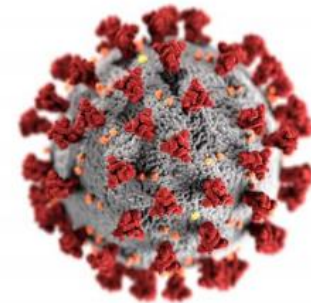




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American Rescue Plan Act of 2021





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Learning Objectives

- American Rescue Plan Act (ARPA) Background
- ARPA's Components
- Allowable Uses for ARPA Funds
- ARPA's Implementation and Timeline
- Revenue Loss Walkthrough



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Before we begin....

- WTA is constantly processing new information from Treasury
- Do not interpret information in the presentation as being final
- TARGETED PATIENCE IS KEY!
- WTA Communication
 - ✓ Magazine
 - ✓ County Unit Meetings
 - ✓ Upcoming Rolling FAQs
 - ✓ Email
 - ✓ Legal Hotline
 - ✓ Upcoming Convention
 - ✓ Website
 - ✓ WTA Revenue Loss Calculator
 - ✓ Upcoming Webinars



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Background

- On March 11th, President Biden signed the American Rescue Plan Act
- ARPA is the fourth COVID-19 related response
 - Families First Coronavirus Response Act (FFRCA)
 - Coronavirus Aid Relief and Security Act (CARES)
 - Consolidated Appropriations Act (CAA)
- **FIRST EVER** direct allocation to towns
 - State serves as pass through to non-entitlement communities (under 50K population)
 - **Need to demonstrate fiscal responsibility in local government**



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Background

- To date, all but 7 towns and 1 village have accepted funds
 - The second half of your allocations will be distributed no earlier than one year from first allocation
- **Funds must be officially committed by December 31, 2024**
 - Projects must be completed by December 31, 2026



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Fund Breakdown

- \$1.9 trillion relief package
- \$362 billion Coronavirus State and Local Fiscal Recovery program
- 4 Separate Funds
 1. \$10 billion Capital Projects Fund
 2. \$2 billion Local Assistance and Tribal Consistency Fund
 3. \$350 billion State Fiscal Recovery Program
 - Governor Evers - \$2.5 billion



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Fund Breakdown (cont.)

4. Local Fiscal Recovery Fund

- Counties (\$65.1 billion)
 - WI – (\$1.129 billion)
- Municipalities with populations over 50,000 (\$45.6 billion)
 - WI – (\$787.9 million)
- Municipalities with populations less than 50,000 (\$19.5 billion)
 - WI – (\$399.2 million)



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Allowable Uses

- Treasury has released Interim Final Rule
 - Provides some clarity regarding Allowable Uses
 - Non-Exclusive List of Items
- WTA strongly encourages you to read all ARPA guidance



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Allowable Uses

1. Support public health expenditures

- Services and programs to contain and mitigate spread of COVID-19
 - PPE purchases
 - Ventilation improvements in public facilities
 - Qualified Payroll
 - Vaccine Incentives

2. Address negative economic impacts caused by public health emergency

- Generally, at least a 2-part analysis if not on list
 - To what extent was the entity, group, sector negatively impacted by the pandemic
 - How is the use you're engaging in proportionately addressing the negative impact
- Supporting Small Businesses
 - Address financial challenges caused by pandemic through loans, grants, in-kind assistance
- Aid to households and individuals
- Speeding the recovery of the tourism, travel, and hospitality sectors



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Allowable Uses

3. Replace lost public sector revenue

- Counterfactual Revenue – Actual Revenue
- Base Year Revenue * $[(1 + \text{growth adjustment})^{(n/12)}]$
 - Base Year Revenue is your 2019 actual revenue
 - Growth adjustment is the greater of 4.1 percent or your average annual revenue growth in 2017, 2018, 2019
 - N is number of months
- Perform Calculations for
 - 2020, 2021, 2022, 2023



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Allowable Uses

4. Provide premium pay for essential workers

- “Those workers needed to maintain continuity of operations of essential critical infrastructure sectors....”
- Up to \$13 per hour in addition to wages
- Cannot exceed \$25,000 per eligible worker
- 150% total pay limit
- Not for elected officials



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Allowable Uses

5. Invest in water, sewer, and broadband infrastructure

- Water and Sewer (including Stormwater)
 - Construct, improve, and repair wastewater treatment plants
 - Control non-point sources of pollution
 - Culverts? Ditches?
- Broadband
 - Unserved and underserved households and businesses
 - Lacking a wireline connection that reliably delivers minimum speeds of 25 mbps download and 3 mbps upload
 - Standard: Service must meet or exceed upload and download speeds of 100 mbps unless 20mbps upload is justifiable



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WELL, WHAT ABOUT ROADS?

- Only to the extent for:
 - Revenue Replacement



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Non-eligible items

- Funds cannot be:
 - Deposited into pension funds
 - “Extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability”
 - Payroll contributions are allowable for employees whose wages and salaries are an eligible use of funds
 - Used to fund debt services, legal settlements or judgements, and deposits to rainy day funds or financial reserves



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Next Steps

- SAMS Registration if you have not already
- Have a community conversation about priorities
- If priorities are clearly eligible in Interim Rule, go for it
- If not...
 - Wait for Final Rule
 - Run the Revenue Loss Calculator
- Get comfortable with reporting required (10/31/21)



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Revenue Loss

- **Compare two numbers**
 - Actual Revenue - the revenue you take in that year
 - Counterfactual Revenue – generated through a formula
- **You DO NOT have to prove how each dollar was lost due to COVID 19**
 - If counterfactual revenue is larger than actual revenue, any difference is presumed to be due to COVID 19
- **Analysis is done in:**
 - 2020
 - 2021
 - 2022
 - 2023



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Revenue Loss

- What counts as revenue?
 - Taxes
 - E.x. property taxes, room taxes
 - Intergovernmental Revenue
 - Excludes federal money (excludes federal money distributed by the state government)
 - E.x. grants, shared revenue, general transportation aid
 - Charges
 - Excludes utility service charges
 - Miscellaneous General Revenue
 - E.x. interest from bank



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Revenue Loss

- Counterfactual Revenue

- Base Year Revenue * $[(1 + \text{growth adjustment})^{(n/12)}]$

- Base Year Revenue: Revenue for 2019
- Growth Adjustment: The higher of either 4.1% (federal growth rate) or your community's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency (internal growth rate)
- n: The number of months that have elapsed since the end of the base year to the calculation date
 - 2020: n=12
 - 2021: n=24
 - 2022: n=36
 - 2023: n=48



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Revenue Loss

- Counterfactual Revenue Calculation Process
- Step One:

$$\text{Growth Rate 2016 to 2017} = \frac{2017 \text{ Total Revenues} - 2016 \text{ Total Revenues}}{2016 \text{ Total Revenues}}$$

and so on....

$$\text{Growth Rate 2017 to 2018} = \frac{2018 \text{ Total Revenues} - 2017 \text{ Total Revenues}}{2017 \text{ Total Revenues}}$$

$$\text{Growth Rate 2018 to 2019} = \frac{2019 \text{ Total Revenues} - 2018 \text{ Total Revenues}}{2018 \text{ Total Revenues}}$$



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Revenue Loss

- Step Two

$$\text{Internal Growth Rate} = \frac{(\text{Growth Rate 2016 to 2017}) + (\text{Growth Rate 2017 to 2018}) + (\text{Growth Rate 2018 to 2019})}{3}$$

- Step Three

- Compare Internal Growth Rate to Federal Growth Rate
 - Is 4.1% higher than the internal growth rate?
 - MUST take higher of the two



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Revenue Loss

- Perform the analysis

| | 2020 (ACTUAL REVENUE) | 2021(Projection) | 2022 (Projection) | 2023 (Projection) |
|-------------------------------|-----------------------|-------------------|-------------------|-------------------|
| Taxes | \$ 311,706.00 | \$ 317,940.12 | \$ 324,298.92 | \$ 330,784.90 |
| Intergovernmental Revenues | \$ 121,449.00 | \$ 121,449.00 | \$ 123,274.85 | \$ 125,100.70 |
| Current Charges | \$ 119,322.00 | \$ 121,708.44 | \$ 124,142.61 | \$ 126,625.46 |
| Miscellaneous General Revenue | \$ 2,711.00 | \$ 2,765.22 | \$ 2,820.52 | \$ 2,876.93 |
| Actual Revenue | \$ 555,188.00 | \$ 563,862.78 | \$ 574,536.91 | \$ 585,388.00 |
| (Less) Counterfactual Revenue | \$ 556,576.90 | \$ 579,396.55 | \$ 603,151.81 | \$ 627,881.03 |
| Lost Revenue | \$ (1,388.90) | \$ (15,533.77) | \$ (28,614.90) | \$ (42,493.03) |



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Revenue Loss

- Please go to the Information Library on the WTA Website for an example calculation and access to the revenue loss calculator



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Questions?

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