

## Using ARPA money to fund climate mitigation, adaptation, and resilience projects

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*Federal guidance encourages local governments to fund climate-related projects, as long as those projects can be linked back to improvements in the resiliency of certain types of infrastructure.*

### WHAT IS ARPA?

The American Rescue Plan Act of 2021 (“ARPA”), provides \$350 billion in federal funding for state, local, and tribal governments to use to respond to the COVID-19 pandemic and stabilize their local economies. In May, the Department of the Treasury released guidance for expenditure of these funds and signaled that the money can be used for five different purposes<sup>1</sup>:

- Public health programs that mitigate and/or respond to COVID-19
- Economic recovery efforts to assist affected industries/workers
- Replacing lost public sector revenue
- Compensating essential workers with premium pay
- Investing in water, sewer, and broadband infrastructure

### CAN ARPA MONEY BE USED FOR CLIMATE PROJECTS?

Yes. The Treasury and Administration have provided explicit guidance to indicate to local governments that not only are climate projects eligible, but they’re an actively encouraged use of ARPA money.

Climate projects would classify as an eligible use under the fifth category above: infrastructure investment. Specifically, “Treasury encourages recipients to consider green infrastructure investments and projects to improve resiliency to the effects of climate change.”<sup>2</sup>

And while the infrastructure investment category is focused on water, sewer, and broadband infrastructure, climate projects can address broader resiliency concerns that have related impacts to these types of infrastructure. For example, the Treasury specifically suggests projects which “control non-point sources of pollution, improve resiliency of infrastructure to severe weather events, create green infrastructure, and protect waterbodies from pollution.”<sup>3</sup>

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<sup>1</sup> Coronavirus State and Local Fiscal Recovery Funds. U.S. Department of the Treasury. May 2021.  
<sup>2</sup> Coronavirus State and Local Fiscal Recovery Funds, Interim Final Rule. The Federal Register. May 17, 2021.

The key is that local governments must demonstrate a nexus between the proposed climate project and its effects on the resiliency of water, sewer, and/or broadband infrastructure. A huge subset of climate mitigation and adaptation projects meet this standard, making qualifying for ARPA funding a relatively straightforward process. For example, the Interim Final Rule even allows for general pollution mitigation projects on the logic they may have a downstream effect of reducing the burden on water treatment facilities.

### **CAN ARPA MONEY BE USED TO FUND INFRASTRUCTURE PLANNING EFFORTS?**

Yes. In addition to paying for the actual materials, contractors, and other expenses associated with infrastructure, planning and analysis are certainly considered to be a valid investment into infrastructure. No major infrastructure project can be undertaken without substantial planning efforts occurring beforehand, and the Treasury anticipates expenses in this category as well.<sup>4</sup>

### **CAN ARPA MONEY BE USED TO CREATE A CLIMATE ACTION PLAN?**

Yes, ARPA dollars can be used to help make a climate plan. In addition to the general statements encouraging use of ARPA funding to support “investments and projects to improve resilience to the effects of climate change” and support for “efforts to address climate change,” the Interim Final Rule also provides a roadmap to documenting the eligibility of climate-related projects.

Climate plans qualify because they are considered a form of pre-project development. In a list of FAQs, Treasury emphatically stated that pre-project development is an eligible use of ARPA funds. Specifically, planning costs “that are tied to an eligible project, as well as those that are reasonably expected to lead to a project,” are eligible. They provided examples of appropriate pre-project development activities: “planning and assessment activities, such as cost and effectiveness analyses, water/energy audits and conservation plans, and capital improvement plans.”<sup>5</sup>

Climate action plans in nearly all forms are pre-project development activities as they are fundamentally a way to prioritize and plan for multiple capital projects, which certainly falls into the categories of conservation plans and capital improvement plans. Greenhouse gas inventories are also

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<sup>3</sup> Coronavirus State and Local Fiscal Recovery Funds, Interim Final Rule. *The Federal Register*. May 17, 2021.

<sup>4</sup> Overview of Clean Water State Revolving Fund Eligibilities. U.S. Environmental Protection Agency. May 2016.

<sup>5</sup> Coronavirus State and Local Fiscal Recovery Funds: Frequently Asked Questions. U.S. Department of the Treasury. July 19, 2021.

eligible because they analyze energy use and, consequently, are energy audits. Cost-effectiveness analyses, as are present in high-quality climate plans, are specifically listed as suitable uses of ARPA funding.<sup>6</sup> Thus, the components of a climate action plan qualify as eligible uses of ARPA money.

### **WHO IS ALREADY FUNDING CLIMATE PROJECTS WITH ARPA?**

While most communities have yet to fully allocate their ARPA allotment, a number of localities have already earmarked the money for climate purposes:

- Morgan Hill, CA is leveraging ARPA to create a citywide climate action plan
- South Lake Tahoe, CA is using ARPA to analyze potential reach code revisions to help facilitate climate action
- Syracuse, NY intends to develop an Urban Forest Master Plan with ARPA funds
- Gainesville, FL is creating an implementation plan for its climate change and environmental justice initiatives using ARPA
- Pittsburgh, PA is using ARPA funds to plan and execute a program to weatherize and promote renewable energy improvements for low-income homeowners
- Flagler County, FL is using ARPA funds to create and implement a stormwater drainage plan

### **WHAT ELSE SHOULD COMMUNITIES KNOW ABOUT ARPA?**

It can be helpful for public servants to remember that ARPA has two fundamental purposes: (1) to respond to the negative public health & economic effects of COVID-19 and (2) to address systemic inequities that led the pandemic to negatively affect some individuals more than others.<sup>7</sup>

To the extent that local governments can build co-benefits into their climate projects—such as ensuring racial equity, promoting economic development, and strengthening long-term public health outcomes—they will be fulfilling the full legislative intent of ARPA. Thus, a good climate project is a good ARPA project.

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<sup>6</sup> Coronavirus State and Local Fiscal Recovery Funds: Frequently Asked Questions. U.S. Department of the Treasury. July 19, 2021.

<sup>7</sup> Coronavirus State and Local Fiscal Recovery Funds, Interim Final Rule. *The Federal Register*. May 17, 2021.