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FACT SHEET

Governor Quinn Announces \$1 billion Clean Water Initiative to Expand Funding for Waste Water and Drinking Water Projects for Illinois Communities

Q: What is the Clean Water Initiative?

A: The Clean Water Initiative makes \$1 billion available through the Illinois Environmental Protection Agency's (IEPA) State Revolving Fund (SRF), in partnership with the Illinois Finance Authority (IFA), in low-cost loans to local governments for waste water and drinking water capital projects, helping communities comply with U.S. Environmental Protection Agency's (USEPA) guidelines and standards, address critical infrastructure needs and stimulate local economic development across Illinois.

Q: Why is the Clean Water Initiative so important?

A: According to an USEPA assessment, Illinois has the 6th highest need in the nation for waste water infrastructure improvements and the 4th highest need in the nation for drinking water infrastructure improvements. It is estimated that Illinois must invest \$32 billion in its water infrastructure – \$17 billion in waste water projects and \$15 billion in drinking water projects – over the next 20 years to meet this need.

In order for Illinois to remain competitive in the global economy, it must address its aging public water infrastructure needs and maintain high public health and environmental standards.

Currently, IEPA, in partnership with IFA, is working with hundreds of communities throughout Illinois on applications for project funding. However, the current SRF program is limited to providing \$300 million in low-cost loans to local governments annually. The Clean Water Initiative will help IEPA address its application backlog and will make additional funding available for new loan applications. Communities are encouraged to take advantage of this low-cost financing to meet their clean water needs.

Q: Who will benefit from the Clean Water Initiative?

A: The Clean Water Initiative will make additional loan funding available to local governments for waste water and drinking water projects, ultimately, keeping Illinois' water safe and pure for its residents.

According to the U.S. Conference of Mayors and Associated General Contractors of America, a \$1 billion investment in public water infrastructure can support the creation of up to 28,500 jobs, including 9,700 direct construction jobs, 4,600 indirect supplier jobs and 14,200 induced jobs, for pipefitters, plumbers, engineers, carpenters, electricians and other professional trades.

Additionally, bond proceeds from a leveraged program can be used to meet the State match requirement, eliminating the need for additional State appropriations. This will free up Illinois tax dollars for other vital State programs.

Q: How is the Clean Water Initiative funded?

A: Since 1989, IEPA has effectively managed its SRF program, providing more than \$4.3 billion in below market interest rate loans to 472 Illinois communities, without a single defaulted loan. As a result, IEPA has steadily built SRF program equity that will support additional borrowing capacity to stretch Federal dollars and eliminate the need for Illinois dollars to fund the required State match. Program equity was created by (1) annual Federal capitalization grants, which increased dramatically during the Federal stimulus; (2) State match required by the Federal government; and (3) interest repayments on loans, which compound over time.

Using program equity, IFA successfully leveraged the SRF program on behalf of IEPA in 2002 and 2004. These existing SRF bonds have earned an AAA rating with a stable outlook from Fitch Ratings. IFA plans to issue these bonds on a regular basis to help IEPA meet the increasing SRF program demand.

The current uncommitted program equity equals an estimated \$2.2 billion in the form of outstanding loans to be repaid over the next 20 years. This cash flow enables IFA to issue conduit bonds, increasing IEPA's annual lending capacity to \$1 billion for waste water and drinking water projects. Without leveraging the program, IEPA's lending capacity is limited to \$300 million annually, which is not enough to meet Illinois' clean water needs.

The Clean Water Initiative has no impact on the State's General Fund or the State's General Obligation bond rating.

Q: How can communities apply for low-cost loans?

A: Units of local governments, including sanitary districts, seeking low-cost financing for waste water and drinking water capital projects, including sewage treatment plant upgrades, sewers, drinking water treatment plant upgrades, new or replacement water lines and water storage facilities, can find additional information on IEPA's web site at <http://www.epa.state.il.us/water/financial-assistance/state-revolving-fund.html>.
