



REGULATORY NOTIFICATION: Funding for LSLR under Illinois PWSLP

September 7, 2023
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On August 16, 2023, the IEPA released the Illinois Register publication and public comment period of the new procedures for issuing loans from the Public Water Supply Loan Program (PWSLP) to provide funding for Lead Service Line Replacement (35 Ill. Adm. Code 663). The published rule comes after the IEPA previously released a draft proposed rule in December 2022. The key highlights of the rule are as follows (**bold** items are additions or changes to the rule since it was originally proposed in December 2022):

- 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 for FY23/24 and \$230M for FY24/25.
- 49% of the BIL LSLR funding needs to be distributed through 100% Principal Forgiveness loans to Disadvantaged Communities. The IEPA will set caps on 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. **A disadvantaged community determination will be made for each application submitted to the Agency.**” The current Illinois average median household income is \$72,563¹.
- Project areas will be defined by the census tract(s) the project is within. **If more than one census tract is identified for the project area, the percentile rank of each scoring metric will be determined for each census tract within the project area. The average of the percentile ranks for the census tracts will be calculated and used as the basis for determining the points awarded in each category.**
- **References to Green Infrastructure and the Green Project Reserve requirements were removed from this rule.**
- **Under the “Projects and Activities Eligible for Assistance” section the following statement was removed: “The private portion of a lead service line replacement must be at no additional cost to the homeowner.” The rule still requires the entire lead service line to be replaced, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source.**
- **A categorical exclusion was added to the State’s environmental review process. Under the new rule, IEPA will undertake a preliminary environmental review of the project to determine whether the project qualifies for a categorical exclusion or a detailed environmental review. If the IEPA determines the project has no potential for negative environmental impacts, a Categorical Exclusion document is provided to the applicant and must be published for a public comment period of 10 days.**

¹ 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.



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- 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 31st 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. Each scoring category is assigned a total number of possible points. The following table provides the maximum points and corresponding weight of each census metric category in the overall score:

Scoring Category	Maximum Points	% of Total Points
MHI	100	22%
Children Under Age 6	80	18%
Unemployment Rate	45	10%
Poverty Rate	45	10%
Social Security Rate	45	10%
Supplemental Security Income	45	10%
Houses Built Pre-1990	80 45	10%
Minority Rate	45	8%
Limited English Speaking Household	45	8%
Lead Service Line Burden	45	10%

Total Possible Points = 450

Minority Rate and Limited English Speaking Household have been removed as scoring categories and “Lead Service Line Burden” has been added. Lead service line burden is based on the total number of lead service lines as a percentage of all water service lines reported in the Material Inventory.

Loan recipients can calculate their anticipated loan scores by using the data found at data.census.gov and clicking “Maps” → “Geography” → “Census Tract”. 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 \$230M of BIL money for FY24/25 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 that 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.

The Illinois EPA will accept written public comments on the new procedures until September 25, 2023. Comments should be submitted in writing to: Stephanie Flowers at Stephanie.flowers@illinois.gov.

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