



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 12, 2021

TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: State Fiscal Recovery Fund Allocations

On May 10, 2021, the U.S. Treasury Secretary issued an Interim Final Rule to implement the State Fiscal Recovery Fund (SFRF) and the Local Fiscal Recovery Fund established under the American Rescue Plan Act (ARPA). This memorandum describes the allocation methodology for the SFRF and how Wisconsin's funding share changed between March, 2021, when ARPA was signed and the time the interim final rule was issued.

ARPA allocates a total of \$219.8 billion to the SFRF, to be divided among states, territories, and tribal governments. Of this amount, \$24.5 billion is allocated for tribal governments (\$20.0 billion) and territorial governments (\$4.5 billion). The remaining \$195.3 billion is divided among the 50 states and the District of Columbia, with \$25.5 billion equally divided (\$500 million each) among the 50 states and the District of Columbia, and \$754.9 million allocated as an additional payment to the District of Columbia. ARPA requires that the remaining \$169.0 billion be divided among the 50 states and the District of Columbia as follows.

"...in an amount which bears the same proportion to such remainder as the average estimated number of seasonally-adjusted unemployed individuals (as measured by the Bureau of Labor Statistics Local Area Unemployment Statistics program) in the State or District of Columbia over the 3-month period ending with December 2020 bears to the average estimated number of seasonally adjusted unemployed individuals in all of the 50 States and the District of Columbia over the same period."

To implement this provision, the U.S. Treasury Department used the most recent available Local Area Unemployment Statistics (LAUS) data from the Bureau of Labor Statistics (BLS) at the time of issuance of the rule. Additionally, the Treasury Department was required to make pro rata adjustments to the final allocations pursuant to the requirement in ARPA so that no state or the District of Columbia would receive less from the SFRF than it did from the Coronavirus Relief Fund (CRF).

Prior to the May 10 issuance of the Treasury Department rule, it was estimated that in addition to its \$500.0 million equal share payment, Wisconsin would be allocated \$2.7 billion in direct payments, or 1.6% of the \$169.0 billion in SFRF funding to be allocated using BLS unemployment data. This estimate, from Federal Funds Information for States and the House Oversight & Reform Committee, used the most recent LAUS data available at the time that ARPA was signed into law in March 11, 2021, which was just prior to revised data becoming available. Using the revised unemployment data, Treasury released new funding estimates on May 10, 2021, which showed that in addition to its \$500.0 million equal share payment, Wisconsin will be allocated \$2.03 billion in SFRF funding, or 1.2% of the total SFRF amounts to be allocated using BLS unemployment data. This is due to the state's share of seasonally-adjusted unemployed individuals (October, 2020, through December, 2020) being revised from 1.6% of the national total to 1.2% for those months. As a result, Wisconsin's revised total SFRF allocation (including the \$500.0 million equal share payment) is \$2.5 billion, which is \$673.2 million, or 21%, less than the initial estimate of \$3.2 billion.

The large revision can be attributed to the combined impact of BLS's annual benchmarking process for the LAUS program and the reestimation of the LAUS model components. Monthly estimates from the LAUS program are revised annually to reflect new population controls from the Census Bureau, updated model inputs, and new seasonal adjustments. This process is called "annual benchmarking." On March 3, 2021, the LAUS program issued annual benchmarking reestimates for the 2020 civilian labor force and unemployment estimates for all states and the District of Columbia. At the same time, historical data for all states and the District of Columbia were replaced going back to 1976 based on an entirely new time-series model. Although resulting in a lower amount of federal funding, the revised unemployment data results in a more positive unemployment situation in Wisconsin relative to other states compared to earlier estimates for the same period.

BL/RH/ml