



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>

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TO: Senator Jon Erpenbach
Room 130 South, State Capitol

FROM: Christa Pugh, Fiscal Analyst

SUBJECT: Current Status of Maintenance of Effort Requirement Under Federal Coronavirus Acts

At your request, I am providing information about the current status of the maintenance of effort requirements for K-12 and higher education under the federal coronavirus acts.

Background

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted by the federal government on March 27, 2020, created an education stabilization fund that provided funding for institutions of higher education and K-12 schools. Additional funding was provided under the Consolidated Appropriations Act (CAA), which was enacted on December 27, 2020, and the American Rescue Plan Act (ARPA), which was enacted on March 11, 2021. The table below shows total funding allocated to Wisconsin in elementary and secondary school emergency relief (ESSER) funds, governor's emergency education relief (GEER) funds, and emergency assistance to nonpublic schools (EANS) funding under the three acts.

A proportional maintenance of effort requirement applies to the CAA and ARPA. Under the CAA, the proportion of state spending allocated to K-12 and higher education in 2021-22 must be maintained at the same level as the state's average allocation in the 2016-17, 2017-18, and 2018-19 fiscal years as a condition of receiving ESSER II funds (\$686.1 million), GEER II funds (\$20.8 million), or EANS funds for private schools (\$77.5 million).

ARPA includes the same requirement applicable to both 2021-22 and 2022-23 as a condition of receiving the \$1,540.8 million allocated to the state under ESSER III. EANS funding under ARPA is not subject to the maintenance of effort requirement.

The maintenance of effort is calculated by dividing state spending on K-12 education by total state GPR spending, and state spending on higher education by total state spending. Total state spending includes all GPR expenditures, excluding transfers, as shown in the state's annual fiscal

report. Total K-12 spending includes actual expenditures on general aids, GPR categorical aids, and funding for the state's choice and charter programs, less lapses made to fund the choice and charter programs. For the higher education calculation, GPR expenditures for the UW System, the Wisconsin Technical College System, and the Higher Educational Aids Board are included, excluding funding for UW debt service and UW research, plus UW SEG funding. For all three programs, actual expenditures are used, so funds that are appropriated but not expended are not included in the calculations, and the state's compliance will be calculated using actual expenditures from sum sufficient appropriations, which may be greater or smaller than the estimated amounts included in the appropriation.

Current Status of the Requirement

Based on the methodology used by DOA in its May 17, 2021, submission, and the funding appropriated under 2021 Act 58, this office estimates that the state will meet the CAA and ARPA maintenance of effort requirements. The amount of K-12 funding appropriated under the act exceeds the minimum needed to meet the requirement by an estimated \$9 million in 2021-22 and \$18 million in 2022-23. The amount of higher education funding appropriated under the act exceeds the minimum needed by \$2 million in 2021-22 and \$4 million in 2022-23.

It should be noted that these amounts are based on current estimates of education and total GPR spending under the bill. Sum sufficient appropriations included in total GPR spending could be higher or lower than estimated; if higher, the amount of excess funding identified above could be lower than currently estimated. The state could also be closer to the limit if some of the funding appropriated to K-12 or higher education is not expended and lapses to the general fund. Actual expenditures will not be known until the state's Annual Fiscal Report is published in the fall following the end of the fiscal year, at which time it would not be possible to adjust expenditures in the previous fiscal year if it was determined that the state did not meet the maintenance of effort requirement.

I hope this information is helpful. Please contact us if you have additional questions.

CP/lb