



Sizing the Highway Multi-Year Program

Funding Conceptual Framework

June 18, 2024

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1. Estimating Revenues
2. Subtracting Baseline Expenditures
3. Annual Element



Development of Multi-Year Program

Funding Conceptual Framework

Three Step Process

- Estimate All Revenue
- Subtract Base Expenses
- Fit Annual Elements into Remaining Resources

Step 1: Estimate Revenues

Step 1: Estimate Revenues

Responsibility for construction, preservation, maintenance, and operations of roads and bridges (collectively highways) in Illinois is shared between the state (IDOT) and local governments (counties, municipalities, and townships). IDOT primarily relies on federal and state funding sources.

- **Federal and Local Reimbursements**

- Federal sources are provided by the U.S. Department of Transportation (U.S. DOT) modal agencies, primarily the Federal Highway Administration (FHWA), through multiyear transportation authorizations by Congress. These federal funding sources include both formula funding, apportioned to the state as part of the transportation reauthorization legislation, and competitive funding sources awarded to IDOT by U.S. DOT.

- **State Source**

- Current revenues (PAYGO)
 - Motor Vehicle Registration (MVR)
 - Motor Fuel Tax (MFT)
 - State Sales Tax on Motor Fuel
 - Investment Income

- **Bond Financing**

- The state issues bonds, which provide capital for infrastructure investments. However, bond proceeds are not revenue sources; they are loans that must be repaid from revenue sources over time.

Step 1: Estimate Revenues

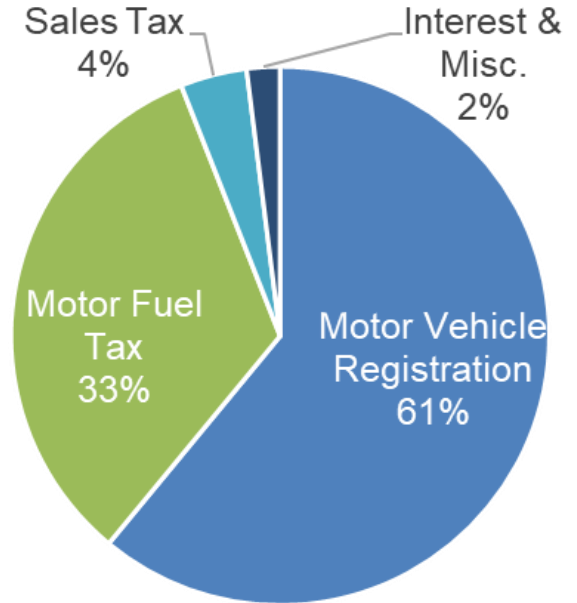
Federal Funds

- Allocated by formula through federal transportation bills
- Federal funds are reimbursements
 - Projects are approved, work is started, and bills are paid with State Appropriation
 - Project Control requests reimbursement from the FHWA for federally participating projects
 - Reimbursements are deposited in the Road Fund
- In FY23 made up 33% of Illinois' Road and Construction Funds
- Federal funds have strict guidelines

Step 1: Estimate Revenues

State Sources

- IDOT depends on three primary sources of *state* revenues for transportation projects
- FY 2023 total revenue for transportation projects - \$3.9 billion



Step 1: Estimate Revenues

State Sources

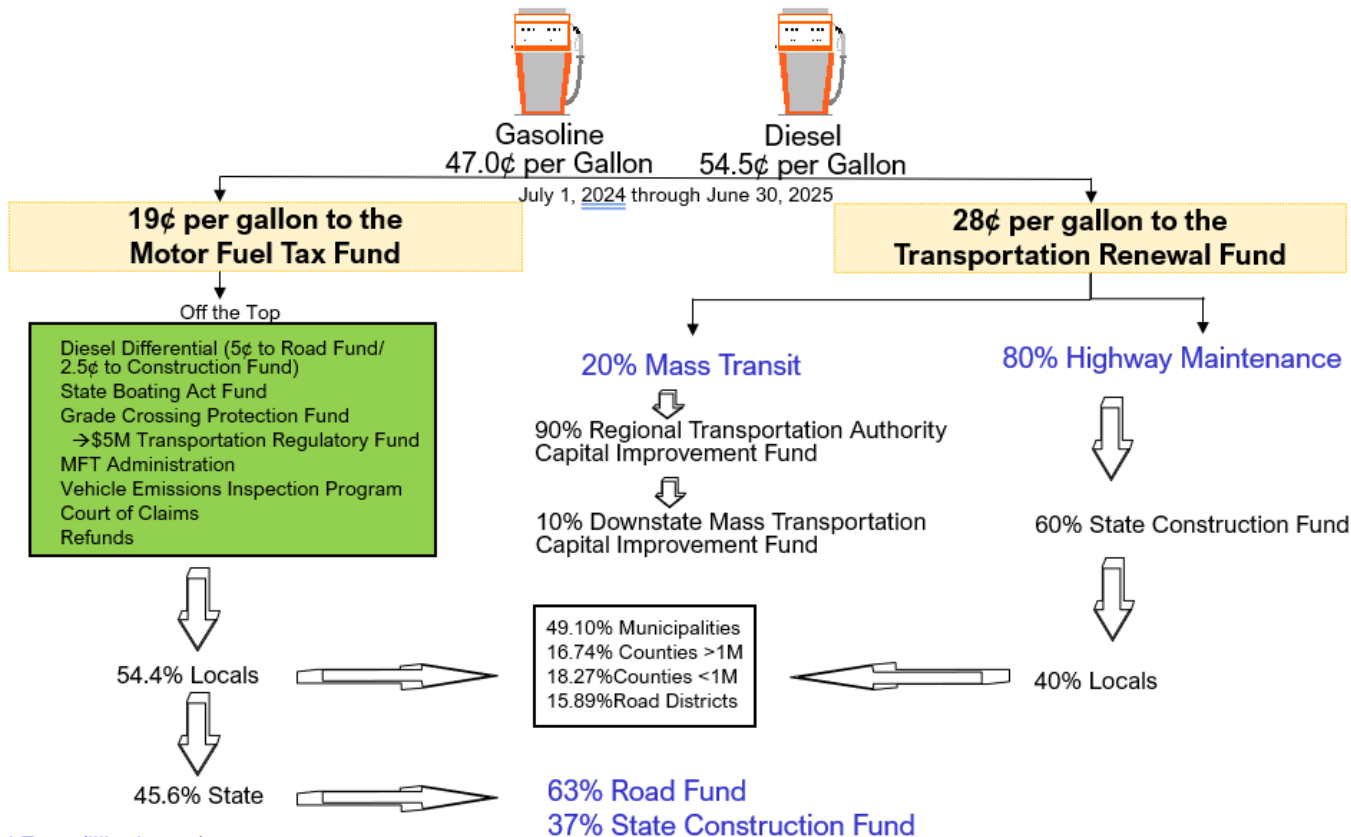
Motor Fuel Tax (MFT)

- In 2020, per SB1939 PA 101-0032, the state Motor Fuel Tax (MFT) increased from 19¢ per gallon to 38¢ per gallon and was indexed to the Consumer Price Index (CPI). The Diesel Differential was also raised from 2.5¢ to 7.5¢.
- New revenue for MFT +CPI go to the Transportation Renewal Fund, while the Diesel Differential remains in the Motor Fuel Tax Fund (distributed 2.5¢ to the State Construction Fund and 5¢ to the Road Fund)
- Currently the motor fuel tax on gasoline is 45.4¢ per gallon, and 52.9¢ for diesel (per the Illinois Department of Revenue, <https://tax.illinois.gov/research/taxrates/motorfuel.html>)

Highway User Fee Distribution Formula

SB1939 P.A. 101-0032

Motor Fuel Tax



Step 1: Estimate Revenues

State Sources

Motor Fuel Tax (MFT) Data Collection

U.S. BUREAU OF LABOR STATISTICS

HOME SUBJECTS DATA TOOLS PUBLICATIONS ECONOMIC

Databases, Tables & Calculators by Subject

Change Output Options: From 2012 To 2023 GO

Connect™
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ILLINOIS gov

ILLINOIS REVENUE

Step 1: Estimate Revenue

State Sources

Motor Fuel Tax (MFT) Data Analysis

IDOT considers econometrics from sources such as S&P Global, that include gathered data on Highway Consumption of Gasoline & Special Fuels, Population, Miles Per Gallon and much more. IDOT diligently reviews industry news to stay abreast of what is happening and performs studies on the impact of government policy on MFT. Together, this information is used to help form the MFT growth rate assumptions applied in the MYP.

	FY	%	
Concept	2025	Δ	
Highway Consumption Of Gasoline & Special Fuels	174.78	-1.5%	↓
Population	12,394.38	-0.5%	↓
Average Miles Per Gallon Of New Light Vehicles	31.55	2.8%	↑
Average Miles Per Gallon Of The Light Vehicle Stock	25.24	1.6%	↑

Impact on MFT Revenue with Transition to Electric and Hybrid Vehicles

	Avg MPG	Avg Miles Traveled Annually	Gallons Consumed Annually	MFT	MFT Per Year	Total Gallonage (M)
FY2019	25	15,000	600	0.19	\$114	6,277.4
FY2020	25	15,000	600	0.38	\$228	

Transition to 1,000,000 Electric Vehicles by 2030 and MFT Revenue											FY23-28 MYP	
FY	MFT with CPI Increase	MFT Paid Per Vehicle Per Year	Electric Vehicle Registrations	YOY % Increase in Registrations	Revenue From \$100 EV Offset (\$M)	MFT Rev Loss Per year due to EV Transition (\$M)	MFT Rev Loss year due to EV Transition with \$100 Offset (\$M)	Consumption to EV Transition (M gallons)	% Decline in Consumption from FY2019	Total Gallonage with EV effect only	Total Gallonage (M)	% Decline in Consumption from FY2019
2020	0.380	\$228.00	20,683	37.74%	\$2.07	-\$4.72	-\$2.65	-12.4	-0.20%	6,265.0	6,076.2	-3.20%
2021	0.387	\$232.20	28,802	39.25%	\$2.88	-\$6.69	-\$3.81	-17.3	-0.28%	6,260.1	5,569.2	-11.28%
2022	0.392	\$235.20	41,704	44.80%	\$4.17	-\$9.81	-\$5.64	-25.0	-0.40%	6,252.3	5,966.4	-4.95%
2023	0.398	\$238.73	62,556	50.00%	\$6.26	-\$14.93	-\$9.68	-37.5	-0.60%	6,239.8	5,951.5	-5.19%
2024	0.404	\$242.31	93,834	50.00%	\$9.38	-\$22.74	-\$13.35	-56.3	-0.90%	6,221.1	5,936.6	-5.43%
2025	0.410	\$245.94	140,751	50.00%	\$14.08	-\$34.62	-\$20.54	-84.5	-1.35%	6,192.9	5,921.8	-5.66%
2026	0.416	\$249.63	211,127	50.00%	\$21.11	-\$52.70	-\$31.59	-126.7	-2.02%	6,150.7	5,907.0	-5.90%
2027	0.422	\$253.38	314,578	49.00%	\$31.46	-\$79.71	-\$48.25	-188.7	-3.01%	6,088.6	5,892.2	-6.14%
2028	0.429	\$257.18	465,576	48.00%	\$46.56	-\$119.74	-\$73.18	-279.3	-4.45%	5,998.0	5,877.5	-6.37%
2029	0.435	\$261.04	684,397	47.00%	\$68.44	-\$178.65	-\$110.21	-410.6	-6.54%	5,886.7	5,862.8	-6.60%
2030	0.442	\$264.95	1,000,000	46.12%	\$100.00	-\$264.95	-\$164.95	-600.0	-9.56%	5,677.4	5,848.2	-6.84%

Step 1: Estimate Revenue

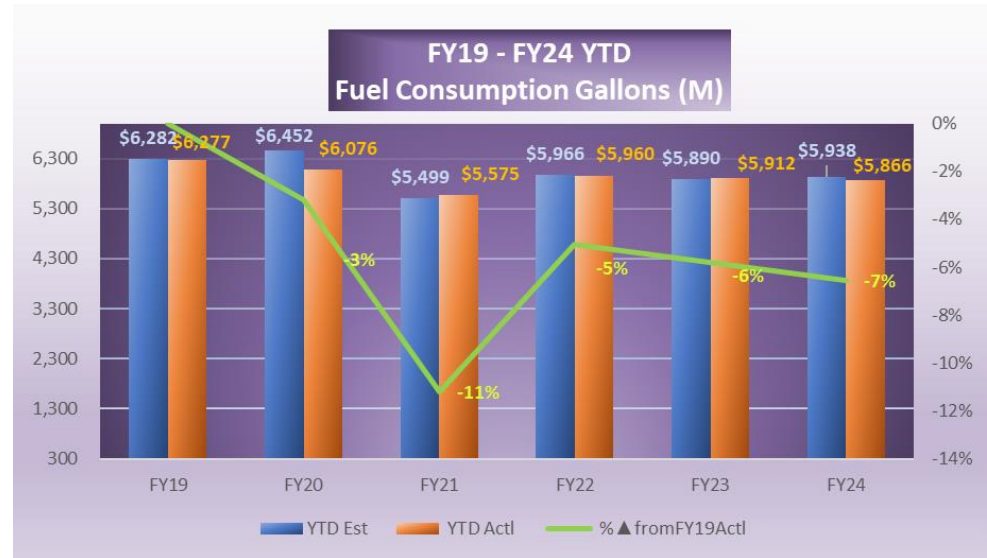
State Sources

Motor Fuel Tax (MFT)

Applying the MFT Growth Rate

Based on the data studied a decrease is expected in motor fuel consumption of .65% each fiscal year of the FY25 to FY30 MYP.

This assumption seems reasonable considering the various data reviewed and is consistent with what we are seeing in FY24.



Step 1: Estimate Revenue

State Sources

Prepaid Sales Tax on Motor Fuel

With the enactment of Rebuild Illinois in 2019, and effective July 1, 2021, revenues from the sales tax on motor fuels began to incrementally move over a 5-year period to the Road Fund. As summarized below, revenues from the 6.25% sales tax gradually shifts to funding transportation, in 1% increments up to 5%.

Distribution of Sales Tax between State Funds

Period	Portion of Tax to Road Fund	Portion of Tax to General Revenue Fund
July 1, 2021 – June 30, 2022 (FY 22)	1.00%	5.25%
July 1, 2022 – June 30, 2023 (FY23)	2.00%	4.25%
July 1, 2023 – June 30, 2024 (FY24)	3.00%	3.25%
July 1, 2024 – June 30, 2025 (FY25)	4.00%	2.25%
July 1, 2025 -	5.00%	1.25%

Step 1: Estimate Revenue

State Sources

Prepaid Sales Tax on Motor Fuel

The sales tax on motor fuels is prepaid by each motor fuel retailer when purchasing fuel. The sales tax comes in the form of a cents per gallon rate, which is established by the Illinois Department of Revenue on January 1 and July 1 of each year. The following table summarizes the sales tax rates on motor fuel for 2024.

PERIOD	MID-RANGE ETHANOL BLENDS	GASOHOL (E15 ONLY)	ALL OTHER MOTOR FUELS SUBJECT TO PREPAID SALES TAX ¹
07/01/2024 - 12/31/2024	15 cents per gallon	17 cents per gallon	19 cents per gallon
01/01/2024 - 06/30/2024	16 cents per gallon	18 cents per gallon	20 cents per gallon

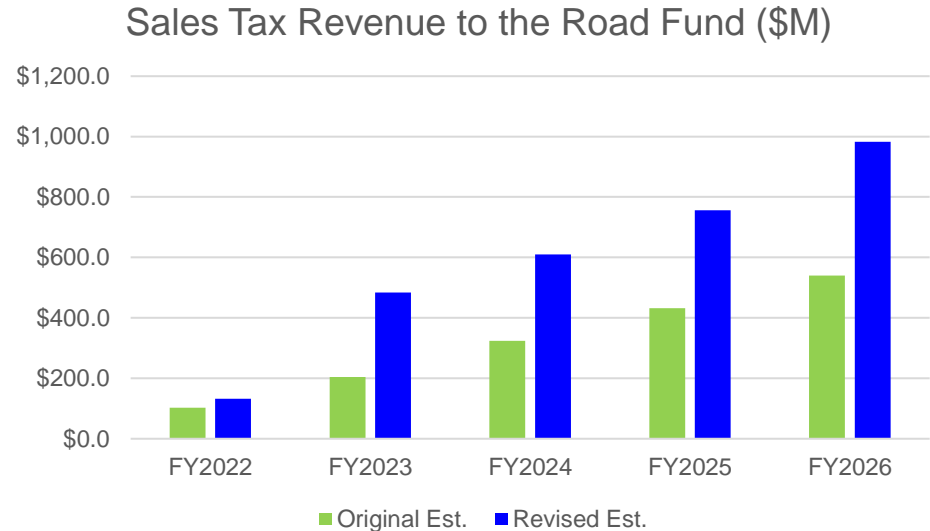
Illinois Department of Revenue Prepaid Sale Tax Rates
<https://tax.illinois.gov/research/taxrates/prepaysalestax.html>

Step 1: Estimate Revenue

State Sources

Prepaid Sales Tax on Motor Fuel

As a globally traded commodity, the price of gasoline can be volatile in the short term, resulting in relatively large changes in revenues.



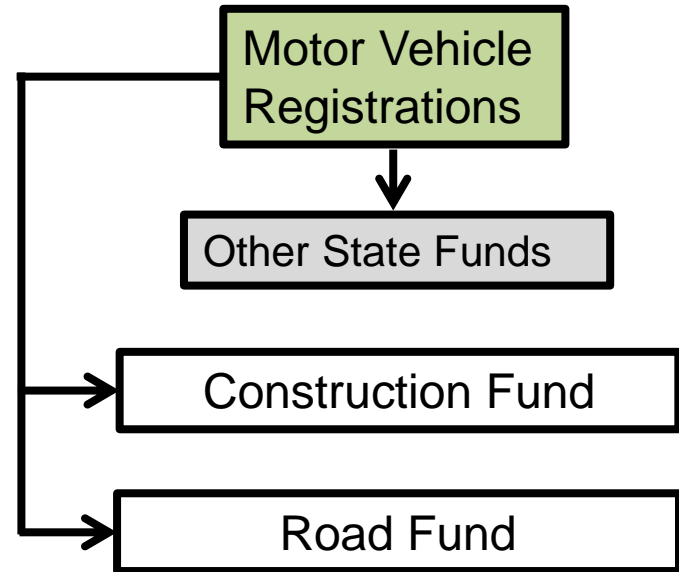
Step 1: Estimate Revenue

State Sources

Motor Vehicle Registrations (MVR)

Revenues for Motor Vehicle Registration come from:

- Vehicle registration fees
- Titles
- Drivers' license fees



Step 1: Estimate Revenue

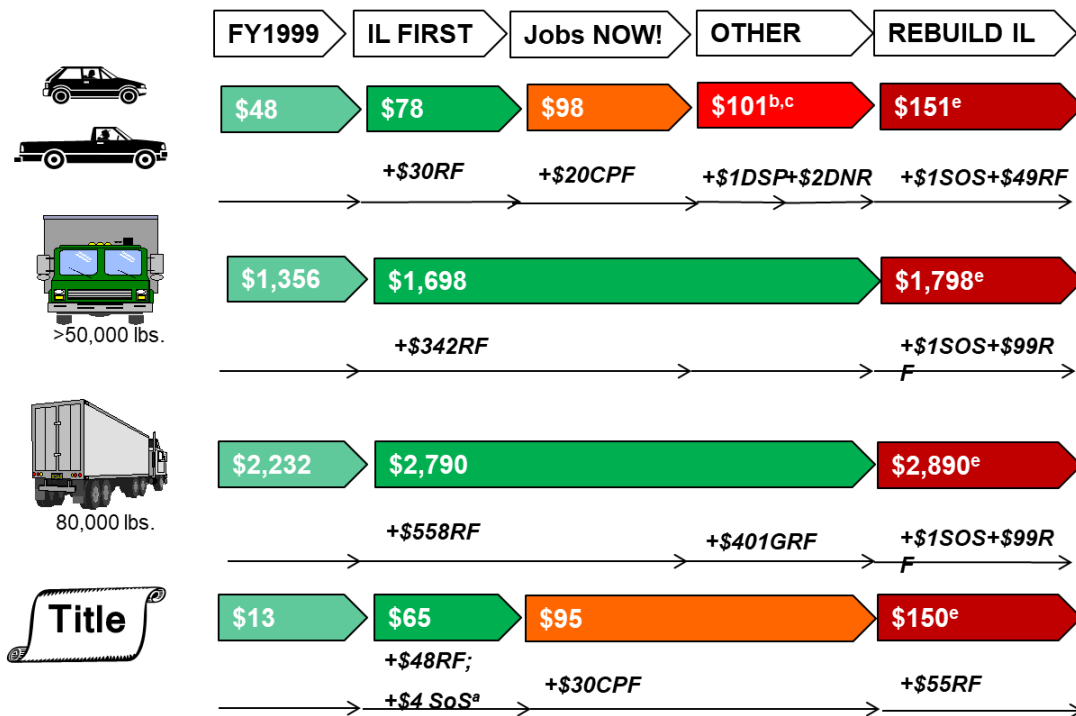
State Sources

Motor Vehicle Registrations (MVR)

Effective January 1, 2020 House Amendment 2 of SB 1939 authorized the increase of motor vehicle registration fees. Of the increase \$1 goes to the Secretary of State Special Service Fund, and the remaining portion of the increase is deposited into the Road Fund.

REVENUE SOURCES	EXISTING RATE	REBUILD IL INCREASE	NEW RATE
PASSENGER VEHICLE REGISTRATION FEES			
Passenger Vehicles & B-Trucks*	\$98.00	\$50.00	\$148.00
Electric Vehicles	\$17.50	\$230.50	\$248.00
TRUCK REGISTRATION FEE**			
Lower Limit	\$138.00	\$100.00	\$238.00
Upper Limit	\$2,790.00		\$2,890.00
CERTIFICATE OF TITLES^			
	\$95.00	\$55.00	\$150.00

Example Registration Fees



a) SOS Replating Fee \$4 (temp) b) \$1 for ISP Vehicle Fund, 2008 c) \$2 for DNR, 2012 d) 14.35% on large vehicles to GRF, 2004, e) Rebuild IL eff FY2020 \$1 SOS Special Services Fund, remainder of increase to RF

Step 1: Estimate Revenue

State Sources

Motor Vehicle Registration (MVR) Data Collection

The collage features several key sources for revenue estimation:

- ilsos.gov**: Illinois Secretary of State's website, featuring Alexi Giannoulias, Secretary of State. It includes a search bar and navigation for vehicle statistics.
- Connect™ by S&P Global**: An economic data platform with a navigation menu for Regional and Global Economics, and a dropdown menu for United States and Choose Geography.
- ILLINOIS REVENUE**: A dedicated page for Illinois state revenue data.
- Bureau of Transportation Statistics**: Part of the United States Department of Transportation, providing topics and geographical data.
- U.S. Energy Information Administration (EIA)**: Provides independent statistics and analysis, including the Short-Term Energy Outlook.

Step 1: Estimate Revenue

State Sources

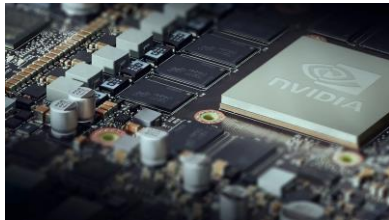
Motor Vehicle Registration (MVR)

Data Collection



Global Car Shortage 2022

Car shortage 2022 is a global phenomenon caused by the **lack of semiconductor chips** needed for modern vehicles.



Jesse White Reminds Public Extensions for License Plate Sticker Ends Nov. 1, 2020

White encourages renewing online

Illinois Secretary of State Jesse White is reminding the public that expirations for license plate stickers are set to end Nov. 1, 2020. License plate stickers can easily be renewed online at www.cyberdriveillinois.com. Driver's licenses and ID cards remain extended until Feb. 1, 2021.

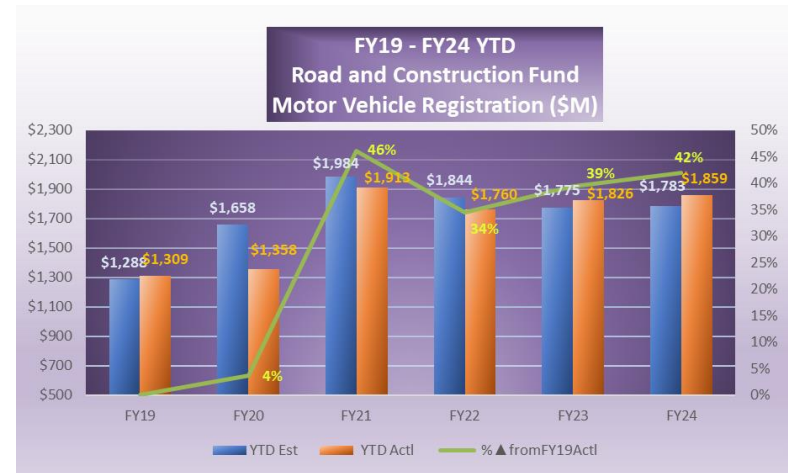
Step 1: Estimate Revenue

State Sources

Motor Vehicle Registration (MVR)

Applying the Vehicle Growth Assumption (Cars and Pickups)

Based on the data collected a .15% increase is expected each fiscal year of the FY25 to FY30 MYP in motor vehicle registrations.



Step 1: Estimate Revenue

State Sources

Investment Income

Interest paid on cash balances in the Road and Construction funds, and bond funds A, D, and E. Due to high inflation since FY22, and coupled with high fund balances, interest paid on cash balances has been much greater than in prior years.



Step 1: Estimate Revenue

Bond Funds

General Obligation bonds used to support Highway programs:

- **Transportation Bond Series A Fund (0553)**
To finance state highway acquisition, construction, reconstruction, extension and improvement (debt service paid from Road Fund)
- **Transportation Bond Series D Fund (0695)**
For construction on the State and Local system and grants to Local Governments (debt service on Mini-cap issues paid from Road Fund)

Step 1: Estimate Revenue

Cash vs Bond Funds

Road Fund:

- Spending from *current revenue*
- Payments go directly to contractors

Bond Fund:

- Appropriation must be released before it can be obligated
- Spending from *borrowed funds*
- Current revenue pays debt service instead of contractors

Financed from current revenues:

- \$100M drop in Road Fund balance

Financed with borrowing:

- \$100M drop in Bond Fund balance, plus
- \$9M drop in Road Fund balance
- Debt Service Expense:
1/25th of principal (\$4M) + 5% interest (\$5M)

Step 2:

Subtract Base Expenses

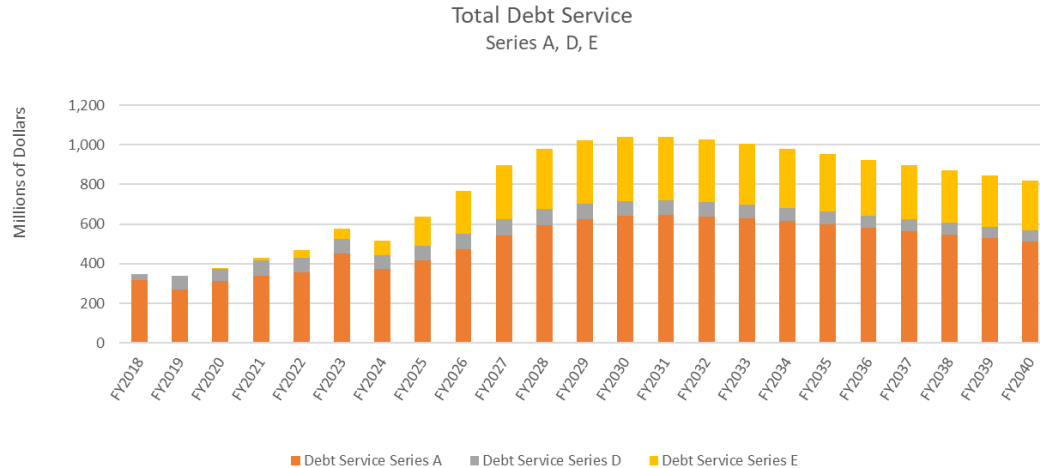
Step 2: Subtract Base Expenses

- **Debt Service**
 - By law, it is the first claim on Road Fund revenue
- **IDOT Operations**
 - Salaries, retirement, social security, commodities, cars, trucks, salt, telecommunications, etc.
- **Other Agencies**
 - Secretary of State, Workers Compensation, Court of Claims, etc.
- **Expenses for Existing Construction Projects**
 - Provide for spending from prior year Highway Program projects (construction reappropriations)

Step 2: Subtract Base Expenses

Debt Service

With Rebuild Illinois, the Series A bond authorization limit increased \$6.5B, and the new Multi-modal Bond Fund (series E) was authorized for \$4.5B. Debt Service for each is paid from the Road Fund. Higher program size is achievable in earlier years but paid for later.



Step 2: Subtract Base Expenses

Debt Service

Changes Driving Program Size

Bond Spend Estimates

- Along with the new revenues generated from Rebuild Illinois, new transportation projects and appropriations were added for series A bond fund (\$6.4B new authorization).
- Initial spend projections in the MYP were estimate to begin earlier than the actual spend occurred.
- IDOT adjusted the bond spend estimates for Series A, D, and E, which resulted in lower bond sale need and subsequent debt service.
- The total change in estimated bond sale requirement from the prior MYP resulted in approximately \$850M cash released from the prior reserve estimates, deferring it to years outside of this MYP.

Step 2: Subtract Base Expenses

IDOT Operations/Other Agencies

Other non-program Road Fund supported expenses that are accounted for before shaping the MYP include:

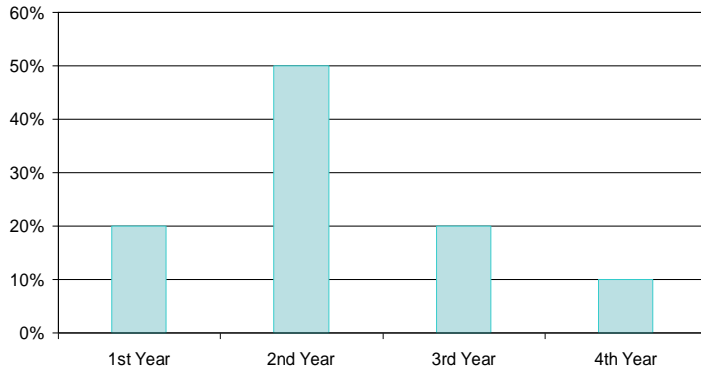
- \$60M Amtrak
- \$9.1M PACE Para-transit Grants
- \$19.1M RTA Reduced Fares Grants
- \$34.6M High Speed Rail Maintenance Agreement
- \$130M Debt Service for RTA SCIP I and SCIP II Bonds
- \$150M Operating Assistance to the Public Transportation Fund
- \$50M SOCC

**FY24 amounts / Most have increased in FY25*

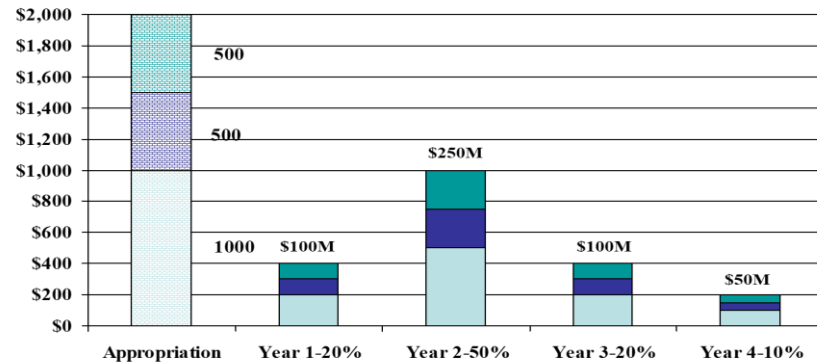
Step 2: Subtract Base Expenses

Existing Construction Projects

Appropriation Multi-year Payout



Appropriations have multi-year payouts. Unlike most other agencies, IDOT construction appropriations can take several years to pay out.

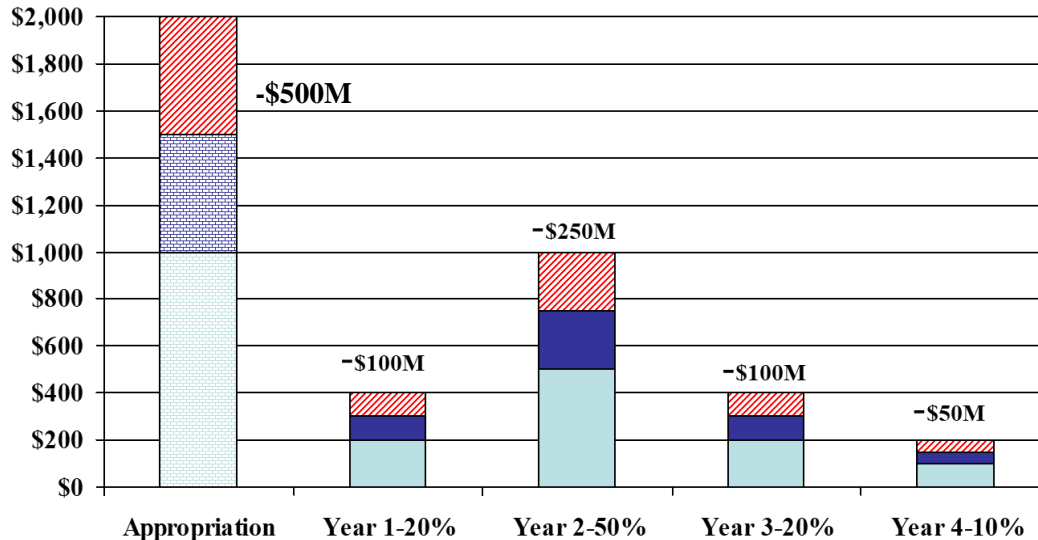


As the program is shaped, adding appropriations affects spending over several years, not just year one.

Step 2: Subtract Base Expenses

Existing Construction Projects

How Program Appropriations Spend



Losing \$100M in revenues/resources in year one would require cutting that year's annual element by \$500M.

Step 2: Subtract Base Expenses

Existing Construction Projects

Changes Driving Program Size

Appropriation spend estimate cleanup;

- Local appropriation spend algorithm extended to 9 years –spend pushed off to later years of the program
- Together with OPP and Local Roads we identified 28 appropriations that have ceased spending or will not have spending and removed them from future spend estimates

Step 3:

Fit Annual Element into Remaining Resources

Step 3: Annual Element

Highway Program

The Highway Program funding has four elements:

- **Federal**
 - Federal Obligation Limit
 - August Redistribution
 - Advanced Construction
- **State**
 - State Match
 - State Only Program
 - Local Consultation: Township Bridge, Needy Townships, Needy Counties, and High Growth Cities
- **Local**
 - Local Match for federal
 - Local Reimbursements
- **Series A Bond**

Step 3: Annual Element

Highway Program / Federal

Appropriations Act

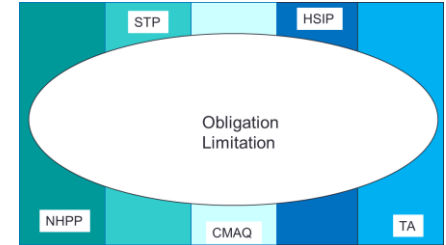
- Shapes and defines the Highway program
- Specifies the Limitation on Obligations amount for the year
- Establishes liquidating cash so FHWA can pay bills when we bill them

Obligation Authority – Obligation Ceiling

- Acts as a ceiling on the sum of all obligations during a specific time period
- Does not affect the apportionment for allocation of funds, it just controls the rate at which these funds may be used

Redistribution of Obligation Limitation (August Redistribution)

- States that are unable to show that they can use all of their remaining Obligation Authority lose what they cannot use and it is redistributed to the states that show they could use it.



Step 3: Annual Element

Highway Program / State and Local

Match Requirement

- To maximize capture of all available federal funds there must be sufficient cash in the funds to meet State and Local match requirements.

State Only

- After the federal program is maximized, remaining balance in program is dedicated to projects funded with state and local funds.

Included in the program

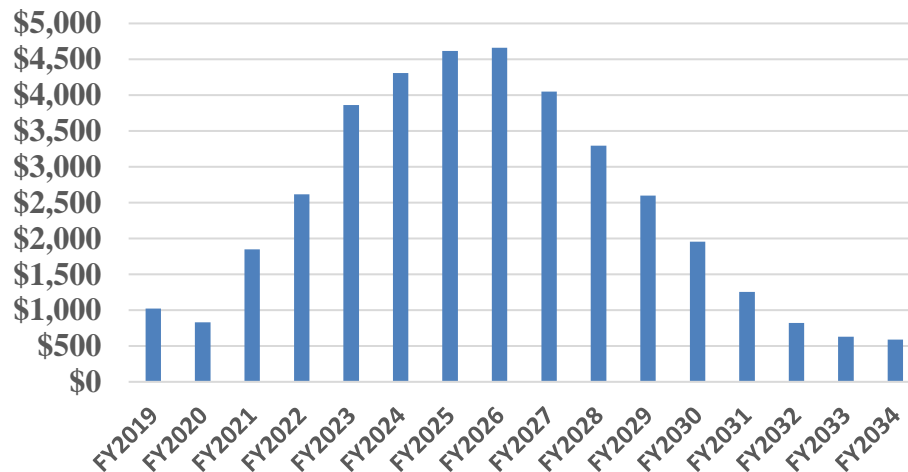
- Appropriations for Local Consultation: Township Bridge, Needy Townships, Counties (<1M population), and High Growth Cities
- Local reimbursements

Step 3: Annual Element

Highway Program

As is the case with Rebuild Illinois, revenue packages typically see balances build more quickly than spending, but eventually balances are drawn down; Programs are funded by drawing down balances in addition to remaining revenues

RF & CD Combined Fund Balance (\$M)



THANK YOU!