



Transportation Funding Opportunity Resource Guide



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This document has been prepared by Region 1 Planning Council in collaboration with its member agencies, partnership organizations, and local stakeholders.

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The contents, views, policies, and conclusions expressed in this report are not necessarily those of the above agencies.



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Table of Contents

Acknowledgments	iii
Table of Contents	iv
List of Exhibits	v
Chapter 1: Introduction	1
Background and Purpose	1
Chapter 2: Local Funding Opportunities	2
Developer Impact Fees	2
Tax Increment Funding	2
Special Assessment Districts	3
Referendum	4
Chapter 3: State Funding Opportunities	5
Motor Fuel Tax	5
Rebuild Illinois Capital Plan	6
Economic Development Program	6
Crossing Safety Improvement Program	7
Toll Development Credits	7
Chapter 4: Federal Funding Opportunities	8
Surface Transportation Block Grant	8
Transportation Alternatives Program	9
Carbon Reduction Program	10
Diesel Emissions Reductions	11
Volkswagen (VW) Settlement Funds	11
Congestion Mitigation Air Quality	12
Chapter 5: Additional Funding Mechanisms	13
Public-Private Partnership	13
Appendices	14
Appendix A: Additional Local Funding Sources	15
Appendix B: Additional State Funding Sources	16
Appendix C: Additional Federal Funding Sources	17
Appendix D: Memorandums	19

List of Exhibits

List of Figures

Figure 3-1: Rebuild IL Funding Breakdown	6
Figure 4-1: MPO Allocations from FY 2023-2026	9

List of Tables

Table 3-1: Motor Fuel Tax (MFT) Allotment, Rockford MPA	5
Table 4-1: Illinois STBG Funds Formula Distribution	8
Table 4-2: Past projects from FY 2023-2026 TIP	10
Table 4-3: Past projects from FY 2023-2026 STBG	10

List of Maps

Map 2-1: Special Assessment Map	4
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List of Memorandums

Value Capture Strategies and Municipal Bonds Memorandum	20
Capital Improvement Plan Memorandum	23
Public Private Partnerships Memorandum	29
Developer Impact Fees Memorandum	31
Transportation Utility Fees Memorandum	33

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Chapter 1

Introduction

Background & Purpose

The purpose of this guidebook is to provide a resource for governmental entities interested in funding opportunities for transportation infrastructure projects. The guidebook can be utilized by county and municipal staff and elected officials to identify available sources to meet their specific funding needs. Funding opportunities are available for a number of improvements including collecting fees for infrastructure within new developments, tax revenue distribution for road maintenance and replacement, and grants for recreational trails.

The Guidebook is divided into three sections by the source of the funding opportunity: Local, State, and Federal. Local funding opportunities are authorized and administered by a municipal or county jurisdiction. State opportunities are obligated and administered by the State, requiring regular reporting for the local jurisdiction receiving the funds. Federal opportunities are authorized, obligated, and administered by a federal agency, such as the Federal Highway Administration or through a pass through entity, such as the State of Illinois.

Challenges

Several factors are contributing to today's transportation funding challenges. Funding issues on a federal scale are occurring due to current economic conditions and how the Highway Trust Fund (HTF) generates revenue. Specifically, the HTF is unable to keep pace with funding demand. Additionally, transportation funding is falling behind with inflation rates, while the need for infrastructure maintenance is growing.

For example, the federal Motor Fuel Tax (MFT) rate has not been raised since 1993, or adjusted for increasing inflation rates and fuel prices. Additionally, gasoline and diesel fuel consumption has decreased since the 2007 recession as cars have become more fuel efficient.

These MFT challenges, along with other funding revenue streams tied to commuting, such as vehicle registrations, and transit fares, were exacerbated by the COVID-19 pandemic. The pandemic changed commuting patterns as businesses closed and health fears kept many people at home. In addition, many companies shifted from in-office settings to remote work, which has altered commuting patterns and funding streams both temporarily and permanently.

All of these factors combine and cause the funding gap to widen from both sides.

Trends

There are several trends in transportation affecting funding options and outcomes.

- Infrastructure throughout the nation is aging and needs exponentially more funding for maintenance than is currently available. Yet, as stated above, the federal

MFT, which is a primary source of funding for road maintenance, has not been raised since 1993.

- The rise of e-commerce, which has only increased with the COVID-19 pandemic, with more frequent and heavier freight shipments. Thus putting a strain on the road network and leading to more frequent maintenance needs as a result.
- Commuting patterns are also shifting. For example, more mobility options exist in the transportation sector through the rise of shared mobility, such as ride sharing (Lyft and Uber), bike share programs, and e-scooter programs. Additionally, COVID-19 has led many employers to allow employees to telecommute, changing commuting patterns, as well as public transit ridership rates, fuel purchases and ultimately revenue streams.
- Fuel efficiency has contributed to lower funding levels. The recently passed Bipartisan Infrastructure Law committed for billions of dollars in electric vehicle supply equipment funding and set an aggressive goal to increase the number of electric vehicles on the road in the next decade. This will only widen the funding gap as fully electric vehicles will not pay traditional fuel taxes.

Chapter 2

Local Funding Opportunities

Below are examples of common, statutorily-authorized funding mechanisms available to local government entities within Illinois. Four types of funding mechanisms are highlighted in detail in the following section including developer impact fees, tax increment financing, special assessment areas, and referendums.

Developer Impact Fees

A singular developer impact feeⁱ (DIF) is a non-recurring, upfront cash payment, typically paid by a real estate developer to local government, upon the approval of a developer's project. The goal of these fees is to offset a portion of or all public infrastructure costs. Developer impact fees are intended to cover capital costs; however, municipalities may choose to use these fees for operation, maintenance, and administrative expenses. These fees can be applied to parks, roads, water and sewage, schools, police, emergency services, and more. Developer impact fees are best suited for urban in-fill development, as the strategy buys into existing excess capacity, giving second chances to prior investments. In greenfield development, DIFs are designed for improvements to expand public services to new developments which ultimately trigger local economic growth. When established by local ordinances, these impact fees can be a part of a formal Capital Improvement Program (CIP) funding source.

Process

The process for establishing developer impact fees is:

1. Establish DIF goals and objectives.
2. Commission nexus studies. Nexus studies establish legally defensible fees. Fees are broken down for each infrastructure category and the land use within the infrastructure category.
3. Incorporate into CIP and local plans.
4. Conduct public hearings.
5. Prepare staff report/administrative record.
6. Draft DIF ordinance, resolution/adoption.
7. Annual accounting/audits.
8. Fee collection and administration. Fees will be assessed, and then the payment will be collected. There are many variations of when the two steps occur, often with significant time delays between the two steps. For example, the timing of the building permit compared to the certificate of occupancy would change the assessment value and revenue. Confer with the local jurisdiction as to their identified procedure for collection of DIF.
9. Fee challenges/refunds.

Advantages

There are several advantages to DIFs. First, specific goals and

ⁱ Federal Highway Administration. "Center for Innovative Finance Support – Developer Impact Fees/Mobility Fees". https://www.fhwa.dot.gov/ipd/value_capture/defined/development_impact_fees.aspx. May 24, 2023.

objectives are established. Second, a completed nexus study, as identified in the process (prior) will provide justification for the application of the fees to the particular project. Additionally, the fees are incorporated into the jurisdiction's budget and approval process. Finally, DIFs, by definition are paid directly by the developer during the construction process and do not leave a long term financial burden for the eventual property owner.

Standard fee schedules for each service area are based on the established level of service (LOS) standards. This strategy is an efficient funding source if:

1. Revenues cover all costs regarding public facility needs for new developments;
2. The facility costs and benefits are proportional; and
3. The facilities are provided at the least possible cost.

Challenges

One of the challenges with this strategy is that execution must mitigate equity-related concerns, such as gentrification and displacement, as impact fees on new developments can price out buyers. Developer impact fees, waivers, deferments, and other financial incentives can account for this by reducing or delaying fees. Another equity concern arises when a flat fee structure across all stakeholders is instituted, as property owners may not be paying a proportional amount in comparison to income. To remedy this, fees can be adjusted by attributes such as building type/size, density, location, configuration, or land use.

Estimating total developer charges also poses a challenge, which can cause or compound transparency issues. Fee processes and determinations are not standardized, making them unpredictable for developers. From the public sector perspective, local agencies have the challenge of evaluating how reasonable the assessed fees are. If there are too many unknowns, developers cannot accurately assess project feasibility and may abandon the project.

Applicable Jurisdictions

Developer impact fees are best implemented at the local level by municipalities, however counties are also statutorily authorized to establish DIF.

When DIFs are legislated into local ordinance, developers hold the burden of proof when challenging in court. If not identified in local ordinances, the jurisdiction holds the burden of proof.

Relevant Links

[FHWA Primer Report on Developer Impact Fees](#)

[FHWA Presentation on Developer Impact Fees](#)

Tax Increment Financing

Tax increment financing (TIF) districts in Illinois raise funds specifically for infrastructure projects. This ensures infrastructure

projects do not compete against other spending projects, such as capital improvement or motor fuel tax projects or require tax increases, thus closing gaps from traditional funding sources (e.g., state and local gas taxes).

Process

Illinois State statute (65 ILCS 5/11-74.4-2. C.) allows for and details the TIF district creation process for local jurisdictions. First, the TIF district must meet the statutory definition of blight, typically meaning the area in question has a history of economic stagnation, and that the area is unlikely to be developed without the intervention of a TIF district. If statutory requirements for a TIF district are met, then the boundaries are defined by the properties to be included. Third, the revenue sources for TIF must be identified. Next, the tax increment can be estimated; local jurisdictions can hire consultants to assist with this portion of the TIF process as estimates must be rated on the degree of likeliness (low, medium, high). Once completed, a timeframe for termination of TIF must be established, usually around 23 years. Finally, public notification and hearings must be conducted prior to approving enacting ordinances at the local level.

Advantages

Since TIF districts are guided by statutory requirements, once the establishment process is completed, the day-to-day administration requires minimal resources. Statutorily required findings include a designation of revenue streams to be benchmarked and utilized according to State law. Tax increment financing is intended to catalyze development and increase revenues within the designated area sufficient to cover the project cost. A redevelopment plan is required to be consistent with State criteria and procedures to ensure that TIF fosters the desired development. Tax increment finance district reports must be submitted to the Illinois Comptroller for compliance, which makes the local jurisdiction accountable for TIF revenue and expenditures.

Challenges

Some areas of legal concern can be associated with TIF districts. Jurisdictions must adhere to State guidance to avoid illegally spending public funds for private gain. Careful review of the statutory requirements should be completed when pursuing TIF. For example, local jurisdictions may utilize eminent domain as part of development plans to assemble properties for TIF, but strict adherence to substantive and procedural due process is required. Additionally, localities should take care to avoid inappropriate diversion of General Fund revenues, especially when TIF revenues fall short of projected returns.

Applicable Jurisdictions

Tax increment financing is typically implemented at the municipal level.

Relevant Links

[FHWA Presentation on Tax Increment Financing](#)

Special Assessment Districts

Special Assessment Districts (SADs)ⁱⁱ, or special service areas, attempt to capture the value created from increased transportation access, or infrastructure improvements, to a development, returning a portion of this benefit to the public sector. Financial beneficiaries, e.g., the developer, pay in proportion to the transportation benefits received. This fee still applies to landowners who do not use the improved infrastructure, as the fees are based on increased land values. Special assessment district revenue is an economically efficient, equitable, and transparent value capture strategy that can bridge transportation/infrastructure funding gaps.

Process

Boundary Establishment: For SADs, the establishment of the district must be legally feasible and the encompassed capital projects must create a benefit for one or more properties that would not otherwise be available to properties in the jurisdiction. Next, the local jurisdiction must identify properties that benefit from the transportation improvement and define the district boundary. Some properties will not benefit from the proposed improvement and must be excluded from the district boundary.

Fee Calculations: After defining district boundaries, the jurisdiction establishing the SAD must identify the structure for calculating fees within the district. There are three basic structures for calculating fees:

1. The fixed cost method conducts assessments on a scheduled basis, such as water/sewer hookups, which have a clear, standard, and direct benefit.
2. A variable cost method is a context specific formula to adjust fees according to incurred costs or benefits, such as water/sewer extensions, sidewalk creation, or street light installation.
3. The variable benefit method calculates fees by property or district and can look like a percentage rate applied to land value.

Timeline Creation and Public Comment: Once the fee structure is established, a termination date for the district can be identified, usually when capital costs are expected to be completed. Lastly, and similar to TIF, the public must be part of a feedback process, typically a public hearing, so that the governing body can review state level legislation and procedure to establish the district through appropriate legislation or local ordinance.

Advantages

Special assessments are a fee, not a tax. While both fees and taxes entail a required, compulsory payment from individuals, business, or property, a tax is used to support and carry on administrative and operational functions of the government. Fees are direct compensation for a particular service or facility, i.e. a special benefit not afforded other property owners in this case. Once the special assessment is paid in full, the property on which the fee

ⁱⁱ Federal Highway Administration. "Center for Innovative Finance Support – Special Assessments." https://www.fhwa.dot.gov/ipd/value_capture/defined/development_impact_fees.aspx. May 24, 2023.

was calculated is no longer subject to payment, but all applicable property taxes for the parcel will remain. Property owners may have the option to pay the special assessment in a lump sum, thus removing the fee from the property in advance of the assessment termination date.

Map 2-1: Special Assessment Map



Source: FHWA

Challenges

One of the major challenges with SADs is notifying affected property owners regarding the proposed project and fees. During this process, jurisdictions should take care to document: fulfillment of substantive and procedural requirements; fair and accurate methodology of identifying benefitting properties; properties that benefit and the ones that don't, and why; relationship between benefits received and fees imposed; collected fees are applied appropriately and do not exceed costs; and any other pertinent justifications to mitigate legal issues.

Applicable Jurisdictions

Illinois does not restrict any level of government from instituting a SAD, however it is recommended to check local laws.

Relevant Links

[FHWA Primer Report on Special Assessment Districts](#)

[FHWA Presentation on Special Assessments](#)

Referendum

A referendum is a general vote by the electorate (registered voters) on a single political question referred to them for a direct decision, such as a tax increase. Such questions can be advisory, meaning the referendum may not receive immediate or direct follow up. Referendum questions can also be binding, meaning the question will be enacted according to the result. The Illinois

State Constitution authorizes actions that may be approved by referendumⁱⁱⁱ, if submitted to the electors (voters). Referendum may be initiated by resolution of a governing board of a unit of local government or by petition of electors, as provided by law. Home rule jurisdictions are authorized to impose additional taxes, as provided by law, to fund special services.

Non-home rule municipalities are authorized to impose an additional sales tax by state statute^{iv} up to an additional 1 percent. If approved, proceeds from the additional tax may be used on public infrastructure.

Process

Per state statute, municipal jurisdictions (non-home rule) must place a referendum before the voters to authorize implementation of sales tax to be used for public infrastructure improvements. If approved by referendum, the municipal jurisdiction must pass an ordinance or resolution imposing the tax, and file it with the Department of Revenue on or before the first day of May.

The tax imposed may not be more than one percent, and may only be in quarter percent increments.

Advantages

The use of the sales tax is a potentially permanent revenue stream allowing for improvements under the broad statutory definition of public infrastructure. Such improvements may include: roads and streets, access roads, bridges, and sidewalks; waste disposal systems; and water and sewer line extensions, water distribution and purification facilities, storm water drainage and retention facilities, and sewage treatment facilities.

Challenges

Referendums within non-home rule jurisdictions require submission to voters and risk not being approved by the majority. Additionally, state statute allows for, in instances where the population is between 20,000 and 25,000, submission of a petition to discontinue the tax if signed by 10 percent of registered voters.

Applicable Jurisdictions

Home rule units, counties, and non-home rule municipalities may all impose the additional sales tax, within statutory limits.

Relevant Links

[Illinois Compiled Statutes – Municipal Service Occupation Tax Act \(Non Home Rule Sales Tax\)](#)

[Illinois Compiled Statutes – Municipal Service Occupation Tax Act \(Home Rule Sales Tax, 65 ILCS 5/8-11-5\)](#)

iii Illinois General Assembly. "Constitution of the State of Illinois." <https://www.ilga.gov/commission/lrb/con7.htm>. May 24, 2023.

iv Illinois General Assembly. "Illinois Compiled Statutes (65 ILCS 5/8-11-1.4)." <https://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=006500050K8-11-1.4>. May 24, 2023.

Chapter 3

State Funding Opportunities

This section discusses select transportation and environmental funding opportunities available through the Illinois Department of Transportation (IDOT), the Illinois Commerce Commission (ICC), and the Illinois Environmental Protection Agency (IEPA) for transportation implementation projects.

- \$30,000,000 per year into the Vehicle Inspection Fund
- \$1,250,000 per month to fund the Township Bridge Program
- Percentage distributions to municipalities, counties, and road districts/townships

Motor Fuel Tax

The Illinois motor fuel tax (MFT) is generated from a tax on the operation of motor vehicles upon public highways and recreational watercraft upon water of the State, based on the consumption of motor fuel. The Illinois Department of Transportation allocates the MFT according to state statute (35 ILCS 505/8).

The MFT Fund has several subfunds for distribution of revenues collected: State Construction Account Fund, Road Fund Account, State Boating Act Fund, Grade Crossing Protection Fund, and the Township Bridge Program.

Funding

State statute guides MFT revenue distribution as follows (please note the following is not a comprehensive list):

- 2.5 cents per gallon on diesel fuel to State Construction Account Fund
- 5 cents per gallon on diesel fuel to Road Fund Account
- \$420,000 per month to State Boating Act Fund
- \$3,500,000 per month to Grade Crossing Protection Fund
- \$12,000,000 for construction or reconstruction of rail/highway grade separation structures
- \$3,000,000 transferred to the Transportation Regulatory Fund

Summary of Funding Opportunity

As of July 2019, the motor fuel tax law was amended to include an increase of 19 cents per gallon (total of 38 cents per gallon), to be adjusted annually each year on July 1 based on the Consumer Price Index. This additional 19 cents per gallon revenue is to be collected in a new special fund, the Transportation Renewal Fund (TRF). These funds are apportioned to municipalities based on population; to counties with less than 1 million residents based on vehicle registrations; and to road districts based on mileage.

The distributions from the TRF are sent separately from MFT distributions, but the rules are the same as MFT funds.

Eligible Projects

Motor fuel tax funds are eligible for a wide range of improvements including construction and maintenance, allotment for expenditure, and other IDOT approved eligibilities.

Construction and maintenance includes, but is not limited to: municipal streets and extensions, county highways and extensions, and state highways and Federal-aid routes within the municipality; traffic control; street lighting systems; storm sewers; pedestrian crossings; pedestrian paths; off-street parking; bicycle parking facilities; and grade separations.

Table 3-1: Motor Fuel Tax (MFT) Allotment, Rockford MPA

Entity	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Boone County	\$709,936.12	\$638,218.99	\$659,501.47	\$726,022.05	\$724,255.87
Winnebago County	\$3,342,828.40	\$3,047,908.92	\$3,267,085.36	\$3,603,314.41	\$3,618,404.43
Ogle County	\$751,192.92	\$735,694.07	\$756,963.49	\$815,183.38	\$812,931.48
City of Belvidere	\$592,678.15	\$561,184.31	\$598,712.97	\$645,339.17	\$654,700.32
City of Rockford	\$3,541,266.39	\$3,353,089.95	\$3,577,324.56	\$3,855,917.32	\$3,911,850.39

Source: IDOT

Allotments of MFT funds may include, but is not limited to: matching Federal-aid funds; engineering services; local mass transit districts; payment on road bonds; and toll bridge studies.

Additional IDOT approved eligibilities may include: right-of-way; salt storage facilities; salaries, benefits, and workers' compensation insurance; asset management; tree trimming and removal; and railroad signal protection and crossing work.

Collaboration Opportunities

Motor fuel tax funds requires municipalities to adopt an ordinance or resolution for appropriation, and does allow for joint improvements and construction or maintenance agreements.

Rebuild Illinois Capital Plan

Signed in June 2019, the Rebuild Illinois Capital Plan^v includes nearly \$45 billion in funding over six years, with more than \$33 billion allocated to transportation.

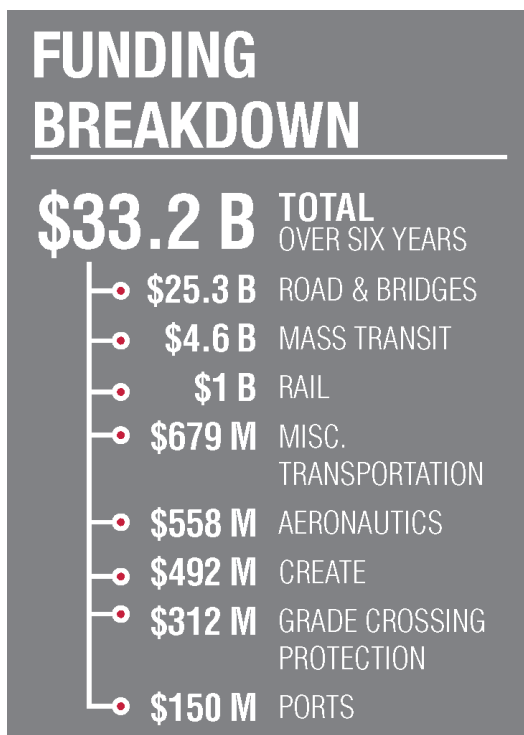
Funding

The [Rebuild Illinois Capital Plan](#) dedicates:

- \$25.4 billion for roads and bridges;
- \$1.4 billion for major rail projects;
- \$150 million for aeronautic facility improvements; and
- \$150 million for new port improvements.

^v Illinois Department of Transportation. "Rebuild Illinois Capital Plan." <https://idot.illinois.gov/transportation-system/rebuild-illinois.html>. May 24, 2023.

Figure 3-1: Rebuild IL Funding Breakdown



Source: IDOT

Eligible Projects

Rebuild Illinois funds may be used^{vi} for road and bridge maintenance; new pay-as-you-go funding for mass transit; rail service extensions and crossing upgrades; freight activity (competitive grant program); aviation network improvements including fuel facilities, hangars, safety improvements, and emergency equipment; and bike and pedestrian infrastructure (competitive grant program).

Collaboration Opportunities

Collaborations can be developed between the State and one or more local jurisdictions.

Economic Development Program

The purpose of the Economic Development Program^{vii} (EDP) is to provide state assistance for roadway improvements or new construction, that are necessary for access to new or expanding industrial, manufacturing or distribution type companies. The focus of the program is on the creation and retention of permanent full-time jobs. The company must commit to creating new employment and/or retaining employment in Illinois.

The Illinois Department of Transportation can only enter into agreements with a local body of government located within Illinois for the sponsorship of eligible companies or businesses meeting the eligible criteria requirements.

Funding

Funding commitment (up to \$2 million) is based on how many jobs will be created and/or retained.

- \$30,000 for every new job created
- \$10,000 for every job retained

The EDP uses state only funds and is designed to provide 50 percent state funding (the remaining 50 percent will be provided by local government entities or private sources) for eligible locally-owned roadways and 100 percent state funding for roadway improvements on state-owned routes.

Eligible Project Examples

Funding for EDP includes preliminary engineering, construction, construction engineering and contingencies. Business activities eligible for application include manufacturing, warehouse and distribution centers, business service centers (e.g. data processing or call centers), and major tourism or entertainment venues.

^{vi} Illinois Department of Transportation. "Rebuild Illinois Fact Sheet." <https://idot.illinois.gov/content/dam/soi/en/web/idot/documents/transportation-system/maps---charts/rebuild-illinois/fact-sheets/rbi-rockford.pdf> May 24, 2023.

^{vii} Illinois Department of Transportation. "Economic Development Program." <https://idot.illinois.gov/transportation-system/local-transportation-partners/county-engineers-and-local-public-agencies/funding-opportunities/economic-development-program>. May 24, 2023.

Collaboration Opportunities

Collaboration opportunities are limited as agreements must be completed between the state and local bodies of government.

Crossing Safety Improvement Program

The Grade Crossing Protection Fund Program^{viii} (GCPF) is dedicated to improvements at public highway-rail crossings, with costs paid by the state, railroads, and local governments. The Illinois Commerce Commission administers funds appropriated to IDOT.

Grade Crossing Protection funds cannot be used for safety improvements on state road or highway systems.

Funding

Monthly transfers to the GCPF from the MFT account for approximately \$39 million annually for this program. Between 2013 and 2022, more than \$360 million in improvements were provided to more than 2,400 crossings throughout the State.

Eligible Project Examples

The following improvements are typically eligible to use GCPF funds: warning device upgrades; grade separations, new, reconstructed, vertical, and pedestrian interconnects; highway approaches; connecting roads; remote monitoring devices; low cost improvements at unsignalized crossings; and crossing closures.

Collaboration Opportunities

This program requires cooperation between the state, railroad, and municipalities.

Toll Development Credits

States with toll facilities are permitted under Federal law to earn credits^{ix} that can be applied to non-Federal share requirements on Federal-aid projects. A toll authority may be a public, quasi-public, or private entity, including a chartered multistate agency or state Department of Transportation. The private entity may be under contract or concession agreement with the State.

Funding

Toll credits do not generate new money, but can be used as ‘soft match’ for the non-federal share of most highway and public transportation projects. Illinois’ toll credit balance as reported to FHWA is as follows:

- FY 2020- \$405,481,285
- FY 2021- \$1,243,586,643
- FY 2022- \$2,251,670,759

viii Illinois Commerce Commission. “Crossing Safety Improvement Program.” <https://www.icc.illinois.gov/rail-safety/crossing-safety-improvement-program>. May 24, 2023.

ix Federal Highway Administration. “Center for Innovative Finance Support – Federal-aid Matching Strategies Toll Credits.” https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_aid/matching_strategies/toll_credits.aspx. May 24, 2023.

To earn toll credits, the State must also satisfy the maintenance of effort requirement for the fiscal year under evaluation, which calculates the State’s non-federal transportation capital expenditures during a 4-year period.

Eligible Project Examples

The State may earn toll credits when a public, quasi-public, or private agency uses toll revenues to build, improve, or maintain highways, bridges, or tunnels that serve the public purpose of interstate commerce.

Toll revenues may include: toll receipts; concession sales; right-of-way lease revenues; interest; and bond or loan proceeds supported by toll facility revenue.

Collaboration Opportunities

Collaboration opportunities for this funding are limited.

Chapter 4

Federal Funding Opportunities

On November 15, 2021, President Biden signed into law the Infrastructure Investments and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law^x (BIL). This law makes a historic investment in the nation's infrastructure, providing approximately \$550 billion over a five-year period (FY 2022-2026) for roads, bridges, and mass transit; water infrastructure; resilience; and broadband.

This legislation promises to:

- Deliver clean water to all American families and eliminate the nation's lead service lines;
- Ensure every American has access to reliable high-speed internet;
- Repair and rebuild our roads and bridges with a focus on climate change mitigation, resilience, equity, and safety for all users;
- Improve transportation options for millions of Americans and reduce greenhouse emissions through the largest investment in public transit in U.S. history;
- Upgrade our nation's airports and ports to strengthen our supply chains and prevent disruptions that have caused inflation;
- Make the largest investment in passenger rail since the creation of Amtrak;
- Build a national network of electric vehicle (EV) chargers;
- Upgrade our power infrastructure to deliver clean, reliable energy across the country and deploy cutting-edge energy technology to achieve a zero-emissions future;
- Make our infrastructure resilient against the impacts of climate change, cyber-attacks, and extreme weather events; and
- Deliver the largest investment in tackling legacy pollution in American history by cleaning up Superfund and brownfield sites, reclaiming abandoned mines, and capping orphaned oil and gas wells.

The implementation of IIJA is distributed across several executive and independent agencies, most notably the Department of Transportation; Department of Energy; and the Environmental Protection Agency.

In this section, details are provided on some transportation and environmental funding opportunities available to jurisdictions under BIL. For additional information on the authorizations and formula programs and potential competitive grant programs, please visit: <https://www.fhwa.dot.gov/bipartisan-infrastructure-law/funding.cfm> and https://www.fhwa.dot.gov/bipartisan-infrastructure-law/grant_programs.cfm, respectively.

^x Federal Highway Administration. "Bipartisan Infrastructure Law." <https://www.fhwa.dot.gov/bipartisan-infrastructure-law/>. May 24, 2023.

Surface Transportation Block Grant

The Surface Transportation Block Grant program (STBG) provides flexible funding to states and regions for transportation projects that preserve and improve the conditions and performance on Federal-aid highways, bridges and tunnels, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

These formula funds are distributed to, and typically managed by, State Departments of Transportation. The BIL requires several set-asides, including two percent for Statewide Planning and Research (SPR), 10 percent for Transportation Alternatives (TA), and 20 percent for the Highway Bridge Program. Additionally, 55 percent of the funds (after the TA set-aside) must be obligated in urbanized areas, based on four population brackets. The remaining 45 percent may be obligated anywhere within the state.

Surface transportation block grant funds are contract authority (CA), meaning authorized amounts are available for obligation according to the provisions of the authorization act, without further legislative action. The use of CA provides states advance notice of the size of the Federal-aid program at the time an authorization is enacted, eliminating much uncertainty.

Contract authority is not cash; it is 'funding' that the Federal government, on behalf of a State or other grant recipient, obligates, or commits, to a given project. Once obligated, the Federal government is legally bound to pay that obligation once the bill comes due. The authorization act does not appropriate the cash to pay an obligation made under CA.

Surface transportation block grant obligations are reimbursed from the Highway Account of the Highway Trust Fund. These funds must be obligated within a period of three years, beginning on the last day of the fiscal year for which the funds are authorized. Thus, funds are available for obligation for up to four years. (23 U.S.C. 118).

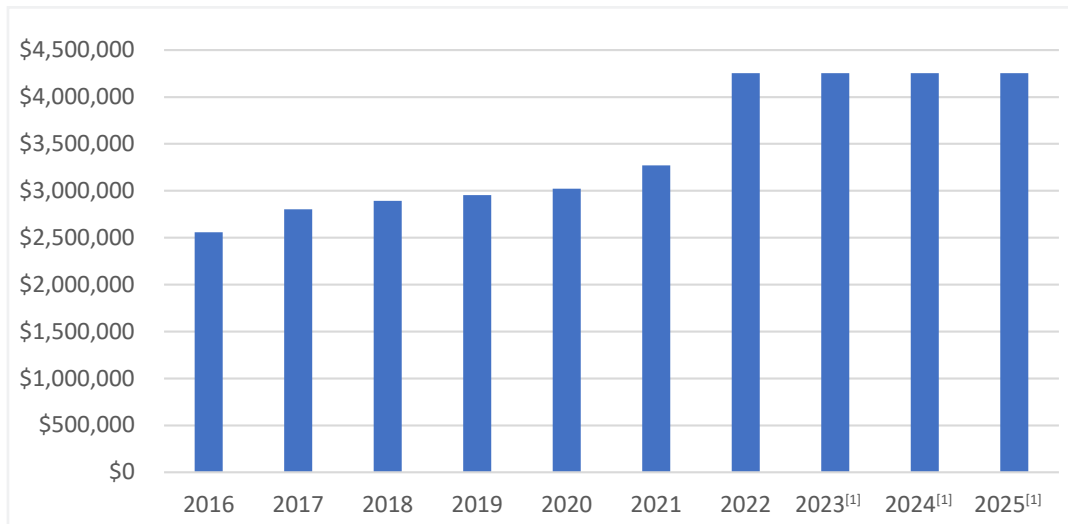
Illinois formula for the distribution of STBG funds is shown in table 4-1.

Table 4-1: Illinois STBG Funds Formula Distribution

	Distribution
Total STBG Apportionment	\$495,945,275
Transportation Alternatives Set Aside	\$49,452,045
2% State Planning & Research Set Aside	\$9,919,506
Funds After Set Asides	\$436,603,724
55% Available for Suballocation	\$240,132,048
45% Available for any area of State	\$196,471,676

Source: FHWA

Figure 4-1: MPO Allocations from FY 2023-2026 TIP



[1] Subject to change

Source: IDOT

Funding

Per the BIL, estimated annual funding for this formula program is:

- FY 2022- \$13.835 billion
- FY 2023 – \$14.112 billion
- FY 2024 – \$14.394 billion
- FY 2025 – \$14.682 billion
- FY 2026- \$14.976 billion

The Illinois apportionment for FY 2023 is \$495,657,071.

By law, federal share for the majority of projects eligible under the program is 80 percent. However, safety improvements may be awarded a federal share of 100 percent.

Eligible Project

A wide range of projects and activities are eligible for STBG funding. This includes, but is not limited to:

1. Construction of highways, bridges and tunnels, transit capital projects, and infrastructure-based, intelligent transportation systems capital improvements;
2. Operations improvements for traffic monitoring, management, and control facilities and programs;
3. Environmental measures;
4. Highway and transit safety infrastructure improvements and programs;
5. Fringe and corridor parking facilities and programs;
6. Recreational trails projects;
7. Protection for bridges and tunnels on public roads;
8. Surface transportation planning programs, and workforce development, training, and education;
9. Electric vehicle charging infrastructure installation;
10. Projects to accommodate other transportation modes;
11. Projects to enhance travel and tourism; and
12. Public transportation projects.

Please visit the most recent federal guidance document to learn more about eligible projects.

Collaboration Opportunities

Varying opportunities exist for collaboration, including joint applications with other local jurisdictions.

Transportation Alternatives Program

The Bipartisan Infrastructure Law (BIL) continues the Transportation Alternatives (TA) set-aside from the Surface Transportation Block Grant program; however, some changes to the program were made. For example, the total set aside for TA is equal to 10 percent of the amount that would otherwise be apportioned for STBG (nationwide) for the fiscal year. Also under the new legislation, the portion of TA set-aside funds that must be allocated to areas of the State based on population was increased from 50 percent to 59 percent.

Funding

Apportionments for the national Transportation Alternatives are available as follows:

- FY 2022- \$1.384 billion
- FY 2023- \$1.411 billion
- FY 2024- \$1.439 billion
- FY 2025- \$1.468 billion
- FY 2026- \$1.498 billion

By law, the Federal share under this program is 80 percent.

Eligible Projects

The BIL continues all existing TA set-aside eligibilities and adds new eligibility for activities in furtherance of a vulnerable road user safety assessment. Eligible projects include, but may not be limited to:

- Pedestrian/bicycle facilities;
- Streetscapes;

Table 4-2: Past projects from FY 2023-2026 TIP

Past Project	Agency	Total Project Cost	Obligated TAP Funds	% Funded with TAP	Status
Alpine Road Path	MP	\$776,000	\$620,000	80%	Completed (2017)
Jefferson St Bridge; Underpass Approaches	RPD	\$250,000	\$200,000	80%	Completed (2020)

Source: Transportation Improvement Program FY 2023-2026, Transportation Alternatives Program

Table 4-3: Past projects from FY 2023-2026 STBG

Past Project	Agency	Total Project Cost	Obligated STBG Funds	% Funded with STBG	Status
Harrison Avenue Bridge	Rockford	\$3,303,450	\$2,319,352	70%	Complete (1975)
Five-Points Intersection	Rockford	\$1,137,964	\$738,829	65%	Complete (1976)
Resurfacing: Segments of 20th St & Sandy Hollow	WCHD	\$131,955	\$92,522	70%	Complete (1979)
Harrison Ave: S. Main St to Kishwaukee St	Rockford	\$1,297,861	\$910,801	70%	Complete (1977)
Harrison Ave: Alpine Rd to Perryville Rd	WCHD	\$2,378,713	\$1,670,094	70%	Complete (1978)
Resurfacing: Segments of nine streets	Rockford	\$1,417,683	\$995,355	70%	Complete (1978)
15th Avenue Bridge	Rockford	\$1,341,967	\$1,008,891	75%	Complete (1980)
Windsor Rd: N. 2nd St to Alpine Rd	Loves Park	\$1,148,363	\$863,340	75%	Complete (1982)
Alpine Rd/US 20 Interchange	IDOT	\$2,255,463	\$1,695,657	75%	Complete (1984)
High Crest Rd: Spring Creek Rd to Alpine Rd	Rockford	\$1,755,622	\$1,000,000	57%	Complete (1983)
E. Riverside Blvd: Mulford Rd to I-90	Joint*	\$2,979,570	\$2,037,570	68%	Complete (1988)
Harlem Rd: N. 2nd St to Alpine Rd	IDOT	\$3,442,956	\$2,280,000	66%	Complete (1990)
Harlem Rd: Alpine Rd to Forest Hills Rd	IDOT	\$5,207,865	\$3,465,653	67%	Complete (1993)
Harrison Ave: West State St. to Montague Rd	WCHD	\$14,207,125	\$9,477,763	67%	Complete (2002)
Harrison Ave: Mulford Rd to Ohio Parkway	Rockford	\$14,150,631	\$11,646,554	82%	Complete (2008)
Harrison Ave: 20th Street to 9th Street	Rockford	\$24,439,830	\$13,840,000	57%	Complete (2018)
Bell School Road @ East State Street/US Bus 20	WCHD	\$5,766,050	\$4,612,840	80%	Complete (2016)
Total		\$86,363,068	\$58,655,221	-	

Source: Transportation Improvement Program FY 2023-2026, Transportation Alternatives Program

- Conversion of abandoned rail corridors to trails;
- Historic transportation facility preservation and rehabilitation;
- Right-of-way vegetation management;
- Storm water management related to highway construction or runoff; and
- Construction of turnouts, overlooks, and viewing areas.

The carbon reduction strategy must support efforts and identify projects and strategies to support the reduction of transportation emissions. At the state’s discretion, the strategy should quantify the total carbon emissions from production, transport, and use of materials used in the construction of transportation facilities in the state. Also, the strategy should be appropriate to the population density and context of the State, including any MPO designated within the state. FHWA is required to review the state’s process for developing its carbon reduction strategy and certify that the strategy meets statutory requirements. At the request of a state, FHWA is also required to provide technical assistance in the development of the strategy.

Collaboration Opportunities

Varying opportunities for collaboration can be available.

Carbon Reduction Program

The Bipartisan Infrastructure Law (BIL) established the Carbon Reduction Program (CRP) to provide funds for projects designed to reduce transportation emissions, defined as carbon dioxide emissions from on-road highway sources. This program requires each state, in consultation with any MPO designated within the state, to develop a carbon reduction strategy no later than two years after enactment and must update the strategy at least every four years.

Funding

The BIL apportions funds for this program as follows:

- FY 2022- \$1.234 billion
- FY 2023- \$1.258 billion
- FY 2024- \$1.283 billion
- FY 2025- \$1.309 billion
- FY 2026- \$1.335 billion

The FY 23 apportionment for Illinois is \$44,224,462.

By law, Federal share is generally 80 percent.

Project Examples

To be eligible, projects must support the reduction of transportation emissions, which may include: a project to establish or operate a traffic monitoring, management, and control facility or program; public transportation project; transportation alternative; a project for advanced transportation and congestion management technologies; deployment of infrastructure-based intelligent transportation systems capital improvements; replace street lighting and traffic control devices with energy-efficient alternatives; a strategy to support congestion pricing; efforts to reduce the environmental and community impacts of freight movement; support the deployment of alternative fuel vehicles; and diesel engine retrofit, among others.

Collaboration Opportunities

Available opportunities to collaborate may vary by project.

Diesel Emissions Reductions

The Environmental Protection Agency Diesel Emissions Reduction Act (DERA) funds^{xi} were created for the establishment of diesel emissions reduction programs. In 2020, DERA was reauthorized under Division S – Innovation for the Environment section of the Consolidated Appropriations Act, for up to \$100 million annually through 2024 and will continue to award grants and rebates to achieve diesel emissions reduction. Base funding is distributed to states using a formula based on overall participation.

Seventy percent of a State's DERA appropriation is to be used for national competitive grants and rebates to fund projects that use U.S. Environmental Protection Agency (EPA) or California Air Resources Board (CARB) verified or certified diesel emission reduction technologies. The remaining 30 percent is allocated to fund programs for diesel emission reduction projects.

Funding

Formula funds, distributed through IEPA, for prior years were distributed as follows:

- FY 2017- \$276,036
- FY 2018- \$419,019
- FY 2019- \$500,823
- FY 2020- \$369,441
- FY 2021- \$364,398

Summary of Funding Opportunity

Funding is allocated to eligible states to establish programs that reduce harmful heavy-duty diesel emissions. A total of \$27.6 million is set aside for the state program.

Additional incentive funding is available to states that provide matching funds. For example, for the fiscal year 2022 funding cycle, states that provide a voluntary match that equals or exceeds the base amount qualify for a bonus amount from EPA equal to

xi United States Environmental Protection Agency. "Diesel Emissions Reduction Act (DERA) Funding." <https://www.epa.gov/dera>. May 24, 2023

one-half the base amount. One-third of the \$27.6 million set aside for the State program is available for this bonus.

Eligible Projects

States may use formula funding for grant or rebate programs to fund diesel emissions reduction projects that use: EPA verified retrofit technologies or certified engine configurations; CARB verified technologies or certified engine configurations; idle-reduction technologies that are EPA verified; aerodynamic technologies and low rolling resistance tires that are EPA verified; and early engine, vehicle, or equipment replacements with certified engine configurations.

Collaboration Opportunities

Illinois participates in the Midwest Clean Diesel Initiative with EPA Region 5 (which includes Indiana, Michigan, Minnesota, Ohio, and Wisconsin). The regional collaboration strategies include: replacement of old engines and equipment with newer and cleaner EPA-certified versions; implementation of efficiency-improving operational techniques for fleets and centers of high diesel engine activity; and educating partners and the public about the dangers of exposure to diesel emissions and the actions that can be taken to reduce exposure.

Volkswagen (VW) Settlement Funds

Volkswagen (VW) settlement funds are to be used to mitigate the environmental impacts from VW's actions in violation of the Clean Air Act. The funds are to be used for three programs:

- Vehicle recall and repair – \$10 billion to buy back or repair at least 85 percent of the unlawful vehicles;
- Zero Emission Vehicle (ZEV) Investment Commitment – \$2 billion to support the use of zero emissions technology including battery electric vehicles, plug-in hybrid electric vehicles, and fuel cell vehicles and charging infrastructure over the next 10 years; and
- Environmental Mitigation Trust Fund – including \$2.44 billion to be dispersed to states (outside CA) and tribes to fund projects to reduce nitrogen oxide emissions as mitigation for the unlawful emissions.

Illinois EPA is the lead agency to administer funds allocated to Illinois from the Volkswagen Environmental Mitigation Trust^{xii}. The funds are to be used for projects that reduce emissions of nitrogen oxides in Illinois. The State is required to develop a Beneficiary Mitigation Plan which addresses Illinois' planned use of the funds.

The Illinois Beneficiary Mitigation Plan's goals are: to reduce noxious emissions in areas where the affected Volkswagen vehicles were registered. It also takes into consideration areas that are nonattainment for ozone or bear a disproportionate share of the air pollution burden, including environmental justice areas; and decarbonize Illinois' transportation sector. The Plan also must align funding with state priorities to establish a reliable network

xii Illinois Environmental Protection Agency. "VW Settlement." <https://epa.illinois.gov/topics/air-quality/driving-a-cleaner-illinois/vw-settlement.html>. May 24, 2023.

of charging infrastructure to promote transition to an electrified transportation sector to support business and consumer needs; as well as support public transportation needs of Illinois residents, including school children.

Funding

Per the State Beneficiary Mitigation Plan, Illinois has more than \$108 million dollars in funding to be used for settlement program grants. Funding is available to both government and non-government projects. For non-government applicants, all-electric vehicle projects require a cost share of at least 50 percent. For government applicants, all-electric vehicle projects require a 25 percent cost share. Privately-owned school buses under contract with a public school district also require a cost share up to 25 percent.

For light-duty zero emission vehicle (ZEV) supply equipment projects, cost shares must be consistent with the Trust Agreement.

Eligible Projects

Eligible mitigation actions considered for funding include light duty zero emission vehicle supply equipment projects; all-electric public transportation projects for bus replacements and commuter locomotive projects, including charging infrastructure, where needed; replace older diesel school buses with new, all-electric buses, including charging infrastructure where needed; replace Class 4-8 local freight trucks and Class 8 port drayage trucks with new all-electric Class 4-8 trucks, including charging infrastructure where needed; and administrative expenditures.

Collaboration Opportunities

The ability for collaboration between government agencies is limited under this funding. However, the availability of funding for non-government projects may lead to collaboration opportunities with private entities.

Congestion Mitigation Air Quality

Authorized and apportioned through the Bipartisan Infrastructure Law (BIL), under the Federal Highway Administration (FHWA), the Congestion Mitigation Air Quality (CMAQ) program provides flexible funding for transportation projects and programs to help meet the requirements of the Clean Air Act. This formula program is available to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards for ozone, carbon monoxide, or particulate matter (nonattainment areas) and for former nonattainment areas that are now in compliance (maintenance areas). The program provides State and local governments funding for transportation projects and programs aimed at meeting the requirements of the Clean Air Act (CAA).

The Rockford Metropolitan Planning Area (MPA) is an attainment area and currently not eligible to receive CMAQ funds. However, that designation could change, at which time the MPA would be eligible to receive funds.

Funding

Annual apportionment from the BIL are scheduled as follows:

- FY 2022- \$2.536 billion
- FY 2023- \$2.587 billion
- FY 2024- \$2.639 billion
- FY 2025- \$2.692 billion
- FY 2026- \$2.746 billion

The Illinois apportionment for FY 2023 is \$122,356,739.

With some exceptions, the BIL continued CMAQ funding as per prior statutory authorizations established under the Fixing America's Surface Transportation (FAST) Act. Within this program, there is a two percent set-aside for State Planning and Research (SPR). Additionally, CMAQ funds are permitted for operating assistance for certain areas of the public transit system.

Generally, the federal share is limited to 80 percent, requiring a 20 percent local or state share.

Eligible Project Examples

All prior CMAQ eligibilities continue, including but not limited to projects or programs that are likely to contribute to: a high level of effectiveness in reducing air pollution; contributes to the attainment of a national ambient air quality standard; establish or operating a traffic monitoring, management, and control facility or program; improves traffic flow including signalization, high occupancy vehicle lanes, improve intersections, and add turning lanes; purchase integrated, interoperable emergency communications equipment; and shift traffic demand to nonpeak hours or other transportation modes.

Additional eligibilities authorized by the BIL include:

- Shared micromobility, including bikeshare and shared scooter systems;
- Purchase of diesel replacements, or medium-duty or heavy-duty emission vehicles and related charging equipment; and
- In alternative fuel projects, vehicle refueling infrastructure that would reduce emissions from non-road vehicles and non-road engines used in construction projects or port-related freight operations.

Collaboration Opportunities

Collaboration opportunities amongst agencies may be available, but limited.

Chapter 5

Additional Funding Mechanisms

Public-Private Partnerships

Public-private partnerships (P3s)^{xiii} can be utilized to build new facilities or serve as an opportunity to lease an existing facility for long-term periods. For P3s of new build facilities, this requires private sector partners to assume responsibilities traditionally held by public agencies utilizing a design-build-finance-operate-maintain (DBFOM) structure, as shown in the sidebar to the right. The public agency retains full ownership of the facility over the life of the agreement (30 years or more), so private partner selection is vital. For existing facilities, P3s are procured competitively via a thorough solicitation process. Both upfront payments to the public owner and long-term leases by the P3 partner are utilized.

Funding

Public jurisdictions in the United States borrow on a tax-exempt basis, paying less interest than private business with comparable debt. A P3 agreement usually requires the private partner to invest its own money (equity) to increase incentives to satisfy the terms of the agreement. Equity demands a higher financial return than debt due to increased risk. The public owner must decide if the extra cost buys extra benefits, such as design and construction innovations that deliver operational and maintenance benefits.

Both financing methods must be repaid, so a funding stream that secures the financing can be generated from the project itself, either through user paid tolls, or from dedicated tax revenues. Toll revenues need not fund the entire cost of building and operating the facility. Financing can be supplemented by public grants or other contributions (right-of-way donations) that have no financial return.

Toll financing risk can be assumed by either the private developer or public owner. The public entity may choose to make availability payments to the developer in exchange for building and maintaining the new facility. With no tolls or user fees, these availability payments are the norm.

Eligible Project Examples

Real world example projects for both P3 models exist, including the following new build examples: tolls – 395 Express Lanes, Virginia; Belle Chasse Bridge and Tunnel Replacement, Louisiana; Foley Beach Express, Alabama; I-77 Express Lanes, North Carolina; LBJ Express/IH 635 Managed Lanes, Texas; South Bay Expressway, California; US 36 Express Lanes, Phase 2, Colorado.

Availability payments examples include:

- [Central 70, Colorado](#);
- [Gordie Howe International Bridge, Michigan](#);
- [I-4 Ultimate, Florida](#);
- [I-69 Section 5, Indiana](#);
- [Pennsylvania Major Bridge Program, Pennsylvania](#);
- [Presidio Parkway, Phase 2, California](#);
- [Portsmouth Bypass, Ohio](#); and
- [Washington DC Street Light Modernization P3](#).

Long term lease concession examples include:

- [Chicago Skyway, Illinois](#);
- [Indiana Toll Road](#);
- [I-95 Travel Plazas Redevelopment, Maryland](#);
- [Northwest Parkway, Colorado](#);
- [Ohio State University Parking Facility](#);
- [Pocahontas Parkway/Richmond Airport Connector, Virginia](#); and
- [The Scranton Parking Concession, Pennsylvania](#).

Collaboration Opportunities

Collaboration between the public sector owners and private sector partners for new build facilities typically takes the form of an agreement defining duties, and can cover 30 or more years. Collaboration on existing facilities between the public sector owner and private entity may include an upfront, lump sum payment, or a long term lease.

New Facilities

Design-Build-Finance-Operate-Maintain: Private sector assumes responsibilities traditionally held by public agencies; Public agency retains full ownership of the facility.

Design-Bid-Build: Independent preparation of detailed plans, specifications, and estimates.

Design-Build: Combines design and construction phases in a single contract; FHWA considers this necessary but not fully realized P3 as it lacks financing component.

Existing Facilities

Long-Term Lease Concessions: Transfer long term responsibility for existing public facilities previously held by public owner; e.g., Chicago Skyway. May provide upfront payments to the public owner allowing private partner to collect and retain user fees.

Source: FHWA Center for Innovative Finance Support

xiii Federal Highway Administration. "Center for Innovative Finance Support. Last modified on May 23, 2023. https://www.fhwa.dot.gov/ipd/p3/defined/existing_facilities/

Appendices

- Appendix A: Additional Local Funding Sources 15
- Appendix B: Additional State Funding Sources 16
- Appendix C: Additional Federal Funding Sources 17
- Appendix D: Memorandums 19

Appendix A

Additional Local Funding Sources

Local

Local funding derived from a source other than those listed.

Motor Fuel Tax

Motor fuel tax (MFT) funding is derived from a tax on all volatile liquids compounded or used for the privilege of operating motor vehicles upon public highways. The state motor fuel tax rate was adjusted as of July 1, 2019 to 38 cents per gallon of gasoline/gasohol and 7.5 cents per gallon of diesel fuel. The 19-cent increase will be allocated to the newly created Transportation Renewal Fund. IDOT allocates the remaining MFT funds to counties, townships, and municipalities as outlined in the MFT fund distribution statute, 35 ILCS 505/8.

For more information, see Page 5 of this Guidebook.

Private

Funding committed from a private landowner, developer or freight rail facility owner.

Retail Sales Tax

Retail sales taxes (RST) allows local and state governments to collect funds from a consumer of certain goods or services at the point of purchase. RST rates vary depending upon the jurisdiction in which the purchase was made.

Special Assessment Funds

Special Assessment (SA) funding is derived from special property taxes, which are assessed and assigned for a specific improvement.

For more information, see Page 3 of this Guidebook.

Tax Increment Financing District

Tax increment financing is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects. TIF funds usually are a small portion of the overall project costs and are meant to close the gap between conventional bank financing, the owner's funds and the project's costs.

For more information, see Page 2 of this Guidebook.

Appendix B

Additional State Funding Sources

Illinois Commerce Commission

The Illinois Commerce Commission (ICC) provides funding to pay for safety improvements at highway-railroad crossings within the state. For local roads, the Illinois General Assembly created the Grade Crossing Protection Fund (GCPF) to fund the majority of the project costs at highway-railroad crossings on local roads. Local public agencies can submit applications to ICC throughout the year. Prioritized projects are then selected and incorporated into the ICC's Crossing Safety Improvement Program.

competitive selection process. State funding will not exceed 50 percent of the total construction cost or \$900,000, whichever is less.

Illinois Major Bridge Program

The Illinois Major Bridge Program (IMBP), now known as the Illinois Special Bridge Program, provides funding for construction and construction engineering of local public agency bridges which are estimated to cost more than one million dollars to rehabilitate or replace. Eligible structures must be greater than 20 feet in length and a sufficiency rating less than 80 for rehabilitation and 50 for replacement. This program requires a 20 percent local match.

Illinois Transportation Enhancement Program

See Transportation Alternatives (TA) Set-Aside.

Recreational Trails Program

The Recreational Trail Program (RTP) provides funds to develop and maintain recreational trails and trail-related facilities for both non-motorized and motorized recreational trail use. As defined by FHWA, recreational uses include hiking, bicycling, in-line skating, equestrian use, cross-country skiing, snowmobiling, off-road motorcycling, all-terrain vehicle riding, four-wheel driving, or using other off-road motorized vehicles. This program has an annual competitive selection process and requires a 20 percent local match.

Safe Routes to School

See Transportation Alternatives (TA) Set-Aside.

Statewide Planning and Research

Statewide Planning and Research (SPR) funds are used to establish a cooperative, continuous, and comprehensive (3-C) framework for making transportation investment decisions and to carryout transportation planning and research activities throughout the State.

Truck Access Route Program

The Truck Access Route Program (TARP) assists local agencies to upgrade pavement design of roadways to accommodate the 80,000-pound truck loads. Funds are awarded through a

Appendix C

Additional Federal Funding Sources

319 Grant Program

Established under the 1987 amendments to the Clean Water Act, the 319 Grant Program provides funding to states and territories to support a wide variety of activities including technical assistance, financial assistance, education, training, technology transfer, demonstration projects and monitoring to assess the success of specific nonpoint source implementation projects. The Illinois Environmental Protection Agency (EPA) is the designated state agency in Illinois to receive 319 federal funds from the U.S. EPA. It is a competitive grant program with a 40 percent local match requirement.

Capital Investment Grants

Capital Investment Grant (CIG) is a discretionary grant program that funds transit capital investments, including heavy rail, commuter rail, light rail, streetcars, and bus rapid transit. There are four categories of eligible projects under the CIG program: New Starts, Small Starts, Core Capacity, and Programs of Interrelated Projects. Each of these types of projects has a unique set of requirements, some of which were revisedⁱ with the BIL. This program requires a 20 percent local match (New Starts requires a 40 percent local match).

Enhanced Mobility of Seniors & Individual with Disabilities

Section 5310 provides formula funding to states for the purpose of assisting private nonprofit groups in meeting the transportation needs of older adults and people with disabilities when the transportation service provided is unavailable, insufficient, or inappropriate for meeting these needs. Projects and programs previously under FTA's New Freedom program are eligible for Section 5310 funds. RMTD and IDOT are the co-designated recipients for Section 5310 funding allocation to the Rockford Urbanized Area. While not directly allocated to the MPO, in coordination with RMTD, the MPO has created a process to help determine the best use of the Section 5310 funds received. The program requires a 20 percent local match for eligible capital costs and a 50 percent match for operating assistance.

Grants for Buses and Bus Facilities Formula Program

Section 5339 provides funding to states and designated recipients to replace, rehabilitate, and purchase buses and related equipment, and to construct bus-related facilities, including technological

changes or innovations to modify low or no emission vehicles or facilities. The program requires a 20 percent local match.

High Risk Rural Roads Program

See Highway Safety Improvement Program.

Highway Safety Improvement Program

The Highway Safety Improvement Program (HSIP) is the core Federal-aid program with dedicated funding to achieve significant reductions in traffic fatalities and serious injuries on all public roads. The State of Illinois also has a High Risk Rural Roads (HRRR) program under the HSIP program that provides funds for construction and operational improvements on rural collector and locally-classified roads with fatal and incapacitating injury crash rates above the state average. Both the HSIP and HRRR programs have a competitive selection process and requires a 10 percent local match.

Job Access and Reverse Commute

The Job Access and Reverse Commute (JARC) program was established to address the transportation challenges facing low-income persons seeking to obtain and maintain employment. To address those needs, the JARC program funds capital and planning projects and associated operating expenses that transport low income individuals to and from jobs and activities related to employment, and for reverse commute projects. This program has been repealed, however JARC activities are eligible for funding under FTA's Urbanized Area Formula Grants (Section 5307) and the Formula Grants for Rural Areas (Section 5311) programs.

National Highway Freight Program

The Infrastructure Investment and Jobs Act (IIJA) amended requirements for the National Highway Freight Program (NHFP) to improve the efficient movement of freight on the National Highway Freight Network (NHFN). A competitive process is used to select projects to receive funding. While the local match for these funds is typically 20 percent, there are some projects in which the federal share of the project cost may cover 90 to 100 percent, e.g. certain types of improvements (predominately safety improvements).

National Highway Performance Program

The National Highway Performance Program (NHPP) provides funding to use for construction on national highways (including

ⁱ Federal Transit Administration. Fact Sheet: Capital Investment Grants Program. Last modified January 3, 2022. <https://www.transit.dot.gov/funding/grants/fact-sheet-capital-investment-grants-program>.

the interstate system and other principal arterials), and for efforts to maintain and repair highways to meet performance targets set in states' asset management plans. While the local match for these funds is typically 20 percent, there are some projects in which the federal share of the project cost may cover 90 percent of the total costs.

Rural and Small Urban Areas

FTA's Section 5311 program provides capital, planning, and operating assistance to states to support public transportation in rural areas with populations of less than 50,000, where many residents often rely on public transit to reach their destinations. The local share is 20 percent for capital projects, 50 percent for operating assistance, and 20 percent for Americans with Disabilities Act (ADA) non-fixed route paratransit service.

State of Good Repair Grants

Section 5337 program provides capital assistance for maintenance, replacement, and rehabilitation projects of high-intensity fixed guideway and bus systems to help transit agencies maintain assets in a state of good repair. Funds are apportioned by statutory formulas and the local match is 20 percent of the net capital project cost.

Surface Transportation Program

See Surface Transportation Block Grant.

Surface Transportation Block Grant

The Fixing America's Surface Transportation (FAST) Act converted the long-standing Surface Transportation Program (STP) into the Surface Transportation Block Grant (STBG). The program is a formula program that provides flexible funding to address both state and local transportation needs. Certain set-asides are required by law, including funding for Transportation Alternatives (TA), State Planning and Research (SPR), and funding for bridges not on the federal-aid highway system. Funds from this pool are also reserved for rural projects on any Federal-aid highway, including NHS, and bridge or safety projects on any public road, known as Surface Transportation Program- Rural (STP-R). The STBG program is administered through the Illinois Department of Transportation, and locally by the Metropolitan Planning Organization (MPO). A 20 percent local match is required.

For more information, see Page 8 of this Guidebook.

Transportation Alternatives Set-Aside

The Transportation Alternatives (TA) set-aside of the STBG program provides funding for projects and activities that promote alternative transportation methods, such as pedestrian and bicycle facilities. The statewide TA program, administered by IDOT has been divided into two separate grant programs: Illinois Transportation Enhancement Program (ITEP) and Safe Routes to School Program (SRTS). The ITEP provides funding for community-based projects that expand travel choices and enhance the transportation

experience by improving the cultural, historic, aesthetic and environmental aspects of transportation infrastructure. The SRTS program funds programs, both infrastructure-related and non-infrastructure-related projects, that are intended to encourage increased physical activity levels of children in primary and middle schools by making bicycling and walking to school a safer and more appealing transportation alternative. The local TA program, administered by the Rockford MPO, is known as the Transportation Alternatives Program (TAP). Both the ITEP and TAP programs have a competitive selection process and requires a 20 percent local match. IDOT's SRTS program (Cycle 2021) is a competitive selection process and requires a 20 percent local match.

For more information, see Page 9 of this Guidebook.

Urbanized Area Formula Grant

FTA allocates Section 5307 funds as subsidies to eligible public transit agencies to use for capital equipment (buses, equipment, structures, etc.), planning, job access and reverse commute projects, and some limited operating expenses related to the Federally-required assistance transit agencies must provide to persons with disabilities. The minimum required local match for capital purposes is 20 percent.

Appendix D

Memorandums

Value Capture Strategies and Municipal Bonds Memorandum

Value capture (VC) funding sources often emerge over an extended time period in smaller increments. However, VC that uses financing can allow quicker access to capital/cash for a project.

For more information, see Page 20 of this Guidebook.

Capital Improvement Plans Memorandum

A Capital Improvement Program (CIP) uses fiscal resources to create a multiyear project schedule in an effort to achieve community improvements.

For more information, see Page 23 of this Guidebook.

Public-Private Partnerships Memorandum

Public-private partnerships are contractual agreements between a public agency and a private entity. These agreements identify a project delivery method; funding source(s); financing (if applicable); term (usually 20+ years); penalties and rewards.

For more information, see Page 29 of this Guidebook.

Developer Impact Fees Memorandum

A singular developer impact fee (DIF) is a non-recurring, upfront cash payment to local government, upon the approval of a developer's project.

For more information, see Page 31 of this Guidebook.

Transportation Utility Fees Memorandum

Transportation Utility Fees (TUF) are periodic fees paid by property owners or building occupants to a municipality based on use of the local transportation system.

While not currently authorized in state statute, the memorandum discusses Transportation Utility Fees (TUF), which have seen successful implementation in Colorado and Oregon. If the decline of the Motor Fuel Tax continues, TUF could be a revenue generating alternative for local jurisdictions to help fund transportation maintenance and improvements.

For more information, see Page 33 of this Guidebook.

Value Capture Strategies and Municipal Bonds Memorandum

Overview

Value capture (VC) funding sources often emerge over an extended time period in smaller increments. However, VC that uses financing can allow quicker access to capital or cash for a project.ⁱ A variety of related tools are explored below.

Special Taxes and Fees

Special Assessment District

Special Assessment Districts source revenues from existing properties. This value capture method charges landowners within the district who are primary beneficiaries of the infrastructure.

Some determining factors are:

- Property value
- Parcel size
- Street frontage and use, among other characteristics

Fees are often tiered reflecting that properties closer to improvement experience greater benefits.

Sales Tax Districts/Special Service Areas

- Defines narrow areas where additional taxes are levied for infrastructure improvements.
- The sales tax district benefits from infrastructure which is paid by sales taxes.
- This value capture method is used for highways, roads and transit.
- Contrast with broader county-based sales tax financing.

NOTE: In Illinois, Sales Tax Districts are referred to as Special Service Areas.

Tax Increment Financing Districts

Also referred to as tax allocation districts, this strategy challenges early year revenue uncertainty. Incremental property taxes are captured in a district to fund and finance infrastructure in said district. This strategy is often used for capital projects on transit and roads. Amounts are dependent on assessed property values. This practice is commonly used to establish with more credit worthy funding sources.

Base taxes still go to the municipality, but TIFs grow over a period of time and eventually cover the expected debt service. TIFs may not be able to initially fund the debt service, but this can be supplemented with available special assessments where TIFs are not adequate.

Financing Instruments

Tax exempt bonds

Key Characteristics:

- Primary benefits go to investors with taxable income per IRS regulations
- Publicly offered bonds have investment grade ratings, but may be non-rated
 - Subject to disclosure regulations
- Private placements are often non-rated, and sold to few or one institution, sometimes developers

Innovative Finance

Key Characteristics:

- Follow federal and state eligibility rules
- Longer maturities, lowest costs, repayment flexibility
- Can take longer to reach financial close

Private Equity

Key Characteristics:

- Provided by developer with higher return on investment requirements
- Amount depends on financing requirements, there may not be requirements

The Bond Issuance Process

Identify Project

Projects may be identified by public agencies, developers or communities. These projects may be identified in a long-term planning processes or in a shorter period as a result of local economic changes (example: a major factory/employer closure). Ideally, projects should meet area needs and future goals.

Participants/Stakeholder

- Public agencies
- Developers
- Communities

Plan Project

Project planning steps include:

- Developing a project that meets local community's development needs and ambitions;
 - Jurisdictions may have specific policies that outline ideal benefits to tailor project;
 - Project plan should...
 - Establish community benefits;
 - Demonstrate commitment and project validity;
- Obtaining site control (obtaining rights to use the site for development);

ⁱ Federal Highway Administration. 2021. (Webinar) Value Capture Strategies and Municipal Bonds and Debt. Washington D.C., April 14.

- (Financial advisors) Sketching out a financing plan; and,
- Developers spend significant effort educating the public on the advantage of no direct financial risks to jurisdiction and the projected benefits of the project to ensure public approval.

Participants/Stakeholders

- Public agencies
- Developers
- Communities
- Financial Advisors

Establish a Financing Program

Establishing a financing program involves evaluation of the project and conducting studies to assess various project impacts. Additionally, funding needs, repayment sources, and bond structures must be identified for a successful financing program. During this phase in the process an underwriter and bond counsel may be appointed and this is also an opportunity to further engage local stakeholders.

Participants/Stakeholders

- Public agencies
 - Issues the bond
- Developers
 - Develop project
- Communities
 - Impacted by project
- Technical Advisors
 - Engineers, advisors, assessors, etc. help define the project
- Financial Advisors
 - Will advise in matters regarding bond issuance
- Bond Counsel
 - Provides legal advice
- Underwriter
 - Markets bond, sets prices and sells the bond to investors

Obtain Approvals, Issue Debt

The next phase is to obtain approvals and issue the debt. This involves securing the bond rating (when applicable), complete structuring financing, obtain legislative approvals, finalize offering documents and finally, issue the bonds.

It is vital to incorporate stakeholder outreach and continually engage the community during this phase when shaping the project. Upon the completion of this phase, further studies and/or evaluations may be conducted to assess the value for the district. The project team will also verify the project structure and repayment sources are effective with feedback from the community and rating agency.

The primary offering statement (sent out to potential investors by the investment banking firm) document regarding the bonds can be quite lengthy in some instances. This document includes:

- Bond issues terms;
- Project description;
- Involved developers;
- Local community information;

- Appraisal information;
- Market studies;
- Projections;
- An engineer's report; and
- A summary of all the legal documents (may be more detailed depending on the situation).

A site visit or conference call would follow after the delivery of the primary offering statement. After that, the investment banker (after discussion with the financial advisor, local government and developer) would go to the investors with a tentative interest rate (or series of rates) and the investors decide their involvement. From there, the bond issue is underwritten at the agreed rates and price. If there is disagreement, the investment banker will go back to the issuer and communicate that the deal is complete. If there is not enough interest, the interest rates will be raised and vice versa if there is an overabundance of interest. After there is agreement, applicable parties sign the bond purchase agreement and close the bonds a few weeks after that. The investment banking firm buys the bond and redistributes it to investors.

Other notes:

General obligation bonds are sold through a competitive process, on a negotiated basis.

Participants/Stakeholders

- Public agencies
- Developers
- Communities
- Financial Advisors
- Bond Counsel
- Underwater

Start Construction

Once agreements are reached, it is time to begin project construction and continually engage the applicable communities.

Participants/Stakeholders

- Public agencies
- Developers
- Communities

Examples

[Assembly Yards – Doraville, GA – Mixed Use for Highway Transit Oriented Development](#)

This project was financed with TIF, special assessments, the local PILOT fund, among other taxes. Most area property owners paid taxes.

The project offered many amenities including:

- Leveraging an existing movie studio;
- Connecting the transit station to development;
- Mixed use: retail, office space and apartments.

[Mosaic – Fairfax, VA – Mixed Use Road Oriented Development](#)

Located on a major thoroughfare, this is a mixed use (retail, grocery, commercial, office, multi and single family) “road-oriented”

development in Northern Virginia. This project was financed with TIF and supported by special assessments. This project was initially issued nonrated bonds. It has been refinanced since then at a much lower interest rate. The development projected significant incremental value, over base value even in downside scenarios. In September 2020, Mosaic received [Moody's A2](#) rating.

The factors that contributed to a positive rating were:

- The presence of a moderately sized, growing tax base;
- Strong resident income levels;
- A good debt service coverage ratio; and
- A special Assessment backstop.

The above average top taxpayer concentration negatively contributed to the overall rating.

[Co-Op District – Hutto, TX – Mixed Use Road Oriented Development](#)

Prior to this development, this area was a major vacant and underused land parcel. The City of Hutto constructed a Request for Proposal for developers and then one group was selected for the mixed-use project. The City of Hutto and developer worked together to identify the appropriate finance structure for the project. This included a Public Improvement District (Special Assessment District), needed TIF and sales revenues to help offset the payment.

- The City agreed to allocated 60 percent of the incremental taxes over 35 years.
- The County agreed to allocate 50 percent of their incremental taxes for up to 20 years.
- The Economic Development Corporation within the City agreed to allocated 50 percent of incremental sales taxes over 30 years.

The result was a 17-million-dollar bond.

Elements included in this development are:

- City Hall;
- Potential hotel;
- Multifamily units;
- Entertainment/Restaurants; and
- Offices.

[Parole Town Center Interchange – Anne Arundel County, MD – Interchange](#)

This interchange benefited several activity generators so that TIF covered a large area. The TIF district was established 3 years prior to financing, providing a “head start” on increments. State law determined the TIF district head start. In this case, the district can be started as soon as this is adopted, or one year before enabling legislation is adopted. A 10-year non-rated bond was issued. Bondholders benefited from special mandatory redemptions (referred to as frontloading), repaying bonds 4 years earlier if the development went well.

Rating Agency Frameworks

1. Debt service coverage ratios:

- Should generally exceed 110 percent and ideally be between 150-200 percent.
- Note: Items B, C, and D are the coverage to debt ratio.

Cash Waterfall:

A. TIF/SAD Gross Revenue

→ B. Operating Cost of District

→ C. Cash Available for Debt Service

→ D. Debt Service

Investors and rating agencies rely on several key statistics:

- Tax base size;
- Volatility;
- District size;
- Taxpayer concentration; and
- Tax delinquencies.

Structuring Considerations

To structure or restructure a unique payment is to push back the repayment of principal toward later years of the project. This helps reduce pressure on the project in the beginning years where there is more uncertainty.

Amortization structure is how repayment is structured, including delaying principal in early years and paying more in later years. Repaying principal can vary from a mortgage style structure to a level debt service.

Capitalized interest is interest that is not paid current and added to long-term balance, thereby allowing for greater breathing room in early years. The bank or bondholders don't pay in the earlier project years, and capitalize on the interest that is due. Another option is to take out the financing that replaces construction in the early-stage financing with later stage financing when revenues are more stable.

Take-out financing is used to replace construction in the early-stage financing with later stage financing when revenues are more stable. Usually this is on better terms, though not all projects require take-out financing.

Consideration When Using Value Capture Strategies

- Examine revenues
- Decide how revenues are collected
- Check legislations
- Set up governance structure
- Manage transaction
- Allocate adequate time

Capital Improvement Plans Memorandum Overview

A Capital Improvement Program (CIP) uses fiscal resources to create a multiyear project schedule in an effort to achieve community improvementsⁱ.

CIP Objectives

1. Implementation of the comprehensive plan goals.
2. Ensure timely construction or renovation of infrastructure to provide the LOS identified in the comprehensive plan.
3. Identify funding sources for each capital improvement
4. Provide a baseline (recommended capital budget) for the annual budget.
5. Coordinate capital and operating budgets.
6. Create transparency around the process of selection and funding of capital projects considering public inputs.
7. Inform the public about future needs and capital improvements.

Elements

- Narrative
- Prioritized list of projects and cost estimates
- Funding sources
- Project detail forms

Uses

Programming Tool

- Implement comprehensive plans
- Implement transportation plans

Fiscal Management Tool

- Identify capital needs in advance allowing time to secure state and federal funds.
- Monitor ongoing projects in terms of schedule, costs, and financial status.

Budget Tool

- Recommend capital budget
- Compute impact of capital improvements on operating budget
- Maintain a balanced budget

Implementation: Guiding Documents

Local Jurisdiction

- Comprehensive Plan
 - Transportation Plans including sub-areas and corridor studies
 - Capital Improvement Program
 - Annual Budget

Regional or Metropolitan Jurisdiction

- Statewide, Long Range Transportation Plan
 - Metropolitan Transportation Plan
 - Transportation Improvement Program
 - Unified Planning Work Program (also known as Unified Work Program)

Implementation: Development Phase

1. Adopt a CIP ordinance, appoint a CIP Coordinator, and set a schedule.

- Local Government: If the CIP is implemented for the first time, the local government creates a legal framework for the adoption of the CIP and establishes roles and responsibilities for its development.
- CIP Coordinator: Each year, the CIP coordinator establishes a schedule for all local officials with specific deadlines for completing each step of the CIP development process.

2. CIP Coordinator: Prepare an inventory of existing capital assets.

- Fleet
- Buildings
- Equipment
- Roads and Streets
- Utilities
- Sewers

3. Local Government & CIP Coordinator determine status of previously approved projects.

- The capital projects that are already underway should be reviewed to evaluate:
 - If additional funds are needed;
 - If there are unspent funds that may become available; and
 - If there are changes in the proposed schedule.

4. Assess fiscal and financial resources.

- Local Government & CIP Coordinator
 - Local Government assesses recent trends and projections of revenues and expenditures, including debt and other liabilities.
 - Results of this assessment helps the CIP coordinator propose a CIP with a funding source schedule aligned with community's fiscal policies and financial constraints.

ⁱ Federal Highway Administration. 2021. (Webinar) Value Capture Strategies and Capital Improvement Plan – The Primer Confirmation. Washington D.C., May 19.

5. Solicit and compile project requests.

- The CIP coordinator solicits capital improvement project requests from all local agencies and departments ranked in order of priority.
 - Prioritized list of projects and cost estimates
 - Project Detail Forms

6. Evaluate, prioritize and select projects.

- The CIP coordinator convenes several meetings that include the local government's departmental leadership to review, discuss, and critique the project proposals received.
 - In this step, public's perspective is gathered and incorporated.
 - Generally, projects are prioritized using a scoring system based on established criteria to assess the value that each project brings to the community.
 - This step results in a list of projects selected to be included in the CIP in order of priority.

7. The CIP Coordinator develops a CIP financing plan.

- Identify Traditional funding: federal, state, local
- Determine size of funding gap
 - If there is a funding gap
 - Identify value capture techniques
 - Impact fees
 - Special Assessments
 - Transportation Utility Fees
 - Tax Increment Financing
 - Others
 - If there isn't funding gap
 - Develop a financing plan
 - Pay-as-you-go
 - Tax-exempt and taxable bonds
 - Bank Loans
 - TIFIA/RRIF
 - Section 129 loans
 - State Infrastructure Bank
 - P3
 - Tax Credit Loans

8. The CIP coordinator prepares the draft CIP and submits it to the governing body for its review and adoption.

- Draft Elements:
 - Narrative
 - Prioritized list of projects and cost estimates
 - Funding sources
 - Project detail forms

9. Local government reviews and adopts the CIP.

- The governing body reviews all recommended projects included in the CIP draft putting special attention to:
 - Projects listed for the next fiscal year (they need to be included in the annual budget).
 - Projects and capital equipment purchases that are included for the first time in the CIP.
 - Ongoing projects incurring delays or cost overruns.
 - Projects that are moved forward several years.

- Public and representatives of public groups and organizations also have the opportunity of reviewing the CIP.
- The resulting CIP and capital budget are adopted.

Implementation of CIP: Administration

1. Execute the approved CIP (Local government)

- Local government departments commence the execution of the projects.
- The execution of transportation projects requires a set of actions:
 - Planning and community engagement;
 - Environmental;
 - Right-of-Way;
 - Design;
 - Construction; and
 - Maintenance (e.g. seal coating).

2. Update the CIP (CIP coordinator).

- It is important to update the CIP on an annual or biannual basis to:
 - Account for changes in community needs;
 - Reflect new information, policies, and projects;
 - Cost and funding amounts for current and future years are updated; and
 - Allocate uncommitted funds.

3. Annual Budget

- Capital Improvement Program
 - Recommended Capital Budget
 - Annual Budget: Adopted Capital Budget
 - Recommended Operating Budget
 - Annual Budget: Adopted Operating Budget

Opportunities and Challenges

Public Acceptance

- CIP includes multiple opportunities to inform the public about capital improvements and gather input.
- CIPs also informs business owners, developers, and bond investors regarding the vitality of the community, the cost of services, and the sustainability of its tax burden.

Political Acceptance

- CIPs provide transparency and a rational approach to prioritize capital improvements reducing public pressure on elected officials.
- CIPs can help maintain steady payments and tax rates over a period of time.
- In contrast, certain officials who are uncomfortable with sharing control of the process with the public or other officials may not support the adoption of a CIP.

Equity

- CIPs provide a mechanism to help ensure that capital investment decisions are made considering fairness to all stakeholders in a community in terms of who incurs

the costs and consequences of those decisions.

- Some cities have gone a step further and added equity-specific indicators to measure how its CIP allocations are distributed within neighborhoods in their jurisdiction.

Costs

- CIP can afford a community financial benefits, such as a good credit rating promoting economic development, spotting hidden costs or avoiding unexpected expenditures, and successfully competing for state or federal funds.
- The cost challenge that communities may face in implementing a CIP, is that it requires a multi-disciplinary team skilled in financial management, project management, and public participation.

Administration

- Managing, maintaining and monitoring a CIP also poses some administrative challenges. Implementing a CIP, particularly for the first time, requires a considerable amount of effort from local government officials and staff.
- Over time, the process of updating an existing CIP (or developing a new one) becomes more familiar and less demanding.

Value Capture Techniques in the CIP Role

State and federal transportation funds and grants have traditionally funded transportation improvements. Value capture techniques help communities to reduce this funding gap making possible the delivery of critically needed projects (through a CIP). The growth in local transportation needs has outpaced the availability of traditional state and federal funding sources, creating a funding gap.

Impact Fees

Fees imposed on developers to help fund additional public services, infrastructure, or transportation facilities required due to the new development.

Transportation Utility Fees

Fees paid by property owners or building occupants to a municipality based on estimated use of the transportation system.

Special Assessments

Fees charged on property owners within a designated district whose properties are the primary beneficiaries of an infrastructure improvement.

Tax Increment Finance

Charges that capture incremental property tax value increases from an investment in a designated district to fund or finance the investment.

Opportunities and Challenges

Opportunities

- The TIDs generate consistent revenue streams that can be used as funding or financing mechanisms.
- Fairfax County has been using funds generated by the two TIDs on a pay-as-you-go basis and to issue bonds.

Challenges

Implementation challenges

Landowners and developers may see it as a new tax and disagree with district limits. Landowners Economic Alliance for the Dulles Extension of Rail (LEADER).

Revenue stream challenges

Future revenues are uncertain. CIP and Districts Commissions annual reports.

Lack of transparency and equity

TIDs can be perceived as invisible local governments imposing unfair taxes. Public meetings of Districts Commissions and the Board of Supervisors.

Case Studies

SA – Dulles Corridor Metrorail Project

Fairfax County, VA. Fairfax County uses the CIP as a planning tool to coordinate the financing and timing of the Dulles Corridor Metrorail Project in a way that maximizes the return to the public.

The Dulles Metrorail Corridor Project, also known as the Silver Line, is a 23-mile extension of the Washington, DC, region's Metro system.

The estimated cost is more than \$5.6 billion. Fairfax County will pay \$730 million using funds generated by two Transportation Improvement Districts (TIDs).

Town of Horizon City, TX – Eastlake Extension

- CIP was first adopted by Horizon City in February 2014 with a focus for community infrastructure.
- TRZ Proposals resulted from comprehensive mobility plans.
 - Town of Horizon City adopted revised TRZ in 2014.
- Comprehensive Mobility Plans endorsed by participating agencies including the El Paso Metropolitan Planning Organization.
- Financial Analyses were conducted by Texas Transportation Institute.
 - Projected to generate approximately \$6 million to fund a single project: Eastlake Extension Phase 2.
 - Project – Eastlake Phase 2 was completed in April 2018 – ahead of schedule and under budget.

Local Government Considerations

- Zone size
- Zone's impact on General Fund budget
- Zone's term
- Project funding mechanism
- Zone description

Funding Mechanism

- Three-party agreement – relied on local entities exclusively
- Town of Horizon City
- County of El Paso
- Camino Real Regional Mobility Authority (CRRMA)

Agreement Provisions

- CRRMA was clearing house for the project and agreement structure
- Agreement did not utilize State Infrastructure Bank loans
- Project was not federalized
- CRRMA issued bonds – VRF funds pledged for repayment
- TRZ funds to reimburse VRF funds
- Finance – County 77.3 percent, Horizon City portion 22.7 percent

Considerations

- Identify project need
- Consider projects as economic drivers
- Consider Value Capture as a funding source where project is expected to increase values
- Identify partners
- Study and analyze capture value potential
- Monitor zone values
- Augment incentives in zone

City of Phoenix – Baseline Road and South Mountain Freeway Project

- Used Impact Fees to supplement CIP

South Mountain Freeway Loop 202

- Latest segment of new freeway to serve Phoenix and region
- Funded by regional, state and federal sources managed by ADOT
- Adds 22 miles of freeway to existing metropolitan transportation system
- ADOT partnered with connect 202 Partners to design, build and maintain freeway for 30 years

City's Budget & Capital Improvement Program Process

City's Capital Improvement Program (CIP) is a rolling five-year plan for capital expenditures needed to replace, expand and improve infrastructure and systems.

- Local Municipality
- Regional coordination with Metropolitan Planning Organization (MPO)
- State Transportation Improvement Program (STIP)

Dept. Budget & CIP

- Street Transportation budget is approximately \$200 million per year
- Capital improvement program (CIP) devoted to new facilities, repair and rehabilitation is \$150 million per year
- While City is growing, majority of CIP is allocated to existing street network

- In growth areas, impact fees and developer contributions are key element of new facility construction

Baseline Road Development Agreement

Scope

- Right of Way Dedications
- Roadway Improvements

Costs

- Total – \$3.3 Million
- \$1.6 million – City of Phoenix
- \$1.7 million – Developers

#1 Baseline Project

- Desirable to do arterial improvements in conjunction with opening of new Freeway
- Challenging because multiple parties with frontage to be improved, each with own timing and objectives
- City agreed to contribute curb to curb if others coordinate remaining improvements
- City facilitated coordination through meetings and development agreement

#2 Baseline Project

- City's regular CIP funding already allocated to other priorities
- Project involved economic development objectives (new retail close to new Freeway)
- Funding for development objectives provided from street impact fees
- Project was challenging because of numerous participants but City was able to contribute financially and guide the progress to completion

Impact Fee Program

- In 1987, the Phoenix City Council adopted an ordinance requiring new development in the city's peripheral planning areas to pay its proportionate share of the costs associated with providing public infrastructure.
- An impact fee program was developed that is based on projected infrastructure requirements within several planning areas.
- Impact fees collected for a specific planning area must be expended for capital infrastructure in the plan for the area and may not be used for any other purpose.
- Impact fee-funded projects must directly benefit the parties that paid the fees.
- Impact fee collections initially progressed slowly because of a slowdown in construction in the late 1980s and early 1990s.
- The Impact Fee Plan has been updated the last three decades, most recently in 2020.

Impact Fees #1

- Fees charged through police power – not a tax – similar to subdivision requirements
- Phoenix charges for numerous categories including water, wastewater, storm drainage, parks and major arterial streets
- Fees charged with building permits or water meters
- State statute and case law requirements are onerous, and process to update fees is lengthy

Categories

- Population
- Fire Protection
- Police
- Parks
- Libraries
- Traffic Projections
 - Major Arterials
- Land Area
 - Storm Drainage
- Usage
 - Water
 - Wastewater
 - Water Resource Acquisition

Impact Fees #2

- Unlike water-related impact fees, street fees rarely cover majority of arterial costs
- Municipalities can't charge for 'pass through traffic' portion
- Commercial property fees often collected over decades because of phasing but streets needed now
- In Phoenix only portion of street costs, and street segments is included

Impact Fees #3

- Many cities and counties program existing and future impact fee revenues like other funding sources in CIP
- Phoenix has historically been very conservative regarding impact fees and used to only program collected fees
- Because land development cycles are so volatile, Phoenix often puts fees in revolving funds in CIP that can be used (relatively) quickly in development agreements
- These baseline projects are one of many that utilize impact fees and private/public partnerships

Lessons Learned

- Street impact fees good tool for facilitating key projects, often through development agreements
- Can supplement developer contributions and other city funding source
- Street fees add flexibility to CIP that can accommodate changing development requirements
- In many places CIP will require multiple funding/financing sources – impact fees only one

Hillsboro, OR

Transportation Utility Fees include allotment for bicycle and pedestrian improvements. Other agencies have based on parking stalls, sewer equivalent dwelling units, flat rate per account, number of employees, truck deliveries, or building square footage.

Cost Allocation

Residential/Non-Residential Share Proposed

- Split share of arterials, collectors, neighborhood routes 50/50
- Assign local commercial and industrial streets to non-residential customers

- Assign local residential streets and alleys to residential customers
- Resulted in an allocation 75 percent residential/25 percent non-residential

Fee Determination: Residential

- Current: Reduced Multi-family Residential (MFR) to 90 percent of Single Family Residential (SFR)
- $SFR\ Fee = Monthly\ Revenue\ Target / (\#SFR + 0.9 (\#MFR))$
- $MFR\ Fee = 0.9(SFR\ Fee)$
- Residential customers pay TUF for the Pavement Management Program (PMP) and Bicycle/Pedestrian Improvements (BPCIP)
- Fee is determined for PMP & BPCIP revenue targets

Fee Determination: Non-Residential

- Bin 1: <7 trips/1000 ft²
- Bin 2: 7-12 trips/1000 ft²
- Bin 3: 25-53 trips/1000 ft²
- Bin 4: 53-151 trips/1000 ft²
- Bin 5: 151-400 trips/1000 ft²
- Bin 6: greater than 400 trips/1000 ft²
- Bin 7: Special for ITE Trip generations not based on ft²
- Percent of bin trips/total non-residential trips equivalent to bins cost share of non-residential fee
- Bin 7: trip generation per business capped at 1500 trips

Examples

- Intel
- School District
- Target
- City Hall
- Wells Fargo
- McDonalds
- Regal Cinemas

Rates:

- Bins 1-6: Bins cost share/1000 ft² in bin
- Bin 7: Bins cost share/trips in bin
- Generally supported due to bicycle & pedestrian component
- Concerns about low income customers

Business Lobby Concerns

- This is a terrible time to increase taxes.
- This is anti-business.
- More money is government's only solution.
- We pay more than our fair-share.
- ITE overestimates our trips.
- We don't benefit from bicycle & pedestrian facilities.

Discounts/Waivers

- Single Family Residential
- Motor Vehicle Discount-30 percent discount
- No vehicle registered to address
- Transit Pass Discount-30 percent discount
- Tenant has purchased annual transit pass
- Employer Transit Pass Discount -Up to a 30 percent discount

- Employer purchases annual transit passes
- Department of Environmental Quality Employee Commute Options Program Discount provides employers up to a 30 percent discount
- Employer programs in place to reduce vehicle trips
- Employers can combine discounts up to a maximum combined of 30

Potential Future Changes

- Only the Residential Hardship Waiver is being utilized by customers
- Different program from all our other utilities hardship programs makes it confusing to customers
- Fee is not indexed
- Does require a “rebalance” every five years
- Additional revenue due to new customers is the starting point for a “revenue neutral” rebalance
- Some indication from individual councilors of an interest to expand the fee for street tree and/or sidewalk maintenance

Public-Private Partnerships Memorandum

Public-Private Partnerships

Public-Private Partnerships are contractual agreements between a public agency and a private entity.ⁱ These agreements identify a:

- Project delivery method;
- Funding source(s);
- Financing (if applicable);
- Term (usually 20+ years); and
- Penalties and rewards.

Benefits

- Provides operation and maintenance resources and facilitates a life cycle cost management approach
- Allocate risks to more capable partners, a shared allocation of risks
- Incentivize innovation, improves quality, and efficiencies
- Greater price and schedule certainty
- Provides access to private capital
- Advances projects despite government debt limitations (note that this is not the main reason for public-private partnerships)

Limitations

- High transaction costs, beneficial for larger projects (with exceptions);
- Complex procurement presents risks;
- Public agency needs technical capacity to manage development, procurement, negotiations, and contract oversight;
- This a project delivery method, not a funding source, so a clearly defined revenue stream is required; and
- Private partners need reasonable return on investment.

Value Capture Elements and P3s

Value Capture

- Joint development
- Commercial Revenues
- Special assessments, tax increment finance

Public-Private Partnership

- Design
- Build

- Operate
- Finance
- Maintain

Examples

Klyde Warren Park in Dallas, TX

Description: The initial highway separated the downtown and Dallas arts district from each other, impacting economic growth. This project puts a deck on top of a freeway.

Value Capture Role:

- Public & private funding, including from nearby and regional Dallas businesses (~Negotiated Exactions)
- Public improvement district (PID) assessments on property owners (Special Assessment)
- Park commercial revenues (Joint Development)

Nature of P3:

- Project Delivery: design, bid, build
- Funding is 50/50 for construction and a PID for operation and maintenance
- O&M responsibility: City, foundation and PID

Advice/feedback:

- Stakeholder buy in from all, especially at highest levels
- P3s can be difficult because everyone has different backgrounds, common vision development
- Public Sector – lots of process, both parties must learn to work together
- Future Expansion – add 1.7 acres to the park

Maryland Transportation Authority (MDTA) Commercialized Travel Plazas

Value Capture Role:

- Food, beverage and gas sales (joint development)

Project Delivery Elements:

- Design, build, finance, operate, maintain

Funding:

- Concessionaire-funded, taking all commercial risk on future revenues

Benefits:

- Enhanced comforts
- Convenient
- Amenities
- Welcome/information center
- Combats drowsy driver fatigue

Maryland House & Chesapeake House

Existing facilities were outdated and in need of a renovation.

ⁱ Federal Highway Administration. 2021. (Webinar) Value Capture Strategies and Project Delivery: Public-Private Partnerships. Washington D.C., May 12.

Project Goals:

- Obtain new or like-new facilities to replace the current Chesapeake House and Maryland House using a P3.
- Ensure the facility design and operation will provide a positive customer experience.
- Provide a fair return to the State, and provide for transfer of the facilities in satisfactory condition at the end of the term.

P3 Solicitation:

RFPs

- Customer-driven focus
- Performance-based model
- Flexibility for the private sector to innovate on all aspects
- Selection—most advantageous to the State "Best Value"
- 35 Year Lease agreement (P3 & concessionaire)

Denver Union Station (Redevelopment) – RTD

This redevelopment was to expand Denver's Transportation Network, renovating and redeveloping Denver Union Station historic building. This project had Gross Revenue Sharing (after a certain threshold, excess is shared with RTD).

Total Project Cost (Transportation Infrastructure)

- TIFIA loan (final payment 2040): \$145.6 million
- RRIF loan (final payment 2038): \$155 million
- RTD land parcels and FasTracks funds: \$47.1 million
- Local, State, and Federal Grants: \$103.5 million
- Other sources: \$4.2 million
- Did refinance due to benefits of reduced interest and other previous tied obligations

Risks and Responsibilities

- Planning and Acquisition
- Finance
- Operation
- Maintenance
- Capital Replacement

The public sector was responsible for most of these elements regarding the transportation infrastructure component of the plan (exploring the design and construction). The private sector was responsible for most of the above elements for the historic union station building renovation (with the exception of planning and acquisition).

Repayment Plan

- RTD – Issued 30 year \$168 million bond w/final maturity in 2040. Payments including interest total \$360.2 million
- City of Denver – Pledged sales and property tax revenues generated from neighborhood (including historic building) through 2040. Collections project to total \$636.6 million

- Value Creation/Capture – Real Estate Development
 - Many added assets, employment and transportation hub with residential units
 - 23 percent built to 98 percent built out
- Financial contract incentives

MDTA (Maryland Transportation Authority) Public Agency

This project had a capital investment of \$56 million in private funding to redevelop the travel plazas (this frees up toll revenue to invest in infrastructure). The private sector has the right to operate and maintain travel plazas above current standards for 35 years (accepting operation and revenue risks + rewards).

Advantages

- Accelerates delivery without schedule risk or cost overruns and avoids capital funding commitments
- Obligation to design and build facilities and invest in retail space as deemed fit by concessionaire (ability to innovate, while assuming design/construction risk)

Lessons Learned

- RFP too prescriptive/restrictive, which stifled competition and innovation – 711 pages
 - Canceled after 7 addendums
- Shifted MDTA core competencies to concessionaire
 - Results in inefficiencies: snow removal, overhead highway signage
- Advised contract compliance as two extremes: In Compliance & Non-compliance/termination
 - Performance criteria established
 - Not supported by incentives/disincentives
- Value capture opportunities exist outside of mega and complex projects

Developer Impact Fees Memorandum

Developer Impact Fees

Basics

A singular developer impact fee (DIF) is a non-recurring, upfront cash payment to local government, upon the approval of a developer's project.ⁱ Developers (real estate) pay this fee. These fees offset some or all public facility costs, focusing on improvements beyond the project boundary. DIFs are typically intended to pay for capital costs but can be used for operation, maintenance and administrative expenses. These fees can apply to parks, roads, water/sewage, schools, police, emergency services, and more. DIFs are best suited for urban in-fill development, as the strategy buys into existing excess capacity, giving a second chance to prior investments. DIFs are designed for off-site public improvement needs at new developments which triggers local economic growth. When established by local ordinances, these impact fees can be a part of a formal Capital Improvement Program (CIP) funding source.

Efficiency and Equity Concerns

This strategy is an efficient funding source if a) revenues cover all costs regarding public facility needs for new developments, b) the facility costs and benefits are proportional, and c) the facilities are provided at the least possible cost.

This strategy must be executed to mitigate equity-related concerns such as gentrification and displacement, as impact fees on new developments can price out buyers. DIF waivers, deferments and other financial incentives can mitigate this by reducing or delaying fees. Among equity concerns, assigning a flat fee structure across all stakeholders can be an issue, as everyone may not be paying a proportional amount in comparison to income. To remedy this, fees can be adjusted by attributes such as building type/size, density, location, configuration, or land use.

Legal Issues and Legislative Needs

Cases that address regulatory taking:

- Essential Nexus Tests: *Nollan v. CA Coastal Commission* (1987)
- Rough Proportionality Test: *Dolan v. City of Tigard* (1994)
- Reasonable Relationship Test: *Koontz v. St. John River* (2013)

When DIFs are legislated into local ordinance, developers hold the burden of proof. If there is no ordinance, local agencies hold the burden of proof.

ⁱ Federal Highway Administration. 2021. (Webinar) Value Capture Strategies: Developer Impact Fees. Washington D.C., August 04.

Nexus Studies

Nexus studies are commissioned by public agencies to establish legally defensible fees. Studies centering around residential, commercial and industrial structures establish maximum defensible fee ceilings and develop standard fee schedules by land use. Studies concerning other infrastructure (such as transportation, water/sewage, fire/safety, or affordable housing) explore if maximum fee ceilings could impede new developments, finalize fee schedules and legislate the program itself. Ultimate fee decisions are driven by funding priorities and how the fees impact new developments based on the local real estate market.

Fee Structuring

Fee structures are designed by defining the service area, establishing level of service standards, fee types, amounts and payment timing.

Defining the Service Area & Level of Service (LOS) Standards

The following questions must be answered in order to define the service area:

- What is the area's proximity to public transit?
- What other funding sources are available?
- What does current infrastructure capacity (infill development potential) look like?

Usually, the local authority sets the LOS standards, and they are generally the same for all. Standards can vary based on local growth, land use policy, development patterns and associated constraints.

Fee Types

Standard fee schedules for each service area are based on the established LOS standards. Fees are broken down for each infrastructure category and the land use within the infrastructure category. Fees are based on incremental infrastructure costs to account for the new trips. Fees for residential areas are based on the number of trips per dwelling unit for single and multifamily units. Non-residential areas (office, retail, industrial, etc.) use the number of trips per 1,000 ft². Interjurisdictional fee structures are used when there are regional impacts and shared resources.

Payment Timing

Payments occur in two steps: the fees are assessed and then collected. There are many variations of when the two steps occur, often with significant time delays between the two steps. For example, the timing of the building permit compared to the certificate of occupancy would change the assessment value and ultimately revenue.

Implementation Steps

1. Establish DIF goals and objectives.
2. Commission nexus studies.
3. Incorporate into CIP and local plans.
4. Conduct public hearings.
5. Prepare staff report/administrative record.
6. Draft DIF ordinance or resolution adoption.

7. Annual accounting/audits.
8. Fee collection and administration.
9. Fee challenges/refunds.

Implementation Issues

Estimating total developer charges poses a challenge, which can cause or compound transparency issues. Fee processes and determinations are not standardized, making them less predictable for developers. From the public sector perspective, local agencies have the challenge of evaluating how reasonable the assessed fees are. If there are too many unknowns, developers cannot accurately assess project feasibility and may move on to other areas as a result. Local agencies can mitigate this by posting standardized nexus studies before fee adoption, regularly updating a standard fee schedule, and providing information on fee estimations. Joint procurement and/or group information sharing efforts can assist where one local jurisdiction lacks capacity or resources.

Examples

Multimodal Transportation Impact Fee: Portland Bureau of Transportation (PBOT)

PBOT determined the amount of a new development over a 20-year period using land supply analysis and travel demand modeling technology. The number of new-person-trips (travel between two points) were calculated from the modeling results. Next, the Bureau identified eligible projects from their comprehensive pedestrian and bicycle master plans. Ineligible projects/costs were removed, external funding and grants were considered to determine total project costs. This cost was then used to determine person-trip costs.

Mobility Fees: Pasco County, Florida

Pasco County decided to implement mobility fees for several reasons. The county has the highest percentage of commuters and impact fees in the region, current growth patterns encouraged sprawl, the tax base is mostly residential, and the fee structure had not changed since 1985.

Implementing these fees promotes smart growth in suburban, rural and urban service areas. Additionally, implementation spurred economic development by reducing trips on roads, and commute times. Lower fees are in the urban service areas compared to the suburban and rural markets. Longer trip lengths, and higher LOS standards translate to higher fees. Fees have largely stayed the same since 2011, and generate more than \$28 million per year. Fees cannot increase more than 50 percent over four years.

Transportation Utility Fees Memorandum

Overview

Transportation Utility Fees (TUFs) are periodic fees paid by property owners or building occupants to a municipality based on use of the local transportation system.ⁱ The TUFs program treats streets like utilities, requiring most users to pay for them.ⁱⁱ Traditional sources such as the Motor Fuel Tax are not meeting local road maintenance funding fees with the increase in electric vehicle (EV) registrations, and TUFs can help close the funding gap to meet local road maintenance funding needs. Municipalities could consider focusing on collecting TUF funds and applying it to impact maintenance for the greatest returns.

Note: TUFs are not currently authorized by statute in the State of Illinois.

Transportation Utility Fees typically fund road maintenance, rehabilitation and/or preservation, especially for those roads that are ineligible to receive Federal-aid highway funding.ⁱⁱⁱ They may also be called:

- Transportation Maintenance Fees;
- Pavement Maintenance Utility Fees;
- Street Maintenance Fees;
- Street Restoration and Maintenance Fees;
- Street Utility Fees; or
- Road Use Fees.

Establishing a Program

There are several steps a municipality must complete to establish a Transportation Utility Fee Program. Municipalities must determine the objectives of instituting a TUF program, calculate program costs, program budget and fees, identifying who pays, informing and notifying the public, adopting the ordinance, and making program adjustments.

Determining Municipal Objectives

First, the municipality must determine program objectives. Some helpful questions to consider are:

- What will be funded with the program?
- Is a certain Pavement Condition Index targeted?

ⁱ Federal Highway Administration. 2020. Transportation Utility Fees:

Maintaining Local Roads, Trails, and Other Transportation. Washington D.C.: U.S. Department of Transportation Federal Highway Administration.

ⁱⁱ Page, Sasha, Tina Bailey, and David Klockeman. 2021. (Webinar) Transportation Utility Fees to Fund Roadway Maintenance and Enhance Safety. March 10. https://www.fhwa.dot.gov/ipd/value_capture/capacity_building/webinar_series/2021/default.aspx

ⁱⁱⁱ Federal Transit Administration. 2020. Value Capture. November 3. <https://www.transit.dot.gov/valuecapture>.

- Is coordination required with other utilities?
- Will coordination with other utilities change the program?

Objective Examples

Loveland, CO wanted to invest funds from a TUF program to increase annual street maintenance funding. The City appointed a Transportation Finance Committee to address their funding challenges. This committee had community members, representatives from the commercial and industrial sectors, city staff, consultants and homeowner association representatives.

Hillsboro, OR decided to implement a TUF program to fully fund the pavement maintenance program to eliminate all backlogs in 20 years, and free up state and local gas tax revenue to address other assets.

Determining Cost and Budget

It is important to address costs and budgeting when considering implementing a TUF program. TUFs can fund 30 to 60 percent of a street maintenance budget. Most TUF programs are designed to fund the roads that are maintained by the municipality. Who funds which aspects of maintenance may be a point of discussion when developing the program. The streets that will use TUF funds for maintenance must also be defined. This can be dependent on a jurisdiction's maintenance plan, objectives for Pavement Condition Index, and the current available budget.

Some items to consider are:

- Who benefits from what, and who is paying?
- How much will utility billing collection cost?
- What are the general program costs?

Some associated costs to consider are:

- Preparing or updating street maintenance studies;
- Surveying and classifying properties;
- Setting the program fees;
- Staff time (ex. public engagement, implementation);
- Development of informational materials;
- Staff time specific to answering questions, addressing appeals, processing bill payment issues; and,
- Associated utility billing costs.

Calculating Fees

There are different methods to determine fee amounts. Once the fee is calculated, municipalities may adjust them after the program is established. There are a variety of reasons to adjust fee amounts, such as changes in trip generations that necessitates additional categories, adding fee caps, or addressing appeals. Some municipalities publish comparable utility costs of other areas to dispel myths, and show how TUFs compare to other utility fees.

Identify Properties

A TUF ordinance must have a clear definition of which property types make property owners responsible for utility fees. A general rule that properties that create transportation demand on roads maintained by the municipality are included in the program and must pay the TUF. This complicates things, as public and non-profit institutions that typically do not pay certain taxes, are now

included in this, such as public schools, and religious institutions. These facilities may be excluded from the fee by designating them as exemptions, if appropriate.

When considering a TUF program, it is necessary to understand how categories and criteria will affect the program, and persons that will be participating in the program. One way to categorize is by residential and non-residential properties. Some municipalities use a combination of square feet and acres for nonresidential unit categories. Others have also incorporated which types of roads and transportation facilities correspond to properties within the municipality (ex. non-residential category payers fund local commercial roads). There are different methods used to calculate costs, and each should be carefully considered. Example approaches municipalities use to calculate costs are detailed in the subsections below.

Using ITE (Institute of Transportation Engineers) Manual

Municipalities may utilize the ITE Manual. This is a document developed by engineers that outlines technical standards and resources based on many studies throughout the United States. This method charges costs imposed on the road system by property owner. Costs can be measured by average weekday traffic/number of trips properties generate. Through using the ITE Manual, municipalities identify property types and then assign each type to the corresponding average outlined in the manual. The manual uses the following equations to calculate the Transportation Utility Fee per trip:

$$(Municipal\ properties \times Trips\ by\ property) = Total\ Municipal\ Trips$$

$$\frac{(Municipal\ properties \times Trips\ by\ property)}{(Total\ municipal\ trips)} = TUFs\ per\ trip$$

The disadvantage of this method are detailed below:

- The reports used to calculate fees are U.S. averages, which may not account for deviations due to geography, season, property type, etc.;
- This method is slow to capture new property types;
- This method is designed more for suburban areas, and does not measure urban area trip generation, infill projects, transit-oriented developments, or mixed-use developments; and
- This method has a motor vehicle focus, though there is now documentation that includes data regarding pedestrian and bike trips.

Here is one example of how fees may be calculated:

1. Estimate the number of units in each property category (i.e. 20,000 residential units).
2. Then by multiplying the daily trip generation by the number of units, the total daily trips for each category can be derived (i.e., 10 trips times 20,000 units equaled 200,000 total daily residential trips).
3. From there, the total annual trips for each category can be derived by multiplying the daily trips by 365 days per year (i.e., it multiplied 200,000 total daily trips to derive 73,000,000 annual residential trips).
4. Next, solve for the necessary fee per daily trip so that the expected annual revenue would equate to a target revenue of \$X by dividing the total annual trips (199,085,987) by the target revenue (\$820,000) to get

the total cost per trip.

5. To arrive at the monthly fee for each property category, multiply the daily trip generation by the average number of the days in a month by the cost of \$0.004119 per trip (i.e., 10 trips per day times 30 times \$0.004119 equals a \$1.25 monthly fee for the residential category).

Alternate Approaches

There are several alternate approaches to calculating TUFs that may be more appropriate, depending on the municipality.

- An alternate approach to calculating fees is to look at the available parking space each non-residential property is allowed to have, and install one fee per residential unit, essentially a flat fee.
- Charge one TUF rate for residential units and one rate for nonresidential based on the number of zoned parking spots allowed for the property.
 - This calculation can distort fees if the properties do not use parking spaces in the fashion of typical businesses. For example, stadium parking is extensive parking that has irregular use, whereas big box stores have comparably less parking but those spots are regularly used. Without exemptions, this calculation would charge a higher utility fee to the stadium, even though more trips (and in turn more street traffic) are generated by the big box store.
- Calculate residential TUFs as one fee per residential unit and nonresidential TUFs are based on an equivalent surface unit (ESU). An ESU is equivalent to one residential unit.
 - While this method is easy to grasp, some may feel that it does not accurately reflect their impact on local roads.
- Impose a flat TUF on all utility bills, regardless of property type.
 - This approach may be feasible in smaller sized municipalities, but would not be an appropriate choice for larger areas, as it would likely result in many program modifications outside the calculation.
- While not the same as a TUF, some municipalities simply opt for a street maintenance sales tax. This method does not link properties and street use, but it is effective if the area has properties conducive to generating sales tax (ex. theme parks, stadiums, malls, concert venues).

Identify Who Pays

Once the properties are identified, the municipality must identify who pays. Most TUFs are oriented so whoever receives the utility bill pays. This calculation can get complicated with multifamily units, and less conventional (in a suburban context) housing types (ex. accessory dwelling units, mixed use). Some TUFs may be sent to individual tenants, but municipalities generally hold the owner to be liable if the tenants fail to pay the fee.

Informing the Public

Once a municipality has determined a TUF program is viable, the general public must be informed. This can be done using a variety of methods, and is best if multiple methods are used. It is important to inform the public what projects TUF funds can address, with clear goals, and strategies. The City of Hillsboro used

a map to show the current road conditions and their condition over time with current funding, versus the influence of TUF funds. The City also budgeted extra time for this city-wide road repair effort. These methods of informing the public include but are not limited to:

- Public hearing;
- Presentations;
- Websites detailing studies and/or reports;
- Informational materials; and
- Brochures.

Adopting the Ordinance

The next step is to adopt a TUF Ordinance. These ordinances vary, even between multiple cities within the same state. Variances can be due to differing maintenance needs, community structures, city structures, legislation and more.

Ordinances may include language about:

- The program's purpose;
- Program management;
- Funding uses;
- The collection process;
- How funding is stored;
- How fees are calculated and enforced;
- The exemption and appeals process; and
- Other administrative matters.

Legal and Regulatory Issues

When establishing a TUF program, it is necessary to consider legal challenges. There have been a few different cases in the U.S. that address TUFs, with different rulings. Some outcomes claim that the fee is actually a tax, others establish it as a service fee. Municipalities should use appropriate legal counsel to establish that there is a legal basis for TUFs in their area. Cities should check state supreme court case law for understanding common challenges that come with this program and the legal standing of TUFs within the context of the geographic area. It is also necessary to know whether the state, or the municipality, is in a Home Rule state or a Dillon's Rule state, as this will affect if a municipality can institute a TUF program.

Notifying the Public and Implementing/Adjusting TUFs

A local TUFs program must have a large component of public engagement. Educating the public prior to the program's launch can include a utility bill insert, informational mailers, community group outreach, social media outreach, a citywide advertising program, assembling a Business Leaders Group (comprised of several smaller associations related to local commerce), a phone hotline or dedicated staff member to answer questions. These outreach components should educate legislative bodies and the general public on the program's purpose, what the funds are used for, how the fees are calculated, provide information about exemptions and waivers, and how these fees are collected and enforced.

Practical Applications

Transportation Utility Fee program applications will look different due to the different rulings from state legislature regarding TUFs and due to how the TUF ordinance is constructed.

Some applications may be:

- Maintenance of local transportation facilities;
- Street maintenance pavement preservation;
- Other street infrastructure;
- Sidewalks and bike paths;
- Landscaping;
- Storm drains;
- Correcting street deficiencies – sidewalk curb cuts, ADA requirements; and
- Soft costs related to these above activities (ex. inspection, engineering planning, management, administration, development guidelines).

In terms of practical application, it is important to keep in mind that not all that the TUF ordinance allows for may be initially addressed. There are instances of a TUF program that allows for a wide range of applications, but in practice only a few of them are currently utilized. It is important to recognize and include public assets applicable to TUF funds that may not currently need maintenance, but will in the future.

Administering the Program

Managing TUFs monies in separate account

Per state or local law, TUF receipts are deposited into an account separate from the general fund as TUF funds are not to be used for the general fund. This is indicative of the general purpose and nature of TUFs and allows for transparency for residents.

TUFs and Financing

Most TUF programs fund on a PAYGO (Pay as you Go) basis, and are not used as a repayment financing source. Raising long term finance is difficult for a TUF program, as it is hard to raise long term financing for assets with uncertain lifespans (lifespans of surface transportation can vary wildly based on how well the asset is maintained and how much it is utilized). Due to transaction costs associated with issuing bonds, bonds need to be of a certain size (\$25 million). This may make bond financing inappropriate for smaller TUFs programs. Short term financing may be possible (ex. investment banks, commercial banks, TIFIA, RRIF programs, state infrastructure program). TUF programs can effectively turn local roads into toll roads. TUFs monies should stay with the program and not be transferred into a general fund. Although TUF programs are more restrictive on how the funds can be spent, they free up other funding sources. TUFs should not depend on property value, but on trip characteristics.

Enforcing TUFs payments

Enforcing payments are similar to other utilities. If the fee is not paid within certain period of time, the jurisdiction will terminate service to the property. Some municipalities that have a TUF program offer payment options to residents. Budget billing allows for a consistent year-round utility bill, to plan for more predictable finances, as utility bills can change dramatically with harsh

weather in winter months. Non-profit organizations may have a donation fund to help offset utility costs for people experiencing financial hardship. Programs like these help people stay housed and healthy. During large scale emergencies, such as the COVID-19 pandemic, policies suspending utility shut offs and evictions were put in place temporarily.

Managing exemptions

Exemptions assist with tailoring the program to the area's specific context. Some examples of exemptions are:

- City or public parking lots;
- Farms;
- Properties that do not receive water and/or sewer service;
- Vacant properties;
- Undeveloped properties;
- Railway Right of Way;
- Open Spaces;
- Greenways;
- Properties owned or leased, and used by a taxing entity;
- Tax exempt properties;
- Park spaces; and
- Public schools.

Allowing Waivers and Hardship Discounts

Waivers or hardship discounts can accommodate unusual circumstances, atypical events, people that are disproportionately affected by certain hardships, and situations that do not conventionally fit the established TUF program.

Some examples of qualifying approvals are:

- Income below a certain threshold;
- Recently unemployed residents (ex. six-month waiver);
- Low-income residents;
- Fixed Income/elderly residents;
- Unusual events or circumstances;
- Residents with an annual transit pass; and
- Residents that do not own vehicle.

Whether it is a discount or waiver is dependent on the situation. For example, people that do not have cars, but live in the jurisdiction are still generating trips because of trips related to mail delivery, using a transit system that still uses the transportation network, and refuse retrieval. Discounts may also be given to employers who provide a certain percentage of employees with transit passes (ex. a 30 percent discount for employers that provide at least 70 percent of their employees with annual transit passes). Some municipalities have offered discounts to non-residential customers who have a trip reduction strategy in place, and offered to stack discounts up to a certain amount.

Providing for Appeals

Appeals allow property owners to challenge the fee level or the category the owner's property is in. The consensus among TUF municipal staff representatives is that appeals are rare. Appeals processes will differ for each municipality, but some examples are detailed below:

- Appeals for a variety of reasons, or specific set of criteria and reasons.

- Appeals for only specific properties or all properties (ex. non-residential only)

Whatever a municipality's appeals process may be, it should be clearly outlined including who qualifies for appeals, who to contact, and what the process is.

Reporting Results to Public

It is a vital best practice to maintain transparency on how TUF funds are spent. This can be accomplished through a combination of detailed project presentations, annual reports, an informational website, educational videos and more.

Adjusting for Inflation

Municipalities can adjust their TUFs for inflation. Some opt to adjust for the rising costs associated with street maintenance by using a construction index while others may adjust based on needs.

Facts and Questions

- Impact fees are a one-time fee, whereas Transportation Utility Fees are a recurring fee.
- What can TUFs fund?
 - Engineering;
 - Planning;
 - Management and administration;
 - Development of guidelines for implementing the TUFs;
 - Inspection;
 - Cleaning and installing storm drains;
 - Constructing minor road widening and other miscellaneous repairs;
 - Maintaining the safety and operations equipment, and the operations of street lights;
 - Rebasement or placing additional road base on local streets;
 - Repairing and installing curbs and gutters;
 - Repairing and installing signals and illumination;
 - Replacing and installing signs;
 - Sidewalks;
 - Bike paths;
 - Repairing and installing curb cuts;
 - Improvements related to ADA compliance and general improved access for people with disabilities;
 - Maintaining landscaping enhancements along rights of way;
 - Maintaining and replacing trees along streets;
 - Street sweeping; and
 - Striping.

Pros

- TUF programs fit in existing systems.
- This program can be customized to accommodate different payees.
- TUF funds help close the transportation maintenance funding gap.

- TUF funds free up other funding streams to be used.
- Economically efficient.
 - Link resource use and payment.
 - Easy collection through existing systems (utility bill).
- Equitable and dynamic.
 - Those who use the roads, pay for them.
 - Adjustments can be made to accommodate lower or fixed income residents, and unconventional situations.
- Transparency.
 - Funds go to a specific, isolated account and the spending of these generated funds can be easily shown.

Cons

- TUFs don't address tourists that impact transportation assets.
- Though there are several ways to calculate fees, no calculation is all encompassing to the local context.
- Funds are very limited in how they can be used.
- Some residents or entities will be more difficult to categorize or find a place in the program. As with many programs, there will always be some who benefit more and some who benefit less.
- TUFs do not support general municipal budgets, and do not cross subsidize other utility costs.

Additional Resources

- [Transportation Utility Fees: Maintaining Local Roads, Trails, and Other Transportation](#)
- [Hillsboro Transportation Utility Fee Page](#)



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