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April 7, 2021

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 280: Allocation of Federal American Rescue Plan Act of 2021 Funds for Rural Economic Development Programs and Farm Support Grants

Senate Bill 280 (SB 280) was introduced on April 5, 2021, and was referred to the Joint Committee on Finance. (The companion bill to SB 280 is Assembly Bill 235).

SUMMARY OF BILL

Senate Bill 280 would require that $50,000,000 of the funds the state receives under the state fiscal recovery fund (SFRF) created by the federal American Rescue Plan Act (ARPA) of 2021 be allocated for the Wisconsin Economic Development Corporation (WEDC) to implement the rural economic development program described below. Additionally, another $50,000,000 would be required to be allocated for the Department of Revenue (DOR) to provide grants to farmers.

Economic Development Programs Administered by WEDC

Senate Bill 280 would require the Governor to allocate $50,000,000 of SFRF funds for economic development programs benefitting rural counties. WEDC would be required to make every effort to ensure that underserved communities in rural counties are prioritized. No later than June 30 of each state fiscal year in which WEDC expends this funding, WEDC would be required to submit a report to the Joint Committee on Finance describing in detail WEDC's use of those moneys in that fiscal year. All state agencies would be required, to the extent needed, as determined by WEDC, to cooperate with WEDC concerning planning and implementation of its expenditures of moneys.

WEDC would be required to set aside $5,000,000 of its amount allocated for grants to create or expand revolving loan funds. WEDC could award a one-time grant of $250,000 to each eligible organization, or a smaller amount if the eligible organization so elects. WEDC would be able to award a one-time grant of more than $250,000 to a consortium of rural counties, or to a consortium of eligible organizations in lieu of a grant to eligible organizations that are members of the consortium. An eligible organization or a consortium receiving a grant would be required to expend the grant moneys only for the purpose of creating or expanding a revolving loan fund that promotes economic development and entrepreneurial start-ups in a rural county served by the eligible organization or in rural counties served by the consortium. "Eligible organization" would mean each county economic development organization serving a rural county and each regional economic development organization serving a rural county that WEDC determines is eligible for a grant.

In determining whether a county economic development organization serving a rural county or regional economic development organization serving a rural county would be eligible for a grant, WEDC would be required to consider whether: (a) the organization has appropriate fiscal and administrative policies and procedures in place; (b) the organization's staff is sufficient and qualified by education or experience to administer a revolving loan fund; (c) the organization can provide at least two examples of projects financed with public funding that the organization has taken from grant application to project completion; and (d) the organization has experience or a history of serving the community with economic development projects.

WEDC would be authorized to expend the remaining $45,000,000 of the amount allocated in one of four ways. First, WEDC would be able to expend funding for any economic development program it currently administrates, as of the effective date of the bill, if the program assists economic development in a rural county. Before WEDC could make a grant under its existing programs assisting economic development in a rural county, WEDC would be required to consider the economic impact of the program or activities for which the money would be used.

Second, WEDC could expend funding for any economic development program it begins administering after the effective date of the bill if that expenditure assists economic development in a rural county and the Joint Committee on Finance approves the program under a 14-day passive review process. WEDC would be required to notify the Committee in writing of its intention to expend the moneys on the program before WEDC first expends moneys on each program. The notice would be required to describe the program and purposes for which WEDC proposes to expend funding. If, within 14 working days after the date of the notice, the Co-chairpersons of the Committee do not notify WEDC that the Committee has scheduled a meeting to review the proposal, WEDC may make the expenditures as proposed in the notice. However, if within 14 working days after the date of the notice, the Co-chairpersons of the Committee notify WEDC that the Committee has scheduled a meeting to review the proposal, then WEDC may make the proposed expenditures only upon approval of the Committee. WEDC would be required to adopt policies and procedures establishing, to the extent feasible, matching requirements for WEDC's expenditures. Before WEDC expends funding on an economic development program, WEDC would be required to consider the economic impact of the program or activities for which the money would be used.

Third, WEDC could award a grant to a state agency if WEDC determines that the agency's expenditure of the grant would assist economic development in a rural county. Each grant to a state agency would be subject to the same notification and 14-day passive review process requiring approval of the Joint Committee on Finance, as outlined above. Before WEDC could make a grant to an agency, WEDC would be required to consider the economic impact of the program or activities for which the money would be used.

Fourth, WEDC would be able to award one-time grants of $50,000 to each eligible organization (or a smaller amount if so elected by the eligible organization). Eligible organizations would be required to expend grant funding only for the purpose of program operations and marketing within a rural county served by the eligible organization. Eligible organizations would be required to submit a report to WEDC, no later than 180 days after the last day of the state fiscal year in which the grant is awarded, concerning the organization's use of the grant. The report would have to include a description of all marketing efforts undertaken as a result of the grant. A rural county served by an eligible organization receiving a grant could not use or depend on grant moneys to supplant existing funding for economic development purposes.

For purposes of the economic development programs and grants described above, "rural county" would mean a county with a population density of less than 155 residents per square mile. Based on the 2010 federal census, this would exclude 14 Wisconsin counties from the definition of a "rural county" (Brown, Dane, Kenosha, La Crosse, Milwaukee, Outagamie, Ozaukee, Racine, Rock, Sheboygan, Walworth, Washington, Waukesha, and Winnebago). "State agency" would mean an office, department, agency, institution of higher education, association, society, or other body in state government, including certain state authorities, created or authorized to be created by the constitution or any law that is entitled to expend moneys appropriated by law.

Farm Support Grants Administered by DOR

Senate Bill 280 would require the Governor to allocate $50,000,000 of SFRF funds to DOR to provide grants to farmers who have experienced financial hardship due to the COVID-19 pandemic. The bill would specify that an eligible farmer would be a person: (a) who owns or leases land that is agricultural property; (b) whose gross sales of farm products in 2019 are between $35,000 and $5,000,000; and (c) who has experienced financial hardship as a result of the COVID-19 pandemic.

Eligible farmers wishing to receive a grant could file an application with DOR, in the manner determined by the Department. DOR would have to consult with the Department of Agriculture, Trade, and Consumer Protection in providing farm support grants.

For the purposes of this grant program, "farmer" would mean any person engaged in farming. "Farming" would mean the operation of farm premises owned or rented by the operator.

FEDERAL STATE FISCAL RECOVERY FUND (SFRF)

Under ARPA, the U.S. Department of Treasury is charged with distributing SFRF funds and providing guidance on how these funds may be spent by the states. The federal ARPA legislation authorizes SFRF payments to be used to cover costs incurred prior to December 31, 2024, to respond to the coronavirus pandemic or its negative economic impacts, including costs incurred for assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality. Pending further guidance, it appears that allocating SFRF funds under SB 280 for economic development programs benefitting rural counties and grants to farmers who have experienced financial hardship due to the COVID-19 pandemic would be considered an allowable use of this federal funding.

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