

# UNPRECEDENTED AID

## Federal Relief to State and Locals Shatters Previous Levels

*State and local governments in Wisconsin are expected to receive nearly \$20 billion in federal aid and likely more from a series of COVID-19 relief measures stretching back to March 2020. This sum – which does not include direct federal payments to individuals and businesses – more than doubles what the state received from the 2009 stimulus measure and calls for careful planning and evaluation over the next four years.*

The last year of the pandemic has visited an extraordinary series of trials and challenges on Wisconsin and the rest of the nation, and the federal government has responded with an infusion of aid unprecedented in the modern age. From the small and now forgotten Coronavirus Preparedness and Response Supplemental Appropriations Act – approved in early March 2020 – to the massive American Rescue Plan Act adopted a year later, the federal government is pumping huge amounts of funding into state and local governments and programs.

In this report, we provide perspective on the nature and scope of this federal funding. Using reports from the

Legislative Fiscal Bureau (LFB) and other state and local agencies, we calculate that government units in Wisconsin are expected to receive at least \$19.9 billion in relief funding through 2024. This figure exceeds a year’s worth of state general fund tax collections and is more than twice as much as the \$9.1 billion (in raw dollars) the Legislative Audit Bureau (LAB) reported the state government received and spent over several years under the American Recovery and Reinvestment Act of 2009 (see Figure 1).

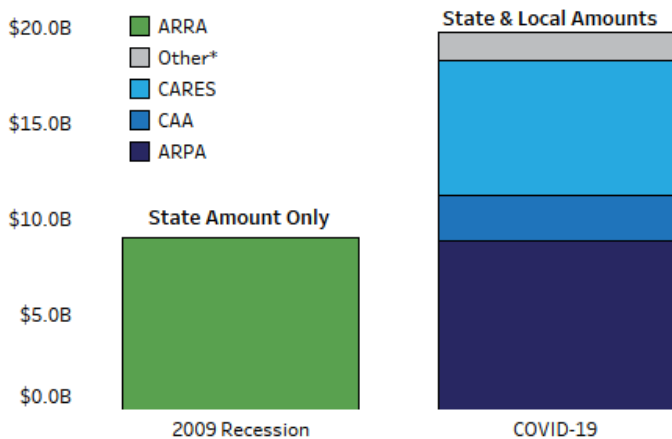
The Forum has drawn heavily on, and wishes to acknowledge here, the reports of the Legislative Fiscal Bureau and Audit Bureau on federal relief funds.

The \$19.9 billion represents only those amounts going to or passing through a government unit or school district in the state. It does not count many billions in additional money the federal government has distributed directly to individuals, businesses, and organizations in Wisconsin (and may also miss some payments to tribal governments). For example, LFB used Department of Revenue (DOR) simulations [to estimate direct payments](#) to Wisconsin taxpayers under the three major pieces of federal legislation in 2020 and 2021 at an additional \$13.6 billion and potentially more.

The tally also does not include funding for programs for which no estimates are currently available or funding that would require a state action or change in state law – both categories are likely to provide additional potential funding of \$1 billion or more. Finally, it does not include the large sums for state and local

**Figure 1: COVID Federal Aid Dwarfs 2009**

Amount in raw dollars spent or expected by Wisconsin from federal government, by stimulus bill and recession



Sources: Legislative Fiscal and Audit Bureaus. \*Includes the FFCRA, LWA, and CPRSAA. Note: Local amounts unavailable for ARRA and most COVID-19 unemployment insurance funding here assigned to CARES Act.



governments that could be included in a massive infrastructure bill proposed by President Joe Biden.

In a sign of what is to come, the LAB reported that in just the final four months of the fiscal year ended on June 30, 2020, the state spent \$3.4 billion in federal funds related to the then newly declared public health emergency. That drove overall state spending of federal dollars in fiscal 2020 to \$16.6 billion, just over one-third more than the \$12.4 billion spent in 2019.

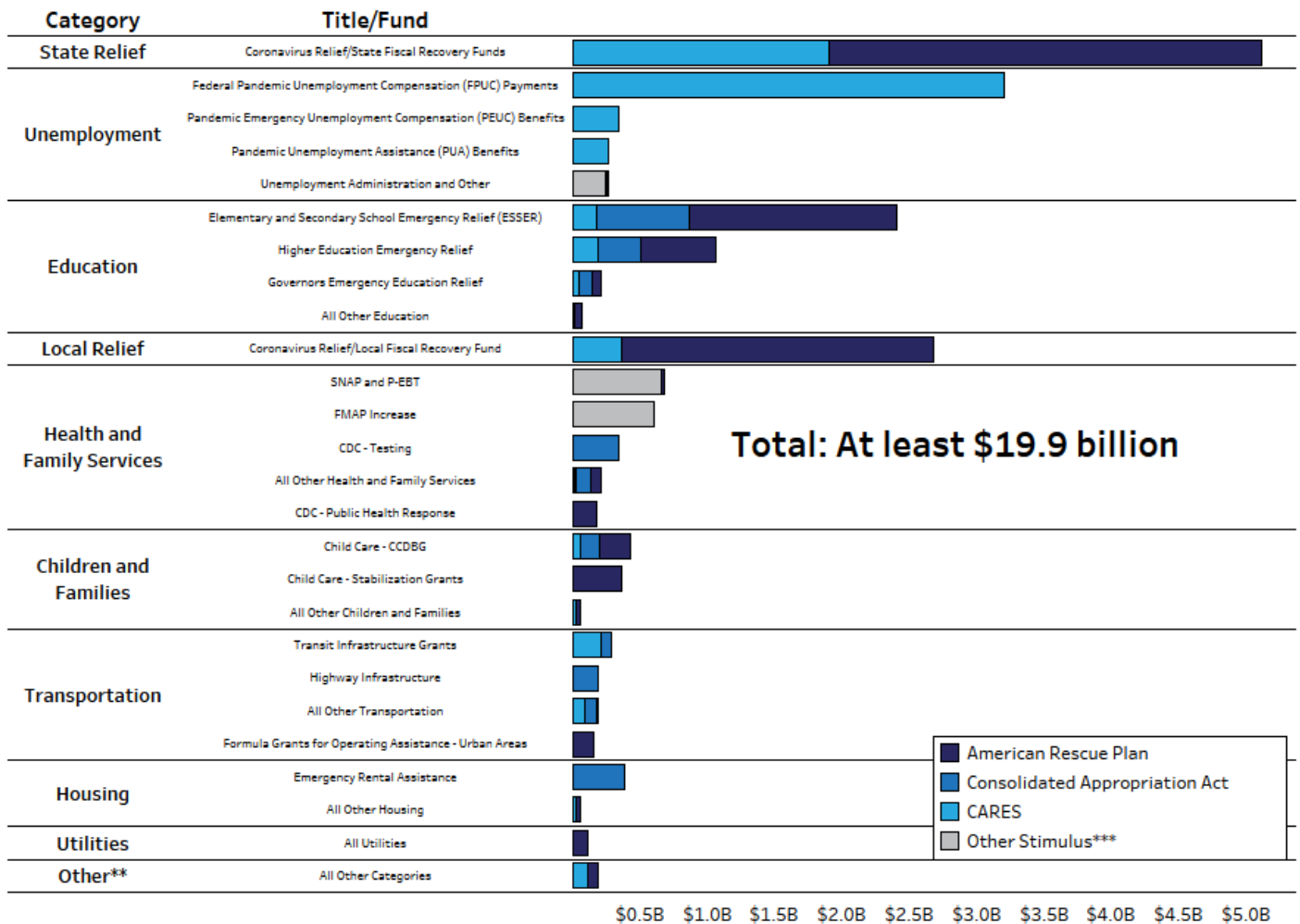
In a striking turnabout, this unprecedented influx of federal aid has turned what a year ago appeared to be a historic fiscal challenge for state and local governments into a potential opportunity to address needs that emerged from the pandemic or even predated it.

Already, Democratic Gov. Tony Evers and GOP lawmakers have clashed over what to do with the guaranteed funds and over how far the state should go to access additional funds available for initiatives such as expanding Medicaid health coverage for the needy. Regardless of these political differences, given the extraordinary nature of this federal support, the public and policymakers from both parties may wish to consider an equally high level of care, planning, and evaluation for the use of these funds. This report seeks to further that discussion.

## FEDERAL RELIEF OVERVIEW

While CARES Act funds largely have been delivered and spent, CAA and ARPA are still arriving and in some

**Figure 2: Stimulus Packages Provide Billions to Wisconsin Governments**  
Estimated fiscal impact of funding from federal COVID stimulus measures (certain amounts are minimums)\*



Sources: Wisconsin Legislative Fiscal Bureau and Departments of Workforce Development and Health Services. \*Only funding with estimated amounts for state and local governments was included - chart excludes amounts going to individuals and businesses and amounts requiring legislative action (i.e. Medicaid expansion). \*\*Other categories include: Administration, Arts, Business, Coronavirus Relief Fund, Elections, Emergency Management, Environment, Justice, Military Affairs, Tourism, and Workforce Development. \*\*\*Includes the Families First Coronavirus Relief Act (FFCRA), Lost Wages Assistance (LWA) - a program enabled through executive action by President Trump, and the Coronavirus Preparedness and Response Supplemental Appropriations Act (CPRSAA), plus certain UI funds from DWD.



cases will not be paid out for at least a year. Figure 2 on page 2 breaks down the known funding amounts by purpose and legislation and the accompanying box on page 4 identifies each measure.

## FEDERAL FUNDS FOR STATE PROGRAMS

### Direct State Fiscal Relief

The state of Wisconsin already received \$2 billion in federal aid through the CARES Act Coronavirus Relief Fund and is expected to receive an additional \$3.2 billion through the ARPA State Fiscal Recovery Fund. The rules and timeline for each pot of money are different but both provide direct aid to the state.

The Coronavirus Relief Fund money could be used for necessary and previously unbudgeted spending in response to the public health emergency, but not to offset state revenue losses due to the economic impact of the pandemic. The funds initially had to be used by December 30, 2020, though the deadline was later moved back to December 31, 2021. Evers had the discretion to use the money as his administration thought best, and Figure 3 shows how the [\\$2 billion was allocated](#) to areas such as public health and health care, support to the economy and for child care, and local government and education aid.

ARPA creates an even larger Recovery Fund to provide aid that the state can use for:

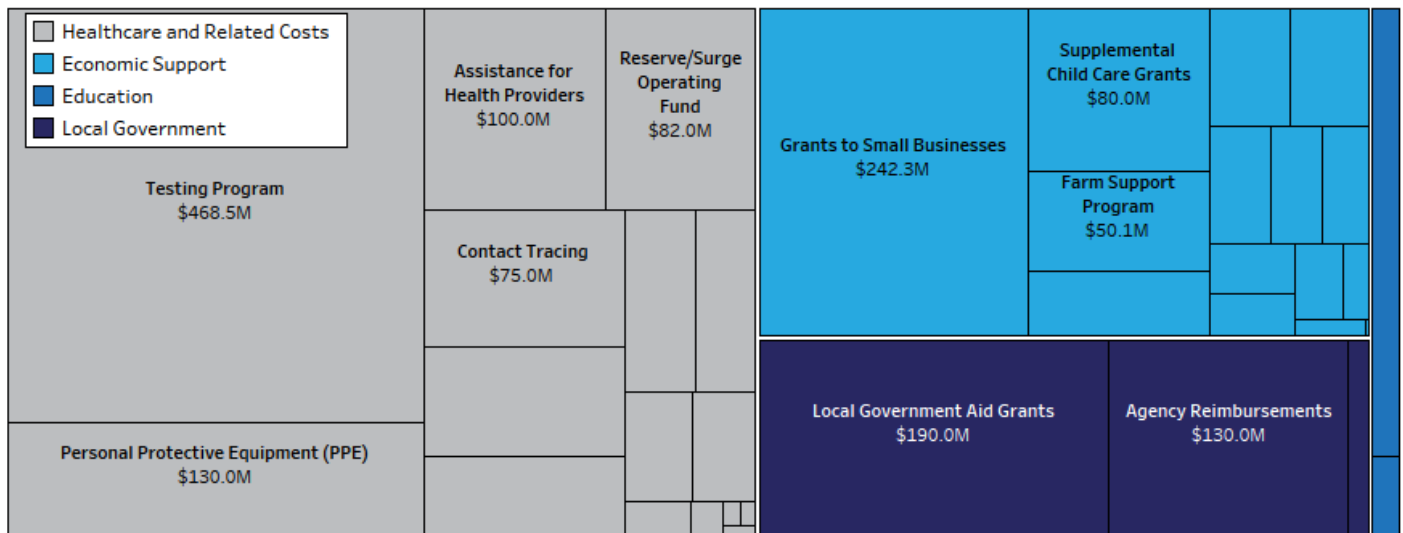
- Responding to the pandemic and its economic impacts with assistance to families, small businesses, nonprofits, or hard-hit industries such as tourism, travel, and hospitality
- Replacing revenues lost as a result of the public health emergency – a major difference from the CARES Act relief fund
- Spending on water, sewer, or broadband infrastructure
- Providing premium pay to state or other essential workers of up to \$13 per hour per worker (with a maximum of \$25,000 for any single individual)
- Assistance to private as well as state and local organizations involved in transporting passengers or cargo

Notably, the ARPA relief funds cannot be used to help finance a tax cut or unfunded pension liabilities. However, U.S. Treasury guidance may allow certain tax decreases such as state adoption of federal tax code changes that would lead to lower tax collections.

The U.S. Department of Treasury has the authority to make a payment to the state for its ARPA allocation within 60 days of the state certifying it needs the funds and will use them lawfully. If the entire amount is not paid right away, a second payment with the remainder

**Figure 3: CARES Fund Covered \$2B in Pandemic Costs**

Use of Coronavirus Relief Fund revenue by program and amount in millions (as of December 2020\*)



Source: Legislative Fiscal Bureau; \*Does not include more than \$46 million in additional grants to small businesses.



## RUNNING DOWN THE RELIEF MEASURES

Understanding the relief measures starts with a rundown of the federal COVID-19 legislation approved between March 2020 and March 2021:

**Coronavirus Preparedness and Response Supplemental Appropriations Act (3/6/2020)** – This small measure provided some public health funding to states.

**Families First Coronavirus Response Act (3/18/20)** – The FFCRA provided some unemployment administration funding to the state of Wisconsin as well as generous support for state health care and nutrition programs for the needy.

**Coronavirus Aid, Relief, and Economic Security Act (3/27/20)** – The massive \$2.2 trillion CARES Act provided fiscal relief to state and local governments as well as funds for K-12 and higher education, public health, unemployment compensation, transit, child care, food assistance, and more.

**Executive Action by President Donald Trump (8/8/2021)** – This action created the **Lost Wages Assistance Program**, which gave additional federal benefits to jobless workers.

**Consolidated Appropriations Act (12/27/2020)** – At \$900 million, the stimulus portions of the CAA continued many provisions of the CARES Act and introduced others. The act provided funding for education, public health, unemployment compensation, child care, transportation and transit, food assistance, and more.

**American Rescue Plan Act (3/11/2021)** – At \$1.9 trillion, ARPA continued many provisions of the CARES and CAA Acts while providing massive state and local fiscal relief. Unlike the CARES Act, ARPA allows these relief funds to offset state and local revenues lost due to the pandemic.

of the funds could be made up to 12 months later. That second payment could be reduced if the state is required to return some of the initial round of funding because of failure to follow the federal rules, such as the prohibition on tax cuts.

Evers has said he would use ARPA recovery funds for priorities such as \$500 million for pandemic response, \$600 million to support affected businesses, \$50 million for the tourism industry, and \$200 million for broadband and other infrastructure. It is unclear if the infrastructure spending would be in addition to \$204 million in state funds for broadband being sought by Evers in the state budget.

The governor vetoed legislation that would have given Republicans who control the Legislature's Joint Finance Committee final say over the ARPA funds. For their part, GOP lawmakers have proposed using \$1 billion of the state funds for local property tax cuts, a large portion for nursing homes, and \$500 million for broadband access. The LFB has noted the use of the state funds for local tax cuts may not comply with the federal law and could lead to the state forfeiting those dollars.

### Unemployment Compensation

Four of the federal relief bills provided some additional funding for the state's jobless workers and unemployment programs at a critical time. The full extent of this funding will only be known after seeing the final tally of payments that are now eligible to be made through September 2021.

The Department of Workforce Development provided a partial tally of more than \$4 billion in federally funded benefits that have been paid out from March 1, 2020 to April 9, 2021. These benefits are all temporary and generally were first authorized by the CARES Act and then reauthorized by the CAA and ARPA, at times with some changes. They include extra payments of \$600 per week (and later \$300) on top of regular state benefits; extended benefits for workers who have exhausted their regular 26 weeks of state benefits; and benefits for self-employed and certain other individuals who are not eligible for regular state jobless benefits. For a fuller breakdown of these benefits, [click here](#).

The federal benefits were particularly important for workers in the spring of 2020 when unemployment hit its highest levels since the Great Depression. The federal payments also supported the state's unemployment fund during [a time of severe stress](#) and mitigated losses in reserves that could eventually translate into higher payroll taxes on employers.

### Education

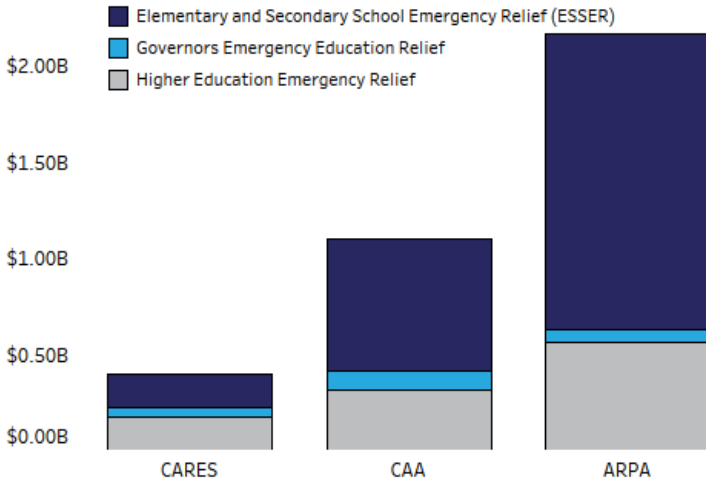
Estimates for the three major federal relief measures – CARES, CAA, and ARPA – together total more than \$3.7 billion for public and private K-12 schools, colleges, and universities in Wisconsin. Most of these come through an education stabilization fund that receives amounts from each piece of legislation – Figure 4 on page 5 shows the amounts provided by each measure.





**Figure 4: Education Funding Grew with Each Relief Package**

K-12 and higher education relief funds in billions by legislation and program



Source: Wisconsin Legislative Fiscal Bureau

The stabilization fund has three components:

- The Elementary and Secondary School Emergency Relief (ESSER) fund provides aid for K-12 schools that is allocated by the state Department of Public Instruction and the Joint Finance Committee. ARPA requires that the latest round of ESSER funding go in part to address learning loss and evidence-based summer enrichment and after-school programs.
- The Governor’s Emergency Education Relief Fund is under the direction of Evers and has funded K-12 schools, with the CARES Act funds being directed to the schools that had the greatest remote learning needs and pandemic impacts. Nearly \$145 million available for this fund under CAA and ARPA combined is intended to benefit private K-12 schools, though some leaders of those schools have said restrictions on the funds might impede their use.
- The Higher Education Emergency Relief funds can be used to fund COVID-19-related expenses as well as revenue losses, technology costs for distance education, and faculty and staff training and payroll. A significant share of the funds – essentially half under CARES and ARPA – must be used for student financial aid grants. The ARPA funds alone are expected to total \$560.2 million. The American Council on Education estimates that the University of Wisconsin System will receive approximately

\$275 million, the Wisconsin Technical Colleges about \$170 million, and the state’s private nonprofit colleges approximately \$115 million.

To receive the ESSER funds, the state must keep the share of state funding going to K-12 schools and higher education for the next two years at or above the average levels from 2017 to 2019. The state will also receive \$54.6 million of additional funding under the Individuals with Disabilities Education Act (IDEA).

### Medicaid and Health Care

Under the FFCRA, the federal government is reimbursing Wisconsin for roughly 65.6% of most Medicaid costs in fiscal years 2020 and 2021 instead of 59.4%. This is an enormous boon to the state given that Medicaid and certain associated programs were budgeted at \$11.1 billion in state and federal funds in 2021. This extra federal funding has helped hold down Medicaid costs for state taxpayers at a time of high unemployment when more than 200,000 additional recipients have enrolled in the program (see our recent [State of Wisconsin Budget Brief](#)).

The full impact of the FFCRA on the Medicaid program is hard to calculate, in part because the legislation also raises state costs at least marginally by prohibiting Wisconsin from dropping individuals from Medicaid coverage while the federal public health emergency around COVID-19 is in effect. Still, LFB estimated in March 2020 that the savings for a full year would be roughly \$600 million and savings of at least that much appear to have been realized.

The proof lies in the fact that, despite the elevated enrollment levels, an estimated \$724 million from the Medicaid program will be lapsed, or returned unspent, to the state’s general fund for 2020 and 2021. An additional \$49 million is projected to remain in the state’s Medicaid trust fund on June 30 and will be available for offsetting state tax dollars next year.

On top of the Medicaid funds, the state has also received significant funding for public health from the CARES, CAA, and ARPA measures. That includes \$335 million for COVID-19 testing from the CAA.

### Aid to Families and Children

As [laid out in our recent brief](#), the state is expected to receive roughly \$800 million for child care from the three major relief measures. Most of that funding is for



relief funds to providers as well as state programs such as the Wisconsin Shares child care subsidy.

To give an example, the \$147 million in CAA funds can be used to support child care providers who have decreased enrollments or closures, reduce family copayments to providers, or defray increased costs of cleaning and sanitation by providers. The money cannot be used, however, to replace state funding for current programs.

The FFCRA also authorized additional benefits spending – estimated by the Evers administration at more than \$500 million since March 2020 – on the successor to the food stamp program known in Wisconsin as FoodShare. Last, that measure also authorized debit card payments to families similar in nature to FoodShare to make up for the free and reduced price meals at school that children in virtual instruction have been missing. Those payments totaled \$113 million in the spring of 2020 and \$46 million for the fall of 2020, according to the Department of Health Services.

### Transportation

In addition to transit funding (see the local aid section below), Wisconsin is receiving significant funds for transportation and infrastructure through the CAA. That legislation is expected to provide \$209.9 million for Wisconsin’s transportation programs plus \$83.2 million for airports on top of the \$86.1 million in CARES Act funding related to airports.

Unlike some other streams of federal aid, it appears states can use this funding to offset [sagging transportation revenues](#). However, state leaders who wish to do so also should plan for how to replace the federal funds after they are exhausted.

### Housing, Rental Assistance, and Utilities

The federal measures provide substantial funding for state and local programs for housing and rental assistance and eviction prevention. The CAA, for example, provided \$386.8 million for emergency rental assistance, with the bulk going to the state along with significant direct payments to Milwaukee, Dane, Brown, and Waukesha counties.

The CARES and ARPA acts also are providing a combined \$43.3 million in tenant-based rental assistance and an additional project-based amount for low-income households of \$15.9 million from the

CARES Act alone. The federal measures also are sending Wisconsin more than \$100 million for home heating and assistance related to other utility bills.

### Federal Funds Requiring State Action

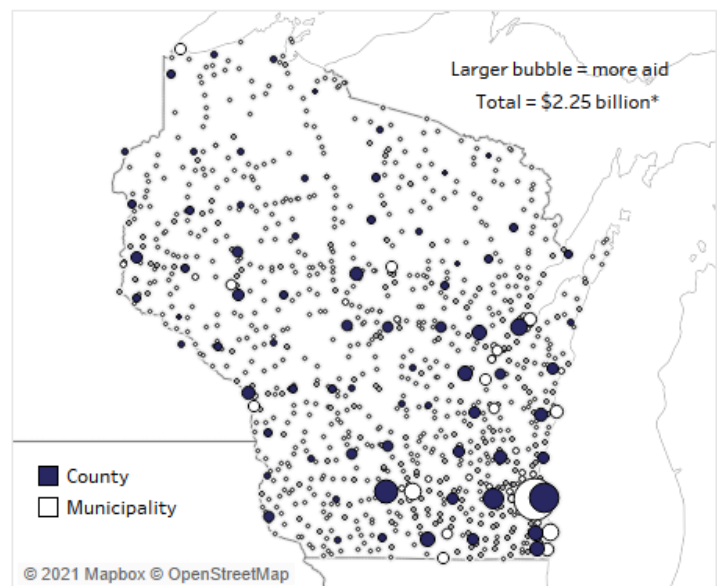
To access at least \$1.2 billion of the federal ARPA funds, the state will have to take certain actions ranging from simply applying for the money to making major changes to state law and policy. Because state action is still needed, we did not include these amounts in our tally for the estimated aid being received so far.

One relatively straightforward issue is the estimated \$188.7 million in capital funds that are available to the state for projects that, according to LFB, are “meant to directly enable work, education, and health monitoring, including remote options, in response to the coronavirus pandemic.” The state needs to apply for these funds, but they are available through the end of 2024 and do not require a state match.

A more complicated issue is the one-time funds ARPA would provide if the state were to expand its Medicaid health programs to cover an additional 90,900 individuals. The legislation would provide a two-year increase of 5 percentage points in the rate at which the federal government reimburses most of the state’s Medicaid spending, with an estimated benefit to state taxpayers of \$1.03 billion. That would be on top of the

**Figure 5: Wisconsin Communities Receive Billions**

Estimated local fiscal relief from American Rescue Plan\*



Source: U.S. Senate Democrats’ American Rescue Plan Act Resources. \*Excludes ~\$68 million in aid to Wisconsin towns



pre-ARPA expansion savings of an estimated \$634 million over two years that would be ongoing and is available to the state under the Affordable Care Act.

The governor has strongly advocated for such a move, saying it would both cover more state residents and save state dollars. GOP lawmakers have repeatedly rejected it, saying it would increase the dependence of citizens and the state on the federal government.

## FUNDS FOR LOCAL GOVERNMENTS

### Direct Local Fiscal Relief

A few local governments saw huge infusions of fiscal relief from the CARES Act and hundreds of local governments in Wisconsin will receive funding through ARPA. For both pieces of legislation, the conditions for use of the funds are similar to those for the state.

Under the CARES Act, the state's three largest local governments by population – the City of Milwaukee and Milwaukee and Dane counties – received sizable direct payments (see sidebar on Milwaukee County). As was the case for the state, these fiscal relief funds could not offset revenue losses.

The local fiscal relief funds under ARPA will be both larger at \$2.3 billion and much broader. As Figure 5 on page 6 shows, this infusion will include all counties as well as hundreds of municipalities.

The ARPA funding is distributed by formulas that range from population for counties and non-metro municipalities to a range of factors for metro cities that include population growth, poverty, housing overcrowding, and the age of housing stock. It includes:

- Over \$1.1 billion for the state's 72 counties, including \$183.4 million for Milwaukee County and \$106 million for Dane County
- \$787.9 million for the 18 "metropolitan" cities, including \$405.7 million for Milwaukee and \$49.2 million for Madison
- \$160.5 million for other cities, villages, and towns

These funds can be used for the same purposes as state relief funds and, like the state funds, cannot be used for unfunded pension liabilities. In one notable

difference from the state funds, however, there is no restriction on using local funds to offset a tax cut.

## THE CASE OF MILWAUKEE COUNTY

How local governments fare under the federal relief measures depends on obvious factors such as population and poverty levels. However, the amounts flowing into cities and counties also depend on their mix of services.

Milwaukee County is a good example. The county is benefiting from roughly \$500 million in federal aid so far, including \$250 million in general relief for local governments from the CARES Act (\$77.2 million) and ARPA (an estimated \$183.4 million). These funds do not include those going to the city of Milwaukee or Milwaukee Public Schools, or aid the state uses to help county residents.

The ARPA funding will be paid in 2021 and 2022 and available to use through 2024. It can be used for responding to the pandemic (see page 3), plugging revenue holes, or even lowering taxes, but cannot go toward the county's large unfunded pension liabilities.

On top of these funds, Milwaukee County also will benefit from more than \$200 million in federal relief funding for its hard-hit transit system and airport. General Mitchell International Airport received \$37.6 million from the first two measures and will see an undetermined but substantial additional infusion from ARPA. These monies will offset the impacts of a huge decline in air travelers, although the airport is supported solely by airline payments and user fees so county property taxpayers would have been largely shielded.

The Milwaukee County Transit System has been an even bigger beneficiary, receiving an estimated \$186 million from the three federal laws combined. The funds are critical to ensuring the system can withstand the impact of passenger losses for at least the next couple of years, but in this case they also benefit the county budget. In 2021, the county was able to replace \$4.9 million of property tax revenues in the transit budget with CARES funds, thus freeing up those dollars for other purposes. For more details on MCTS, see our [recent transit report](#).

The county is also receiving \$10.6 million for housing under the CAA, primarily rent assistance. Last, the county is receiving \$2.4 million for its services to the elderly and \$2.3 million for its health and human services programs.

This ability to use a targeted stream of federal relief funds to help the general budget also will be available to other local governments that operate transit systems and is another example of the significant reach of federal relief.



## Local Transit

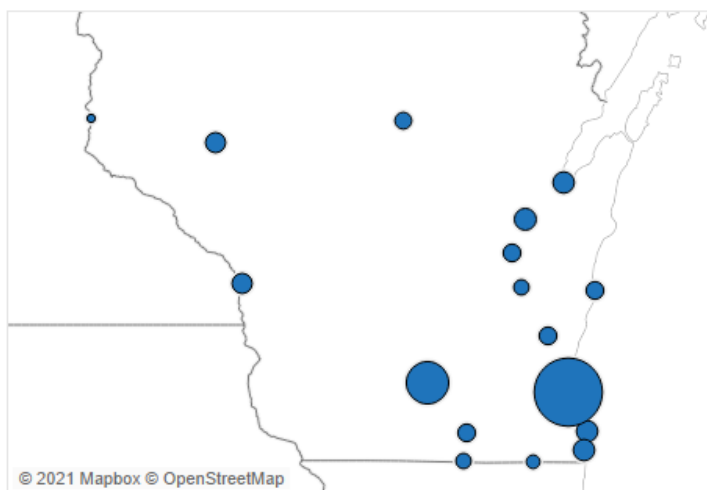
From the Milwaukee County Transit System to rural agencies, local transit systems in Wisconsin are expected to receive more than \$400 million in estimated federal aid through the three main pieces of legislation (see Figure 6). The total includes an estimated \$215.1 million for the Milwaukee urbanized area, \$67.2 million for Madison Metro Transit, and more than \$10 million for the transit agencies in both Appleton and Green Bay. For more, see our recent report on the [outlook for public transit](#) in Wisconsin.

These funds have stabilized transit systems facing plummeting ridership and also can be used for capital investments, such as replacing aging buses. Given that the ARPA funds will be available through the latter part of 2024, they will continue to ease pressure on these agencies and to some degree local property tax levies. If ridership fails to rebound, however, local governments may face pressure to boost support for transit or make service or other cuts once the aid runs out.

Funding for transit may rise even higher. Both Milwaukee County and Madison Metro are working on bus rapid transit projects that might receive ARPA funding, and the Biden infrastructure proposal would allocate billions more for transit nationally.

**Figure 6: More than \$400 Million for Local Transit**

Total stimulus revenue\* by Wisconsin urbanized area  
(larger bubble = more revenue)



Source: Wisconsin Legislative Fiscal Bureau; Federal Transit Administration. \*CARES, CAA, and ARPA combined

Note: Bubbles account for most funding. Remaining ~\$55 million goes towards smaller Wisconsin communities, distributed in a manner to be determined. Legislation specifies revenue goes towards urbanized areas, not necessarily cities themselves.

## CONCLUSION

State and local governments stand to collect at least \$19.9 billion in pandemic-related funds with the final amount likely to climb still higher. This influx of federal aid turns the dour fiscal outlook of last year into a far brighter one in which communities in the state may be able to address some of their most longstanding needs.

In some cases, such as vaccination efforts and economic relief, state and local officials will likely move quickly to spend these funds and address the ongoing pandemic. In less urgent areas, however, state lawmakers and local school officials might consider waiting for more information on the amounts, rules, and uses of the federal funds. Though they do need to move forward with their overall budgets, they may not need to allocate all of the federal aid immediately.

In the years following the 2009 ARRA stimulus, the Legislative Audit Bureau reported on the state's use of those funds as part of the annual "single audits" it conducts of the state's spending of federal funds. The LAB did the same for the CARES and other federal measures in its recent single audit for 2020. Legislators may wish to examine these audits carefully and to order further reviews in some cases. Such reports provide clarity on the use of the funds, which might help avoid or correct potential violations of federal rules.

The lengthy time horizon for using the funds – some of them would be available into 2025 – also poses a challenge for budgeting in Wisconsin. The state will soon be approving a two-year budget and school districts, cities, and counties typically adopt annual budgets. For that reason, elected leaders may want to establish multi-year plans for using these federal funds to accompany upcoming one- and two-year budgets.

The essential question, however, remains what to do with the money. In using these one-time revenues, state and local policymakers may wish to focus on needed one-time or emergency spending on items such as public health and economic relief, addressing student learning loss, capital projects and technology purchases, and debt payments if allowed. Spending it on new ongoing programs or local tax cuts could create an unsustainable "fiscal cliff" once the federal funds are exhausted, particularly if state and local economies and tax revenues lag. For example, the significant federal funds going to K-12 schools might lead state





officials to limit state funding increases in the next two-year budget, yet doing so would have an effect on future budgets.

During the height of the Great Recession from 2009 through 2011, Wisconsin made heavy use of federal ARRA funds, particularly for K-12 school aid and Medicaid. When those funds ran out, the state faced a difficult 2011-13 budget and ultimately cut state aid to schools and local governments substantially.

There is no guarantee the state will face the same problem again. Indeed, the scale of this federal stimulus may help to speed economic recovery and brighten state and local revenue pictures for some time to come. Nevertheless, as state and local policymakers consider how to use this historic influx of federal funding, they would be wise to consider how spending plans may impact future budgets as well as the immediate needs that confront them.

