexibility provided in supplemental budgets to assign additional funds from CSFRF.
- Expenditures supported by these resources total about \$3.4 billion and obligations (contract executed to spend the resources as reflected in the state accounting system) total \$3.7 billion.
- More urgent work is underway to ensure that the state can obligate all available resources before the federal deadline and not risk having to return any unobligated funds to the federal government after the December 31 deadline.

Executive Office for Administration and Finance

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Executive Summary: ARPA Three Years Later

- The Commonwealth is using ARPA funds to address key lessons learned during the COVID-19 pandemic, especially related to health and human services, and in key policy areas such as housing, environment, and climate.
- Prioritizing communities that were disproportionately impacted by the pandemic and working to deliver an equitable recovery are key priorities for the Healey-Driscoll Administration.
- Though the grant came with the flexibility to use as necessary, it also poses more risks in terms of compliance with federal rules and regulations. The Commonwealth has integrated risk minimization efforts into grant administration since it was received.

Learning Lessons from COVID-19 and Providing for an Equitable Economic Recovery

The federal government redefined its financial relationship with state and local governments during the COVID-19 pandemic. The federal response to the pandemic directed billions to be spent by state or local governments in Massachusetts, including \$2.7 billion from the CARES Act Coronavirus Relief Fund (CRF), a total of \$2.6 billion in aid to school districts from three rounds of the Elementary and Secondary School Emergency Relief grant (ESSER), and approximately \$1 billion in reimbursements from the Federal Emergency Management Agency Public Assistance Grant Program (FEMA PA).

The single largest federal grant provided to state and local governments was distributed through the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) created by the American Rescue Plan Act of 2021, Pub. L. 117-2 (March 11, 2021) (ARPA), which allocated a total of \$8.7 billion to Massachusetts. Approximately \$5.3 billion of this amount was granted to the Commonwealth and \$3.4 billion was provided to counties, cities, and towns.¹

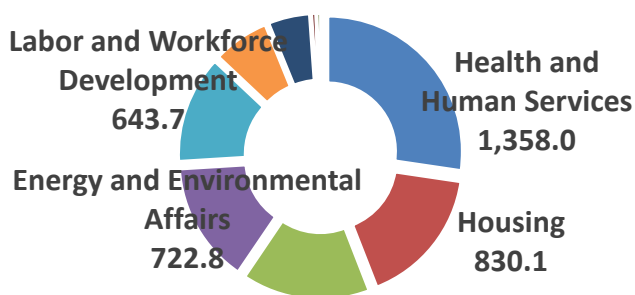


Figure 1: \$5.2 billion in appropriations supported by ARPA funds by policy area. \$ Millions.

The Massachusetts General Court made the bulk of the Commonwealth's allocation, approximately \$4.9 billion, subject to the legislative appropriations process on June 28, 2021. The remaining amount, over \$300 million, was assigned uses by the Governor.

The General Court (hereafter, the Legislature) enacted Chapter 102 of the Acts of 2021, *An Act Relative to Immediate COVID-19 Recovery Needs*, on December 13, 2021, appropriating \$2.6 billion from

¹ A full description of amounts received by cities and towns is available at the [ANF Federal Funds website](#).

Budget Brief: Federal Funds and Infrastructure Development

ARPA funds and \$1.5 billion from the state fiscal 2021 budget surplus. That legislation required the Secretary of Administration and Finance to assign the appropriations to either ARPA or state funds based on the applicable federal rules and regulations.

The Legislature enacted Chapter 268 of the Acts of 2022, *An Act Relating to Economic Growth and Relief for the Commonwealth*, on November 15, 2022, appropriating \$2.6 billion in total from ARPA funds and the state fiscal 2022 budget surplus. That legislation required the Secretary of Administration and Finance to assign the appropriations to either ARPA or state funds based on the applicable federal rules and regulations (See Figure 1 for allocations by policy area). The Secretary assigned about \$1.9 billion of the appropriations to ARPA funds and the remaining balance to state resources.

Additional ARPA funds have been allocated in Chapter 26 of the Acts of 2023, *An Act Making Appropriations for the Fiscal Year 2023 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects*, on July 31, 2023, and in Chapter 77 of the Acts of 2023, *An Act Making Appropriations for the Fiscal Year 2023 for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects*, on December 4, 2023. The former allocated \$89 million in ARPA funds towards hospital relief grants and \$111 million in state surplus funds from the Transitional Escrow Fund. The latter appropriated nearly \$400 million in state surplus dollars from the Transitional Escrow Fund and \$94 million in ARPA funds. Both of these pieces of legislation required the Secretary of Administration and Finance to assign the appropriations to the General Fund, the Transitional Escrow Fund, or ARPA.

To date, approximately \$5.2 billion in ARPA funds have been allocated to uses, leaving approximately \$89 million to assign in the coming months (as shown in Figure 2), though this amount is likely to change as programs and projects are designed and delivered. Federal law requires that ARPA funds be obligated (i.e., contracts must be executed to spend the resources) by December 31, 2024, and fully expended by December 31, 2026. Work is underway to obligate and spend all available resources Work is underway to obligate and spend all available resources in advance of the federal deadlines, and projects are continuously being monitored closely to ensure compliance with these rules.

The enactment of these laws initiated the implementation phase for these critical resources. In the months since their enactment, state agency personnel have adopted a responsible compliance checklist process to ensure adherence to the terms of the grant, interacted with key stakeholders to design programs and deliver on the projects identified in the legislation, and spent more than \$3.4 billion in ARPA resources and \$4.4 billion in state resources toward those objectives.

Approximately \$1.6 billion was appropriated for uses related to health and human services, \$830 million for housing initiatives, \$764 million for essential worker payments and an

Executive Summary: ARPA Three Years Later

emergency paid sick leave program for employees, \$738 million for an array of energy and environmental affairs efforts, \$644 million for labor and workforce development programs, \$343 million for economic development initiatives, \$250 million for education programs, and other smaller programs. A total of 621 local project earmarks worth \$225 million are included in the above appropriation figures.

Total ARPA Funds Unallocated				89.1
<i>Funds by Use Category</i>	<i>Available</i>	<i>Allocated</i>	<i>Unallocated</i>	<i>To Allocate</i>
Revenue Loss	3,909.8	3,411.5	498.3	12.7%
All Other Uses*	1,376.3	1,785.4	-409.1	-29.7%
Total	5,286.1	5,196.9	89.1	1.7%

Figure 2: Key figures related to ARPA allocations. \$ Millions.

Both the Biden-Harris Administration at the federal level and the Healey-Driscoll Administration recognize the disproportionate impact of COVID-19 on certain cities and towns across the Commonwealth and continue to prioritize recovery investments in those communities.

Investments At a Glance

The Massachusetts Legislature enacted multiple thoughtful, forward-looking legislative packages that invest federal ARPA funds to recover from the COVID-19 pandemic. The Healey-Driscoll Administration is committed to implementing these investments to achieve the Commonwealth’s goals for the post-COVID era, such as addressing key lessons learned during the pandemic, delivering an equitable economic recovery, supporting communities that were disproportionately impacted by COVID-19, and prioritizing progress related to housing and climate issues.

Delivering an Equitable Economic Recovery

Approximately \$1.5 billion (28 percent) of the Commonwealth’s \$5.3 billion in federal ARPA funds are allocated to delivering an equitable economic recovery. The key elements of this support include reinvestment in the unemployment insurance trust fund, providing premium pay to essential workers, the emergency paid sick leave program for COVID-related absences, small business assistance, and workforce development initiatives.

Budget Brief: Federal Funds and Infrastructure Development

Selected Highlights	Policy Area	Allocation
<p>Unemployment Insurance Trust Fund Transfer:</p> <p>\$500 M to repay federal loans associated with the Unemployment Insurance Trust Fund that processed more than \$30 B in unemployment insurance claims during the COVID-19 pandemic.</p>	<p>Labor and Workforce Development</p>	<p>\$500 M</p>
<p>Premium Pay for Essential Workers:</p> <p>Low-income families provided a vital service by continuing to work, often in-person despite the risks to themselves and their families. The Commonwealth rewarded these workers with \$500 payments to 540,000 eligible residents and \$250 to 229,000 eligible residents.</p>	<p>Administration and Finance</p>	<p>\$460 M</p>
<p>Emergency Paid Sick Leave:</p> <p>The Massachusetts Emergency Paid Sick Leave Program (MEPSL) provided paid leave for COVID-related issues to 16,480 employers across the Commonwealth.</p>	<p>Administration and Finance</p>	<p>\$159 M</p>
<p>Small Business Assistance:</p> <p>The Commonwealth is providing support to significantly impacted industries as they recover from COVID-related disruptions, including small businesses, businesses in underserved markets, hotels, and movie theaters. Also includes \$50 M for the HireNow program that provided employer hiring incentive payments.</p>	<p>Economic Development</p>	<p>\$178 M</p>
<p>Workforce Development:</p> <p>A package of programs and initiatives to provide workforce training support and connect employers with potential employees</p>	<p>Labor and Workforce Development & Education</p>	<p>\$153 M</p>

The Healey-Driscoll Administration is working diligently to implement workforce development initiatives to get the Commonwealth’s workers back to work. For example, at least six workforce development programs are in progress, including Upskilling Navigators, Market Makers, and MassHire Training Vouchers providing workforce training and connecting employers to potential employees. Further efforts are being supported with additional funds for the Workforce Competitiveness Trust Fund, investing into programs that train and place

Executive Summary: ARPA Three Years Later

unemployed and underemployed residents into employment. Previously, funds have been used for the HireNow program, which provided funding to 1,900 eligible employers who hired and retained 11,000 Massachusetts residents.

Prioritizing Progress on Housing, Environment, and Climate

Approximately \$1.4 billion of the Commonwealth's \$5.3 billion in federal ARPA funds are allocated to housing, environment, and climate issues. The Legislature and the Healey-Driscoll Administration have prioritized progress in these key policy areas, and ARPA funds are being deployed to make important investments in each issue.

Selected Highlights	Policy Area	Allocation
Housing Production: ARPA funds are being deployed to support housing production through the Commonwealth Builder Program (\$115 M), and an array of programs for affordable housing, rental housing, and workforce housing production.	Housing	\$479 M
Water and Sewer Infrastructure: Water and sewer projects are critical to improving the health and well-being of residents across the Commonwealth. More than \$200 M is allocated to reduce the cost of these projects to municipalities.	Environment	\$202 M
Housing Access and Affordability: ARPA funds are making homeownership accessible to more residents by providing downpayment assistance through the MassDREAMS program (\$65 M), subsidizing home heating bills through the Low-Income Home Energy Assistance Program (LIHEAP), providing supportive housing programs, and other efforts.	Housing	\$192 M
Local Housing Authorities: Critical maintenance investments at local housing authorities across the Commonwealth.	Housing	\$150 M
Electric Vehicles (EVs):	Climate	\$100 M

Budget Brief: Federal Funds and Infrastructure Development

\$100 M to invest in electric vehicle adoption efforts and expand EV charging infrastructure.		
Environmental Justice Communities: \$75 M effort to invest in publicly owned land and spaces in environmental justice communities.	Environment	\$75 M

Housing is a critical component of the Healey-Driscoll Administration’s commitment to making Massachusetts a more affordable place for all its residents to live. Federal ARPA funds are being invested to expand housing production, facilitate home ownership, and improve public housing communities.

Efforts to address climate change received a significant investment of ARPA funds. For example, these federal funds are being invested to capitalize on the Commonwealth’s opportunities related to offshore wind energy production through workforce training, developing the land-side infrastructure to support the deployment of offshore wind infrastructure and other efforts.

Addressing Key Lessons Learned During the COVID-19 Pandemic

Approximately \$1.7 billion in federal ARPA funds are allocated to addressing key lessons learned during the pandemic related to health and human services, education, broadband, and other policy areas. These funds are assigned to 52 programs and 39 local project earmarks.

The COVID-19 pandemic highlighted the critical role of hospitals, community health centers, nursing homes, and their staff, in ensuring proper ventilation in schools, strengthening the information technology infrastructure that supports local and regional boards of health, behavioral health and addiction services, and the vital role of broadband infrastructure to enable work, education, and health monitoring in response to the public health emergency.

Support for Hospitals, Behavioral Health Services, and Local Boards of Health

Hospitals, Community Health Centers, and other direct care providers were on the front line of the response to the COVID-19 pandemic for months, delivering life-saving care to thousands of patients despite the enormous toll on their own lives and families.

The pandemic reiterated the vital role of these institutions and caregivers and emphasized the necessity to stabilize critical infrastructure and ensure continuity of services. The Healey-Driscoll Administration is proud to partner with the Legislature to buttress these providers with \$689 million to fiscally strained hospitals, making \$125 million available to Community Health Centers and other providers, stabilizing the health and human services workforce with \$55 million in one-time stabilization payments, and other critical supports.

Executive Summary: ARPA Three Years Later

The pandemic also highlighted the importance of behavioral health and addiction services in the Commonwealth’s communities. The Legislature appropriated more than \$600 million to improve and expand these services across the Bay State, of which approximately \$265 million will be supported with ARPA funds. These investments include a \$110 million loan forgiveness program for workers entering the field and an array of other service quality enhancement programs.

Despite the challenges faced by local and regional boards of public health, these local leaders performed heroically during COVID-19 by implementing social distancing rules, enforcing mask requirements, monitoring business closures to stop the spread of the virus, and a host of other actions. Enhancing these organizations is a key lesson of the pandemic that the Legislature recognized by investing \$200 million for a new public health information technology system, training, and technical assistance to stand up the new tools.

Investments in Air Quality in Schools and Assistance for Special Education Schools

The pandemic highlighted the critical importance of well-ventilated buildings and indoor air quality, especially in public school buildings. The Healey-Driscoll Administration is implementing a \$100 million HVAC improvement program for districts that serve high concentrations of economically disadvantaged students and English learners. These funds are being used in conjunction with other funds available to local education agencies, such as portions of the \$2.6 billion in federal Elementary and Secondary School Emergency Relief (ESSER) grants, to upgrade air quality for students and educators across the Commonwealth.

Selected Highlights	Policy Area	Allocation
<p>Grants to Fiscally Strained Hospitals:</p> <p>Provided \$689 M in assistance to hospitals in the Commonwealth that experienced significant fiscal disruption due to the public health emergency caused by COVID-19.</p>	<p>Health and Human Services</p>	<p>\$689 M</p>
<p>Behavioral Health and Addiction Services:</p> <p>A package of 11 federally funded initiatives and efforts to address behavioral health and addiction services, including a \$110 M loan forgiveness program and a \$100 M loan repayment assistance program to strengthen the workforce, mental health pre-arrest program, a psychiatric mental health nurse practitioner fellowship program, and other actions.</p>	<p>Health and Human Services</p>	<p>\$265 M</p>

Budget Brief: Federal Funds and Infrastructure Development

<p>Local Boards of Health:</p> <p>\$200 M investment in a unified data system for local and regional boards of health, including training and technical assistance associated with the new infrastructure.</p>	<p>Health and Human Services</p>	<p>\$200 M</p>
<p>Community Health Centers:</p> <p>\$70 M program for capital improvements at Community Health Centers, \$15 M for workforce development efforts, funding for electronic health record adoption, and other items.</p>	<p>Health and Human Services</p>	<p>\$125 M</p>
<p>DESE HVAC:</p> <p>\$100 M investment to improve ventilation and air quality in public school buildings for districts that serve high concentrations of economically disadvantaged students and English learners.</p>	<p>Education</p>	<p>\$100 M</p>
<p>Broadband:</p> <p>\$75 M effort to expand access to broadband internet to unserved or underserved communities, including \$45 M for digital equity partnerships with non-profit organizations and \$5 M for broadband planning efforts with municipalities.</p>	<p>Economic Development</p>	<p>\$75 M</p>

Broadband

The value of high-quality, reliable broadband Internet service emerged as a key lesson of the pandemic as remote work, distance learning, and telemedicine became normal elements of daily life. The “digital divide” between those that have and do not have access grew wider and more critical. Federal ARPA funds totaling \$75 million are being invested in six digital equity programs that will improve broadband services on a block-by-block basis in unserved or underserved areas across the Commonwealth. These will be delivered by non-profit organizations or municipalities in the coming years.

These investments are being paired with other federal investments in broadband, such as the \$175 million available to the Commonwealth through the ARPA Coronavirus Capital Projects Fund (“CPF”) and at least \$100 million through the Broadband Equity, Access, and Deployment (“BEAD”) program created by the Bipartisan Infrastructure Law, Pub. L. 117-58 (November 15, 2021) (BIL, also known as the Infrastructure Investment and Jobs Act or “IIJA”) to address gaps in broadband networks. CPF and BEAD are being administered by the

Executive Summary: ARPA Three Years Later

Executive Office of Economic Development in conjunction with the \$75 million in ARPA funds allocated towards broadband development.

Supporting Communities Disproportionately Impacted by COVID-19

Approximately \$497 million in federal ARPA funds are aimed at supporting communities disproportionately impacted by COVID-19. These funds are assigned to 27 programs and 216 local project earmarks.

Though every community in Massachusetts experienced some disruption during the public health emergency, some communities were disproportionately impacted by the pandemic. The Commonwealth designated 29 communities as disproportionately impacted by the COVID-19 pandemic, including the 26 “Gateway Cities” and 3 additional municipalities categorized by the Massachusetts Department of Public Health as Vaccine Equity Initiative communities during the pandemic. These communities represent 2.7 million, or 39 percent, of the Bay State’s 7 million residents and suffered most of the state’s COVID cases and fatalities. The Healey-Driscoll Administration continues to work to support these communities by building on the assistance and support provided by the Massachusetts Legislature and the administration of former Governor Charlie Baker.

The American Rescue Plan Act provided cities and towns with critical resources to recover from the COVID-19 pandemic, but the formula used by the federal government to distribute these resources to municipalities disadvantaged four of the Commonwealth’s hardest-hit communities, including Chelsea, Everett, Methuen, and Randolph. The Baker-Polito Administration redressed this issue by providing \$109 million in total, with amounts between \$33 million and \$26 million to each of the four communities.

The Massachusetts Legislature prioritized these communities by providing ARPA funds for more than 200 local projects, such as \$45 million for the Port of Salem, \$30 million for the Port of New Bedford, \$20 million for Boston Centers for Youth & Families, \$8 million for riverfront improvements in Revere, \$8 million for downtown Merrimack Street improvements in Haverhill, and \$6 million for the Melrose-Wakefield Behavioral Health Facility in Malden.

Federal Funds and Infrastructure Office for New Federal Opportunities

The redefined federal relationship with state and local governments continues. The federal Bipartisan Infrastructure Law, Pub. L. 117-58 (November 15, 2021) (BIL also known as the Infrastructure Investment and Jobs Act or “IIJA”), is projected to steer upwards of \$17.5 billion in federal assistance for infrastructure projects across Massachusetts. Approximately \$7 billion of these funds are available through competitive grant programs requiring Massachusetts to pursue opportunities proactively. Similarly, the passage of the CHIPS Act, Pub. L. 117-167

Budget Brief: Federal Funds and Infrastructure Development

(August 9, 2022) and the Inflation Reduction Act, Pub. L. 117-169 (August 16, 2022) offer a further \$3 billion in opportunities for the Commonwealth.

The Commonwealth of Massachusetts is well-positioned to compete and win federal resources for key priorities due to its highly educated workforce and robust innovation economy. These strengths must be complemented with a relentless, priority-driven pursuit of federal resources, proactive coordination and support, a streamlined and simplified approach to resources, and transparent data-driven management to bring more federal money to the Commonwealth.

The Governor's Budget Recommendation for Fiscal 2025 includes \$2.3 million for the continued operation of the Federal Funds and Infrastructure Development Office, a multi-disciplinary team of professionals to monitor and track federal opportunities, coordinate with federal, state, and local government stakeholders, and implement aggressive strategies for winning competitive federal grants. This team has built on the federal grants management architecture developed during the COVID-19 pandemic and enhanced it to meet the pressing needs of the Commonwealth. The administration has also filed legislation to make up to \$800 million from interest earned on the balance of the Stabilization Fund over the next three years available for match to compete for federal grants available through the BIL, IJA and IRA.