



Legislative Fiscal Bureau

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TO: Representative Vos and Senator Fitzgerald
State Capitol

FROM: Bob Lang, Director

SUBJECT: Coronavirus Relief Fund

On March 25, 2020, the U.S. Senate passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in response to the coronavirus pandemic. The House of Representatives is expected to pass the bill today.

The legislation contains numerous provisions that would appropriate funds to individuals, businesses, and governments. Our office is currently reviewing the bill to attempt to determine the fiscal effect of the legislation and the impact that it may have on Wisconsin government. At this time we have focused our attention on one aspect of the bill that will impact the state, the Coronavirus Relief Fund. A description of that program follows.

Coronavirus Relief Fund

The bill would create a Coronavirus Relief Fund and appropriate a total of \$150 billion to state, local, and Tribal governments. Of that amount, \$3 billion is reserved for the District of Columbia, Puerto Rico, the US Virgin Islands, Guam, the Northern Mariana Islands, and American Samoa. A further \$8 billion would be reserved for Tribal governments, and the remainder of the appropriation (\$139 billion) is to be distributed among state and local governments according to population. The money is to be distributed no later than 30 days after the date of enactment.

The bill specifies that the funds are only to be used for necessary expenditures incurred in response to the public health emergency, which were not accounted for in the government's most recent budget, and were incurred between March 1 and December 30, 2020.

Each state would receive a payment equal to its relative population proportion, with a minimum payment of \$1.25 billion. The relative population proportion is defined as the quotient of the state's population and the total population of the United States, excluding Washington D.C. and

the U.S. Territories. For the purposes of aid distribution, population figures are to be determined based on the most recent figures available from the U.S. Census Bureau. As of the date of the bill's likely enactment, these figures would be the 2019 population estimates.

The bill specifies that a local unit of government, defined as a unit of government below the state level with a population of at least 500,000, may receive a payment directly from the Secretary of Treasury if it submits a certification. However, the bill would limit the total amount of funds that these local units of government could receive to 45% of the state's total funding provided from the coronavirus relief fund. These local units of government would receive a payment equal to their share of the state's population multiplied by the 45% of state funding amount. To receive the funding, the chief executive of the local unit of government must submit a signed certification that the local government's proposed use of the funds meet the necessary public health emergency expenditure requirements described above. The amount of the payment received by the local unit of government would be subtracted from the total amount of the payment made to the state government.

The bill would grant the Inspector General of the US Department of Treasury authority to conduct monitoring and oversight of receipt, disbursement, and use of funds. If the Inspector General determines a recipient has failed to comply with use guidelines, the amount of misused funds must be paid back to the federal government. The bill appropriates \$35 million for the Inspector General to carry out oversight and recoupment.

Based on its 2019 population, the state of Wisconsin could receive an estimated \$2,258 million in federal funds. Wisconsin has three units of local government which have populations of greater than 500,000: the City of Milwaukee, Milwaukee County, and Dane County. Based on those governments' share of the total population of Wisconsin, the City of Milwaukee could receive an estimated \$102.7 million, Milwaukee County could receive an estimated \$164.5 million, and Dane County could receive an estimated \$93.4 million. In total, this amounts to \$360.6 million, or approximately 16% of the state's total estimated federal aid amount. The rest of the federal funds (\$1,897.4 million) would be available to the state government.

The following issues related to the coronavirus relief fund requirements may need further guidance: (a) whether states may use relief fund payments to fill in revenue gaps caused by slowing state revenues as a result of the public health emergency; (b) whether the federal funds will be allowed to be used to reimburse costs incurred in addressing the coronavirus public health emergency that were made after March 1, 2020, but prior to the bill's enactment; and (c) whether a state can use the funds provided to the state to cover eligible expenditures of local governments that do not exceed 500,000 in population.

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