ARPA and Drinking Water Projects: 5 things to know

Treasury’s Interim Final Rule allows recipients of Local Fiscal Recovery Funds “to make necessary investments in water and sewer infrastructure.” Improving drinking water infrastructure, including the replacement of lead service lines, are some of the allowable uses in this infrastructure category.

Below are key points, with links to further information, to help local governments plan possible drinking water infrastructure projects funded with Local Fiscal Recovery Funds (LFRF).

1. The types of eligible drinking water infrastructure projects are those eligible in the Environmental Protection Agency’s Drinking Water State Revolving Fund (DWSRF). These include treatment, transmission, and distribution (including lead service line replacement), and more.

2. A local government doesn’t have to apply to DWSRF to receive approval for these projects funded with LFRF. The program helps guide project structure so they align with Treasury’s allowable expenditures.

3. The National Environmental Policy Act (NEPA) does not apply to these water infrastructure projects because they are funded with LFRF. No NEPA review required.

4. LFRF cannot be used for system expansions to accommodate potential growth or solely for economic development purposes. They also cannot be used to satisfy a local match requirement on a federal grant if prohibited by that grant.

5. LFRF can pay for eligible expenses on or after March 3, 2021. Funds on new projects will need to be contracted for by Dec. 31, 2024, and expended by Dec. 31, 2026.

The points highlighted here only scratch the surface of relevant guidance and regulations. These links lead to more in-depth coverage of the considerations: Treasury’s FAQs, Treasury’s Compliance and Reporting Guidance, Kara Millonzi at the UNC School of Government published detailed resources here and here.

Contact NC PRO with questions or concerns: NC PRO@osbm.nc.gov