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MEMORANDUM

To: Robert Kosin
Village of Barrington Hills

From: Daniel J. Strahan
Gewalt Hamilton Associates

Date: November 13, 2008

Re: MFT Overview

It is our understanding that members of the Village Board have inquired as to the status of the Village's Motor Fuel Tax (MFT) revenues, and that an overview of the MFT program may be beneficial. The following is a summary of the origins of MFT revenues, how they are distributed, and how they can be used.

Regulations for Collection and Distribution of MFT Funds

The Illinois Motor Fuel Tax is a tax imposed on the operation of motor vehicles on public highways through the purchase of gasoline and other fuels. Per 35 ILCS 505 of the Illinois Compiled Statutes, the MFT was phased in beginning in August of 1989, reaching the current rates of \$0.19 per gallon of gasoline and \$0.215 per gallon of diesel fuel in January of 1990. These taxes are flat rates that do not vary as fuel costs rise; in fact, these rates have been unchanged since this time. This flat rate is comparable to other states; the US average is approximately \$0.21, ranging from \$0.075 per gallon in Georgia to \$0.375 per gallon in Washington. Fuel suppliers in Illinois also must pay a separate tax of three-tenths of a cent per gallon received. Revenues received by the State are then allocated as follows:

- \$0.025 per gallon of diesel is transferred to the State Construction Account Fund
- \$420,000 is transferred each month to the State Boating Act Fund, administered by the Illinois Department of Natural Resources.
- \$2,250,000 is transferred each month to the Illinois Grade Crossing Protection Fund administered by IDOT.
- Various amounts are allocated to cover costs of administration of the MFT program.
- Of the remaining amount, 45.6% is divided between the State Construction Account Fund and the Road Fund; the remaining 54.4% is allocated to local agencies as follows:
 - 49.1% to municipalities.
 - 16.74% to the counties having 1,000,000 or more inhabitants (only Cook County as of 2000 census; Dupage county second at 904k).
 - 18.27% to counties with fewer than 1,000,000 inhabitants.
 - 15.89% to road districts.

As the total MFT revenue is based on the number of gallons sold, a concern may be that higher gas prices will reduce consumption of gasoline and as a result less revenue will be available in the MFT fund. However, historical trends have generally shown the demand for gasoline to be relatively inelastic to price, at least absent other factors. For instance, according to statistics from the Energy Information Administration, from 2002 to 2007 the average cost of gasoline increased from \$0.99 2002 to \$2.37 in 2007. Over that same time period sales of gasoline increased from 12,712,000 gallons per day to 14,182,000 gallons per day in 2007. Consumption of gasoline can be responsive to larger market forces, as evidenced by the Village's average monthly MFT revenue of \$8,577.35 for the first nine months of 2008, an 8.3% reduction from the 2007 average of \$9,355.16.

The municipal portion of the MFT funds is allocated based on the population as determined by the last preceding federally conducted census. This aspect of the allocation is unfortunate for the Village, as the mileage of public roads in Barrington Hills is relatively high compared to other municipalities with similar populations. By comparison County and Township allocations are based on total mileage of maintenance responsibility. This illustrates the importance of ensuring that all inhabitants of the Village are counted, as a 10% increase in the census would lead directly to a 10% increase in the MFT allotment to the Village, all other things being equal. When the 2000 census lowered the population of the Village from 4,202 to 3,915 (a 6.8% decrease), the average monthly MFT allotment to the Village decreased from \$10,399.61 in 2000 to \$9,628.32 in 2001 (a 7.4% decrease). If the 2000 census had found the population to be unchanged since 1990, to date the Village would have accumulated an additional \$71,316.50 in MFT revenue.

Permissible Uses of MFT Funds

Expenditure of MFT funds can be made on a variety of different projects, but all require coordination with and oversight by IDOT. Below is a listing of permissible uses for MFT funds:

- Construction and Maintenance of:
 - Municipal Streets and Extensions, Municipal Alleys, County Highways and Extensions, State Highways, and Federal-aid Routes within the municipality
 - Bicycle Signs, Paths, Lanes, or Bicycle Parking Facilities
 - Storm Sewers
 - Traffic Control and School Crossing Signals
 - Grade Separations and Approaches
 - Off-Street Parking Facilities
 - Street Lighting Systems
 - Pedestrian Subway or Overhead Crossings
 - Sidewalks and Pedestrian Paths
 - Non-dedicated Subdivision Roads established before July 23, 1959
- Allotment of Funds for:
 - Matching Federal-aid Funds
 - Engineering Services
 - Retirement of Indebtedness
 - Local mass Transit Districts
 - Motor Vehicle Safety Inspection Lanes Operation and Maintenance
 - Payment of Principal and Interest on Road Bonds
 - Engineering Investigation
 - Toll Bridge Studies
- Work Items Eligible if they are Related to MFT maintenance or construction:
 - Curb Ramps
 - Right-of-Way
 - Salt Storage Facilities
 - Wages or Salaries
 - Equipment Operations Costs
 - Holidays, Vacation, and Sick Leave
 - Tree Trimming and Tree Removal
 - Workers' Compensation Insurance Premiums
 - Miscellaneous Expenses in Connection with Bond Issue Improvements
 - Railroad Signal Protection and Crossing Work
 - Utility Adjustments
 - Health, Hospitalization, and Life Insurance