

Illinois Environmental Protection Agency State Revolving Fund (SRF) Loan Programs

Wastewater, Stormwater and
Drinking Water Infrastructure
Funding Options

Illinois Rural Water Association Training
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IEPA SRF Loan Program Funding Sources

- ▣ Federal Capitalization Grant – USEPA
 - WPCLP FY2021 \$71.87M
 - PWSLP FY2021 \$41.54M

- ▣ State Match – 20% of each grant - state funds.

- ▣ Fund Equity – Loan repayments

- ▣ Bond Proceeds – Sale of revenue bonds

Historical Funding - Combined WPCLP & PWSLP Loan Programs

- ▣ 2018 - 66 Loans - \$733 M
- ▣ 2019 - 95 Loans - \$684 M
- ▣ 2020 - 99 Loans - \$429 M
- ▣ 2021 - 121 Loans - \$566 M
- ▣ 2022 - 104 Loans - \$558 M
- ▣ 2023: Projected - \$855 Million
 - WPCLP - \$515M Available
 - PWSLP - \$340M Available

Future Funding Levels WPCLP & PWSLP Loan Programs

- ▣ After FY2022
- ▣ WPCLP - \$425-450 M
- ▣ PWSLP - \$250-300 M
- ▣ PLUS - Federal Infrastructure Funding
 - Bipartisan Infrastructure Law (BIL)

SRF Loan Programs Interest Rates

“Base Rate” – 50% of previous 12-month average market rate

- ▣ Base Rate FY2019 – 1.84%
- ▣ Base Rate FY2020 – 2.00%
- ▣ Base Rate FY2021 – 1.35%
- ▣ Base Rate FY2022 – 1.11%
- ▣ Base Rate FY2023 – 1.24%
 - Effective July 1, 2022 through June 30, 2023
 - Small Community Rate – 75% of Base Rate (0.93%)
 - Hardship Rate – Flat 1.0%

WPCLP & PWSLP Rule Changes July 1, 2017

Assist Disadvantaged Communities

- ▣ Reduced interest rates/Max 30 year loan term
 - Small Community Rate - 75% of Base Rate
 - ▣ Must have service population less than 25,000 and satisfy one of the three following criteria;
 - MHI less than state average
 - Unemployment rate greater than state average
 - Monthly User Charges greater than 1.0% of MHI
 - Hardship Rate - 1.0% Interest Rate
 - ▣ Must have service population less than 10,000 and satisfy one of the three following criteria;
 - MHI less than 70% of state average
 - Unemployment rate 3.0% greater than state average
 - Monthly User Charges greater than 1.5% of MHI

WPCLP & PWSLP – Principal Forgiveness

- ▣ Both SRF loan programs can offer a reduction to the amount of principal that an applicant would otherwise need to repay for its project. This reduction is called “principal forgiveness”, per federal statute.
- ▣ Principal forgiveness functions much like a grant i.e., eliminating a portion of the principal that the borrower must repay.

PWSLP Principal Forgiveness

Disadvantaged Community Principal Forgiveness

- ▣ Disadvantaged Community Principal Forgiveness
 - If applicant qualifies for the Small Community Rate or Hardship Rate (see Slide 6) they qualify as a “disadvantaged community” and principal forgiveness.

- ▣ Disadvantaged Community Principal Forgiveness
 - FY2020 \$14.5M
 - FY2021 \$18.7M
 - FY2022 \$18.7M
 - FY2023 \$42.5M (Available)
 - Max of \$1,250,000 or 50% of project whichever is less.

PWSLP New Principal Forgiveness Initiative

Small System Compliance Assistance

- ▣ In FY2023 IEPA will make \$1M of Principal Forgiveness (portion of federal cap grant) available for community water supplies with a health-based maximum contaminant level violation. Max of \$500,000 per loan recipient.

- ▣ Eligible applicants must meet the following requirements:
 - IEPA has initiated an enforcement action
 - Median Household Income below state average
 - Serve fewer than 3,300 customers

PWSLP New Principal Forgiveness Initiative

One Well Critical Review

- ▣ In FY2023 IEPA will make \$1.35M of Principal Forgiveness (portion of federal cap grant) available for community water supplies which are only served by one well and are on the Agency's Critical Review list. Max of \$675,000 per loan recipient.

- ▣ Eligible applicants must meet the following requirements:
 - Public water supply must appear on Agency's Critical Review list per 35 Ill. Adm. Code 602.107.
 - Must consider at least 3 alternatives and include a justification of the most feasible alternative.
 - Serve fewer than 3,300 customers

PWSLP New Principal Forgiveness Initiative

Manganese Compliance Assistance

- ▣ In FY2023 IEPA will make \$1.35M of Principal Forgiveness available for community water supplies with a State maximum contaminant level violation for manganese. Max of \$675,000 per loan recipient.

- ▣ Eligible applicants must meet the following requirements:
 - IEPA has initiated an enforcement action
 - Must consider at least 3 alternatives and include a justification of the most feasible alternative.
 - Serve greater than 1,000 but fewer than 3,300 customers

PWSLP Lead Service Line Replacement (LSRL) Principal Forgiveness

- ▣ Lead Service Line Replacement Principal Forgiveness
 - Since 2017 IEPA has provided \$58.8M in principal forgiveness to lead service line replacement projects.

- ▣ Illinois EPA took advantage of the Water Infrastructure Fund Transfer Act (WIFTA) – Transferring \$107.9M from the wastewater to drinking water loan program solely dedicated to LSLR principal forgiveness. Funds must be spent by end of FY2023.
 - FY2023 – Maximum of \$4M per applicant

PWSLP Lead Service Line Replacement (LSRL) Principal Forgiveness

- ▣ As of July 1, 2022
 - \$52.37M of LSLR “WIFTA” funds remain.
 - Projecting all funding to be provided by June 30, 2023
 - Over \$180M worth of LSLR applications in house.

- ▣ What does this mean?
 - Communities should consider the fact that if they have applied for LSLR funding , the available funds may be exhausted before your project can obtain funding.
 - Communities should weigh their options regarding spending money on an engineering study, design, etc. and the funding options they will have for construction activity.

PWSLP Lead Service Line Replacement (LSRL) Principal Forgiveness

- ❑ LSLR Principal Forgiveness will be provided to applicants as they satisfy all necessary requirements of the loan program application process.
- ❑ The Agency will process applications as the required materials are submitted.
- ❑ The Agency will continue to process applications until all LSLR funds are exhausted.
- ❑ If an applicant is not ready to go out to bid when all other loan application requirements have been satisfied, the Agency will move on to the next application to see if they are ready to move forward.

WPCLP Principal Forgiveness Total of \$55.14M FY2022

- ▣ In FY2022, in accordance with Section 365.250(c) of the WPCLP loan rules, the Agency has imposed a cap of \$5,000,000 in principal forgiveness per loan recipient.
- ▣ It is anticipated that a cap on the amount of principal forgiveness any one loan applicant can receive will continue in future fiscal years.

WPCLP Principal Forgiveness Affordability Criteria

- ▣ Per the Clean Water Act the affordability criteria established by each state shall be based on income, unemployment, population trends and other data determined relevant by the State.
- ▣ IEPA's Water Pollution Control Loan Program "affordability criteria" are defined in 35 Illinois Administrative Code Section 365.250(b).

WPCLP Principal Forgiveness Affordability Criteria Per 35 Ill Adm. Code Section 365.250(b)

- ▣ In order to qualify for principal forgiveness a public loan recipient (limited by the CWA) must meet the following requirements;
 - A service population of 30,000 or less, unless the loan applicant's MHI is 70%, or less, of the state average
and
 - Score at least 21 points based on the following criteria (see following slides)

WPCLP Principal Forgiveness Affordability Criteria - MHI Points

Points	MHI as % of Statewide MHI
0	Above 100%
5	95-99.99%
10	90-94.99%
15	85-89.99%
20	80-84.99%
25	75-79.99%
30	70-74.99%
35	65-69.99%
40	60-64.99%
45	55-59.99%
50	50-54.99%
55	45-49.99%
60	0-44.99%

WPCLP Principal Forgiveness Affordability Criteria Population Points

Points	Service Population
5	20,000-30,000
10	15,000-19,999
15	10,000-14,999
20	5,000-9,999
25	2,000-4,999
30	1,000-1,999
35	0-999

WPCLP Principal Forgiveness Affordability Criteria Unemployment and Population Trend Points

Points	Additional Criteria
1	Unemployment rate is greater than the statewide average unemployment rate by one percentage point or more
4	Decrease in service population greater than 5.0% in the last 5 years from the date of the loan application

WPCLP Principal Forgiveness % of Principal Forgiveness Based Upon Total Points

Points	Percent Principal Forgiveness
0-20	0%
21-40	up to 15%
41-60	up to 30%
61-80	up to 45%
81-100	up to 60%

WPCLP New Principal Forgiveness Initiative WWTF Consolidation Compliance Assistance

- ▣ In FY2023 IEPA will make \$2M of Principal Forgiveness available for public loan applicants who own and operate a wastewater treatment facility (WWTF) whose project will result in the elimination of one or more NPDES Permit(s) for a WWTF meeting the following requirements:
 - The Agency has initiated enforcement action against the WWTF being eliminated.
 - The WWTF being eliminated is chronically in significant non-compliance with its NPDES Permit effluent limits.
 - The WWTF being eliminated has an NPDES Design Average Flow of less than one-million gallons per day.
- ▣ No loan recipient can receive more than \$1M of this principal forgiveness in FY2023.

WPCLP New Principal Forgiveness Initiative WWTF Consolidation Assistance

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 - The WWTF being eliminated has an NPDES Design Average Flow of less than one-million gallons per day.
- ▣ No loan recipient can receive more than \$1M of this principal forgiveness in FY2023.

WPCLP New Principal Forgiveness Initiative WWTF Compliance Solution

- ▣ In FY2023 IEPA will make \$1.2M of Principal Forgiveness available for loan applicants who own and operate a wastewater treatment facility whose project would result in the treatment facility coming into compliance with their NPDES Permit. The funded project must occur at a facility meeting the following requirements:
 - The Agency has initiated enforcement action against the WWTF.
 - The WWTF is chronically in significant non-compliance with its NPDES Permit effluent limits.
 - The WWTF has an NPDES Design Average Flow of less than one-million gallons per day.
- ▣ No loan recipient can receive more than \$600,000 of this principal forgiveness in FY2023.

WPCLP Principal Forgiveness

- ▣ WPCLP Principal Forgiveness
 - FY2017 \$9.3M
 - FY2018 \$18.5M
 - FY2019 \$28.5M
 - FY2020 \$22.6M
 - FY2021 \$28.75M
 - FY2022 \$20.14M
 - FY2023 \$55.14M (Projected)

New Initiative – Unsewered Communities Construction and Planning Grants

- ▣ Over 200 communities in Illinois have inadequate or nonexistent wastewater collection and treatment facilities
- ▣ IEPA is making \$100,000,000 in grant funds available for construction - \$20M annually beginning in FY2021
- ▣ IEPA is making \$1M in grant funds available annually beginning in FY2021 for planning activity – maximum of \$30,000 per applicant.

New Initiative – Unsewered Communities Construction and Planning Grants

- ▣ Eligible applicants must be a local government unit as defined in 35 Illinois Administrative Code Part 365. Illinois EPA will prioritize and select projects according to the ranking criteria outlined in the Unsewered Communities Planning Grant Notice of Funding Opportunity (NOFO) and the Unsewered Communities Construction Grant NOFO for each grant opportunity.

New Initiative – Unsewered Communities Construction and Planning Grants

- ▣ The Unsewered Communities Planning Grant (UCPGP) Program NOFO, and all required forms and information, can be found at this link: <https://www2qa.illinois.gov/epa/topics/grants-loans/unsewered-communities/Pages/UCPGP.aspx>.
- ▣ Applications for second round of funding closed on February 23, 2022.

New Initiative – Unsewered Communities Construction and Planning Grants

- ▣ The Unsewered Community Construction Grant Program (UCCGP) NOFO, and all required forms and information, can be found at this link: <https://www2qa.illinois.gov/epa/topics/grants-loans/unsewered-communities/Pages/UCPGP.aspx>.
- ▣ Application window for second round of funding will be announced in Summer/Fall 2022.

New Initiative – Unsewered Communities Construction and Planning Grants

- ▣ An entity may not apply for a grant until the entity has registered and pre-qualified through the Grant Accountability and Transparency Act (GATA) Grantee Portal at the following link: www.grants.illinois.gov/portal. Registration and pre-qualification are required annually.

Bipartisan Infrastructure Law (BIL)

- ▣ Illinois SRF Loan Programs will have the opportunity to apply annually (2022-2026) for up to 5 additional federal capitalization grants:
 - “Supplemental” CWSRF
 - Clean Water Emerging Contaminants
 - “Supplemental” DWSRF
 - Drinking Water Emerging Contaminants
 - Drinking Water Lead

Bipartisan Infrastructure Law (BIL) Illinois Share

- “Supplemental” CWSRF Cap Grants
 - 2022 \$81M – 2026 \$111M
- Clean Water Emerging Contaminants Cap Grants
 - 2022 \$4M – 2026 \$9.5M
- “Supplemental” DWSRF Cap Grants
 - 2022 \$67.7M – 2026 \$92.7M
- Drinking Water Emerging Contaminants Cap Grants
 - 2022 \$28.5M – 2026 \$28.5M
- Drinking Water Lead Cap Grants
 - 2022 \$106.7M – 2026 \$106.7M

Bipartisan Infrastructure Law (BIL) Illinois Share

- “Supplemental” CWSRF Cap Grants
 - 2022 \$81M – 2026 \$111M
 - State required match of 10% 2022/23 & 20% 2024-26
 - 49% of cap grant to be provided as principal forgiveness
- “Supplemental” DWSRF Cap Grants
 - 2022 \$67.7M – 2026 \$92.7M
 - State required match 10% 2022/23 & 20% 2024-26
 - 49% of cap grant to be provided as principal forgiveness

Bipartisan Infrastructure Law (BIL) Illinois Share

- Clean Water Emerging Contaminants Cap Grants
 - 2022 \$4M – 2026 \$9.5M
 - No State required match
 - 100% of cap grant to be provided as principal forgiveness
- Drinking Water Emerging Contaminants Cap Grants
 - 2022 \$28.5M – 2026 \$28.5M
 - No State required match
 - 100% of cap grant to be provided as principal forgiveness
- Drinking Water Lead Cap Grants
 - 2022 \$106.7M – 2026 \$106.7M
 - No State required match
 - 49% of cap grant to be provided as principal forgiveness

Information / Questions?

- ▣ The Illinois EPA Website is periodically updated with new program information and links to forms and documents needed to execute a full and complete loan application.
- ▣ <https://www2.illinois.gov/epa/topics/grants-loans/state-revolving-fund/Pages/default.aspx>
 - ▣ Financial Assistance Section – 217-782-2027
 - ▣ Gary.Bingenheimer@Illinois.gov