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Joint Committee on Finance

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Cybersecurity Grant Matching Funds (Military Affairs)

[LFB 2023-25 Budget Summary: Page 419, #15]

CURRENT LAW

The State and Local Cybersecurity Grant Program (SLCGP), administered by the Cybersecurity and Infrastructure Security Agency under the federal Department of Homeland Security (DHS), provides funding to address cybersecurity risks and threats to information systems owned or operated by, or on behalf of, state, local, or tribal governments. The grant program is funded by the Infrastructure Investment and Jobs Act (IIJA), which provided \$1 billion for the program to be awarded over four years, between FFY22 (federal fiscal year 2022) through FFY25. In FFY22, \$183.5 million was made available for the grant program. In future years, it is anticipated that the total amount available will be approximately: \$400 million in FFY23; \$300 million in FFY24; and \$100 million in FFY25.

The grant program requires 80% of state allocations to be made to local entities and 25% to rural communities; these amounts may overlap. A maximum of 20% can be used to administer the grant program. Other eligibility requirements for states and territories include: (a) the establishment of a cybersecurity planning committee that coordinates, develops, and approves a cybersecurity plan; and (b) cost share requirements, which may be paid with cash or third-party in-kind non-federal funding. The federal cost share (match) requirement is anticipated to be 90% in FFY22; 80% in FFY23; 70% in FFY24; and 60% in FFY25.

DISCUSSION POINTS

1. Public-sector cybersecurity has become an increasing concern for state and local governments. According to recent press accounts, in 2020, 44% of global ransomware attacks targeted municipalities. In 2021, 77 state and municipal governments and agencies were affected by ransomware attacks in the United States. In general, victims were smaller municipalities and counties.

These same accounts suggest that local governments were more generally targeted because: (a) it is difficult to implement a unified public-sector cybersecurity strategy across all local governments; (b) local and state governments may store sensitive data; (c) local government systems are often poorly defended (especially in comparison to federal government systems); (d) local governments may face financial constraints in recruiting and hiring security professionals; and (e) local governments have deployed internet-connected devices to provide, monitor, and manage services, which may benefit citizens but may also create vulnerabilities and risks for local governments.

2. For the FFY22, Wisconsin was awarded \$3,794,500 with a 90% cost share (including a state share of \$421,600, for a total grant amount of \$4,216,100). The Department of Military Affairs received the FFY22 grant award letter in December, 2022, and is developing the grant plan. Therefore, DMA has not yet distributed subgrants, but anticipates that it will distribute approximately 20 to 30 subgrants no earlier than the fall of 2023-24. According to DMA, the first year of grants would be made using a formula, but the details have yet to be finalized. The Department will retain 5% of the award for management and administration (M&A) of the grant, and the remaining 95% will be subgranted to local entities and rural communities.

3. Applicants of the subgrants are required to address how the following program objectives will be met: (a) develop and establish appropriate governance structures, including developing, implementing, or revising cybersecurity plans to improve capabilities to respond to cybersecurity incidents and ensure continuity of operations; (b) understand the organization's current cybersecurity posture and areas for improvement based on continuous testing, evaluation, and structured assessments; (c) implement security protections commensurate with risk; and (d) ensure organization personnel are appropriately trained in cybersecurity, commensurate with responsibility.

4. Under Assembly Bill 43/Senate Bill 70, \$975,100 GPR would be provided in 2023-24, and \$1,118,500 GPR in 2024-25 to support state matching funds for the federal Department of Homeland Security's State and Local Cybersecurity Grant Program. The Administration's intent in recommending these amounts was to provide the full amount of local match funding for FFY22 and FFY23, and the full amount of M&A match funding for FFY22, FFY23, and FFY24. The Administration assumed that DMA would receive a federal award of \$3,795,600, requiring a match of \$421,700. (The award letter to DMA provided \$3,794,500, with a total project amount of \$4,216,100 and a total state match requirement of \$421,600.)

5. The Administration also assumed that DMA would award 15% of the cybersecurity grants to state agencies, with agencies providing matching amounts. However, DMA indicates that it does not intend on providing grants to state agencies. Aside from the amounts it retains for the management and administration of the grant program, DMA would distribute all grant funds as subawards to local entities and rural communities. Because the Administration budgeted funds to state agencies and did not provide matching funds for these amounts, the amounts provided under AB 43/SB 70 would support some, but not all, required matching funds for subgrant recipients. Specifically, the amounts provided under AB 43/SB 70 would support 84% of the match requirements for local entities and rural communities. Table 1 below shows the multi-year funding plan for SLCGP under AB 43/SB 70 (in terms of federal fiscal years). Table 2 shows the funding components under AB 43/SB 70 in state fiscal years 2023-24 and 2024-25, and the biennial total.

TABLE 1

Multi-Year Funding Plan for SLCGP under AB 43/SB 70

<u>FFY</u>	<u>Required State Match</u>	<u>Federal Award</u>	<u>Total State Match</u>	<u>Total Funding</u>	<u>State M&A Costs (5%)</u>	<u>State M&A Match</u>	<u>State Agency Grant Award (15%)</u>	<u>State Agency Match</u>	<u>Local Grant Awards (80%)</u>	<u>Local Match</u>
2022*	10%	\$3,795,600	\$421,700	\$4,217,300	\$210,900	\$21,100	\$632,600	\$63,300	\$3,373,900	\$337,400
2023*	20	7,591,300	1,897,800	9,489,100	474,500	94,900	1,423,400	284,700	7,591,300	1,518,300
2024*	30	5,693,500	2,440,100	8,133,600	406,700	122,000	1,220,000	366,000	6,506,800	1,952,000
2025*	40	1,897,800	1,265,200	3,163,000	158,200	63,300	474,500	189,800	2,530,400	1,012,200

*Estimated award and match amounts

TABLE 2

Funding Components under AB 43/SB 70

	<u>2023-24</u>	<u>2024-25</u>	<u>Biennial Total</u>
M&A Cost Share (FFY22, FFY23, FFY24)	\$116,000	\$122,000	\$238,000
Local Cost Share (FFY22)	100,000	237,400	337,400
Local Cost Share (FFY23)	<u>759,100</u>	<u>759,100</u>	<u>1,518,200</u>
Total Funding	\$975,100	\$1,118,500	\$2,093,600

6. The M&A match requirement for the FFY22 award is \$21,100. According to DMA, it is funding \$15,000 of this amount in 2022-23 using cost savings from a position vacancy in its GPR National Guard general program operations appropriation. However, DMA indicates that it does not have resources to provide match funding beyond this amount, and it cannot guarantee that it will continue to have GPR cost savings in the future as the position may become filled. The remainder of the required FFY22 M&A amount (\$6,100) will need to be supported in state fiscal year 2023-24, along with the M&A amount for FFY23 (\$94,900). The M&A amount for FFY24 (\$122,000) will need to be supported in state fiscal year 2024-25. Regarding local match requirements, DMA indicates that, based upon past experience with grant programs providing support to smaller and rural communities, it anticipates that there would be a need for match funding assistance among these communities.

7. Given that DMA does not have sufficient GPR funding to provide matching funds for SLCGP and federal funding for cybersecurity improvements could assist local entities and rural communities across the state in addressing cybersecurity risks and threats, the Committee could provide \$975,100 GPR in 2023-24 and \$1,118,500 GPR in 2024-25 for state matching funds for the federal Department of Homeland Security's State and Local Cybersecurity Grant Program. [Alternative 1] Funding under this alternative would support M&A matching funds and a portion (84%) of the matching funds required for local subgrants.

8. Alternatively, the Committee could provide the full amount of match funding needed for M&A and local subgrants, in line with the original intent of Alternative 1. To this end, the

Committee could provide \$1,202,700 GPR in 2023-24 and \$1,223,800 GPR in 2024-25. [Alternative 2] The 2023-24 amount excludes \$15,000 GPR for the FFY22 M&A match of \$21,100 because DMA has GPR resources to cover this amount in 2022-23, but includes the remaining \$6,100 needed for the \$21,100 FFY22 M&A match requirement. Providing the total match requirements for SLCGP in 2023-24 and 2024-25 would ensure that local entities and rural communities are more readily able to accept subgrants. Table 3 below shows the multi-year funding plan for SLCGP under this alternative (in terms of federal fiscal years). Table 4 shows the funding components under this alternative in state fiscal years 2023-24 and 2024-25, and the biennial total.

TABLE 3

Multi-Year Funding Plan for SLCGP under Alternative 2

<u>FFY</u>	<u>State Match</u>	<u>Federal Award</u>	<u>Total State Match</u>	<u>Total Funding</u>	<u>State M&A Costs (5%)</u>	<u>State M&A Match</u>	<u>Local Grant Awards (95%)</u>	<u>Local Match</u>
2022	10%	\$3,794,500	\$421,600	\$4,216,100	\$210,800	\$21,100	\$4,005,300	\$400,500
2023*	20	7,591,300	1,897,800	9,489,100	474,500	94,900	7,591,300	1,803,000
2024*	30	5,693,500	2,440,100	8,133,500	406,700	122,000	6,506,800	2,318,000
2025*	40	1,897,800	1,265,200	3,163,000	158,200	63,300	2,530,400	1,202,000

*Estimated award and match amounts

TABLE 4

Funding Components under Alternative 2

	<u>2023-24</u>	<u>2024-25</u>	<u>Biennial Total</u>
M&A Cost Share (FFY22, FFY23, FFY24)	\$101,000	\$122,000	\$223,000
Local Cost Share (FFY22)	200,200	200,300	400,500
Local Cost Share (FFY23)	<u>901,500</u>	<u>901,500</u>	<u>1,803,000</u>
Total Funding	\$1,202,700	\$1,223,800	\$2,426,500

9. If the Committee chooses to provide match funding for only M&A and not for local subgrants, it could provide \$101,000 GPR in 2023-24 and \$122,000 GPR in 2024-25. [Alternative 3] The 2023-24 amount excludes \$15,000 GPR for the FFY22 M&A match of \$21,100 because DMA has GPR resources to cover this amount in 2022-23, but includes the remaining \$6,100 needed for the FFY22 M&A match requirement. Under this alternative, DMA would have sufficient funding to manage and administer the grant program, and local entities could accept subgrants to the extent that they are able to fund the local subgrant match requirements. [This alternative would be instead of, rather than in addition to, Alternatives 1 or 2.]

10. If the Department is not able to match the federal grant, DMA may be required to return cybersecurity grant monies to the federal government.

ALTERNATIVES

1. Provide \$975,100 GPR in 2023-24 and \$1,118,500 GPR in 2024-25 to DMA's National Guard general program operations appropriation to fund a portion of state matching funds for the federal Department of Homeland Security's State and Local Cybersecurity Grant Program.

ALT 1	Change to Base
GPR	\$2,093,600

2. Provide \$1,202,700 GPR in 2023-24 and \$1,223,800 GPR in 2024-25 to DMA's National Guard general program operations appropriation to fund all state matching funds for the federal Department of Homeland Security's State and Local Cybersecurity Grant Program.

ALT 2	Change to Base
GPR	\$2,426,500

3. Provide \$101,000 GPR in 2023-24 and \$122,000 GPR in 2024-25 to the Department's National Guard general program operations appropriation to fund DMA's management and administration matching funds for the federal Department of Homeland Security's State and Local Cybersecurity Grant Program.

ALT 3	Change to Base
GPR	\$223,000

4. Take no action.

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