



**AMERICAN RESCUE PLAN ACT OF 2021 – LOCAL FISCAL RECOVERY FUND  
WATER AND SEWER INFRASTRUCTURE PROJECTS ARE ELIGIBLE PROJECTS**

**May 18, 2021**

On April 16, 2021, TAUD sent out a notice to its members to inform them that the money cities and counties receive from the Local Fiscal Recovery Fund authorized in the American Rescue Plan Act of 2021 (the APRA) can be used to make investments in water and sewer infrastructure. **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.**

Here is an update on the status of these funds and the use of these funds:

- Cities and counties are beginning the process for receiving their allocations for the first half of the Local Fiscal Recovery Fund. Counties and cities with populations of more than 50,000 will receive these funds directly from the United States Treasury. Cities with populations of less than 50,000 will receive their funds through the State of Tennessee.
- Last week the United States Treasury issued an interim rule which describes in more detail the uses which can be made with money received from the Local Fiscal Recovery Fund. This interim rule includes additional requirements on how cities and counties can use funds for the allowed uses under the ARPA. These additional requirements appear to increase the administration burden on cities and counties for all uses of these funds which are related to the COVID-19 pandemic.
- The interim rule adds no significant administrative burden on using the Local Fiscal Recovery Fund money on water and sewer infrastructure projects. The interim rule simply provides that the funds be used on projects or activities of the type that would be eligible for financing under a state's Clean Water State Revolving Fund and Drinking Water State Revolving Fund.
- Comments in the introduction to the interim rule state that such projects include:
  - building or upgrading water treatment facilities and transmission, distribution, and storage systems, including replacement of lead service lines
  - supporting the consolidation or establishment of drinking water systems
  - upgrading and constructing publicly owned sewer treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly owned treatment works, among other uses.

- supporting the cybersecurity needs to protect water or sewer infrastructure

As cities and counties begin receiving money from the Local Fiscal Recovery Fund, they will begin formulating plans for the use of these funds. County mayors and county commissioners will begin educating themselves on how these funds can be used in their counties. If your utility is interested in obtaining funds for water and sewer projects in your county, make your requests known to county mayors and county commissioners in your service area. You can make the same request of city officials for water and sewer projects located within any city your utility serves.

Keep in mind that the second half of the money in the Local Fiscal Recovery Fund will be distributed 12 months after the first distribution occurs. Under the interim rule, Local Fiscal Recovery Fund recipients are only required to have funds obligated by December 31, 2024. Therefore, obligated water and sewer projects can be completed any time before December 31, 2026.

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 the Tennessee Comptroller's latest Memorandum on the Local Fiscal Recovery Funds on this webpage: <https://comptroller.tn.gov/content/dam/cot/administration/documents/covid-page/ARPMemo051321.pdf>

Don Scholes  
TAUD General Counsel