



DIGGINGS

PUBLISHED BY THE BADGER INSTITUTE

Colossal
dose
endangers
America



**Our government
overreaction issue**

Debt exploded,
Medicaid swollen,
schools shuttered,
neighbors at odds
vaccination catch-ups
and more.



What, exactly, have our governments just done for us?

We set out to answer some fundamental questions in this issue.

How much of the reaction to the pandemic from all levels of government was really about keeping people safe?

And how much was about other longstanding progressive goals: using tax dollars and new laws or policies to somehow advance the objectives of unions or expand Obamacare or simply redistribute our state and national wealth?

You'll find answers in the pages that follow, using facts that traditional media conveniently overlook.

The best way to minimize death, you'll see in Richard Moore's story, would have been to focus more on the people actually dying, and why they were so vulnerable. Of the 6,500 people who died a COVID-related death in Wisconsin, he found, between 61% and 98% had an additional medical condition. Nearly half were residents of long-term care facilities such as nursing homes. Deaths among those between the ages of 10 and 19, in the meantime: three.

And yet, as you'll see in Julie Grace's story, the Milwaukee Public Schools district locked our poorest and most vulnerable children out of the classrooms that are their lifeline. My own piece shows why the Milwaukee School Board didn't just play a dicey game with kids' futures. It may have finally eroded the very foundation of the Milwaukee Public Schools. Unfortunately, it's not just the future of the kids we have to worry about.

Mark Lisheron and Michael Jahr both penned excellent stories about the impact

of the massive infusion of federal tax dollars. Help was needed. No one doubts that. Many businesses have thus far survived that otherwise might have failed. Those who lost jobs were taken care of with generous checks and the assurance of Medicaid. In the end, Wisconsin vaccinated a lot of people pretty quickly — to say nothing of the astounding achievement of private-sector scientists who developed vaccines in record time with the help of more tax dollars.

But the evidence is gathering that we could have achieved so much of that without unbridled spending and overreach. The bills, incredibly large ones, will come due. The kids, again, will pay — and not just with dollars.

Lisheron's piece on Medicaid expansion is a troubling revelation. Please read it all the way through. Mike Konecny's editorial on the crazy amount of money the federal government is shoving at counties and cities will make any tax watchdog cringe.

Kevyn Burger's story on the different pandemic responses of Wisconsin and Minnesota, in the meantime, shows just how vulnerable hard-working entrepreneurs are to government overreach. Wisconsin, thanks to legislators who beat back overly onerous restrictions, appears to have taken the wiser course.

We hope our politicians will digest what is written here and realize that a little more wisdom right now is what this state — and America — sorely needs.

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MISSION STATEMENT/

Badger Institute

Founded in 1987, the Badger Institute is a nonprofit, nonpartisan 501(c)(3) guided by the belief that free markets, individual initiative, limited and efficient government and educational opportunity are the keys to economic prosperity and human dignity.

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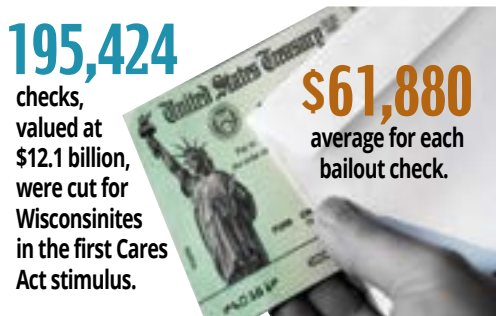


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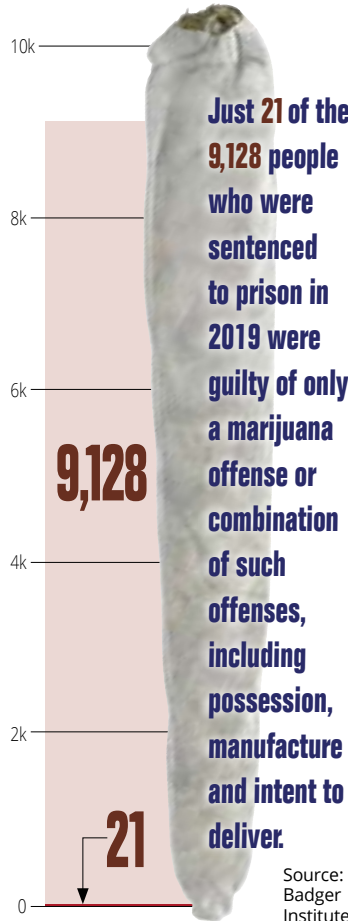
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Source: Wisconsin Department of Health Services as of 4/15/21
<https://www.dhs.wisconsin.gov/covid-19/deaths.htm#cumulative>

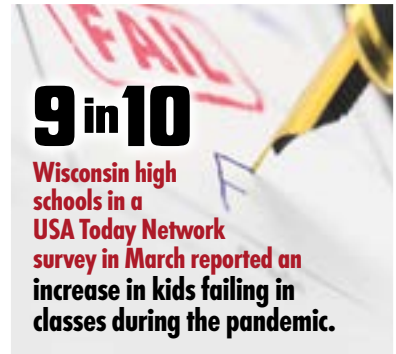


Source: Accountable.us Covid Bailout Tracker
<https://covidbailouttracker.com/state/WI>

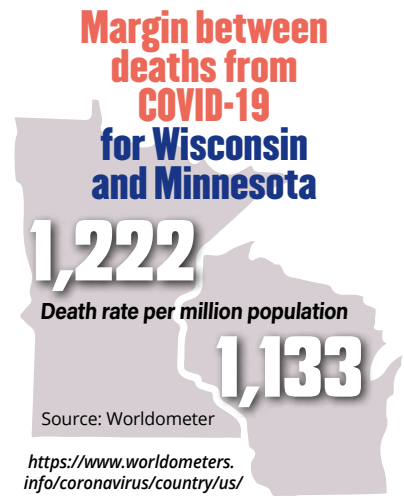


Source: Badger Institute

https://www.badgerinstitute.org/BIFiles/Reports/2021_MarijuanaBrief_final.pdf



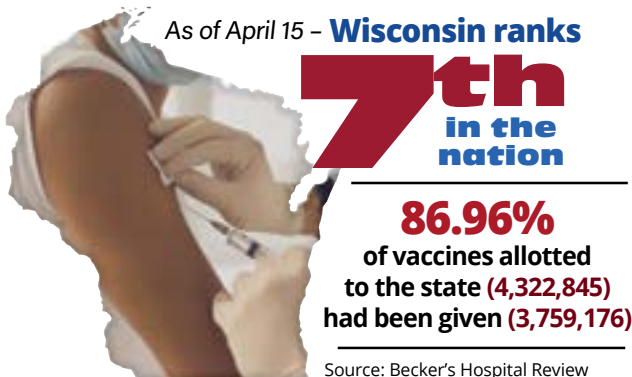
<https://www.jsonline.com/story/news/education/2021/03/16/wisconsin-high-schools-report-high-failure-rates-during-first-semester/4512131001/>



Source: Worldometer

<https://www.worldometers.info/coronavirus/country/us/>

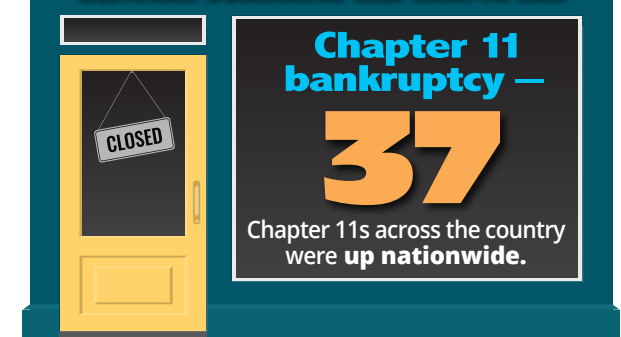
COVID-19 VACCINES



Source: Becker's Hospital Review

<https://www.beckershospitalreview.com/public-health/states-ranked-by-percentage-of-covid-19-vaccines-administered.html>

In 2019 and 2020, Wisconsin businesses that entered into Chapter 11 bankruptcy -



Source: U.S. Bankruptcy Courts for the Eastern and Western Districts of Wisconsin

<https://www.uscourts.gov/statistics/table/f-2/statistical-tables-federal-judiciary/2020/12/31>

A pandemic rivalry in the St. Croix Valley

Two very different COVID-19 responses produce different economic outcomes in Hudson, WI, and Stillwater, MN

By Kevyn Burger



LoLo owner Joe Ehlenz

Last year might have been the best of times and the worst of times for Joe Ehlenz, or in a further twist on the Charles Dickens classic, *A Tale of Two Restaurants*.

Both restaurants are called LoLo American Kitchen, and both are anchors of a lively food scene, with innovative cocktails, trendy small plates and entrees.

Both are owned by Ehlenz, one in Hudson, Wisconsin, where he lives, and the other eight miles farther up the St. Croix River, in Stillwater, Minnesota.



Second Street, Hudson's main commercial center, got a big lift with Minnesota's decision to shut down its restaurants and bars. (Below) The I-94 bridge at Hudson west into Minnesota.



In the St. Croix Valley, Hudson and Stillwater have long done business with their common interest in mind. Operators of hotels, marinas, restaurants and boutiques in the two communities have been known to refer tourists to their counterparts on the other side of the river that the communities share.

But twice in 2020, the two LoLos operated under different sets of rules for the hospitality industry set by their states — stoking a community rivalry, a game with a winner and a loser.

After an initial shutdown as COVID-19 hit last year, a mid-May ruling by the Wisconsin Supreme Court quashed Gov. Tony Evers' stay-at-home order, allowing bars and restaurants like LoLo in Hudson to reopen for in-person dining and drinking.

At the same time, bars and restaurants in Minnesota,

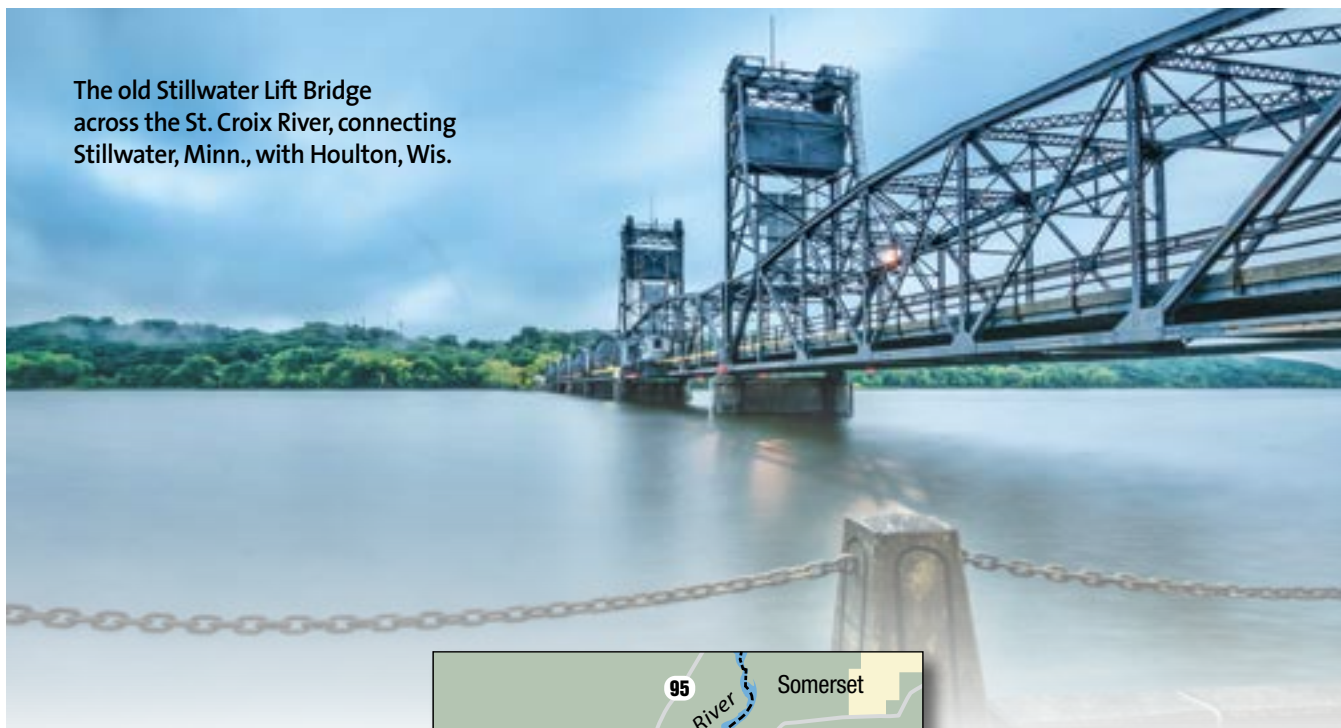
like LoLo in Stillwater, offered curbside pickup and takeout but remained closed to guests by order of Gov. Tim Walz. In June, restaurants were allowed to reopen to diners at reduced capacity.

But again, just after Thanksgiving, when Minnesota's COVID-19 cases were climbing, Walz ordered restaurants to shutter indoor seating (which lasted until January), while Wisconsin's bars and restaurants stayed open.

"It was a crazy time," Ehlenz says. "In Hudson, every weekday was like a weekend day. My parking lot was packed. When the Stillwater LoLo closed for inside dining, our to-go orders dropped dramatically once people could eat, drink and be merry in Wisconsin."

Robin Anthony, president of the Greater Stillwater Chamber of Commerce, says that while the intention to keep people safe in Minnesota was a good one, "this →

The old Stillwater Lift Bridge across the St. Croix River, connecting Stillwater, Minn., with Houlton, Wis.



didn't feel right to me."

"It was discouraging to watch Stillwater suffer when Wisconsin was gaining," Anthony says. "I drove over to Hudson when our businesses were shut down, and 80% of the cars had Minnesota plates."

The restaurant shutdown rippled across downtown Stillwater.

"Hardly anyone was going to lunch and then stopping in to shop," says Meg Brownson, owner of Alfresco Casual Living, a Main Street gift shop. "When I suggested to customers that they do takeout with my neighbors, they said, 'Oh, no, we're going over to Hudson to eat.'"

Pandemic-imposed precautions limited some traffic on the other side of the river. But many Hudson restaurant owners cleared out tables to enhance social distancing, and the customers kept heading east.

"We're at half capacity but still so busy that I hired



extra staff for the new customers," says Chad Trainor, owner of Urban Olive and Vine on Hudson's main drag. "People had to wait to get in, which was a nice problem."

A 'different ethic'

This wasn't the first time Wisconsin's more relaxed rules coaxed thirsty Minnesotans to cross the bridge. Until 2017, Minnesota liquor stores were closed on Sundays, leading to Sabbath booze runs to Wisconsin border towns. Many Minnesota baby boomers recall their teenage trips to Wisconsin taverns during the 12 years (1972-1984) when the legal drinking age in the Badger

State was 18.

"Western Wisconsin has always had a different ethic," observes John Kaul, a retired Minnesota lobbyist who lives across the St. Croix River from Hudson.

"The Minnesota side of the river is more like a Twin

Cities suburb. Western Wisconsin feels more rural. “Where the population is sparser, there’s a high level of contempt for wearing masks; that’s proven true everywhere,” he says. “I’ve been wary about running over to Wisconsin this year because of their Wild West approach.”

But in at least one instance, Minnesotans brought the Wild West to Hudson. On Dec. 6, shortly after 1 a.m., with crowds congregating in watering holes along Hudson’s historic Main Street, two groups of Twin Cities men began fighting. Three men were stabbed, one of them fatally. Three Minnesota men have been charged in the homicide.

In response, Hudson’s Common Council imposed a 10 p.m. curfew, which has since been rescinded.

With all of the added bar traffic, Hudson started seeing “a crowd that was a little rougher than what we were used to,” says attorney Jamie Johnson, host of the public affairs cable program Western Wisconsin Journal and president of the Hudson School Board.

“This (the stabbing) was an isolated incident, but it was so tragic, so unfortunate,” he says.

Despite the different approaches to COVID-19, there were remarkable similarities in the coronavirus’ health impact on both states. As of late March, Wisconsin recorded roughly 575,000 total cases, 98,659 per million people, to Minnesota’s 512,000 cases and 90,803 per million.

However, Minnesota has had more deaths, 6,900, and deaths per million, 1,222, than Wisconsin, with 6,600 deaths and 1,133 deaths per million.



Kaul

In his role with the School Board, Johnson has kept a close watch on COVID-19 cases, with all of that additional traffic coming from Minnesota.

“Borders are artificial,” he says. “We held our breath to see if there would be a spike. Wisconsin reaped the economic benefits of Minnesota going with more regulations, but we wondered if it would end up costing us in cases and if the price to do that was worth it.”

Which, invariably, leads to the question of whether Walz’s “abundance of caution,” which put thousands of Minnesota businesses at a disadvantage, was worth it.

“You can’t prove what worked or didn’t work,” Johnson says. “In a school setting, where kids and staff are there for six, eight hours, you’re more likely to be able to prove it. With a transient hospitality crowd, it’s hard to know where they came from, where they stopped.”

The long-term fallout, both in terms of profits gained and lost and the number of infections, is still being assessed. The disruption to the regional spirit of unity may be more difficult to measure.

Looking ahead to what promises to be a stellar season for tourism along the St. Croix, business owners and commu-

nity leaders seem to want to move past the pandemic and resume considering the people across the river as neighbors rather than rivals.

“A whole new group of guests found us, and I hope they will come back,” says Mary Claire Potter, president of the Hudson Area Chamber of Commerce & Tourism Bureau.

“This summer, both Stillwater and Hudson are going to explode with people wanting to drive on day trips and long weekends,” she says. “It will be beneficial to all of us. We are kindred spirits, and we will work together.”

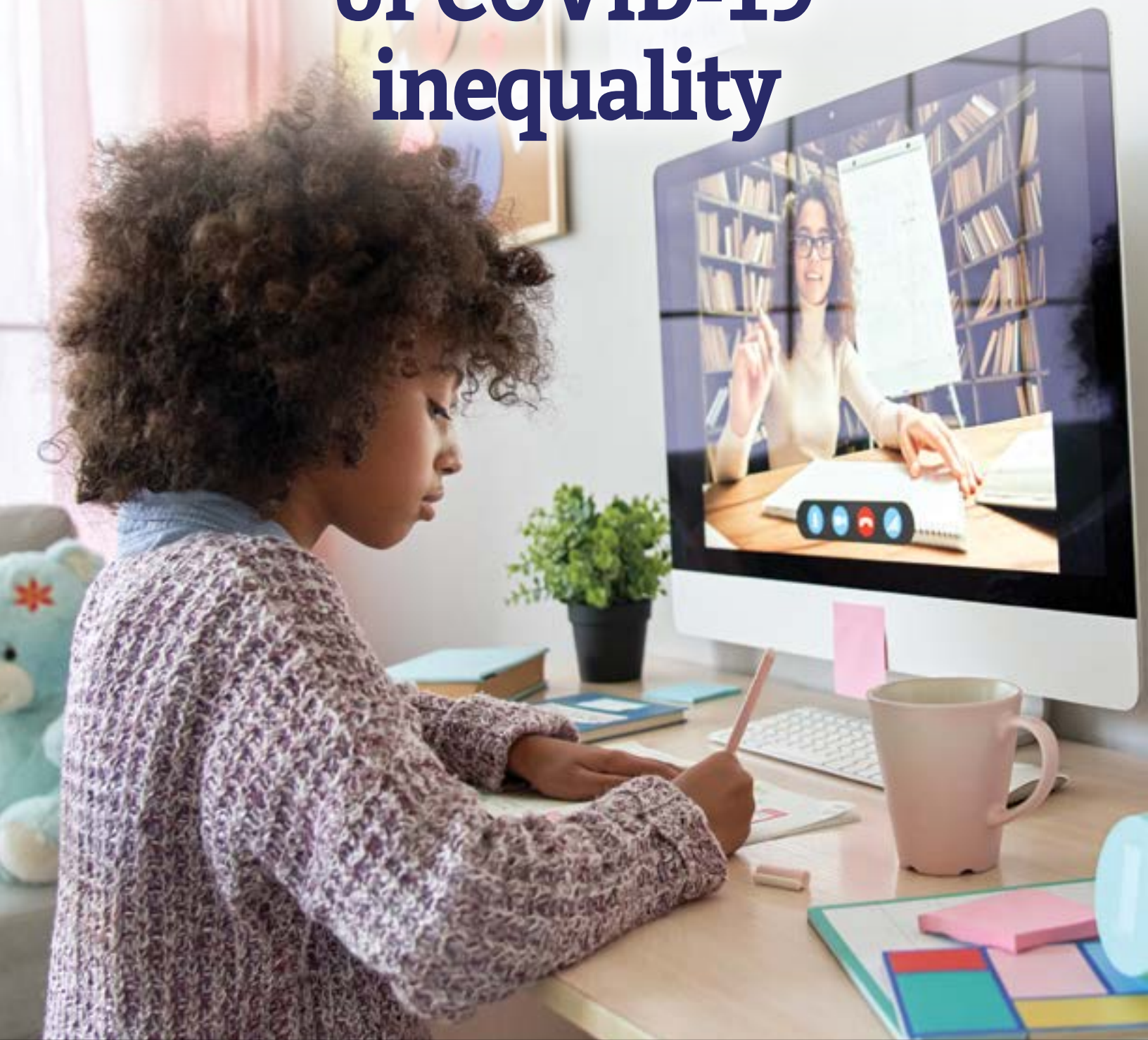


DAN CALLAHAN PHOTO

Toasting their first vaccinations on the deck of the Pier 500 restaurant in Hudson are (from left) Mary Roen, Julie Burton, Mike Burton and Ron Roen, of River Falls.

Kevyn Burger is a Minneapolis-based freelance journalist and broadcaster.

Students bear brunt of COVID-19 inequality



Families turn to private schools as MPS ignores federal entreaties and keeps classrooms shut

By Julie Grace

Raul Vasquez just wants his kids back in the classroom. They are good students, and it pains him to see them lying in bed on their laptops for six hours a day for their classes.

Two of his children are high-schoolers in the Milwaukee Public Schools (MPS). A third — a seventh-grader — is homeschooled, a decision he made last year when he suspected the shutdown due to COVID-19 would last longer than initially promised.

The Vasquez family’s situation is not unique. Some students finally began returning to their classrooms in the third week of April. But for more than a year, parents of the 62,600 students in Wisconsin’s largest school district, 82% of whom are economically disadvantaged, have faced tough decisions regarding their children’s education. Should they keep the kids in their current school? Send them to another school that provides better options? Allow them to attend in-person? Keep them at home for virtual learning?

“They just need to go back. It’s all gone on long enough,” Vasquez says. “If we as a community in Milwaukee cannot defend our kids, then that’s a big red flag.”

Until mid-April, the district’s learning had been all virtual. And despite guidance from the Centers for Disease Control and Prevention (CDC) to put students back into classrooms, the Milwaukee Teachers’ Education Association called any plan to return this



Vasquez

school year “very irresponsible.”

The Milwaukee School Board voted in late March for a partial, phased-in return in April. Students who wish to continue virtual learning can do so. For some students, the return to in-person learning will happen exactly a month before the last day of the school year.

For others, including many high-schoolers, the return won’t happen at all.

Milwaukee private, choice and public charter schools and many suburban school districts have stepped up, offering in-person education, some for the entire 2020-’21 school year.

It’s important to note that MPS, the University of Wisconsin-Milwaukee and the City of Milwaukee operate charter schools. Some charter schools are completely independent from MPS, receive funding directly and

are not unionized. The enrollment at choice and these independent charter schools in Milwaukee is about 36,700 students.

The response of some public school educators and their unions to the pandemic may prove to be the beginning of a decade-long trend of enrollment increases at private, choice and charter schools, says Jim Bender, a government affairs consultant for School Choice Wisconsin.

Although enrollment data for the current school year won’t be available until the fall, many private and choice schools are reporting that their numbers were up compared to previous years, most likely from MPS families that want in-person learning. More parents than ever are looking to alternative learning options, Bender says. →



ROBERT HELF PHOTO

The Milwaukee Teachers’ Education Association has been an intractable force in keeping Milwaukee Public Schools shut for most of the year.



“COVID has done more to change the mindset than education reformers could have ever hoped,” he says. “The last four or five months where there’s a great deal of friction between the science of reopening schools and the teachers union position on it — that’s only amplified the energy families have had to find other opportunities.”

In-person learning

Most private, choice and charter schools in the area began planning for this school year last summer, before they knew if and when they would open. Schools surveyed parents, submitted opening plans to the Milwaukee Health Department, coordinated technology for virtual learning and reconfigured classrooms to meet the Health Department’s social distancing requirements.

They offered hybrid learning — a combination of in-person and virtual learning decided by parent preference and a 50% building capacity cap for most of the school year. All things considered, principals and administrators thought the model worked well.

“We’ve been hybrid throughout the entire year and have had a great deal of success,” says Jeff Monday, principal of Marquette University High School in Milwaukee.

Marquette High had no confirmed cases of COVID-19

spread in-school, he says. The school returned fully to in-person learning March 22 but still allows a virtual option.



Monday

As of February, 81 choice, charter and private schools were open and 40 had plans to open, according to a survey by City Forward Collective. Combined, those schools have an enrollment of 38,431 students and 4,574 staff members. Only nine of the schools surveyed had no plans to open at that time, and 22 schools did not respond to the survey.

The consensus among independent school administrators is that as challenging as the past year has been for students, parents, teachers and entire school communities, families needed in-person learning.

“Our families are working families,” says Karin Strasser,

principal of St. Josaphat Parish School, a private school on Milwaukee’s south side. “Our families and kids need us. As long as we’re complying (with the Health Department) and following the number of cases, we are open.”

Her school’s enrollment increase would have been even greater had the Health Department allowed it, Strasser says. Adam Kirsch, principal of Milwaukee Lutheran High School, agrees.

“I would argue a lot of our families were looking for in-person education,” he says.

Conversely, public school enrollment is down 2.1% in Wisconsin, according to preliminary data. Enrollment was down in all of the 33 states surveyed in December by the Associated Press.

Follow the science

Those enrollment drops reflect a growing concern that districts like MPS across the country are ignoring the science guiding the federal government’s education recommendations. According to the CDC, schools that require masks and social distancing (three feet is now considered as safe as six feet) have little risk of transmission.

MPS’ testing rate for COVID-19 positivity and overall case numbers made the district eligible by CDC guidelines to bring students back to schools in either a hybrid or fully in-person system in January.

As of March, 89% of school districts in the United States were fully in-person or hybrid, according to the American Enterprise Institute’s Return to Learn Tracker.

There is a growing body of research indicating that students in the fully remote districts, especially poor and at-risk kids who need the structure and stability of in-person classes, are suffering.

Nine in 10 Wisconsin schools surveyed in March by

USA Today Network reported increased failure rates among high school students last fall. MPS reported that three in 10 of its high-schoolers failed courses. Most schools blamed that on virtual learning.

“Why is it that the suburban schools could open?” Gutierrez asks. “Those children with the most affluent families continue to thrive, but our students would not. That was a big decision factor for us.”

The Wisconsin Department of Public Instruction (DPI) is not required to report achievement data for this school year, so the short-term impacts of the pandemic and virtual learning are still unclear.

But according to one McKinsey & Company study, students could lose as much as nine months to a year of learning in math by the end of the school year.


Another McKinsey & Company study found that students could lose between \$61,000 to \$88,000 in lifetime earnings from learning losses. The CDC has reported increased mental health visits for children and increased numbers of kids suffering from anxiety and depression. The full impact of virtual learning is certainly not yet known, but preliminary studies show grim results.

Going forward

It is uncertain how long it will be before the Milwaukee School Board, its teachers and union change their stance on in-person learning, but it is clear that private, choice and charter schools and their students will be the beneficiaries.

“People have never entertained the thought of sending their kid to a choice school for multiple reasons. This year, however, has thrown a wrench in that,” says Bender. “I think many people have permanently changed the way they view education.”

“COVID has done more to change the mindset than education reformers could have ever hoped. The last four or five months where there’s a great deal of friction between the science of reopening schools and the teachers’ union position on it – that’s only amplified the energy families have had to find other opportunities.”



– Jim Bender,
government affairs consultant
for School Choice Wisconsin

Julie Grace is a policy analyst in the Badger Institute’s Center for Opportunity.

A pandemic tipping point



A refusal by MPS and the teachers union to resume in-person classes is a boon to other schools

NICHOLS' ANALYSIS

MPS just got a whole lot closer to the tipping point. The number of children in classrooms directly controlled by the Milwaukee Public Schools union-dominated School Board has plummeted to approximately 63,000 from almost 100,000 as recently as 1990.

Back then, if you had children in Milwaukee, MPS was your only option and business leaders and reformers concerned about generations of kids unable to read or write had no choice but to try, somehow, to reform MPS.

No longer.

Today, over 52,000 Milwaukee kids attend private schools that accept vouchers or taxpayer-funded scholarships, public charter schools not run by MPS staff or suburban public schools offering open enrollment or the old Chapter 220 integration program. Nearly all of those schools remained largely open during the COVID-19 pandemic, while MPS kids were told to stay home.

The trajectories of the two groups of children will take decades to become fully apparent. But many of the MPS kids who have been locked out of classrooms for a year were already on the brink of losing any chance for stable, productive lives.

Only 16% of MPS third-graders were proficient in reading in the 2018-'19 school year. Only 13% of MPS eighth-graders were proficient in math. Students in the district — 80% of whom are economically disadvantaged, 90% of whom are minorities and a majority of whom are black — are now almost certain to fall further behind.

Mikel Holt, a Milwaukee journalist immersed in the education issue, says the black community that already has lost “generation after generation” of kids is in danger of losing much of this one to the pandemic and the reaction to it by the School Board. The last year, he says, has been “like the

perfect storm to set black Americans back.”

The big picture

Parents upset that their children have lost a year of school now have a wide array of publicly funded school options and make choices for any number of reasons: academics, proximity, safety, a great principal or teacher, familiarity, emphasis on a particular program. Making sure parents have the information to make good choices has always been one of the challenges. Convincing struggling parents without means that they have the agency to alter the path of their children’s lives is another.

One prime impetus to flee: a self-interested teachers union that controls the board that kept schools closed for over a year. The board has been under the control of the union for over 20 years, and there is little chance that will change.

This spring, two self-described Democratic Socialists endorsed by the union lost, but the current board remains solidly under union control. The five returning incumbents include a former Milwaukee Teachers’ Education

Association president; a former member of the executive board of the MTEA who also has served on the board of the National Education Association; a former elementary school teacher who was also an MTEA representative; and two others previously endorsed by the MTEA. One of the new members is also a former teacher.

Other options

It’s been 30 years since reformers began pushing for the legislation that eventually allowed private schools to accept vouchers, that provided the opening for the City of Milwaukee and the University of Wisconsin-Milwaukee to create their own public charter schools and created the public school open enrollment program.

There are still significant battles to be fought for higher,

“The world is crazy. I am going to tend to my garden. MPS is crazy. Better to tend to the small institutions that have promise. Better to tend to the kids.”

— A longtime MPS observer, paraphrasing Voltaire

more equitable funding for students using the voucher program or kids enrolled in charter schools, and reformers still have a long list of ways that schools outside of MPS are hamstrung.

But the progress has been astounding. There are more than 28,000 Milwaukee children in private schools that accept vouchers. Over 16,400 Milwaukee kids attend public schools in the city that do not use MPS staff. Almost 6,000 attend suburban public schools through open enrollment or the 45-year-old integration program known as Chapter 220.

There is still plenty of worry about whether the kids who are being left behind can get into a quality MPS school like Reagan or Rufus King International high schools. But the goal of reforming MPS has shifted — in a more granular, organic and uncoordinated way — to developing and expanding quality options elsewhere.

In Milwaukee, people are increasingly investing in or joining the boards of private schools that are able to accept vouchers or quality public charter schools that often have long waiting lists and can't readily expand because they remain hamstrung by funding inequities.

The quality schools outside of MPS, St. Marcus, Milwaukee College Prep, the Notre Dame School of Milwaukee, the HOPE Christian Schools, the Hmong American Peace Academy and many others, have been godsend.

One respected voice who spent years in the middle of the battles paraphrased Voltaire by saying, "The world is crazy. I am going to tend to my garden. MPS is crazy. Better to tend to the small institutions that have promise. Better to tend to the kids."

The tipping point

Students in publicly funded schools or programs outside of MPS may soon outnumber those left behind — and the trend is likely to accelerate.

Some think MPS will shrink over time but linger, es-

pecially if the federal government continues to prop it up with cash. Others wonder if the support will only enable the union-dominated board to retrench and, for example, further distance itself from charter schools that actually help the district financially.

As more parents and students flee, so goes the per-pupil support from Madison. Legacy costs like old buildings and employee benefit obligations will eat up an increasing percentage of the dwindling revenue.

It's been 12 years since anyone seriously proposed fundamentally altering MPS. In 2009, then-Gov. Jim Doyle, Milwaukee Mayor Tom Barrett and state Sen. Lena Taylor (D-Milwaukee) pushed legislation that would have given Barrett the ability to appoint a district superintendent with control over the budget and tax levy.

Opponents, including many Milwaukee Democrats with the most direct interest in the issue, killed the reform and — although there has been talk from time to time since then about splitting up the district — the status quo has prevailed.

Opposition to changing control or abolishing the district might not be as stiff next time around. A governor not as cozy with the unions would help. But so could the experiences of other cities that have reformed their failing districts in recent years.

New Orleans not long ago became the first major American city without any traditional schools. Every public school in that city is now a charter school, the result of state intervention following Hurricane Katrina 16 years ago. Sixteen years hence, we may look back and see that the pandemic was the same sort of impetus in Milwaukee schools that the hurricane was in New Orleans.

The question isn't really when the tipping point here will occur. It's whether it already has. ❏

Mike Nichols is the president of the Badger Institute.

Drift away from MPS	
The number of choices, and enrollments, is growing.	
Type of school	2020-'21 Attendance by Milwaukee residents*
Traditional Milwaukee Public Schools under control of MPS board	60,836
Charter schools with MPS staff	1,810
TOTAL	62,646
Public charter schools without MPS staff	16,411
Private Parental Choice schools	28,594
Public suburban schools in Chapter 220 program	422
Public suburban schools accepting Milwaukee students through open enrollment	5,417
Special needs scholarship program at private schools	566
Private nonprofit MPS partnership schools	595
TOTAL – Not directly controlled by MPS board	52,005

* Approximately 2,160 suburban students attend these schools in Milwaukee through the publicly funded Chapter 220 and open enrollment programs. It cannot easily be determined how many are in traditional MPS schools and how many are in other types of schools.

Source: Wisconsin Department of Public Instruction



**Vast
majority
of victims
were
elderly**

Downplayed by the media, two very different COVID-19 outcomes for the old and young

By Richard Moore

When it comes to the risk of dying from COVID-19, two words tell the story: old age. Wisconsinites 80 years and older with the virus are 5,354 times more likely to die than teens who are infected, according to state and federal statistics. This reality has rarely been emphasized in media coverage of the pandemic over the past year.

There is still much to learn about the role of many other factors — underlying health conditions, disabilities, institutional settings, racial and socioeconomic situations — but they are all dwarfed by the age of the victims.

As of March 20, there were 6,576 deaths from COVID-19 in Wisconsin, according to data from the state Department of Health Services (DHS). Nearly eight in 10 were people 70 and older. More than half were at least 80, and more than a fifth were 90 and older.

Conversely, just 8%, or 542 people, 60 and younger died from COVID-19. That age group accounts for more than three-quarters of the state population. Only three people age 10 to 19 died from the virus, and no victims were younger than 10.

The statistics for young and old are consistent nationally and globally. As of March 17, COVID-19 had

killed about 306,000 Americans 65 and older and 183 children under 18.

In all, there have been more than 500,000 excess deaths in the pandemic year, or about 20% more deaths in the United States than expected for a normal year, according to a study by Rick Leavitt for the Society of Actuaries.

The study estimates that 84% of those deaths were due to COVID-19, 90% of them people 65 and older. Among victims between 15 and 34, however, only 21% were linked primarily to COVID-19, competing with →



Despite the most intense focus on COVID-19 cases, it's clear after a year that the virus overwhelmingly took the lives of people 60 and older in Wisconsin.

Despite all the early cues that old age should have been the predominant concern, medical experts and political leaders hammered away through the summer about the risks to the young. This was, in part, a misreading of comparative risks hidden in mortality data. And again, a failure to take age into account when analyzing it.

murder, suicide, drug overdose and a variety of socio-economic factors. Among the very young, the study says, fewer people died during the pandemic than statistically expected.

DHS is beginning to get a clearer picture of where these elderly victims lived. Nearly half of them, 3,162 people, lived in long-term care facilities, such as nursing homes and assisted living centers, according to the agency's data. That number could go higher because DHS still hasn't accounted for the living situations for more than a quarter of all deaths.

DHS is also not sure exactly how many in the group housing population are not elderly but are disabled, in homeless shelters or in prison.

Those with intellectual disabilities and developmental



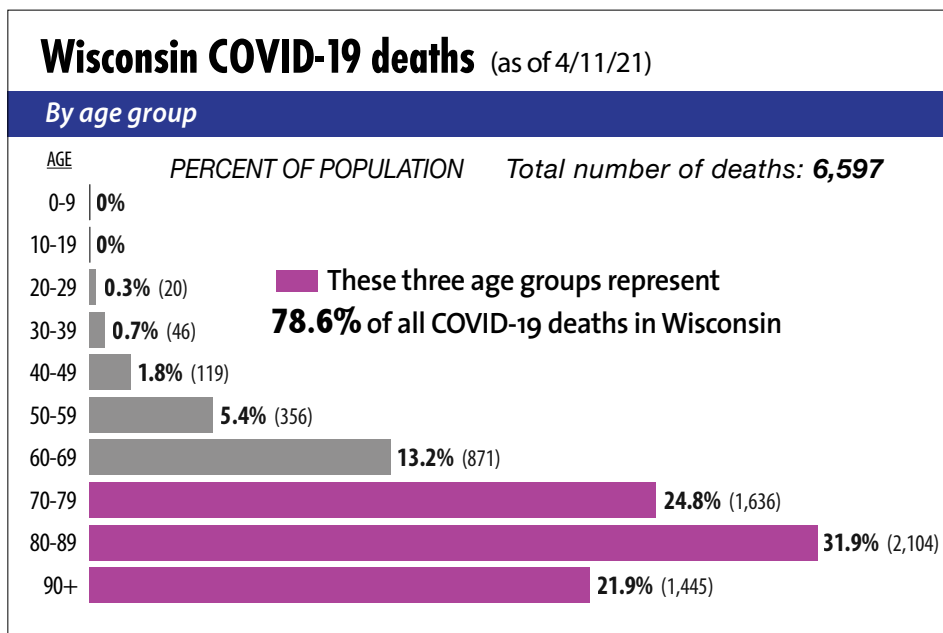
Pugh

disorders have three times the mortality risk of all other groups, Lisa Pugh told the Badger Institute. Pugh, executive director of the advocacy group The Arc Wisconsin, had called for people with disabilities to be prioritized for vaccinations along with the elderly. (On March 22, Wisconsinites with certain medical conditions — intellectual disabilities among them — became eligible for the vaccine.)

“These are clearly some of the most vulnerable people in our state,” Pugh says. “And it’s not just the elderly and frail elderly in nursing homes. Those who were at high risk but living on their own ... face similar risks of exposure with multiple care providers and sometimes the inability to comply with social distancing and mask-wearing.”

Of the COVID-19 deaths in Wisconsin, 4,011, or 61%, had an additional underlying health condition, according to data obtained in an open records request of DHS by the Badger Institute. For another 2,424, or 37%, an additional condition could not be determined. Just 101 victims had no other conditions, the records show.

Some epidemiologists have argued the overall death rate from COVID-19 is too high



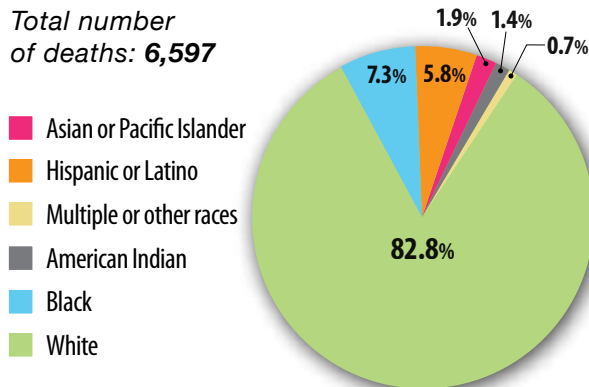
Source: Wisconsin Department of Health Services

Wisconsin COVID-19 deaths (as of 4/11/21)

By race and ethnicity

PERCENT OF POPULATION

Total number of deaths: **6,597**



Source: Wisconsin Department of Health Services

because underlying health conditions would have killed the individuals anyway. Critics have countered that people can live with a serious underlying condition for years. The argument is likely to go unsettled.

Inaccurate coverage

The growing body of data also calls into question the media reporting, particularly in the early months of the pandemic, that blacks and other ethnic minorities were proportionally harder hit.

Blacks accounted for 7.3% of COVID-19 deaths in Wisconsin but make up only 6.4% of the population, according to DHS. Whites represented 82.9% of the deaths and make up 80.9% of the population. Put another way, there were 126.9 deaths per 100,000 in the black population, compared with 113.7 deaths per 100,000 in the white population.

However, Hispanics make up 7.1% of the population but only 5.8% of the deaths (91.3 per 100,000). Asians make up 3% of the population but only 1.9% of the deaths (69.1 per 100,000).

In addition, despite all the early cues that old age should have been the predominant concern, medical experts and political leaders hammered away through the summer about the risks to the young. This was, in part, a misreading of comparative risks hidden in mortality

data. And again, a failure to take age into account when analyzing it.

In November, CNN ran a shocking story that COVID-19 had killed 10 times the number of people who die in car crashes in an average year. Jennifer Beam Dowd, an associate professor of demography and population health at the University of Oxford, did a comparison and found that a person younger than 35 in the U.S. was 3.75 times more likely to die from a car crash than from COVID-19, while a person 85 or older was 1,489 times more likely to die from COVID-19.

Politicians and the media also scolded the public for equating COVID-19 with the flu. Although they are not perfect (COVID-19 mortality counts are from confirmed cases, while influenza are from population and reporting estimates), both numbers hew to our theory of age.

Avik Roy, president of the Foundation for Research on Equal Opportunity, has been making comparisons using Centers for Disease Control and Prevention reports

since the pandemic began. Children younger than 15 are nearly eight times more likely to die from the flu than COVID-19, the foundation reported. It is nearly the opposite for the elderly.

“Those over 75, in particular, are at the greatest risk of dying from COVID-19,” Roy wrote.

The widespread administration of vaccines, not only for the elderly, has meant a dramatic drop in death



Roy

counts in most states.

There have been plenty of think pieces musing on what we have or should have learned from this pandemic. Clearly, it was difficult in the thick of it to think coolly while trying to assemble a complete picture.

But one thing was apparent from the start: The very old, particularly those in nursing homes, should have always been the highest priority. The public would have been better served by a media presenting an accurate, rather than a sensational, assessment. It might have led to more reasoned discourse and less fear and panic. ❏

Richard Moore is the investigative reporter for the Lakeland Times in Minocqua.

Medicaid on Red Alert!

As stimulus rules supercharge costs,
pressure grows to expand the unaccountable program in

By Mark Lisher

As Gov. Tony Evers renewed his call to expand Medicaid coverage in Wisconsin, Democrats in Washington, D.C., were doing some of the heavy lifting for him in the name of battling COVID-19.

Because of guidelines imposed by the CARES Act, the first coronavirus stimulus package, there are now more than 1 million Wisconsinites on Medicaid — an increase of nearly 217,000 in the past year, at an added cost to taxpayers of more than \$883 million a year.

And until and unless the economy returns to something resembling normal, Medicaid’s enrollment and its cost will continue to balloon.

Medicaid, a program along with Medicare that didn’t exist until 1965, now devours roughly 25% of Wisconsin’s \$41 billion in annual total expenditures.

Nationally, it is the third largest and one of the least accountable government programs in the country, a model of a program ostensibly state-based but chained to an unaccountable federal funding source. The unholy relationship has created a system so bureaucratically knotted as to defy all attempts at reform.

Even more concerning, according to the federal Centers for Medicare & Medicaid Services (CMS), more than \$100 billion of all Medicaid payments made to keep the program running were improper or illegal.

Entrenched, expensive, painful

U.S. Sen. Ron Johnson (R-Wis.) made clear, in a December letter to then-CMS Administrator Seema Verma, there is no accounting for all of this waste and fraud by state Medicaid officials.

But when CMS attempted to require fiscal accountability guidelines created by specialists in the Trump administration last year, a coalition of state Medicaid officials, hospital administrators, medical vendors and politicians in both parties fought them.

“It’s insane. You have all of these health providers who have based their business model on a horribly complex and distorted marketplace controlled by the government,” Johnson told the Badger Institute.

“How do you fix something so entrenched, that is way too expensive and way too painful to change?”

The steep cost of keeping record numbers of Wisconsinites on Medicaid may give added political leverage to Evers and Democrats who wanted the state to accept an expansion first offered in 2010 by the passage of the Affordable Care Act, or Obamacare, Johnson says.

Wisconsin is one of 12 states that have not yet accepted an offer from the federal government to pay 90% of the cost of new enrollees to Medicaid.



Verma

CMS has for years reimbursed the state Department of Health Services (DHS) at a rate of between 58% and 60%.

Republican Assembly majorities have blocked the expansion out of opposition to Obamacare, federal spending in general and a fear that state taxpayers would be made to pay if the federal Medicaid commitment was ever slashed. →

“This was the whole strategy of Obamacare, to break the willpower of the fiscally responsible states. The whole point of all of this money poured into programs like Medicaid is to get more Americans addicted to a single payer system. It’s completely out of control.”

— U.S. Sen. Ron Johnson (R-Wis.)

Wisconsin

“All of the incentives at the core of the Medicaid program encourage overspending.”

— Brian Blase,
health policy strategist

“This was the whole strategy of Obamacare, to break the willpower of the fiscally responsible states,” Johnson says. “The whole point of all of this money poured into programs like Medicaid is to get more Americans addicted to a single-payer system. It’s completely out of control.”

DHS administers Medicaid in two primary ways: a program for the elderly, blind and disabled and a program called BadgerCare Plus to underwrite primary and emergency medical care for low-income children, parents, other childless adults and pregnant women.

String attached to the program

Medicaid enrollment in Wisconsin was shrinking during the economic rebound in each of the first three years of the Trump administration. Enrollment dropped steadily to below 775,000 in January 2020, according to DHS figures.

Then in April 2020, enrollment jumped 5% in a single month and by another 3.2% the next month. By July, there were more than 100,000 new enrollees, and through March there were 993,851 people on the rolls, a 27.9% increase from March 2020, according to DHS.

Through December, Wisconsin had the fourth fastest-

growing Medicaid roll among the 28 states included in a study by the Kaiser Family Foundation, a major health policy research group. Only Nevada, Missouri and Indiana had bigger percentage growth.

Those increases were to have been expected with the worldwide spread of a novel virus and economic havoc caused by governments in response to it. They were, however, buttressed by a little-discussed provision that prohibits states from dropping anyone from the rolls if they accepted stimulus funding for Medicaid included in the CARES Act.

Wisconsin agreed to funding in two ways, the first in the form of increased federal reimbursement to 65.57% from its normal roughly 60%. In addition, the state Division of Medicaid Services (DMS) received \$183.6 million, including \$75.6 million for nursing homes, \$44.4 million for home and community service providers, and \$38.3 million for assisted living facilities, according to figures provided by DMS in response to an open records request.



Johnson

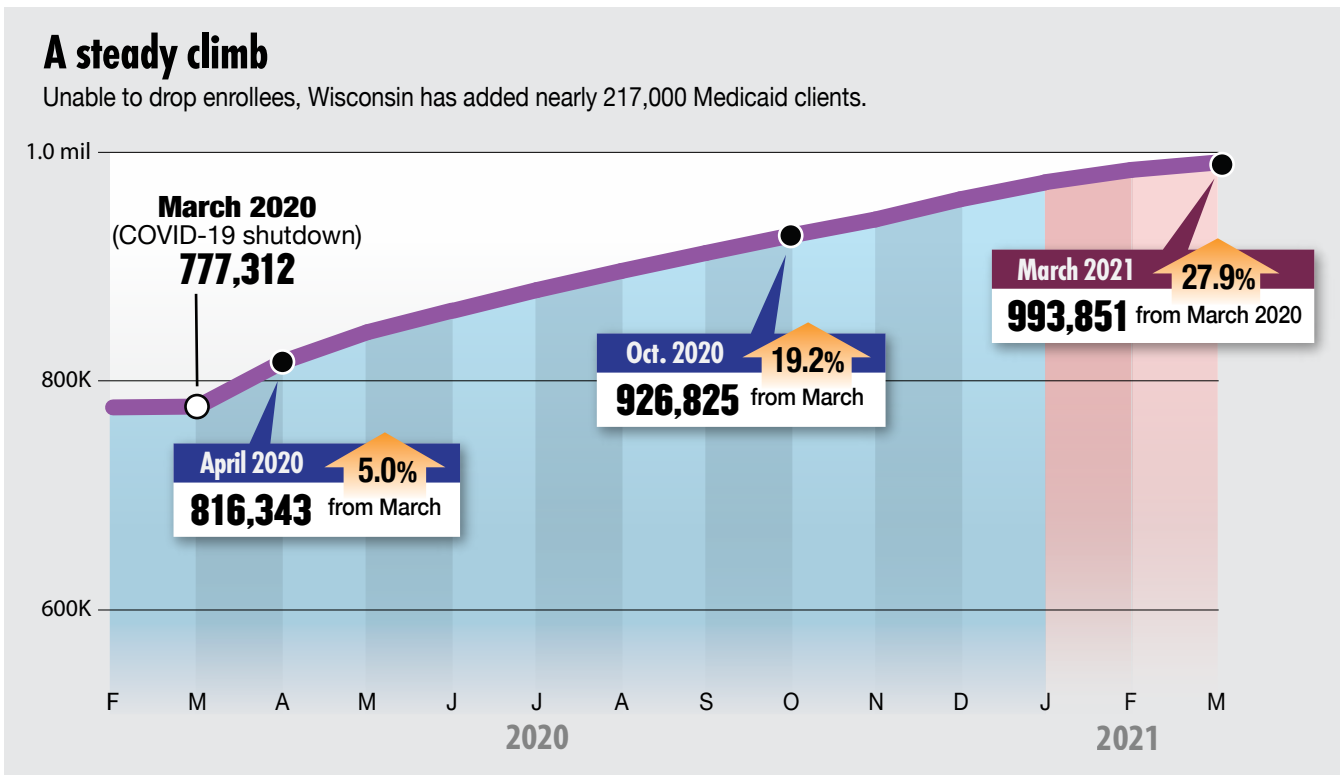
Passage of the \$1.9 trillion second stimulus in early March will mean the state will have a choice of matching an as yet undetermined fraction of the roughly \$10 billion in the bill for Medicaid home and community services nationwide.

The bill also offers a \$16 billion “teaser” to the holdout states like Wisconsin that would for two years raise the matching rate of support for Medicaid to 95% from 90% if they agree to expand their programs permanently.

Enrollment costs underestimated

State politicians on both sides of the aisle have been quiet about decisions they are facing with respect to the fiscal health of Medicaid. That might be because the enrollment explosion from the COVID-19 reaction has made obsolete the state Medicaid and budget projections from December by the Wisconsin Policy Forum.

Medicaid spending in Wisconsin was a runaway train



Source: Wisconsin Department of Health Services

long before the pandemic. Overall spending is up more than 48% in the previous decade, \$10.7 billion in 2019-'20 compared with \$7.2 billion in 2010-'11, according to data from the Legislative Fiscal Bureau (LFB). During the same decade, total enrollment was up just 2.3%.

The Department of Health Services 2021-'23 budget request significantly underestimates the enrollment growth through February and projects enrollment to rise by 5% in fiscal year 2022 and 2% in fiscal year 2023. To cover this, DHS estimated the state would need an additional \$1.15 billion to maintain the pandemic-swollen Medicaid roll.

A little estimating using LFB figures shows that if Medicaid enrollment were to suddenly stop — and DHS is predicting it won't — it will cost \$883.5 million more a year in federal and state taxes based on an average annual cost of an enrollee of \$4,080, according to the LFB. That's more than a half-billion dollars more than the DHS projection.

The Badger Institute tried to get answers on how DHS might respond to the health care demands of all the new Medicaid recipients. When the institute put questions

in writing in an email, media specialist Jennifer Miller declined to make DHS staff available to answer them, referring the institute for answers from reports and budgets that are months out of date.



Blase

Brian Blase, who was a special assistant for health care policy in the Trump administration, told the Badger Institute that there is an unrelenting momentum to grow Medicaid at the state and federal levels. Even in the holdout states like Wisconsin, Medicaid is seen as a cash cow “that destroys conservative governance at the state level.”

There are no incentives to reduce the Medicaid rolls anywhere right now, when the federal government is pouring money into programs under the guise of pandemic emergency, he says.

“All of the incentives at the core of the Medicaid program encourage overspending,” Blase says. “The open-ended reimbursement from the federal government →

encourages states to increase spending.”

“For many of these people,” says Michael Cannon, national director of Health Policy Studies for the Cato Institute, “exploding costs are a measure of a program’s success. They just don’t want to give up that sweet, sweet cash.”

No true accounting

Johnson found DHS opaque when he began asking questions about what Wisconsin and other states are doing to track waste and fraud in Medicaid spending. In his letter to Verma, signed by eight other U.S. senators, all Republicans, Johnson called for something CMS has never demanded before: that states provide detailed breakdowns of improper payments.

Johnson cited a study done after Obamacare expanded Medicaid to include working adults with incomes up to 138% of the poverty line. The bill reimbursed states for the costs of all the new enrollees for the first three years and gradually rolled the reimbursement back to 90% in 2020.

Despite Johnson’s protestations, getting a true accounting of all the new COVID-19 spending on Medicaid at the state and federal levels is unlikely. During his administration, while he drummed for state support for the new working adults category, President Barack Obama suspended audits of state eligibility rolls. Congress has in the past four years resisted resuming them.

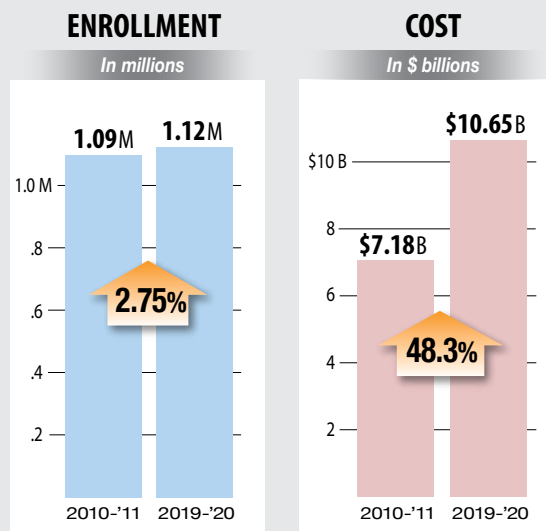
CMS did try to reintroduce audits and accountability in November 2019 with a rule called the Medicaid Fiscal Accountability Regulation (MFAR). The short, sad and unlamented history of the rule offers a telling look at the commitment to any sort of reform on the part of Congress and anyone involved with the Medicaid program.

Blase, the key shepherd of the regulation for President Donald Trump, says the arrangement between the states and the federal government had allowed for “certain politically powerful institutions and providers and to divert federal money intended for the poor for other purposes.”

The rule “would increase program transparency to promote better policymaking and oversight, ensure that Medicaid funds benefit program enrollees, and better uphold the shared financing design of Medicaid,” Blase wrote for Health Affairs in April 2020. “The rule also would reduce cronyism by placing important constraints on arrangements that states and providers have developed that function as kickbacks.”

The last decade

Costs way up, enrollment flat



Source: Legislative Fiscal Bureau

Ill-fated regulation

A wide array of politicians and special interests fought the accountability measure.

First, the experts pronounced the new rules complex and warned that state health agencies, hospitals and doctors would require “extensive review and reporting requirements to add or renew supplemental payments.”

Senate Democrats, including Tammy Baldwin of

Wisconsin and now-Vice President Kamala Harris, called the new regulations “dangerous” and “limiting.”

Eric Borgerding, president of the Wisconsin Hospital Association, sent a letter to Verma in January 2020 defending the “flexibility” of the current system of state reimbursements and fees. What most concerned Borgerding was any disruption of the funding chain.



Borgerding

“The proposal as written would upset funding for the Medicaid program, harming access to crucial health care services for vulnerable patient popula-

tions,” he wrote. “MFAR, however, would impose impermissible roadblocks to this financing method.”

The Badger Institute emailed Borgerding to ask about his objections to the regulation and whether he favored reforms of any kind, but he did not respond.

Under pressure from other stakeholders, nursing homes, assisted living and community care centers, Republicans joined Democrats in Congress in opposition to accountability regulations.

The American Spectator, while acknowledging the states’ “morally questionable” gaming of the system, admitted what critics have long known about Medicaid: “States will push much of these new reporting requirements onto health care providers. This will hit doctors with small practices the hardest since they will be least able to absorb the cost. That, in turn, will affect Medicaid patients, as more doctors will find it too costly to treat new Medicaid patients.”

In its notice of withdrawal on Jan. 19, 2020, in the Federal Registry, CMS summarized what a majority of more than 10,000 commenters told the agency that a regulation like this was an unnecessary and unwanted disruption of what the critics call the Medicaid gravy train.

Blase, now a private health policy strategist in Virginia, says there was nothing inherently wrong with the regulation. “We should have framed it as upholding the law,” he says. But the interests from top to bottom are so knotted together, there is no easy place to begin untangling all of the strands, he says.

Even fiscal hawks like Johnson aren’t sure where to start. “I’ve had people try to explain the pricing and the reimbursement,” he says. “I’m an accountant. I’m a business

guy. And it’s impossible to understand.”

Pressure to expand

Pressure on conservatives in the Wisconsin Assembly and in other states to give in to expansion continues to grow.

In June 2020 in Oklahoma, with a legislature, like Wisconsin’s, controlled by Republicans, voters approved changing the state constitution to expand Medicaid.

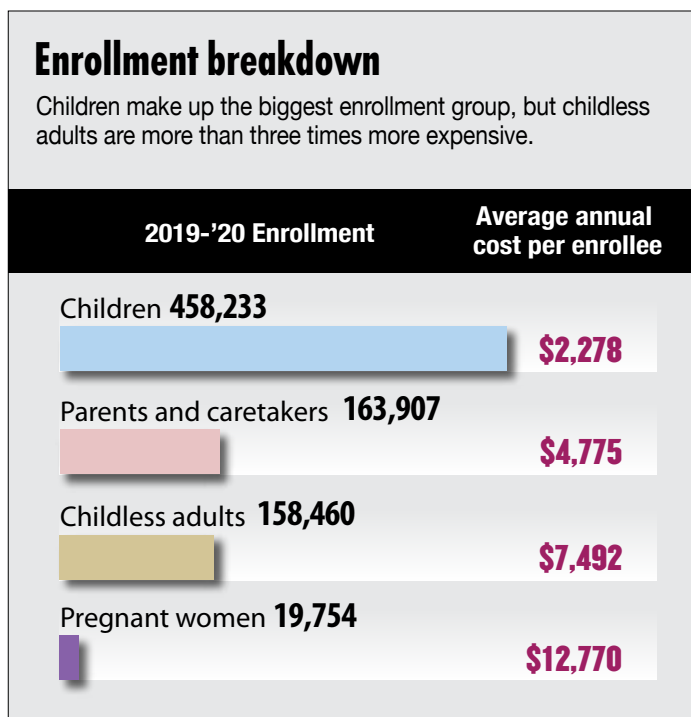
In every budget request, the Wisconsin Department of Health Services includes a projection of its budget if the state agreed to expand. State taxpayers would save (media accounts generally refer to the “savings” rather than the spending) nearly \$690 million and federal taxpayers would send more than \$1.5 billion to the state in the next two budget years.

The Robert Wood Johnson Foundation, the nation’s largest health-focused philanthropy, has long advocated for Wisconsin and the other holdouts to expand.

With COVID-19 as the pretext, the federal government is trying to make it easy for Wisconsin to flip. It’s unclear how state Republicans will react, perhaps because the true costs to state taxpayers hasn’t been widely circulated.

Cannon has the same warning for state legislators that he has had for more than a decade: Please, don’t do it.

“So long as two layers of government share and evade responsibility for Medicaid spending, the fraudulent payments will keep flowing,” he says. “The only valuable Medicaid reforms are Medicaid cuts.” ❏



Source: Legislative Fiscal Bureau

Mark Lisher is managing editor of Diggings.

The initial version of this story incorrectly quoted a Jan. 31, 2020 letter from Eric Borgerding, president of the Wisconsin Hospital Association, to Seema Verma, Administrator for the federal Centers for Medicare and Medicaid Services, concerning the Medicaid Fiscal Accountability Regulation (MFAR). The quote, “MFAR would impose impermissible roadblocks to collecting funds from providers.” should have read, “MFAR, however, would impose impermissible roadblocks to this financing method.” The Badger Institute regrets the error.

An artificial



Massive federal spending leaves many in the Badger State better off, but the bill is coming due

By Michael Jahr

The federal government over the past year committed nearly \$31 billion in relief to Wisconsin, a small part of the \$4 trillion in two of the largest federal bailouts in American history.

Some economists say the latest \$1.9 trillion stimulus isn't needed, that the economy is roaring back to life. They argue that the surge in personal income, personal savings and employment indicates that the federal government overreacted to the COVID-19 pandemic with the size of the first stimulus.

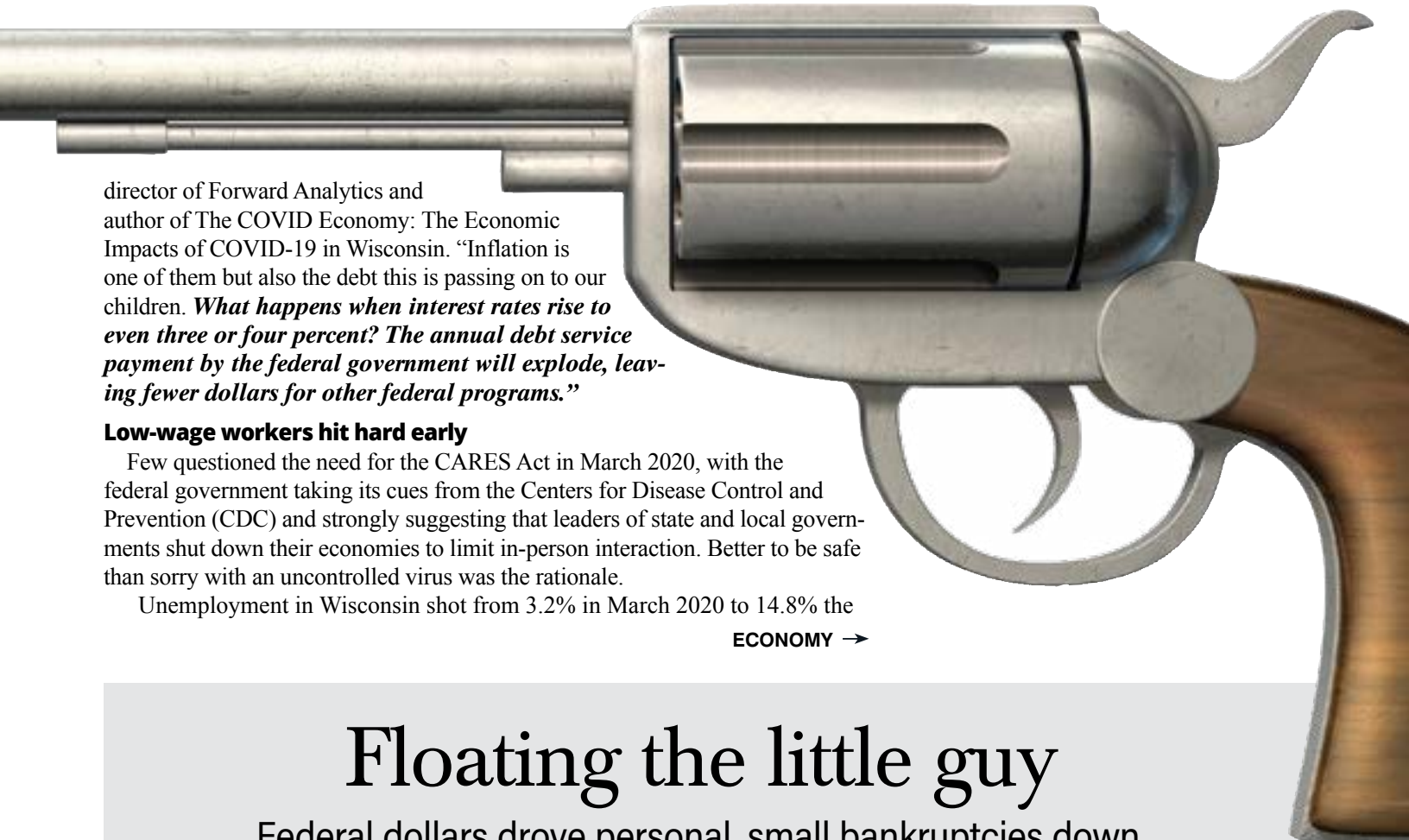
These same economists are concerned about the fallout of all of this spending. The U.S. government is now carrying the biggest budget deficits since World War II. The Congressional Budget Office (CBO) estimates a \$2.3 tril-

lion deficit for 2021. The national debt now exceeds 100% of gross domestic product (GDP), a milestone last reached in 1945.

Added to the trillions being shoveled into the economy is a Hoover Dam of pent-up demand to spend an estimated \$1.6 trillion that American families and business owners managed to save while spending federal grants and loans from the first stimulus.

Wisconsin economists are concerned that all of this overreach will unleash an inflation that will tear down the buffer the federal windfall was supposed to have created while war was being waged on the pandemic.

"I am definitely worried about the long-term consequences of the various stimulus bills," says Dale Knapp,



director of Forward Analytics and author of *The COVID Economy: The Economic Impacts of COVID-19 in Wisconsin*. “Inflation is one of them but also the debt this is passing on to our children. *What happens when interest rates rise to even three or four percent? The annual debt service payment by the federal government will explode, leaving fewer dollars for other federal programs.*”

Low-wage workers hit hard early

Few questioned the need for the CARES Act in March 2020, with the federal government taking its cues from the Centers for Disease Control and Prevention (CDC) and strongly suggesting that leaders of state and local governments shut down their economies to limit in-person interaction. Better to be safe than sorry with an uncontrolled virus was the rationale.

Unemployment in Wisconsin shot from 3.2% in March 2020 to 14.8% the

ECONOMY →

Floating the little guy

Federal dollars drove personal, small bankruptcies down, but Chapter 11s were flat and could spike



By Benjamin Garbedian

By at least one important measure, the pandemic was not the calamity for Wisconsin business that some predicted.

The short-lived shutdown order by the Wisconsin Department of Health Services and the statewide disruption of essential businesses for more than a year did not result in wholesale bankruptcy, a records review by the Badger Institute found.

Total bankruptcies were down 30%, from 16,545 in

BANKRUPTCY →

“COVID clearly had a differential impact. People with good educations could work from home. Some even did better. I call them the pajama people. People with less education were hit very hard. I call them the apron people. You can’t serve coffee to a customer over Zoom.”

– Mark Schug, economic consultant



ECONOMY

next month, hitting the service industry the hardest. However, unemployment dropped to 10.4% in May 2020 and dropped in each of the next eight months, according to the U.S. Bureau of Labor Statistics (BLS). At the end of February, Wisconsin had the ninth-lowest unemployment rate in the country at 3.8%, according BLS data.

Even as many Wisconsinites were thriving, lower-wage

workers and the sectors in which they worked suffered. As of mid-November, the number of low-wage jobs in Wisconsin was down 18.7% compared to February 2020; moderate-pay jobs had fallen 2.8%.

Nearly one-third of those in lower-wage jobs said their financial situation had worsened since the COVID-19 outbreak began and they were more likely to have taken on debt or delayed paying bills, a Pew Research Center

BANKRUPTCY

2019 to 11,603 in 2020, according to data collected by the U.S. Bankruptcy Courts for the Eastern and Western Districts of Wisconsin.

Bankruptcies filed under Chapter 7, which allow individuals or owners of small businesses to have their debts paid through liquidation of their assets, were down 26%, from 11,615 in 2019 to 8,540 in 2020.

The Wisconsin numbers for small businesses and individuals are consistent with national data. Chapter 7 filings last year were down 22%, or more than 10,000 filings a month, *The Wall Street Journal* reported in late March.

Chapter 11 bankruptcies, strictly involving the reorganization of corporations, were up 29%, to more than 7,100, according to *The Wall Street Journal* article. But

Bankruptcies down

Without federal support, experts say those numbers are going back up.

	Nonbusiness			Business			
	2019	2020	% Change	2019	2020	% Change	
Chapter 7	11,348	8,362	-26.3	Chapter 7	216	161	-25.5
Chapter 11	0	0	0	Chapter 11	37	37	0
Chapter 13	4,978	2,982	-40.1	Chapter 13	46	32	-30.4

Source: U.S. Bankruptcy Court, Wisconsin’s Eastern, Western districts

in Wisconsin, Chapter 11s were flat, 37 in both 2020 and 2019, according to combined data from the Eastern and Western Districts of the U.S. Bankruptcy Courts in

survey released in March found.

As of December, the arts and entertainment industry experienced a 38% employment decline, accommodation a 35% decrease and food service a 23% drop, according to Knapp. Nationwide, the leisure and hospitality industry lost nearly 500,000 jobs, while the rest of the economy added 358,000 jobs.

“These industries employ a lot of low-wage workers. Job losses in these industries were large,” Knapp says. “White-collar workers were able to continue to work largely due to technology, so there was little impact.”

“COVID clearly had a differential impact,” says Mark Schug, professor emeritus at the University of Wisconsin-Milwaukee and a national consultant on economic and financial education policy. “People with good educations could work from home. Some even did better. I call them the pajama people. People with less education were hit very hard. I call them the apron people. You can’t serve coffee to a customer over Zoom.”



Schug

Better than expected

Although it took nearly a year for states to fully mobilize their vaccination programs, their economic recoveries had mostly exceeded expectations. Wisconsin had gotten \$13.9 billion through the Paycheck Protection Program (PPP), cash payments, additional unemployment benefits and more than 130,000 forgivable loans for small businesses.

Overall, the state’s GDP dropped by 3.1%, to \$338.7 billion last year from \$349.4 billion in 2019, according to data from the U.S. Bureau of Economic Analysis. However, in the last half of 2020, Wisconsin’s GDP recovery was well ahead of the national average, according to Knapp’s study.

“The rise in GDP was due largely to knowing more about the virus and how to deal with it,” says Knapp. “The ability for restaurants to partially open and other businesses finding ways to work using social distancing.”

State tax revenues also exceeded expectations. In its November economic update, the Wisconsin Department of Revenue (DOR) forecast that employment would not return to pre-pandemic levels until early 2023. The agency predicted that employment in the arts and entertainment, accommodation and food service industries would be

ECONOMY →

Wisconsin.

There are several reasons for the unusually sharp drop in bankruptcies, but as *The Wall Street Journal* and state financial experts have pointed out, the biggest was a huge surge in federal stimulus last spring.

Federal PPP helped

A critical part of the CARES Act, passed last April, was the Paycheck Protection Program (PPP), which provides low-interest loans to keep essential businesses operating and their employees working. The loans also kept thousands of businesses that were pinned down by COVID-19 from shuttering permanently.

“My hope is that the PPP has helped,” says Jamie Miller, a Milwaukee-area bankruptcy attorney with Miller & Miller Law.



Richman

Michael Richman, a bankruptcy attorney with Steinhilber Swanson and adjunct professor of bankruptcy law at the University of Wisconsin-Madison Law School, agrees but also credits lenders for “forbearance and accommodation” during an economically chaotic time.

Bankruptcies are only one indicator of economic health for businesses beginning to emerge from government-mandated COVID-19 lockdowns, Miller says. Buffeted owners of small companies like LLCs and S-Corps have the option of dissolving their businesses without going to bankruptcy court, he says.

BANKRUPTCY →

BANKRUPTCY

“There is just no doubt in my mind that PPP helped everybody. When somebody hands you a couple hundred thousand dollars and you’re doing a fraction of the business you used to be doing, that helps,” Dave Sobelman says.

Sobelman is well-known for his four namesake pub and grills in the Milwaukee area, as are their hamburgers and Bloody Marys. Even with the federal help, things were tough, with last year’s Summerfest canceled and attendance restricted at Milwaukee Bucks and Milwaukee Brewers games.

“All the events got canceled,” Sobelman says, “so all the excuses that people had to come to Milwaukee, they didn’t have those anymore.”

Jen Morrison closed one of the two Orange Leaf franchise frozen yogurt shops she owned in Waukesha County. When the pandemic began, her sales dropped by more than half. And even with a \$22,000 PPP loan, she had to lay off five employees.

Filing for bankruptcy on one store to help repay creditors, however, would have cost her the other store. While the decision wasn’t an easy one, she doesn’t regret it.

Businesses hanging on

It’s too early to tell if restaurants are out of the woods, says Kristine Hillmer, president and CEO of the Wisconsin Restaurant Association (WRA), a nonprofit trade group that represents thousands of restaurants in the state.

“Bankruptcy is a lagging indicator that we won’t fully be able to see right now. We should get a better picture in the next 12 months,” she says. Also, there

is little data on businesses that close without filing for bankruptcy, an impact that might never be fully revealed, she says.

Steve Kohlmann, executive director of the Independent Business Association of Wisconsin (IBAW), thinks that perhaps the mostly manufacturing or

professional firms in his organization fared better than service businesses.


“Most of our members have survived the pandemic,” Kohlmann says. “That’s not to say they have done well.”

Some of the professionals Richman has talked to think there might be a fourth-quarter spike in bankruptcies of businesses

that needed to be restructured but were “held afloat through these Band-Aids,” he says.

There’s reason for optimism, though. For businesses that were healthy before COVID-19, such as Morrison’s, a full-throttled vaccination program bodes well.

“I think that it’s going to be a good summer,” Morrison says. “These two past weekends (in March) that we’ve had nice weather, I have just been absolutely slammed, which I can’t be more grateful for. I’m hoping that’s a glimpse into our summer.”

Sobelman sees the same trend. “The last few weeks, I’ve seen more people, more dine-in business. Organically, I think all businesses, especially restaurants, are going to have a really good summer,” he says. 



“Bankruptcy is a lagging indicator that we won’t fully be able to see right now. We should get a better picture in the next 12 months.”

— **Kristine Hillmer**,
president & CEO of the Wisconsin
Restaurant Association



Sobelman

Benjamin Garbedian is an intern with the Badger Institute.

ECONOMY

about 10% below pre-pandemic levels in 2023.

However, the Legislative Fiscal Bureau in January reported that by the end of the fiscal year (June 30), the state’s general fund should have nearly \$1.8 billion, roughly \$630 million more than had been projected in November.

Grim tax revenue forecasts for Wisconsin were wrong, The Wall Street Journal reported in February. “Tax collections for 2020 and the current budget year are now generally in line with the pre-pandemic targets,” the article said.



Knapp

By 2023, Wisconsin is expected to take in nearly \$1.2 billion more in tax revenue than Gov. Tony Evers’ administration estimated in November, the Fiscal Bureau reported.

Personal income in the state grew by 4.4%, or a total of \$13.7 billion, in 2020 over the previous year, according to the Bureau of Economic Analysis. The number of high-paying jobs — those paying more than \$60,000 annually — actually increased 2.7% in Wisconsin between February and mid-November 2020, Knapp told the Badger Institute.

In his report, Knapp noted that mostly online retailer sales were up 89% in 2020 over the previous year. New business formation applications increased dramatically over 2019. Conversely, the federal cash balloon prevented state residents and business owners from having to declare bankruptcy.

Bankruptcies were down 30% across the state

in 2020. Individual or nonbusiness bankruptcies were off by 30.5%, to 11,344 in 2020 from 16,326 the year before, according to combined data from the U.S. Bankruptcy Court’s Eastern and Western Districts in Wisconsin. Business insolvencies, including Chapters 7, 11 and 13, were down 23.1%, the court’s data says. (See related article.)

Nationally, Americans’ purchasing power reached record highs as per capita disposable income rose exponentially. The \$215 billion loss in total employee compensation in the second and third quarters of 2020 was offset by government personal transfers of \$893 billion — four times the amount lost, according to a *Wall Street Journal* analysis.

These transfer payments, combined with the shutdown-induced curtailment of personal expenditures, contributed to a rise in quarterly savings of almost \$800 billion, the analysis said.

This financial improvement among higher-wage workers reflected a larger, national trend. According to the Pew survey, nearly four in 10 upper-income adults in the United States said their family’s financial situation had improved in the past year.

Too much and too little

“The March (2020) stimulus was rushed and surrounded by uncertainty,” says Knapp. “Essentially, it was a ‘shotgun’ approach. And it worked to a degree by supporting spending during the initial shutdown. However, many who continued to work during the pandemic received economic impact payments, and some of their household costs dropped — less eating out, no vacation, maybe savings on daycare.

Thus, their financial situations improved.”

The effect of this shotgun approach was to provide too much →



ECONOMY

help to people who didn't need it and too little to those who did. "I think it's fair to say that the economy was strong at the beginning of 2020 and that the pandemic



Edwards

didn't change that — it just closed off big swaths of the economy," says Ike Brannon, president of the consulting firm Capital Policy Analytics in Washington, D.C., and visiting fellow with the Badger Institute. "It's clear we should have focused on giving assistance to people who lost their jobs and businesses who lost most of their customers."

The idea that the economy can be stimulated by focusing primarily on consumer spending is a mistake, says Chris Edwards, director of tax policy studies at the Cato Institute in Washington, D.C. Stimulating demand won't have the desired effect if the supply side — the production of goods and services — is halted by shutdowns and health concerns, he says.

"Mandatory shutdowns and health fears impacted the supply side and caused the recession," says Edwards. "People didn't go out and spend the stimulus money. They saved it. It doesn't make any sense, and the data reflect that. The only way to open up the economy is to open up business."

And there is growing evidence that by extending unemployment to 39 weeks and padding it by an additional \$600 per week through July 2020 "created a disincentive to return to work," Knapp says. "However, we don't know how many workers had an opportunity to return and did not."

Return to normal?

The Biden administration and Congress presented little evidence of need for the second stimulus. The American Rescue Plan, for example, continues a \$300 increase in weekly unemployment payments through September even though unemployment has nearly returned to pre-

pandemic levels.

Wisconsin is already getting some of its \$5.7 billion allocation, \$3.2 billion of it to the state government and \$2.5 billion to counties and municipalities.

State residents also started receiving another round of stimulus checks in late March. Individuals earning up to \$75,000, or couples making \$150,000, plus their children or adult dependents, qualified for \$1,400 payments per person.

The child tax credit also was increased from \$2,000 per child for one year to \$3,600 for children younger than 6 and to \$3,000 for children ages 6 to 17.

None of the economic experts interviewed by the Badger Institute think the second stimulus was necessary. "As to whether I think another stimulus will be needed ... probably not," Knapp says. "Given the pace we are on with the vaccine, I see the economy coming back this summer, probably earlier than I would have expected in December. There will be pent-up demand for dining out, vacationing, etc., which could return us to 'normal' soon."

But can the largest economy in the world, having been distorted by the largest government injection in history, return to normal? For the first time since all of this spending started, the Biden administration is admitting that American taxpayers, however many and in what economic class, are going to have to pay for it.

"The money wasted in various iterations of stimulus represents money we won't have to build infrastructure or available for businesses to invest," Brannon says. "It's just now beginning to dawn on people that a \$1.9 trillion stimulus may make it more difficult to pass the infrastructure bill later on this year."

More ominously, Schug says, the federal and public spending paired with the Federal Reserve's low-interest monetary policies are an explosive combination.

"The Treasury Department still has \$1 trillion in unspent funds," he says. "Now add a new \$1.9 trillion in spending. When consumers start spending again, it will add even more fuel to the inflationary fire." ❏



Michael Jahr is senior vice president of the Badger Institute.

Another \$5.7 billion for Wisconsin governments is insane

AN EDITORIAL

By Mike Konecny

The \$360 billion that the federal government is throwing at state and local governments through the American Rescue Plan Act of 2021 might be the craziest and most irresponsible thing Congress has ever done.

Wisconsin’s share, \$5.7 billion — \$3.2 billion for our state government and another \$2.5 billion to more than 2,000 county and local governments — is not needed. And its allocation was almost entirely arbitrary, much of it a matter of simple division rather than targeted need.

The numbers alone are staggering: \$405,720,000 for the City of Milwaukee, \$183,420,000 for Milwaukee County; \$49,190,000 for Madison, \$106,030,000 for Dane County; and \$25,230,000 for Green Bay, \$51,310,000 for Brown County.

Counties will get more than \$1.1 billion, but from the most populated to the least populated county, from the wealthiest to the poorest, the shares will be equal, at a rate of about \$194 per resident.

Waukesha County was allocated \$78,390,000, but through some quirk in the formula, the City of Waukesha is getting “only” \$7,150,000. “We’re talking to our legislators about it,” Waukesha City Administrator Kevin Lahner tells me. “We should have been in the (Community Development Block Grant) entitlement category.”

The problem, and this is a big one, is that the federal government is borrowing the money to give to governments that are, for the most part, better off than they were before the pandemic because of the CARES Act in March 2020.

In many jurisdictions, overall revenues have not changed. Property taxes remain the same, and sales tax revenues are

An unnecessary second stimulus is an invitation for state, county and local officials to act irresponsibly with our tax money

State allocations

Total: \$5,711,000,000

- State** \$3,206,000,000
- Counties** \$1,129,000,000
- Metro cities** \$788,000,000
- Local governments** \$399,000,000
- Capital projects** \$189,000,000

Top cities

- Milwaukee** 405,720,000
- Madison** \$49,190,000
- West Allis** \$32,290,000
- Kenosha** \$27,800,000
- Green Bay** \$25,230,000

Top counties

- Milwaukee** \$183,420
- Dane** \$106,030,000
- Waukesha** \$78,390,000
- Brown** \$51,310,000
- Racine** \$38,070,000

Source: National Association of Counties

up. Local governments over the past year spent less on travel, training and general office expenses. The federal government amply reimbursed for all pandemic-related expenses.

“Most counties don’t need this windfall,” Manitowoc County Executive Robert Ziegelbauer tells me. “Counties have made tough decisions year after year to act responsibly with the public’s money. This bill threatens to squander all of that progress by fostering a real sense of dependence on the federal government.”

Because so much of COVID-19 spending has already been covered, many local governments are struggling to determine how they can spend this new windfall. Outside of revenue replacement or negative economic impacts due to COVID-19, premium pay for essential workers and water, sewer and broadband infrastructure, the U.S. Treasury has provided no further guidance.

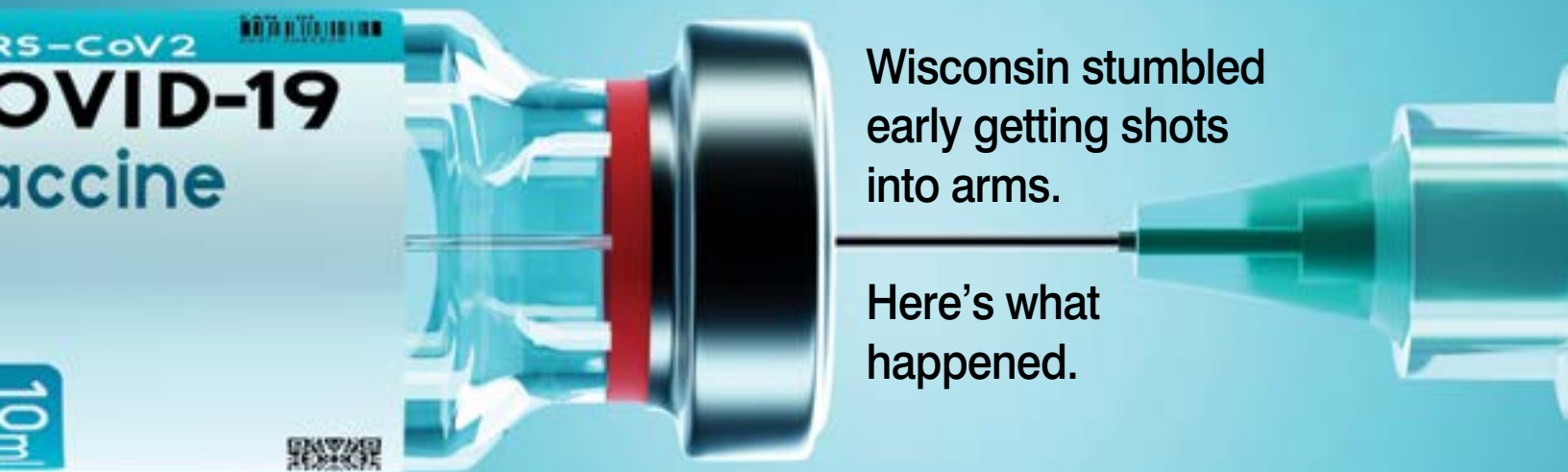
Because governments at all levels derive the majority of their resources from the people and businesses in their communities, responsible spending of those resources has always been a high priority. State and local governments devote considerable resources to financial planning to correctly apportion revenues to the many needs of citizens.

Most government officials and leaders in this country have been careful and responsible stewards of government money. To have the federal government set an example like this with its extremely poor stewardship and thoughtless planning is unsettling in the long term for our democracy and leads us down a road that very few Americans want to go.

This is pure lunacy. ❌

Mike Konecny, owner of the financial consulting firm MWK LLC in Green Bay, has provided financial advice to local governments for more than 40 years.

OPERATION



Wisconsin stumbled early getting shots into arms.

Here's what happened.

VACCINATION

By Ken Wysocky

Back in early January, Marty Garofalo was a man on a mission: Get a COVID-19 vaccination for his wife. STAT.

“I wasn’t as concerned for myself as I was for Terry Lee, who has a compromised immune system and asthma,” says the 66-year-old Menasha resident, a retired clinical researcher for a papermaking company.

But like so many Wisconsinites during the early stages of the vaccine rollout, Garofalo faced a bewildering maze of dead ends as his hunt progressed.

“It was frustrating because no matter where I went or who I tried to contact, no one had an answer,” he says. “The default comment always was, ‘When it’s ready, we’ll contact you.’”

Then completely by chance, Garofalo hit the jackpot. A friend in Appleton saw comments Garofalo had posted on a media Facebook page about his vaccine-search travail and told him about a medical group that was taking appointments. After numerous phone calls, Garofalo finally got through and secured appointments for him and Terry Lee, 72.

The couple received their first dose on Jan. 21 and their second on Feb. 11.

“We got lucky,” Garofalo says. “If my friend hadn’t seen that post on Facebook, I might still be waiting. My friend now has a very expensive bottle of wine.”

Garofalo’s experience was not unique during the problematic launch of the COVID-19 vaccination program in Wisconsin. In early January, the state ranked last among the 12 Midwestern states and 44th overall in terms of percentage of doses administered.

Gov. Tony Evers and his administration faced criticism for its seeming paralysis.

However, by the first week in March, Wisconsin ranked first in the nation in percentage of vaccine doses administered, at 92% of all doses received. As of April 9, Wisconsin ranked second, having administered 3,367,885, or 86.56% of the vaccines the state had received.

What went wrong during those early months, and how did the state rebound? There were easy targets for blame in the early going: the federal government, the state government, a failure of coordination and communication between the state and local agencies. Or a patchwork quilt of websites rather than a centralized clearinghouse for vaccine sign-ups.

And last, but certainly not least, a shortage of vaccines. Demand swamping supply created havoc and frustration for untold numbers of Wisconsinites and forced many, like Garofalo, to fend for themselves.

Building a plane while flying it

To get at the root causes means avoiding the usual, simplistic political blame game. The Badger Institute reached out to nearly 20 officials at various institutions, agencies and organizations, including the state Department of Health Services, universities, county public health departments and hospitals/medical facilities.

Many declined to talk, most notably officials for DHS, whose spokesperson

repeatedly declined interview requests, saying staff was too busy.

But those who agreed to speak described what it was like to build a vaccination center network of hospitals, pharmacies, clinics and local health departments, from more than 1,000 in early January to more than 2,000 as of March 18.

Every organization that wanted to be a vaccination →



The Wisconsin Center in downtown Milwaukee is one of the sites for the vaccination of city employees. The state is now one of the nation’s leaders in the percentage of doses administered.



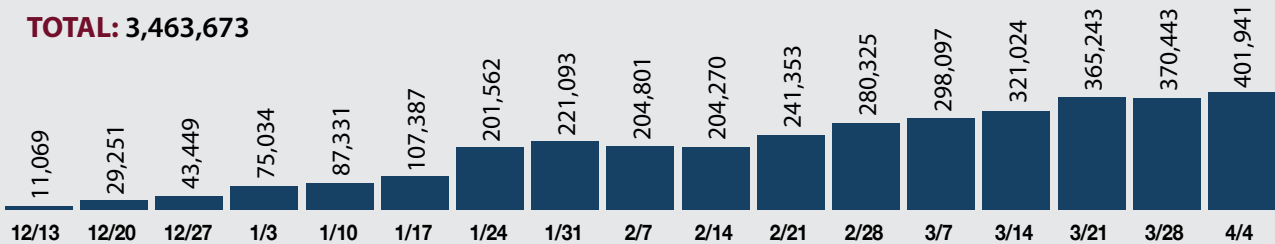
“This is a huge, complex task that’s really unprecedented for this generation in terms of mobilizing resources and overcoming logistical challenges very quickly.”

— **Dr. John Raymond,**
president and chief executive officer of the Medical College of Wisconsin

Vaccines by week in Wisconsin

After a very slow start, the state has become a national leader. (Numbers are as of 4/10/21)

TOTAL: 3,463,673



Source: Wisconsin Department of Health Services

center went through a registration process with DHS. Every week, DHS waited to find out from the federal government how much vaccine it would receive. When vaccine requests outstripped supply, DHS used criteria developed by the State Disaster Medical Advisory Committee (SDMAC) to allocate vaccines.

The Moderna vaccine is shipped directly to vaccinators, while the Pfizer-BioNTech vaccine, which requires ultra-cold freezer storage, is distributed to eight regional hospital hubs for dispersal.

It sounds straightforward, but it's not. Andrea Palm, former DHS secretary who is now President Joe Biden's nominee for deputy secretary of the U.S. Department of Health and Human Services, compared it to building an airplane while flying it.

"I think that's an apt analogy," says Dr. John Raymond, president and chief executive officer of the Medical College of Wisconsin. "This is a huge, complex task that's really unprecedented for this generation in terms of mobilizing resources and overcoming logistical challenges very quickly."

Raymond calls the state's slow start a fair criticism. And while the federal government should get some credit for helping to expedite development of vaccines, he says, it failed to provide adequate coordination and communication at the state and local levels. Creating a standardized scheduling app for all states, for example, would have been better than having the states build their own websites, he says.

In addition, when the state announced in January that people 65 and older were eligible for the vaccine, health care systems like Ascension Wisconsin, Aurora Health Care, Froedtert Health and ProHealth Care, among others, appeared from their social media posts and comments to be at varied levels readiness and supply. Eligible patients in some systems were contacted within days to schedule their vaccine, while others, like Garofalo, heard nothing from their

system for weeks or even months.

Refrigeration bottleneck

The character of the vaccines posed logistical problems at the start. The Moderna vaccine must be stored at temperatures between 36 and 46 degrees. The Pfizer vaccine requires ultra-cold freezer storage — between minus 112 and minus 76 degrees — according to the Centers for Disease Control and Prevention (CDC).

During the first several weeks of the vaccination program, Wisconsin received and administered significantly more doses of the Pfizer vaccine, unlike higher-performing states such as West Virginia, Raymond says.

In addition, DHS had to develop a system to track who is vaccinated and how to contact them for second doses. Training and certification of vaccinators probably added several



days to setting up each clinic, he says.

“I think it’s the professional thing to do ... you need personnel on site that can administer doses in a way that’s consistent with utilizing a very precious resource,” Raymond says.

Vaccination sites also had to accommodate social distancing as well as provide sufficient parking and adequate snow and ice removal to keep elderly people safe.

“We shouldn’t be apologizing for having all these mechanisms in place,” Raymond says. “All of these challenges were huge.”

‘Last-mile’ issues

Fluctuating amounts of vaccine shipped from week to week on the federal end and a lack of control over vaccination scheduling on the local end presented some of the biggest challenges to the logistics of “last-mile” delivery, Laura Albert says.

Albert is a professor of industrial and systems engineering at the University of Wisconsin-Madison. Her specialties include public-sector operations research, including vaccinations.

“It’s really, really hard — a pretty massive technical challenge,” Albert says. “Just a slight blip in vaccine production leads to fluctuations in what gets delivered.”

People who cancel or don’t show up for their vaccinations, or who make multiple appointments and don’t cancel the others when they get their shots, only add to the uncertainty, she says.

There also have been some problems with websites. In early February, for instance, the Washington/Ozaukee Public Health Department website crashed after receiving 45,000 hits in a single hour from users jockeying for just 500 appointments. A couple of weeks later, the website stopped taking appointments because the vaccine wasn’t available.

Dr. Jonathan Temte, associate dean for public health and



The state’s vaccine effort could have benefited early from supply chain methods used in private industry, experts say.

community engagement at the University of Wisconsin-Madison School of Medicine and Public Health, contends that underfunded public health agencies contributed to the

slow rollout. Wisconsin ranks 46th in per capita funding for public health, according to DHS statistics.

“When you talk about taking on vaccinations for all the adults in the country over a short period of time, you have to have the resources to do so,” he says. “But our state, county and municipal public health departments are all underfunded. If those institutions were better staffed

and better funded, it certainly would help ... but there just isn’t enough bandwidth there.”

Supply chain deficiency

Doug Fischer, director of the Center for Supply Chain Management at Marquette University’s College of Business Administration until his retirement in 2019, expressed both personal and professional criticism of the vaccination distribution system.

Fischer registered for a vaccination at multiple sites — his health care provider, the City of Milwaukee and a grocery store chain. None could tell him even approximately when he might get a shot.

“It’s totally frustrating — like it’s tax season and no one can get a 1099 form,” he says. “And I know I’m not alone.”

Based on three decades as a supply chain expert, Fischer says the state would have benefited from calling on corporate executive and military officials with that kind of expertise. “I don’t get the impression that this was done,” he says. “Government administrators aren’t supply chain experts ... they don’t seem to be able to execute things well.

“If this was packages coming late for Christmas, I wouldn’t care so much,” he adds. “But the vaccine is the Holy Grail for stopping the virus.”

Any endeavor overseen by government inevitably invites political criticism. State Rep. Joe Sanfelippo (R-New Berlin) was sharply critical early on because he said the Evers →



Temte



“It’s really, really hard — a pretty massive technical challenge. Just a slight blip in vaccine production leads to fluctuations in what gets delivered.”

— **Laura Albert,**

professor of industrial and systems engineering
at the University of Wisconsin-Madison

administration put politics over vulnerability in deciding who should get vaccinations first.

“It’s just ridiculous to be so mired down in bureaucratic red tape and politically correct ideas about who should be first or second in line and so forth, rather than focusing on vaccine distribution,” Sanfelippo says. “I’ve never seen a more inept group of people with such an immense responsibility fall on its face the way this administration has.”

The rebound

Since the initial rollout, vaccinations are on the upswing. As of April 14, 38% of Wisconsinites, or 2,214,114 people, had received at least one vaccine, according to DHS data. And more than 25% of the population had completed the program.

The state has received substantially more vaccine doses in March than it received per month in January and February, as Moderna and Pfizer continue to ramp up production.

And local vaccination sites continue to open, perhaps most notably in Milwaukee. City health officials in late March designated North and South Division high schools as large, long-term, walk-in sites for underserved residents who live within 10 specific ZIP codes.

Raymond thinks the vaccine supply-demand imbalance could be resolved by May, especially because a third vaccine, produced by Johnson & Johnson, received emergency use authorization. Unlike Moderna and Pfizer, Johnson & Johnson is equipped to manufacture the vaccine without a lot of ramp-up time, he says.

Since we spoke to Raymond, the CDC on April 13 recommended J&J pause distribution of the vaccine to study

blood clots that developed in a handful of women days after receiving their shots.

Regardless of the approach Wisconsin took at the start, officials have tried to do the right thing, Temte says. “And at the end of the day, it blows me away that 19% of the state’s population (at the time of the interview) now has at least one dose of vaccine,” he says. “I never would’ve thought this could be possible a year ago.”

Mixed emotions

When the rollout began, Kathy Cowan began looking for a vaccine immediately. A biking accident in June 2020 left her husband, Mark Fischer, paralyzed from the chest down.

“We were told many times that getting COVID would kill him,” Cowan says.

But Fischer wasn’t eligible because he won’t turn 65 until August. Cowan, 61, of Grafton, refused to accept it. She frequently visited a local hospital and made calls that led to nothing.

Then on Valentine’s Day, the boyfriend of Cowan’s daughter, Katie Fischer, told her the Madison pharmacy where he worked had leftover doses and that his parents were willing to give up their doses for Kathy and Mark.

“We were so touched by what they did,” Cowan says.

Like the Garofalos, Cowan still is frustrated about what she went through. She knows of other people with no underlying health issues who got vaccines before her and her husband. But both families agree the vaccination program is a major undertaking.

“Sloppy is the word I’d use,” says Cowan. “But I know they’re trying and that this is all brand new. The only silver lining in all of this is that maybe by the next pandemic, they’ll have figured it all out.” ❖



Sanfelippo

Ken Wysocky of Whitefish Bay is a freelance journalist and editor.

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Former Lt. Gov. Rebecca Kleefisch:

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