



What are the typical funding/financing sources for large transportation projects in Illinois?

The North DuSable Lake Shore Drive (NDLSD) Phase I Study project will not only select a preferred alternative but also develop strategies for funding the next phases of the project (Final Design, or Phase II, and Engineering/Construction, or Phase III). A variety of funding sources are typically used to fund a public improvement of this magnitude, and it is anticipated that a combination of funding sources will be needed.

The purpose of this study spotlight is to provide high level information on potential sources under consideration for the NDLSD project. These sources do not include strategies for long term maintenance or operational costs that may be collected through streams such as tolling. Information regarding maintenance or operational funding strategies will be provided as Level 3 screening process continues.

TRADITIONAL FINANCING

Funding sources that come from local, state, or federal governments.

Federal Funds

The Federal government allocates transportation funds through two main sources: formula funds and discretionary grants. These typically apply to a percentage of the project costs, and the Federal government requires states and local governments to match the grant financially. Federal funds are appropriated by the State and the State requests reimbursement from the Federal government.

- **Formula funds** are allocated to each state based on formulas considering factors such as population, vehicle miles traveled, and transit ridership. These funds are collected through the federal motor fuel tax, general revenue, and other sources.
- **Discretionary grants** are distributed for individual projects by the US Department of Transportation (DOT) through state and regional governments using a variety of methods, such as competitive programs or congressional direction.

Federal Loan Programs: These programs can take the form of direct loans, loan guarantees, and lines of credit, and can be used to attract private or other nonfederal co-investment for transportation projects that generate revenue.

State Funds

The Illinois Department of Transportation (IDOT) funds and finances projects through revenue from the state motor fuel tax, license plate fees, bonds, and other state sources. The Illinois Tollway uses toll revenue to finance bonds that fund its major projects. State funds may be used as match money to leverage federal funds.

Local and Regional Funds

Municipalities, Counties, and other local or regional governmental organizations generally fund and finance projects through local motor fuel taxes, sales or property taxes, fees, bonds, or Tax Increment Financing (TIF). Local funds may also be used as match money to leverage state and federal funds.

PARTNERSHIPS

Funding from a partnership between public or private entities.

Public

Public Partnerships involve collaboration between two or more public agencies to design, build, finance, operate and/or maintain infrastructure. Examples could include partnerships between IDOT, CDOT, the Chicago Transit Authority (CTA), the Chicago Park District (CPD), or the Illinois Tollway.

Public-Private

Public-Private Partnerships, also referred to as P3s, involve agreements between one or more public agencies and private sector organizations to design, build, finance, operate, and/or maintain infrastructure. The P3 structure would be tailored to the needs of an individual project and could include some or all of these project development components. The main advantages of a P3 are that it can allow for sharing the project risk with the private sector and it can leverage private sector funding to accelerate implementation. A P3 project may still require substantial public investment.

WHAT ARE THE ESTIMATED COSTS OF THE NDLSD ALTERNATIVES?

ALTERNATIVES*	TOTAL COST**
The Essential	\$3.4B
The Addition	\$3.7B
The Exchange	\$3.7B
The Flex	\$3.7B
The Double Flex	\$3.7B

*Click [here](#) for an overview of the design alternatives

**Estimated 2021 order of magnitude design and construction costs, expressed in billions.



Could the new Federal Infrastructure Bill fund NDLSLSD?

The Infrastructure Investment and Jobs Act—signed by President Biden on November 15, 2021—provides \$550 billion in federal funding for infrastructure investment such as roads, bridges, public transit, and electric vehicles. The NDLSLSD project would likely be eligible to receive certain types of funding from this bill.

As with many large projects, the NDLSLSD construction will be completed in multiple segments due to physical, operational, and funding capacity constraints. Construction of each segment will likely take several years to complete.

WHAT ARE THE SOME OF THE ELIGIBILITY REQUIREMENTS FOR MAJOR TRANSPORTATION PROJECTS?

Criteria	Federal Funds	State Funds	Local Funds	Public Private Partnerships (P3)
Must demonstrate compliance with applicable federal laws*, state laws, and/or local requirements	✓	✓	✓	✓
Must be included in fiscally constrained State and Regional Transportation Improvement Plans (TIP) and meet regional air quality standards	✓	✓		✓
Project Financial Analysis (cost estimates, implementation and financing strategies, risk assessment)	✓			✓**
Must align project type and project benefits to fund source requirements	✓	✓	✓	
Additional supporting analyses as required by fund source (e.g., discretionary competitive grants)	✓			
Requires authorizing legislation (bill passed through the Illinois General Assembly)				✓

*Federal laws include but are not necessarily limited to the National Environmental Policy Act (NEPA), Section 106 of the National Historic Preservation Act (NHPA), and Section 4(f) of the U.S. Department of Transportation Act

**A detailed financial analysis is required to satisfy private financiers

HOW HAVE SOME RECENT PROJECTS IN THE REGION BEEN FUNDED?

Project (Agency)	Description	Construction Cost	Funding Breakdown
South DuSable Lake Shore Drive	Roadway Improvements (CDOT): Six miles of rehabilitation and reconstruction of South Lake Shore Drive from the Stevenson Expressway to 67th St, bridge improvements, and drainage and water quality improvements	\$194M (2006 dollars)	<ul style="list-style-type: none"> 5% from Federal funds (\$0.6M CMAQ funds, \$2M STP funds, \$7.4M Highway Performance Program funding) 95% State and Local funds (\$184M)
	Pedestrian/Bicyclist Improvements (CDOT): Construction of three pedestrian/bicyclist bridges over SDLSLSD at 35th St, 41st St, and 43rd St	\$103M (2014-2020 dollars)	<ul style="list-style-type: none"> 80% from Federal funds (\$19M USDOT TIGER Grant funds, \$61M CMAP Program funds, \$2M Illinois Transportation Enhancement funds) 20% from State/Local funds (\$21M)
	Interchange Improvement at I-55 (IDOT): 1.1 miles of improvements to reconstruct interchange approaches and six bridge structures	\$139.4M (2017 dollars)	<ul style="list-style-type: none"> 90% from Federal funds (\$125.5M National Highway Performance Program funding) 10% from State funds
Red Purple Modernization (CTA)	Creation of a bypass allowing train lines to cross each other without stopping; modernization of tracks, structures, and four stations	\$2.1B (2014-2027 dollars)	<ul style="list-style-type: none"> 51% from Federal funds (\$957M from the Federal Transit Administration's Core Capacity Grant Program and \$125M from federal CMAQ Improvement Program funds administered by CMAP) 29% Transit TIF funding (\$622M) 20% CTA bonds and other local funding (\$428M)
Elgin O'Hare/Western Access (Illinois Tollway)	Improvements to the Elgin O'Hare Expressway (IL 390) from Lake St (US 20) to Irving Park Rd (IL 19), constructing the new Elgin O'Hare Extension and Western Access (I-490) toll roads with connections to I-90 and I-294 along the western side of O'Hare International Airport	\$3.6B (2014-2025 dollars)*	<ul style="list-style-type: none"> 90.5% from Illinois Tollway's Move Illinois Program (\$3.299B) 7.2% from Federal funds (\$140M SAFETEA-LU program; \$124M from CMAQ program; \$2.6M from Surface Transportation (STU) program) 1.0% from State funds (\$35M) 1.3% In-Kind Contributions (\$53.7M)
Chicago Shoreline Protection Project (Various)	A variety of shoreline protection structures for the City's lakefront	\$301M (1996 dollars)	<ul style="list-style-type: none"> 57% Federal funds (\$172M from the U.S. Army Corps of Engineers) 43% State and Local funds (\$87M from the City of Chicago and the Chicago Park District, \$42M from the Illinois Department of Natural Resources)

*As reported in the project Federal Financial Plan Annual Update [prepared December 2020]

If you have any comments on the information in this handout, or any other project materials, please email the project team at info@ndlsd.org.

Level 3 Screening Criteria
Category: **ECONOMIC**

