

equipment and appurtenances. To qualify, a community water system must document lead service lines are connected to its system.

Illinois EPA took advantage of the Water Infrastructure Fund Transfer Act which temporarily expands the Clean Water to Drinking SRF transfer authority specifically to address lead-related threats to public health. This transfer resulted in \$107,892,848 being transferred to the PWSLP to provide funding in the form of principal forgiveness for complete lead service line replacement activity. The \$107,892,848 in LSLR principal forgiveness will be available to loan recipients through FY2023 until the allotted funds are expended. The Illinois EPA expects the funds to be full expended by June 30, 2023.

Disadvantaged Community Principal Forgiveness - Section 1452 of the SDWA requires states to provide a minimum of 12% (\$1,798,200) and a maximum of 35% (\$5,244,750) of its annual available Capitalization Grant funds to provide subsidization, in the form of principal forgiveness, for loan recipients who meet the definition of a “disadvantaged community”. In addition to the “base DWSRF” capitalization grant the Agency will be receiving a “supplemental DWSRF” capitalization grant in the amount of \$63,895,000 and 49% of this grant, or \$31,308,550, must be provided as subsidization, in the form of principal forgiveness, for loan recipients who meet the definition of a “disadvantaged community”. The PWSLP can provide a maximum of \$36,553,300 as Disadvantaged Community Principal Forgiveness. The PWSLP’s definition of a disadvantaged community per 35 Ill. Adm. Code Part 662 “Procedures for Issuing Loans from the Public Water Supply Loan Program” is as follows.

Disadvantaged Community – A public water supply owned by a local government unit or not-for-profit water corporation that qualifies for either the Small Community Rate or Hardship Rate as defined in Section 662.210.

Section 662.210 of the Loan Rules detailing the criteria by which a loan applicant qualifies for the Small Community Rate or Hardship Rate is also listed on pages 15-16 of this document.

For FY2024, all loan recipients which meet the definition of a disadvantaged community qualify for disadvantaged community principal forgiveness. The maximum amount of disadvantaged community principal forgiveness provided to any loan recipient will be equivalent to 50% of the initial loan amount (exclusive of costs related to, and eligible for, lead service line replacement principal forgiveness) up to a maximum of \$1,650,000. No loan recipient shall receive more than \$1,650,000 in disadvantaged community principal forgiveness in FY2024.

In addition to the subsidization required to be provided by the SDWA, the federal Capitalization Grant as a result of the annual appropriations act requires that 14% (\$2,097,900) of the available funds may be used to provide additional subsidization for eligible loan recipients in the form of principal forgiveness (“appropriation” principal forgiveness). Use of these funds and eligibility is determined by each state. The Illinois EPA will divide a portion of the “appropriation” principal forgiveness into two segments, making \$1,048,950 available for Small System Compliance Assistance principal forgiveness, \$1,048,950 available for One Well Critical Review principal forgiveness. Any of the unused

“appropriation” principal forgiveness will be provided as Disadvantaged Community principal forgiveness.

Small System Compliance Assistance Principal Forgiveness – Illinois EPA will make \$1,048,950 in principal forgiveness available for applicants whose project will address a health-based MCL violation. Eligible projects must result in the system with a history of health-based violations returning to compliance with Safe Drinking Water Act regulations. Eligible projects must address a situation where a community water supply meets the following requirements:

- 1) The Agency has issued a Violation Notice to the community water supply (CWS) under Section 31 of the Illinois Environmental Protection Act (Act) or has initiated an enforcement action against the CWS under Section 43 of the Act.
- 2) The CWS whose situation is being resolved must serve fewer than 3,300 customers.

Illinois EPA will make \$1,048,950 in principal forgiveness available for these projects in FY2024. Applicants will be scored and ranked for priority in accordance with 35 Ill. Adm. Code 662.345. No applicant can receive more than \$524,475 in small system compliance assistance principal forgiveness.

If small systems compliance assistance principal forgiveness funding is not expended, it may be used to provide disadvantaged community principal forgiveness. Loan recipients may receive both disadvantaged community principal forgiveness and small systems compliance assistance principal forgiveness. When applicable, Illinois EPA will first apply the disadvantaged community principal forgiveness to a project, up to the maximum amount allowed, and then apply the small system compliance assistance principal forgiveness, up to the maximum amount.

One Well Critical Review Principal Forgiveness – Illinois EPA will make \$1,048,950 in principal forgiveness available for projects which address CWS which are only served by one well and are on the Agency’s Critical Review list per 35 Ill. Adm. Code 602.107. Eligible projects must address a situation where a community water supply meets the following requirements:

- 1) The CWS system must appear on the Agency’s Critical Review list per 35 Ill. Adm. Code 602.107, and the project will result in removal from the Critical Review list.
- 2) Loan Applicant’s Project Plan must consider at least three alternatives and include a justification of the most feasible alternative that is based upon financial considerations, operational requirements, operator qualifications, reliability, and water quality considerations per 35 Ill. Adm. Code 602.225(d).

Illinois EPA will make \$1,048,950 in principal forgiveness available for these projects in FY2024. Projects will be scored and ranked for priority in accordance with 35 Ill. Adm. Code 662.345. No applicant can receive more than \$524,475 in one well critical review principal forgiveness.

If one well critical review principal forgiveness funding is not expended, it may be used to provide disadvantaged community principal forgiveness. Loan recipients may receive both disadvantaged community principal forgiveness and one well critical review principal forgiveness. When applicable, Illinois EPA will first apply the disadvantaged community principal forgiveness to a project, up to the maximum amount allowed, and then apply the one well critical review principal forgiveness, up to the maximum amount.