



INSTITUTE FOR REFORMING GOVERNMENT

Wisconsin state, local leaders should refund federal money back to state taxpayers

IRG Policy Solution: The recently passed American Rescue Plan will allocate over \$5.7 billion to Wisconsin state, county, and local governments to spend to help mitigate the impact of COVID. IRG believes that state and local leaders should consider refunding this money back to Wisconsin families, as families know best on how COVID and the corresponding shutdowns of schools and businesses have impacted them, and what their critical needs are to return to “normal”.

3 Things to Know:

1. Wisconsin state and local leaders have flexibility on how to spend the \$5.7 billion from Washington, D.C. due to the latest COVID relief package.
2. State finances are remarkably stable, thanks to years of responsible budgeting, which created a projected surplus. This does not take into account the more than \$6 billion in federal funding from previous COVID relief packages.
3. COVID has impacted families and businesses in so many different ways with some struggling while others succeeding. Therefore, state and local governments should explore how to empower families to determine how best to spend the federal relief money. For example, if the state refunded the money to households in Wisconsin earning less than \$75,000, each household would receive a refund of nearly \$2,600.

Background: Among other spending items, the American Rescue Plan will allocate \$3.4 billion to Wisconsin state government and over \$2.3 billion to local and county governments. Wisconsin’s total allocation of \$5.7 billion represents nearly \$1,000 per resident.

According to the American Rescue Plan (subject to interpretation from the Treasury Department), state and local governments can use the funds for various causes related to COVID. Specifically, such funds can be used to:

“Respond to public health emergency or its negative economic impacts, including assistance to households, small businesses, non-profits, and aid to tourism, travel and hospitality.”

There are certain restrictions, notably a prohibition on funds being used at the state level to offset a decrease in taxes (again, with guidance forthcoming from the Treasury Department). In other words, states are prevented by the federal government from reducing the tax burden on their working families.

State Finances: Wisconsin's fiscal picture heading into the next biennial state budget is far better than projected by the Evers Administration back in November. According to the non-partisan Legislative Fiscal Bureau, the State will begin the 2021-2023 budget with a balance of \$1.8 billion and a rainy-day fund balance exceeding \$800 million.

In addition, Wisconsin has already been allocated \$6 billion from federal COVID and budgetary legislation enacted in 2020. In the current state fiscal year – without COVID and other federal relief, Wisconsin is scheduled to receive roughly \$12 billion in federal resources. The magnitude of trillions in federal resources appropriated by Congress in the last year simply cannot be underestimated or even spent in a reasonable timeframe: \$1 TRILLION remains unspent from 2020 legislation.

Bottom Line: COVID and the economic shutdowns have impacted families in countless ways. A state refund would give tax dollars back to working families and small businesses so they can use it to pay bills, provide their children with tutoring and educational services, purchase equipment and connectivity necessary for distance and virtual learning, and assist with many other basic needs.

The best way to provide an American Rescue Plan is to recognize families and small businesses know best how to spend their tax dollars for COVID relief – not government.