Illinois

Overview – Innovative Finance Opportunities for Nutrient Reduction

Illinois presents a significant opportunity to use its Nutrient Loss Reduction Strategy (NRLS) and critical watershed work groups to connect producers with sources of alternative funding, including development of CWSRF-related projects. The Clean Water State Revolving Fund (CWSRF) and Section 319 Funding along with USDA funds are the main sources of funding for nutrient management in Illinois. The Illinois Nutrient Loss Reduction Strategy aims to help reduce nutrients from agricultural sites. The strategy creates watershed study groups, and provides education and technical tools for applicants to implement nutrient reduction projects using primarily USDA funding. **There are opportunities for Illinois to reserve some CWSRF funding to implement more projects proposed by farmers and local soil and water conservation districts working with the Nutrient Loss Reduction Strategy.**

Nutrient Loss Reduction Strategy—Focus for Funding and Outreach

Illinois has adopted a Nutrient Loss Reduction Strategy (NLRS) in response to EPA's Gulf Hypoxia Action Plan. The strategy covers agricultural, storm water, and point source pollution. As part of the strategy, working groups were established to oversee implementation and biennial reporting. The Agricultural Water Quality Partnership Forum, for example, implements the agriculture non-point source portion of the strategy and reports that $55 million was spent on "research, outreach, implementation, and monitoring" including targeting of CRP and CREP programs for some nutrient reduction projects affecting 400,000 acres (NLRS Biennial Report, 2015-2017). In conjunction with the NLRS, the Illinois Department of Agriculture and local soil and water conservation districts administer the Partners for Conservation cost-share program. The program supplements NRCS cost-share funding and provides financial and technical incentives for landowners for construction or adoption conservation practices such as nutrient management (Illinois NLRS Biennial Report, 2017).

In addition, watershed groups have been forming to address local water quality concerns. These groups include the Fox River Study Group, Hickory Creek Watershed Workgroup, DuPage River Salt Creek Workshop, North Branch Chicago River Watershed Workgroup, Des Plaines River Watershed Workgroup, Lower DuPage Watershed Coalition, and the Lower Des Plaines Watershed Workgroup.

Illinois Clean Water State Revolving Fund

Illinois Clean Water State Revolving Fund (S.S. Section 19.3) funds the Water Pollution Control Loan Program for wastewater and storm water related projects. Anticipated funding in the Intended Use Plan for approved projects is $572 million (including projects carrying over from FY2018). However, applicants requested $1.5 billion in funding, including incomplete applications (Illinois IUP FY2019). The Illinois EPA uses a funding ceiling of $450,000,000 in order to "maintain financial health of the Fund." The program anticipates a FY2018 capitalization grant of $72.6 million (Illinois IUP FY2019). The loans are primarily for wastewater treatment upgrades, drainage systems, publicly owned water treatment works, and other construction needs. The priority ranking is outlined in 35 Illinois Administrative Code 366.104. **While CWSRF funding is available for nonpoint source projects, and substantial funding is devoted to streambank rehabilitation and green infrastructure, there is currently no mechanism to rank nutrient reduction projects on or near agricultural land. The Illinois EPA plans on revising the priority scheme in the regulations for FY2020** (Illinois IUP FY2019). There has not been a project done under the Illinois CWSRF for point source dischargers to sponsor or adopt a nonpoint nutrient control project.

Funding of sewage treatment activities may be linked to permit conditions that affect other types of nutrient reduction. The DuPage River Salt Creek Workgroup (DRSCW) was able to negotiate "Special Condition 8.c." of the NPDES permit, which allows the Illinois EPA to modify the permit for sewage treatment plants if the DRSCW has developed and implemented a nutrient trading program within 10-year permit cycle that meets criteria. The first condition is that the trade of phosphorus loadings between two or more sewage treatment plants results in the same overall watershed phosphorous point source reduction and loading (and does not exceed the average 1.0/L a month effluent limitation) (DRSCW, 2018). The amount removed also must meet the requirements determined in 35 IL Adm. Code 302.206 and 35 IL Adm. Code 302.203 (DRSCW, 2018). The Illinois EPA may also modify the permit if the DRSCW has demonstrated and implemented an alternate means of reducing watershed phosphorus loading to a comparable result within this timeframe and meets other standards (8.d); and the DRSCW must submit a Nutrient Implementation Plan for the DRSCW watersheds that identifies phosphorus input reductions by point source discharges, non-point source discharges and other measures necessary to remove DO and offensive condition impairments (10). **Sponsored investment in stream restoration and other activities may be supported and financed in connection with these conditions, offering opportunities for learning and progress**.

Section 319 Grants

Section 319 of the Clean Water Act addresses non-point source pollution such as nutrient runoff. In 2017, Illinois received approximately $5.5 million in 319 funds. In Illinois, 319 funding can be used for the development and implementation of a watershed based plan, a total maximum daily load (TMDL), best management practice implementation, outreach activities, and monitoring. Maximum grant funding is 60% of total project; thus 40% must be covered by the recipient The local match may include money spent to complete the approved project tasks but cannot be federal funds or funds used to match another federal program (Illinois EPA, 2018). For funding, a TMDL plan is not required, but watersheds with an approved plan may receive higher consideration.

USDA Funding

The National Resource Conservation Service (NRCS) of the Department of Agriculture (USDA) manages the Environmental Quality Incentives Program (EQIP). This program provides grants to farmers to support conservation practices, in accordance with a conservation plan that may include nutrient reduction. A sub-program of EQIP, the National Water Quality Incentives (NWQI) program uses EQIP money for this purpose. The Conservation Stewardship Program (CSP) and Regional Conservation Partnership Program (RCPP) also support relevant activities. The USDA's Farm Service Agency (FSA) also manages the Conservation Reserve Program and the Conservation Reserve Enhancement Program. These programs provide annual payments to farmers to remove environmentally sensitive land from production and convert it to conservation cover. In 2017, Illinois had $19,033,600 in EQIP obligations and $7,813,300 in CRP obligations (USDA, 2018). USDA funding is the primary source of nutrient reduction funds in Illinois.

References:

ELI conducted interviews with Illinois officials and organizations, and legal research on applicable statutes, regulations, and policies. In addition, financial data and description may be found in the following public sources.

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Illinois Environmental Protection Agency, 2018. "Section 319(h) Program FAQs" https://www2.illinois.gov/epa/topics/water-quality/watershed-management/nonpoint-sources/Pages/section-319.aspx

Illinois Environmental Protection Agency, May 2018. "Section 319(h) Nonpoint Source Pollution Control Financial Assistance Program Notice of Funding Opportunity"

Illinois Environmental Protection Agency, Bureau of Water, Infrastructure Financial Assistance Section, 2018. "Water Pollution Control Loan Program: 2019 Intended Use Plan" https://www2.illinois.gov/epa/Documents/iepa/grants-loans/state-revolving-fund/2019-pws-intended-use-plan.pdf#search=IUP%202019

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Illinois Environmental Protection Agency, 2017. "Biennial Report: Nutrient Loss Reduction Strategy Summary" https://www2.illinois.gov/epa/Documents/iepa/water-quality/watershed-management/excess-nutrients/NLRS-Biennial-Report/NLRS%20Biennial%20Report%20Summary.pdf

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