



## **AMERICAN RESCUE PLAN ACT OF 2021 – FUNDING FOR WATER AND SEWER INFRASTRUCTURE PROJECTS**

### **BEGIN INQUIRING NOW**

**April 16, 2021**

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 into law (ARPA). The funding for state and local governments includes a Local Fiscal Recovery Fund which provides:

- \$65.1 billion in direct aid to counties to be distributed by the U.S. Treasury Department
- \$45.57 billion in direct aid to cities with populations greater than 50,000 to be distributed by the U.S. Treasury Department
- \$19.53 billion in aid to cities with populations less than 50,000 to be distributed by the States

**The ARPA provides that counties and cities can transfer funds to special-purpose units of state or local government, which in Tennessee includes utility districts and utility authorities.**

Money from the Local Fiscal Recovery Fund can only be spent for the following allowed uses by Tennessee counties and cities:

- (1) To respond to the COVID-19 pandemic health emergency, or its negative economic impacts, through assistance to households, small businesses, nonprofits, and impacted industries such as tourism, travel, and hospitality. Funds can be transferred to a private nonprofit organization or a public benefit corporation involved in the transportation of passengers or cargo.
- (2) To provide government services to the extent of any reduction in revenue resulting from the COVID-19 pandemic (relative to revenues collected in the most recent full fiscal year prior to the pandemic).
- (3) To provide premium pay to essential workers of local governments or to provide grants to employers of essential workers (subject to certain limits on total premium pay);
- (4) To make necessary investments in water, sewer, or broadband infrastructure.***

All of the allowable uses are directly connected to the COVID-19 pandemic, except the funding for water, sewer or broadband infrastructure projects. Funds received by counties and cities must be maintained separately, and counties and cities will be required to provide a detailed accounting of the use of these funds. The failure to do so will require the funds be repaid to the U.S. Treasury. Because the funding for water and sewer projects do not have to be connected to the effects of COVID-19, utility districts and utility authorities should be in a strong position to request and obtain money from counties and cities for needed infrastructure projects.

The ARPA requires that one-half of the aid to counties and cities from the Local Fiscal Recovery Fund must be distributed no later than 60 days after the passage of the ARPA. That means that these funds should be distributed by May 10, 2021, which is just around the corner. If you are interested in obtaining funds for water and sewer projects in your county, go ahead and make your requests known to county officials *NOW*. You can make the same request of city officials for water and sewer projects located within any city your utility serves.

The second half of the money in the Local Fiscal Recovery Fund can be distributed no earlier than 12 months after the first distribution occurs. Funds must be spent by December 31, 2024.

You can find an estimate of the funds to be received by Tennessee counties at this webpage: <https://www.naco.org/resources/featured/state-and-local-coronavirus-fiscal-recovery-funds>

You can find an estimate of the funds to be received by Tennessee cities at this webpage (click Tennessee in the list of states on the right): <https://www.nlc.org/resource/estimated-local-allocations-in-the-american-rescue-plan/>

You can find a Memorandum from the Tennessee Comptroller on the Local Fiscal Recovery Funds on this webpage: <https://comptroller.tn.gov/about-us/learn-about-our-office/administration/covid-19-guidance-for-local-governments.html>

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