



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 274: Relating to the Allocation of Federal American Rescue Plan Act of 2021 Funds for Local Road and Bridge Projects

Senate Bill (SB) 274 was introduced on April 5, 2021, and referred to the Joint Committee on Finance. (The companion bill to SB 274 is Assembly Bill 238.)

SUMMARY OF BILL

Senate Bill 274 would require the Department of Transportation (DOT) to create and administer a local highways and bridges supplement program to award grants to political subdivisions for qualifying improvement projects on highways or bridges under the jurisdiction of the political subdivision. Grants would be permitted to be awarded until December 31, 2024. A qualifying improvement project would be defined to mean a highway or bridge construction project for which no federal funds are expended other than funds provided by ARPA, and is any of the following: (a) eligible for funding under the local bridge improvement assistance program; (b) eligible for the discretionary component of the local roads improvement program; or (c) a project to increase the load-bearing capacity of a bridge. Under the bill, the governor would be required to allocate \$308,519,800 of the funds accepted under ARPA for this program, including: (a) \$2,000,000 to each of Wisconsin's 72 counties for a total of \$144,000,000; and (b) \$2,000 to municipalities for each centerline mile under that municipality's jurisdiction in 2020, for a total of \$164,519,800.

FEDERAL STATE FISCAL RECOVERY FUND (SFRF)

The state of Wisconsin is expected to receive up to \$3.2 billion of the \$219.8 billion provided under ARPA to the SFRF under that Act. Although final federal guidance on related to the allowable use of these funds has not yet been issued, the Act provides the following general outline of the allowable uses of funds received from the SFRF, as well as restrictions on the use of these funds.

Allowable Use of Funds. SFRF payments may be used to cover costs incurred prior to

December 31, 2024, for the following purposes:

- a. to respond to the coronavirus pandemic or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- b. to replace revenues lost as a result of the public health emergency caused by the coronavirus pandemic, for the purposes of providing government services;
- c. to make investments in water, sewer, or broadband infrastructure;
- d. to provide premium pay of up to \$13 per hour per worker, in addition to a worker's usual wage or remuneration (up to \$25,000 in total for any single worker) for workers employed by the state who perform essential work during the pandemic, or to provide grants to eligible employers that have eligible workers who perform essential work. The term "eligible workers" is defined to mean those workers needed to maintain continuity of operations of essential critical infrastructure sectors, as well as additional sectors designated by the Governor of a state or territory as critical to protect the health and well-being of residents of the state or territory.
- e. to transfer funds to private nonprofit organizations, tribal organizations, public benefit corporations involved in the transportation of passengers or cargo, or special-purpose units of state or local governments.

Restrictions on the Use of Funds. SFRF monies may not be used for the following:

- a. a. to either directly or indirectly offset a reduction in net tax revenues resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase. The covered period begins on March 3, 2021, and ends on the last day of the fiscal year in which all funds have been either expended, or returned to or recovered by, the Department of Treasury.
- b. for deposit into any pension funds.

Under ARPA, the U.S. Department of Treasury is charged with distributing SFRF funds and providing guidance on how these funds may be spent by the states. The federal ARPA legislation does not explicitly include road, bridge, or other highway infrastructure improvements, as provided under SB 274, as an allowable use of SFRF funding. While the U.S. Department Treasury could allow such uses under future guidance, absent such guidance it does not currently appear that allocating SFRF funding for local road and bridge projects would be considered an allowable use of this federal funding. However, if replacing lost transportation fund revenue due to the pandemic would be considered an allowable use of SFRF funds, the Governor could allocate some or all of these funds to local governments as required under the bill. Nonetheless, using SFRF funds to replace lost transportation fund revenue would not be sufficient to fund the \$308.5 million allocated under this bill.

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