



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Coronavirus Relief Fund Monies Under the Federal CARES Act

This memorandum provides information on the federal Coronavirus Relief Fund (CRF) monies received by state, local, and tribal governments in Wisconsin under the federal CARES Act of 2020. Information on the use of these funds by state, local, and tribal governments is also provided.

CARES Act Funds Received by the State

The CARES Act was signed into law on March 27, 2020, and included the creation of the CRF to distribute money directly to state, local, tribal, and territorial governments. Each state received a payment from the CRF according to its share of the total US population, and was guaranteed a minimum payment of \$1.25 billion. Based on Wisconsin's population, the state was eligible to receive a total of \$2.26 billion. However, under the Act, three Wisconsin local governments (Dane County, and the City and County of Milwaukee) are eligible to directly receive \$260 million of this total, leaving approximately \$2.0 billion that was paid directly to the state. The state received these funds on April 24, 2020.

The CARES Act laid out certain guidelines for the use of money received from the CRF, and additional guidance has been received from the U.S. Department of Treasury. Money that state and local governments receive from the CRF must be used for expenses incurred in response to the public health emergency declared in response to COVID-19. These expenses must not have been accounted for in the most recently passed budget, and must be incurred between March 1, 2020, and December 30, 2020. Money received from the CRF that is not used by December 30, 2020, must be returned to the Treasury. Furthermore, Treasury has issued guidance and provided answers to questions on what is and is not considered an eligible expense incurred in response to the public health emergency; notably, governments may not use the money from the CRF to replace lost revenue.

The Department of Administration (DOA) has indicated that the approximately \$2.0 billion in CRF monies were deposited to a DOA federal, all monies received appropriation [s. 20.505

(1)(mb)]. Because this appropriation is an all monies received appropriation, the administration can expend the total amount of funds received without additional legislative authorization. DOA has established a system for agencies to track the financial impact of the coronavirus public health emergency. Agencies have been asked to report any unanticipated expenses related to emergency response to the public health emergency, the financial impacts of canceling or rescheduling events, revenue lost from canceling or rescheduling planned events or from canceled or postponed state operations and services, the amount of cost savings resulting from rescheduling or canceling planned events, the financial impact of grants received or lost, and the fair market value of any donations received by a state agency from a nongovernmental source.

State CRF Expenditures and Planned Uses

The US Department of Treasury has not outlined specific accounting or reporting requirements, but has indicated that the funds must be accounted for, and that use of the funds is subject to audit. Funds that are not used in accordance with the conditions laid out by the CARES Act must be returned to the Treasury. Treasury has also indicated that the unit of government that receives the money is responsible for both showing compliance with CARES Act requirements and repaying any money that is determined to have been inappropriately spent. Further, Treasury staff have indicated that the Department intends to trust the judgement of the officer who authorizes the spending. However, states are still expected to document their decision making, including laying out the reasoning for spending CRF money on a particular purpose. Treasury expects that the individual responsible for administering the funds document the decision to spend money for a particular purpose and track the money separately.

Consequently, in mid-May, 2020, the Governor's office began announcing a series of initiatives that would be funded from the state's share of federal CRF monies received under the CARES Act. To date, the CRF funds needed to fund the initiatives announced by the Governor's office have totaled \$1.76 billion, with approximately \$243.7 million remaining. These initiatives are summarized in the table below. Additional details on the intended purposes of the \$1.76 billion in funding are also provided.

Uses of Federal CRF Money

<u>Use of Funds</u>	<u>(\$ in Millions)</u>
Rental Assistance Program	\$25.0
Agricultural Supports	
Food Insecurity Initiative	15.0
Farm Support Program	50.0
Grants to Small Businesses	75.0
Contact Tracing	75.0
Assistance for Health Providers	110.0
Medical Equipment Acquisition	
Ventilators	40.0
Personal Protective Equipment	150.0
Direct Payments to Hospitals	40.0
Higher Education Funding	35.0
UW System Support - COVID-19 Testing	32.3
Local Government Aid Grants	190.0
Tribal Government Aid Grants	10.0
Testing Program	260.0
Hospital and Community Preparedness Reserve	445.0
Agency Reimbursements	200.0
National Guard Deployment Extension	4.0
 Total	 \$1,756.3

Rental Assistance Program. Under the \$25 million rental assistance program, residents with household income at or below 80% of their county's median income can apply for direct financial assistance with rent or security deposit payments. Eligible residents may receive up to \$3,000 in total, paid directly to landlords on their behalf. DOA is partnering with 16 organizations across the state to process applications and provide assistance. The local organizations are as follows: (a) ADVOCAP (Calumet, Fond du Lac, Green Lake, and Winnebago counties); (b) CAP Services, Inc. (Marquette, Outagamie, Portage, Waupaca, and Waushara counties); (c) Central Wisconsin CAC, Inc. (Adams, Columbia, Dodge, Juneau, and Sauk counties); (d) Community Action of Rock and Walworth Counties (Rock and Walworth counties); (e) Community Action for South Central Wisconsin, Inc. (Dane, Jefferson, and Waukesha counties); (f) Indianhead CAA (Burnett, Clark, Rusk, Sawyer, Taylor, and Washburn counties); (g) Lakeshore CAP (Door, Kewaunee, Manitowoc, and Sheboygan counties); (h) NEWCAP, Inc., (Brown, Florence, Forest, Langlade, Marinette, Menominee, Oconto, Oneida, Shawano, and Vilas counties); (i) North Central CAP (Lincoln, Marathon, and Wood counties); (j) Northwest CSA (Ashland, Bayfield, Douglas, Iron, and Price counties); (k) Racine/Kenosha CAA (Racine and Kenosha counties); (l) Social Development Commission (Milwaukee, Ozaukee, and Washington counties); (m) Southwest CAP (Grant, Green, Iowa, Lafayette, and Richland counties); (n) West CAP (Barron, Chippewa, Dunn, Pepin, Pierce, Polk, and St. Croix counties); (o) Western Dairyland EOC (Buffalo, Eau Claire, Jackson, and Trempealeau counties); and (p) Couleecap, Inc. (Crawford, La Crosse, Monroe, and Vernon counties).

Agricultural Supports. A total of \$65 million has been allocated for supporting the agricultural sector. The Wisconsin Farm Support Program, administered by the Department of Revenue (DOR), will provide direct payments totaling \$50 million to farmers in two phases. Phase one provided \$3,500 each to approximately 11,900 farmers for a total of \$41.6 million. Farmers with 2019 gross incomes of \$35,000 to \$5,000,000 were eligible for payments of \$1,000 to \$3,500, intended to be scaled based on income and the number of applicants. While DOR initially estimated approximately 26,500 farmers would be eligible to apply, only 11,900 received payments, allowing the Department to provide the maximum amount to each eligible applicant. DOR intends to administer a second phase in August to allocate remaining funding. Phase two funding will be available to farmers with 2019 gross incomes of \$10,000 or more.

The Department of Agriculture, Trade and Consumer Protection (DATCP) will administer the \$15 million Food Security Initiative. Funding will support Network Support Grants (\$5 million) and Wisconsin Products Grants (\$10 million) to food banks, food pantries, and other nonprofit organizations. Network Support Grants will be provided to support implementation of social distancing and public health guidance at recipient organizations, such as curbside pick-up or delivery services, additional food processing and packaging, increased cleaning, and other operating costs related to COVID-19. A request for proposals for Network Support Grants was issued on July 2, 2020, and was open until July 22, 2020. Wisconsin Products Grants will support the purchase and distribution of Wisconsin agricultural products by recipient organizations to address food insecurity, reduce food waste, and strengthen farm-to-table connections. A request for proposals for Wisconsin Products Grants was issued on July 15, 2020, and was open until July 29, 2020.

Grants to Small Businesses. The We're All In Small Business Grant program, administered by the Wisconsin Economic Development Corporation (WEDC), will provide \$2,500 grants to up to 30,000 Wisconsin small businesses for a total of \$75.0 million. Grant funds may be used for any operating costs, including, but not limited to, wages and salaries, rent, mortgages and inventory, and for health and safety improvements. Grant recipients must pledge to observe certain health safety best practices in their facilities intended to protect employees, customers, and the communities in which they operate.

To be eligible, a business must: (a) be a Wisconsin-based, for-profit business; (b) employ 20 or fewer full-time equivalent employees, including the owner; (c) earn greater than \$0 but less than \$1 million in annual revenues (gross sales and receipts); and (d) have started operating prior to January 1, 2020, and have been in business as of February, 2020. The business must not be part of a national chain, unless the business is a third-party franchise. The following industries covered by the CARES Act Coronavirus Relief Fund programs are ineligible for this program: crop production; animal production or aquaculture; and lessors of residential buildings, and dwellings.

According to WEDC, the online grant application will be accessible for one week from 8 a.m. Monday, June 15, 2020 through 11:59 p.m. Tuesday, June 23, 2020. The application period was subsequently extended to Friday, June 26, 2020. Initial awards were scheduled to begin in late June, 2020, and all award notifications were scheduled to be made by the end of July, 2020. As of July 21, 2020, WEDC indicated that \$27.4 million had been disbursed to approximately 11,000 businesses, and that the organization was processing an additional \$13.3 million to a further 5,300 businesses.

Contact Tracing. The \$75 million allocated for contact tracing is to be split between the state and local and tribal public health departments. Of this amount, \$50 million will be provided to local and tribal health departments to hire additional staff for contact tracing, disease investigation, and monitoring. The remaining \$25 million will be used for acquiring technology resources and hiring additional state staff to supplement local contact tracing.

Assistance for Health Providers. A total of \$110 million has been allocated for providing financial assistance to health providers, including emergency medical services, home and community-based services, and long-term health providers, such as nursing facilities and assisted living facilities. Of this amount, \$10 million has been set aside for providing grants to clinics serving underserved populations, including tribal federally qualified health care centers, rural health clinics, and free and low-cost clinics. The money distributed under this initiative is intended to help health providers cover expenses directly related to their COVID-19 responses, in addition to additional expenses such as overtime pay, changes to sanitation procedures, and disruption to standard care delivery.

Health providers can apply for grants under these programs from June 5 until June 30, 2020. The program will be administered by the Department of Health Services, which indicates that it will make initial payments within 14 business days of an approved application. Initial payments will be calculated by adding lost revenue and expenses and subtracting provider relief fund payments under the CARES Act and any other payments, government loans, and business continuation payments. Applicants will receive a payment in the amount of their losses and expenses, up to a maximum initial payment, which varies by provider type. A second round of payments will be calculated after the end of the application period, so as to provide providers with greater needs additional support from remaining funds.

Medical Equipment Acquisition. The Governor has also allocated a total of \$190 million for the acquisition of needed medical equipment. Up to \$150 million may be used for the acquisition of personal protective equipment (PPE), and \$40 million has been allocated for the acquisition of ventilators. The Governor's office has indicated that the state will seek to acquire an additional 1,542 ventilators. Once the medical equipment has been procured, the state will distribute it to health care facilities, first responders, and local governments.

Direct Payments to Hospitals. \$40 million has been allocated to provide direct payments to hospitals in order to assist with lost revenue and expenses incurred as a result of the public health emergency. Hospitals will receive a single payment, based on their percentage of both inpatient and outpatient Medicaid revenue compared to other facilities around the state. The amount of the payment received will be offset by other relief payments, provided by private insurance, the Indian Health Service, Medicaid, Medicare, or other federal programs. The Department of Health Services made payments starting in the second week of July, 2020.

Higher Education Funding. A total of \$37 million from the CRF has been allocated for financial assistance to institutions of higher education to assist with COVID-19-related expenditures. \$35 million is to be distributed to technical colleges, private non-profit campuses, and the University of Wisconsin System, with the remaining \$2 million being distributed to Wisconsin tribal colleges.

The distribution of funds among private and public higher education institutions is based on the formula used by the CARES Act in providing direct aid to these institutions, which was largely based on the number of full-time equivalent Pell Grant recipients not enrolled exclusively in distance education prior to the coronavirus pandemic. Further details about the distribution of these funds to these institutions is provided in the attached table.

UW System Support - COVID-19 Testing. For UW System institutions other than UW-Madison, \$24 million has been allocated to assist with costs of COVID-19 testing. Under the UW System's plan, the money will be used to purchase a total of 276,000 tests, of which 246,000 will be allocated to UW institutions and 30,000 held in reserve to be used for peaks or shortages. The money will also cover the costs of personal protective equipment and staff to administer the tests. A further \$8.3 million has been allocated to UW-Madison to be used for testing, personal protective equipment, and staff. UW-Madison will purchase 134,000 tests with this funding.

Local Government Aid Grants. \$190 million has been allocated to reimburse each county, town, village, and city government in the state for unbudgeted expenditures, related to the coronavirus public health emergency, that were incurred between March 1, 2020 and November 6, 2020. Each local unit of government will receive an allocation from this fund according to its share of the state's population, with a minimum allocation of \$5,000. Funds received under this program may be used to reimburse local governments for the costs of: (a) emergency operations activities; (b) purchases of personal protective equipment; (c) cleaning and sanitizing supplies and services; (d) temporary isolation housing; (e) testing and contact tracing costs not otherwise reimbursed by the state; (f) Family and Medical Leave Act (FMLA) and sick leave for public health and safety employees; and (g) meeting local match requirements for expenses submitted for reimbursement to the Federal Emergency Management Agency (FEMA). Other expenditures that meet the general eligibility requirements but are not explicitly listed may also be reimbursed.

DOA will set up a system for local governments to track their eligible expenses. There will be three reporting periods, during which time local governments can submit their eligible expenditures for reimbursement: July 1 to July 15, 2020, September 1 to September 15, 2020, and November 7 to November 18, 2020. Each local government may make one submission of expenditures during each reporting period. Upon submitting expenditures, local governments will be required to certify that the expenditures were unanticipated expenses not accounted for in the entity's budget (prior to March 27, 2020), were reasonably necessary to responding to the COVID-19 public health emergency, and meet all federal eligibility requirements. The Department will review and reimburse eligible expenditures from the balance of each local government's allocation at the end of each reporting period. A government could also transfer its allocation to another government through the expense reporting system; this transfer must take place before the receiving government submits its expense report for the final reporting period in November, 2020. A government may also submit expenses for reimbursement for services provided to a different unit of government, so long as the expense is otherwise eligible for reimbursement. If a government does not use the full amount of its allocation before November 7, 2020, the remaining balance will be returned to state to be used as needed for COVID-19 related local expenditures before the federal deadline of December 31, 2020.

Under this initiative, Dane County will receive about \$8.7 million, Milwaukee County will receive about \$15.4 million, and the City of Milwaukee will receive about \$9.6 million. These local

governments also received direct payments from the CRF under the federal CARES Act (see below).

Tribal Government Aid Grants. On May 27, 2020, the Governor's office announced that \$10 million has been set aside to provide grants to tribal governments in Wisconsin. Funds disbursed to tribal governments under this program are subject to the same use guidelines as the aid grants made available to county and municipal governments. In addition to receiving funds from this program, Wisconsin's federally recognized tribal governments were also eligible to receive direct payments from the CRF under the federal CARES Act (see below).

Testing Program. Of the \$260 million allocated for the testing program, \$202 million will be used to provide testing kits to hospitals, clinics, nursing homes, local public health departments, and others. The remainder of the testing program money will be provided to local public health departments to be used as follows: (a) \$3 million as grants for updating preparedness plans for the rest of the year; (b) \$10 million for coordinating local testing efforts; and (c) \$45 million to provide incentive for public health departments, occupational health providers, home health agencies, and health systems to conduct testing in congregate, community, and occupational settings, including payments to eligible providers of \$35 for each COVID-19 test administered to a Wisconsin resident through August 31, 2020. It is possible that some of the costs for this initiative may also be covered in part by other sources of federal funding, including those provided under the Paycheck Protection and Health Care Enhancement Act of 2020.

Hospital and Community Preparedness. \$445 million has been set aside to be available for hospital and community preparedness in the event of a surge in COVID-19 cases through the end of 2020.

Agency Reimbursements. As mentioned above, DOA has asked state agencies to keep a record of costs incurred due to the public health emergency related to the coronavirus. The Governor has indicated that \$200 million in CRF money will be set aside to reimburse state agencies for their eligible 2020 COVID-19 expenses. As of mid-May, state agencies had incurred approximately \$142 million in COVID-19 expenses. DOA has characterized these expenses as being broadly related to the purchase and distribution of personal protective equipment and cleaning and sanitizing products, tests and testing services, decontamination, contact tracing, and isolation and alternative care facility establishment and operation.

National Guard Deployment Extension. On August 3, 2020, President Trump issued a presidential memorandum extending the federal authorization for the National Guard to assist in the medical response to the COVID-19 pandemic through the end of calendar year 2020. The memorandum stated that beginning on August 21, 2020, the federal government would only cover 75% of the costs of the National Guard deployment, with state governments covering the rest of the costs. Following this announcement, Governor Evers allocated \$4 million to cover the remaining costs of the National Guard deployment in Wisconsin.

Direct Receipt of CRF Monies -- Local Units of Government

Under the CARES Act, local units of government are eligible to receive money directly from the CRF if their population exceeds 500,000. Wisconsin has three local governments that meet this

criterion: Dane County, Milwaukee County, and the City of Milwaukee. The Act stipulated that local government eligibility for the direct payment of CRF funds is based on the total population of those governments, as estimated by the U.S. Census Bureau. Subsequent Treasury guidance clarified that the amount of the payment would be determined according to the proportion of the local government's population relative to the population of the state as a whole. The Treasury's guidance also clarified that in the case of overlapping jurisdictions (such as Milwaukee County and the City of Milwaukee), eligibility for the payment is determined based each jurisdiction's total population, while the payment amount for the overlying jurisdiction is to be based on that jurisdiction's population less the population of the underlying taxing jurisdiction(s) that is also eligible to receive a payment. In practical terms, this means that the City of Milwaukee's population may be used for determining the County's eligibility for a direct payment, but Milwaukee County's payment amount is based on only the population of the County that does not also live in the City of Milwaukee. The City of Milwaukee's eligibility and direct payment are both based on the City's total population. Accordingly, when this clarification in guidance is applied, the amount of the payment received by the County is smaller than initial estimates derived prior to Treasury's guidance.

As a result, based on their populations, Dane County received approximately \$95 million, Milwaukee County received approximately \$62 million, and the City of Milwaukee received approximately \$103 million. The remainder of the state's payment, approximately \$2.0 billion, was paid directly to the state. Treasury has indicated that the chief executive of each unit of government that received the funds is responsible for accounting that the funds are spent in accordance with the conditions required by the CARES Act. The chief executive of each unit of government receiving a payment also has the authority to decide how to spend the CRF money, provided it is used in accordance with the CARES Act requirements.

The City of Milwaukee passed a resolution authorizing the City to apply for, accept, and expend money from the CRF. The resolution authorized the City's Department of Administration to use the CRF money for expenses related to the City's response to the public health emergency, and specified that the Department is only to use the CRF money for purposes allowed under the CARES Act. \$20 million of the City's allocation has been set aside to be distributed as grants to small businesses. Under the City's program, eligible businesses may receive up to \$15,000; on July 31, 2020, the City announced that more than \$3 million had already been distributed.

Milwaukee County has announced that its CRF allocation will be used in the following ways: (a) \$24.8 million for safety measures, including the purchase of PPE, increased cleaning and sanitation, sick time related to COVID-19, and necessary technology enhancements; (b) \$25.5 million for emergency operating costs, including distancing and isolation in corrections facilities, emergency planning and communications, and increased death investigations; and (c) \$27.1 for the provision of economic support, access to healthcare, and housing assistance. This last category will include \$3 million for mortgage assistance, \$2 million for housing acquisition, \$10 million for eviction prevention, \$1.6 million for mental health services, \$7 million in aids to small businesses, and \$3.5 million for the Community Resource Navigator Employment Program.

Dane County has announced a series of initiatives that will be funded with by its CRF payment, including: (a) \$700,000 in funding for public health; (b) \$6 million in payments to food

pantries to be used in purchasing food from local farmers; (c) \$3.5 million in grants to childcare providers; (d) \$10.8 million in grants to support local small businesses; and (e) \$10 million to assist renters facing possible eviction.

Direct Recipients of CRF Monies - Tribal Governments

As mentioned above, the CARES Act appropriated \$150 billion for the CRF. Of this amount, \$8 billion was set aside for distribution to federally recognized tribal governments. Unlike payments to county and municipal governments, CRF payments to tribal governments have been made wholly independently of the state's payment. There are eleven federally recognized tribal governments in Wisconsin. According to the federal Bureau of Indian Affairs, these tribes have received a combined total of approximately \$15.3 million in Aids to Tribal Governments from the CRF to date. It is possible that the tribes will receive more money from the CRF in the future, as the full \$8 billion allocated for distribution to federally recognized tribes has not yet been distributed.

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Attachment

ATTACHMENT

Distribution of Higher Education Funding

<u>UW System</u>	<u>Amount</u>	<u>Private Non-Profit Campus</u>	<u>Amount</u>
Eau Claire	\$1,422,477	Alverno	\$355,241
Green Bay	703,005	Bellin	44,848
La Crosse	1,361,840	Beloit	221,984
Madison	3,967,997	Cardinal Stritch	210,681
Milwaukee	3,394,884	Carroll	498,054
Oshkosh	1,245,128	Carthage	545,269
Parkside	758,568	Columbia College of Nursing	24,836
Platteville	961,295	Concordia	749,374
River Falls	888,044	Edgewood	286,666
Stevens Point	1,266,195	Herzing	884,535
Stout	993,374	Holy Family	71,262
Superior	298,531	Lakeland	278,124
Whitewater	<u>1,638,661</u>	Lawrence	236,545
Subtotal	\$18,899,999	Marian	234,393
		Marquette	1,358,165
		Medical College of Wisconsin	78,918
<u>Technical Colleges</u>	<u>Amount</u>	Milwaukee Institute	
Blackhawk	\$440,775	of Art and Design	171,775
Chippewa Valley	553,591	Milwaukee School of Engineering	466,961
Fox Valley	520,232	Mount Mary	236,472
Gateway	523,383	Nashotah House	3,448
Lakeshore	195,739	Northland	130,068
Madison Area	1,101,005	Ripon	185,697
Mid-State	305,878	St. Norbert	325,937
Milwaukee Area	1,702,608	Viterbo	261,531
Moraine Park	243,276	Wisconsin Lutheran	<u>189,215</u>
Nicolet Area	96,910	Subtotal	\$8,049,999
Northcentral	296,743		
Northeast	747,925		
Southwest	156,867	Total	\$34,999,998
Waukesha	387,400		
Western	476,318		
Wisconsin Indianhead	<u>301,350</u>		
Subtotal	\$8,050,000		