



# REGULATORY NOTIFICATION: Funding for LSLR under Illinois PWSLP

February 15, 2023  
Page 1 of 2

In December 2022, the Illinois EPA announced a draft proposed rule for Public Water Supply Loan Program (PWSLP) funded lead service line replacement (LSLR) projects. The rule will be added to 35 Ill. Adm. Code as Section 663 and will undergo a public comment period before being finalized in 2023. The procedures are similar to the existing procedures for loans from the PWSLP (Section 662) with the addition of several specific requirements and procedures. The key highlights of the proposed rule are as follows:

- The new rule governs the distribution of Bipartisan Infrastructure Law (BIL) LSLR funds. Until the new rule is adopted, which is currently projected for first use in the FY24/25 funding cycle (July 1, 2024 – June 30, 2025), BIL funds will be distributed using the existing PWSLP rules (Section 662).
- The BIL LSLR funding is approximately \$107M annually for 5 years.
- 49% of the BIL LSLR funding needs to be distributed through 100% Principal Forgiveness loans to Disadvantaged Communities. The IEPA will set caps to the amount of money a CWS can receive. The availability, amounts, limitations, and method of distribution for any principal forgiveness loan amount will be determined by the director of the Agency (IEPA).
- 51% of the BIL LSLR funding will be distributed via no interest loans. Each loan will have a 0% interest rate and a repayment period of 30 years or up to 40 years for Disadvantaged Communities.
- The definition of a Disadvantaged Community is “A community water supply system which has a lead service line inventory in accordance with 17.12(d) of the Act, has lead service lines that need replaced, and has submitted an application for funding for a project which is located in an **area** where the median household income (MHI) is less than 100% of the state average median household income.” Project areas will be defined by the census tract(s) the project is within. The current Illinois average median household income is \$72,563<sup>1</sup>.
- Only projects on the IEPA **Project Priority List** will receive funding. To be placed on the Project Priority List, projects must submit a funding nomination form and have an approved Project Plan before March 31<sup>st</sup> of the previous year.
- Only LSLR projects or associated activities directly connected to the identification, planning, design, and replacement of lead service lines are eligible for this funding.
- Projects will be scored and ranked on the Project Priority List using the loan priority scoring method. The geographic boundaries of the project determine the census information used for the following scoring categories:
  - Median Household Income
  - Houses Built Pre-1990
  - Children under age 6
  - Unemployment Rate
  - Poverty Rate
  - Social Security Rate
  - Supplemental Security Income
  - Minority Rate
  - Limited English-Speaking Household

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<sup>1</sup> The data source set by IEPA for MHI and other loan scoring categories is from the American Community Survey 5-year estimate via [data.census.gov](https://data.census.gov).



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Each scoring category is assigned a total number of possible points. The following table provides the maximum points and corresponding weight of each category in the overall score:

Scoring Category	Maximum Points	% of Total Points
MHI	100	19%
Houses Built Pre-1990	80	15%
Children Under Age 6	80	15%
Unemployment Rate	45	8%
Poverty Rate	45	8%
Social Security Rate	45	8%
Supplemental Security Income	45	8%
Minority Rate	45	8%
Limited English-Speaking Household	45	8%

Total Possible Points = 530

Loan recipients can calculate their anticipated loan scores by using the data found at [data.census.gov](https://data.census.gov) and clicking “Maps” → “Geography” → “Census Tract”. Exact scoring for projects within multiple census tracts is unknown, but is expected to be an average, or weighted average, of the data for each contiguous census tract within the project. More information on census tract data can be found in the document titled “Census Metric Definitions” at <https://www2.illinois.gov/epa/public-notice/Pages/general-notice.aspx>.

Due to the fact that only 49% of the \$107M of BIL money will be issued as principal forgiveness loans, it is assumed the competition level for the principal forgiveness loans will be high. Communities should consider submitting projects within areas that will maximize their scoring potential. Communities who submit projects within census tracts that are above the statewide median household income are not eligible for principal forgiveness loans. They are, however, eligible for the interest free loans from the remaining 51% of the BIL funds. If a community does not score high enough to obtain BIL funded loans, then the next option is to obtain a low interest loan from the standard loan program pool of money.

As stated, the IEPA will utilize the existing rules to distribute BIL funds until the new rules are passed. Since it seems unlikely the new rules will be passed before the FY23/24 funding cycle (July 1, 2023 – June 30, 2024) is initiated, the existing rules will define BIL funded loan distributions for the upcoming funding cycle. It should be noted a community with a median household income above the state average and/or a community with a population greater than 25,000 do not meet the existing rules disadvantaged community definition.

The Illinois EPA will accept written public comments until February 17, 2023. Comments should be submitted to [EPA.663rulemaking@illinois.gov](mailto:EPA.663rulemaking@illinois.gov). All comments, including proposed alternative language, received by IEPA will be considered prior to the Agency filing the proposed rule in the Illinois Register.

Upon request, EEI can provide a more detailed summary of the proposed legislation. For more information, please contact Kristen Meehan at [kmeehan@eeiweb.com](mailto:kmeehan@eeiweb.com) or (630)466-6787.