

DESPITE MASSIVE INFLUX, WISCONSIN LAGGED MOST STATES IN PANDEMIC AID

While unprecedented levels of federal pandemic relief have swept into Wisconsin since 2020, the combined aid to its state and local governments ranks in the bottom 10 states when measured as a share of annual spending. However, Wisconsin still has substantial funding left and is setting different priorities from most states, favoring help to small businesses over funds for state budget gaps, unemployment programs, or water infrastructure.

Over the past two years, billions in federal relief funds have flowed into Wisconsin – an unprecedented stream of aid that is aimed at helping state and local governments cope with the challenges of COVID-19. Yet, despite the massive assistance, Wisconsin has actually lagged other states in payments received.

Under the American Rescue Plan Act (ARPA) approved in March 2021, state and local governments in Wisconsin were awarded an eye-popping \$4.86 billion in fiscal recovery funds, which equates to 8.7% of annual state and local spending. Yet some states received awards of up to 17.2% of their yearly expenditures (see Figure 1). In addition to trailing the national average of 9.7%, Wisconsin ranks 43rd nationally in ARPA funds received

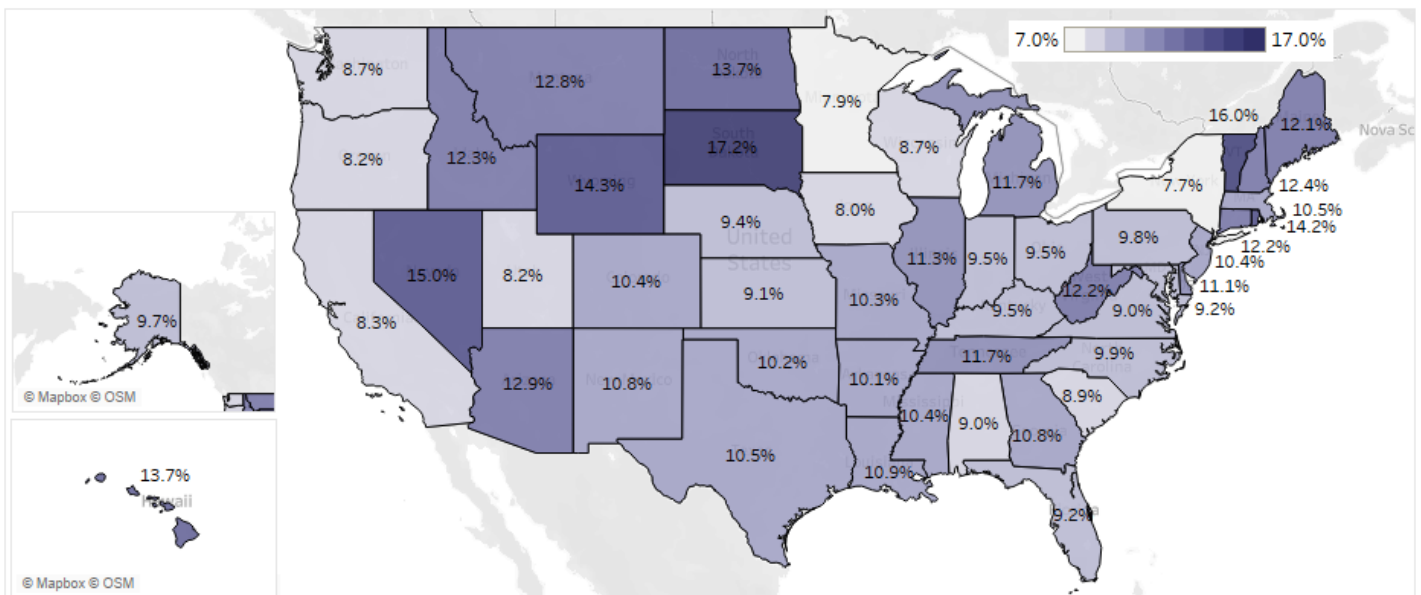
as a share of direct general expenditures, the federal data show.

Falling short on federal funding is not all bad for the state, since it's primarily due to Wisconsin's unemployment rate remaining lower than the national average both prior to and during the pandemic. The state also has a [record budget surplus](#) and has yet to spend a significant share of the aid that it did receive through ARPA. However, this finding is only the latest reminder that despite lower-than-average incomes here, Wisconsin trails most states in receiving federal aid, usually falling in the bottom 10 nationally.

So far, Wisconsin has used its ARPA funds quite differently from most other states, prioritizing aid to

Figure 1: Wisconsin Receives Among Lowest ARPA Relief Nationwide

Total ARPA State and Local Fiscal Recovery Funds as % of 2019 combined direct general expenditures



Source: U.S. Department of the Treasury, U.S. Census Bureau



small businesses and affected industries over shoring up its own budget or unemployment programs.

WHY DID WISCONSIN'S FUNDING LAG?

ARPA provided \$350 billion for the [State and Local Fiscal Recovery Funds](#) program, including \$195 billion to state governments and \$154.7 billion to local governments and U.S. territories. The funds must be obligated by the end of 2024 and spent by the end of 2026. They can be used to replace lost revenues; protect public health; assist affected families, businesses, and nonprofits; upgrade water, sewer, or broadband infrastructure; or provide premium pay for essential workers.

The state and local governments in Wisconsin received half of their funds in May 2021 and will receive the second half in May 2022. Notably, the ARPA recovery funds cannot be used to finance unfunded state or local pension liabilities or a tax cut by states, though local officials can use the money to cut taxes.

In Wisconsin, local governments are receiving \$2.32 billion in total payments – the same amount put forward in initial estimates of ARPA's impact. The state, however, is receiving \$2.53 billion, or \$673.1 million less than the state's preliminary estimates.

State payments are distributed in part according to each state's share of the average number of unemployed individuals during the final three months of 2020. Wisconsin's unemployment rate generally falls below the national average, and that was particularly true in 2020, which reduced the state's payment. Each state also got an additional \$500 million payment. That favors small states such as South Dakota and Vermont, which received the same \$500 million award as Wisconsin even though they have only a fraction of its population.

Local government payments were distributed according to either population alone or a combination of population, poverty, housing overcrowding, and age of housing. The payments to local governments in Wisconsin equaled 7.8% of their 2019 direct general expenditures as reported to the U.S. Census Bureau, or slightly more than the national average and 28th-highest among states. Comparing the ARPA funds to yearly spending provides a sense of how much local and state governments could use the federal funds to ramp up spending to address pandemic needs.

The payments to the state of Wisconsin equated to 9.7% of its 2019 spending, well below the national average of 12.3% and 44th-highest among states. The Pew Charitable Trusts performed a similar calculation for state governments using 2020 spending data available for states only. Pew found Wisconsin ranked [dead last nationally](#) for ARPA state fiscal recovery payments as a share of spending.

In a separate study that also looked only at federal payments to states (and not local governments), the [Center on Budget and Policy Priorities \(CBPP\)](#) found Wisconsin ranked 47th among states in ARPA recovery funding on a per capita basis, reinforcing our finding that most states fared better in their receipt of federal funds.

This development fits into a much longer-term trend – for decades Wisconsin has received less in federal aid than most other states. In 2019 – the most recent year for which data are available – Wisconsin state and local governments ranked 39th nationally in federal revenues at \$1,878 per capita, about 19.4% below the national average of \$2,332. Since 2006, Wisconsin has generally been in the bottom 10 states on this measure.

SUBSTANTIAL ARPA FUNDS STILL IN RESERVE

Though Wisconsin received less in ARPA recovery funds than most states and a smaller amount than originally anticipated, the state's finances are weathering the pandemic relatively well. Wisconsin's unemployment rate remains below the national average, tax collections have been robust, and the state is projecting an unprecedented surplus.

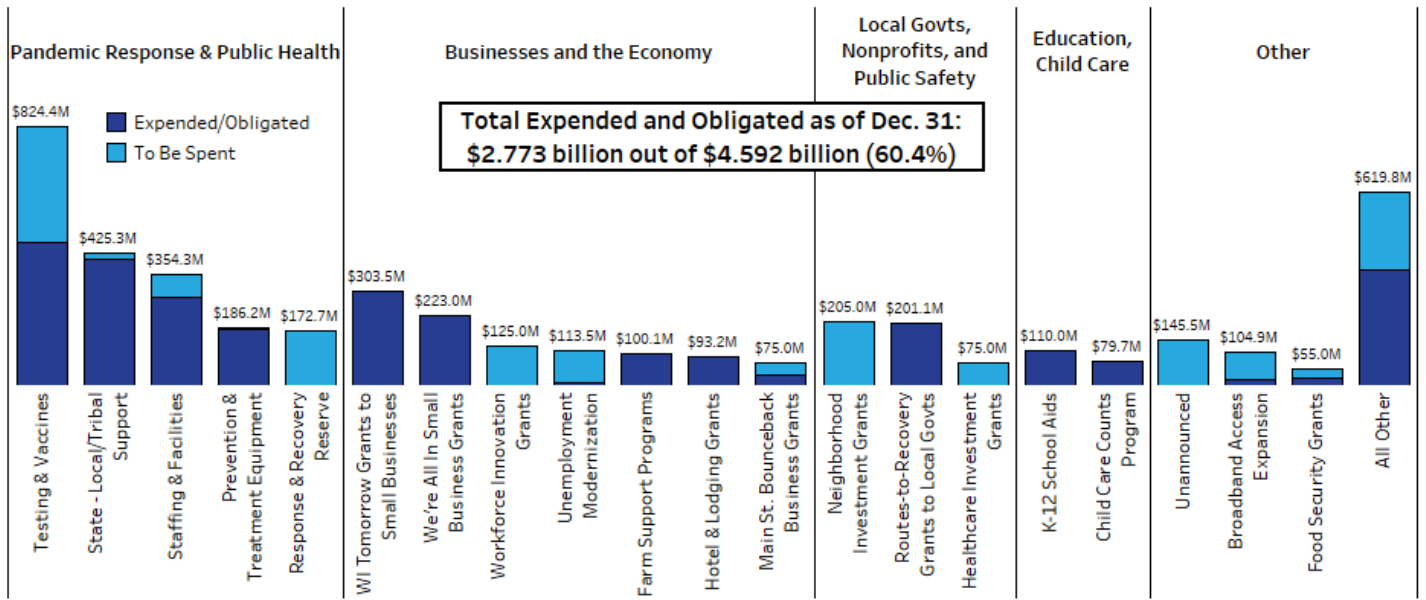
The [state recently reported](#) on how it had allocated \$4.59 billion in pandemic relief funds as of Dec. 31, 2021, including the \$2.53 billion in ARPA recovery funds, \$2 billion in relief funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of March 2020, and \$53 million from the Federal Emergency Management Agency. The state detailed that it had either spent or obligated \$2.77 billion of the total aid, or 60.4%.

Essentially, the administration of Gov. Tony Evers – which controls the funds – had spent all of the CARES Act funds but spent or obligated less than one third of the ARPA funds as of the end of 2021. That is not necessarily surprising given that half of the federal



Figure 2: State Still Has Relief Funds Left to Spend

Total state CARES and ARPA Act relief and recovery funds spent or obligated vs. allocated, by initiative



Source: Wisconsin Department of Administration as of Dec. 31, 2021

funds had yet to be paid to the state. In addition, since January, the Evers administration has announced hundreds of millions in additional awards, boosting the share that eventually will be reported as spent or obligated in the next update.

For comparison, the CBPP report looked at states' progress in simply allocating as opposed to spending their ARPA recovery funds (including those funds that states have yet to receive). The study found Wisconsin had allocated 76% of its ARPA funds as of Dec. 31, substantially more than the national average of 58%.

The biggest single priority for the CARES and ARPA funds for Wisconsin has been public health and the pandemic response, with \$1.96 billion allocated by the Evers administration and \$1.21 billion of that actually obligated or spent as of Dec. 31 (see Figure 2). In this area, the biggest single item so far has been testing and vaccines at \$457.2 million spent or obligated, followed by support for state and local public health efforts at \$405.5 million, \$284.3 million for health care facilities and staffing, and \$181.6 million for prevention and treatment equipment.

The state has also set aside \$1.33 billion for addressing the pandemic's economic impacts, with \$924.6 million obligated or spent as of Dec. 31. The spending included \$303.3 million to small businesses through the [Wisconsin Tomorrow grants](#), \$222.8 million through the

[We're All In](#) grants to small businesses and \$40.2 million to restaurants, \$100.1 million for farms, and \$92.5 million to hotels and other lodging businesses.

Other spending includes \$201.1 million in [Routes to Recovery grants](#) to local governments based on population, \$110 million for [K-12 school aids](#), and \$79.7 million in [Child Care Counts payments](#) to providers.

AID NOT FILLING STATE BUDGET HOLES

With [state tax collections strong](#), Wisconsin has not needed to use ARPA recovery funds to close state budget gaps. In contrast, data from the National Conference of State Legislatures (NCSL) show that, nationally, states so far have used about 23% of their ARPA funds to replace lost revenues and support state operations.

States also used 13.5% of their funds for restoring depleted unemployment reserves and 9.7% for water and sewer infrastructure. (The CBPP report had similar figures.) Wisconsin has not put any ARPA recovery funds toward those purposes but did commit \$113.5 million in federal aid to modernizing its antiquated unemployment system and also dedicated \$120 million of the state's own surging tax collections toward replenishing the unemployment fund.



Wisconsin stood out by allocating much more of its ARPA funds to businesses and nonprofits and other economic development and workforce efforts. NCSL data shows Wisconsin has devoted nearly 58% of its ARPA funds to economic relief and development while other states have devoted only 5%. The CBPP figures are slightly less lopsided with 56% going to economic development in Wisconsin and 12% nationally.

Wisconsin was more similar to other states in the share of ARPA funds dedicated to the public health response and expanding access to broadband.

Notably, the federal relief funds detailed above are only a fraction of the total awarded to state and local governments, businesses, nonprofits, and individuals in Wisconsin. Over the past two years, the state has been awarded at least \$63.99 billion in federal pandemic funding, according to figures compiled by Federal Funds Information for States and provided by the Wisconsin Department of Administration.

In addition to the funds to state and local governments detailed earlier in this brief, the total includes federal funds going toward unemployment compensation to jobless workers of nearly \$5 billion, aid to K-12 schools and higher education institutions and students of more than \$3.7 billion, and substantial amounts for Medicaid health care programs, child care, and transit. The Federal Reserve also purchased debt from state and local governments around the country to ensure they had adequate cash flow during the pandemic, a program known as the Municipal Credit Facility.

Even larger amounts went to individual taxpayers (three rounds of Economic Impact Payments totaling \$14.92 billion in Wisconsin). Employers in the state also received Paycheck Protection Program awards totaling \$14.3 billion and Economic Injury Disaster Loans adding up to \$3.72 billion plus additional funds through the EIDL program that did not have to be repaid.

CONCLUSION

Though most other states received more in ARPA recovery funds as a share of overall spending, the scale of federal funds received by the state remains staggering. As of Dec. 31, the state still had roughly \$1.8 billion in ARPA funds that had yet to be spent or obligated. Most of this remaining amount has been allocated for a specific purpose and since January, a number of additional awards have been released. As of

Dec. 31, however, a use for \$145.5 million hadn't been announced and an additional \$172.7 million remained in a reserve for public health needs.

Going forward, state leaders should be well-positioned to continue to avoid use of the one-time ARPA monies to plug ongoing shortfalls in the state budget – a move that would create new budget gaps when the funds are exhausted. Instead, policymakers should have opportunities to consider new investments to address longstanding or emerging policy priorities. Though they have many options, they might look to examples from other states, such as using the dollars to boost unemployment reserves, enhance affordable housing, or address a variety of infrastructure needs including lead pipe replacement and clean water.

The state has until 2026 to spend the outstanding funds and an ongoing responsibility to communicate clearly to the public how they are being employed. A wise use of the remaining federal aid will give the state the best opportunity to overcome the ongoing challenges of the pandemic while retaining its newfound fiscal strength.

