

American Rescue Plan Act FAQs for Water and Wastewater Systems

1. What is ARPA?

The American Rescue Plan Act (ARPA), signed into law March 11, 2021, included \$350 billion in pandemic-related aid for state and local governments. Vermont will receive more than \$1.25 billion of Coronavirus State and Local Fiscal Recovery Funding (CSLFRF) from ARPA. The Legislature and the Governor have determined how more than \$1 billion of state funding will be spent. Nearly \$200 million will go directly to Vermont’s cities, towns, and villages.

The Department of the Treasury issued an Interim Final Rule in May 2021 and Final Rule in December 2021 to establish a framework for determining the types of programs and services that are eligible uses of this funding.

Water and sewer infrastructure projects were specifically called out as eligible uses of ARPA funds, so long as they are necessary and cost effective.

2. What types of ARPA funds are coming to Vermont?

Entity	Amount	Water and Sewer Eligible?
STATE	\$1,049,287,303	Yes, for selected projects, see question #3 for details
NON-ENTITLEMENT UNITS OF LOCAL GOVERNMENT (Eligible Cities, Towns, and Villages)	\$58,788,239 First round sent Aug 2021; Second round in Aug 2022	Yes, all water and sewer projects eligible for funding under the EPA’s Clean Water State Revolving Fund or Drinking Water State Revolving Fund are eligible for funding using State and Local Fiscal Recovery Funds.
METROPOLITAN CITIES (Burlington & S Burlington)	Burlington – \$18,857,481 South Burlington - \$1,864,421	Yes, same as above
COUNTIES	\$121,202,550 First round sent Sept 2021; Second round in Sept 2022	Yes – on July 30 th , Treasury issued guidance directing states without general units of county government to distribute to NEUs and Metros

All funds must be allocated by December 31, 2024 and spent by December 31, 2026.

3. What kinds of water and sewer projects are being funded by state ARPA funds?

*Note that the majority of water and wastewater systems will not have projects that qualify for state ARPA funds and should focus their efforts on the local ARPA funds.

In 2021, the State of Vermont allocated about \$100 million of state ARPA funds to the Agency of Natural Resources (ANR) for six clean water initiatives. Information about these initiatives and how to apply for funding can be found at <https://anr.vermont.gov/content/arpa-vermont>

The six clean water initiatives are:

- **3-acre Stormwater Permitting Design & Construction**
\$5.5M of ARPA funding is allocated to the Department of Environmental Conservation (DEC) to support permitting design and construction for entities subject to the 3-acre stormwater general permit to restore impaired waters subject to flow restoration plans.
- **Village Water & Wastewater**
\$8M of ARPA funding is allocated to DEC to support village water and wastewater infrastructure investments in FY22—the first of three similarly sized appropriations proposed by Gov. Scott. To assist interested municipalities’ readiness to access ARPA funds in this category, Vermont Clean Water State Revolving Fund will offer 100% loan subsidy (loan principal forgiveness) for up to 10 unsewered designated villages for planning and design activities in amounts up to \$100,000 on a first come, first served basis.
- **Municipal Wastewater Pre-Treatment**
\$2M of ARPA funding is allocated to DEC to provide financial assistance to municipalities, businesses, and nonprofits to install enhanced pre-treatment to address high strength or toxic wastes otherwise requiring treatment at municipal expense by publicly owned facilities.
- **Wet Weather Sewer Overflow**
\$10M of ARPA funding is allocated to DEC to assist municipalities to design and construct projects to reduce or eliminate wet weather sewer overflows. CSO work in this fiscal year’s Intended Use Plan has been determined to be eligible for ARPA funding.
- **Residential On-Site Water & Wastewater**
\$1M of ARPA funding is allocated to increase funds available to install or replace residential on-site wastewater and drinking water systems for low-income homeowners.

Additionally, \$750,000 of ARPA funding is allocated to the Department of Housing and Community Development (DHCD) to provide assistance and incentives for water and wastewater efficiency improvements as part of housing rehabilitation projects.
- **Loan Forgiveness for Mobile Home Parks**
\$3.25M of ARPA funding is allocated to DEC to provide financial assistance or loan forgiveness to mobile home parks to improve drinking water, wastewater, stormwater, and drainage systems.

The Governor and Legislature will determine the allocation of the second half of the State of Vermont’s ARPA funds in 2022.

4. What types of water and sewer projects are eligible uses of local funds?

Cities, towns, and villages can use ARPA funds for water and sewer projects that would be eligible to receive financial assistance through the Environmental Protection Agency’s Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). Note that this is federal eligibility, not the State’s project categories or definitions. These eligibility guides for [Clean Water SRF](#) and [Drinking Water SRF](#) provide details on the types of projects that are eligible.

Under the DWSRF, categories of eligible projects include:

- Treatment projects, including installation or upgrade of facilities to improve the quality of drinking water
- Transmission and distribution projects, including installation or replacement of transmission and distribution pipes to improve water pressure to safe levels, prevent contamination caused by leaks or breaks in the pipes, or replace lead service lines
- Source projects, including rehabilitation of wells or development of new sources to replace contaminated sources
- Storage projects, including installation or upgrade of eligible storage facilities
- Consolidation projects such as to consolidate water supplies
- Creation of new water systems

Under the CWSRF, categories of eligible projects include:

- Construction of publicly owned treatment works
- Nonpoint source pollution management
- Decentralized wastewater treatment systems
- Stormwater systems
- Water conservation
- Watershed pilot projects
- Energy efficiency measures for publicly-owned treatment works
- Water reuse projects
- Security measures at publicly-owned treatment works, including cybersecurity
- Technical assistance to ensure compliance with the Clean Water Act

The Treasury's Final Rule also allows for ARPA funds to be spent on a few types of projects not included in CWSRF/DWSRF eligibility guidance. These expanded uses include:

- Drinking water projects to support future population growth
- Rehabilitation of dams and reservoirs for drinking water supply
- Stormwater infrastructure projects, regardless of whether they have a water quality benefit

5. What types of water/sewer projects are NOT eligible uses of funds?

Under EPA's SRF eligibility guidelines, the following projects are ineligible:

- Projects needed primarily for fire protection
- Water system operation and maintenance expenses
- Routine compliance monitoring expenses
- Construction of dams

Additionally, ARPA funds cannot be used for loan repayment.

6. Do projects need approval to use local ARPA funds?

Approval is not required for projects with a capital expenditure of less than \$1 million. Projects should follow the guidelines of DWSRF, CWSRF, and Treasury's Final Rule. In addition, projects should comply with any applicable environmental and permitting laws and regulations.

However, Treasury does require a cost-effectiveness analysis for three types of projects:

- Creation of new drinking water systems
- Dam and reservoir rehabilitation projects
- Projects for the extension of drinking water service to meet population growth needs

In addition, projects in the last category (drinking water projects for population growth) must also prove that the project is sustainable, meaning the water source can provide adequate supply for the estimated useful life of the project.

7. Are fire districts and water districts going to be receiving ARPA funds?

No, fire districts will not receive a direct allocation of ARPA funds. However, fire and water districts are eligible to apply for state ARPA funds, and a municipality may grant or transfer local funds to a special-purpose unit of government to conduct eligible activities. Special-purpose districts perform specific functions in the community, such as fire, water, sewer, or mosquito abatement districts. Fire districts and water districts should discuss their water and sewer infrastructure priorities with the cities, towns and villages which they serve.

Transferring funds from a municipality to a fire/water district should be done through a sub-grant agreement or MOU that includes language indicating the amount of funding, payment schedule, scope of work to be performed with deliverable timelines and pass-through requirements such as reporting and signing the [Award Terms and Conditions](#) and [Assurances of Compliance With Civil Rights Requirements](#). Towns are responsible for monitoring and reporting on sub-recipient use of ARPA funds. It is recommended that the governing body of the town pass a motion to transfer the funding and sign the agreement/MOU, and the board of the fire/water district pass a motion to accept the funding and sign the agreement/MOU.

8. If I have questions regarding the eligibility of my proposed water and sewer projects, who can I ask?

If you have questions about ARPA funds being distributed by the state, email anr.info@vermont.gov or call 802-760-9967.

For questions about local ARPA funds, contact your Regional Planning Commission for help determining which projects are eligible and for help with project development. Each RPC has an expert to help with ARPA questions. The Vermont Rural Water Association and Vermont League of Cities and Towns may also be able to answer questions.

9. How do I apply for my town's ARPA funds?

There is not an official application process. We encourage all water and wastewater systems to contact their town officials to continue conversations regarding their infrastructure needs. Vermont Rural Water has template letters available at <https://vtruralwater.org/infrastructure-funding/>

10. How do I apply for state ARPA funds?

Check ANR's websites for updates: <https://anr.vermont.gov/content/arpa-vermont>

11. Can I use ARPA funds to make payments on an infrastructure loan?

No. It's important to note that these funds cannot be used for expenses related to financing, such as paying interest, principle, servicing or redeeming notes, or paying fees or issuance costs associated with the issuance of new debt.

12. May recipients use funds for pre-project development for eligible water and sewer projects such as planning and design work?

Yes. Generally, the CWSRF and DWSRF allow for pre-project development costs that are tied to an eligible project, as well as those that are reasonably expected to lead to a project. For example, the DWSRF allows for planning and evaluation uses, as well as numerous pre-project development costs, including costs associated with obtaining project authorization, planning and design, and project start-up like training and warranty for equipment. Likewise, the CWSRF allows for broad pre-project development, including planning and assessment activities, such as cost and effectiveness analyses, water/energy audits and conservation plans, and capital improvement plans.

13. May recipients use funds for road repairs and upgrades that occur in connection with an eligible water or sewer project?

Yes, recipients may use ARPA funds for road repairs and upgrades directly related to an eligible water or sewer project.

14. May construction on eligible water or sewer infrastructure projects continue past December 31, 2024, assuming funds have been obligated prior to that date?

Yes. Treasury requires all funds to be obligated (which means "an order placed for property and services and entering into contracts, sub-awards, and similar transactions that require payment") by December 31, 2024.

The period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects. Any funds not expended by this date must be returned to Treasury.

15. If the individual service laterals for a municipal sewer system were privately owned, could they be funded by ARPA as well?

Yes. Publicly and privately owned systems are eligible for funding under CWSRF and DWSRF, provided they meet certain standards. Both programs have allowed replacement of privately owned service lines.

16. For water and sewer projects, can local ARPA funds be combined with state ARPA funds or other programs (state or federal) to complete a significant project?

Yes. There is no restriction on a project being funded with ARPA dollars from multiple entities (state, multiple towns, etc.). There is nothing in the IFR that says you cannot use your local ARPA dollars to leverage additional grant dollars, including the state's ARPA funding.

However, if you receive another funding grant that calls for a non-federal match, your local ARPA funding CANNOT be used as that non-federal match, unless the program's rules say otherwise. (Projects funded with ARPA dollars have no match requirements.)