Local Fiscal Recovery Funds for Clean Water Infrastructure

Treasury guidance allows recipients of Local Fiscal Recovery Funds (LFRF) "make necessary investments in water and sewer infrastructure." While this may seem to be a category with broad latitude for spending, detailed regulations and guidance apply that you must follow to use LFRF for projects of this type.

What are eligible projects?
Clean water infrastructure projects eligible for LFRF expenses are those aligning with the Environmental Protection Agency’s Clean Water State Revolving Fund (CWSRF), such as:
- Construction of publicly-owned treatment works;
- Nonpoint source pollution management;
- National estuary program projects;
- Decentralized wastewater treatment systems;
- Water conservation, efficiency, and reuse measures;
- Watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects;
- Security measures at publicly-owned treatment works;
- And technical assistance to ensure Clean Water Act compliance.

Determining eligible uses
Think of the CWSRF as a guide while also keeping in mind that Treasury’s Interim Final Rule requires certain levels of service as a result of the project. These include meeting health-based standards and improving resilience to climate change (see page 62 of the IFR).
Recipients do not apply to the CWSRF program for LFRF-funded projects. Local governing boards are the ones with ultimate authority to decide if projects fit Treasury’s guidance on appropriate and eligible expenses.

Reporting requirements
Considering the compliance and reporting requirements beforehand can help fit local needs to eligibility requirements. Treasury’s Compliance and Reporting Guidance lists the categories in which expenditures will have to be listed for clean water infrastructure projects.

What stormwater projects will LFRF fund?
Eligible stormwater projects include gray and green infrastructure, which NCPRO details in a separate infographic. These projects must have a water quality benefit, per CWSRF guidance.

Does Davis-Bacon apply?
If LFRF, and only LFRF, is funding the infrastructure project then Davis-Bacon Act requirements do not apply, per Treasury’s FAQs. They do apply if LFRF is used in conjunction with funds from another federal program that does require Davis-Bacon Act compliance.
Also, Treasury’s reporting guidance requires certain documentation for projects cost more than $10 million.

Sources:
- Treasury’s Interim Final Rule
- Treasury’s FAQs
- UNC School of Government; Environmental Finance Center

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