

State of Illinois
Water Pollution Control Loan Program
Supplemental Intended Use Plan Pursuant to the
American Recovery and Reinvestment Act of 2009
Final Intended Use Plan

A. Introduction

The purpose of this Intended Use Plan (IUP) is to fulfill the requirements of Section 606(c) of Title VI of the Water Quality Act of 1987 which amends the Federal Clean Water Act (CWA) and the American Recovery and Reinvestment Act of 2009 (ARRA) as a prerequisite for award of a federal grant to the Illinois Environmental Protection Agency (Agency) for capitalization of the State Revolving Fund from funds provided under the ARRA for use in the Water Pollution Control Loan Program (WPCLP).

The IUP requirements under the ARRA and CWA are as follows:

1. A list of the projects proposed for construction on the State Priority List, including a description of the project and the expected terms of financial assistance;
2. A description of the short and long term goals associated with ARRA funding, existing loan funds and the WPCLP;
3. A description of the financial status of State loan funds, along with assurances and specific proposals for meeting certain requirements of the ARRA and capitalization grant agreements; and
4. The criteria and methods established for the distribution of funds.

In addition, the ARRA provides that “notwithstanding the priority they would otherwise receive.....priority for funds appropriated...shall be given to projects on a State priority list that are ready to proceed to construction within 12 months of the date of enactment of this Act.” In practice, projects on the State Priority List will be further and primarily prioritized based on readiness to proceed to construction, with factors influencing the Green Project Reserve and the provisions included in the Procedures and Requirements for Determining Loan Priorities for Municipal Wastewater Treatment Works as contained in 35 Ill. Adm. Code Part 366 considered to the maximum extent practicable.

This IUP will serve as a planning document for explaining the activities that are anticipated for ARRA funding.

B. Long Term Goals (5-Year Timeframe)

1. To provide a stable and perpetual financing source for POTWs and collection systems in the State and to commit all available loan resources to these eligible loan applicants;

2. To provide financing for municipal wastewater treatment facilities to attain and maintain compliance with State and federal wastewater treatment requirements;
3. To provide financial assistance to all types of projects eligible under the Clean Water Act and the State enabling legislation;
4. To provide financial assistance to local government units at interest rates significantly below those offered on the open market;
5. To maintain the integrity of the Water Revolving Fund;
6. To continue the development of the Fund as a major financial vehicle for achieving compliance with State and federal law, to explore the expansion of eligibility to address issues of water efficiency, energy efficiency, green infrastructure and non-point source pollution projects and to develop new eligibility requirements to accommodate expanded eligibilities in the base SRF program; and
7. To contribute to the long-term recovery of the economy by creating and preserving sustainable jobs in communities across the state.

C. Short Term Goals (ARRA/FY2009)

1. To provide funding to all eligible projects, to the extent that applications are completed and funds are available;
2. To commit all available loan resources to eligible loan applicants;
3. To provide total additional loan subsidization to loan recipients in an amount not less than 50% of total supplemental funds provided under the ARRA;
4. To provide support for projects or project components focused on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities”, and to commit not less than 20% of supplemental funds provided under the ARRA to projects meeting the definitions developed there under; and
5. To manage a program that provides applicants with a streamlined approach to financing wastewater treatment works projects, consistent with time constraints imposed for the use of ARRA funds.
6. To provide funding to projects that will maximize job creation and economic benefit in communities across Illinois.

D. Program Characteristics

1. Water Pollution Control Loan Program – The Illinois program will continue to consist of loans to units of local government for construction of new wastewater collection and treatment facilities, upgrade and expansion of existing facilities, replacement, upgrade or

extension of collection systems and interceptors, and separation or upgrade of combined sewer systems to eliminate surcharges, overflows or flooding.

Monies available through supplemental appropriations provided under the ARRA will be managed separately as a “program within a program” under emergency rules established to govern the distribution of those funds. Loan recipients shall repay loans provided at a fixed loan rate of 0.0%, and 50% of the principal disbursed under the respective loan agreements will be forgiven, pursuant to additional subsidization requirements contained in the ARRA. The funding provided under the ARRA to any single entity will be limited to 50% of eligible project costs, or \$10,000,000, whichever is less.

Existing WPCLP loan funds for FY2009 will be utilized in conjunction with loans provided under the ARRA to provide additional financing opportunities, subject to the availability of funds, for projects limited by funding eligibility caps established for ARRA program funds. These existing loan funds will be directed to ARRA projects for costs over and above ARRA cap levels: (50% of costs up to \$10,000,000). Loan recipients shall repay WPCLP loans committed separate from, or in conjunction with, an ARRA loan agreement at a fixed loan rate of 0.0% until such time as supplemental funds provided under the ARRA are exhausted. The IEPA intends to commit all ARRA funding by September 30, 2009 and expects a transition back to standard interest rates in the FY 2010 program. There will be no midstream interest rate adjustments in the ARRA/WPCLP program.

Loan awards have a maximum term of 20 years from the initiation of operation, with initial repayments of principal to commence within one year of the initiation of operation as determined by the terms of each Loan Agreement.

2. Leveraged Bond Proceeds – The resources of the WPCLP may be utilized as security for the sale of bonds, the proceeds of which would be deposited into the Fund to supplement State and federal capitalization funds and repayment funds, or to serve as the source for State matching funds for federal capitalization grants in future years.

E. Assurance of Specific Proposals

Pursuant to Section 606(c)(4) of the CWA, the IEPA has provided the necessary assurances and certifications as part of the official Operating Agreement between the IEPA and USEPA and as part of the FY 2009 Intended Use Plan.

Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), the IEPA provides additional certification as follows:

1. The IEPA will enter into binding commitments equal to 100% of the amount of funds provided under the ARRA within one year of the date of enactment of the ARRA (February 17, 2010). Binding commitments will be executed at such times as to assure that projects funded are under contract or construction within 12 months from the date of enactment of the ARRA (February 17, 2010).

2. The IEPA will utilize not less than 50% of supplemental funds provided under the ARRA to provide additional loan subsidization, in the form of principal forgiveness terms, to loan recipients and hereby certifies that State legislation passed by the Illinois General Assembly on April 28, 2009 (Public Act 96-8), in conjunction with emergency administrative rules filed by the IEPA and effective on June 2, 2009 (35 IAC, Part 369), will provide adequate authority to execute such principal forgiveness terms within a timeframe adequate to implement the terms of assistance under the PWSLP.
3. To the extent that there are sufficient eligible applications, the IEPA will utilize not less than 20% of supplemental funds provided under the ARRA for the “Green Project Reserve” as required by the Act, and will provide binding loan commitments to projects or project components focused on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities” under definitions developed for this purpose by the USEPA. The IEPA is currently evaluating projects on the State Priority List (Attachment A) and other projects that may gain eligibility for inclusion on the State Priority List to determine which ones qualify, in whole or in part, to be included in the Green Project Reserve. This includes the evaluation of stand-alone applications that have been received to determine eligibility. If the 20% reserve cannot be accommodated by eligible applications received, the IEPA will continue to solicit additional applications, as necessary, until the 20% target for the Green Project Reserve is met.
4. The IEPA will comply with all statutory requirements of the ARRA and with requirements promulgated through guidance or regulations issued by the USEPA, including wage requirements and procurement requirements specifying the use of goods produced in the United States for infrastructure projects financed through the ARRA.
5. The IEPA will expend all monies available under the ARRA and WPCLP in an expeditious and timely manner.

F. Criteria and Method for Distribution of Funds

1. Financial Assistance Limitation – Under emergency rules established to govern the distribution of ARRA funding amounts, the State of Illinois will restrict the amount of ARRA financial assistance provided to any single entity to a maximum of 50% of eligible project costs, or \$10,000,000, whichever is less. This regulation reflects the intent of the State to fund as many worthwhile projects as practicable from the limited available resources.

Notwithstanding financial assistance limitations imposed under ARRA regulations, project costs above those limitations will be eligible for assistance under the existing WPCLP as funds are available. In those instances where total project needs exceed the limitations of available funding, applicants will be encouraged to break a project into multiple segments for phased loan assistance, constructing first those project elements most significant in attaining or maintaining compliance objectives and reserving eligibility for future years as loan funds become subsequently available.

2. State Priority List Development - The State Priority List (Attachment A) identifying eligible applicants for assistance under this Intended Use Plan and the ARRA is submitted as a component of this IUP. The State Priority List is based on and includes all projects that appear on the previously established FY2009 Project Priority List (PPL), plus any project with approved project planning that was added to the FY2009 PPL pursuant to State rules. All projects currently appearing on the State Priority List have been ranked and scored in accordance with the provisions of 35 Illinois Administrative Code Part 366, "Procedures and Requirements for Determining Loan Priorities for Municipal Wastewater Treatment Works". The State Priority List scores and ranks projects within four project categories, including: Service Continuation Projects that improve, upgrade, rehabilitate, renovate, and/or replace wastewater treatment works; Service Expansion Projects that propose to expand the capacity of existing wastewater treatment works; New Service Projects which will provide wastewater collection, transportation and treatment for an unsewered local government unit; and Combined Sewer Service Projects involving construction in a combined sewer service area to reduce or eliminate basement flooding.
3. A subset of the State Priority List (Attachment A) is incorporated as the IUP List (Attachment B) for purposes of this Intended Use Plan. Projects included on the IUP List are simply those that have the highest priority rank relative to other eligible projects within the limits of available funds allocated to each project class and currently qualifying pre-applications. In accordance with the provisions of 35 Illinois Administrative Code Part 365, "Procedures for Issuing Loans from the Water Pollution Control Loan Program", and the emergency rules established to govern the implementation of ARRA programs in Illinois (35 IAC, Part 369), loan funds will not be reserved for projects included on the State Priority List or the IUP List after April 1, 2009 until they are ready to proceed to construction based on the completion of all applicable loan applicant elements. Funds may be awarded to any project on the State Priority List that accomplishes a full and complete loan application, and projects will be funded in the order in which applications are completed, with factors influencing the Green Project Reserve and provisions included in the Procedures and Requirements for Determining Loan Priorities for Municipal Wastewater Treatment Works as contained in 35 Ill. Adm. Code Part 366 considered to the maximum extent practicable in cases where funding availability may be limited. The IEPA reserves the right to bypass eligible projects as required to meet the 20% Green Project Reserve requirement as set forth in federal law.
4. Per State rule (35 IAC, Part 366), a project may be added to the State Priority List (Attachment A) at any time during the year upon obtaining Agency approval of its Facilities Plan, provided a pre-application was submitted for the project on or before April 2, 2009 that indicates a construction start date in calendar year 2009. Eligible projects with approved Facilities Plans will be scored and ranked for priority and added to the State Priority List from time to time, with up-to-date copies of the priority list posted on the IEPA website at <http://www.epa.state.il.us/water/financial-assistance/economic-stimulus/index.html> and available upon request throughout the year. These belated additions will be eligible for assistance under the ARRA and the WPCLP and funds may be awarded to any project on the State Priority List that accomplishes a full and complete loan application, subject to the availability of funds. Factors influencing the Green Project Reserve and provisions included in 35 IAC, Part 366 will be considered to the maximum extent practicable in cases where funding availability may

be limited. The IEPA reserves the right to bypass eligible projects as required to meet the 20% Green Project Reserve requirement as set forth in federal law

5. The IEPA's "WPCLP ARRA Comprehensive State Funding List" is included for informational purposes as Attachment C to this IUP. The Comprehensive State Funding List was developed on the basis of pre-applications submitted to the Agency prior to April 2, 2009 and as such represents a listing of those entities that have overtly identified themselves as being potential loan applicants for ARRA and Water Pollution Control funds in federal fiscal years 2009 and 2010. It is important to note that projects included on the Comprehensive List will not be eligible for ARRA or PWSLP funding until such time as they have achieved Project Plan approval and have been scored and ranked for priority in accordance with the requirements of those programs. At that time they will be added to the State Priority List (Attachment A), with all projects securing funding drawn from the State Priority List upon completion of all loan application elements.
6. Letters of Commitment – When an application for loan assistance is completed to the satisfaction of the IEPA, the IEPA may issue a Letter of Commitment to reserve existing or anticipated available funds for a project pending completion of the bidding process by the loan applicant. Letters of Commitment for projects funded from the State Priority List pursuant to the ARRA shall not extend beyond February 2, 2010.
7. Binding Commitments – Binding commitments for loan awards are entered into at the time a loan applicant accepts a loan offer and issues a Notice to Proceed on a construction contract identified in the Loan Agreement. Binding commitments for projects equal to 100% of the ARRA funds provided will be made in such a way as to assure that all projects funded are either under contract or have initiated construction prior to February 17, 2010.

G. Available Loan Resources

The American Recovery and Reinvestment Act of 2009 (ARRA) contains a supplemental appropriation of \$4.0 billion in federal funds as the national allocation for the Clean Water State Revolving Fund (CWSRF). The State of Illinois share of that amount based on the allocation formula applied by Congress is \$177,243,100. The standard 20% State match requirement for the CWSRF is waived by the ARRA, making the total of new capitalization funds available the State's funding share of \$177,243,100.

In addition, the IEPA will target funds available for FY2009 under the existing WPCLP program to provide additional funding opportunities for projects limited in FY 2009 by funding caps established for the purpose of managing project demand under the ARRA. These available funds include prospective capitalization grant funding for FY2009, loan program repayments and funds carried over as uncommitted from the FY2008 WPCLP funding period. A summary of total available funding is as follows:

Anticipated Funding Available for ARRA Projects

FY2008 Carry-Over Funds

\$74,136,947

FY2009 Capitalization Funds*	\$30,775,900
FY2009 State Match*	\$ 6,155,180
FY2009 Loan Repayments	\$125,000,000
Less 5%: For Cost Increases on Subtotal	<u>(\$11,803,401)</u>
SUBTOTAL	\$224,264,626
ARRA Capitalization Funds	<u>\$177,243,100</u>
TOTAL	\$401,507,726

*Prospective

Administrative funding for the program will be withheld from Fund equity, and will total \$7,089,700 from ARRA funds and \$1,231,036 from FY2009 capitalization funds, amounts that will be factored into the calculation of future available ARRA loan repayment funding.

The demand for loan funds from supplemental funds provided under the ARRA will exceed the capitalization funds available and the IEPA will establish restrictions on the amount of ARRA financial assistance available to any single entity: a maximum of 50% of eligible project costs, or \$10,000,000, whichever is less. This restriction reflects the intent of the State to fund as many worthwhile projects as practicable from the limited available resources. In those instances where total project needs exceed the limitation, applicants will be encouraged to break a project into multiple segments for phased loan assistance, constructing first those project elements most significant in attaining or maintaining compliance objectives.

Existing WPCLP loan funds for FY2009 will be utilized in conjunction with loans provided under the ARRA to provide additional financing opportunities, subject to the availability of funds, for projects limited by the funding eligibility caps established for ARRA program funds. Loan recipients shall repay WPCLP loans committed separate from, or in conjunction with, an ARRA loan agreement at a fixed loan rate of 0.0% until such time as supplemental funds provided under the ARRA are exhausted. The total of WPCLP loan funds available for FY2009 was \$199,136,947 effective October 1, 2008. In addition, the IEPA expects to access available capitalization funds totaling \$33,226,000 for FY2009 prior to the end of the fiscal year, providing an additional \$39,871,200 (includes state match) for loans and loan program administration in FY2009 and future years. An application for those capitalization funds will be submitted following the approval of state bond authorization increases and state matching fund appropriations required to access those funds. That approval is widely anticipated for July 13, 2009. The IEPA intends to commit all ARRA funding by September 30, 2009 and expects a transition back to standard interest rates in the FY 2010 program. There will be no midstream interest rate adjustments in the ARRA/PWSLP program.

H. CWSRF Benefits

The IEPA will report the data required by the USEPA into the Clean Water Benefits Reporting System for each ARRA project.

I. Reporting Requirements

The IEPA will provide the USEPA on an annual basis with information on units of local government that receive loans in accordance with Title VI requirements. In addition, the IEPA will comply with the required frequency for reporting requirements included in Section 1512 of the ARRA and in guidance provided by the USEPA.

J. Administrative Costs

As noted previously, \$7,089,700 from Fund equity will be reserved for program administration from supplemental funds provided under the ARRA.

K. Public Review and Comment on the Intended Use Plan

The IEPA has sought public participation in the development of ARRA program plans from the moment it was clear that Congress would pass some form of economic stimulus package during the 2009 session. Agency technical and financial assistance personnel have spoken on the provisions of the ARRA and the State's intent to implement emergency rules and ARRA procedures at a variety of statewide and local conferences involving local government leaders and wastewater treatment administrators, and have invited suggestions from the public. Representatives of professional, governmental, and trade associations involved with wastewater planning and policy in Illinois have been very instrumental in formulating proposed State policies regarding this loan assistance program.

This Intended Use Plan and the accompanying State Priority List, IUP List and WPCLP ARRA Comprehensive State Funding List were made available on April 6, 2009 on the IEPA website for public comment through a public notification process, followed by a 21 day comment period. The IEPA website can be accessed through the following link:

<http://www.epa.state.il.us/water/financial-assistance/economic-stimulus/index.html>

List of Attachments

- Attachment A - State Priority List in Rank Order for ARRA/WPCLP Projects
- Attachment B - IUP List in Rank Order for ARRA/WPCLP projects
- Attachment C - WPCLP ARRA Comprehensive State Funding List in Alpha Order
- Attachment D - Glossary of Wastewater Abbreviations for State Priority List

Attachment D
FY 2009 Wastewater State Priority List
Glossary of Wastewater Abbreviations

- STP Sewage treatment plant
- CS Combined Sewer
- CSO Combined Sewer Overflow
- L S Lift Station
- LS & FM Lift Station and Forcemain
- Sludge Handling Sludge Handling Facilities
- Ext Extension
- Rehab Rehabilitation
- Exp Expansion