



Department of
**Environment &
Conservation**



Fully Utilizing American Rescue Plan Funding

How to Leverage Funding to Best Address Your Community's Water and Wastewater Infrastructure Needs

Tennessee Department of Environment and Conservation,

Tennessee Department of Economic and Community Development, and

Tennessee Comptroller of the Treasury | August 2021



DOLLARS ASSOCIATED WITH THE AMERICAN RESCUE PLAN (ARP) PROVIDE AN OPPORTUNITY FOR SIGNIFICANT AND SUBSTANTIAL IMPROVEMENTS TO WATER AND WASTEWATER SYSTEMS ACROSS TENNESSEE. THIS GUIDE SERVES TO HELP COMMUNITIES BRAINSTORM POTENTIAL USES FOR ARP FUNDING THAT ALIGN WITH TENNESSEE STATE PRIORITIES AND WILL ALLOW FOR LEVERAGING OF FUNDING TO MAKE OPTIMAL USE OF THESE DOLLARS. THIS INFORMATION SHOULD SUPPORT COMMUNITIES IN IDENTIFYING PROACTIVE, SUSTAINABLE, AND RESILIENT INFRASTRUCTURE PLANS TO CREATE POSITIVE CHANGES THAT LAST GENERATIONS.

American Rescue Plan (ARP) Funding Background

In March of 2021, Congress passed the American Rescue Plan (ARP) Act. This Act provided \$1.9 trillion in COVID-19 relief for state and local governments, hard-hit industries, and communities; tax changes affecting individuals and business; and other provisions.

One way that ARP funds can be used is for “necessary investments in water, sewer, or broadband infrastructure.” Eligibility for projects funded by ARP dollars is described in the U.S. Department of the Treasury’s [Interim Final Rule](#).¹ The deadline for obligation is December 31, 2024 and the period of performance is through 2026. In addition to allocations made directly from the U.S. Department of Treasury to communities, the State of Tennessee will receive funding and announce plans to program those dollars in late Summer/early Fall 2021.

While the Interim Final Rule outlines some eligible activities for water, wastewater, and broadband infrastructure and refers to the State Revolving Fund (SRF) eligible activities as a starting place, Tennessee is awaiting the Final Rule for any additional flexibility or eligible activities. We recommend waiting until the Final Rule is published before completing any activities not expressly eligible under SRF guidelines.

Potential Projects

While not an all-inclusive list, the following categories of water and wastewater projects can help your community best utilize the ARP funding by aligning local and state goals and choosing projects that can take advantage of multiple funding programs.

Wondering where to start? The Tennessee Department of Environment and Conservation (TDEC) developed a free tool, the [TN Infrastructure Scorecard](#), to support water and wastewater utilities in benchmarking their financial, managerial, and technical capacity. Completing the TN Infrastructure Scorecard is a great first step to understanding system performance and developing goals and activities that can be funded with ARP dollars.

¹ Final Rule Anticipated in September 2021. Updates to follow.

Planning and Design

THIS IS THE STARTING PHASE. BOTH LOCAL AND STATE FUNDS CAN BE USED TO EFFECTIVELY PLAN FOR FUTURE PROJECTS AND SET GOALS AND PRIORITIES.

- Undertake comprehensive asset management
- Investigate water loss issues and solutions
- Identify and mitigate sanitary sewer infiltration and inflow

Prioritized Infrastructure Improvements

ARP FUNDING MAY ALSO BE USED FOR CONSTRUCTION PROJECTS TO IMPROVE INFRASTRUCTURE. CONSIDER THE FOLLOWING TYPES OF PROJECTS BASED ON THE OUTCOMES OF COMMUNITY PLANNING ACTIVITIES AND PRIORITIES.

- Replace lead service lines
- Repair and/or replace service lines contributing to system water loss
- Address infiltration and inflow
- Modernize and optimize practices at treatment facilities

Sustainable and Resilient Practices

WATER AND WASTEWATER SYSTEMS SHOULD BE PREPARED TO ADEQUATELY RESPOND TO SYSTEM SHOCKS AND STRESSORS, AND SHOULD SUSTAINABLY SERVE ITS CUSTOMERS THROUGH SOUND SOCIAL, ENVIRONMENTAL, AND FINANCIAL PRACTICES. THE FOLLOWING TYPES OF PROJECTS PROMOTE SUSTAINABILITY AND RESILIENCE OF WATER AND WASTEWATER SYSTEMS IN TENNESSEE.

- Upgrade treatment facilities through energy efficiency projects
- Incorporate green infrastructure and responsible stormwater management into water and wastewater systems
- Digitize and modernize water and wastewater system practices, including through GIS
- Plan for and manage risks associated with extreme weather events, cybersecurity, and other hazards
- Plan for the depreciation of water and wastewater assets
- Consider regionalized water and wastewater system solutions

Strategic and Coordinated Spending

With broad guidance for water and wastewater projects, there are many options for spending the ARP funds. Unless there are shovel-ready projects of high priority to the community, beginning with planning and design is an effective and impactful way to get started immediately. Communities should also consider how they may leverage ARP funding in conjunction with existing programs that support water and wastewater systems across the state to maximize the impact of these dollars. These programs include:

- State of Tennessee ARP Programming – While still being developed, the State of Tennessee is considering opportunities to dedicate ARP dollars towards water and wastewater projects in communities across the state. Details regarding any such plans are expected in late Summer/Fall 2021.
- State Revolving Fund (SRF) – Tennessee’s SRF program includes both the Clean Water State Revolving Fund (CWSRF) Loan Program and the Drinking Water State Revolving Fund (DWSRF) Loan Program. These programs provide technical assistance and low-interest loans to cities, counties, utility districts, and water authorities across the state for planning, design, and construction of drinking water and wastewater infrastructure projects.
- TN Community Development Block Grant (CDBG) – CDBG projects must align with one of three national objectives: (1) Principally benefit low and moderate income person, (2) Eliminate slums and blight, and (3) Address imminent health and safety problems. CDBG funds may be used for water and wastewater infrastructure projects.
- Infrastructure Planning Grants (IPG) - In order to provide assistance to distressed communities and those with financially distressed utility systems, TNECD has developed a grant program to help communities understand their utility needs and plan for future work.
- U.S. Department of Agriculture – Rural Development (USDA-RD) – USDA-RD administers many funding programs related to water and wastewater infrastructure.
- Appalachian Regional Commission (ARC) – Communities contained within ARC’s region are eligible for funding opportunities that may align with water and wastewater system needs.
- Delta Regional Authority (DRA) – Communities contained within DRA’s region are eligible for funding opportunities that may align with water and wastewater system needs.

Resources and Partners

- Tennessee Department of Environment and Conservation ([TDEC](#))
 - Division of Water Resources ([DWR](#))
 - State Revolving Fund Program ([SRE](#))
- Tennessee Department of Economic and Community Development ([TNECD](#))
 - Infrastructure Planning Grants ([IPG](#))
 - TN Community Development Block Grant ([CDBG](#))
- Tennessee Comptroller of the Treasury ([TN Comptroller](#))
- Tennessee Association of Utility Districts ([TAUD](#))
- Tennessee Development Districts ([DDs](#))
- Tennessee County Services Association ([TSCA](#))
- Tennessee Municipal League ([TML](#))
- County Technical Assistance Service ([CTAS](#))
- Municipal Technical Advisory Service ([MTAS](#))
- Water and Wastewater System Funding
 - EPA's [Water Finance Clearinghouse](#)
 - Environmental Finance Center Network's [Tennessee Water and Wastewater Funding Sources](#)
- Additional ARP Resources
 - National League of Cities, ARPA Local Relief Frequently Asked Questions ([NLC](#))
 - National Association of Clean Water Agencies, Treasury Releases COVID-19 Recovery Fund Info; Includes Guidance on Use of Funds for Water/Sewer Infrastructure ([NACWA](#))
 - U.S. Department of Treasury, Coronavirus State and Local Fiscal Recovery Funds ([Treasury](#))
 - H.R. 1319 – American Rescue Plan Act of 2021 ([ARPA](#))
 - U.S. Department of Treasury, Interim Final Rule ([Treasury](#))