

HOUSE No. 3902

The Commonwealth of Massachusetts



CHARLES D. BAKER
GOVERNOR

OFFICE OF THE GOVERNOR
COMMONWEALTH OF MASSACHUSETTS
STATE HOUSE · BOSTON, MA 02133
(617) 725-4000

KARYN POLITO
LIEUTENANT GOVERNOR

June 17, 2021

To the Honorable Senate and House of Representatives,

Pursuant to Article LVI, as amended by Section 3 of Article XC, of the Amendments to the Constitution, I am returning to you with amendment H.3827, “An Act Relative to Transferring Federal Funds to the Federal COVID-19 Response Fund,” for the reasons set forth below.

I recommend immediately putting to use approximately \$2.815 billion of the Commonwealth’s direct federal aid to address key priorities that are critical to helping Massachusetts people, communities, and businesses as we emerge from the COVID-19 pandemic. These priorities include housing and homeownership, downtown development, job training, addiction treatment, hospitals, environmental infrastructure and the improvement of public spaces, cultural facilities and tourism assets, water and sewer infrastructure, as well as broadband and internet access.

The COVID-19 pandemic has impacted every resident in the Commonwealth, but certain communities, notably communities of color and lower wage workers, have been disproportionately impacted by the virus. The virus has created significant and unanticipated hardships that continue to burden individuals, families, workers, and communities throughout Massachusetts. The public health emergency resulted in historic unemployment and job loss, exacerbated already-critical housing issues, strained hospitals and healthcare providers, and limited opportunities for growth and development on Main Streets and in local communities.

As the Commonwealth focuses on ending the COVID-19 pandemic and supporting the economic recovery, there is an urgent need to continue responding to these issues with substantial resources and investments. A delayed or inadequate response will only prolong and complicate these challenges, jeopardize our quality of life, and weaken the competitive advantages which have allowed Massachusetts to grow and thrive.

In order to support state-level efforts to mitigate these types of difficulties, the federal American Rescue Plan Act (ARPA) awarded a total of \$5.3 billion in direct aid to the Commonwealth through the Coronavirus State Fiscal Recovery Fund. As detailed by the U.S. Treasury, these discretionary funds are intended to support urgent COVID-19 response efforts, replace lost revenue, stabilize households and businesses, and address the existing disparities that the pandemic exacerbated. The Commonwealth is one of twenty states eligible to receive funds as a single payment in recognition of its need to move quickly to recover from COVID-19.

Our Administration appreciates the collaboration we have had with the Legislature, and other state, federal and local partners in responding to the pandemic and maximizing the resources we have had available to date. As we look ahead to investing these new federal funds to support the recovery, we must all work together to prioritize distributing funding efficiently to ensure those hit hardest by the virus receive relief as quickly as possible.

Although federal law does not require it, the Legislature proposes to place a new appropriation requirement on these federal funds and mandates extra steps to spend each dollar. In the interest of reaching a consensus that will immediately put some of the funds to use, I am willing to transfer the ARPA grant money into a fund requiring appropriations. However, I also want to ensure that these funds are put to use quickly to support the people of Massachusetts at this critical time in the economic recovery. I am therefore asking the Legislature to also act now to deploy a portion of these funds to address the most urgent needs of the Commonwealth and its residents. My amendments to this bill propose to use \$2.815 billion in appropriations to fund immediate needs, dedicating this money to existing programs that require immediate action in light of long implementation lead times, or that can be scaled up quickly, including proven housing and homeownership programs, infrastructure initiatives, and workforce training.

In total, as described in more detail below, I am recommending that \$1 billion be specifically devoted to funding homeownership and housing priorities, a significant investment to help increase housing production and reduce barriers to owning a home as part of the ongoing COVID-19 recovery effort, so that Massachusetts remains a great place to live, work, and raise family.

This comprehensive plan aids residents of municipalities disproportionately impacted by the pandemic through numerous investments, such as a \$300 million program designed to support expanded homeownership opportunities focused on first-time homebuyers with down-payment assistance, mortgage insurance, and mortgage rate buydowns. An additional \$200

million would support housing production through the Commonwealth Builders Program and other similar grants and loans to facilitate production of single-family homes and condominiums that are affordable to households with moderate incomes, particularly in communities of color. Further, a \$200 million program would fund rental housing production and provide increased housing options to workers and residents.

The plan also helps reduce the negative impacts of COVID-19 on vulnerable communities statewide through several investments, such as \$300 million to finance the production of senior and veteran housing. These new housing options would contain a supportive services component and would be combined with other resources including Low-Income Housing Tax Credits, rental payments, and, in the case of veteran housing, VA health care.

These new housing resources build upon over \$1.6 billion in separate federal funding that has already been allocated to entities throughout the Commonwealth for housing purposes since the start of the pandemic.

This plan also addresses the urgent needs for revitalizing Main Streets within those municipalities that were disproportionately impacted by the pandemic. To that end, I propose \$100 million for Downtown Development to concentrate economic growth activities, resources, and investments within local neighborhood areas. The investment would build on MassDevelopment's Transformative Development Initiative and would span from planning support to recovery partnerships and capital investments.

I have also included \$250 million in funding to support investments and regional collaboration aimed at invigorating downtowns throughout Massachusetts. These resources would provide grant funds to municipalities and other eligible public entities for a range of projects that achieve goals such as new housing options, job growth, increased private investment, as well as improved shared streets and spaces such as plazas, sidewalks, curbs, streets, bus stops, parking areas, and other public spaces.

The tourism industry was particularly impacted by the pandemic, so I am recommending a total of \$100 million to support cultural facilities and tourism assets throughout Massachusetts. Grants would be provided through the Cultural Facilities fund to support arts entities including performance venues, museums, and cultural centers, in recognition of the fact that these organizations were in many cases unable to operate in anything like their usual manners during the pandemic. Funds would also be provided through the Massachusetts Office of Travel and Tourism to promote in-state tourism in order to support tourism-dependent businesses.

I propose a total of \$240 million to fund a suite of job training programs and address skills gaps, in an effort to better position residents who want to be hired into jobs that businesses need filled. The post-pandemic economy in Massachusetts is likely to look different from the pre-pandemic economy, and workers may need help acquiring the skills they need for the jobs of tomorrow. Areas of investment within this \$240 million include \$150 million for workforce

credentials for entry and mid-level wages, \$35 million to fund English for Speakers of Other Languages programs and Adult Basic Education, and \$25 million for work readiness and essential skills programs.

These resources are especially critical given the continued uncertainty surrounding unemployment and the labor market. Despite increased job openings and opportunities in recent months, unemployment levels remain elevated and businesses continue to experience difficulties hiring new employees, limiting the potential for growth and development.

Job training investments in this bill complement other efforts to support residents as they return to the workforce. This includes the special COVID-19 related \$300 weekly stipend offered through the Federal Unemployment Compensation program. Until September 6, 2021, unemployment claimants are able to receive the full \$300 weekly stipend even as they return to employment. Meanwhile, the end of these extended federal benefits on September 6 underscores the urgency to act quickly and efficiently to ensure residents are in a stronger employment position.

As the COVID-19 pandemic has presented unique struggles and hardships for those with substance use disorders and resulted in an increase in overdose deaths, I have included \$175 million in this legislation for addiction treatment and related behavioral health services. The Executive Office of Health and Human Services would administer these funds through contracts with Chapter 257 service providers.

Responding to the pandemic also disproportionately impacted health care providers in certain communities. This plan includes \$50 million for fiscally stressed hospitals which have supported their communities during the pandemic despite interruptions to their revenue streams.

Our Administration continues to champion investments which protect our environment and make the Commonwealth more resilient to the effects of climate change. To help ensure Massachusetts continues to make significant progress in this key area and does not lose forward momentum due to the COVID-19 pandemic, I propose \$300 million to improve culverts, dams, and other environmental infrastructure as identified by Municipal Vulnerability Preparedness plans, as well as state-owned assets as prioritized by the State Hazard Mitigation and Climate Adaptation Plan. Given the increased interest in outdoor activities as a result of the pandemic, I recommend an additional \$100 million to enhance and modernize our park facilities, and better allow children and families to utilize these public spaces to connect with nature and recreate the outdoors together.

Lastly, this legislation provides investments in water, sewer, and broadband, key infrastructure priorities that were expressly highlighted in ARPA. This includes \$400 million to fund grants for water and sewer infrastructure, including for projects that improve water quality in the Merrimack River watershed, where outdated “combined sewer overflow” systems translate into far worse water quality than elsewhere in the state. A separate \$100 million would be

allocated for closing the digital divide and increasing broadband internet access, helping to promote workforce development and economic growth. These programs would be aimed at reaching target populations through partnerships, increasing digital literacy and practical skills, providing devices and service support plans to those who need them, closing network gaps, and investing in infrastructure in pocket locations such as town edges, low-density areas, and low-income areas.

In addition to this discretionary funding, an additional \$35.2 billion in other ARPA funding has been directed to the Commonwealth to support other areas of recovery including direct aid to municipalities, transportation, and child care. The proposal I am submitting today will complement the efforts already underway to support these critical sectors.

ARPA also awarded approximately \$3.4 billion to cities, towns, and counties throughout Massachusetts. Many municipalities continue to explore options for compliant and impactful uses of these federal resources. I have therefore included in this bill language allowing a local match for numerous programs to better leverage municipal support, optimize the usage of all available revenue, and maximize the impact of this one-time federal funding.

A federal funding formula shortchanged four of the Commonwealth's hardest hit communities, including Chelsea, Everett, Methuen, and Randolph. The Commonwealth transferred a further \$109 million to these communities to support their efforts to respond to and recover from COVID-19.

ARPA also provides approximately \$1 billion to the Massachusetts Bay Transportation Authority (MBTA), helping to maintain adequate service during the recovery, boost service levels as employment and travel demands increase, and strengthen the transit system to accommodate future growth and development. With a focus on increasing capacity for child care and supporting parents as they return to work, our Administration is also proposing to distribute approximately \$760 million in additional federal funding to child care providers in Massachusetts over the coming years, and we look forward to working with key stakeholders on the usages of these funds. Investments will include direct grants that will stabilize providers and increase access to quality child care, providing children with a safe place that promotes their healthy development and enabling parents to obtain and retain employment.

This proposal relies on programs that exist now and are ready to put the \$2.815 billion outlined above to work quickly. If the Legislature approves this spending, the other \$2.3 billion in direct federal aid that is not allocated through my proposal will remain in the Federal COVID-19 Response Fund, to be appropriated by the Legislature. Our Administration stands ready to support lawmakers as we together craft additional plans to invest these resources. It is critical that they are put to use in fiscally responsible ways which comply with all relevant federal guidance, minimize risk to the Commonwealth, and achieve our shared goal of aiding

communities impacted the most by COVID-19, and promoting job creation and the return to work.

For the reasons stated above and pursuant to Article LVI, as amended by Article XC, Section 3 of the Amendments to the Constitution of the Commonwealth of Massachusetts, I recommend that the bill be amended by striking out all after the enacting clause and inserting in place thereof the following:-

SECTION 1. The sums set forth in section 2A are hereby appropriated from the federal COVID-19 response fund established in section 2JJJJ of chapter 29 of the General Laws, for the several purposes and subject to the conditions specified in this act, and subject to the laws regulating the disbursement of public funds for the fiscal year in which the sums are disbursed. These sums shall be in addition to any amounts previously appropriated and made available for the purposes of those items. These sums shall be made available until June 30, 2027.

SECTION 2A.

EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE

Reserves

1599-2020 For a reserve to create and maintain opportunities for homeownership for residents of municipalities disproportionately impacted by the pandemic; provided, that funds shall be expended to create and enhance access to homeownership in order to foster a strong, inclusive, and equitable recovery with long-term benefits for housing security, health and economic outcomes, and to address a systemic homeownership gap that contributed to more severe impacts of the pandemic in socially disadvantaged communities and among targeted populations; provided, that funds shall be expended to create opportunities for first-time homebuyers; provided, funds may be expended for down payment assistance programs, mortgage insurance programs, and mortgage interest subsidy programs administered by the Massachusetts Housing Finance Agency and the Massachusetts Housing Partnership; provided further, that funds may be expended to first-time homebuyer counseling and financial literacy programs; and provided further, that the secretary of administration and finance, in consultation with the secretary of housing and economic development and the executive directors of the Massachusetts Housing Finance Agency and the Massachusetts Housing Partnership, may transfer funding between this item and item 1599-2021 or 1599-2022 if necessary to optimize the programs.....\$300,000,000

1599-2021 For a reserve to support the production of for-sale housing to expand homeownership opportunities for residents of municipalities disproportionately impacted by the pandemic through programs administered by Massachusetts Housing Finance Agency and Massachusetts Housing Partnership; provided, that funds shall be expended for programs including but not limited to the Commonwealth Builders Program; provided, that grants and

loans to developers shall be used to facilitate production of affordable homeownership units; and provided further, that the secretary of administration and finance, in consultation with the secretary of housing and economic development and the executive directors of the Massachusetts Housing Finance Agency and the Massachusetts Housing Partnership, may transfer funding between this item and item 1599-2020 or 1599-2022, if necessary to optimize the programs.....\$200,000,000

1599-2022 For a reserve to support the production of affordable rental housing for residents of municipalities disproportionately impacted by the pandemic through programs administered by the department of housing and community development directly or through one or more of the following: Massachusetts Housing Finance Agency, Massachusetts Housing Partnership, and Community Economic Development Assistance Corporation; provided, that funds shall be expended in the form of grants, loans, or other financial assistance to projects receiving federal or state low income housing tax credits, state tax-exempt bond financing, or other state financial assistance in the form of grants or loans; and provided further, that the secretary of administration and finance, in consultation with the secretary of housing and economic development and the executive director of the Massachusetts Housing Finance Agency, may transfer funding between this item and items 1599-2020 or 1599-2021, if necessary to optimize the programs.....\$200,000,000

1599-2023 For a reserve to support the production of housing for seniors and veterans in need of supportive services, through programs administered by the department of housing and community development directly or through one or more of the following: Massachusetts Housing Finance Agency, Massachusetts Housing Partnership, and Community Economic Development Assistance Corporation; provided, that funds shall be expended in the form of grants, loans or other financial assistance to projects that will provide supportive services to enable the targeted population to live in a community-based setting.....\$300,000,000

1599-2024 For a reserve to promote downtown recovery and revitalization in municipalities disproportionately impacted by the pandemic; provided that funds may be used to make grants through the Shared Streets and Spaces program administered by Massachusetts Department of Transportation and the Massworks infrastructure program administered by the executive office of housing and economic development; provided further, that funds may be expended to acquire and improve, or to facilitate the private improvement or redevelopment of abandoned, vacant, or underutilized properties in downtown areas, including through the transformative development initiative and underutilized properties program administered by Massachusetts Development Finance Agency; provided further, that funds may be granted to public entities for recovery planning and recovery plan implementation, community planning, and other technical assistance; provided further, that funds may be granted to public entities and non-profits for programs and services that aid businesses disproportionately impacted by the pandemic and located in these downtown areas; provided further, that funds may be used for

other targeted and eligible downtown recovery initiatives in municipalities disproportionately impacted by the pandemic; provided further, that all or a portion of the funding appropriated by this line item may be transferred to Massachusetts Development Finance Agency to coordinate and support these expenditures; and provided further, that grants may include a requirement for matching

funds.....\$100,000,000

1599-2025 For a reserve to promote downtown recovery and revitalization in areas across the commonwealth suffering the negative economic impacts of COVID-19 and not eligible for funding from item 1599-2024; provided that funds may be used to make grants through the Shared Streets and Spaces program administered by Massachusetts Department of Transportation and the Massworks infrastructure program administered by the executive office of housing and economic development; provided further, that funds may be expended to acquire and improve, or to facilitate the private improvement or redevelopment of, abandoned, vacant, or underutilized properties in downtown areas, including through the transformative development initiative and underutilized properties program administered by Massachusetts Development Finance Agency; provided further, that funds may be granted to public entities for recovery planning and recovery plan implementation, community planning, and other technical assistance; provided further, that funds may be granted to public entities and non-profits for programs and services that aid businesses disproportionately impacted by the pandemic and located in these downtown areas; provided further, that funds may be used for other targeted and eligible downtown recovery initiatives, including in small towns and rural areas; provided further, that all or a portion of the funding appropriated by this line item may be transferred to Massachusetts Development Finance Agency to coordinate and support these expenditures; and provided further, that grants may include a requirement for matching

funds.....\$250,000,000

1599-2026 For a reserve for cultural and tourism assets; provided, that funds administered by the office of travel and tourism may be used to: (i) promote and advertise in-state tourism in order to create jobs, support tourism-related businesses in the commonwealth and stimulate the state and local economies of the commonwealth; and (ii) improve facilities and destinations visited by in-state and out-of-state travelers, with the goals of increasing visitation, enticing repeat visitation and increasing the direct and indirect economic impacts of the tourism industry in all regions of the commonwealth; provided further, that grants shall support the design, repair, renovation, improvement, expansion and construction of facilities owned by municipalities or non-profit entities suffering the negative economic impacts of COVID-19; provided further, that funds may be transferred to the Cultural Facilities Fund for the purposes of this item; provided further, that grants may include a requirement for matching

funds.....\$100,000,000

1599-2027 For a reserve to enhance workforce opportunities through workforce skills training; provided, that priority shall be given to workers dislocated from the workforce during

the COVID-19 pandemic through layoffs, interruptions to educational opportunities, or other economic disruptions; provided further, that funds may be expended for apprenticeship programs for low income workers; provided further, that funds may be expended for the development and operation of career technical institutes in vocational technical schools in partnership with industry and community stakeholders, to build out industry recognized credentialing pathways for adult learners in technical and trade fields to retrain and grow the workforce; and provided further, that funds may be transferred to the Workforce Competitiveness Trust Fund and to the Workforce Training Fund; provided further, that funds may be expended to issue competitive contracting models to support the start-up and implementation of expanded models such as career technical institutes, rapid reemployment contracting, learn-to-earn, and additional models intended to enhance workforce opportunities; provided further that programs may utilize performance-based contracts; provided further that funds may be expended for adult basic education skills including but not limited to training for English for speakers of other languages; provided further, that funds may be expended for youth-oriented engagement programs including but not limited to the safe and successful youth initiative; provided further, that funds may be expended for regional planning grants and equipment grants to support the implementation of data and accountability systems for enhanced oversight and management; and provided further, that funds may be expended to build and strengthen system capacity.....\$240,000,000

1599-2028 For a reserve for behavioral health and addiction services; provided, that funds shall be transferred to the executive office of health and human services, and its subordinate departments within the health and human services secretariat as directed by the secretary of administration and finance in consultation with the secretary of health and human services.....\$175,000,000

1599-2029 For a reserve for fiscally strained hospitals in municipalities disproportionately impacted by the pandemic; provided, that funds shall be transferred to the executive office of health and human services as directed by the secretary of administration and finance; provided further, that funds may be expended as stabilization grants to providers.....\$50,000,000

1599-2030 For a reserve for investments in publicly-owned lands and lands otherwise protected and conserved for public access, reservations, parks, rivers, lakes and other waterways, trails, beaches, fishing piers, boat ramps, and other recreational facilities and open spaces; provided, that funds may be transferred to the executive office of energy and environmental affairs, the department of conservation and recreation, the department of agricultural resources, and the department of fish and game for expenditure; provided further, that funds shall be expended to clean, enhance, and modernize park facilities; and provided further, that funds shall be expended to enhance and modernize park facilities or other public or private facilities for outdoor recreation, to steward and conserve natural resources, or to improve the resilience of natural and working lands, plants, and wildlife in the commonwealth.....\$100,000,000

1599-2031 For a reserve for environmental infrastructure; provided, that funds shall be expended for municipal vulnerability preparedness planning and action grants to plan for and address priority projects identified through local vulnerability assessments; provided further, that funds shall be expended for investments and grants consistent with the priorities identified in the state hazard mitigation and climate adaptation plan, particularly those which will enable and facilitate statewide and local adaptation and resilience outcomes, including nature-based solutions; provided further, that funds may be transferred to the executive office of energy and environmental affairs for expenditure; provided further, that regional municipal partnerships, regional planning bodies, watershed associations, non-profit corporations, and other similar entities may serve as lawful grantees; provided further, that funds may be expended for tree planting; and provided further, that grants may include a requirement for matching funds.....\$300,000,000

1599-2032 For a reserve for water and sewer infrastructure; provided, that funds shall be expended for sewer separation projects and other methods of remediating combined sewer overflow into waterways, including projects to improve water quality in the Merrimack River; provided, that funds may be transferred to the Drinking Water State Revolving Fund for the purpose of reducing the principal or interest costs of drinking water improvements under a program or programs administered under the umbrella of the Clean Water Trust; provided further, that funds may be transferred to the Clean Water State Revolving Fund for the purpose of reducing the principal or interest costs of water quality improvements under a program or programs administered under the umbrella of the Clean Water Trust; provided further, that grants may include a requirement for matching funds.....\$400,000,000

1599-2033 For a reserve to close the digital divide by facilitating broadband and internet access; provided, that funds shall be expended to promote broadband adoption and digital literacy; provided further, that funds may be expended on targeted infrastructure projects to improve service in unserved areas; and provided further, that funds may be expended to provide devices, digital literacy services and internet service plan support to targeted populations.....\$100,000,000

SECTION 3. Subsection (b) of section 2JJJJ of chapter 29 of the General Laws, as inserted by section 1 of chapter 254 of the acts of 2020, is hereby amended by adding the following sentence:- The fund shall not be subject to section 5C.

SECTION 4. Said section 2JJJJ of said chapter 29 is hereby further amended by striking out subsection (c), as so inserted, and inserting in place thereof the following subsection:-

(c) Amounts credited to the fund may be expended for any purpose allowed under subsection (c) of section 602 of Title VI of the federal Social Security Act, 42 U.S.C. 802.

SECTION 5. Notwithstanding any general or special law to the contrary, not later than 7 days after the effective date of this act, the comptroller shall transfer \$5,091,987,249.40

allocated to the commonwealth from the Coronavirus State Fiscal Recovery Fund pursuant to section 602 of Title VI of the federal Social Security Act, 42 U.S.C. 802, to the federal COVID-19 response fund established in section 2JJJJ of chapter 29 of the General Laws.

SECTION 6. Notwithstanding any general or special law to the contrary, and to the extent allowed by federal law, the secretary may transfer funds authorized for expenditure in this act to agencies charged with implementation of the American Rescue Plan Act of 2021 and incur expenditures for charges related to the administrative costs of the American Rescue Plan Act of 2021 and to ensure that the commonwealth meets the efficient administration and statewide accountability requirements in the American Rescue Plan Act of 2021. Administrative charges shall be based on rates approved in accordance relevant guidance, if any, issued by the office of management and budget applicable to federal funds provided under the American Rescue Plan Act of 2021.

SECTION 7. For the purposes identified in the items in section 2A of this bill, the secretary of administration and finance shall transfer funds to commonwealth departments and other public entities. Notwithstanding any general or special law to the contrary, said secretary shall require that all expenditures of Coronavirus State Fiscal Recovery Fund money be spent in compliance with applicable federal law, including statutes, regulations, and sub-regulatory guidance. Said secretary shall endeavor to maximize federal revenue available to the commonwealth, and to minimize the risk that federal funds must be returned or left unspent due to noncompliance with federal requirements. Said secretary shall require that departments administering such funds and all recipients and sub-recipients shall receive funds conditioned on their cooperation with applicable federal reporting and compliance requirements. Said secretary shall approve the transfer of funds from reserves appropriated in this act only upon confirmation that they will be spent exclusively on allowable purposes under relevant federal law. Said secretary may direct the use of General Fund money for purposes authorized under this act where the secretary has determined that reimbursement from the Federal Emergency Management Agency or another federal source is available to reimburse spending.

SECTION 8. The secretary of administration and finance, in consultation with the office of the comptroller, shall provide reporting on expenditures made by the commonwealth for the purposes identified in section 2A in the manner described by chapter 288 of the acts of 2020.

SECTION 9. Notwithstanding any general or special law to the contrary, upon calculating the extent of the commonwealth's reduction in revenue pursuant to federal guidance related to section 602(c)(1)(C) of Title VI of the federal Social Security Act, 42 U.S.C. 802, the secretary of administration and finance shall submit the calculation, including the methodology used to determine said calculation, to the senate and house committees on ways and means; provided, however, that the calculation and methodology shall be submitted in accordance with this section for any year that the calculations are required to be calculated in accordance with federal guidance.

Respectfully submitted,

Charles D. Baker,
Governor