



Motor Fuel Tax Funds

Source, Distribution & Uses for Municipality 2020



MFT Funds Source, Distribution, & Uses for Municipality July 2020

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

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DOCUMENT CONTROL AND REVISION HISTORY

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

Distribution

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

Revision History

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

<u>Revision Date</u>	<u>Description</u>	<u>Approval</u>
July 1, 2017	Updated Changes in Policy and Statute	Barry Kent
July 1, 2020	Updated Added information on Transportation Renewal Fund	Stephane Seck-Birhame

PREFACE

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

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

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

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

- Chapter 2, 3, and 4.

SOURCE OF THE MOTOR FUEL TAX FUND

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

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

- a. 19.0 cents per gallon
- b. 7.5 cents per gallon on diesel fuel in addition to the tax in (a) above.

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

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

DISTRIBUTION OF THE MOTOR FUEL TAX FUND

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

- a. 2 1/2 cents per gallon tax on diesel fuel is transferred to the State Construction Account Fund.
- b. 5 cents per gallon tax on diesel fuel is transferred to the Road Fund Account.
- c. \$420,000 per month is transferred to the State Boating Act Fund. This money is used by the Department of Natural Resources for the purposes specified in Article X of the Boat Registration and Safety Act, 625 ILCS 45/10-1.
- d. \$3,500,000 per month is transferred to the Grade Crossing Protection Fund. This money is used by the Department upon order of the Illinois Commerce Commission to pay part of the expense of providing grade crossing protection at points where local public highways cross railroads.
 1. Each fiscal year not less than \$12,000,000 shall be used for construction or reconstruction of rail/highway grade separation structures;
 2. Each fiscal year \$3,000,000 shall be transferred to the Transportation Regulatory Fund and shall be accounted for as part of the rail carrier portion of such funds and shall be used to pay the cost of administration of the Illinois Commerce Commission's railroad safety program, with the remainder to be used by the Department of Transportation upon order of the Illinois Commerce Commission, to pay that part of the cost apportioned by such Commission to the State to cover the interest of the public in the use of highways, roads or streets in the county highway system, township and road district system or municipal street system.
- e. A sufficient amount of money is reserved each month to pay:
 1. The Department of Revenue for the costs of the MFT Law administration;
 2. The Department of Transportation for administration and supervision of the use of MFT funds;
 3. Refunds allowed by law;
 4. \$30,000,000/year into the Vehicle Inspection Fund (\$15,000,000 on July 1 and October 1, or as soon thereafter as may be practical);
 5. Amounts ordered paid by the Court of Claims; and
 6. International Fuel Tax Agreement (IFTA) payments to other states.

The remaining monies shall be allocated each month as follows:

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

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

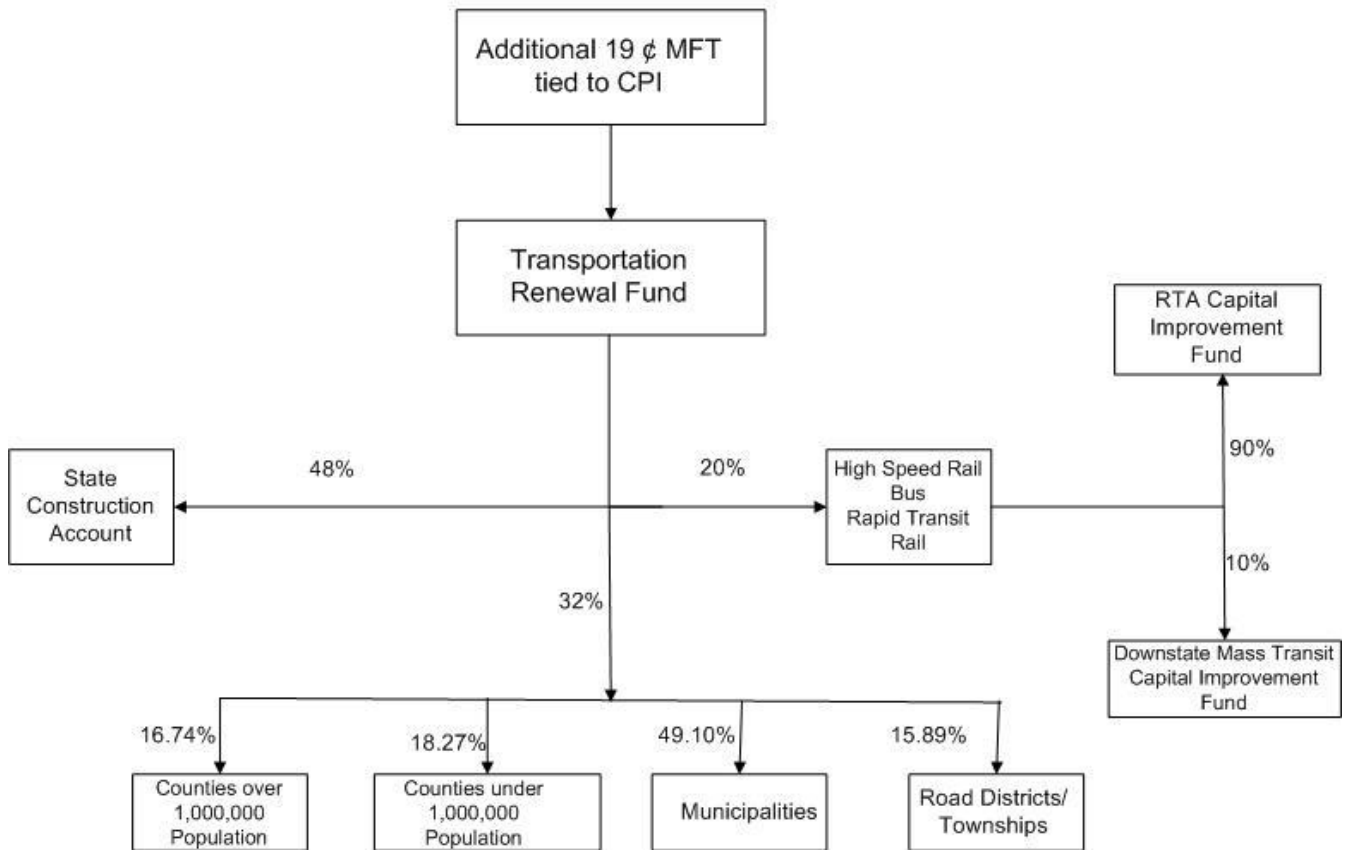
TRANSPORTATION RENEWAL FUND (TRF)

Beginning July 1st, 2019, the Motor Fuel Tax (MFT) law 35 ILCS 505/ was amended to impose a tax rate increase from 19 cents to 38 cents per gallon on motor fuel which will be adjusted annually, if any, on July 1st of each subsequent year based on the Consumer Price Index. A tax rate of 7.5 cents per gallon on diesel fuel was also effective beginning July 1st, 2019. Public Acts 101-30, 101-31 and 101-32 also amended the State Finance Act 30 ILCS 105/ to create the Transportation Renewal Fund as a new fund in the State Treasury. This special fund collects each month an amount equal to the amount of tax collected from the additional 19 cent taxes on motor fuel. It will be distributed monthly as shown below. These funds are subject to an annual financial audit by the Illinois Auditor General.

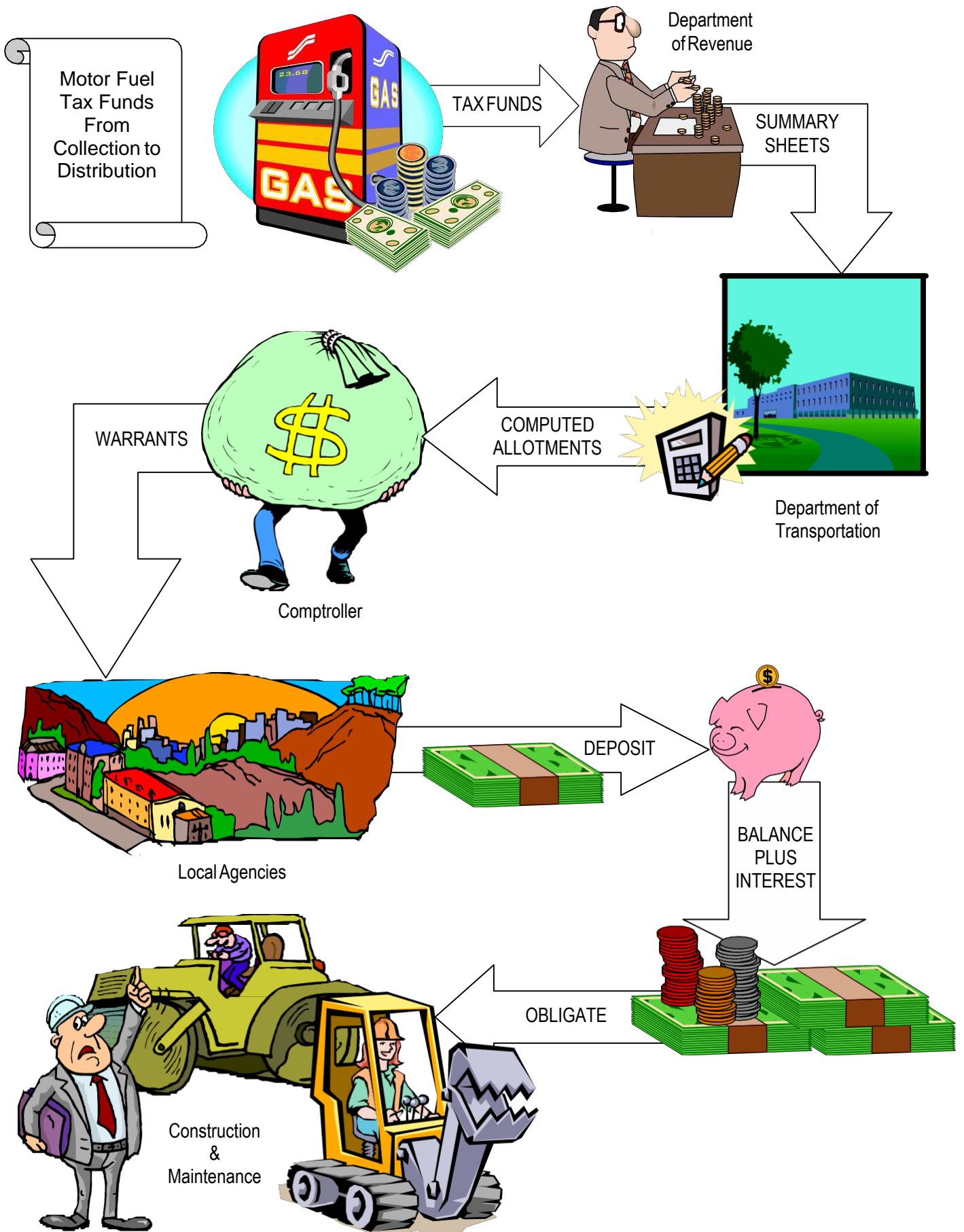
TRF funds are apportioned to municipalities based on population. Apportionment to counties with population less than 1 million residents is based on vehicle registrations. The apportionment to road districts is based on mileage.

Monthly TRF distributions are sent separately from MFT distributions. These TRF funds should be deposited in the agency's MFT account. The rules for TRF funds are the same as the rules for MFT funds. TRF funds should be treated as MFT funds once deposited in the agency's MFT account. They are subject to an annual financial audit by the Illinois Auditor General.

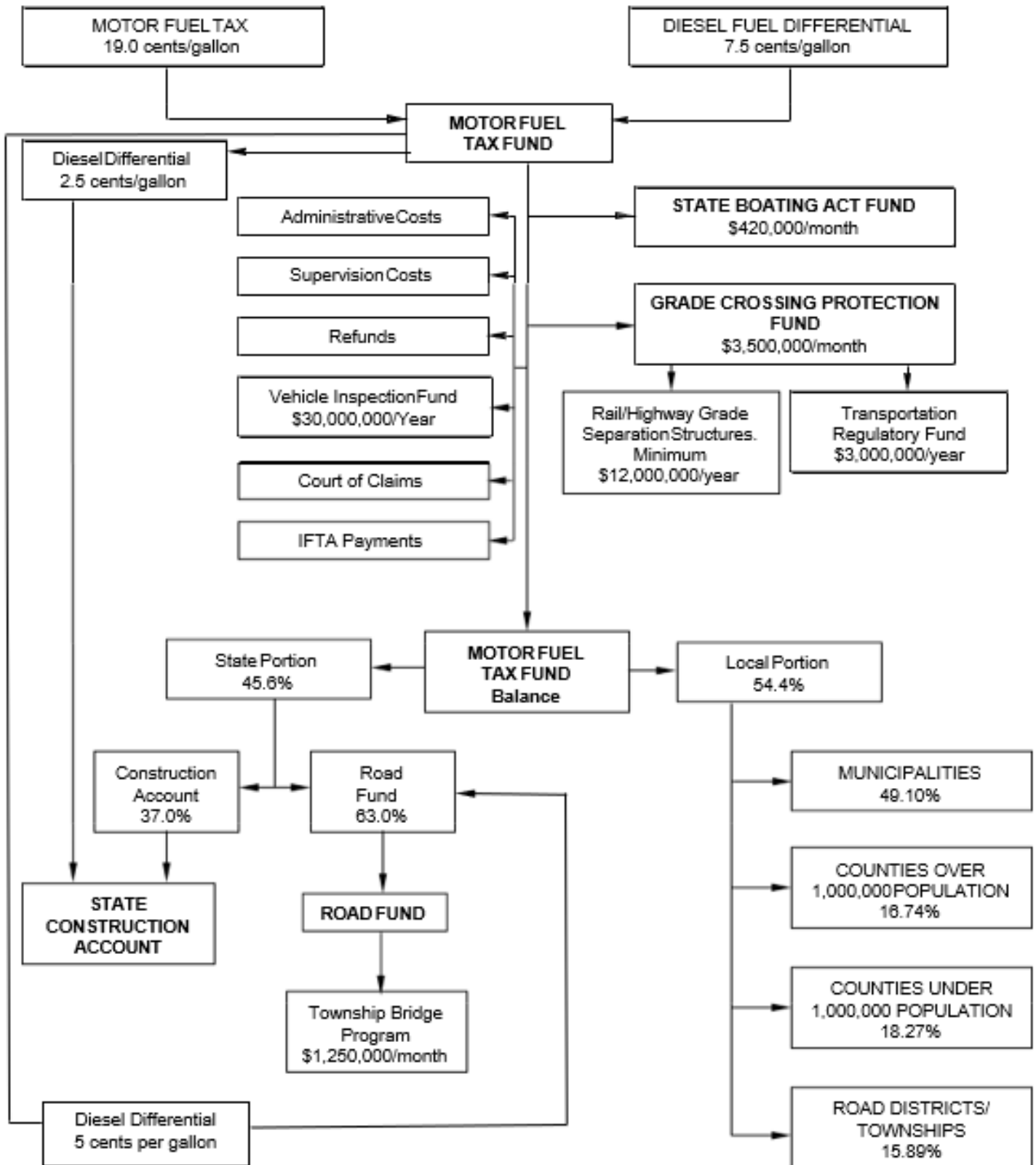
Transportation Renewal Fund Distribution



DISTRIBUTION OF THE ILLINOIS MOTOR FUEL TAX FUND



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EXPENDITURE OF THE ILLINOIS MOTOR FUEL TAX FUND

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

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

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

PERMISSIBLE USES OF THE ILLINOIS MOTOR FUEL TAX FUND FOR MUNICIPALITIES

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

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

IDOT REGIONAL/DISTRICT MAP

