



Illinois Department of Transportation

Office of the Secretary
2300 South Dirksen Parkway / Springfield, Illinois / 62764
Telephone 217/782-5597

April 6, 2012

Honorable John J. Cullerton
Senate President
327 Capitol Building
Springfield, Illinois 62706

Dear President Cullerton:

The Illinois Department of Transportation (IDOT) does not consider the use of Road Fund cash to seed the Working Capital Revolving Loan Fund (WCRLF) as a diversion from the Road Fund. The implementation of this legislation would allow IDOT to utilize the Road Fund to provide initial financing for the construction of highway projects within the boundaries of the provisions governing the Federal Highway Trust Fund and the State Finance Act, 30 ILCS 105/8.3.

The WCRLF will be used as a line of credit by subcontractors that have been certified as disadvantaged business enterprises for working capital to allow them to have the necessary funds to work on the Agency's road construction projects. The cash in the WCRLF can only be expended on items that would have been funded through payments to a contractor from the Road Fund in the normal course of business. The disadvantaged firm will just be allowed access to the cash at an earlier time.

Under the normal process, the disadvantaged firm would perform the work, submit progress payments and then receive payments from the Road Fund. This time frame covers several weeks. The disadvantaged firm must have enough cash to meet expenses incurred from the start of the project until the time of the first payment from the prime contractor. With the WCRLF, the disadvantaged firm will receive the line of credit that will provide the necessary cash to cover the costs of that initial time frame. The progress payments that are due to the disadvantaged firm will first be directed to the WCRLF and only after the loan has been repaid will any payments be paid to the firm. Thus, the WCRLF is being used for expenses that would have been paid from the Road Fund in the normal course of business.

Although SB2491 moves cash from the Road Fund to the WCRLF, the cash is still being used for costs that the Road Fund would have covered. Therefore, this DBE financing program does not divert the cash from Road Fund purposes but, instead allows IDOT to create a limited financing program for DBE's who have a contract to complete a current IDOT project.

Thank you for the opportunity to comment on this issue. If you have questions or need further information, please contact me.

Sincerely,

A handwritten signature in cursive script, reading "Ann L. Schneider".

Ann L. Schneider
Secretary