AGENDA
BLOOMINGTON TRANSPORTATION COMMISSION
REGULAR MEETING
TUESDAY, MARCH 20, 2018 4:00 P.M.
COUNCIL CHAMBERS, CITY HALL
109 EAST OLIVE STREET
BLOOMINGTON, ILLINOIS

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT
A public comment period not to exceed thirty (30) minutes will be held during each Board and Commission meeting, as well as all regularly scheduled City Council meetings, Committee of the Whole meetings, meetings of committees and/or task forces (hereinafter "committees") created by the City Council, work sessions, and special meetings of the City Council. Nothing herein shall prohibit the combination of meetings, at which only one public comment period will be allowed.

Anyone desiring to address the Board, Commission, Committee or City Council, as applicable, must complete a public comment card at least five (5) minutes before the start time of the meeting. Public comment cards shall be made available at the location of the meeting by City staff at least 15 minutes prior to the start time of the meeting. The person must include their name, and any other desired contact information, although said person shall not be required to publicly state their address information. If more than five individuals desire to make a public comment, the order of speakers shall be by random draw. If an individual is not able to speak due to the time limitation and said individual still desires to address the individuals at a future meeting of the same type, said individual shall be entitled to speak first at the next meeting of the same type. (Ordinance No. 2015-46))

4. MINUTES: Review and approve the minutes of the January 16, 2018 regular meeting of the Bloomington Transportation Commission.

5. REGULAR AGENDA
A. **TC-2018-02 –** City Transportation Project Funding Overview Discussion and Consideration of a Recommendation to City Council regarding a Proposed Local Motor Fuel Tax Increase.

6. OLD BUSINESS
A. NONE

7. NEW BUSINESS
A. NONE

8. ADJOURNMENT

For further information contact:
Philip Allyn, City Traffic Engineer
Department of Public Works
Government Center
115 E. Washington Street, Bloomington, IL 61701
Phone: (309) 434-2225 ; Fax: (309) 434-2201; E-mail: traffic@cityblm.org

MINUTES
BLOOMINGTON TRANSPORTATION COMMISSION
REGULAR MEETING
TUESDAY, JANUARY 16, 2018 4:00 P.M.
COUNCIL CHAMBERS, CITY HALL
109 EAST OLIVE STREET
BLOOMINGTON, ILLINOIS

MEMBERS PRESENT: Ms. Angela Ballantini, Ms. Jill Blair, Ms. Katherine Browne, Mr. Michael Gorman, Ms. Elizabeth Kooba, Ms. Kelly Rumley

MEMBERS ABSENT: Ms. Maureen (Reenie) Bradley

OTHERS PRESENT: Ms. Diana Hauman, Ward 8 Alderman; Mr. George Boyle, City Attorney; Mr. Jim Karch, Director of Public Works; Mr. Kevin Kothe, City Engineer; Mr. Philip Allyn, City Traffic Engineer; and several members of the public.

1. CALL TO ORDER: Mr. Gorman called the meeting to order at 4:00 pm.

2. ROLL CALL: Mr. Allyn called the roll. With six members in attendance, a quorum was established.

3. PUBLIC COMMENT: None.

4. MINUTES: Reviewed and approved the minutes of the December 19, 2017 regular meeting of the Bloomington Transportation Commission. Ms. Blair motioned to approve the minutes of the December 19, 2017 meeting with correction of several minor typos. Ms. Browne seconded the motion. The motion was approved by the Transportation Commission unanimously via voice vote.

5. REGULAR AGENDA

A. TC-2018-01 – Proposed Routine Changes to Chapter 29 of the Bloomington City Code, "Motor Vehicles and Traffic"

Mr. Allyn summarized information from the agenda packet relating to each requested Section Modification:

1. *Chapter 29: Section 145(a): Stop Signs*

   Modifications related to Section 145(a) pertain to creating an "all-way stop" condition at two intersections. Regarding Lincoln and Bunn, there was a gap in Lincoln Street between Bunn and Maple to the east. About 10 years ago, Lincoln Street was connected resulting in changes in traffic patterns and higher volumes at the intersection, which lead to the installation of all-way stop control at this intersection.

   Staff observed a pattern of crashes over several years at the Lee and Olive intersection. Various options were tried such as pavement marking changes, improving sight distance, and installing new signs, but crashes did not decrease. Following implementation of the all-way stop, the number of crashes has dropped and the all-way stop is desired to remain permanently.

2. *Chapter 29: Section 145(d): Stop Signs*

   Modifications related to Section 145(d) are not changes to the traffic control, but rather formalizing it with the installation of a stop sign.

Four locations, Granada/Olive, Seville/Olive, Northwood/Hedgewood, and Wedgewood/Hedgewood are "T" intersections. While state law specifies that traffic on the non-through leg of a "T" intersection is always required to yield the right of way to traffic on the through legs, there is a high occurrence of drivers at these intersections not yielding as required. Stop signs were installed to communicate proper intersection right of way laws.

The Wedgewood/Oakwood intersection is in the middle of the same subdivision. This four-leg intersection was previously uncontrolled, which required drivers to yield to the vehicle that arrived at the intersection first. Since Oakwood has longer straight sections to the north and south of Wedgewood, there developed a pattern of failure to yield to traffic on Wedgewood. Stop control was added on Wedgewood to increase the safety of the intersection.

The Wedgewood/Bunn intersection does not exist and is proposed to be deleted from the Code.

3. *Chapter 29: Section 148(a): Public Carrier Stops, Taxicab/TNC Stands*

   This modification expands the Connect Transit transfer area. Buses are currently using the south side of Front Street between Center and Main. Additional space was needed on the north side of Front between Center and Madison to provide space for additional buses traveling westbound. This area is temporarily closed for sidewalk repairs, but buses will return to using this area in the Spring.

4. *Chapter 29: Section 149: Parking*

   Beecher Street between East and Franklin was a through street that was removed and sidewalk constructed to better serve this portion of the IWU campus. The proposed parking changes on Beecher reflect the removal of this block of street.

   The addition of a non-parking restriction on the west side of Bronco from Oakland to the south property line of 405 is the result of a business owner request. One of the other properties in this commercial area occasionally hosts festivals with high volumes of people parking along both sides of Bronco. This restricts access to other businesses, particularly for large delivery trucks. The request was reviewed by City Staff, a request for comment was sent to all property owners in the commercial subdivision, and the responses were analyzed. The only response received against the proposed parking restriction was from the owner of the property generating the high number of cars, who requested that the proposed no parking restriction be placed on the east side instead of the west side and for the entire length of Bronco. Staff reviewed this suggested modification, but found that it would not eliminate the blocking of access to the original requestor.

5. *Chapter 29: Section 153(a): Parking Spaces for Handicapped Persons on Streets, Municipally Owned Parking Lots and Private Parking Lots*

   Modifications related to Section 153(a) pertain to specific requests from residents for a marked and signed public on-street Handicap Parking Stall. For the parking stalls to be added, Staff reviewed the requested location, verified that the requestor had a valid special license plate(s), a special decal or card allowing them to park in a marked and signed Handicap Parking Stall, evaluated the site to determine the safest and most efficient location, and installed the necessary markings and signage. The installed spots are reviewed by Staff periodically after implementation and modified or removed as needed. The proposed Code

modifications reflect new spots added, the modification/relocation of spots previously added, and the removal of spots no longer needed.

6. *Chapter 29: Section 156.5: Altered Speed Limits*

   Hershey from Empire to 500' north of Washington is listed twice in the City Code and the duplicate listing is to be deleted.

   The Ireland Grove modification relates to the renaming of the south part of Oakland to Streid Drive.

Mr. Gorman asked regarding Chapter 29: Section 145(d): Stop Signs, if there is a particular reason for installing stop signs rather than yield signs. Mr. Allyn indicated our internal policy has been to install stop signs rather than yield signs. Mr. Gorman indicated that he assumed that in a low traffic intersection, where the vast majority of the time there is no opposing traffic to stop for, better compliance would be obtained with yield signs since people are less likely to fully stop if there is no one else around. Why is the policy to use stop signs rather than yield signs, assuming yield signs are allowed by the MUTCD? Mr. Kothe indicated that the policy was changed several years ago. The sight distance requirements for yield signs are significantly greater than for stop signs. Yield signs typically work OK in new subdivisions where there is little landscaping. However, in older subdivisions, even those only 10 years old, landscaping is more mature and drivers can no longer see adequately to make the judgement required for a yield sign and stop signs are needed.

Mr. Gorman asked about Chapter 29: Section 148(a): Public Carrier Stops, Taxicab/TNC Stands and Connect Transit stops. Mr. Gorman indicated he would like to see all Connect Transit stops listed as places where parked cars can be towed. It would be difficult for people to use the bus if they are negotiating around parked cars blocking access to the bus. Why could we not list the regular bus stops? Mr. Allyn indicated the driving reason is that the stop locations tend to change as routes are adjusted and it would be hard to keep Code up to date with regular changes. Towing would not be able to happen if the specific spot was not listed. It would get hard to enforce the towing if the Code list is not always completely correct. The area we have specifically mentioned is a defined area with multiple buses stopping for a length of time. Parked cars significantly hinder the operation of the transfer area. If someone is parked illegally at an isolated bus stop, the impact to the operation of the bus will not be nearly as severe. In addition, it wouldn't be practical for the driver to wait for the car to be towed rather than continuing on the route. Mr. Gorman asked if it would be possible for the Code to state parking is prohibited within so many feet of the bus stop sign. Mr. Allyn will review the Code to see if it isn't already covered generically in the parking restrictions and check on whether towing would still be allowed or if only ticketing could be done.

Mr. Gorman asked about Section 149: Parking. What kind of parking situation does the Temple have during festivals? There appears to be ample parking in the movie theater lot behind the property. Is there an arrangement between the Temple and the movie theater for people to park in that lot? Mr. Allyn indicated that he wasn't aware of any arrangements between the two private businesses. Staff contacted all properties in the area and the only comment against the request was not concern for losing half a block of parking, but rather wishing to take the entire block of parking instead. Staff did not explore locating additional parking for the Temple because they did not indicate they needed more parking. Mr. Gorman suggested that Staff in general encourage people to share parking areas when there are large lots in the vicinity as this is good for density and ensuring adequate parking for everyone. Ms. Browne agreed that this is good in principle, but in this location the theater parking lot is deceptively far away and there is no sidewalk between the properties making pedestrian accommodations difficult. Shared parking may not be appropriate here. Mr. Gorman indicated that adding sidewalk and/or removing fence could improve pedestrian access and this was just something to keep in mind in future similar situations. Mr. Allyn

agreed that it would be helpful to suggest, but ultimately it would be an agreement between two private property owners and the City doesn't have control over how they share or don't share their private property. It would be something that we could suggest though if they were complaining about not having enough parking.

Ms. Rumley motioned that that the Transportation Commission recommend City Council Approve the proposed ordinance modifying Sections 145(a), 148(a), 149, 153(a), and 156.5 of Chapter 29 (Motor Vehicles and Traffic) of the Bloomington City Code. The motion was seconded by Ms. Browne. The motion was approved by the Transportation Commission unanimously via voice vote.

6. OLD BUSINESS:
Mr. Gorman requested an update on the Fairview and Empire project discussed in November. Mr. Allyn indicated that the Open House was held on December 21, 2017 and was well attended. Written comments were received from 18 people, of which 14 were in support of the project, two were in support of the project with exceptions, and two were opposed to the project. With 16 of 18 in favor of the project, Staff is moving forward with the project as discussed at a previous meeting.

7. NEW BUSINESS: None

8. ADJOURNMENT: The meeting adjourned at 4:18 pm unanimously by voice vote; motioned by Ms. Kooba and seconded by Ms. Blair.

Respectfully,

Philip Allyn
City Traffic Engineer

CITY OF BLOOMINGTON
REPORT FOR THE TRANSPORTATION COMMISSION
March 20, 2018

CASE NUMBER:	SUBJECT:	ORIGINATING FROM:
TC-2018-02	Funding Mechanisms for Transportation Projects	City Council
REQUEST:	Approval of a four cent per gallon increase in Local Motor Fuel Tax to a total tax of eight cents per gallon.	

STAFF RECOMMENDATION: Approval

Staff recommends the Transportation Commission pass the following motion recommending:

A. That City Council approve the proposed Ordinance amending Bloomington City Code Chapter 39 to increase the Local Motor Fuel Tax by four (4) cents per gallon to a total of eight (8) cents per gallon.

1. ATTACHMENTS:

- **a. Proposed Ordinance**
- **b. IDOT Bureau of Local Roads and Streets Manual – Chapter 4 "Local Roads and Streets Funding"**
- **c. IDOT Publication - "Motor Fuel Tax Funds - Source, Distribution, & Uses for Municipality 2017"**
- **d. Council Presentation from February 19, 2018**
- **e. IDOT Study - "Suspension of Motor Fuel Sales Tax"**
- **f. Potential Resurfacing Map**

2. BACKGROUND AND SUPPLEMENTAL INFORMATION:

City of Bloomington Transportation projects are currently funded via several sources of funds, originating from the Federal, State and Local levels. Each source of funds has its own pros and cons that lend them to be more advantageous for different types and scopes of projects. Additional information is included in Chapter 4 of the Illinois Department of Transportation (IDOT) Local Roads and Streets Manual, a copy of which is attached.

Federal Funds

There are two groups of Federal Funds available to the City: Regularly Allocated Funds and Special Program Funds. Both groups are administered by IDOT, typically with coordination with the Federal Highway Administration (FHWA).

The Federal Government regularly allocates funds to each State, which is then responsible for distributing a portion of these funds to Local Agencies. This is accomplished via the Surface

Transportation Program (STP). Since the City is within an urban area with a population between 50,000 and 200,000, these funds are generally called STU (Surface Transportation Urban) and are coordinated through the local Metropolitan Planning Organization (MPO), which is the McLean County Regional Planning Commission (MCRPC).

Special Program Funds include programs with a specific goal or purpose. Some programs such as the Illinois Transportation Enhancement Program (ITEP), Highway Safety Improvement Program (HSIP), and the Safe Routes to School Program (SRTS), occur regularly every year or every several years depending on funding at the federal level. Other Special Program Federal Funds are initiated one at a time at the Federal Level. These include the Transportation Investment Generating Economic Recovery (TIGER) program and specific Congressional Acts such as the American Recovery and Reinvestment Act of 2009 (ARRA). Once a Special Program fund is activated, IDOT solicits application for funding of specific projects and projects are selected for funding at the state or federal level based on how well the project meets the goals of the program.

Streets must typically be classified as a Collector or Arterial to be eligible for Federal Funds, although there are some exceptions for Special Program Funds based on the requirements of the specific Program and its purpose. In almost all circumstances, STU funds are required to be matched by the City at an 80/20 Federal/City rate. The match rate varies considerably for Special Program Funds from 90/10 or even 100/0 down to 40/60 or worse.

Only work that is transportation related is eligible for STU funds. For example, new water main and sanitary sewer work is not eligible, even if bid along with the reconstruction of a street. Engineering Services and Right-of-Way (ROW) purchases are generally eligible.

IDOT has oversight of projects using Federal funds in partnership with the Federal Highway Administration (FHWA). Significantly more engineering effort is required, both for preliminary and design engineering as well as construction inspection. Engineering costs are typically two to three times higher (20-30% of construction cost) for Federally Funded projects. Construction costs can often be 10-20% higher as well due to additional federal requirements and IDOT regulations on materials and construction methods. Designs are often required to be more conservative (for example: 10’ wide shoulders instead of 4’, longer turn lanes, or wider driving lanes) leading directly to increased construction costs. Preliminary Engineering often requires advanced environmental reviews and other agency coordination such as with the Illinois Environmental Protection Agency (IEPA), Illinois Department of Natural Recourses (IDNR), Illinois Historical Preservation Agency (IHPA), Army Corps of Engineers, etc. Federal Guidelines for ROW acquisition must be followed, often extending the project schedule. Project timelines often span multiple years before construction is even started due to the additional reviews.

Federal Funds are best suited for larger and more complex projects that already require a higher level of planning, design detail, and other agency clearances due to the nature of the project. Examples would include bridge projects and complete street reconstructions. In these cases, the additional requirements simply formalize the process rather than adding significant unwarranted red tape.

Examples of projects currently being funded via Federal Funds include Hamilton Road from Bunn to Commerce and the Fox Creek Road Bridge project. Construction was recently completed on the SRTS Benjamin School Trail Project with project paperwork closeout occurring over the next several months.

Illinois State Motor Fuel Tax (MFT)
The Illinois MFT Fund is derived from a tax on the privilege of operating motor vehicles upon public highways and of operating recreational watercraft upon the waters of this State, based on the consumption of motor fuel. Money collected is distributed to many different transportation-related funds with a portion being allocated to Municipalities based on population.

Since 1990, the motor fuel tax rate for the State of Illinois has been set at $0.19 per gallon of fuel. An additional $0.025 cents per gallon on diesel fuel is collected, but it goes straight into the State Construction Account and is not part of the monthly allocation to Municipalities or other Local Agencies.

In general, Motor Fuel Tax (MFT) Funds can be used for the following items:

- Construction and maintenance of any municipal street designated as a part of the federal aid primary, or the federal aid urban system of streets within the municipality
- The construction and maintenance of municipal streets and alleys as is designated by the corporate authorities and approved by IDOT
- The construction, maintenance or repair of sidewalks in the municipality
- The payment of engineering costs in connection with all work described in this Division of this code. The municipality may contract for such services with a professional engineer.

Additional information on the Illinois Motor Fuel Tax can be found in the attached “Motor Fuel Tax Funds - Source, Distribution, & Uses for Municipality 2017”

There are two methods of utilizing State MFT funds: General Maintenance Programs, and Construction Projects. General Maintenance Programs are restricted to maintenance work such as patching or repair and replacement of existing curb and gutter, sidewalk or storm sewer. Material (gravel, cold patch, concrete, etc.) can also be purchased through a Maintenance Program, as can electricity for street lights or traffic signals. Work completed and material purchased through a Maintenance program must meet IDOT specifications and be tested and certified during construction.

IDOT has oversight on projects utilizing State MFT Funds. Construction projects require greater engineering effort, both for design engineering as well as construction inspection, although not to the level of Federally Funded projects. Engineering costs are typically higher than locally funded projects (10-20% of construction cost) for State MFT Funded projects. Construction costs can often be 10-20% higher as well due to additional IDOT regulations on materials and construction methods. Similar to Federally Funded projects, designs are often required to be more conservative (for example: 10’ wide shoulders instead of 4’, longer turn lanes, or wider driving lanes) leading directly to increased construction costs. Depending on the project, environmental reviews and other agency coordination such as with the IEPA, IDNR, IHPA, Army Corps of Engineers, etc. is often still required, but the process is simpler than that of Federally Funded

projects. Project timelines often span one or two years before construction is even started due to the additional IDOT reviews, depending on the size and complexity of the project.

State MFT Funds are best suited for medium size and moderate complexity projects that already require a higher level of planning, design detail, and other agency clearances due to the nature of the project. Examples would include small bridge or box culvert projects, intersection and/or traffic signal projects, or resurfacing projects that include roadway widening. In general, if a full set of construction drawing plans and specs are required to provide enough information to a Contractor to bid and build the project, it is a candidate for MFT funds. MFT funds are often used as the City's local match on Federally Funded projects since all the MFT requirements are already being met by the Federal Funds process.

The City currently receives approximately $1.9 million in State MFT funds, but this number is likely to decrease rather than increase going forward unless changes are made at the State level. Since the tax is $0.19 per gallon and not a percentage of the price per gallon, the funds received do not match inflation and ever-rising construction costs. Increases in the number of drivers are negated by cars getting better gas mileage and increases in the number of electric and hybrid vehicles. For example, Illinois collected $1.38 billion in MFT taxes in 2007, while only collecting $1.28 billion in 2017. This steady to declining source of revenue combined with rising construction costs only compounds the City's street funding difficulties.

Examples of projects currently being funded via State –MFT Funds include the recently completed Towanda and Vernon intersection improvements with traffic signals project, the Linden Street Bridge Reconstruction, and the upcoming GE Road and Keaton Ave. intersection improvements with traffic signals project. State MFT funds are also planned to be used for the 20% Local match for the Federally Funded Hamilton Road from Bunn to Commerce and the Fox Creek Road Bridge projects. The City currently also uses State MFT funds through a Maintenance Program to pay for a portion of the electricity for our street lights and traffic signals since very little documentation or inspection is required due to the nature of the item.

Local Sales Tax

The City of Bloomington and Town of Normal share the same local sales tax rate, which is 2.5 percent. Local sales tax applies to general merchandise like electronics, clothing and furniture, food eaten at a restaurant and packaged liquor. It does not apply to a ticket to the movie theater, a hotel stay, groceries, prescriptions or vehicle purchases.

On January 1, 2016 the City of Bloomington and the Town of Normal raised local sales tax rates from 1.5 percent to 2.5 percent. Using that one percent increase, the City dedicated 0.25 percent to go to McLean County for mental health needs, 0.25 percent to be used for street resurfacing, sidewalks, and infrastructure, and 0.5 percent to be used for general operations, including public safety.

Local Motor Fuel Tax (LMFT)

Using its home rule authority, the City of Bloomington implemented a $0.04 per gallon LMFT on August 1, 2014. LMFT is collected on all retail sales of motor fuel. This includes all volatile and inflammable liquids produced, blended, or compounded for the purposes of, or which are suitable or practicable for, operating motor vehicles. Examples include any gasoline, gasohol,

diesel, specialty fuel or other combustible gas. This enables funding to come from residents who live along the City's streets as well as non-residents who use the City's streets. LMFT funds must be used for transportation infrastructure projects. The tax is collected by municipalities from local fuel vendors each month. For additional information, the presentation given to Council on February 19, 2018 is attached.

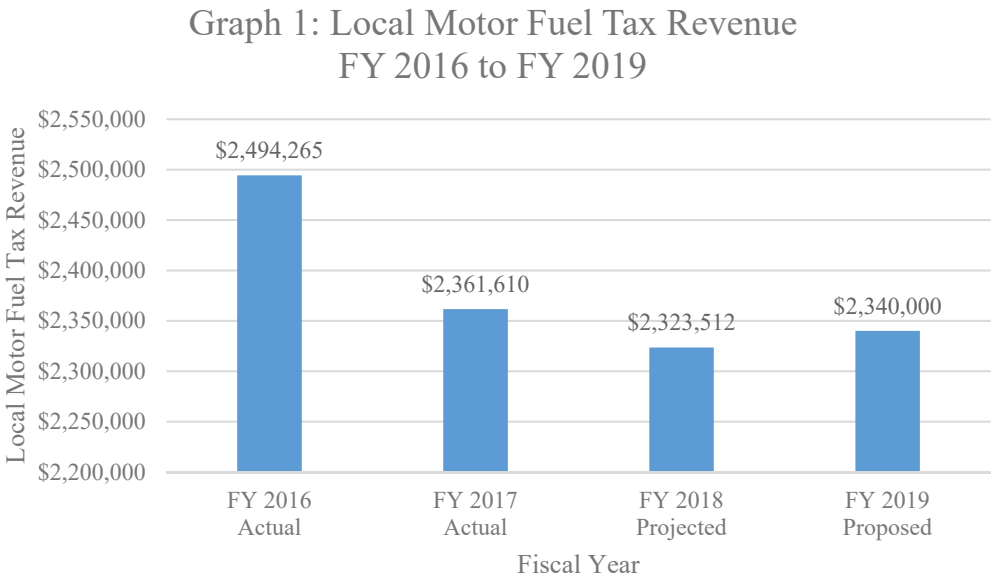

Table 1: Non-Diesel Local Motor Fuel Tax Per Gallon Rates in Selected Illinois Municipalities (2018)

Champaign	$0.04	Quincy	n/a	Carbondale	$0.07
Decatur†	$0.05	Normal	$0.04	Rock Island	$0.02
Springfield	n/a	Pekin	$0.04	Urbana	$0.05
DeKalb†	$0.055	Peoria	$0.05	Danville	$0.05
Cicero*	$0.04 City $0.06 County	Naperville*	$0.04 City $0.04 County	Evanston*	$0.04 City $0.06 County

**Includes county motor fuel tax rate, which can only be charged in Cook, DuPage, Kane, and McHenry Counties.*

Current uses of Local MFT and 0.25% Sales Tax Designated for Streets and Sidewalks:

A portion of LMFT funds along with the 0.25% of Sales Tax currently goes into the Capital Improvement Fund to help pay for street general resurfacing, street and alley repair, and pavement preservation. The city spends approximately $4.5 million per year on resurfacing, pavement preservation, sidewalks, and sidewalk ramps.

Since this money is collected and controlled by the City, IDOT has no control over the projects with which it's funded. This has three distinct advantages when it comes to using only local funds:

1) Schedule – With the timing of the annual budget process, estimated funding amounts for the following year typically aren't known until December or January. Public Works starts working on developing the work locations for resurfacing, pavement preservation, sidewalks, and sidewalk ramps for the upcoming year in January. Projects are then bid late-March/early-April which allows construction to start in May

or June. Work typically lasts through November/December, with sidewalk work sometimes carrying over to the following Spring. If this work was completed using State MFT funds, IDOT would require all plans and bidding documents to be approved prior to bids. When this was the case prior to the start of the LMFT, this process typically delayed bidding until August or September. Not only does this push work from the warm, dry, summer months until the wet, cool, fall months, it also reduces the working window from 7 months to 3 months. Since there are a limited number of asphalt contractors in McLean County, it is very difficult to get all of the resurfacing work done within this reduced time frame.

2) Flexibility of Materials and Design – Over the past several years, Engineering has worked with local contractors to develop several Asphalt Mix designs to fit our local materials. We have had good success with these mixes lasting longer than the standard IDOT mix, as IDOT's bureaucracy is slow to respond to current materials research. Similarly, the asphalt rejuvenator that we are successfully using to prolong the life of our existing pavements and delay the need for resurfacing is not State MFT eligible. By not having to strictly follow the IDOT design manuals and personal preferences of the IDOT reviewer, we are able to apply common sense engineering and address sight specific situations. For example, turns lanes could be made 20' shorter then IDOT policy to avoid adding a minor amount of widening, costly traffic signal equipment relocations or ROW acquisition. Lanes can be 11' wide instead of 12' wide to squeeze in bike lanes or fit within existing curb lines. Finally, IDOT would require that all exact work limits be defined prior to bidding. This would eliminate our ability to add additional resurfacing if low bids are received or swap blocks of resurfacing to react to complications such as sudden unknown utility work.
3) Cost Savings – Due to additional material and construction documentation, bid prices on MFT funded projects often run 10% more than locally funded projects. In addition, State construction documentation rules on State MFT projects require full-time inspection and significant material inspection and testing. Detailed plans including survey work would be required to obtain IDOT design approval, even though they are not necessary to actually obtain bids and have the work completed satisfactorily. With current staffing levels, both the additional design work effort and the additional construction inspection and testing would very likely either require hiring at least one or two additional full-time staff or outsourcing this work to consultants, either of which would increase cost noticeably.

Financial Impact of LMFT Increase:

It is estimated that an increase of 4 cents per gallon (for a total of 8 cents per gallon) of the LMFT could generate an additional $2.3 million during a full year of implementation, increasing the annual funding available to approximately $6.8 million. This is dependent on the Home Rule Sales Tax and Local Motor Fuel Tax revenues performing as budgeted. This increase in funds could generate an additional $11.5 million over 5 years. To see the impact this would have on the City's street resurfacing plan, attached is a map showing all the additional streets that could be resurfaced over 5 years with this additional money. An oversimplified way to illustrate these impacts is to compare the length of time required to resurface the entire City Street system. The City currently has approximately 324 centerline miles. At currently funding levels, we are able to

resurface about 4.9 centerline miles each year, resulting in it taking 66 years to resurface all City Streets. With the proposed increase, this number would drop to around 40 years.

The City implemented a LMFT prior the Town of Normal initially. During this period before the Town implemented its LMFT, there did not appear to be a noticeable discrepancy between gas prices in the two communities. This suggests that the tax rates may not need to be identical, just similar, to avoid gas price differentials between the communities that may hurt our City businesses. Collaboration between the City and the Town could be beneficial when considering an LMFT increase, especially if the increase is large enough.

Impact of Fuel Taxes on Fuel Prices:

When a temporary stoppage of the Illinois Motor Fuel Tax (MFT) occurred in 2000, the Illinois Economic and Fiscal Commission (Now called the Commission on Government Forecasting and Accountability) studied whether the reduction in MFT was passed on to motorists. The study is called "Suspension of Motor Fuel Sales Tax" and is attached. Some of the commission's data concluded that reduction in the MFT did in fact result in a reduction in retail fuel prices. However, the size of the impact was not able to be accurately measured. Some other factors such as changes in profit margin and fuel capacity contributed to the inconclusiveness of the report. In sum, it is unclear whether LMFT rates and fuel prices increase or decrease together.

Other potential source of funds: Vehicle Use Tax

Illinois municipalities are permitted by statute (65 ILCS 5/8-11-6) to impose a use tax upon the privilege of using tangible personal property which is purchased at retail from a retailer and which is titled or registered with the State of Illinois at a location within the municipality. The tax may be imposed in one quarter percent (0.25%) increments, and is based on the sale price of the property.

In most cases, this property involves new and used motor vehicles purchased by residents of Bloomington. Bloomington's ordinance imposes the tax on the "net" purchase price (the cost of any trade-in is deducted from the sale price before the tax is calculated). Non-residents do not pay this tax, even if the seller is located in Bloomington.

The Town of Normal is the collector for Bloomington and disperses the tax to the correct municipality. The collection includes sending letters to residents who purchase vehicles in another municipality to collect the tax. The Town of Normal also collects for its own Vehicle Use Tax.

The City first imposed the tax at a rate of one half percent (0.5%) in 1990 and increased the rate to three quarters of one percent (0.75%) in 2009. The tax rate has been three quarters of one percent (0.75%) since 2009. Although the source of these tax funds are transportation related since the tax is only on the purchase of motor vehicles, the funds collected by this use tax are not targeted for any special category or activity. They are just considered overall tax revenue/income - and go into the General Fund - to fund services; police, fire, public works etc. Current flat projections show an annual revenue of about $1.1 million from the Vehicle Use Tax.

City Staff is seeking a recommendation to Council regarding a potential Local Motor Fuel Tax increase from the current $0.04 per gallon to $0.08 per gallon, which could result in an additional $2.3 million annually for street resurfacing.

3. STAFF RECOMMENDATION:

Staff recommends the Transportation Commission pass the following motion recommending:
That City Council approve the proposed Ordinance amending Bloomington City Code Chapter 39 to increase the Local Motor Fuel Tax by four cents per gallon to a total of eight (8) center per gallon.

Respectfully submitted,

Philip Allyn, PE, PTOE
City Traffic Engineer

ORDINANCE NO. 2018-

AN ORDINANCE AMENDING BLOOMINGTON CITY CODE CHAPTER 39 TO INCREASE THE LOCAL MOTER FUEL TAX BY FOUR CENTS PER GALLON

BE IT ORDAINED by the Mayor and City Council of the City of Bloomington, Illinois:

SECTION 1. Bloomington City Code Chapter 39, Section 371 (a) shall be amended as follows (additions are indicated by underlining; deletions are indicated by strikeouts):

CHAPTER 39: TAXATION

ARTICLE XVIII: LOCAL MOTOR FUEL TAX

Section 371 Imposition of Tax

(a) There is levied and imposed upon the purchase of each gallon of motor fuel, or fraction thereof, sold at retail within the corporate limits of the City, irrespective of the unit of measure in which it is actually sold, a tax at the rate of ~~four cents ($0.04)~~ eight cents ($0.08) per gallon from and after August 1, ~~2014~~ 2018.

SECTION 2. Except as provided herein, the Bloomington City Code, 1960, as amended shall remain in full force and effect.

SECTION 3. In the event that any section, clause, provision, or part of this Ordinance shall be found and determined to be invalid by a court of competent jurisdiction, all valid parts that are severable from the invalid parts shall remain in full force and effect.

SECTION 4. The City Clerk is hereby authorized to publish this ordinance in pamphlet form as provided by law.

SECTION 5. This ordinance shall be effective immediately after the date of its publication as required by law.

SECTION 6. This ordinance is passed and approved pursuant to the home rule authority granted Article VII, Section 6 of the 1970 Illinois Constitution.

PASSED this ___ day of _____, 2018.

APPROVED this ____ day of _____, 2018.

APPROVED:

_____
Tari Renner
Mayor

ATTEST:

_____
Cherry Lawson
City Clerk

Chapter Four

LOCAL ROADS AND STREETS FUNDING

BUREAU OF LOCAL ROADS AND STREETS MANUAL

Chapter Four
LOCAL ROADS AND STREETS FUNDING

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Chapter Four
LOADS ROADS AND STREETS FUNDING

Local Public Agencies (LPAs) receive funding for their local roads and streets from a variety of sources including federal and State programs, the Motor Fuel Tax fund, and local sources. This Chapter provides an overview of each source that provides funding for projects on local facilities for which BLRS is involved in some part of the administration. Guidance for obtaining these funds and the implementation of these programs can be found in this Manual's Chapter 9 for State and MFT funds and, in Chapter 17 for federal funds.

4-1 FEDERAL PROGRAMS

Federal programs provide funding for transportation projects through the Highway Trust Fund (HTF). Funds are collected through revenue from certain highway user taxes, primarily the federal gasoline tax and a variety of tire and truck sales taxes. These taxes are credited to the HTF to be used for transportation spending. Federal funding has been expanded to encompass not only highway projects but also transit and environmental projects. All states receive federal funding. The amount is dependent, among other factors, on the revenue contribution of each individual state.

The functional classification of a road or street facility is one of the significant factors that affect federal funding eligibility for several categories. Section 27-3 of this Manual discusses the functional classification system. "Local" facilities (e.g., those off the State highway system) may be functionally classified as local, collector, or arterial.

Section 4-1 provides a brief discussion on the National Highway System (NHS) funding and discusses those categorical Federal-aid programs that provide funds available to local governments for transportation improvements. Unless otherwise noted, federal funds can generally be used to fund 80% of eligible costs.

4-1.01 National Highway System

The National Highway System is a network of selected principal arterial routes identified as essential for international, interstate, and regional commerce and travel, national defense, and the transfer of people and goods to and from major intermodal facilities. NHS funds are distributed based on a formula that incorporates each state's lane-miles of principal arterials (excluding Interstates), vehicle-miles traveled on those arterials, diesel fuel consumption on the state's highways, and the per capita principal arterial lane-miles. Although NHS funding is important nationwide, very few miles of the local highway systems in Illinois are on the National Highway System. See Section 3-1.01(a) of this Manual for additional information on NHS.

4-1.02 Surface Transportation Program

4-1.02(a) General

The Surface Transportation Program (STP) provides federal funds for the following types of projects:

- highway projects on all functional classes, except facilities functionally classified as "local";
- bridge projects on any public road, including "local" functional classes;
- transit capital projects; and
- public bus terminals and facilities.

The basic objective of STP is to provide Federal-aid for improvements to facilities not on the NHS. The Program is aimed at providing more flexibility in determining transportation solutions and enhanced planning and management systems to the states and local governments.

STP funds also may be used for activities such as environmental provisions, modifications to meet accessibility for disabled requirements, infrastructure-based intelligent transportation system capital improvements, and privately owned inter-city bus terminals and facilities.

STP funds are distributed to each state based on its lane-miles of Federal-aid highways; total vehicle-miles traveled on those highways, and estimated contributions to the Highway Account of the Highway Trust Fund. Because of its emphasis on highway facilities that do not have national importance, STP provides the largest source of Federal-aid funds available for local facilities in Illinois.

Once the funds are distributed to the states, each state must set aside 10% for safety construction activities and 10% for transportation enhancements. Each state must then divide 50% of the funds by population between each of its areas over 200,000 and the remaining areas of the state. The remaining 30% can be used in any area of the state.

Before distribution of the funds statewide, 1.5% of the funds are set aside for Highway Planning and Research (HPR) purposes.

A State's STP allocation is further subdivided according to Federal-aid provisions. These are discussed in the following Sections.

4-1.02(b) Urban

Urban areas receive an STP suballocation based on the state's urban population. Illinois identifies these funds as "STU." Urban areas are those areas identified by the U.S. Bureau of Census as having a contiguous population of 50,000 or more (urbanized areas) or 5000 or more but less than 50,000 (small urban areas). The urban area boundaries are established by the State, in cooperation with the Metropolitan Planning Organizations (MPOs) and other appropriate local officials, and approved by FHWA. For the STP urban suballocation (STU), the distribution formula segregates urban population densities into the following three categories:

- less than 50,000;

- between 50,001 and 200,000; and
- more than 200,000.

The urban STP suballocation provides specific funding amounts for each urban area nationwide with populations exceeding 200,000. There are five metropolitan areas in Illinois meeting the 200,000 population level — Chicago, Peoria, Rockford, Quad Cities (Rock Island-Moline-Bettendorf-Davenport), and East St. Louis/St. Louis. There are eight areas in Illinois that have populations over 50,000 but less than 200,000. The Central BLRS specifies the STU suballocation of funds based on percentages of population of the urban area to the districts.

By law, any urban area of over 50,000 must undertake a process to develop transportation plans and programs formulated on the basis of transportation needs and with due consideration to comprehensive, long-range land use plans, development objectives, and social, economic, environmental, and energy conservation goals. The structure for this type of program must include a designated MPO agreed to by the local units of government and officially designated by the Governor as the recognized body. Further distribution of STU funds in these areas is coordinated by the designated MPO.

The third area of population, less than 50,000, receives STU fund allocation at the district level. The distribution is also based on population.

4-1.02(c) Rural

Rural areas are all areas outside of urbanized and small urban areas.

Prior to the recent federal highway authorization bills, four counties in District One (e.g., Will, Kane, Lake, McHenry) received funds that were provided for improvement to Federal-aid Secondary (FAS) designated routes. An agreement was reached by IDOT and the four District One counties to distribute a minimum of $2 million of STR funds per year to the counties as replacement funds for FAS funds that are no longer available.

District One distribution of STR funds by IDOT is determined as follows:

- 50% of the annual allotment is allocated equally to the counties; and
- 50% of the annual allotment is allocated based on the proportion of total population per county.

The formula for distribution of the STR funds to Districts 2 through 9 is as follows:

- 10% divided equally among the downstate counties, Districts 2 through 9; and
- the balance being allocated to the downstate counties on the basis of the following three factors with equal weight being given to each factor:
  - \+ non-urban area,
  - \+ non-urban population, and
  - \+ non-urban mileage (total all systems).

Federal requirements stipulate that up to 15% of the rural STP suballocation can be spent on rural minor collectors.

4-1.02(d) Bridges

STP funds may be used to replace or rehabilitate bridges (e.g., structures longer than 20 ft (6 m)) on any public road. Allowing STP funding for work on a bridge is intended to reduce the number of bridges on the HBP eligibility list. See Section 6-1.01 of this Manual for the definition of a bridge.

4-1.02(e) Safety

The Highway Safety Improvement Program (HSIP) is a core Federal-aid funding program with the goal of achieving a significant reduction in traffic fatalities and serious injuries on all public roads. Highway safety improvement projects correct or improve a hazardous road location or feature, or address a highway safety problem. Detailed guidelines for this program can be found in the IDOT HSIP policy.

High Risk Rural Roads Program (HRRRP) is a specific set-aside provision of the HSIP to support construction and operational safety improvements on roadways functionally classified as a rural major or minor collector or rural local road that have fatal and incapacitating injury crash rates higher than the statewide average for those functional classes of roads; or, that will have increases in volume that are likely to create such rates.

The federal funding level is a maximum of 90 percent of the total improvement cost for HSIP and HRRRP projects with the LPA being responsible for the 10 percent matching funds. All phases of a safety improvement project are eligible for these programs, including preliminary engineering, land acquisition, construction and construction engineering.

Local Rail/Highway Grade Crossing Safety Program is a set-aside of the federal HSIP funds to reduce the number of fatalities and serious injuries at public highway-railway crossings through the elimination of hazards and/or the installation/upgrade of warning devices at crossings. These include flashing light signals and gates, circuitry upgrades, or approach work at railroad/highway grade crossings. IDOT selects eligible rail safety projects on the local highway system. See Section 40-2 for more information on safety at railroad/highway crossings.
Railroad crossing and approach work is eligible for 90% federal funding. Signals and gates can be funded with 100% federal funds.

Rural Sign Upgrade Program is intended to upgrade existing regulatory and warning signs in accordance with the Manual on Uniform Traffic Control Devices (MUTCD) and include new warning or regulatory signs. The program covers signs in rural areas (those outside the urban area boundaries) for highways under the jurisdiction of municipalities with population less than 5,000, townships or road districts, and counties. The program is based upon the number of fatal and serious injury crashes over the past five years on the local highway system and LPAs' financial need relative to rural mileage.

The program provides 100 percent funding for the replacement of existing substandard regulatory and warning signs up to a maximum of $25,000 per eligible LPA. LPAs may also apply for new warning or regulatory signs that enhance safety and are based upon a benefit-cost analysis in addition to the maximum $25,000 amount. Eligible costs include signs, sign posts, mounting hardware, and shipping and handling. Installation cost is the responsibility of the LPA.

The Illinois Safe Routes to School Program (SRTS) is a federally funded program which supports projects and programs that enable and encourage walking and bicycling to and from school. The program applies to schools serving grades Kindergarten through 8th grade.

The program provides 100 percent federal funding for infrastructure and non-infrastructure projects.

4-1.02(f) Transportation Enhancements

Federal-aid sets aside 10% of STP funding for transportation enhancements (TE), which is allocated before all other STP suballocations (e.g., STU, STR). Transportation enhancements encompass a broad range of activities that go beyond the traditional accommodations for cars, trucks, and transit. However, these projects must relate to surface transportation. The following types of projects are eligible for transportation enhancement funding in Illinois:

- restoration of historic transportation facilities,
- bikeway and pedestrian facilities,
- landscaping and scenic beautification,
- scenic or historic highway programs,
- historic preservation,
- safety and educational programs for pedestrian and bicycles,
- acquisition of scenic easements and scenic or historic sites,
- establishment of transportation museums,
- preservation of abandoned railroad corridors for conversion to pedestrian and/or bicycle trails, and
- control and removal of outdoor advertisements.

TE projects are eligible for 80% federal funding, except for the purchase of right-of-way, which is funded at 50% of federal funds.

The Office of Planning and Programming is responsible for determining which projects are eligible for TE funds. For additional guidance, see the *Illinois Transportation Enhancement Program (ITEP) Guidelines and Procedures*.

4-1.02(g) Storm Sewers

Work on a highway project involving the construction, repair, rehabilitation, or replacement of storm sewers and combined sewers (when permitted by law) is eligible for Federal-aid funding for sewers that are structurally deficient. Generally, participation will be based on the sewer size needed solely for highway purposes.

4-1.03 Highway Bridge Program

4-1.03(a) General

The Highway Bridge Program (HBP) provides funds for bridges that are structurally deficient and/or functionally obsolete and have a sufficiency rating of 80 or less and are located on a public road. A bridge is defined as any structure having a length greater than 20 ft (6.1 m). See Section 6-1.02 of this Manual for the definition of a bridge.

A bridge is structurally deficient if the deck, superstructure, substructure, or culvert has an evaluation rating of 4 or less, or if the structural evaluation or waterway adequacy has an appraisal rating of 2 or less. The bridge is functionally obsolete if the deck geometry, underclearances, or the approach roadway alignment has an appraisal rating of 3 or less, or if the appraisal rating for structural evaluation or waterway adequacy is 3. These evaluation and appraisal ratings and the sufficiency rating can be found in the Illinois Structure Inventory System (ISIS) as discussed in Section 6-2 of this Manual. An HBP eligible bridge having a sufficiency rating of 80 or less is eligible for rehabilitation. An HBP eligible bridge that has a sufficiency rating of less than 50 is eligible for replacement.

Illinois' share of HBP funds is based on its relative share of the total cost to repair or replace deficient highway bridges nationwide. HBP funds available to local facilities are largely based on the Federal-aid provision that no less than 15% of the funds must be used on public roads that are functionally classified as local roads (urban and rural) or rural minor collectors. Bridges on local facilities that are functionally classified otherwise (e.g., rural major collectors, rural arterials, urban collectors, urban arterials) are considered for HBP funding in the same pool as bridges on the State highway system. LPAs receive 20% of the State's allocation of HBP funds. These funds are allocated to the counties based on the square footage of deficient LPA bridges in each county.

In addition to rehabilitating or replacing eligible bridges, the following work is eligible for the use of HBP funds:

- approach roadways pursuant to Section 4-1.03(d) of this Manual;
- bridge painting (spot painting is not eligible) – sufficiency rating (SR) of 80 or less can be funded as a sole item of work;
- seismic retrofit – no SR restriction; can be funded as a sole item of work;
- historic bridges – inventory for historic significance and preservation in accordance with 23 *U.S.C.* 144(o);
- bridge inspection – routine NBIS, fracture critical, special, damage and underwater bridge inspections are eligible, including underwater scour evaluation, training, and equipment purchase, and/or rental;
- initial cost for posting signs immediately adjacent to the bridge;
- anti-icing/de-icing applications – the bridge must be HBP eligible; and
- scour countermeasures – countermeasures must be designed, but may be used at any structure with scour problems or potential scour problems.

If any rehabilitation or reconstruction is done on a bridge, regardless of funding, the bridge is not eligible for HBP funding for a period of 10 years.

4-1.03(b) Illinois Major Bridge Program

IDOT dedicates 20% of its HBP fund for a Major Bridge Improvement Program. Bridges under the jurisdiction of a LPA and eligible for HBP funding that have a total project cost for all engineering, utilities, land acquisition, and construction for replacement or rehabilitation of more than $1,000,000 are candidates for this Program. Funds for this Program can only be used to fund up to 80% of the construction and construction engineering. The LPA is responsible for the cost of preliminary engineering, land acquisition, utilities, and other pre-construction activities.

4-1.03(c) Discretionary Bridge Program

The Discretionary Bridge Program (DBP) is a federal program that is designed to replace or rehabilitate deficient, high-cost highway bridges. Eligible projects are those with construction costs exceeding $10 million or exceeding twice the amount allocated to a State for the fiscal year under 23 U.S.C. 144. Projects nationwide are ranked according to a Rating Factor based on a variety of factors (e.g., Sufficiency Rating, traffic volumes, importance to national defense, project costs). These are bridges that are so expensive to replace or rehabilitate that if a State DOT used its annual HBP appropriation it would exhaust the HBP funds. Although DBP funds are available for any eligible bridge on a public highway, bridges on local facilities do not qualify often because of the factors in the Rating Factor.

4-1.03(d) Approach Limits for HBP Projects

1. Requirements specified in Eligible Projects, 23 C.F.R. § 650.405 shall be considered in establishing reasonable touchdown points for approach work to be funded with HBP funds. These requirements include the following:

    a. Replacement, 23 C.F.R. § 650.405(b)(1). Total replacement of a structurally deficient or functionally obsolete bridge with a new facility constructed in the same general traffic corridor. A nominal amount of approach work, sufficient to connect the new facility to the existing roadway or to return the gradeline to an attainable touchdown point in accordance with good design practice is also eligible. The replacement structure must meet the current geometric, construction and structural standards required for the types and volume of projected traffic on the facility over its design life.

    b. Rehabilitation, 23 C.F.R. § 650.405(b)(2). The project requirements necessary to perform the major work required to restore the structural integrity of a bridge, as well as work necessary to correct major safety defects, are eligible except as noted under ineligible work. Bridges to be rehabilitated both on or off the Federal-Aid System shall, as minimum, conform with the provisions of 23 C.F.R. § 625, Design Standards for Federal-aid Highways, for the class of highway on which the bridge is a part.

    c. Ineligible work, 23 C.F.R. § 650.405(c). Except as otherwise prescribed by the Administrator, the costs of long approach fills, causeways, connecting roadways, interchanges, ramps, and other extensive earth structures, when constructed beyond the attainable touchdown point, are not eligible under the bridge program.

2. The following guidelines shall be used in establishing reasonable touchdown points:

   a. EXISTING LOCATION (Bridge Project Only)

   When replacing or rehabilitating a bridge to current Department standards on existing grade and location, all approach work items required to transition back into the existing roadway and safety appurtenances pertaining to the bridge are eligible. The cost of any temporary detour required to maintain traffic while the structure is being built is eligible.

   b. EXISTING LOCATION (Roadway project with bridge included)

   This applies to projects that upgrade a roadway that also results in rehabilitation or replacement of an eligible bridge. When replacing or rehabilitating a substandard bridge to minimum standards or greater, on existing grade and location, bridge work items will be limited to 50 feet of approach work at beginning and end of bridge. All approach work items in the 100 feet are eligible for consideration for HBP funding. (This allows the coverage of the cost of approach slabs, select material behind the abutments, guardrail attachments and other approach work items.) If a detour is required, associated roadway costs required to maintain traffic while the structure is being built are eligible. This section applies to a roadway segment project which has a bridge project included within it.

   c. NEW LOCATION

   When replacing a bridge that must be raised or relocated due to substandard vertical and horizontal alignment, substandard clearances, hydraulic design issues, constructability issues, etc., the minimum amount of approach roadway work necessary to tie the relocated alignment back into the existing roadway is eligible. The alignment will conform to current Department standards based on the functional classification and projected traffic volumes for that particular roadway.

3. In accordance with previous paragraphs 1 and 2 of this Section, every deficient bridge scheduled for rehabilitation or replacement shall be evaluated individually by the LPA to establish reasonable touchdown points for approach work. IDOT may approve the reasonable touchdown points for eligible bridges as long as the total length of the approach work does not exceed 1,200 feet.

4. If the LPA determines that the reasonable touchdown points should exceed the criteria in paragraph 3, the project shall be submitted to IDOT (who will coordinate with FHWA) with supporting documentation for review and approval. The issue may also be addressed at a federal project coordination meeting. A statement from the county engineer that all elements are designed to the operating speed, which does not exceed the posted or statutory speed, shall be considered sufficient documentation by both IDOT and FHWA that the touchdown points are reasonable.

4-1.04 HBP Soft Match Credit Program

Under 23 U.S.C. 144(n), a State may allow up to 80% of the State and local source amount expended on off-system bridge construction to be credited to the non-federal share of HBP eligible bridge replacement or rehabilitation projects. The bridge work must follow the structural design policies for the HBP funding program as defined in the Section 4-1.03 and Chapter 36 of this Manual.

4-1.04(a) Purpose

One of the primary objectives of this Program is to provide an alternative process for counties to remove deficient bridges from the bridge inventory. Although the design requirements applicable to the HBP apply, the Program allows a number of requirements that would apply to projects receiving HBP funds to be waived. The federal contract requirements and clearances by federal agencies are waived, but all State and local contract requirements and clearances must be met.

The criteria and guidelines for approval of the HBP Soft Match Credit Program are provided in the following Sections.

4-1.04(b) Project Eligibility

To be eligible for the HBP Soft Match Credit, the bridge must meet the following criteria:

1. The bridge must be on the federal HBP Selection List. See Section 4-1.03 of this Manual for HBP eligibility requirements.
2. The bridge must be on a road with a functional classification of a local road or rural minor collector.
3. The bridge must not have been replaced nor had major rehabilitation within 10 years of the planned new construction date, regardless of type of funds used.
4. The bridge must not be controversial. The following items may raise concerns and can be used for general guidance in determining whether a bridge is controversial:
   - unresolved right-of-way agreements/acquisition,
   - historic bridge implications,
   - environmental problems,
   - permit problems/delays, and/or
   - pending/potential lawsuits.
5. Only construction from back-to-back of abutment is eligible for credit, using the same basis as items that are designed based on this Manual's Section 36-2 structural guidelines.
6. Only actual construction (e.g., hard construction) costs are eligible for earning credit. Right-of-way acquisition, preliminary engineering, and construction engineering are not eligible.

4-1.04(c) Submittal and Crediting Process

In addition to normal bridge project submittal requirements, the county desiring the HBP Soft Match Credit must submit the following items to the district:

1. Planning. During the preliminary engineering phase, submit the following:
   a. A request for consideration of the project for the Program from the county engineer. See Figure 4-1A for a sample request and certification letter.
   b. A certification by the owner and county engineer stating the project is not controversial. See Figure 4-1A for a sample request and certification letter.

c. A Bridge Condition Report must be submitted and approved in accordance with Section 10-2.03. FHWA waivers must be requested for exceptions to the HBP policy for credit structures, when required (e.g., replacement of a structure with a sufficiency rating of 50 or greater).

2. Project Completion. After the project is completed, the district is responsible for forwarding the following items to the Central BLRS.

a. a certification by the county engineer that the project being considered has been constructed in accordance with the design standards applicable to the HBP, that the structure has been added to the inventory and is not deficient (i.e., deck, super and substructure appraisal ratings are 6 or higher), and geometrics are sufficient;

b. Form BLR 13510, Final Report, Notice of Completion and Acceptance of Improvement Constructed Under the Illinois Highway Code; and

c. notification of final eligible construction cost of the bridge within the guidelines of this policy. See Figure 4-1B for an example Notification of HBP Soft Match Credit Eligible Cost.

4-1.04(d) BLRS Responsibilities

Once the project has been completed, IDOT is responsible for completing the following tasks:

1. District. The district will:

- make a final inspection of the project and document its completion; and
- notify the Central BLRS of the final eligible construction cost of the project upon completion.

2. Central BLRS. The Central BLRS will conduct the following:

a. Submit a list of credit-eligible bridges annually in August of each year to FHWA for approval.

b. Maintain and credit a “special discount” in the name of the county for 80% of eligible costs of construction. Inform the districts annually of the county balances in the special accounts.

Approve and execute agreements with Federal authorization for HBP projects that utilize the HBP Soft Match Credit.

(name), Regional Engineer
Attn: Bureau of Local Roads and Streets
(District address)

(date)

Subject: HBP Soft Match Credit Request

(County name) County requests that Section *(number)* and Structure Number *(number)* located *(bridge location)* be approved as an eligible HBP Soft Match Credit project. A Bridge Condition Report is attached.

I certify that the above project meets the criteria outlined in the Illinois Department of Transportation HBP Soft Match Credit program and that, to the best of my knowledge and belief, the bridge is non-controversial. I understand that if said project is deemed to be controversial, the project would not be considered eligible for the Soft Match Credit program.

Sincerely,

(name), County Engineer

Bridge Office Use Only:

☐ Project is on the Federal HBP Selection List

SAMPLE REQUEST AND CERTIFICATION LETTER

Figure 4-1A

(name), Regional Engineer
Attn: Bureau of Local Roads and Streets
(district address)

(date)

Subject: HBP Soft Match Credit Eligible Cost

(County name) County certifies that Section *(number)* and Structure Number *(number)* located over *(location)* has been constructed in accordance with the design standards applicable to the HBP, that the structure has been added to the inventory and is not deficient.

I also certify that $ *(cost)* is the final eligible construction cost of the completed project, and understand that 80% of this amount will be credited to the county's HBP Soft Match Credit account upon approval by IDOT. A detailed breakdown of the eligible pay items and construction costs for back-to-back abutment is attached.

Sincerely,

(name), County Engineer

NOTIFICATION OF HBP SOFT MATCH CREDIT ELIGIBLE COST

Figure 4-1B

4-1.04(e) Use of the Soft Match Credit

The eligible costs may apply as credit toward the 20% local match required on Federal-aid bridge projects. This credit provision does not increase an agency's allocation of HBP funds, but will permit usage of funds already allocated to an agency at a rate up to 100%. The project should be included in the LPA and district highway programs at a HBP funding level of 100%.

If a county desires to use their Soft Match Credit on a project, they must submit a letter to the district indicating their desire to do so along with the cost estimate and project information. The federal share agreed to at the time of project authorization may not be increased by subsequent additions of off-system bridge credits. The Soft Match Credit can only be applied to the construction phase of a bridge project at the time of construction authorization.

Agreement language under "Division of Cost" for using the Soft Match Credit should be as follows:

> **HBP=100%*
> **Soft Match Credit not to exceed $*_____ (This amount should be whatever the county wants, equal to or less than the current balance of credit for the county at the time of authorization.) *with balance to* _____ (This should be the name of the LPA or State.).

4-1.05 High Priority Projects

High Priority Projects are those that are specified by the Congress. The total of High Priority funds available nationwide in a given year are a specified percentage of the total allocated under federal funding.

4-1.06 Congestion Mitigation and Air Quality Improvement

The Congestion Mitigation and Air Quality Improvement (CMAQ) Program provides a flexible funding source to State and local governments for transportation projects and programs designed to help meet the requirements of the Clean Air Act as amended in 1990. Funding is available to areas that do not meet the National Ambient Air Quality Standards (NAAQS). These are considered nonattainment areas. Funding is also available to areas that were previously in nonattainment but are now in compliance. These are referred to as maintenance areas. Funds are distributed to states based on a formula that considers an area's population by county and the severity of its air quality problems within the nonattainment and maintenance areas. Greater weight is given to carbon monoxide nonattainment and maintenance areas. Eligible activities for funding include:

- transit improvements,
- travel demand management strategies,
- traffic flow improvements, and
- public fleet conversions to cleaner fuels.

Illinois currently has two nonattainment areas, Chicago and Metro East, and one maintenance area, Jersey County eligible for funding under CMAQ.

4-1.07 Bicycle Facilities

The implementation of pedestrian and bicycle accommodations may be authorized for Federal-aid participation as either incidental features of highways, or as independent projects, where all of the following conditions are satisfied:

1. The safety of the motorist, bicyclist, and/or pedestrian will be enhanced by the project.
2. The project is initiated or supported by the appropriate State and local highway agencies and/or the Federal Land Management Agency. Projects must be located and designed pursuant to a plan, which provides due consideration for safety and contiguous routes.
3. Independent bicycle projects, incidental bicycle projects, and non-construction bicycle projects must be principally for transportation rather than recreational use, and must meet the project conditions for authorization, where applicable.
4. A public agency has formally agreed to:
   - accept the responsibility for the operation and maintenance of the facility;
   - ban all motorized vehicles, other than maintenance vehicles or snowmobiles, where permitted by State or local regulations, from pedestrian walkways and bicycle paths; and
   - ban parking, except in the case of emergency, from bicycle lanes that are contiguous to traffic lanes.
5. The estimated cost of the project is consistent with the anticipated benefits to the community.
6. The project will be designed in substantial conformity with the latest official design criteria.

4-1.08 Emergency Relief

The Emergency Relief (ER) Program provides funding to assist State and local governments with the expense of repairing serious damage to Federal-aid highways after FHWA has determined that natural disasters or catastrophic failures have occurred. Federal requirements specify that ER funds may only be used for emergency repairs to restore essential highway traffic, to minimize damage resulting from a natural disaster or catastrophic failure, or to protect the remaining facility and make permanent repairs. Emergency repairs are eligible for 100% federal reimbursement. The federal participation ratio for restoration work is 80%. Basic eligibility criteria are as follows:

1. The Governor must make a formal proclamation of the existence of a disaster.
2. There must be at least $700,000 of eligible damage in the State.
3. Damage must be on a Federal-aid highway.
4. Damage must require work that is beyond “heavy maintenance” (e.g., work frequently performed by the applicant’s maintenance crews).

5. Only sites with damage repair estimated to cost $5,000 or more may be eligible.

6. Damage must have occurred as a direct result of the disaster.

For more information on the ER Program on Federal-aid highways, review the following documents or contact the district:

- *FHWA Emergency Relief Manual*,
- *A Guide to the Federal-Aid Highway Emergency Relief Program*, and
- *A Summary of Emergency Relief (ER) Procedures for Federal-Aid High*ways.

4-1.09 Innovative Bridge Research and Construction Program

The Innovative Bridge Research and Construction Program is a discretionary program that promotes the use of innovative materials technology in the construction of bridges and other structures. The Program is a subset of the Technology Deployment Initiatives and Partnerships (TDIP) Program. TDIP is intended to accelerate the adoption of innovative technologies. The LPA is responsible for monitoring and documenting the performance of the experimental features of the project. The federal share can be 100% of the cost of the preliminary engineering and construction of the "innovative material" portion of the project.

4-1.10 National Scenic Byways Programs

Federal funds are allocated for technical assistance and grants to states to develop Scenic Byway Programs and to undertake related projects along roads designated as National Scenic Byways, All-American Roads, or State Scenic Byways. These are routes that have scenic, cultural, national, recreational, or archeological qualities. Illinois currently has designated five National Scenic Byways — Meeting of the Great Rivers, the Great River Road, the Lincoln Highway, the National Road, and the Ohio River Scenic Route.

4-1.11 Federal Lands Highways

In Illinois, the Federal Lands Highways (FLH) Program provides funding for public land highways. The Shawnee National Forest in southern Illinois and the Midewin National Tallgrass Prairie in Will County contain the only Public Lands highways eligible for FLH funds within the State. Illinois receives an allocation to be used on the Forest Highways. FHWA also makes discretionary funds available.

4-1.12 Ferry Boats Discretionary Program

Federal funds are allocated for the construction of ferry boats and ferry terminal facilities that are mostly publicly owned or publicly operated. The funds are distributed to states at the discretion of the FHWA Administrator based on the relative merits of applications received from the states.

4-1.13 Transportation and Community and System Preservation Pilot Program

The Transportation and Community and System Preservation Pilot (TCSP) Program is a comprehensive initiative of research and grants to investigate the relationships among transportation, community, system preservation, and private sector-based initiatives. States, local governments, and Metropolitan Planning Organizations (MPOs) are eligible for discretionary grants to plan and implement strategies that:

- improve the efficiency of the transportation system;
- reduce environmental impacts of transportation;
- reduce the need for costly future public infrastructure investments;
- ensure efficient access to jobs, services, and centers of trade; and
- examine private sector development patterns and investments that support these goals.

The TCSP funds can be used to fund 100% of the eligible project costs. For additional guidance, see the FHWA pamphlet "Transportation and Community and System Preservation Pilot Program."

4-1.14 National Corridor Planning and Development Program

The purpose of the National Corridor Planning and Development Program is to provide allocations to states and MPOs for coordinated planning, design, and construction of corridors of national significance, economic growth, and international or interregional trade. Eligibility for NCPD Program funds is limited to:

- states and MPOs;
- the 21 corridors identified in ISTEA;
- the 8 corridors added in by the National Highway Designation Act of 1995;
- the 14 corridors added by the 1998 TEA-21;
- any modifications to these eligible corridors made in succeeding legislation; and
- other significant corridors selected by the U.S. Secretary of Transportation considering:
  - + any increase since NAFTA in commercial vehicle traffic volume at border stations or ports of entry in each State and in the State as a whole;
  - + projected further increases in this type of traffic;
  - + flow of international truck-borne commodities through each State;
  - + reduction in travel time through a major international facility;
  - + leveraging of federal funds via use of innovative financing, using funds from other Title 23 programs, other federal funds and/or State, local, and private funds;
  - + value of cargo and the economic costs of congestion; and
  - + economic growth and development in areas underserved by existing highway infrastructure.

The types of projects that are eligible for funding include the following:

- feasibility studies,
- comprehensive corridor planning and design activities,
- location and routing studies,
- multi-state and intrastate coordination for corridors, and
- environmental review or construction after review by the U.S. Secretary of Transportation of a development and management plan for the corridor or useable section of the corridor.

4-1.15 Value Engineering

Value Engineering (VE) is the systematic application of recognized techniques by a multi-disciplinary team to identify the function of a product or service, establish a worth for that function, generate alternatives through the use if creative thinking, and provide the needed functions to accomplish the original purpose of the project, reliably and at the lowest life-cycle cost without sacrificing safety, necessary quality, and environmental attributes of the project. The purpose of VE is to improve project quality, reduce project costs, foster innovations, eliminate unnecessary and costly design elements, and to ensure efficient investments. VE is applicable to all Federal-aid highway projects with an estimated cost of $50 million or more and all federal-aid bridge projects with an estimated cost of $40 million or more. See Section 17-2.03 for VE Procedures.

4-1.16 Asset Management

Asset management is a business process and a decision-making framework that covers an extended time horizon, draws from economics as well as engineering, and considers a broad range of assets. The asset management approach incorporates the economic assessment of trade-offs among alternative investment options and uses this information to help make cost-effective investment decisions.

In accordance with Section 303, Title 23, United States Code (U.S.C.) Federal funds may participate in the costs incurred by local highway agencies for management systems related to the development, establishment, and implementation of a system for managing each of the following:

- Highway pavement of Federal-aid highways
- Bridges on and off Federal-aid highways
- Highway safety
- Traffic congestion
- Public transportation facilities and equipment
- Intermodal transportation facilities and systems

The management systems listed above and the data collection and data management that support these systems are funded as a direct project cost. Costs associated with updating data components may be considered necessary expenses associated with running a functioning management system, but in implementing the management system, it may be necessary to augment the system data with updated annual or biennial data collection.

4-2 STATE PROGRAMS

4-2.01 General

The State of Illinois provides funding to local governments for transportation-related improvements under a variety of programs. Section 4-2 provides a brief discussion on these various sources of funding. In all cases, any interested parties should contact the district for more information on these Programs.

4-2.02 Township Bridge Program

4-2.02(a) Source and Distribution

605 ILCS 5/6-901 provides a State-funded program of $15 million per year to construct bridges on the township or district road system. Funds appropriated to IDOT for this Program are apportioned to the counties in the same manner as Motor Fuel Tax (MFT) revenues for the use by road districts. Each county will subsequently allocate these funds to all eligible road districts in that county. The allocation to the road districts will be made in the same manner and be subject to the same conditions as are MFT revenues allocated for use of the district road system. However, no allocation will be made to any road district that has not levied taxes for road and bridge purposes at the maximum rates permitted without referendum as established by each individual section: 605 ILCS 5/6-501, 605 ILCS 5/6-508, and 605 ILCS 5/6-512. The rate will be determined by dividing the current year's tax levy amount by the previous year's assessed valuation, as adjusted. The district road system may permanently transfer, into the regular road fund (605 ILCS 5/6-501), joint bridge tax fund (605 ILCS 5/6-508), or county unit road tax (605 ILCS 5/6-512), a sufficient amount of money so that the levy and/or the transfer are at least equal to the maximum rates permitted without referendum. Road districts not currently levying the required rate because of the Property Tax Extension Limitation Law (PTELL) are eligible if they were levying at the required rate prior to PTELL and continue to levy the maximum amount after the imposition of PTELL.

For every $4 of State TBP funds used, $1 of local funds must be committed to the project. Local funds are defined as any other source of funds available to the district road system other than federal and State funds that have been appropriated through IDOT.

Funds apportioned but not obligated by the LPA within 48 months of the date when the apportionment is made, will lapse. Funds that have lapsed will not be available to the county treasurer for use by the road districts but, instead, will be deposited in the Township Bridge Lapse Pool; see Section 4-2.03 of this Manual.

4-2.02(b) Use of Township Bridge Program Funds

The following will apply to the use of Township Bridge Funds:

1. Project Scope. The Township Bridge Program provides State funding for the construction or rehabilitation of bridges 20 ft (6 m) or more in length, measured back-to-back of the abutment along the roadway centerline on the district road system, including a reasonable vertical and horizontal approach. It also includes the necessary engineering and right-of-way costs to complete the project.

2. Project Selection. The highway commissioners, in cooperation with the county engineer, are responsible for selecting the bridges to be constructed based on the following (in order of priority):
   - safe and expeditious transportation of school pupils,
   - movement of agricultural equipment and products,
   - rural free delivery mail routes, and
   - meeting anticipated traffic needs of the general public.
3. Use in Combination with Other Funds. Funds allocated through the Program may be used in conjunction with any other source of funds to complete a project. This includes matching of federal funds for bridge projects. The only condition is that at least for every $4 of the TBP fund, $1 must come from local funds. Local funds are defined as any other source of funds, including MFT, available to the road district other than federal and State funds that have been appropriated through IDOT.
4. Funding Limitations. Project costs are eligible for payment from those available funds apportioned prior to the award of the contract for the project. Exceptions that may be funded considering subsequent apportionment are indebtedness and contract additions.

4-2.03 Township Bridge Lapse Pool

Pursuant to 605 ILCS 5/6-906, funds apportioned to the counties for the Township Bridge Program are considered lapsed if they are not obligated within 48 months to the date of the apportionment. IDOT has established an administrative program whereby allocated TBP funds that have lapsed are placed in a TBP Lapse Pool. This fund provides additional monetary assistance to townships that have insufficient financing for larger bridges that are beyond the normal scope of the Township Bridge Program. The State will provide a maximum of 80% of the construction and construction engineering cost. The LPA must provide the remaining 20%.

The following items are considered when evaluating candidates for this funding:

1. Posting. Structures with low load postings or closures receive a higher priority than non-posted structures.
2. Average Daily Traffic Volume (ADT). Structures with traffic volumes less than 25 ADT are generally eliminated from consideration.
3. Adverse Travel. Longer adverse travel required by a bridge closure receives a higher priority.
4. Cost. Structure replacement costs greater than 2 years of TBP allotment to the county receives higher priority.
5. Safety. Information pertaining to crashes or hazardous conditions and how they will be rectified will be considered.
6. School and Mail Routes. Routes used for schools or mail delivery receive a higher priority.
7. Growth. New growth, either residential or industrial, relating to increased traffic is considered.
8. Letting Dates. Preference is given to those structures that can be replaced within 1 year.

4-2.04 Illinois Grade Crossing Protection Fund

Safety at railroad/highway grade crossings has long been a matter of public concern. The extreme severity of grade crossing crashes creates a safety issue of major significance.

Each month, $3,500,000 from the Motor Fuel Tax fund, see Section 4-3 of this Manual, is deposited into an account in the State Treasury, known as the Grade Crossing Protection Fund (GCPF), for the improvement of railroad/highway crossings on local highway systems. Each fiscal year not less than $12,000,000 must be used for the construction or reconstruction of rail/highway grade-separation structures. Up to $2,000,000 per year can be spent on pedestrian overpasses and underpasses. The normal maximum GCPF for a project is $12,000,000.

Additionally, Grade Crossing Protection Funds are available for incentive payments to local highway agencies in exchange for the closure of existing highway/rail grade crossings. Depending on the level of vehicular traffic, the incentive payments can range from $50,000 to $70,000.

The Illinois Commerce Commission (ICC) may also order up to $2,000,000 per year in Grade Crossing Protection Funds for the improvement of grade crossing surfaces and up to $300,000 per year for the maintenance and renewal of 4 quadrant gate vehicle detection systems located at non-high speed rail grade crossings.

Funds can only be used upon approval from ICC and for projects that improve the safety of at-grade crossings and grade-separation structures. GCPF can be used for improvements at railroad crossings on the county, township, road district, and municipal road and street systems. However, the fund cannot be used for improvements at railroad crossings on the State highway system.

Through a cooperative effort of ICC, IDOT, railway companies, and LPAs, hazardous crossing locations are identified and, where practical, corrective measures are funded by the program. GCPF is primarily used for the following types of improvements:

- the construction or upgrade of crossing protection (e.g., new or additional signals, gates, circuitry upgrades);
- the construction or improvement of any highway necessary for access to property due to a crossing closure; and/or
- the construction, reconstruction, relocation, or removal of grade-separated structures.

Figure 4-2A summarizes the typical cost divisions for grade crossing improvements. Additional information on the Grade Crossing Protection Fund can be found at the Illinois Commerce Commission website.

Improvement Type	GCPF (%)	LPA (%)	Railroad Company (%)
Signal Installation	85 *(1)*	10 *(2)*	5
Bridge Replacement (no Federal funds)	60	30-40	0-10 *(4)*
Bridge (with Federal funds)	Up to 60	Remainder *(3)*	0 -10 (Lump Sum) *(5)*
New At-Grade Crossings- Signals	50	50	0
New At-Grade Crossing- Surface	0	100	0

Notes:

(1) Typically, all GCPF portions are not to exceed a lump-sum amount, with another party being apportioned any remaining costs over and above the estimated cost.

(2) The LPA contribution may be waived in exchange for a crossing closure at a second location.

(3) This portion may be funded under the Highway Bridge Program (HBP), the Surface Transportation Program (STP), Township Bridge Program (TBP), and/or other federal, State, or local funds.

(4) The railroad company's contribution is dependent upon its existing bridge maintenance responsibilities.

(5) *The railroad company's contribution is voluntary unless the new bridge replaces a grade crossing protected by active warning devices. A minimum 5% contribution from the railroad is required for these projects.*

These cost distributions are typical; ICC will determine the actual cost distributions.

GRADE CROSSING PROTECTION FUND ALLOCATIONS

Figure 4-2A

4-2.05 Economic Development Program

The Economic Development Program (EDP) provides State assistance for highway improvements that provide access to new or expanding industrial distribution or tourism developments. The primary intent is to make available State matching funds that will be a positive contribution in the location and selection process and to target those projects that will aid in expanding the State's existing job base and create new employment opportunities. EDP is designed to assist where the development of these facilities is imminent. Ineligible projects include those that only provide access to retail establishments, that only improve opportunities for future development, or that are speculative in nature. This Program is administered jointly by the IDOT Office of Planning and Programming and the Central BLRS.

EDP provides up to 50% in State funds for costs to improve access to eligible sites. The remaining funds must be provided by local or private sources. The basic funding arrangement may be altered on a case-by-case basis for projects that include improvements on roads under State jurisdiction. When work is on a State highway, the State funds will pay up to 100% of eligible costs.

Local matching funds may consist of local road and bridge tax funds, the LPA's Motor Fuel Tax allocation, or other local revenues. Funds obtained from the Truck Access Route Program, Section 4-2.06, can also be applied to the local matching funds. Local matching funds cannot include grant funds received from other State agencies.

See the IDOT publication, Guidelines for the Economic Development Program, for additional information.

4-2.06 Truck Access Route Program

The Truck Access Route Program (TARP) assists local government agencies in upgrading highways to accommodate 80,000-pound (36,000-kg) trucks. Projects must connect to a truck route on one end and terminate at a truck generator and/or another truck route (unless phase construction is approved). The LPA must pass a resolution designating the road as a Class II or Class III truck route and post signs with that designation, see section 3-2.02(d).

TARP is designed to help pay the cost difference of upgrading local highways to meet additional weight and geometric requirements. The State provides up to $45,000 per lane-mile and $22,000 per intersection or up to 50% of the entire project, whichever is less. The State's share of the cost is not to exceed $900,000.

The Central BLRS administers TARP. See the IDOT publication, Guidelines for the Economic Development Program, for additional information.

4-2.07 State Matching Assistance Program

The State Matching Assistance Program is designed to assist counties in matching federal funds when the county cannot derive sufficient matching funds from local taxation. Counties receive a Surface Transportation Program Rural (STR) allotment that may be used to fund up to 80% of eligible project costs. Counties are allowed to levy a Federal-aid matching tax to use for the local share. Although an 80/20 federal/local matching ratio is allowable for STR projects, a lower matching ratio is considered to be more equitable when determining the need for matching funds because the counties receive other Federal-aid funds (e.g., HBP, STU) that require a local match. Some counties do not have a sufficient tax base to generate the local funds needed for the match. The State Matching Assistance Program provides $4 million per year addressing this problem.

The county is required to levy a Federal-aid matching tax of at least 0.045% to be eligible for assistance. To receive the maximum amount, the county is required to have a tax rate of 0.05%. If the rate is 0.045%, the allocation is 90% of the maximum. If the rate is between 0.045% and 0.05%, the assistance is prorated. If the rate falls below 0.045%, the county may retain its eligibility for assistance if a permanent transfer of funds from a non-highway fund to the Federal-aid matching tax fund is made to meet the equivalent of the minimum eligibility threshold.

The maximum assistance amount for each county is established as the difference between the amount required to match the county's STR allotment using a computer-generated Federal/local matching ratio and the funds generated by the county's Federal-aid matching tax. This matching ratio is variable each year and is generated to result in the use of the entire State matching assistance amount. All counties with a short fall under this formula receive full funding of the shortfall.

The amount of funds received by each county varies from year-to-year. The variable amount of STR funds available each year and the local Equalized Assessed Valuation, as provided by the Department of Revenue, have a direct correlation on the amount of funds to be disbursed based on shortfall. As an example, when the STR allotment increases, the poorer counties will have a greater need for an additional match. Conversely, when the allotment decreases, the poorer counties will not have a need to match as much Federal funding and will require less State matching assistance funds.

State matching funds may be used for any Federal-aid project. Two factors impact the implementation of the State Matching Assistance Program:

1. Lump-Sum Use. Counties may use its accumulated matching funds to defray any part or the entire non-federal portion of any local Federal-aid project, regardless of the federal matching percentage. However, the State matching assistance must be committed as a lump-sum rather than a percentage of the project cost.
2. Anticipation. There can be no anticipation of State matching funds (e.g., no county can commit more State matching assistance funds to a project than it has available at the time of letting). However, existing agreements for active projects may be amended to increase the amount of State matching assistance when it becomes available.

4-2.08 County Consolidated Program

The County Consolidated Program provides $21.8 million per year for distribution to all counties except Cook County. The counties share equally $8 million of the funds with the remaining portion distributed using the Motor Fuel Tax formula, which is based on the amount of motor vehicle license fees. The funds must be deposited in the agency's MFT account and can be expended for any permissible MFT use. See Section 4-3 of this Manual for more details on the Motor Fuel Tax.

4-2.09 Needy Townships

The Needy Townships Program provides $10 million per year of State assistance for needy townships and road districts that levy at the maximum tax rate allowed without referendum, but do not generate enough revenue to meet a minimum level of funding per mile of roadway. The funds must be deposited in the MFT account and can be expended for any permissible MFT use. This program is available to areas with the lowest ability to generate revenue on a per-mile basis. The eligible townships and assistance levels are set based on the equalized assessed valuation, annual average MFT distribution per mile, and average maintenance cost per mile.

4-2.10 High-Growth Cities

The High-Growth Cities Program provides $4 million of State assistance per year to municipalities with populations over 5,000 that are experiencing above-normal population growth. Any municipality having an increase in population of at least 5% either through the comparison of two consecutive decennial census or the comparison of a decennial census and a special census within a given decade is eligible for this program. Funding is allocated among eligible cities based on their current population and per capita increase compared to all eligible cities. The funds must be deposited in the LPA's MFT account and can be expended for any permissible MFT use.

4-2.11 County Engineer Salary Program

This program is designed to aid counties in paying a reasonable professional salary for their county engineers. In exchange for an equal amount of a county's federal Surface Transportation Program (STP) allotment, the state will provide state funds to pay up to one-half of a county engineer's salary.

Recommended salaries have been established for the 99 counties in Illinois that receive rural STP federal-aid highway funds. The recommended salaries are established by a ranking system considering five factors:

- county MFT allotment
- county lane mileage
- county population
- county assessed valuation
- county system vehicle miles of travel

The sum of the five individual ranks is used to determine an overall rank. The magnitude of the responsibilities for each ranked county has been related to comparable department civil engineer responsibilities and an equivalent recommended salary established for each county. The county rankings are computed each year using the latest available data, and the respective recommended salaries are adjusted annually in a like manner as the department's salary bracket for civil engineers.

A county must agree to pay the county engineer a salary, exclusive of normal expenses, of at least 95% of the recommended salary to be eligible for the program. The amount of the exchange shall be no more than one-half of the salary paid to the county engineer with no upper salary limit, recognizing that a county may pay more than the recommended salary.

The county and the department shall enter into an agreement covering the terms of the exchange. An agreement can be entered into at any time during the year.

A county who shares an engineer with another county will qualify for this program by paying at least 95% of either the following:

1. The salary of at least 60% of the current recommended salary, or
2. A salary that, when combined with the salary paid by the county sharing the engineer, totals 60% of the sum of the current recommended salaries of the two counties.

4-2.12 Funding for Jurisdictional Transfers

Funds may be provided by the State, based on the present worth of the highway or structure, to the LPA that agrees to assume jurisdiction for the facility. The present worth is determined using the life-cycle cost of keeping the highway in a serviceable condition.

4-2.13 Park Access Program

The Park Access Program provides funding for road projects that are located within or provide access to State parks and historic sites. The projects are selected jointly by IDOT, the Illinois Department of Natural Resources (IDNR), and the State Historic Preservation Officer (SHPO). Applications should be sent to IDNR. Funding is allocated at 100% of the total project cost.

4-2.14 Noise Abatement Program

The Noise Abatement Program provides State funding for noise abatement projects along existing fully access-controlled State routes in urban areas. LPAs are required to provide 50% local matching funds. Federal funds can be used to supplement the project cost if the project is designed to meet federal criteria. Costs associated with preliminary engineering, construction, and construction engineering are eligible. Costs associated with right-of-way and utilities are not eligible. The sponsoring agency must document the traffic-generated noise levels prior to applying for funds, and it must also pass a zoning ordinance regarding land use. Contact the Office of Planning and Programming for more information.

4-2.15 Access to Transit Capital Improvement (Operation Green Light) Program

The Access to Transit Capital Improvement Program seeks to improve multi-modal access to mass transit facilities. Municipalities, mass transit districts, mass transit carriers, and Regional Transportation Authority's service boards are eligible to apply for these funds. The Division of Public and Intermodal Transportation administers the program. The State share is 100%. Eligible projects must meet one or more of the following criteria:

- introduce innovations;
- reduce congestion;
- have regional application;
- enhance transit operations on roadways;
- improve pedestrian, bicycle, bus, and auto access to transit facilities; and/or
- reduce conflicts among modes in congested areas near transit facilities.

Land acquisition, engineering, and construction are eligible. Parking lots, depot improvements, and maintenance are not eligible.

4-3 MOTOR FUEL TAX (MFT)

4-3.01 Source

In 1929, the Illinois General Assembly adopted a law placing a tax (e.g., 0.19 cents/gallon and an additional 2.5 cents/gallon on diesel fuel) on the operation of a motor vehicle on public highways and of operation of recreational watercraft on the water based on the consumption of motor fuel. Proceeds from this tax are administered by IDOT, with a portion of these revenues being allotted to counties, townships, and municipalities. The collection and distribution of these funds are outlined in the Motor Fuel Tax Law, 35 ILCS 505/1 *et seq*. and are referred to as the Motor Fuel Tax funds.

4-3.02 Distribution

4-3.02(a) General

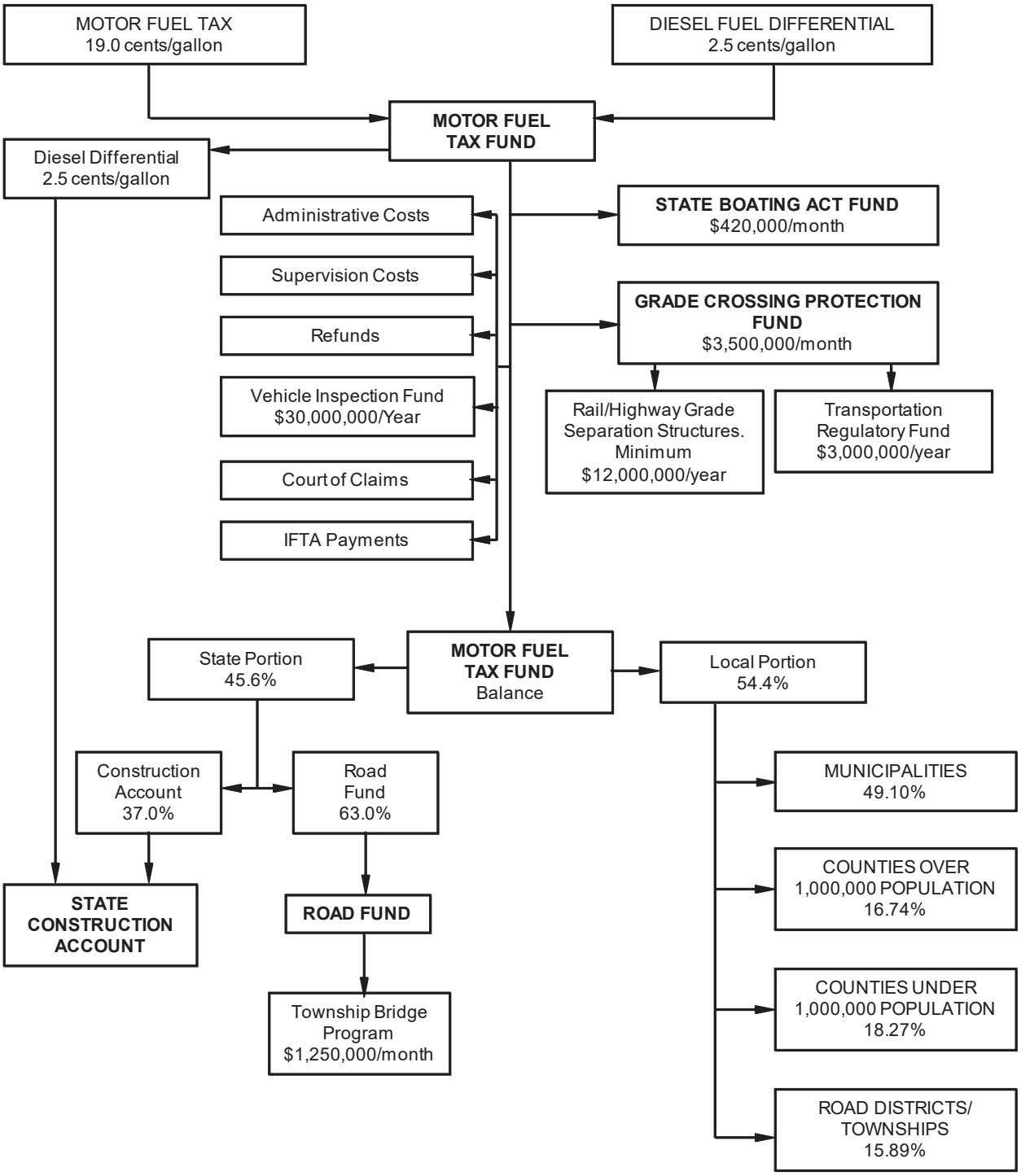
MFT funds are paid out to the units of local government in accordance with the Motor Fuel Tax Fund, 35 ILCS 505/8 provisions. All money collected by the Department of Revenue is distributed after the first day of each month. No funds are held in escrow for retroactive changes in allocations. Therefore, allocations will vary from month to month.

Figure 4-3A illustrates the distribution of Motor Fuel Tax funds. After deductions set by law, 54.4% of the remainder is distributed to LPAs. The following sections describe the allocation of the MFT funds to the counties, municipalities, and townships. See the IDOT publication, MFT Funds: Source, Distribution and Uses by (Municipalities) (Counties) (Townships) for more information.

4-3.02(b) Municipalities

A municipality's share of the total MFT municipal allocation is based on the ratio of that municipality's population to the total population of all incorporated areas in the State. The population figure is determined by the latest decennial census taken by the U.S. Bureau of Census. When the Illinois Secretary of State certifies the population count (65 ILCS 5/1-7-2), the Department of Transportation adjusts the municipal population figure on which the MFT allotment is based to agree with the certification (35 ILCS 505/8).

This municipal population figure for the purposes of determination of MFT allotments will remain in effect until the next decennial census, or if a change in population has been determined in accordance with the law. The following also applies to MFT allotments:



MOTOR FUEL TAX DISTRIBUTION

Figure 4-3A

1. MFT Allotments to New Municipalities. Before MFT allotments can be made to a newly incorporated municipality, articles of incorporation must be first filed with the Secretary of State. After the Secretary of State officially notifies IDOT that a Certificate of Incorporation has been issued, and after a census has been conducted, monthly MFT allotments will be made to the new municipality.

   With respect to the census that must be made by the municipality, IDOT requires the submittal of:

   - an ordinance adopted by the municipal board or council providing for the taking of the census;
   - an affidavit executed by the municipal clerk and attached to the ordinance certifying to the passage of the ordinance; and
   - an affidavit signed by the municipal clerk and president or mayor, and attested to by a notary public, giving the date of the census and the population of the municipality.

   Forms BLR 04310, BLR 04311, and BLR 04312 may be used.

   If all required information is provided, the municipality will be notified of the date on which the first allotment will be made.

2. Change in Municipal MFT Allotments Due to Annexing of New Territory. If new territory has been annexed after the last federal census was taken, and the municipality desires to have its allotment increased because of this fact, it must take a census of the annexed territory. The municipality must provide IDOT with executed copies of the information listed above. If all required information is provided, IDOT will notify the municipality of the date when the first allotment, reflecting the new population, will be made.

3. Change in Municipal MFT Allotments Due to Special Census. To change the population figure upon which MFT allocations are based, a municipality must contact the Director of the Census, Department of Commerce, Washington, D.C. to determine the procedures to conduct a special census. No other census will be accepted. This census must be an actual count of all inhabitants residing within the corporate boundaries; estimates or a census taken of only selected areas within a municipality are not acceptable.

   After the Bureau of Census determines the census, the Director of the Census will furnish to the Office of the Secretary of State and the municipality a report of the results. The Office of the Secretary of State will then certify that it has received the results with a copy to the municipality and IDOT giving the new population of the municipality.

   Upon receipt and review of the certification, IDOT will change the population figure upon which the municipality's MFT allocations are based and will notify the municipality of the date when the first allotment will be made due to the population change. MFT funds may not be used to pay for the cost of conducting any census.

4-3.02(c) County

Counties that have 1,000,000 or more inhabitants receive a special designated allocation. Allocations to counties having less than 1,000,000 inhabitants receive allocations in proportion to the amount of motor vehicle license fees received from vehicles registered in each county during the preceding calendar year. On or before April 15 of each year, the Secretary of State submits a full report to IDOT detailing the amount of motor vehicle license fees received from vehicles registered in each county during the preceding calendar year, pursuant to 35 ILCS 505/8(e).

4-3.02(d) Townships (Road Districts)

35 ILCS 505/8 defines "road district" as any road district provided for by the Illinois Highway Code. Road districts also include park districts, forest preserve districts, and conservation districts organized under Illinois law. The term "township or district road" also includes roads maintained by park districts, forest preserve districts, and conservation districts.

The following applies to MFT funds for road districts:

1. Road Districts. MFT funds apportioned for use by road districts are allotted to the several counties in the State. These allotments are apportioned among the counties in the proportion which the total mileage of township or district roads in that county bears to the total mileage of all township or district roads within the State. Funds allotted to the counties for the use of its road districts must be apportioned among the eligible road districts in proportion to the eligible mileage of township or district road systems in each eligible road district.

   Any park district, forest preserve district, or conservation district must comply with all statutes related to road districts with respect to receiving Motor Fuel Tax allotments (Attorney General's Opinion No. 85-024, dated December 2, 1985).

2. Minimum Taxes. To be eligible for MFT allocations, the road district must levy a tax or taxes for road and bridge purposes. To receive the maximum MFT allocation, the road district must levy a tax or taxes for road and bridge purposes at an extension rate of at least 0.08% of its assessed valuation. To meet this requirement, the road district may use both its regular road fund (605 ILCS 5/6-501) and permanent road fund (605 ILCS 5/6-601) either separately or in combination to equal the required percentage. If the road district does not levy a tax or taxes for road and bridge purposes at an extension rate of at least 0.08% of its assessed valuation, the road district's MFT allocation shall be the percentage of the maximum allocation equal to the percentage obtained by dividing the rate extended by the road district for road and bridge purposes by 0.08%.

   On or before July 1 of each year, the county clerk of each county will file a certificate with IDOT certifying the rate of road district tax levies in that county in accordance with the above formula. If the county clerk fails to file this certificate, the allotment to the county for the road districts will not be made. However, if the county clerk later in the year does make a proper certification, the allocation will be made beginning with the first month's allotment following the date of certification.

If the tax and/or taxes are not levied in accordance with the Motor Fuel Tax Law, the MFT allotments of the ineligible road district will be reallocated to the eligible road districts within the county. The ineligible road district, upon subsequent compliance with the MFT law, will once again be eligible; however, allotments will not be retroactive.

3. Property Tax Extension Limitation Law (PTELL). PTELL limits the increases in a taxing district's extensions. PTELL allows a taxing district to receive a limited inflationary increase in tax extensions on existing property. Increases in property tax extensions are limited to a lesser of 5% or the increase in the Consumer Price Index. This affects non-home-rule taxing districts in Cook County and in the collar counties (i.e., DuPage, Kane, Lake, McHenry, Will). PTELL allows the county board of other counties, by ordinance or resolution, to submit to the voters of the county, the question of whether to make all non-home rule-taxing districts that have all or a portion of their equalized assessed value situated in the county subject to PTELL (35 ILCS 200/18-185 to 200/18-245).

   As a result of PTELL, some road districts are unable to levy the minimum 0.08% road and bridge tax, which would result in some road districts becoming ineligible to receive the maximum MFT funds. 35 ILCS 505/8 enables road districts under PTELL to receive the maximum MFT funds. To become eligible, the road district must have been levying the minimum 0.08% road and bridge tax prior to PTELL and continue to tax at the maximum allowable amounts allowed by PTELL or, in DuPage County, an amount equal to or greater than $12,000 per mile of road under the jurisdiction of the road district, whichever is less.

4. Eligible Roads. According to 35 ILCS 505/8, IDOT is required to determine the mileage of all township and road district highways within the State for the purpose of allotting and allocating Motor Fuel Tax funds for use in road districts. Generally, a portion of a highway improved, designed, or ordinarily used for vehicular travel, exclusive of the berm or shoulder, is referred to as the roadway and is included in the mileage total provided that the highway is a public way for vehicular travel. Previously unreported public highways must be 0.04 miles (0.06 km) or longer to be included in the inventory for mileage totals.

   To be considered a public way for vehicular travel, a road must be both "open" and "passable." The roadway must be free of obstructions (e.g., no gates, chains, fences, fallen trees) that prevent the public from gaining access to the full length of the road. There cannot be any no-trespassing, road-closed, or other signs or markers that prohibit public travel. Roads leading up to a closed bridge or culvert are considered a public way for vehicular travel if the approaches are passable. Vehicular travel may be prohibited or restricted for no more than 90 days in any one calendar year, pursuant to 625 ILCS 5/15-316.

   A road is "passable" if the road can be traversed in a four-wheel drive vehicle in dry conditions without having to leave the roadway. The following criteria are used by IDOT to determine passability:

   a. Ruts. The roadway must be free of excessive ruts or potholes. Ruts in excess of 9 in (225 mm) should not exist on the majority of the roadway unless a four-wheel drive vehicle can straddle the ruts and traverse the road with relative ease at a low rate of speed.

   b. Delineation. For dirt roadways, delineation of the roadway must be readily identifiable, by either wheel paths or cross section recognition.

c. Clearance. Vegetation and other obstructions lateral to the roadway should be adequately cleared to allow a standard size 4-wheel drive vehicle to pass without rubbing and scratching the vehicle.

d. Drainage. Adequate drainage is provided to prevent ponding on the roadway or erosion of the roadway, except in instances of seasonal or prolonged flooding.

If the open and/or passable criteria have not been met, IDOT will notify the township road commissioner and the county engineer of the problem and allow 30 days to correct it. If the problem is not corrected within 30 days, the road will be removed from MFT eligibility.

Township roads will be re-inventoried within a cycle to be determined by the district to determine MFT eligibility and verify length. A 5-year cycle is desirable.

4-3.02(e) Engineering Studies

MFT funds may be used by counties and municipalities for engineering studies, as permitted by the Illinois Highway Code. These studies must be restricted to costs incurred in performing only countywide or municipal-wide highway surveys or investigations, where the costs or conditions are such that the work cannot be accomplished as part of one or more construction sections. These surveys and investigations must also be limited to those necessary for the planning of future construction, reconstruction, or rehabilitation of streets and highways including the necessary appurtenances. They should be based on present and future traffic volumes and types, drainage facilities, traffic needs due to future expansion, and factors that will affect the design and location of future improvements. Any reports prepared in connection with these surveys or investigations must be filed with IDOT - one copy with the district and one copy with Central BLRS (605 ILCS 5/5-701.6 and 605 ILCS 5/7-202.11).

MFT funds may not be used for the hiring of planning engineers to make a comprehensive survey of the county or municipality that would lead only to the enactment of a new zoning ordinance.

Engineering studies that are designed to provide the highway authority with a report on the present condition and projected service life of specific highways or the entire highway network may be funded with MFT revenues. Pavement evaluation studies should be comprehensive reports that reflect the effects on present conditions produced by environmental factors, traffic volumes, and drainage characteristics. The approval of MFT funding for a pavement evaluation study will be subject to the following conditions:

1. Evaluations. The study should only include those evaluations that are necessary for the planning of future construction, reconstruction, rehabilitation, or maintenance of street and highway systems. Base the evaluations on present and future traffic volumes and types, drainage facilities, and traffic needs due to future expansion that would affect the maintenance or design of future improvements. Do not include any evaluation of streets or highways that obviously have no structural value (e.g., oiled earth).

2. Approval. Prior district approval is required for the individual roads and streets to be evaluated.

3. Treatment Recommendations. Based on the evaluations, provide various rehabilitation treatments for at least a 10-year projected service life. The district must approve the various treatments selected. When the evaluation indicates that none of the selected rehabilitation treatments are adequate, include in the study the needed information to indicate the adequate thickness of overlay to provide satisfactory performance. When an evaluation indicates that reconstruction is necessary, any information furnished in the evaluation is considered as information only. The new design must be based on IDOT's design procedures. See Chapter 44 of this Manual for information on pavement design.

4. Disclaimer. IDOT is not bound by the results of the evaluation. IDOT reserves the right to approve or disapprove any proposed rehabilitation treatment regardless of the evaluation.

4-3.02(f) Highway and Street Bond Issues

The Illinois Highway Code allows MFT funds to be used for the payment of principal and interest on approved bond issue improvements. Miscellaneous administrative expenses (e.g., legal fees, treasurer's fees, recording fees, and engineering fees) may also be included in the cost of the bond issue to retire the bonds. Election costs incurred in submitting the bond issue to referendum are not considered eligible MFT expenses (605 ILCS 5/5-701.5, 605 ILCS 5/5-701.11, 605 ILCS 5/6-701.6, and 605 ILCS 5/7-202.18). No more than 50% of the annual MFT allotment should be used to pay off bonds and their interests. This will allow funds to be available for maintenance and other needed improvements.

4-3.03 Uses of MFT Funds

4-3.03(a) General

This Section clarifies issues pertaining to 605 ILCS 5/5-701, 605 ILCS 5/6-701, and 605 ILCS 5/7-202, defines parameters for the use of MFT funds, and determines under what conditions MFT funds may or may not be used. Figures 4-3B through 4-3D summarize the permissible uses of MFT funds, and reference either the applicable section of the statute or the applicable Section of the BLRS Manual that discusses the use. Also, consider the following:

1. Cities. For cities with a population greater than 500,000, 25% of the MFT funds must be spent on non-arterial streets.

2. Counties. If the county highway system is being maintained in an acceptable condition, a maximum of 30% of a county's MFT funds may, with IDOT approval, be used for county unit road district roads.

3. Municipalities. A municipality can use MFT funds to match a Federal-aid project up to 50% of the cost of the project.

4. Municipality Street Extensions. Municipalities may construct and maintain extensions of municipal streets outside the corporate limits of the municipality, including parts of such streets that extend into another municipality, if it is performed pursuant to an agreement between the municipalities, see 605 ILCS 5/7-202.3. Municipalities may construct and maintain extensions of municipal streets within the corporate limits of any park district whose territorial limits are coterminous with the territorial limits of the municipality, pursuant to 605 ILCS 5/7-202.4.

5. Employees. For employees of an agency who may be paid from the MFT fund under the foregoing instructions, the method of payment may be one of the following:

- Where the compensation is on an hourly, daily, or monthly basis, the agency may pay the employee directly from the MFT fund for the particular MFT-eligible job on which the work is performed.
- Where the compensation is on an hourly, daily, or monthly basis, the agency may pay the employee from the fund for which he is regularly paid. This fund may then be reimbursed from the MFT fund for the job on which the work was performed for the amount paid to the employee for the time spent on the Motor Fuel Tax job.

Under both methods of payment, the agency must maintain complete records of the dates and times for the employees who are engaged in MFT funded work and the particular projects or sections.

Reimbursements from MFT will be made promptly and periodically, preferably each month.

Payments from MFT funds to other funds for reimbursement are made in the same manner as any other payment (e.g., a claim showing the date, project or section, the class of labor, and the rate of pay must be filed and a warrant drawn against the MFT fund in favor of the fund which is being reimbursed). It is not necessary that individual claims for each employee be filed, but a separate claim must be filed for each project or section and, if it is desired, all employees working on that project during the period covered by the claim may be shown on one claim and reimbursement made by one warrant.

4-3.03(b) Construction Items

Any item included as an integral part of an MFT roadway/construction project is eligible for MFT funding. This includes engineering and land acquisition. When selecting township roads for improvement, preference should be given to school bus and mail routes. See Section 14-2 of this Manual for guidance on using MFT funds for maintenance issues. The following discusses MFT eligibility for construction items:

1. Sidewalks and Curb Ramps. MFT funds may be used for the construction of sidewalks and related curb ramps providing the following requirements are met:

a. Municipalities are permitted to construct sidewalks and pedestrian paths within the right-of-way of any street. Also, municipalities are permitted to construct pedestrian subway and overhead crossings.

b. Counties and road districts may construct sidewalks provided:

- The amount of pedestrian use of the street or highway justifies the construction of the sidewalks.
- The LPA agrees to assume the responsibility for sidewalk maintenance and repair.

- The sidewalk is constructed as an integral part of, or subsequent to the completion of, a major paving project built by the State or by the county or road district under State supervision.

2. Proposed Street Lighting System. Municipalities may use MFT funds for the construction or reconstruction of a street lighting system on improved (e.g., a construction section) municipal streets, county highways, and State highways (605 ILCS 5/7-202.6). The System must provide the necessary illumination required by the current edition of American National Standard Practice for Roadway Lighting published by the Illuminating Society of North America.

3. Storm Sewers. MFT funds may be used for the construction of storm sewers and appurtenances, or combination storm and sanitary sewers and appurtenances, where legally authorized under the following conditions:

   a. Location. Storm sewers, except for outfalls, must be built entirely within the limits of the highway improvement under consideration.

   b. Necessity. The storm sewers must be considered to be an integral and necessary part of a highway improvement. Resolutions proposing an improvement for the express purpose of justifying the construction of a storm sewer are not acceptable.

   c. Staging. Storm sewers may be built at the first stage of a highway improvement, provided steps are taken for the complete improvement at the time of original approval, or storm sewers may be built coincident with or after a highway improvement has been completed by the State, or by the local highway authority under State supervision.

   d. Capacity. MFT funds may be used to provide storm sewers and appurtenances of sufficient size to accommodate only the water that would naturally flow to the roadway. If the LPA chooses to provide excess capacity to accommodate sanitary flow or water from other locations, the excess capacity must be paid for with other funds.

   e. Outfalls. MFT funds may be used to construct municipal storm sewer outfalls outside the corporate limits up to the nearest acceptable natural waterway or connection to an acceptable existing storm sewer.

   f. Basins. If required by local stormwater management agencies, retention/ detention basins may be constructed with MFT funds. The MFT participation in construction of these basins will be determined in accordance with the capacity restrictions noted in item 3d.

   g. Approval. Combination storm and sanitary sewers must be approved by the Illinois Environmental Protection Agency, Water Pollution Control Bureau.

4. Parking Facilities. MFT funds may be used by LPAs to acquire right-of-way and construct parking lanes adjacent to the roadway. Municipalities may also use MFT funds for off-street parking facilities (605 ILCS 5/7-202.17). MFT funds used for parking facilities are subject to the following conditions:

   a. Public Availability. All parking facilities must be generally available to the public and may not contain individually reserved parking spaces. However, parking facilities in commercial areas or adjacent to public buildings must contain spaces reserved for disabled individuals.

   b. Restricted Parking. Parking spaces or lanes restricted for use by "residents only" or other special restrictions will be considered on an individual basis. Requests, presenting the need for and the conditions of the restriction, require approval by Central BLRS. Requests should be submitted through the Regional Engineer. Requests that provide for individually assigned parking spaces will not be approved.

   c. Revenue-Producing Parking. MFT funds may be used for a revenue-producing, off-street parking area. The disposition of parking revenues must be in accordance with the provisions of Chapter 9 of this Manual.

   d. Resetting Parking Meters. MFT funds may be used for moving and/or resetting parking meters where the work is made necessary by the construction of an MFT improvement.

5. Traffic Control Devices. MFT funds may be used for the installation and maintenance of all or any warranted traffic control devices. These traffic control devices may include, but are not limited to, traffic signals, beacons, signs, and pavement markings.

6. Right-of-Way Expenses. MFT funds may be used to purchase any right-of-way that may be required to construct a highway improvement. Legal fees, appraisal fees, and survey fees associated with these purchases may also be paid with MFT funds provided that MFT funds are not used to reimburse any public official or to reimburse any other fund for the salary and expenses of the state attorney, municipal attorney, municipal engineer, or others who are officials of the LPA.

   IDOT approval of MFT expenditures for right-of-way is contingent upon adequate documentation that legal requirements have been met, that property owners are being treated equitably, and that the purchase price is fair.

7. County Garages. Counties may use MFT funds for constructing and maintaining a garage used for the storage and maintenance of construction or maintenance vehicles or equipment (605 ILCS 5/5-701.9). MFT funds may not, however, be used to purchase property for the construction of the garage (Attorney General's Opinion F-1968, May 22, 1968). Office space may be constructed by counties with a population greater than 1,000,000.

8. Construction and Maintenance of Salt Storage Facilities. MFT funds may be used for the construction, reconstruction, maintenance, and rental of structures for the storage of salt used for highway maintenance provided that:

- MFT funds are not used to purchase the property for construction; and
- MFT funds are not urgently needed for other improvements.

9. Bicycle Facilities. LPAs may use MFT funds to construct bicycle facilities under the following conditions:

   a. Counties. Counties may use MFT funds for:

      - placing, erecting, and maintaining signs or surfacing markings to designate official bike routes along a county highway;
      - the construction and maintenance of bicycle routes along county highways or along State highways by agreement with IDOT in counties with a population over 500,000. Also, the Bikeway Act contains provisions that allow the expenditure of MFT funds in counties of over 500,000 population for construction and maintenance of bikeways along public utility or railroad right-of-way (605 ILCS 30/2); and
      - paying the county's share for bicycle facilities constructed as part of a federally eligible transportation project on, adjacent to, or intended to serve any county highway (605 ILCS 5/5-701.7).

   b. Municipalities. Municipalities may use MFT funds for the construction and maintenance of bicycle paths, lanes, or bicycle parking facilities, as well as signing and marking bicycle routes along streets within the municipality (605 ILCS 5/7-202.20).

   c. Townships/Road Districts. Township and road districts can use MFT funds for signing and marking bicycle routes along township roads (605 ILCS 5/6-701.7).

10. Railroad Crossings. Railroad crossing upgrades are eligible for MFT funds.

11. Utilities. The cost of moving or removing existing publicly owned utilities, made necessary by road and street improvements, may be paid with MFT funds, with the exception of municipally owned utilities lying outside the corporate limits. The cost of moving or removing existing privately owned utilities, made necessary by road or street improvements, may be paid with MFT funds if the existing facilities are located on private right-of-way. If the existing utilities are located on public right-of-way, the cost of moving or removing them must be borne by the utility company. Utility agreements are necessary when an improvement requires relocation or adjustment of utility appurtenances except when existing permits provide for moving or removing a utility. Section 5-7 of this Manual provides guidance on the preparation of a utility agreement.

12. Equipment Operations. Equipment operation costs are eligible for MFT funds. However, the purchase and repair of this equipment are not eligible.

13. Cattle Passes. The costs of constructing cattle passes on improvements involving the use of MFT funds must meet the following:

a. Property Owners. Where the improvement is on an existing road or street, the property owner is responsible for the entire cost of the cattle pass, except where the crossing is made on any waterway or natural channel for water and where a culvert or bridge is maintained as required for road purposes. In these cases, the owners or occupants are not required to pay for or construct any more of the crossing than the additional cost in excess of the necessary cost of a suitable culvert or bridge for road purposes.

b. Local Governments. In special cases, the local governmental agency may participate in the cost of constructing cattle passes to the extent that the highway or traveling public is benefited by having the livestock pass under the highway, rather than at grade and, where new or additional right-of-way is being obtained, the value of the right-of-way can be considered as an offset on all or part of the cost of the livestock pass.

c. Submission. Before the authorization of the expenditure of MFT funds can be made for the construction of livestock passes, the LPA must submit the following information for consideration:

- the estimated cost of the livestock pass;
- the estimated value of land taken from the property owner plus damages to land not taken, if any;
- the amount paid the landowner for the land, either in cash or other consideration; and
- the estimated value to the traveling public because the livestock crossing will be underneath the roadway rather than at grade.

4-3.03(c) Salary and Expenses

The following applies to MFT eligibility for salaries and expenses:

1. Counties. The county engineer's salary and expenses may be paid out of general or highway funds of the county (605 ILCS 5/5-202). MFT funds allocated to the county for highway purposes may be used to pay the salary and expenses related to the county engineer's duties required by the Illinois Highway Code (605 ILCS 5) or the Department. However, MFT funds allocated to counties to be used by road districts may not be used to pay any portion of a county engineer's salary or expense (Attorney General's Opinion No. 457, August 21, 1933).
2. Road Districts. A highway commissioner is an elected public official and an officer of the township or road district. The commissioner's salary may not be paid with MFT funds allotted to the counties for use by the road district (Attorney General's Opinion No. 928, March 14, 1927). Road district treasurer fees may not be reimbursed with MFT funds.
3. Municipalities. If the corporate authorities of a municipality appoint an individual to a position within the Public Works Department or Engineering Department, the municipality must first provide for the individual's compensation for all of the duties of the officer by ordinance. The municipality shall not pay any portion of the salary of the appointed position from the MFT funds allotted to the municipality (Attorney General's Opinion No. 315, April 29, 1952).

4. Employee Salaries and Fringe Benefits. The following applies:

   a. Wages or Salaries. Other public employees who are not classified as elected public officials or officers of the LPA (e.g., other engineers, technical staff, foreman, laborers) may be paid from the MFT fund for the time actually engaged in MFT funded construction or maintenance projects. They must receive the same rate of pay as they would normally receive from the agency while engaged in other work of a similar classification.

   b. Holidays, Vacation, and Sick Leave. Payment of a prorated portion of holidays, vacation, and sick leave may be made with MFT funds for costs incurred by the agency while working on MFT funded maintenance and construction projects.

   c. Health, Hospitalization, and Life Insurance. Payment of a prorated portion of health, hospitalization, and life insurance premiums may be made with MFT funds for costs incurred on MFT funded maintenance and construction projects.

   d. Workers' Compensation Insurance Premiums. Worker's compensation premiums covering county, road district, and municipal employees are eligible for payment with MFT funds. These premiums may be paid with MFT funds in the prorated share of the employees' salary that is paid from MFT revenues.

   e. Retirement and Social Security. Counties, municipalities, and road districts whose employees are covered under the provisions of the Illinois Municipal Retirement Fund, 40 ILCS 5/7-101 *et seq.,* may use MFT funds to pay their contributions to the Municipal Retirement Fund. The term "municipality" in the Illinois Municipal Retirement Fund includes not only municipalities, but also other political subdivisions, including counties and townships. The provision provides that the political subdivisions' contribution will be paid from the same funds from which the employee's compensation is paid, and also provides that the political subdivision may levy a tax to reimburse the fund from which the contribution was made. If a tax is levied for that purpose, the MFT account must be reimbursed as the taxes are collected, and the amount of the reimbursement shown on the statement accompanying the request for expenditure of MFT funds for the next period.

      Counties, municipalities, and road districts whose employees are covered under the provisions of the Social Security Enabling Act, 40 ILCS 5/21-101 *et seq.,* of the State may also use MFT funds to pay their contributions to the Social Security fund for work that is part of construction or maintenance of an MFT project.

5. Legal Fees. The following applies:

   a. County. Because the Office of State's Attorney is statutory and the duties, salary, and expenses of the Office are provided for by the State law, MFT funds cannot be used to pay the Office of State's Attorney expenses (55 ILCS 5/3-9001 *et seq.*).

b. Municipal. The city attorney is an appointed municipal official, and the salary and duties are prescribed by the governing body of the municipality. MFT funds cannot be used to pay for legal work performed by a city attorney on MFT funded projects. However, because the city attorney's duties are not prescribed by law, the compensation of other persons, whom the governing body of the municipality might elect to hire to perform legal work in connection with the acquisition of right-of-way for MFT construction improvements, may be paid with MFT funds.

c. Road Districts. Payment of attorney's fees and legal costs in connection with the procurement of right-of-way may be paid with MFT funds, providing:

- the right-of-way is in the name of the road district;
- the right-of-way pertains to an MFT road district construction project; and
- no fees for legal work are paid to any county, township, or road district official (State's Attorneys' fees are not eligible).

4-3.03(d) Non-Dedicated Subdivision Roads Established Prior to July 23, 1959

Counties (605 ILCS 5/5-701.15), Road Districts (605 ILCS 5/6-701.8), and Municipalities (605 ILCS 5/7-202.21a) may use MFT funds for eligible maintenance or construction projects on non-dedicated subdivision roads established prior to July 23, 1959 if property owners in the subdivision where such road is situated provide proportional matching contributions, whether in cash, kind, services or otherwise.

Non-dedicated subdivision road refers only to those roads which were denoted as such on a subdivision plat filed prior to July 23, 1959, which have not been dedicated to the public (Illinois Attorney General's Opinion 96-008). If cash contributions are provided by property owners the cash shall be deposited in the appropriate MFT account. Any in kind, services, or otherwise contribution shall be used on or for the road, and shall be documented with auditable paperwork supporting contribution's value. If labor is provided as a matching contribution, the prevailing hourly wage rate published by the Illinois Department of Labor for the type of labor and location of work shall be used. If materials are provided as a matching contribution, materials shall comply with all IDOT policies, specifications, and certifications.

Non-dedicated subdivision roads improved with County or Road District MFT funds to meet standards established by the County, become part of the road district system. Non-dedicated subdivision roads improved with Municipal MFT funds to meet standards as established by the Municipality, become part of the municipal street system.

4-3.03(e) Investments and Deposits

The use of MFT funds involves cash flow planning to determine when MFT funds are available to expend. Generally speaking, MFT funds must be highly liquid to meet the anticipated costs for highway construction projects and/or maintenance projects. If the MFT cash flow analysis shows that funds are available to earn an investment return, MFT funds may then be invested or deposited in financial instruments that have no tolerance for risk of principal. The LPA must comply with the Public Funds Investment Act (30 ILCS 235). In addition, the Investment of Municipal Funds Act (50 ILCS 340) provides additional investment options.

The LPA may use MFT funds to purchase:

- tax anticipation warrants that shall bear interest not to exceed four percent;

- municipal bonds;
- bonds and other interest bearing obligations of:
  - the United States;
  - the State of Illinois;
  - any other state; or
  - any political subdivision or agency of the State of Illinois or of any other state;
- savings certificate of deposits of any State or National Bank if such certificates are fully insured by the Federal Deposit Insurance Corporation; or
- treasury notes and other securities issued by agencies of the United States.

In addition, the LPA may use MFT funds to make deposits in:

- savings accounts of any State or National Bank if such accounts are fully insured by the Federal Deposit Insurance Corporation; or
- withdrawable capital accounts or deposits of State or federal chartered savings and loan associations which are fully insured by the Federal Savings and Loan Insurance Corporation.

No bank or savings and loan association shall receive public funds unless it has complied with 30 ILCS 235/6.

A copy of the debt instrument shall be provided to the Department. Any financial instrument that results in a loss of principal shall be considered an ineligible use of MFT funds. Any loss of principal of MFT funds shall be reimbursed with other local funds. Any interest earned less any fees from investments and deposits shall be credited back to the MFT funds according to Section 9-1.08(e) of this Manual.

4-3.04 Using MFT in Conjunction with Other Funds

The following applies:

1. County Bridge Funds. MFT funds may be used in conjunction with the County Bridge Fund to construct a bridge provided that the improvement is designed and constructed as an MFT project. The county's commitments to aid road districts and municipalities must comply with 605 ILCS 5/5-501. Road districts and municipalities may also use MFT funds to pay their share of the cost of joint bridge improvements with the county.
2. Township Bridge Funds. MFT funds may be used for the local share in conjunction with a bridge constructed under the Township Bridge Program, see Section 4-2.02 of this Manual.
3. Federal Funds. For counties and municipalities, MFT funds may be used to match federal funds. For municipalities, the participation in the cost of the improvement is limited to 50%. In addition, any LPA may use its MFT funds for any eligible MFT item included in a federally funded project.
4. Other Funds. MFT funds may be used for any phase of a project in conjunction with other funds provided that the entire improvement is designed according to MFT policies and constructed under the supervision of IDOT.

4-3.05 Joint Improvements - Written Contracts and Construction or Maintenance Agreements

Any highway authority may enter into a written contract with any other highway authority for the jurisdiction, maintenance, administration, engineering, or improvement of any highway or portion thereof subject to the approval of IDOT (605 ILCS 5/4-409). MFT funds may be used for any eligible portion of the joint project provided that the entire project is accomplished under the supervision of IDOT.

Any municipality may negotiate an agreement with the Department whereby the municipality may use such funds as are available to it for that purpose for the construction or maintenance of a State highway within its boundaries, or with the corporate authority of a county or road district for the construction or maintenance of a highway on the county highway system or township or district road system outside of its municipal boundaries (605 ILCS 5/9-101).

The county board may negotiate an agreement with the Department whereby the county may use such funds as are available to it for that purpose for the construction or maintenance of a highway on the State highway system, or with a municipality for the construction or maintenance of streets on the municipal street system of such municipality (605 ILCS 5/9-101).

4-3.06 Asset Management

4-3.06(a) General

Local highway agencies may use MFT funds for asset management, if the assets are eligible to be constructed or maintained with MFT funds. This includes the following categories:

- Pavements
- Structures
- Culverts/Storm Sewers
- Pavement Markings
- Highway Signs

Asset management may be completed by consulting engineers or LPA staff. See Section 5-5 for preliminary engineering agreements. Employee salaries may be compensated according to Section 4-3.03(c). See Chapter 6 for requirements on structures.

4-3.06(b) Pavement Management Studies

Pavement management involves procedures (e.g., pavement condition rating provided by the pavement evaluation study) that are more comprehensive than the procedures used in the pavement evaluation. Using the values assigned for the existing pavement condition and the present and projected traffic, the Pavement Management Report should provide the following information:

- a projected average pavement condition index using a specified level of funding for a specified period of time;
- a projected level of funding necessary to provide a specified average pavement index after a specified period of time; and
- a recommended schedule of pavement improvement strategies and timetable for improvements that will meet the selected parameters.

Projects of this nature will be evaluated and approved by Central BLRS on a case-by-case basis. When the LPA requests to use MFT funding, Central BLRS, in cooperation with the district, will establish monitoring procedures to evaluate the effectiveness of the Pavement Management Program.

4-3.06(c) Inventories

Inventories are vital to asset management. Each asset class will have a variety of unique inventory categories; however, at a minimum, all inventories should have the following fields:

- ID Number – It is a unique identifier code that allows the asset to be tracked, and may be a sequential or alpha-numeric code, or any other system.
- Description – It is an explanation of the asset that may require numerous fields, including height, width, thickness, material type, etc.
- Condition Rating – It is an evaluation of a current condition of the asset, which should be used to determine future maintenance or rehabilitation.
- Location – It is an identifier that establishes the geographic position of the asset.
- Date(s) – It is the day when an event occurred; it should include installation/construction date, inspection/rating date, maintenance date, and replacement date.

4-3.06(d) Inspections

The asset owner must have a systematic strategy for conducting field inspections and reporting its findings. It must be clear to the inspection team which elements and attributes to investigate. The inspection report should accurately and clearly record all findings and may include photographs representing the condition of the asset and/or any significant defects.

4-3.06(e) Software/Hardware

The asset owner may purchase or develop asset management software to assist with the inventory and inspection management. Annual software license fees and maintenance costs are eligible MFT expense. Hardware may be purchased only if it is a mobile, is an integral part of the asset management system, and is used exclusively for eligible highway assets.

WORK ITEM	REFERENCE
Construction and Maintenance of:	
• Joint Improvements/ Construction or Maintenance Agreements	605 ILCS 5/4-409, 605 ILCS 5/9-101
• Municipal Streets and Extensions, Municipal Alleys, County Highways and Extensions, State Highways, and Federal-aid Routes within the municipality	605 ILCS 5/7-202.1, 202.1a, 202.1b, 202.2, 202.3 & 202.4
• Traffic Control and School Crossing Signals	605 ILCS 5/7-202.5
• Street Lighting Systems	605 ILCS 5/7-202.6
• Storm Sewers	605 ILCS 5/7-202.7
• Pedestrian Subway or Overhead Crossings	605 ILCS 5/7-202.8
• Sidewalks and Pedestrian Paths	605 ILCS 5/7-202.15
• Off-Street Parking Facilities	605 ILCS 5/7-202.17
• Bicycle Signs, Paths, Lanes, or Bicycle Parking Facilities	605 ILCS 5/7-202.20
• Grade Separations and Approaches	605 ILCS 5/7-202.21
• Non-dedicated Subdivision Roads established before July 23, 1959	605 ILCS 5/7-202.21a
Allotment of Funds for:	
• Investments and Deposits	50 ILCS 340/1
• Matching Federal-aid Funds	605 ILCS 5/7-202.10
• Engineering Services	605 ILCS 5/7-202.12
• Retirement of Indebtedness	605 ILCS 5/7-202.13
• Local Mass Transit Districts	605 ILCS 5/7-202.14
• Motor Vehicle Safety Inspection Lanes Operation and Maintenance	605 ILCS 5/7-202.19
• Payment of Principal and Interest on Road Bonds	605 ILCS 5/7-202.18
• Engineering Investigation	605 ILCS 5/7-202.11
• Toll Bridge Studies	605 ILCS 5/7-202.16
Although the Statutes do not explicitly state that MFT funds can be used for the work items below, IDOT has determined that the costs for these items are eligible if they are related to MFT maintenance or construction.	
• Curb Ramps	BLRS Man. Sect. 4-3.03(b)
• Right-of-Way	BLRS Man. Sect. 4-3.03(b)
• Salt Storage Facilities	BLRS Man. Sect. 4-3.03(b)
• Equipment Operations Costs	BLRS Man. Sect. 4-3.03(b)
• Utility Adjustments	BLRS Man. Sect. 4-3.03(b)
• Wages or Salaries	BLRS Man. Sect. 4-3.03(c)
• Holidays, Vacation, and Sick Leave	BLRS Man. Sect. 4-3.03(c)
• Workers' Compensation Insurance Premiums	BLRS Man. Sect. 4-3.03(c)
• Retirement Fund and Social Security Fund	BLRS Man. Sect. 4-3.03(c)
• Health, Hospitalization, and Life Insurance	BLRS Man. Sect. 4-3.03(c)
• Asset Management	BLRS Man. Sect. 4-3.06
• Miscellaneous Expenses in Connection with Bond Issue Improvements	BLRS Man. Sect. 4-4.02 & 4-3.02(f)
• Tree Trimming and Tree Removal	BLRS Man. Sect. 14-1.03(i)
• Railroad Signal Protection and Crossing Work	BLRS Man. Chapter 40

Note: All uses of Motor Fuel Tax are subject to the provisions and limitations reflected in the BLRS Manual *and the States statutes.*

PERMISSIBLE USES OF MOTOR FUEL TAX FUNDS
(By Municipalities)

Figure 4-3B

WORK ITEM	REFERENCE
Construction and Maintenance of:	
• County Highways, State Highways, and County Unit Roads	605 ILCS 5/5-701.1, 701.2, 701.3, 701.7 & 701.17
• County Garages	605 ILCS 5/5-701.9
• Office Space (Counties over 1,000,000 population)	605 ILCS 5/5-701.12
• Bicycle Signs/Markings, Paths (counties over 500,000 population)	605 ILCS 5/5-701.13
• Grade Separations and Approaches	605 ILCS 5/5-701.14
• Non-dedicated Subdivision Roads established before July 23, 1959	605 ILCS 5/5-701.15
• Joint Improvements/ Construction or Maintenance Agreements	605 ILCS 5/4-409, 605 ILCS 5/9-101
Allotment of Funds for:	
• Investments and Deposits	50 ILCS 340/1
• Retirement of Indebtedness	605 ILCS 5/5-701.4
• Paying Bonds for Superhighways	605 ILCS 5/5-701.5
• Engineering Investigations	605 ILCS 5/5-701.6
• Matching Federal-aid Projects or Projects Eligible for Federal-aid	605 ILCS 5/5-701.7
• Local Mass Transit Districts	605 ILCS 5/5-701.8
• Circuit Court or Other Governmental Expenses Related to County Highway Department (Counties over 1,000,000 population)	605 ILCS 5/5-701.10
• Payment of Principal and Interest on Road Bonds	605 ILCS 5/5-701.11 & 701.16
Although the Statutes do not explicitly state that MFT funds can be used for the work items below, IDOT has determined that the costs for these items are eligible if they are related to MFT maintenance or construction.	
• Engineering Services	BLRS Man. Sect. 4-3.02(e)
• Right-of-Way	BLRS Man. Sect. 4-3.03(b)
• Salt Storage Facilities	BLRS Man. Sect. 4-3.03(b)
• Storm Sewers	BLRS Man. Sect. 4-3.03(b)
• Traffic Control Devices	BLRS Man. Sect. 4-3.03(b)
• Sidewalks and Curb Ramps	BLRS Man. Sect. 4-3.03(b)
• Equipment Operating Costs	BLRS Man. Sect. 4-3.03(b)
• Utility Adjustments	BLRS Man. Sect. 4-3.03(b)
• Salary and Expenses of County Engineer	BLRS Man. Sect. 4-3.03(c)
• Wages or Salaries	BLRS Man. Sect. 4-3.03(c)
• Holidays, Vacation, and Sick Leave	BLRS Man. Sect. 4-3.03(c)
• Workers' Compensation Insurance Premiums	BLRS Man. Sect. 4-3.03(c)
• Retirement Fund and Social Security Fund	BLRS Man. Sect. 4-3.03(c)
• Health, Hospitalization, and Life Insurance	BLRS Man. Sect. 4-3.03(c)
• Asset Management	BLRS Man. Sect. 4-3.06
• Miscellaneous Expenses in Connection with Bond Issue Improvements	BLRS Man. Sect. 4-4.02
• Tree Trimming and Tree Removal	BLRS Man. Sect. 14-1.03(i)
• Railroad Signal Protection and Crossing Work	BLRS Man. Chapter 40

Note: All uses of Motor Fuel Tax are subject to the provisions and limitations reflected in the BLRS Manual *and the States statutes.*

PERMISSIBLE USES OF MOTOR FUEL TAX FUNDS
(By Counties)

Figure 4-3C

WORK ITEM	REFERENCE
Construction and Maintenance of:	
• Township and District Roads	605 ILCS 5/6-701.1 & 701.2
• Grade Separations and Approaches	605 ILCS 5/6-701.1 & 701.2
• Bicycle Signs and Markings	605 ILCS 5/6-701.7
• Non-dedicated Subdivision Roads established before July 23, 1959	605 ILCS 5/6-701.8
• Joint Improvements/ Construction or Maintenance Agreements	605 ILCS 5/4-409, 605 ILCS 5/9-101
Allotment of Funds for:	
• Investments and Deposits	50 ILCS 340/1
• Engineering Services	605 ILCS 5/6-701.3
• Retirement of Indebtedness	605 ILCS 5/6-701.4
• Local Mass Transit Districts	605 ILCS 5/6-701.5
• Payment of Principal and Interest on Road Bonds	605 ILCS 5/6-701.6
• Township's Share of the Great River Road Projects	605 ILCS 5/6-701.9
Although the Statutes do not explicitly state that MFT funds can be used for the work items below, IDOT has determined that the costs for these items are eligible if they are related to MFT maintenance or construction.	
• Right-of-Way	BLRS Man. Sect. 4-3.03(b)
• Salt Storage Facilities	BLRS Man. Sect. 4-3.03(b)
• Storm Sewers	BLRS Man. Sect. 4-3.03(b)
• Traffic Control Devices	BLRS Man. Sect. 4-3.03(b)
• Sidewalks and Curb Ramps	BLRS Man. Sect. 4-3.03(b)
• Equipment Operating Costs	BLRS Man. Sect. 4-3.03(b)
• Utility Adjustments	BLRS Man. Sect. 4-3.03(b)
• Wages or Salaries	BLRS Man. Sect. 4-3.03(c)
• Holidays, Vacation, and Sick Leave	BLRS Man. Sect. 4-3.03(c)
• Workers' Compensation Insurance Premiums	BLRS Man. Sect. 4-3.03(c)
• Retirement Fund and Social Security Fund	BLRS Man. Sect. 4-3.03(c)
• Health, Hospitalization, and Life Insurance	BLRS Man. Sect. 4-3.03(c)
• Asset Management	BLRS Man. Sect. 4-3.06
• Miscellaneous Expenses in Connection with Bond Issue Improvements	BLRS Man. Sect. 4-4.02
• Tree Trimming and Tree Removal	BLRS Man. Sect. 14-1.03(i)
• Railroad Signal Protection and Crossing Work	BLRS Man. Chapter 40

Note: All uses of Motor Fuel Tax are subject to the provisions and limitations reflected in the BLRS Manual *and the States statutes.*

PERMISSIBLE USES OF MOTOR FUEL TAX FUNDS
(By Townships and Road Districts)

Figure 4-3D

4-4 LOCAL FUNDING

4-4.01 Local Road and Bridge Taxes

County and road districts can impose taxes to provide local funding for roadway and bridge projects. These funds are typically used solely for costs associated with these roadway and bridge projects.

4-4.02 Bonds

Any LPA may finance a highway improvement project with the proceeds of a bond issue and request that the use of MFT funds for the payment of principal and interest when retiring the bonds. If MFT funds will be used to pay any portion of the project cost or LPA indebtedness, the entire improvement must be accomplished under the general supervision of IDOT. Any portion of the improvement that is ineligible for MFT funding may not be included in the cost of the indebtedness to be repaid with MFT funds.

There are generally two types of bond issues for which a LPA may commit future MFT allotment; these are discussed in the following subsections.

4-4.02(a) General Obligation Bonds

Any LPA may issue General Obligation Bonds for the purpose of constructing a highway improvement. The LPA issuing the bonds establishes a general tax levy that is pledged toward retiring the bonds. When MFT funds are used to retire the bonds, the tax levy must be cancelled. Except as otherwise permitted by law, the question of issuing the bonds must be submitted by referendum to the voters of the taxing district (605 ILCS 5/5-605, 605 ILCS 5/6-510, 605 ILCS 5/6-513, and 65 ILCS 5/8-4-1).

4-4.02(b) MFT Fund Bonds

Counties, road districts, and municipalities are authorized to issue bonds to construct highway improvements and to repay the principal and interest with MFT funds, pursuant to 30 ILCS 385/1- 385/4. These are identified as “Motor Fuel Tax Fund Bonds” and must be administered in a manner similar to General Obligation Bonds. Because the bond issue is not secured by a property tax levy, it will not be necessary to provide a “certification of cancellation of tax levy.”

4-4.03 Special Assessments

Article 9 of the Illinois Municipal Code, 65 ILCS 5/9-1-1 *et seq.* provides legislative authority for municipalities to construct local improvements that will be paid for by assessments against the properties affected. When a municipality undertakes a highway or street improvement using special assessment financing, the public benefit portion assessed against the agency may be paid with MFT funds, providing that the project itself is eligible for MFT funding. The project must be constructed under the general supervision and approval of IDOT. The procedures for initiating a special assessment project are similar to those used for a bond issue project, see 65 ILCS 5/9-1-1, *et seq.*, 605 ILCS 5/7-202.13.

A municipality may use a special assessment to finance the local share of a project constructed with Federal-aid funds, pursuant to 65 ILCS 5/9-2-113.

4-4.04 Road Impact Fees

LPAs have the authority to adopt and implement road improvement impact fee ordinances and resolutions. Road improvement impact fee means any charge or fee levied or imposed by a unit of local government as a condition to the issuance of a building permit or a certificate of occupancy in connection with a new development, when any portion of the revenues collected is intended to be used to fund any portion of the costs of road improvements (605 ILCS 5/5-901, *et seq.*).

4-4.05 Local General Funds

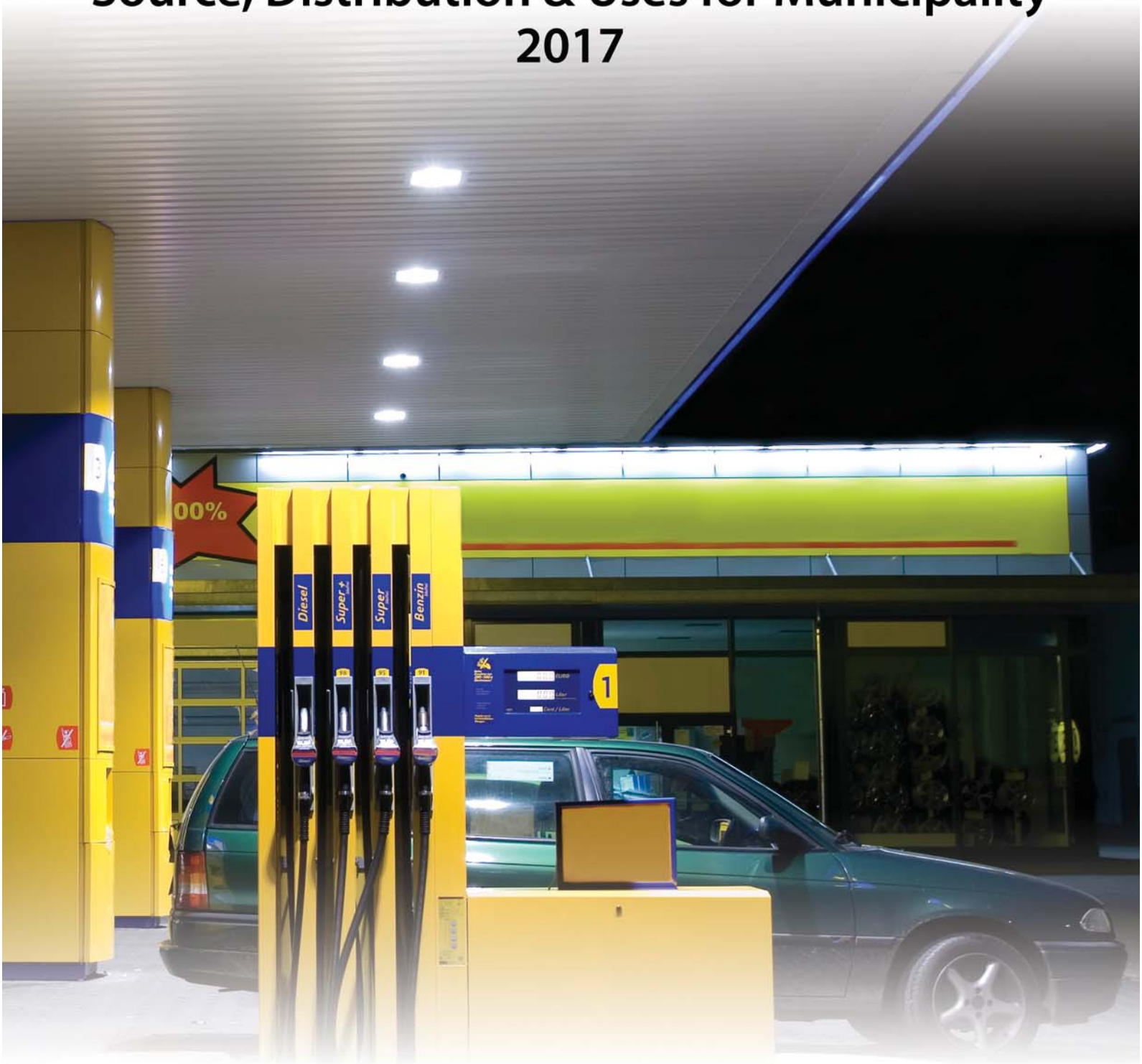
Local general funds refers to all funds that are received by the LPA through property taxes, income taxes, sales taxes, and other taxes assessed by the LPA. A portion of these funds may be allocated to roadway and bridge projects at the discretion of the LPA.

State of Illinois
Illinois Department of Transportation

Motor Fuel Tax Funds

Source, Distribution & Uses for Municipality

2017



ILLINOIS TECHNOLOGY TRANSFER CENTER

Illinois Department of Transportation

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Motor Fuel Tax Funds Source, Distribution, & Uses for Municipality

Prepared and Published by
Illinois Department of Transportation
Bureau of Local Roads & Streets

Springfield, IL

July 1, 2017

DOCUMENT CONTROL AND REVISION HISTORY

The Motor Fuel Tax Funds Source, Distribution, & Uses for Municipality is reviewed after the general township election every four years. Changes to this manual are approved by the Bureau of Local Roads & Streets, Illinois Association of County Engineers, and the Township Officials of Illinois.

Distribution

This manual is available in the Illinois Technology Transfer Center's library as a Portable Document Format (PDF) on the Center's web site and as a hard copy. Hard copies are also provided to the Illinois Association of County Engineers and the Township Officials of Illinois for highway commissioner training.

Revision History

The Bureau of Local Roads & Streets maintains archived copies of the manual since 2001.

Revision Date	Description	Approval
July 1, 2017	Updated Changes in Policy and Statute	Barry Kent

PREFACE

This pamphlet was prepared to provide local public agencies officials with a quick reference to the source, distribution and uses of Motor Fuel Tax funds. The contents of this document shall serve as a reference and not the final authority on the receipt or expenditure of Motor Fuel Tax funds.

The following chapters of the Illinois Compiled Statutes were used in the development of this pamphlet:

Chapter 35 Revenue,
Chapter 55 Counties,
Chapter 60 Townships,
Chapter 65 Municipalities,
Chapter 605 Highway Code.

The following chapters of the Bureau of Local Roads and Streets Manual were used in the developments of this pamphlet:

Chapter 2, 3, 4, 5, and 8.

SOURCE OF THE MOTOR FUEL TAX FUND

The Illinois Motor Fuel Tax (MFT) Fund is derived from a tax on the privilege of operating motor vehicles upon public highways and of operating recreational watercraft upon the waters of this State, based on the consumption of motor fuel.

The motor fuel taxes that are deposited in the Illinois MFT Fund are:

a. 19.0 cents per gallon

b. 2.5 cents per gallon on diesel fuel in addition to the tax in (a) above.

The Department of Transportation allocates these monies according to the provisions outlined in the MFT fund distribution statue, 35 ILCS 505/8 and initiates the process for distribution of motor fuel tax to the counties, townships, and municipalities.

Each month a warrant is issued to each municipal treasurer in the amount of the municipality's share of Motor Fuel Tax Fund collected for the preceding month. Monthly distributions are posted on the department's website.

DISTRIBUTION OF THE MOTOR FUEL TAX FUND

The money deposited each month in the state Motor Fuel Tax Fund shall be distributed as follows:

a. 2 1/2 cents per gallon tax on diesel fuel is transferred to the State Construction Account Fund.

b. $420,000 per month is transferred to the State Boating Act Fund. This money is used by the Department of Natural Resources for the purposes specified in Article X of the Boat Registration and Safety Act, 625 ILCS 45/10-1.

c. $3,500,000 per month is transferred to the Grade Crossing Protection Fund. This money is used by the Department upon order of the Illinois Commerce Commission to pay part of the expense of providing grade crossing protection at points where local public highways cross railroads.

   1. Each fiscal year not less than $12,000,000 shall be used for construction or reconstruction of rail/highway grade separation structures;
   2. Each fiscal year $3,000,000 shall be transferred to the Transportation Regulatory Fund and shall be accounted for as part of the rail carrier portion of such funds and shall be used to pay the cost of administration of the Illinois Commerce Commission's railroad safety program, with the remainder to be used by the Department of Transportation upon order of the Illinois Commerce Commission, to pay that part of the cost apportioned by such Commission to the State to cover the interest of the public in the use of highways, roads or streets in the county highway system, township and road district system or municipal street system.

d. A sufficient amount of money is reserved each month to pay:

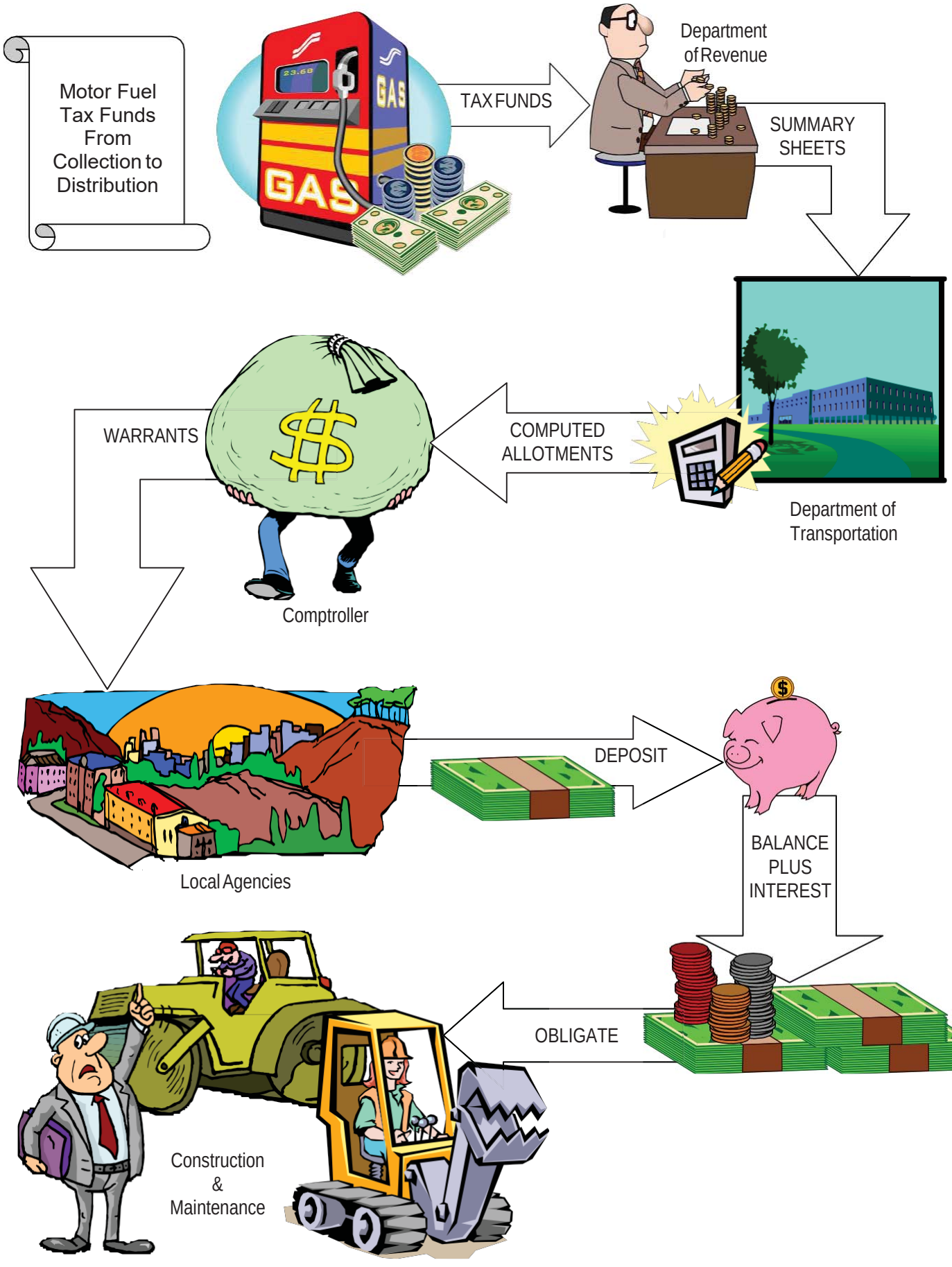
   1. The Department of Revenue for the costs of the MFT Law administration;
   2. The Department of Transportation for administration and supervision of the use of MFT funds;
   3. Refunds allowed by law;
   4. $30,000,000/year into the Vehicle Inspection Fund ($15,000,000 on July 1 and October 1, or as soon thereafter as may be practical);
   5. Amounts ordered paid by the Court of Claims; and
   6. International Fuel Tax Agreement (IFTA) payments to other states.

The remaining monies shall be allocated each month as follows:

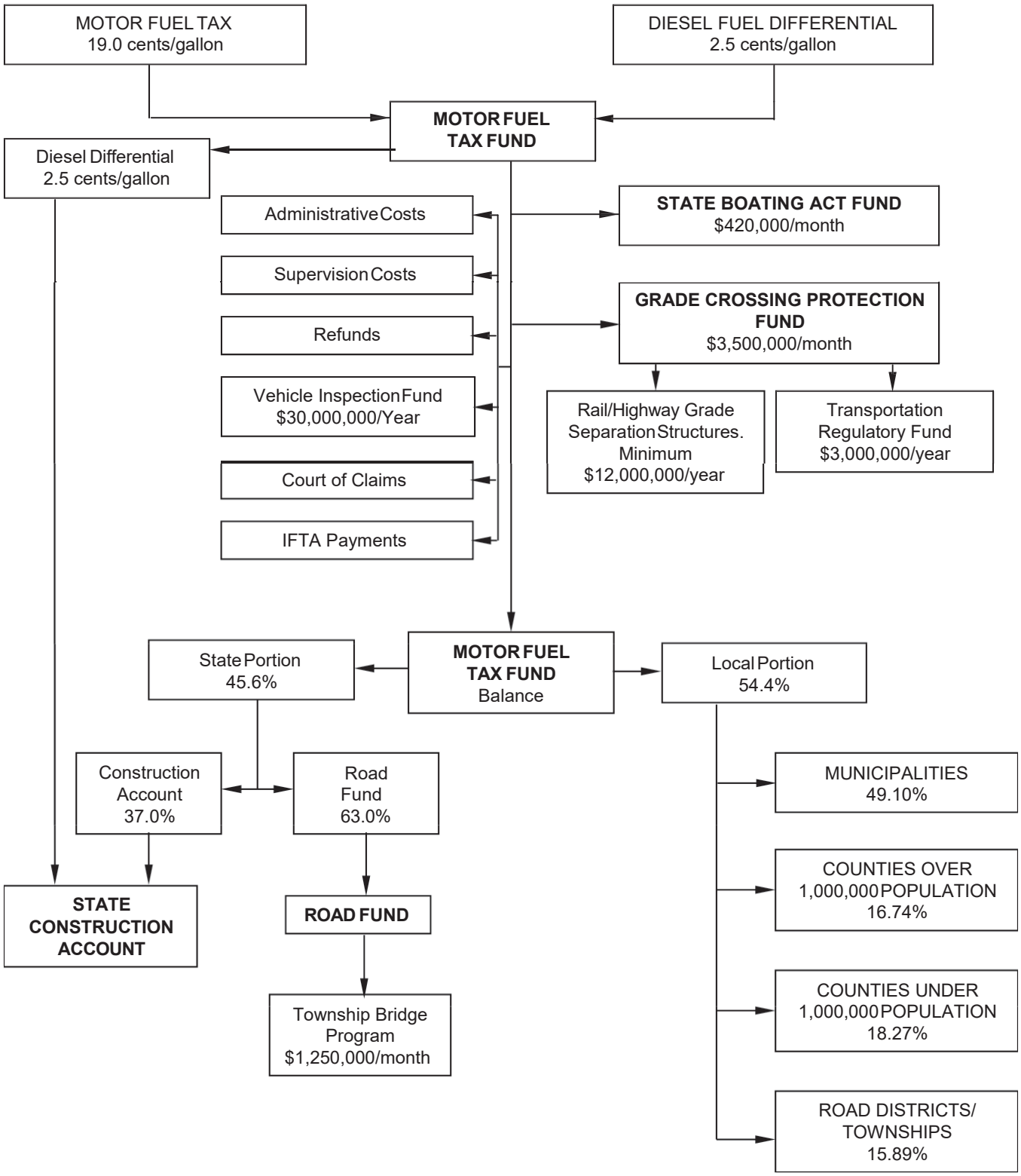
a. 45.6% shall be deposited as follows:
   1. 37% to the State Construction Account Fund;
   2. 63% to the Road Fund, including $1,250,000/month to fund the Township Bridge Program.

b. 54.4% shall be distributed by the Department of Transportation as follows:
   1. 49.10% to the municipalities- apportioned in proportion to population;
   2. 16.74% to the counties having a population 1,000,000 or more (Cook County);
   3. 18.27% to counties having a population less than 1,000,000 – apportioned in proportion to motor vehicle license fees collected;
   4. 15.89% to the road districts/townships – apportioned to each in proportion to a total mileage of roads in the State.

DISTRIBUTION OF THE ILLINOIS MOTOR FUEL TAX FUND



DISTRIBUTION OF THE ILLINOIS MOTOR FUEL TAX FUND



EXPENDITURE OF THE ILLINOIS MOTOR FUEL TAX FUND

The expenditure of MFT funds requires the approval and supervision of the Department of Transportation. The corporate authorities of the municipality must adopt an ordinance or a resolution appropriating the MFT funds. The ordinance or resolution shall state how the funds will be used and shall be submitted to the appropriate IDOT district office for approval. When MFT funds are used for construction, the ordinance or resolution must specify the location, type(s), length and width of proposed construction.

The Department of Transportation's approval of plans, specifications, and estimates of any construction project must be obtained prior to advertising it for bids as well as prior to awarding any contract. When MFT funds are used for maintenance, the Department of Transportation's approval of the maintenance estimate must be obtained prior to advertising the project for bid. All work requiring bids must be advertised in the Department of Transportation's weekly Contractors Bulletin. Engineering agreements also require approval by the Department.

Please contact the Bureau of Local Roads and Streets in your IDOT district if you have any questions regarding MFT expenditures.

PERMISSIBLE USES OF THE ILLINOIS MOTOR FUEL TAX FUND FOR MUNICIPALITIES

WORK ITEM	REFERENCE
Construction and Maintenance of:	
• Joint Improvements/ Construction or Maintenance Agreements	605 ILCS 5/4-409, 605 ILCS 5/9-101
• Municipal Streets and Extensions, Municipal Alleys, County Highways and Extensions, State Highways, and Federal-aid Routes within the municipality	605 ILCS 5/7-202.1, 202.1a, 202.1b, 202.2, 202.3 & 202.4
• Traffic Control and School Crossing Signals	605 ILCS 5/7-202.5
• Street Lighting Systems	605 ILCS 5/7-202.6
• Storm Sewers	605 ILCS 5/7-202.7
• Pedestrian Subway or Overhead Crossings	605 ILCS 5/7-202.8
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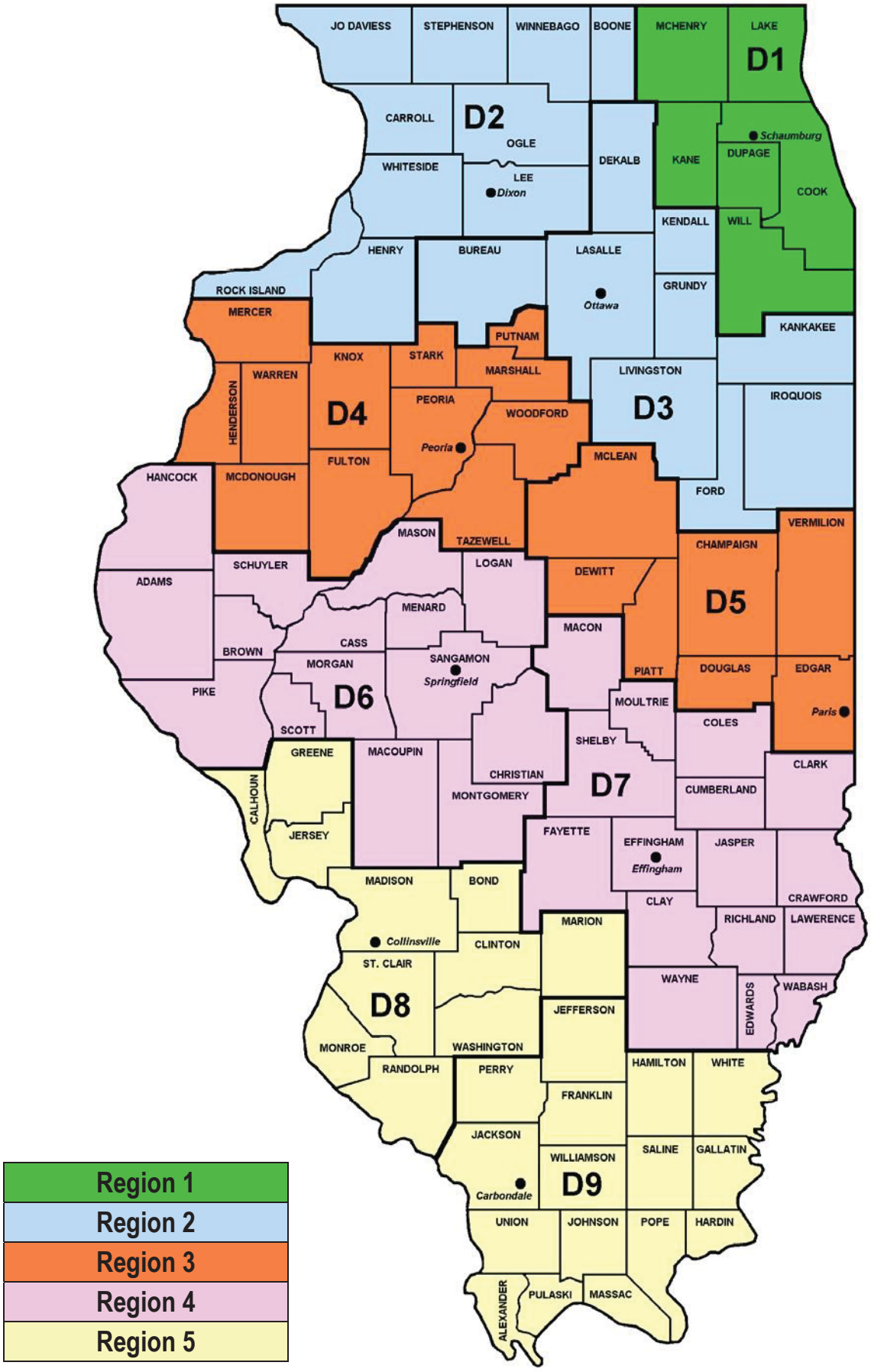
• Off-Street Parking Facilities	605 ILCS 5/7-202.17
• Bicycle Signs, Paths, Lanes, or Bicycle Parking Facilities	605 ILCS 5/7-202.20
• Grade Separations and Approaches	605 ILCS 5/7-202.21
• Non-dedicated Subdivision Roads established before July 23, 1959	605 ILCS 5/7-202.21a
Allotment of Funds for:	
• Investments and Deposits	50 ILCS 340/1
• Matching Federal-aid Funds	605 ILCS 5/7-202.10
• Engineering Services	605 ILCS 5/7-202.12
• Retirement of Indebtedness (MFT Eligible Items)	605 ILCS 5/7-202.13
• Local Mass Transit Districts	605 ILCS 5/7-202.14
• Motor Vehicle Safety Inspection Lanes Operation and Maintenance	605 ILCS 5/7-202.19
• Payment of Principal and Interest on Road Bonds	605 ILCS 5/7-202.18
• Engineering Investigation	605 ILCS 5/7-202.11
• Toll Bridge Studies	605 ILCS 5/7-202.16
Although the Statutes do not explicitly state that MFT funds can be used for the work items below, IDOT has determined that the costs for these items are eligible if they are related to MFT maintenance or construction.	
• Curb Ramps	BLRS Man. Sect. 4-3.03(b)
• Right-of-Way	BLRS Man. Sect. 4-3.03(b)
• Salt Storage Facilities	BLRS Man. Sect. 4-3.03(b)
• Equipment Operations Costs	BLRS Man. Sect. 4-3.03(b)
• Utility Adjustments	BLRS Man. Sect. 4-3.03(b)
• Wages or Salaries	BLRS Man. Sect. 4-3.03(c)
• Holidays, Vacation, and Sick Leave	BLRS Man. Sect. 4-3.03(c)
• Workers' Compensation Insurance Premiums	BLRS Man. Sect. 4-3.03(c)
• Retirement Fund and Social Security Fund	BLRS Man. Sect. 4-3.03(c)
• Health, Hospitalization, and Life Insurance	BLRS Man. Sect. 4-3.03(c)
• Asset Management	BLRS Man. Sect. 4-3.06
• Miscellaneous Expenses in Connection with Bond Issue Improvements	BLRS Man. Sect. 4-4.02 & 4-3.02(f)
• Tree Trimming and Tree Removal	BLRS Man. Sect. 14-1.03(i)
• Railroad Signal Protection and Crossing Work	BLRS Man. Chapter 40

Note: All uses of Motor Fuel Tax are subject to the provisions and limitations reflected in the BLRS Manual and the States statutes.

IDOT REGIONAL/DISTRICT MAP



Increasing the Local Motor Fuel Tax (LMFT) Rate in the City of Bloomington

Jim Karch, PE CFM
Director of Public Works

Special Meeting: February 19, 2018

Bloomington LMFT Rate

- City of Bloomington currently charges $0.04 per gallon
  - Began August 1, 2014
- Currently generates $2.3 million per year
- Funds used for:
  - Resurfacing
  - Pavement preservation
  - Sidewalks
  - Sidewalk ramps

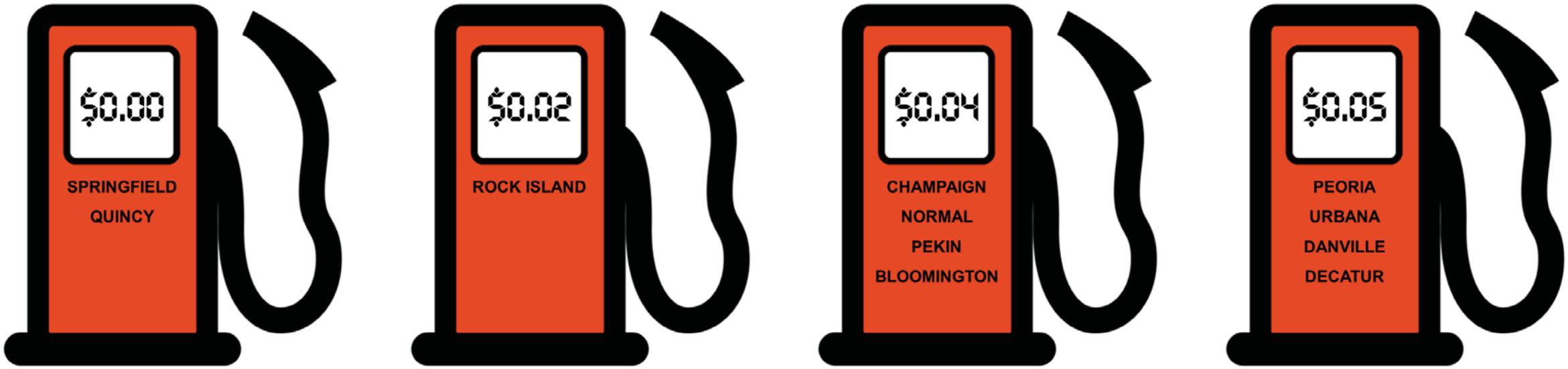
Bloomington LMFT Rate

- Staff is proposing a $0.04 increase in the per gallon rate, which is $0.08 per gallon
  - Could begin May 1, 2018
- Could be used for additional resurfacing and pavement preservation to maintain streets closer to target service level
- Could generate an additional $2.3 million per year, combined with $2.3 million from sales tax revenue, for a total of $6.9 million per year

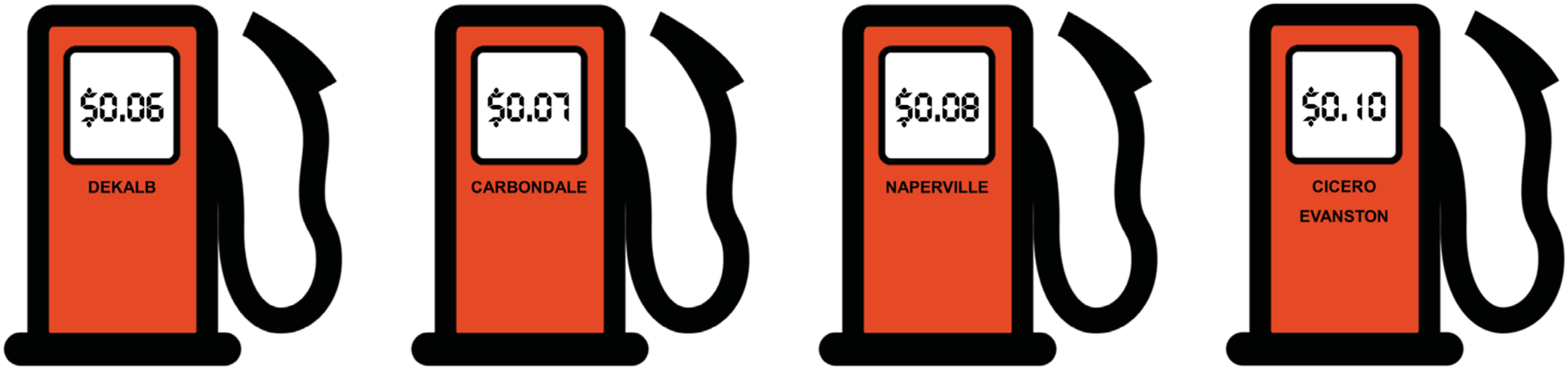
Potential Streets and Sidewalks Revenue

Current LMFT	$2,300,000
Current Sales Tax	$2,300,000
Potential LMFT	$2,300,000
Total	**$6,900,000**

Local Motor Fuel Tax Per Gallon Rates in Selected Illinois Municipalities (2018)



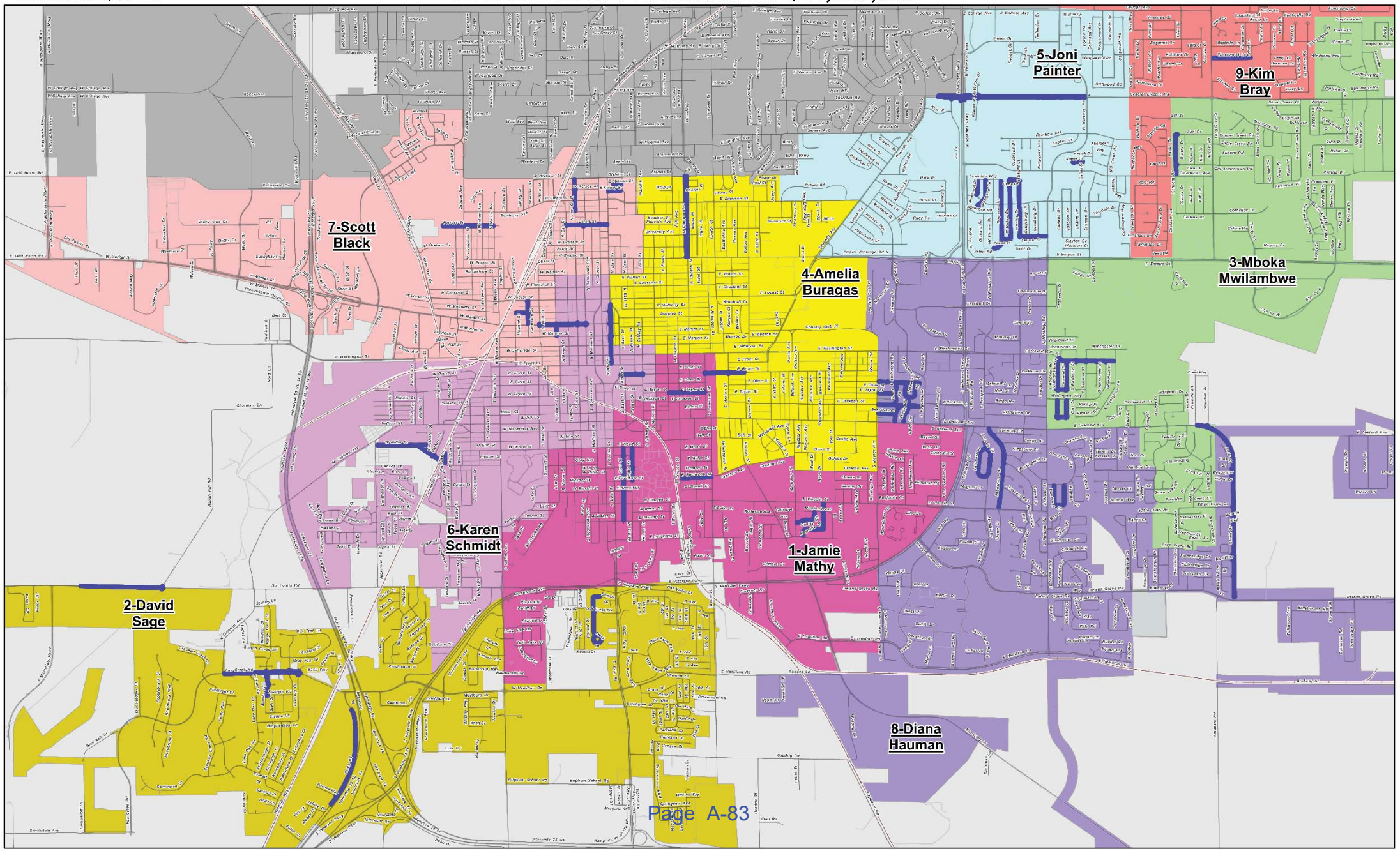
Local Motor Fuel Tax Per Gallon Rates in Selected Illinois Municipalities (2018)



Bloomington ILLINOIS
Public Works Department

5 YEARS OF ADDITIONAL STREETS RESURFACED WITH 4 CENT GAS TAX INCREASE TOTALLING APPROXIMATELY $11,500,000

DATE 2/14/2018



Effect of LMFT on Fuel Prices

- Study in 2000 by the Illinois Economic and Fiscal Commission (Commission on Government Forecasting and Accountability or CGFA)
  - Illinois MFT temporarily stopped in 2000, which allowed study of effect on fuel prices
  - Studied whether reduction in MFT was passed on to motorists
    - Some data showed this was the case, but data was insufficient
    - Study was found to be inconclusive due to other factors that could have impacted prices (i.e. profit margin, fuel capacity)
  - Unclear whether MFT rates and fuel prices correlate

Federal Fuel Taxes

- Currently $0.184 cents per gallon for non-diesel
- Current federal proposal could raise that tax by $0.25 to $0.434

ILLINOIS ECONOMIC
and
FISCAL COMMISSION

A Report to the Joint Committee
On Legislative Support Services

SUSPENSION OF MOTOR FUEL SALES TAX

NOVEMBER 2000
703 Stratton Office Building
Springfield, Illinois 62706

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MOTOR FUEL GAS TAX SUSPENSION

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GENERAL ASSEMBLY
STATE OF ILLINOIS

June 29, 2000

Mr. Dan R. Long, Executive Director
Illinois Economic and Fiscal Commission
703, Stratton Office Building
Springfield, IL 62706

Dear Mr. Long:

The Joint Committee on Legislative Support Services is directing the Economic and Fiscal Commission to report to the General Assembly no later than November 14, 2000 on the impact of the 5% Sales Tax reduction in Motor Fuel. The report should include and not be limited to the following:

a) if the reduction in the State Sales Tax was passed through to motorists;
b) if the reduction was maintained throughout the period;
c) if the Sales Tax reduction resulted in an increase in total gallons of motor fuel sold and whether or not there was an increase in ancillary sales (food, beverages, lottery tickets, etc.) at retail motor fuel establishments; and
d) whether the 5% State Sales Tax reduction can be reflected on any receipt provided to the consumer.

As outlined in 25 ILCS 155/6, all State officers and agencies shall provide to the Commission any assistance that may be required by the Commission in preparing the report.

The Commission should, to the fullest extent possible, utilize the services, facilities, and information of other government agencies and of private research agencies in preparation of this report in order to avoid duplication of effort and expense.

Sincerely,

James "Pate" Philip
President of the Senate

Emil Jones, Jr.
Senate Democratic Leader

Michael J. Madigan
Speaker of the House of Representatives

Lee A. Daniels
House Republican Leader

Executive Summary

The following summarizes the Commission's findings regarding the Joint Committee's request for information pertaining to the six-month suspension of the State's 5% sales tax on motor fuel. While the Committee's request was quite specific as to what issues should be examined, we have supplied additionally in the report a rather in depth analysis as to factors which led up to the motor fuel price emergency in late spring.

As the Committee will note, data limitations, both in terms of quantity and quality restricted the Commission's ability to draw substantial conclusions at this time. Several more months of data would be required before any sustainable trends could be verified and, even then, data problems likely would still exist. With these caveats, please find the following executive summary. A more extensive discussion of the various elements may be found in the body of the report.

Was the reduction in the State sales tax passed on through to motorists?

While our findings are inconclusive as to whether the total savings in sales taxes were immediately passed on to motorists, data suggest that the suspension of the tax did contribute to the lowering of pump prices at the time the sales tax suspension took place. However, the degree to which the reduction was passed on to motorists cannot be precisely measured. A mitigating factor that severely limits this analysis is the fact that wholesale prices were falling at the same time the sales tax suspension went into effect. It is not possible to accurately assign what amount of that price change was due to the tax suspension and what amount was due to lower wholesale prices.

In addition to the complications associated with a simultaneous drop in wholesale price, several other limiting factors include significant swings in wholesale as well as retailer margin (gross profits), and retailer fuel capacity. These items will be discussed in more detail within the report.

It should be noted that in a survey conducted by the Commission on Illinois motor fuel retailers, approximately 90% responded that they decreased their fuel price at least 6 cents after July 1, 2000. Due to the vested interest of these retailers, interpretation of the survey findings must be done cautiously. However, the high percentage indicating a price reduction due to the sales tax suspension indicates that some reduction was passed on to motorists.

Was the reduction in sales tax maintained throughout the period?

Many of the same limiting factors pointed out above, namely swings in wholesale and retailers margin, again limit the ability to reach definite findings. However, based on the available wholesale and margin data, it would appear that whatever impacts the

suspension of the sales tax on motor fuel had on the price of fuel, it has been maintained thus far.

Did the sales tax suspension on motor fuel result in an increase in total gallons of motor fuel sold?

Of the limited data that exist, no identifiable relationship is evident thus far. Clearly several more months of data are needed before even preliminary conclusions can be drawn as the availability of gallonage data lags by approximately two months.

While 35% of survey respondents indicated that their fuel volume increased between 5 and 10% and another 25% indicated an increase in the amount of fuel sold by 0 to 5%, those claims cannot thus far be substantiated. Indeed, if gallonage increases did take place, it would likely occur near border locations where competition between other states commonly occur. The Commission's survey was targeted at those types of locations for the most part, and as a result, the respondents' claims would not necessarily be similarly reflected in aggregate gallonage reports.

Was there an increase in ancillary sales (food, beverages, lottery tickets, etc) at motor fuel establishments?

While only a couple of months of data exist, the largest drawback is that prior to the sales tax suspension on motor fuel, motor fuel sales were part of the sales figures reported on the retailers sales tax return. (After the tax suspension, motor fuel is now broken out separately from other sales.) As a result, there is no way to accurately compare periods before and after the tax suspension.

According to the survey of motor fuel retailers, approximately 31% responded that their ancillary sales increased between 0 and 5%, while another 27% said they increased 5 to 10%. Again, interpretation of the survey data is difficult given the vested interest these station owners have.

However, it's very possible that some establishments, particularly located on the border, may have seen a noticeable increase in sales. Unfortunately, at this time little data exist that would substantiate those claims. In fact, based on the estimated impact of $175 million in lost sales tax over the six-month period, overall sales tax revenues have performed very close to projections. As a result, it does not appear that a measurable impact on ancillary sales has been felt.

Can the 5% State sales tax reduction be reflected on any receipt provided to the consumer?

It would be possible to indicate on a receipt what the savings were based on the suspension of the tax. However, in order to do so, retailer software would have to be modified to calculate the differential between what the total sale was versus what the sale would have been had the State's 5% sales tax still been imposed.

Introduction

On July 1st, 2000, the State of Illinois temporarily suspended the 5% State Sales Tax on Motor Fuel. This reduction was enacted to help alleviate the record high costs of motor fuel seen in Illinois during the late spring and early summer. The reasons for these high costs stemmed from a number of factors including: supply shortages, pipeline problems, and the disruptions stemming from the process of transitioning to a new form of gasoline.

The 5% reduction in the State sales tax, estimated to cost approximately $175 million, was intended to lower the cost of motor fuel between 6 and 10 cents per gallon. Though prices did decline as the tax break took effect, there were questions on whether this reduction was actually passed on to the consumer. If passed on to the consumers, many questioned whether the reduction would be maintained throughout its existence. Proponents felt that eliminating the State portion of the motor fuel sales tax would not only assist consumers, but would increase motor fuel sales, as well as ancillary sales at retail motor fuel establishments in the State of Illinois.

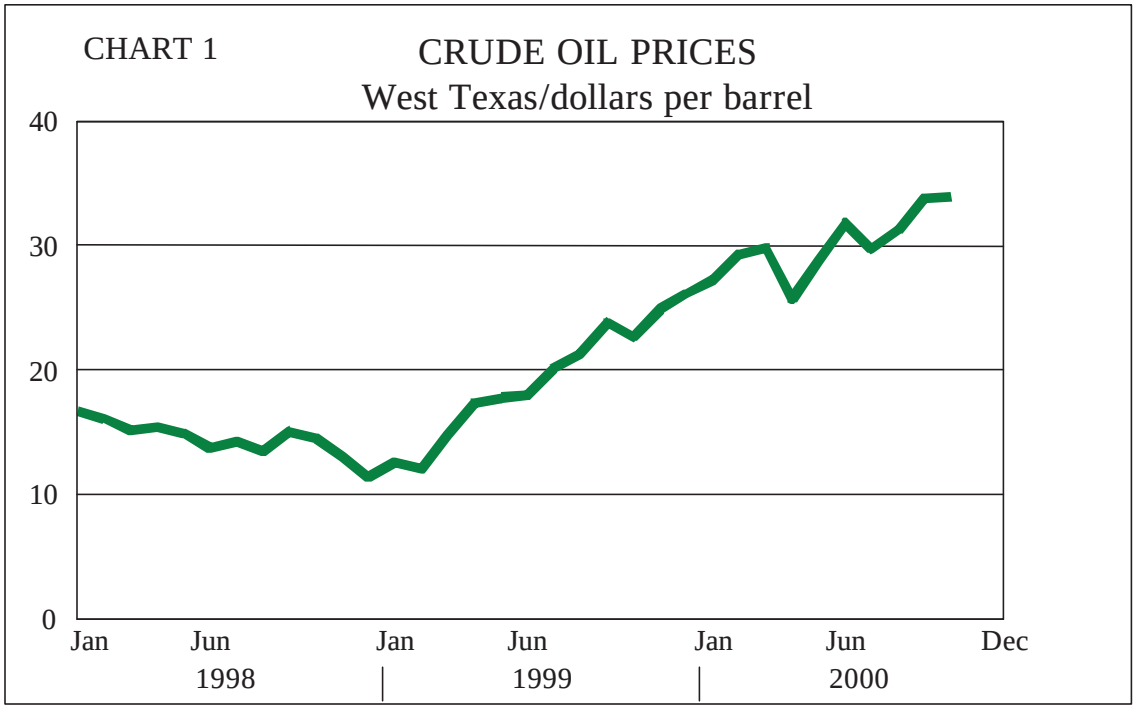
In response to these issues, the Illinois Economic and Fiscal Commission, as directed by the Joint Committee on Legislative Support Services, completed the following. The report gives a brief description on the economic impact of rising oil prices, explains how crude oil becomes gasoline, and discusses what effects each stage of this process has on the price of gasoline. Relevant information from the Federal Trade Commission's investigation on the causes of the sharp rises in gasoline prices in the Midwest also will be presented.

Finally, the report examines the specific issues outlined in the Joint Committee's directive. It should be noted that the Department of Revenue, as well as the Illinois Lottery provided expert assistance to the Commission in several areas. Their assistance was greatly appreciated. In addition, the Commission conducted a survey of motor fuel retail establishments. While some findings will be discussed throughout the report, entire results of the survey are provided in a separate section.

The Economic Impact of Rising Oil Prices

It is difficult to assess with any degree of accuracy the ultimate impact of the current disruption on the economy caused by widely fluctuating world oil prices. Much of the final effect will depend not only on how high oil prices go, but how long they are sustained at high levels, as well as what responses or disruptions are forthcoming.

As shown in Chart 1, oil prices have been on an almost continuous rise since early 1999, hitting a 10-year high of $37.20 per barrel on the day of September 20, 2000. In response to high prices and concerns about sharply increasing home heating costs, particularly in the Northeast this winter, the Administration announced plans to release oil from the U.S. strategic petroleum reserve. This would be only the second time these reserves were tapped since being established by the Ford Administration, the first time occurring during the Gulf War.



Following the U.S. announcement of its intentions, world oil prices eased with the benchmark West Texas Intermediate Crude falling from its high of $37.20 on Wednesday, September 20th to $30.83 on Friday, September 29th. Oil prices firmed again in October as Europe announced it had no plans to follow the U.S. by cutting into its reserves and hostilities in the Middle East brought worries over possible disruptions to the flow of oil. Thus, WTI oil prices averaged just below $34 a barrel during October.

While Saudi Arabia has pledged to supply more oil if needed to stabilize prices, other OPEC members have been less enthusiastic. Many blame high fuel taxes leveled by industrialized nations as the cause for high consumer prices and the need for a *fair* oil price for producers. At the extreme, reports from Iran threaten to match any further U.S. oil release from its strategic reserves by reducing their production.

Oil and the Economy

Each of the last three recessions has been caused, in part, by oil-related developments. Moreover, DRI/McGraw Hill, IEFC's forecasting service, has increased its probability of a near-term recession to 25% from 15% last month and only 10% where it had been as a recently as July. Thus, a jump in energy prices is certainly a concern.

Part of the oil price shock relates to its current price relative to its price in early 1999 when the Asian crises slashed demand and brought oil prices down to about $11 to $12 a barrel. Thus, we have seen more than a tripling of that price, although since 1985 oil prices have averaged $23 per barrel, as measured by DRI who uses refiners' acquisition cost measured in 2000 prices, deflated by the core CPI.

Also, it should be pointed out that while we are more and more dependent upon oil imports to meet U.S. demand, overall, oil is less important today as we shift from a manufacturing to service-based economy. According to DRI, the nation's crude oil bill was 6.5% of gross domestic product (GDP) in 1981 whereas today, even with currently higher prices, its share is expected to be 2% of GDP in 2000.

Data Resources recently has run a simulation using different oil price assumptions. In its baseline, or most-likely scenario, oil prices fall back to the $25 range and the real economy grows 3.6% from the fourth quarter of 2000 to the fourth quarter of 2001. In its second alternative, it assumes oil prices rise to $40 (WTI basis) per barrel and hold there. Under this scenario, higher oil prices reduce real growth in 2001 from 3.6% to 2.7% - a significant, but not catastrophic event.

Oil and the Consumer

Much attention is focused on the effect rising energy prices will have on the consumer. After all, two thirds of total spending that makes up GDP consists of consumer spending. Again, consumer reaction to higher energy prices is dependent upon both the extent as well as sustainability of the energy price increase. According to DRI, consumers bought 1.5% less gasoline in the first half of 2000 compared to the same period a year earlier, but spent one-third, or $40 billion, more for it. This represents only 0.6% of total consumer spending, although that's $40 billion not spent at retail stores.

The first consumer reaction to oil above $25 a barrel was that, based upon recent fluctuations, it would be temporary and, therefore, there was no need to adjust family

budgets. Indeed, despite rising gasoline prices, a flat stock market, and slower income growth, consumer confidence remained strong and only slightly off its peak according to recent surveys. More worrisome is the recent threat of soaring home heating oil prices which some project to rise by 40%, 50%, or even double this winter. Moreover, even with the release of U.S. energy oil reserves there is no assurance that supplies of home heating oil will increase much given the declining number of U.S. refineries, which already are operating in excess of 95% capacity, and that only a small percentage of that is distilled for home heating oil.

Sharply rising oil prices have been a factor in reducing corporate profit projections as firms cannot pass on higher energy prices because of competitive markets which then eat into profit margins. This, in turn, has had a negative effect on the stock market which has cut in consumer wealth positions and is likely to worsen confidence and retard spending further.

The effect on the economy and consumer of higher energy prices depends on the degree of the increase in oil prices and how long the high prices remain. Whether recent jawboning and government actions do more than ease prices in the short-term or are offset by a negative response from the oil-producing nations is unclear.

While oil prices have tripled since early 1999, in real terms they are still well below their peak price of the 1980s. Also, oil as a portion of the economy has lessened and is somewhat less important than twenty years ago. At the same time, U.S. refining capacity is topped out and exploration and drilling dried up, so we as a country are relying more on imported oil than at any time in our history. Furthermore, there have been no efforts to date to provide incentives to domestic supplies which will be needed in the long run to prevent recurrence of the current oil situation as well as supply the energy for continued growth in the economy.

Finally, the effect on the high oil price on the economy cannot be discussed in isolation. The higher prices act like a tax increase on consumers at a time when the economy is already showing signs of slowing due to more restrictive fiscal and monetary policies.

From the Well to the Pump

Understanding the fluctuation of gasoline prices requires a basic knowledge of the oil production cycle process. Gasoline is made up of various hydrocarbons derived from petroleum. Petroleum can be found all over the world, but is heavily produced in the Middle East. It can be found either on land or off shore. Though the exploration technology of petroleum has improved over the years, it still can be affected by natural occurrences, such as storms, hurricanes, or even difficult terrain. These problems can cause difficulty in exploration, resulting in higher-than-normal exploration costs.

Once the petroleum has been located, the substance must be transported to the next stage of the gasoline process. The movement of crude oil is accomplished through various means of transportation. Crude oil from overseas is transported through the shipping process. After the Exxon Valdez disaster in 1989, the shipping of crude oil has seen many improvements such as double hulls, segregated ballast tanks, and redundant steering systems. These changes have made oil tankers safer and more reliable. However, these improvements are costly, which can affect the price structure of gasoline.

When transporting petroleum over land, trucks can be utilized, but much of the petroleum is moved by pipeline. This is considered the most cost-effective means of transferring crude oil from port facilities to tankers. Although cheaper, pipeline operators still incur operating and labor costs, as well as various maintenance fees. If a pipeline should break, the cost of gasoline can be significantly affected. An example of this will be discussed later in the report.

Transportation costs can vary depending on the distance from place to place. Obviously, it costs more to ship oil from the Middle East to the U.S. than it does from countries in South America. There are also added costs if a tanker is too large to dock and must be unloaded at an offshore facility.

Another factor that can affect the cost of transporting fuel is war. For example, fighting in the Middle East or even the threat of war can cause insurance rates to dramatically increase due to the higher likelihood that oil shipments could be interrupted. Higher insurance rates equate to higher oil prices. War can also affect gasoline prices in situations where a large-scale military operation is underway, and there is a high demand for jet fuel. A high demand for fuel relative to its availability causes prices to increase.

Once the petroleum has been transported, it is ready to be produced into gasoline. There are many hydrocarbons in petroleum, but only the ones that can evaporate under engine conditions can be used in gasoline. Because crude petroleum consists of hydrocarbons that are both more and less volatile than gasoline, gasoline must be separated from petroleum through a process called distillation. Distillation, however, provides an amount and quality of gasoline that is considered insufficient. Therefore,

gasoline production must be supplemented with more sophisticated refinery processes. These processes take the less and more volatile petroleum hydrocarbons and turn them into hydrocarbons that have the correct volatility. The refinery process also adds specialty chemicals to the blend to enhance the performance of the hydrocarbons. Through this, gasoline can be created to have the desirable characteristics necessary for good engine performance.

Basic refining costs can run anywhere from 50 cents to $3 a barrel. However, when refining the gasoline, environmental laws add additional costs to this process. In order to have cleaner exhaust emissions, hazards such as lead and benzene must be removed from the fuel. Removing lead costs approximately 2 to 3 cents a gallon of gas. There is also discussion on a new regulation that would require the removal of sulfur from gasoline. The estimated cost of this process is anywhere from 1 to 5 cents per gallon.

Once the gasoline is produced, it is ready to be distributed to retailers. Again, transportation is needed for this to be accomplished. Ironically, the cost of transporting gasoline through fuel trucks depends on the cost of gasoline. If gasoline prices increase, the cost of transporting the gasoline also increases, resulting in the costs being passed on to the consumer. Again, the cheapest way to transport gasoline in the United States is through the dozens of pipelines that crisscross the country. The 5,349-mile Colonial pipeline system between New York and Houston carries approximately 80 million gallons of petroleum products a day.

Once at the retailers, even more costs are added to the price of gasoline. There are several factors that contribute to these added costs. The first is for the general upkeep of running a gasoline station. This would include costs for maintenance, employee salaries, insurance, property taxes, as well as profit margins. The amount of this added cost varies from retailer to retailer.

For example, according to a MSNBC.com report entitled "Gasoline Price Mysteries Revealed," three gas stations within a mile of each other in the State of Washington were selling self-serve regular gasoline at different rates. One independent owner-operator was selling self-serve regular for $1.61 a gallon, while a dealer owned station was charging 4 cents a gallon more for the same octane. The reason for the difference was that the independent pays a mortgage for the property, purchases his gas from a third-party supplier, offers auto repair, and has no staff on duty after 11 p.m. The dealer owned station pays a maintenance fee for the brand name gas, buys the gas directly from the company, runs a convenience store, and keeps on a late night staff. Down the road another station was only charging $1.51 for the same octane. He kept his prices down "…by not accepting credit cards – which companies pay a commission on – and by using an ethanol mixture, which is partially subsidized and thus less expensive."

The article points out that these gas stations, nevertheless, are dependent on the decisions of foreign oil producers thousands of miles away. Refining cost and profits

make up approximately 20% of the retail price of gasoline. Distribution and marketing make up a little less than 10%, while the actual price of crude oil makes up a little over 40% of the costs. The rest of the retail cost that consumers pay stems from taxes.

According to a CNN.com report, "…U.S. consumers pay 18.4 cents per gallon in Federal taxes and 23.1 cents per gallon, on average, in state taxes. Add local sales taxes and a 'severance tax' assessed when oil is taken from the ground, and taxes typically will account for 30% of the cost of a gallon of gasoline…"

The State of Illinois imposes several taxes on motor fuel that affect the retail price, aside from the 18.4 cents per gallon Federal tax. The first of which is the Motor Fuel Tax. The current rate and base of this tax is as follows:

Gasoline:	*19 cents/gallon, plus (a) and (b)*
Diesel (Special Fuel):	*21.5 cents/gallon, plus (a) and (b)*
Additional levies on gasoline, special fuel, aviation fuel (unless sold at Midway or O'Hare Airports), kerosene, and home heating oil:	
Underground Storage Tank Fund (USTF):	*(a) 0.3 cents/gallon tax (until 2013)*
Environmental Impact Fee for USTF:	*(b) 0.8 cents/gallon (until 2002)*

The temporary tax of 0.3 cents per gallon was added in 1990. This tax is used to pay for leaking underground storage tanks. The temporary tax of 0.8 cents per gallon was added in 1996. This tax is used as an environmental impact fee.

The most highly publicized tax on gasoline in Illinois of late is the sales tax. Before July 1st, a State sales tax of 6.25% was imposed on motor fuel. Of that amount, 5.0% was the State portion, while 1.25% was the Local tax portion. On July 1st, the 5.0% State portion was suspended for six months.

Finally, there also can be a local tax imposed on the same transaction. Home-rule units can collect taxes on motor fuel by the gallon. Cook County collects 6 cents per gallon, and the city of Chicago 5 cents. DuPage, Kane, and McHenry Counties can impose motor fuel taxes up to 4 cents per gallon without referendum approval. DuPage County collects 4 cents; Kane and McHenry each collect 2 cents. Any city of over 100,000 can also impose a tax of 1 cent per gallon by referendum. Rockford imposes a tax under this provision. In addition, 18 home-rule cities in Illinois impose taxes of various amounts.

So how does Illinois compare to other states when taxing motor fuel? Forty-two states tax motor fuel at fixed rates per gallon, ranging from 8 cents in Alaska and New York to 32 cents in Connecticut. (Again, Illinois is at 19.0 cents for gasoline and 21.5 cents per diesel fuel). Seven other states periodically reset rates per gallon based on the retail or wholesale price of motor fuel, or other factors. These states are Florida, Kentucky, Massachusetts, Nebraska, North Carolina, Ohio, and Wisconsin. According to *State Rankings 2000,* Illinois ranks fifth, behind California, Texas, Florida, and Ohio, in the

amount of State revenue collected for the Motor Fuel Sales Tax with a 1998 amount of $1.3 billion. (California was first at $2.9 billion.) However, Illinois ranked 33rd in the nation when the motor fuel was on a per capita basis. Besides Illinois, only eight other states also collect general sales taxes on motor fuel. These states are California, Florida, Georgia, Hawaii, Indiana, Michigan, New York, and West Virginia.

Another factor that contributes to the differences in the cost of gasoline is the grade of gasoline sold at the stations. Higher graded gasoline costs more to make and, therefore, is sold at a higher price. But many times retailers will use the selling of premium gasoline as a way to gain some profit. There is a common feeling among many motorists that premium gasoline is the best fuel for their car. These motorists are willing to pay premium's higher cost, rather than unleaded gasoline's lower costs, in order to obtain maximum performance for their automobile. However, an article in the *Wall Street Journal* entitled, "Disputing Oil Giants' Claims, Car Maker Say Premium Is Often a Waste of Money" may change the opinion of some consumers. The article states that even though premium gasoline prices increased to extremely high levels, loyal premium consumers were unwilling to change to lower graded gasoline because "they believe oil-company advertising and family lore that premium gasoline yields much better gas mileage and quicker acceleration…" and that "…it keeps their engines cleaner." But the article states that, "Today, however, what premium gasoline drives best is profit for refiners and gas stations, analysts say. The performance advantages of the gasoline burned out a generation ago because U.S. auto makers now tailor the vast majority of their engines for regular-grade gasoline."

The article goes on to discuss that Daimier Chrysler AG claims that only two-tenths of 1% of its vehicles need premium gasoline, excluding Mercedes-Benz. Ford Motor Corp. reports that 5% of the vehicles it sold last year required premium gasoline, including the luxury Lincoln Town Car. Most of the new cars that still require premium unleaded gasoline come from Europe, because these cars are generally built with higher compression engines to take advantage of a higher-octane gasoline pool. Though many refiners and oil companies believe that cars do run better on the extra "oomph" of premium unleaded gasoline, "…there has not been adequate research done to show what true impact the loss of octane has on performance." This was the response of the manager of product engineering at Chevron Corp.

Knowing that some motorists will pay the added costs of buying premium, gasoline retailers will use a "historical marketing practice" to add a little profit for their business. According to the same *Wall Street Journal* article, "Premium gasoline costs about five cents to seven cents more per gallon to make than regular gasoline, refiners say. But it is sold to dealers at 11 cents to 13 cents more than regular grade. Gas stations typically sell premium at 15 cents to 20 cents more a gallon than regular. After taxes, dealers get about a nickel more a gallon in extra profit, says Bruce Sirchio, director of the Illinois Gasoline Retailers Association."

Why the Large Price Increase?

As previously shown, there are many factors that make up the retail cost of motor fuel. In recent years the fluctuation of motor fuel prices was stable enough and low enough to avoid much attention from consumers and the media. But as prices continued to increase in the spring of 2000, questions began to surface regarding the cause of these rising prices.

Retail gasoline prices in the Midwest hit their peek during the week of June 18-24. According to AAA's Motor Fuel Gauge Report, on June 21st Illinois' downstate average self serve regular unleaded price was $2.01, while Cook County had an average price of $2.17. Cook County's price was up $0.54 from the previous month and up $0.90 from the June 1999 price. By comparing Cook County and downstate Illinois' average prices on June 21st with the national average of $1.65, the dramatic situation Midwest gasoline consumers was clearly evident.

Because of this unique situation, many questions arose regarding the reason for these high prices and whether these prices were caused in whole or in part by antitrust violations. Since that time, several ideas have formed; some of which are to be considered factual, while others are just speculation at this point. There is likely no one reason for the sharp rises in price, but rather a combination of different factors.

Price increases during this time period are not uncommon. Gasoline prices have a seasonal nature to them, whereupon prices tend to rise in the late spring and early summer as the demand for gasoline increases with the onset of the summer driving season. However, according to the Interim Report of the Federal Trade Commission Midwest Gasoline Price Investigation, "the increases this year in some local markets, particularly in the Midwest, eclipsed those experienced in past years, and were much greater than those experienced in other U.S. markets."

So what were the reasons for such a dramatic difference? One explanation is the introduction of EPA Phase II regulations for summer-blend reformulated gasoline in high ozone urban areas. The regulations for this new blend of gasoline, commonly referred to as RFG, went into effect in the Chicago and Milwaukee areas on May 1, 2000. St. Louis also entered the RFG program in 2000, placing Illinois in the middle of a transitional period. The introduction of RFG created shortages throughout the Midwest, causing prices to increase.

There were several reasons for these shortages. One was due to the process of replacing the winter-blend gas with the new summer-blend Phase II RFG. The winter-blend gasoline had to be drained from the storage tanks before the new gasoline could be added, which led to lower than usual inventory levels. Also, the process of making the RFG turned out to be more difficult than expected which led to lower than expected refinery yields.

One article from the Energy Information Association entitled, "Supply of Chicago/Milwaukee Gasoline Spring 2000," states that the Midwest region produces much of the RFG by using ethanol as the oxygenate, where most other RFG areas use the substance MTBE. As a result, not many refineries outside the Chicago/Milwaukee area were prepared to produce the base RFG materials needed to blend with ethanol. This caused marketers scrambling for limited supplies of both RFG and conventional gasoline. As the demand for gasoline in the Midwest went up, so did prices.

Though the new reformulated gasoline explained some of the price differences, it did not "provide a complete explanation for recent Midwestern gas price increases, because in the Midwest as a whole, conventional gasoline prices rose more dramatically than RFG prices from May to the end of the June." This was the response of the Federal Trade Commission in their Midwest Gasoline Price Investigation report.

Aside from the RFG transition, another contributor to the price increases was due to pipeline problems in the Midwest. As stated earlier, pipeline is the major means of transporting gasoline products all over the United States, but this distribution method can occasionally encounter significant maintenance problems. This was the case for the 1,400-mile Explorer pipeline, which supplies gasoline to St. Louis and Chicago. In March, this pipeline sprang a leak, which led to a five-day shutdown causing pressured supplies. An MSNBC.com article entitled, "Gasoline Price Mysteries Revealed," reports that "…pipeline shutdowns are particularly disruptive because companies have adopted policies of keeping only small inventories on hand as a means of saving on storage costs. As a result, there is little in the way of a cushion if pipelines fail…" The shortage of gasoline due to the Explorer's leak led to a higher demand for fuel, resulting in increases in the price of gasoline.

As seen in the previous examples, shortages of motor fuel cause prices to rise. Though the RFG gasoline transition and the pipeline leaks caused shortages in the Midwest, shortages already were occurring all over the United States due to the reduced global supply of crude oil. In the second half of 1999, members of the Organization of Petroleum Exporting Countries (OPEC), along with several non-OPEC oil exporting countries decided to curtail the global supply of crude oil. At the same time the demand for petroleum products increased significantly worldwide. This was due to the economic recoveries in Asia and Europe and continued strong economic growth in the United States. As a result, the consumption of crude oil exceeded production, and inventories were drawn down in the U.S. and all over the world. This high demand caused prices to rise.

In response to the price increases, refiners cut gasoline production and used inventories of gasoline to meet demand in the expectation that inventories could later be replenished when the price of crude oil dropped. But, according to MSNBC.com, "refineries appear to have been slow to rev up production in anticipation of lower world oil prices that have not materialized." These series of events contributed to exceptionally tight supply situations all over the world, especially in the United States. The worldwide

production of crude oil was a significant cause of the high gasoline prices throughout the U.S., but only a portion of this can be contributed to the price increases seen in Illinois and throughout the Midwest.

Since that time, Saudi Arabia and other OPEC countries have agreed to increase production in an effort to moderate the price of crude oil. But as an article entitled, "Petro Politics – July, 2000 – a Comment" from energyindustry.about.com points out that a production increase that drops the price of crude from $30 to $25 per barrel is "really pretty small potatoes." The article uses an example where a person drives 15,000 miles per year with a vehicle whose gas mileage is 20 miles per gallon. Under these conditions the person uses 750 gallons per year or 62.5 gallons per month (15,000 miles per year / 20 miles per gallon / 12 months). In July of 1999, crude oil at $17.60 per barrel equated to a price of gas of $1.12. In July of 2000, crude oil at $34.00 per barrel equated to a price of gas of $1.60. The result: a decrease of $1.00 per barrel in the price of crude equates to about a 3 cent decrease in the price of gasoline (($1.60-$1.12) / ($34.00-$17.60)). Therefore a $5 drop in the price of crude oil results in a monthly savings of only around $9.40 per month ($.03 per gallon x $5 change x 62.5 gallons per month).

Another factor that compounded the shortage problem was the transfer of fuel out of the Midwest to other locations. According to a report commissioned for The Foundation For Taxpayer and Consumer Rights entitled "The Causes and Effects of the Price Spike in the Midwest during 2000", 375 million gallons of gasoline was transferred out of Midwest storage to other parts of the nation during the first quarter of 2000.

The reasons for the supply problems in the U.S. have been blamed on EPA Phase II regulations, pipeline problems, OPEC, as well as gasoline retailers. But one CNN.com article entitled "On Fluctuating Gasoline Prices and American Independence" points out that vehicle popularity can contribute to the supply problems. The article states that just before the mid-1970s oil crisis, Americans were in love with big, gas-guzzling vehicles. In the 1980s, economical cars tended to be in style. Now entering the 21st century, Americans popularity has shifted to sports utility vehicles, vans, and pickup trucks, all of which have lower fuel economy. In 1980, these vehicles accounted for less than 20% of new vehicle sales; now they make up almost half of the sales, according to the U.S. Department of Transportation. As the popularity of these vehicles continues to grow, as well as the love for travel, so does the demand for gasoline. The article states, "According to the government's Energy Information Administration, demand hit a record 8.5 billion barrels of gasoline a day in April."

Because of the aforementioned supply problems, there is ample evidence why gasoline prices increased in the Midwest. However, there are questions on the extent to which they increased. U.S. Senators and Representatives strongly urged the Federal Trade Commission to take a closer look at the gasoline prices and to report to them of their findings. In their interim report, the FTC writes, "The sheer magnitude of the price increases, their particular intensity in one section of the country, and their occurrence

in conventional gasoline as well as in RFG, prompted the Commission's Bureau of Competition to consider the reasons for the price increases and, specifically, whether price fixing or other illegal activity might have occurred."

The objective of their investigation is to "consider the causes of the price increases, and determine whether there was any illegal contact, communication, signaling, or understandings among competitors. With regard to proving illegal conduct, the Commission must show more than parallel behavior among market participants. Standing alone, proof that all companies raise prices at the same time is not sufficient evidence of collusion. The courts have held that some 'plus factor' must be present to demonstrate that an agreement was reached. Behavior that would be unprofitable 'but for' collusion may be evidence that such an agreement exists." At the time of this report, no conclusions from the FTC have been released to the public.

Illinois' Response: Suspending Motor Fuel Sales Tax

Regardless of why motor fuel prices increased, the fact remained that Illinois consumers were getting hit hard at the pump. There was a public outcry that something be done to lower these outrageous prices. In response, a special session of the Illinois General Assembly was called in late June to address the issue. From this, an agreement came (P.A. 91-0872) to temporarily suspend the 5% State portion of the sales tax applied to motor fuel for the period July 1, 2000, through December 31, 2000. Therefore, the sales tax rate on motor fuel was reduced from 6.25% to 1.25%. The 1.25% represents the local government rate component. Due to the dramatic fluctuations of gas prices at that time, estimating the precise cost of eliminating the 5% portion proved difficult. However, the Illinois and Economic and Fiscal Commission (IEFC) estimated that the State cost for six months would be approximately $175 million, in line with most other projections ranging from $150 million to $180 million.

Shortly after P.A. 91-0872 was passed, the Joint Committee on Legislative Support Services directed the IEFC to report to the General Assembly no later than November 14, 2000 on the impact of the 5% Sales Tax reduction in Motor Fuel. The following is the list of issues that the Joint Committee asked to be addressed:

A) if the reduction in the State Sales Tax was passed through to motorists;
B) if the reduction was maintained throughout the period;
C) if the Sales Tax reduction resulted in an increase in total gallons of motor fuel sold and whether or not there was an increase in ancillary sales (food, beverages, lottery tickets, etc.) at motor fuel establishments; and
D) whether the 5% State Sales Tax reduction can be reflected on any receipt provided to the consumer.

While definitive conclusions were not possible for most of these items, the Commission has gathered large amounts of information that provide significant insight to each of the requested subjects.

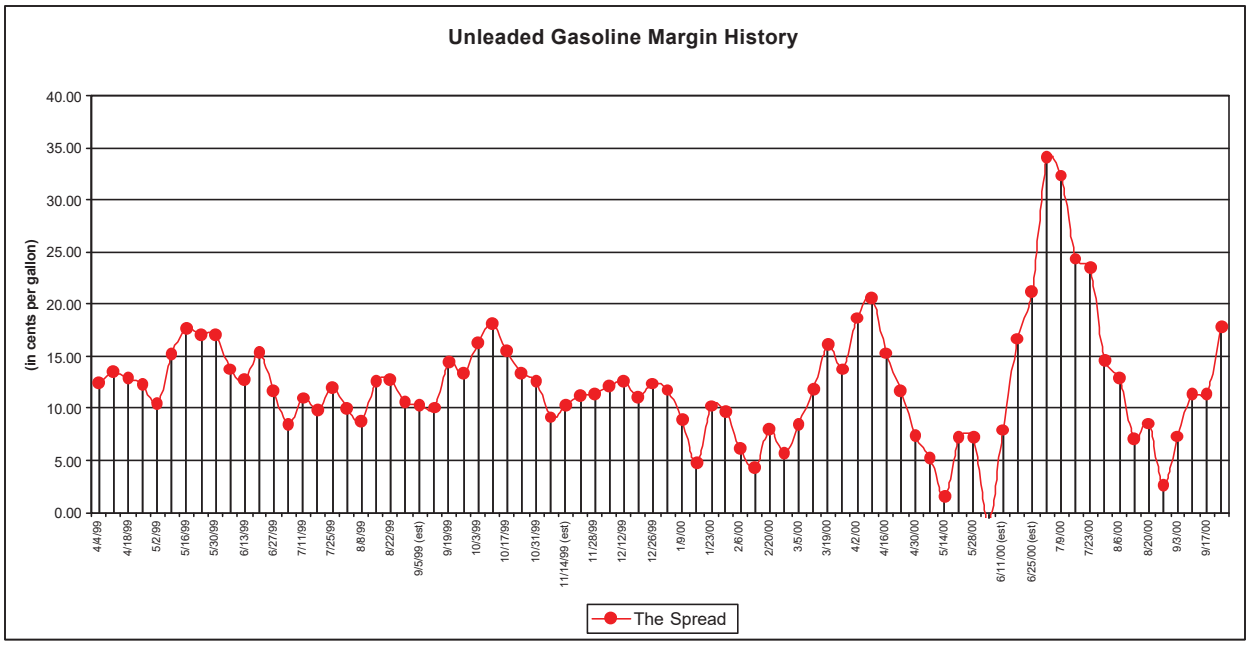
Was the suspension of State sales tax passed through to motorists?

To find out if motorists actually benefited from removing the sales tax on motor fuel, the Commission searched for data that showed the price retailers were paying for gasoline, as well as the amount they charged the consumer. The AAA Motor Club website includes the "Daily Fuel Gauge Report", which shows the pump price that motorists are paying at different locations all over the United States. This, however, does not show what the retailers purchased the gasoline for before they sold the product to the motorists. Therefore, the Commission turned to the Oil Price Information Service (OPIS), which is AAA's source for data.

OPIS proclaims themselves as the leading provider of news and prices for the downstream U.S. petroleum market. After consulting with them, the Commission obtained weekly data on nine Illinois cities located throughout the State for several months before and after the elimination of the State sales tax on motor fuel. The cities utilized in this data sample were Aurora, Carbondale, Chicago, Collinsville, Danville, Elmhurst, Quincy, Rockford, and Springfield. Along with that information, the Commission received the estimated "rack price" that retailers paid for that motor fuel as well as the taxes and freight charges applied to those prices. From that, a "spread" could be calculated which takes the retail price and then subtracts the rack price, the various taxes, and the freight charges. This "spread" should be what retail stations are collecting as gross profit, otherwise known as "margin".

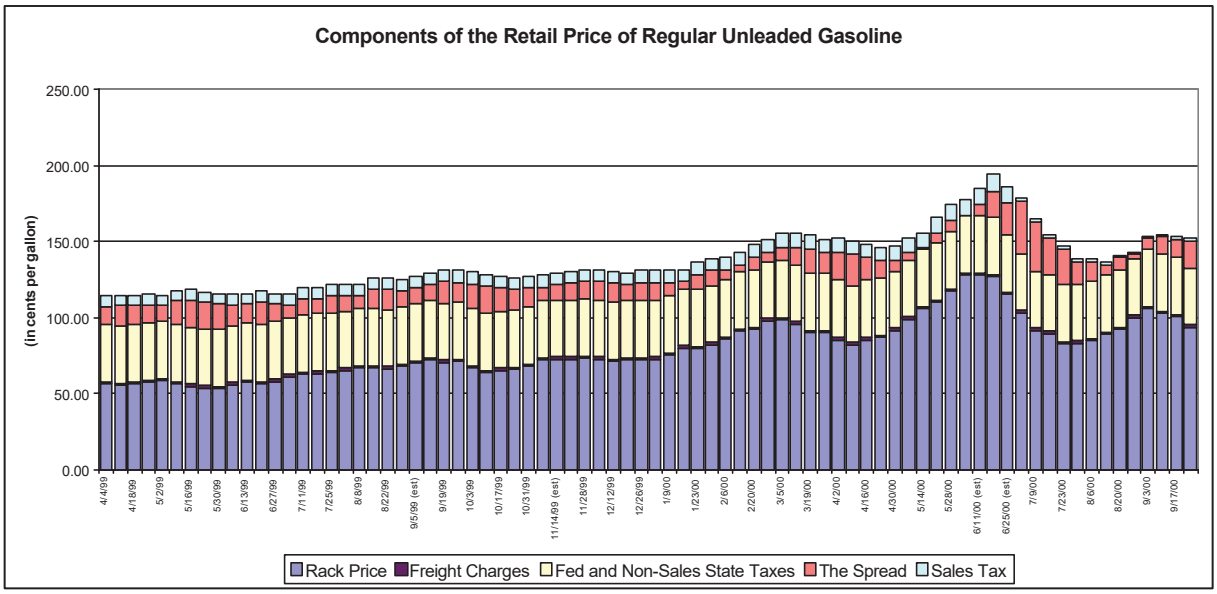
Chart 2, on the following page, shows the price margin history for unleaded gasoline in the State of Illinois. The data accompanying this graph was created by taking OPIS's average retail prices of the nine Illinois cities and then subtracting out the average rack prices and the various taxes and freight charges. As seen in the graph, the price margin for unleaded gasoline has a history of significant fluctuations. But the period just before and after the suspension of the sales tax on July 1, 2000 is where dramatic fluctuations took place. For the week of June 4, 2000, the average price margin actually dipped below zero at –0.88 cents per gallon. This is the lowest level that the price margin reached in the 17 months of data that we received. This is in contrast to the high-level average price margin of 34.04 cents per gallon that took place on July 2, 2000.

CHART 2



Potential reasons for these price margin fluctuations can be seen below in Chart 3. This chart shows the components of the average retail price of regular unleaded gasoline in Illinois for the weeks of April 1999 through September 2000. From this graph several basic observations can be made. First, the breakout of each component of the retail price of unleaded gasoline can be seen. Obviously, as the rack prices of

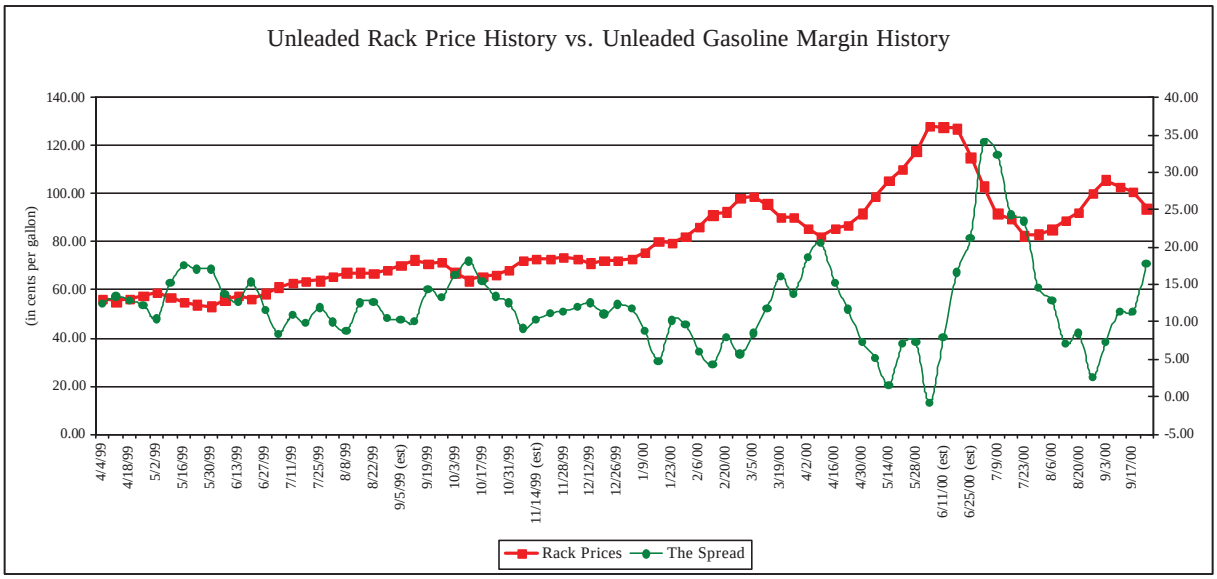
CHART 3



gasoline increase, the percentage federal and state taxes make up of the total retail price decrease, and vice versa. Secondly, the effect suspending the State sales tax had on the retail price of gasoline can be viewed by looking at the uppermost component. After July 1st, 2000, the State sales tax portion becomes noticeably smaller, reflecting the remaining 1.25% local sales tax. A third observation focuses in on the price margin fluctuations. Notice, as the rack price of gasoline increases, the price margins tend to decrease. Conversely, as the average rack price of gasoline decreases, the average price margins tend to increase.

An extreme example of this can be seen for the period shortly before and after the suspension of the sales tax on July 1, 2000. As rack prices climbed to record high levels in May and June, the price margins fell to lower than normal levels. But after the rack prices abruptly fell, the price margins also changed directions and approached higher than normal levels. Chart 4 shows in greater detail the inverse relationship that the average price margin has with the average rack price.

CHART 4



The reason for this inverse relationship is likely due to competition. As rack prices increase, so does the pressure to raise retail prices. But, rising prices cause consumers to look elsewhere to purchase their motor fuel. Therefore, to keep the business of the motorists, retailers will sacrifice some of their price margins in order to keep the retail cost down. This is likely why margins tend to decrease as rack prices increase. The larger the increase in rack price, the bigger the hit they must take on their profit margins. However, when rack prices decline, it is at this time that price margins tend to increase, likely because it gives retailers the opportunity to gain back some of the profit that they lost during the time of increasing rack prices.

As stated earlier, one factor that could influence the amount of the spread is the economic force of competition. Profit margins seldom stay consistent because gas stations are constantly fighting for the business of the consumer. For example, retailers may target their profit margin to be 10 cents per gallon. If a competitor down the road is selling fuel at a cheaper price, they may have to sacrifice their targeted profit margin, in order to get the business of the motorists. This competition causes fluctuations in the spread that make the data very inconsistent. In a survey conducted by the IEFC, 58% of the respondents indicated that competition with retailers affects the pump price the most, even more than wholesale prices.

An example of this was seen in the Springfield area shortly after the elimination of the motor fuel sales tax. As supplies were replenished, prices that were near $2.00 per gallon, dropped to more normal levels near the middle of July throughout Illinois. In Springfield, the prices dropped to as low as $1.11 a gallon for regular unleaded. The reason: a new superstore opened up on the south side of town along with a related gas station. To bring people to the superstore, fuel was sold well below the average selling price at that time. This, in essence, caused a gasoline price war, sending prices that were once among the highest in the country to one of the lowest. The superstore could afford to sell gasoline at prices that brought in little to no profit because they had other merchandise to sell to make up for their loss. Other gasoline stations did not have this luxury. Therefore, they took a hit to remain competitive. This is how margins in the provided data can dip below zero. As the superstore's prices increased to "normal" levels, the competitors quickly followed suit, in order to regain the profit margin they needed. It is at this point that many retailers may exceed their normal profit margin levels in order to gain back some of the profit that they lost during a price war. This situation is a possible contributor to why margins tend to increase temporarily as rack prices decrease.

Another factor that may influence the price margin is the amount of fuel remaining in the retailer's tank at the time of a price increase. For example, let's say that a retailer has to pay a high price to fill his storage tanks. If the rack price of gasoline drops twenty cents the next day, the retailer is stuck with more expensive gasoline in his tanks. In order to pay for this gas, he has to charge the consumer the price that he paid for the fuel that he has in his storage tanks, not the current price of gasoline. This could be another reason for the appearance that profit margins tend to grow as the rack prices decrease.

Much of this price change is also dependent on the size of the storage tanks and how often they are filled. If retailers have tanks that are relatively small and they have good business, they may have their tanks refilled frequently and be able to change prices relative to the market value. But if stations have large tanks with little turnover, they may only be able to charge what the gasoline in their tank is worth. The problem for these retailers is that they may have paid for gasoline at a high rate, but may have to lower prices to stay competitive. The luxury they have is if they paid for gasoline at a lower rate, they would have the ability to charge the current higher price to make back

some profit, or charge the gasoline purchase price, which could cause the competitors to lower their prices.

As seen, there are many factors that contribute to the profit margin. But, without knowing the exact factors that influence the profit margins and spreads of each week's data makes coming to any conclusions a very difficult task. The main problem in answering the question of whether the State sales tax was passed on to the consumer or not is that rack prices decreased at the same time the State sales tax was suspended. If rack prices had stayed constant, it would have been much easier to tell if the tax suspension was passed on. However, this was not the case as the average rack price dropped 34.6% between the weeks of June 18th and July 23rd. Though prices were expected to drop during this time period, it is unclear if the extent of the decline was where it should have been to account for the suspension of the sales tax. At the time, most estimates were that the pump price should fall anywhere from 5 to 10 cents per gallon due to the sales tax suspension.

In an attempt to define the sharp pump price decline more clearly, the IEFC extrapolated data that suggest that the sales tax reduction was, at least in part, passed on to the consumer. Chart 5, on the following page, shows the weekly average price difference of the retail and rack prices of unleaded gasoline. The graph indicates that the retail prices closely resemble the behavior of the rack prices, but in a slightly lagged manner. To further illustrate this, we compared the retail price to the rack price one week prior. The results of this adjustment can be seen on Chart 6. Here, a strong correlation exists between the two variables, which leads to the assumption that any change in the rack price of gasoline takes approximately one week before the change is seen in the pump price. (It should be noted that the prices accompanying the dates on this graph and all previous graphs are the weekly averages for the week prior to the date shown. Therefore, 7/09/00 data is the weekly average of the period July 3d through July 9th).

CHART 5

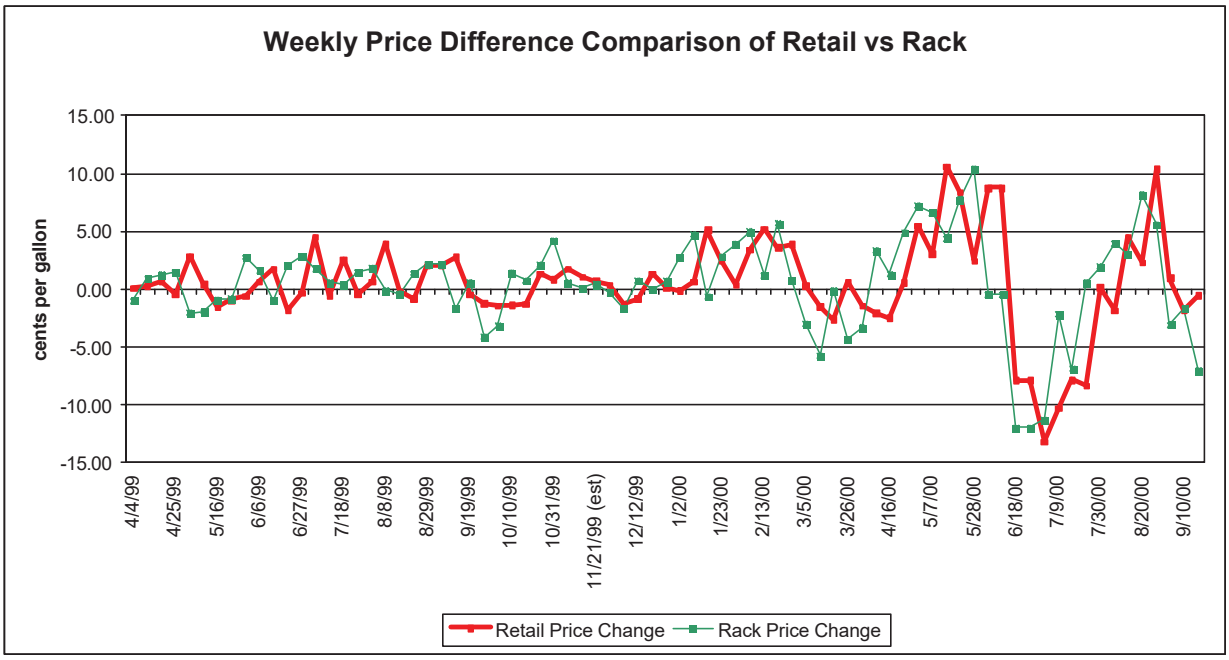
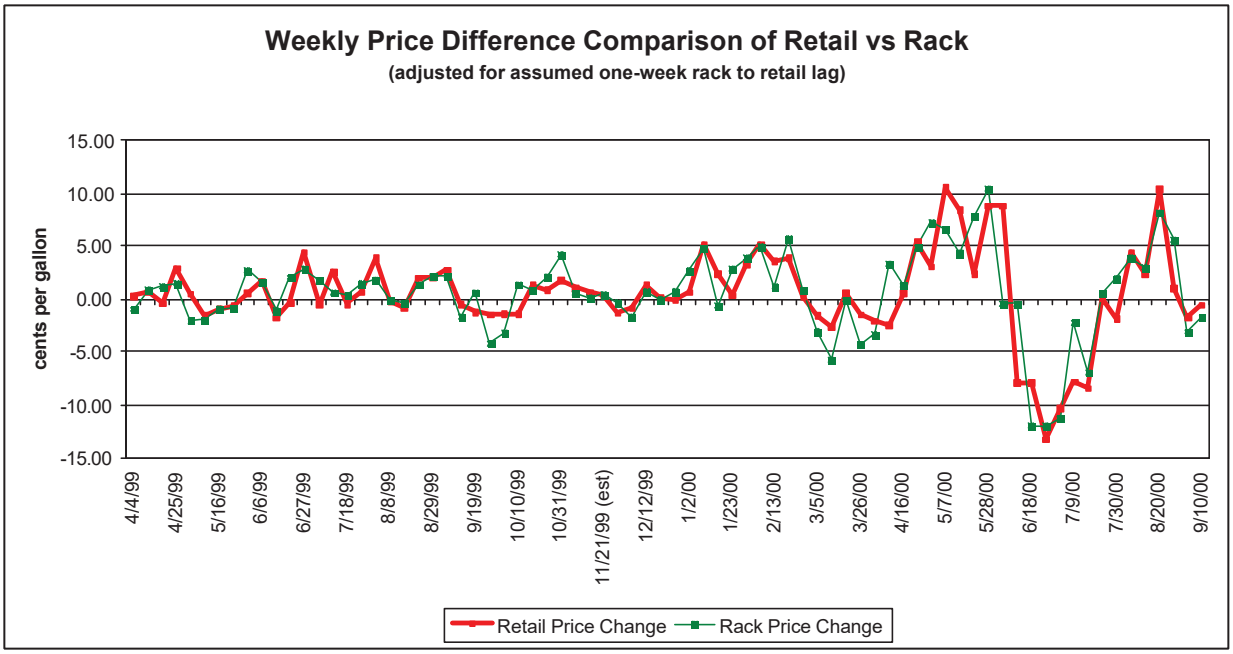


CHART 6



Also from this graph, we are able to see a notable change shortly after the July 1st sales tax reduction took place. Here, the graph indicates that for 7/9/00 data, retail prices dropped approximately six cents lower than the corresponding rack prices (an eight versus a two-cent decline). Because rack prices do not seem to provide reasoning for the dramatic drop that took place leads to the assumption that there was another reason for this drop, or more specifically, this increased drop was likely due to the reduction

in the sales tax. For the period after this approximate 6-cent difference, the retail and rack price differences returned to a more consistent correlation, which suggests that a one-time phenomenon occurred, such as the sales tax reduction. (On this graph, the 6-cent difference does not continue to exist after the reduction took place because this graph only indicates the price changes from week to week. For periods after the reduction was enacted, the price shift has already been accounted for, thus, no new large differences between the rack and retail price changes relative to the tax suspension would exist).

A survey of 48 Illinois motor fuel retailers seems to confirm this analysis. The survey, conducted by the IEFC, found that approximately 90% of the motor fuel retailer respondents said that they decreased their fuel price at least 6 cents after July 1, 2000, while 60% indicated that they decreased their fuel price between 6 and 8 cents. It should be noted that due to the vested interest of these retailers, interpretation of the survey findings must be done cautiously. However, the high percentage indicating a price reduction due to the sales tax suspension does indicate that it is likely some reduction was passed on to motorists.

In summary, data suggests that the suspension of the tax did contribute to the lowering of pump prices at the time the sales tax suspension took place. However, the degree to which the reduction was passed on to motorists cannot be precisely measured. A mitigating factor that severely limits this analysis is the fact that wholesale prices were falling at the same time the sales tax suspension went into effect. It is not possible to precisely assign what amount of that price change was due to the tax suspension and what amount was due to lower wholesale prices.

Was the reduction maintained throughout the period?

The second topic that the Commission was asked to look at was whether the sales tax reduction was maintained throughout the period. For many of the same reasons pointed out earlier, a cut and dry answer cannot be accomplished. However, one of the graphs used previously can shed some light on this issue.

In Chart 2, on page 15, the profit margins are shown to be higher shortly after the sales tax reduction took place. As noted before, many factors could have contributed to these high margins, including competition and the frequency that retailers refill their tanks. But in the three months of data that are available following the July 1st transition, price margins appear to have returned to a historically normal range. Between the last week of July and the last week of September in 1999, the average price margin was 11.25 cents per gallon. For this same period in 2000, the average price margin was slightly lower at 10.37 cents per gallon. Because the current profit margins are similar to the margins seen before the reduction took place, it would appear that the tax suspension has been maintained throughout the period. Had retailers pocketed the 5% tax suspension, margins after the change would have likely remained higher than prior to the change.

Based on the available rack and margin data, it would appear that whatever impacts the suspension of the sales tax had on the price of fuel has been maintained thus far.

Has the sales tax reduction resulted in an increase in total gallons of motor fuel sold and whether or not there was an increase in ancillary sales at retail motor fuel establishments?

Motor Fuel

In an attempt to answer this question, the IEFC gathered gallonage and ancillary sales data through the assistance of the Department of Revenue. In order to see if there was an increase in total gallons of motor fuel sold after the reduction took place, the Department of Revenue sampled 13 gasoline distributors who represented 57% of the total gasoline distributed during the period January 1999-September 1999. From this sampling, the Department gathered the following information:

The Monthly Year over Year Increases for Gasoline Distribution
January-August

January	0.84%	*May*	-4.15%
February	-5.07%	*June*	-0.13%
March	-2.46%	*July*	-1.00%
April	-0.14%	*August*	0.83%

The Month over Month Increases for Gasoline Distribution

	1999	*2000*
February/January	1.90%	-4.1%
March/February	5.63%	8.52%
April/March	-4.08%	-1.81%
May/April	6.69%	2.41%
June/May	-4.82%	-0.82%
July/June	3.28%	2.38%
August/July	2.86%	4.77%

Three Month Moving Average for Gasoline Distribution
(in millions of gallons of gasoline)

	1999	*2000*	*% Change*
January-March	235.8	230.5	-2.2%
February-April	238.3	232.2	-2.6%
March-May	244.6	238.9	-2.3%
April-June	242.4	238.7	-1.5%
May-July	246.3	241.9	-1.8%
June-August	274.2	247.0	0.0%

The first table shows that the total gallonage distributed in 2000 was less than the amount that was distributed in 1999 for most of the period between January and

August. The second table shows the month over month increases for the same period of time. In 1999, gallonage increased 3.28% from June to July, but in 2000, the increase was only 2.38%. However, from July to August, the gallonage percentage change in 1999 was 2.86%, while in 2000, it was 4.77%. (Due to timing issues, data after August was not available to be added to this report).

The third table takes a closer look at these numbers by looking at a three month moving average to dampen the month to month variation. This table reemphasizes that the amount of gallons distributed in Illinois during the first part of 2000 was consistently less than in 1999. However, the most recent period (between June and August) shows that gasoline sold in Illinois appears to be back at the levels of a year ago. However, it is clear that not enough months of data are available yet to conclude that any change in motor fuel sales has occurred as a result of the tax suspension.

A similar sample was taken of 33 diesel distributors who represented 44% of the State's total distribution during the period between January 1999 and September 1999. The results of this sampling are as follows:

The Monthly Year over Year Increases for Diesel Distribution
January-August

January	25.48%	*May*	22.70%
February	10.07%	*June*	6.36%
March	-0.66%	*July*	-6.89%
April	2.31%	*August*	4.87%

The Month over Month Increases for Diesel Distribution

	1999	*2000*
February/January	-7.78%	-19.11%
March/February	13.68%	2.60%
April/March	-4.99%	-2.14%
May/April	6.12%	27.27%
June/May	-1.17%	-14.34%
July/June	9.11%	-4.49%
August/July	1.32%	14.12%

Three Month Moving Average for Diesel Distribution
(in millions of gallons of gasoline)

	1999	*2000*	*% Change*
January-March	40.267	41.745	3.7%
March-May	42.097	45.573	8.3%
April-June	42.046	46.518	10.6%
May-July	43.997	47.090	7.0%
June-August	45.324	45.923	1.3%

These tables dealing with diesel distribution do not reveal any consistent trends. Therefore, any analysis dealing with these tables would be purely speculation. Diesel prices during the time of the high gasoline prices in Illinois did not see near the large increases that gasoline prices saw. However, the reduction of the sales tax was enacted for diesel prices as well to allow Illinois diesel retailers the chance to be more competitive with other states. The third table does show that more diesel fuel has been distributed in 2000 than in 1999, but it does not appear that the reduction in the sales tax had much of an influence on the amount of diesel that was distributed in Illinois. Again, more monthly data are needed before any conclusion can be reached.

Other information dealing with the effects of the sales tax reduction on motor fuel gallonage come from the Commission's motor fuel retailer survey. From this, it was found that 35% of survey respondents indicated that their fuel volume increased between 5 and 10% and another 25% indicated an increase in the amount of fuel sold by 0 to 5%. Those claims, however, cannot be substantiated. Indeed, if gallonage increases did take place, it would likely occur near border locations were competition between other states commonly occur. The Commission's survey was targeted at those types of locations for the most part, and as a result, the respondents' claims would not necessarily be similarly reflected in aggregate gallonage reports.

In summary, of the limited data that does exist, no identifiable relationship is evident thus far between the tax suspension and fuel sales. Clearly, several more months of data are needed before even preliminary conclusions can be drawn as gallonage data lags approximately two months.

Ancillary Sales

Again, the Department provided the IEFC with data obtained from a sample of thirteen motor fuel retailers' representing sixteen Illinois locations. Calendar year 1999 and 2000 June, July, and August taxable motor fuel sales, ancillary sales, and food and drug sales were provided for analysis.

Prior to the July 1, 2000 sales tax suspension, both motor fuel and ancillary sales were subject to the State's sales tax and thus the two figures were combined and reported to the Department of Revenue. As is depicted in the table on the following page, prior to July 20, 2000 it is impossible to accurately distinguish between fuel and ancillary sales.

Since Illinois' suspension of sales tax on motor fuel, returns collected by the Department of Revenue delineate between ancillary sales and motor fuel sales. This is because ancillary goods are still subject to the State's sales tax, while motor fuel is not.

While at the end of the six-month suspension, a trend analysis may be derived for fiscal year 2001, it is not possible to complete a comparable month-over-month analysis with the prior fiscal year. This is because fiscal year 2000 contains combined figures for

motor fuel and ancillary sales (which cannot be accurately separated), while fiscal year 2001 distinguishes between the two items. With that severe limitation mentioned, the following table shows several months of taxable sales for the Department of Revenue's sampled retailers.

TABLE: SAMPLING OF ANCILLARY SALES

	June 1999	June 2000	% Chg.	July 1999	July 2000	% Chg.	Aug. 1999	Aug. 2000	% Chg.
Total Taxable Sales	8,906,750	9,385,019	5.37%	9,184,514	9,537,728	3.85%	9,561,940	9,975,810	4.33%
Total Motor Fuel Sales	N/A	N/A	N/A	N/A	6,608,234	N/A	N/A	7,146,320	N/A
Total Ancillary Sales	N/A	N/A	N/A	N/A	2,895,858	N/A	N/A	2,797,147	N/A

SOURCE: Illinois Department of Revenue

Data in the above table shows that of the establishments sampled by the Department of Revenue, total taxable sales appear to be increasing when comparing like months of fiscal years 2000 and 2001. In fact, both July and August increased by 3.85% and 4.33% respectively. However, it is unclear whether the increase comes from a rise in motor fuel sales, an increase in ancillary sales, or a combination of the two. In addition, June sales increased by 5.37% between fiscal year 1999 and fiscal year 2000. In other words, the increase in June sales, due at least in part by an increase in fuel price, is greater than both July and August, and occurred prior to the sales tax suspension. While only a limited amount of data has been examined, it would appear that no identifiable increase in sales can be substantiated.

According to the survey of motor fuel retailers, approximately 31% responded that their ancillary sales increased between 0 and 5%, while another 27% said they increased 5 to 10%. Although this is just a matter of opinion, it is very possible that some establishments, particularly on the border may have seen a noticeable increase in sales. Unfortunately, little data exist that substantiates the claims.

In summary, even preliminary findings are impossible given the lack of data, both in quantity and quality (comparable monthly data). While only a couple of months of data exist, the largest drawback is that prior to the sales tax suspension on motor fuel, motor fuel sales were part of the total sales figures reported on the retailers sales tax return. Even though now after the tax suspension motor fuel is broken out separately from other sales, there is no way to accurately compare the periods before and after the tax suspension.

Lottery Sales

To analyze whether lottery ticket sales were impacted by the sales tax suspension, Commission staff met with Illinois Department of Lottery officials to discuss the potential effects that the suspension of the sales tax would have on lottery sales. During this discussion, it was determined that, should this decision affect lottery sales, it would be most noticeable with lottery agents located within close proximity to one of Illinois' five bordering states—Indiana, Iowa, Kentucky, Missouri, and Wisconsin. As a result, Commission staff requested that Lottery officials identify these agents and monitor their sales during the months of July through September (the three months following the suspension of the motor fuel sales tax). These figures were then compared to a four week average of June sales (the month preceding the suspension of the sales tax) so as to provide comparative data. The data served as the basis for the findings and conclusions discussed below.

TABLE: Illinois Lottery Sales Along State Border Regions
(June – September, 2000*)

	JUNE	JULY		AUGUST		SEPTEMBER	
	Total	Total	% Chg.	Total	% Chg.	Total	% Chg.
Indiana Border	253,700.50	264,741.50	4.35%	236,493.50	-6.78%	263,043.00	3.68%
Iowa Border	23,828.00	26,737.00	12.21%	23,067.00	-3.19%	23,227.50	-2.52%
Wisconsin Border	210,492.50	222,347.00	5.63%	199,529.00	-5.21%	214,255.50	1.79%
Missouri Border	165,242.50	173,094.00	4.75%	152,177.00	-7.91%	173,331.00	4.89%
Kentucky Border	22,463.50	20,342.50	-9.44%	18,959.50	-15.60%	21,485.00	-4.36%
TOTAL	675,727.00	707,262.00	4.67%	630,226.00	-6.73%	695,342.00	2.90%

*All percentage change figures refer to the change experienced between the given month and June.
SOURCE: Illinois Department of Lottery

Upon the completion of the three-month examination, the Illinois Department of Lottery reported the following findings.

- In July, total lottery sales associated with all lottery agents increased by 5.57% while the overall average for the border agents increased by only 4.67%. In August, the overall sales increase for all lottery agents was 1.46% while the overall average for the border agents decreased by 6.73%. In September, overall sales decreased by 5.70% while the overall average for the border agents increased by 2.90%. (All percentage change figures refer to the change experienced between the given month and June.)

- There was no consistent change in sales between the five state borders from June to July, June to August, or June to September. In addition, there was no consistent change in sales within the individual agents grouped within a border region.

- The level of the Big Game jackpot distorts any comparison between June total sales and the total sales associated with July, August and September.

In the Commission's survey of motor fuel retailers, we asked how lottery sales changed since the sales tax suspension. One-third of the responders selling lottery tickets answered that there was no change while nearly another one-third said they had experienced a 0 to 5% increase.

In summary, it does not appear that the suspension of the motor fuel sales tax impacted lottery sales in Illinois. Although it may be too early to rule out a connection, recent data indicate that any impact would be minimal. This conclusion is based primarily on the fact that the total sales changes for border agents had no relation to the sales changes experienced by all lottery agents. In July, border agents experienced a smaller increase in sales than the increase for all lottery agents. In August, the border agents experienced a decrease in sales while total lottery sales experienced an increase. In September, the border agents had an increase in sales while there was a decrease in sales by all lottery agents. In addition, inconsistencies emerged regarding the sales changes among border agents. Furthermore, it is likely that the larger Big Game jackpots experienced in July and September were more responsible for total sales increases than was the temporary suspension of the motor fuel sales tax.

Can the 5% sales tax reduction be reflected on any receipt provided to the consumer?

It is possible to indicate on a sales receipt the savings that a consumer would receive as a result of the motor fuel sales tax suspension. However, in order to do so, retailer software would have to be modified to calculate the differential between what the total sale was versus what the sale would have been had the State's 5% sales tax still been imposed.

An estimate of a consumer's annual savings due to the suspension of the motor fuel sales tax can be achieved by making the following assumptions: a vehicle travels 12,000 miles per year, it gets 20 miles per gallon of fuel, the average price per gallon of fuel includes $.07 a gallon of the State sales tax on the fuel. Utilizing the calculations provided below, a $42 annual cost savings would be realized from the motor fuel sales tax suspension.

Calculation:
12,000 average miles traveled per year / 20 miles per gallon = 600 gallons per year
600 gallons per year * $.07 State sales tax on fuel = $42 savings per year

Assuming the same criteria as above and that a motorist fills his/her vehicle with 15 gallons of fuel, a sales receipt would indicate a $1.05 savings. Accordingly, the savings reported to the consumer would increase or decrease in direct relation with the number of gallons purchased.

In summary, with the implementation of new retailer software, it would be possible to indicate on a sales receipt a consumer's savings due to the suspension of sales tax on motor fuel. The amount saved would greatly vary, but an average consumer would expect to see a savings of $1.05 per fill-up or $42 annually.

Survey Results of Illinois Gasoline Sales Tax Suspension

The IEFC conducted a survey of sixty retail motor fuel stations throughout the State, concentrating on border locations where interstate competition is most likely to occur. Of the sixty surveys sent, 48 responded, yielding an impressive 80% response rate. The Survey, provided in Appendix I, asked retailers' a wide variety of questions regarding their views of the sales tax suspension as it related to changes in fuel sales volume and price, ancillary sales, and lottery ticket volume. In addition, it questioned retailers about their opinions regarding what drives pump price, their main source of clientele, and how business was affected since the sales tax suspension on motor fuel.

While a majority of the retailers provided positive feedback pertaining to the motor fuel sales tax suspension, it is important to keep in mind that the respondents were simply providing an opinion on their performance and actual figures were not required or verified by the Commission. Although, drawing any conclusions from the data alone would be considered inaccurate, the survey information is helpful in obtaining the retailers' perceptions of how the suspension influenced their business.

Many retailers provided comments on the survey (which are shown in their entirety in Appendix II on page 35). Most of them encouraged the permanent suspension of the sales tax. It appears from the comments that the respondents felt if the fuel tax was permanently suspended, they would be much more competitive with neighboring States and would be able to generate and retain more business within Illinois.

Was the reduction in the Sate sales tax passed on through to motorists?

The Commission asked respondents how the motor fuel sales tax suspension affected their fuel price after July 1, 2000. Over 60% replied that the price per gallon decreased between $.06 and $.08, almost 30% believed that the price per gallon decreased over $.08, and no one indicated that the price did not change.

Did the sales tax suspension on motor fuel result in an increase in total gallons of motor fuel sold?

According to the survey, 25% believed that fuel sales volume increased between 0% and 5%, over 35% stated that sales increased between 5% and 10%, and almost 19% indicated that sales increased more than 10%. Only 15% indicated that there was no change in sales volume.

Over 75% of those who replied believed that both in-state and out-of-state customer volume increased, while 19% indicated no change. Also, the respondents believed that they were more competitive with neighboring states. In fact, over 87% believed they were now somewhat to very competitive with neighboring states.

Finally, when asked how the suspension of the motor fuel sales tax affected business overall, almost 21% stated that business slightly improved, 29% said that business moderately improved, and 27% indicated that business significantly improved.

Was There An Increase In Ancillary Sales At Motor Fuel Establishments? (food, beverages, lottery tickets, etc)

Over 31% respondents believed merchandise sales increased between 0% and 5%, 27% indicated that sales increased between 5% and 10%, and over 16% said sales increased more than 10%. It appears that lottery sales were not as greatly impacted. Less than half (42%) of the respondents believed lottery sales increased.

APPENDIX I

ILLINOIS ECONOMIC and FISCAL COMMISSION

RESULTS OF SURVEY OF ILLINOIS GASOLINE SALES TAX SUSPENSION

1. How have fuel sales (volume) changed since the sales tax suspension became effective July 1, 2000?

14.58%	A.	Sales have not changed.
25.00%	B.	Sales increased between 0% and 5%.
35.42%	C.	Sales increased between 5% and 10%.
18.75%	D.	Sales increased more than 10%.
2.08%	Other	
4.17%	N/A	

2. On average, how did the motor fuel sales tax suspension affect your fuel price after July 1, 2000?

0.00%	A.	The fuel price did not change.
8.33%	B.	The price per gallon decreased by less than $0.05.
60.42%	C.	The price per gallon decreased between $0.06 and 0.08.
29.17%	D.	The price per gallon decreased over $0.08.
2.08%	N/A	

3. In your opinion, what effects pump price the most?

18.75%	A.	Wholesale fuel price
58.33%	B.	Competition with retailers
4.17%	C.	Profit Margin
2.08%	D.	Other (please specify):_____
10.42%	A/B	
2.08%	B/D	
4.17%	N/A	

4. Do you feel you are more competitive with neighboring states due to the recent repeal of the gasoline sales tax?

8.33%	A.	I am not competitive with neighboring states.
54.17%	B.	I am somewhat competitive with neighboring states.
33.33%	C.	I am very competitive with neighboring states.
4.17%	D.	I have not noticed a change in business.
0.00%	N/A	

5. How much have sales (in dollars) for all other goods (i.e. food, drink, merchandise, auto products, etc.) changed since July 1, 2000?

14.58%	A.	Sales have not changed.
31.25%	B.	Sales increased between 0% and 5%.
27.08%	C.	Sales increased between 5% and 10%.
16.67%	D.	Sales increased more than 10%.
4.17%	Other	
6.25%	N/A	

6. If you are a lottery vendor, how have your lottery sales (in dollars) changed since July 1, 2000?

33.33%	A.	Sales have not changed.
31.25%	B.	Sales increased between 0% and 5%.
10.42%	C.	Sales increased between 5% and 10%.
0.00%	D.	Sales increased over 10%.
25.00%	N/A	

7. How do you perceive your clientele?

64.58%	A.	Less than 15% are out-of state customers
18.75%	B.	Between 16% and 30% are out-of-state customers
6.25%.	C.	Between 31% and 50% are out-of-state customers
10.42%	D.	Over 50% are out-of-state customers

8. How has your customer volume changed since July 1, 2000?

18.75%	A.	The customer volume has not changed.
35.42%	B.	In-State customer volume has increased.
10.42%	C.	Out-of-State customer volume has increased.
29.17%	D.	In-State and Out-of-State customer volume has increased.
4.17%	Other	
2.08%	N/A	

9. How has the State's suspension of the motor fuel sales tax affected your business overall?

16.67%	A.	There is no change.
20.83%	B.	Business has slightly improved.
29.17%	C.	Business has moderately improved.
27.08%	D.	Business has significantly improved.
4.17%	Other	
2.08%	N/A	

10. How would you classify your business?

12.50%	A.	Large capacity truck stop (i.e. services mostly interstate truckers, autos, may have a restaurant and grocery goods)
14.58%	B.	Small capacity truck stop (i.e. services mostly interstate truckers, autos, does not have the facilities of a large truck-stop)

41.67%	C. Large capacity auto stop (i.e. services mostly autos and some trucks, may contain an eatery and grocery goods)
20.83%	D. Small auto station (i.e. services mostly autos)
2.08%	B/D
4.17%	Other
4.17%	N/A

11. What is your estimated average monthly gallonage sales for:
Gas/gasohol: Various
Diesel: Various

12. Please provide any additional comments as to how the suspension of the Illinois gasoline sales tax has affected your business.
SEE APPENDIX II

Optional:
Business Name: _____
Contact Person: _____
Mailing Address: _____
_____
_____
Telephone: _____

APPENDIX II

COMMENTS FROM SURVEY OF ILLINOIS GASOLINE SALES TAX SUSPENSION

QUESTION:

1. How have fuel sales (volume) changed since the sales tax suspension became effective?

- Too early to tell.
- Reduced slightly form last year on lake for lake basis.
- Neighboring states also dropped sales tax.
- Sales are down 16.49%.

2. On average, how did the motor fuel sales tax suspension affect your fuel price after July 1, 2000?

- More than .08 cents per gallon.

3. In your opinion, what effects pump price the most?

- Equally A & B, seems to pay attention to margin unless it gets a cost or below.
- All blended into total.
- Here on border, the state of Iowa was hurting us greatly with Illinois residents going to Iowa.
- Including those in neighboring states with 10-cent advantages.
- Refining and pipeline outages.
- Including those who have tax advantages from one municipality or State tax body.
- Taxes.
- Taxes.

4. Do you feel you are more competitive with neighboring states due to the recent repeal of the gasoline sales tax?

- Still due to taxes
- We are close to Indiana. When their sales tax comes back on, we will be very competitive. I expect another 5% increase in sales.
- Illinois still 4 cents disadvantage with Missouri even after sales tax suspension.
- Iowa.
- Still not even with.
- Indiana also dropped the tax.
- Indiana huge advantage.
- Lower motor fuel tax to make us more competitive or take off remaining 1 1/4% sales tax.

5. How much have sales (in dollars) for all other goods (i.e. food, drink, merchandise, auto products, etc.) changed since July 1, 2000?

- Too early to tell.
- Talking to our customers and retailers.
- Down 16%.

6. If you are a lottery vendor, how have your lottery sales (in dollars) changed since July 1, 2000?

- Hard to tell with large jackpot in Big Game.

7. How do you perceive your clientele?

- Has helped us hold on to our Illinois customers.
- All truck stops.
- Interstate locations only.
- No lottery.

8. How has your customer volume changed since July 1, 2000?

- Too early to tell.
- Volume down 16.49%.

9. How has the state's suspension of the motor fuel sales tax affected your business overall?

- Too early to tell.
- NOTE: I interpret as 10-15% being moderately significant.
- Volume down 16.49%.

10. How would you classify your business?

- Distributor operating convenience stores/travel centers.
- Convenience store supplier.

11. What is your estimated averaged monthly gallonage sales for:
Gas/gasohol
Diesel

12. Please provide any additional comments as to how the suspension of the Illinois gasoline sales tax has affected your business.

- It is too soon to tell!
- We need to be tax competitive with ALL neighboring states.
- I believe it is a good start. I still believe that Indiana has a significant advantage due to their lower SMFT.
- For the long-term health of motor fuel retailers, it is important that Illinois not reinstate the sales tax on gasoline and diesel fuel.

- I hope the suspension becomes permanent so we can compete with Indiana on a day to day basis. If we can, I expect a 15% increase in gallonage.
- Has brought Illinois closer to other states.
- You must realize that as gasoline prices increase, people slow down with their driving. With this in mind we have shown moderate increases in gasoline sales, and significant inside sales.
- We are only 24 miles from the Missouri border. We have a tremendous amount of residence, community and transit trade who work in the St. Louis Metropolitan area. Since we have been more competitive by the elimination of the 5% gasoline tax, we have seen our business grow.
- It has allowed a ripple effect of better volume in town and the center State locations. Especially southern tip of State (Paducah, KY and up).
- Please make the sales tax suspension Permanent!
- This data reflects only our truck stops.
- In general, the sales tax suspension is viewed as a political maneuver, probably more detrimental to the State than helpful to the consumer.
- I feel this is a good program and should be repeated indefinitely.
- The suspension has had a very positive impact but not all customers always come back. Yet we have only seen a 2-month effect, habits are hard to break!
- In long-term sales tax elimination will net out increase in total sales as we get closer to bordering state tax scenarios.
- Positively.
- Since the Governor signed the sales tax suspension, oil companies and retailers have been tripping over themselves to drive the price down. Extending the suspension fee an additional six months, the state would be able to access the overall economic impact.
- It didn't help because Indiana did the same thing. Indiana has 4 cent per gallon less State motor fuel taxes which is tough on us. Eliminating the 5% State sales tax permanently would help us tremendously when Indiana puts theirs back on. Also, Illinois charges sales tax on top of the motor fuel taxes whereas Indiana doesn't
- My marketing area borders Indiana, with both State's suspension on tax has not helped that much. Indiana State tax is 5 cents less when Indiana implements their sales tax then theirs will be a more level playing field.
- It makes us more competitive with border states. It has lowered retail prices. I'm in favor of a permanent reduction of the total sales tax on gas.
- It makes fuel cost more in line with neighboring states.
- Has had very little affect. Price per gallon is still over $1.50 because of high crude costs and other taxes, i.e. State Motor Fuel, County, Home Rule taxes, etc.
- The local customers are more appreciative that the gas/diesel is more affordable. Interstate truckers see Illinois as a better buy.
- We are able to sell to people who live here but work in Missouri. Before, they would buy all their gas in St. Louis, MO.

- I really have not seen much affect. In my opinion, the reason we have not seen much affect is the higher prices all around. People slow down when prices get high like this.
- The political pressure exerted through the media and governmental bodies with the reduction caused a cascading, "who can drop the price the most". In addition, supplemental sales of cigarettes, lottery and snacks have increased. Gasoline at a $1.50 vs. $2.00 has had the psychological effect, I believe, of more disposable income to those ancillary goods. Also, in the automotive repairs business, I noticed people fearing gasoline price hikes to translate into runaway inflation, were reluctant to spending money and make repairs. Unusual as we were heading into the "vacation months." After the drop, the sales immediately and substantially have jumped; a spiral upward and net downward.
- Volume down 16.49%.
- Customers feel that the State has overcharged on all taxes.
- We operate mainly in 3 counties. All boarding the Indiana State line. We estimate our gallonage would increase 40% if we had the same tax structure as Indiana.
- The State cannot expect business of any product to stay in business and be competitive with a 6 ½ to 7% tax difference. Especially gasoline.
- People are in a much better mood. They feel that finally the government has given back to the taxpayer a percentage. This will only help stir the economy and allow them a little more buying power.

BACKGROUND

The Illinois Economic and Fiscal Commission, a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;

2) Analysis of the fiscal impact of revenue bills;

3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;

4) Periodic assessment of capital facility plans; and

5) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html

City of Bloomington Illinois

Public Works Department

ADDITIONAL STREETS RESURFACED IN 5 YEARS WITH 4 CENT GAS TAX INCREASE TOTALLING APPROXIMATELY $11,500,000

DATE 2/14/2018