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Office of the Undersecretary for Domestic Finance
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Docket Number: TREAS-DO-2021-0008 - Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule Comments

Dear Sir or Madam:

The League of Wisconsin Municipalities welcomes the opportunity to submit comments related to the Interim Final Rule for the Coronavirus State and Local Fiscal Recovery Funds as implemented through the American Rescue Plan Act. The League is a nonprofit and nonpartisan association of 594 cities and villages, all of which will be participating as entitlement or non-entitlement entities in the recovery fund implementation in the state of Wisconsin.

We recognize the historic milestone that this Administration and Congress have ushered in by making local governments partners in the American coronavirus recovery story. Collectively the municipalities in Wisconsin offer the following recommended modifications to the State and Local Fiscal Recovery Funds Interim Final Rule.

- An overarching goal for the final rule should be to provide flexibility but also enough specificity in eligible uses criteria so that the overall risk perceived by local governments is reduced.
- The final rule should consider a relaxation of the prohibition of the use of recovery funds for certain debt service payments. All debt is not equal. We recommend a specific exemption for debt service that was supported (or intended to be supported) by a designated tax stream (e.g., hotel room taxes). Debt service intended to be paid by room taxes, which decreased during the pandemic resulting in a funding gap, to support a government-owned facility (like a convention or conference center) that is operated under contract with a private operator for the primary purpose of encouraging tourism and hospitality based economic activity should be allowed as an eligible use under the American Rescue Plan Act.
- Tax increments from a tax incremental district should be excluded from the revenue calculation of the lost revenue formula. Under Wisconsin law, a tax incremental financing district is a unique taxing jurisdiction, separate from the municipality that created it, and therefore should be separated from the general municipal revenue utilized to calculate lost revenue.

- The final rule should specifically state that the determination for project eligibility under the Clean Water and Safe Drinking Water State Revolving Funds should be based on the Federal project categories and not on each state's eligibility definitions. In Wisconsin, our Department of Natural Resources, which determines loan eligibility for projects requesting state loans in the revolving loan programs, is being repeatedly asked to determine eligibility for projects that they do not have a direct role in funding. Providing clarity and removing the state's programs from the equation would be prudent.
- When finalizing the rule as it relates to Broadband, increased flexibility in the definition of unserved and underserved would allow more participation in this critical category. Increasing the threshold for the definitions to include all areas without 100/100Mbps service would capture a greater need. The FCC estimates that over 90% of the nation is covered by 25/3Mbps service, but this estimate greatly overestimates the actual service available and the reliability of that service when multiple users are vying for the same connection. With parents working from home and children participating in education from home, many families did not actually receive the quality service necessary. Local governments should have the flexibility to determine if a location is "reliably" served. In addition, affordability must be taken into consideration. Areas may be serviced, but if that service is unaffordable for residents, they are still left behind.
- The final rule should consider providing clarity on the transferability of funds and whether or not the entity receiving funds from a transfer must allocate those transferred dollars to projects within the community that transferred the funding. For example, if village A transfers funding to city B does city B have to complete projects or allocate the funds in village A? Or can the funding be used in another location or for a joint collaborative project where village A receives benefits but may not directly host the project?
- The final rule should outline additional criteria and provide greater flexibility for the development of affordable housing. We recommend the expansion of the types of activities that would be permitted expenditures. In addition, housing expenditures should be allowed outside of qualified census tracts to have the greatest benefit for local communities. For example, a major strain on the recovery to date has been the inability to secure employees in certain sectors. If local governments can work to provide housing options, businesses will be able to attract employees leading to a more effective recovery and more resilient communities.
- In the Treasury Guidance a question was posed on additional water and sewer infrastructure projects that could be considered as eligible uses in the final rule. We recommend including private well replacement, remediation, or repair as an eligible use. Private laterals are included in the interim final rule and the goal is to provide clean drinking water by replacing private infrastructure. The goal would be the same for private wells.
- Finally, the interim final rule should be modified to exclude donations from the revenue calculations. Municipalities cannot plan or budget for miscellaneous donations and therefore the revenue generated should not be counted against a municipality when calculating lost revenues.

Thank you for your consideration of the League of Wisconsin Municipalities comments on the interim final rule. We recognize that you have a herculean task to try to assuage communities from every corner of the nation. We wish you luck as you navigate the development of the final implementation package



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and greatly anticipate the release of the final product. If you should have any questions, please do not hesitate to contact me at your convenience.

Kind Regards,

Toni R Herkert
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Wisconsin League of Municipalities