These guidelines are for use as a reference tool only. Final determination of bondability will be at the discretion of the Department of Commerce and Economic Opportunity.

The purpose of these guidelines is to prescribe the policies and principles to be followed in determining whether a specific project or class of projects is eligible to be funded from General Obligation bond proceeds, Build Illinois bond proceeds or Rebuild Illinois funds.

To be funded with the proceeds of a state bond issue, a project must be consistent where applicable with (1) Article VIII, Section 1 and Article IX, Section 9 of the 1970 Constitution of the State of Illinois; (2) the General Obligation Bond and Build Illinois Bond acts, as now or hereafter amended; (3) other applicable substantive statutes; and (4) the appropriation authority, with review of requirements of federal tax law.

General Guidelines for Bondable Capital Improvements
A bondable capital project is one for which:

1. The expenditures generally include, but are not limited to, one or more of the following purposes: Architectural planning and engineering design; site selection; land and building acquisition; demolition (in preparation for additional work); site preparation and improvement; utility work; new construction of buildings and structures; reconstruction or improvement of existing buildings or structure; original furnishings and durable equipment; replacement of currently utilized assets by a better asset; expansion of existing buildings or facilities; direct costs associated with the issuance of State general obligation bonds and any other work which significantly increases the service potential of a building or structure used by the State of Illinois.

2. The useful life of the project is greater than or equal to the average life of the bond issuance from which the project is financed. Most of the state’s bonds are issued as 25-year level principal issues with an average life of approximately 13 years.

General Guidelines for Utilization of Bond Proceeds
In general, any expenditure purpose shall be considered appropriate for financing from proceeds provided that such expenditure purposes:

1. Are not recurring. In this context, recurring expenses are defined as those costs which are incurred at frequent or regular periodic intervals within the initial term of financing; and which would cause pyramiding accumulation of costs for the same expenditure purpose before the expenses initially incurred for such purpose are completely amortized;

2. Can be characterized as durable or not readily consumed in use;

3. Reflect an extended useful life or longevity which effect confers long-term (non-transitory) benefits to the citizens of the State of Illinois;

4. Are not subject to inherent risk of failure, rapid technological obsolescence, or primarily intended to fulfill temporary requirements or needs;
General Guidelines for Utilization of Bond Proceeds - Continued…

5. Reflect a direct interest of the State of Illinois, including its legally constituted subdivisions, in any real property to be improved, as evidenced by valid title to the real property on which the proposed improvement is to be made, or an easement interest of record which at least encompasses the proposed term of bond financing.

6. Appreciably increases, improves, or enhances the equitable interests of the State of Illinois in capital facilities, land, permanent improvements, and related assets;

7. Are considered as internal components of a project, which if considered separately may not reflect extended useful life, but will be bondable provided that such components are initially required and appreciably contribute to effective functioning, or are otherwise incapable of separation from a more complex unit which in itself is bondable.

Approval of bond releases will be guided by the following general principles:

1. The project expenses will not be recurring.
2. The project is of a durable nature and not consumed in use.
3. The project is not subject to inherent risk of failure, rapid technological obsolescence, or primarily intended to fulfill temporary requirements or needs.
4. The expenditure of project funds appreciably increases, improves or enhances the interest of the State of Illinois, or its legally constituted subdivisions, in the property, land, building or asset to be developed, constructed or improved.

General Examples of Non-Bondable Expenditures
In general, the following expenditures will not be considered appropriate to finance from bond proceeds:

1. Operational and administrative expenses;
2. Lease payments for rental of equipment or facilities;
3. Costs of staff or resident labor and material;
4. Expenditures to acquire or construct temporary facilities;
5. Purchase of automobiles, trucks, farm equipment, boats or rolling stock;
6. Livestock or laboratory animals;
7. Unpredictable or unusual legal expenses;
8. Costs for archaeological digs, research or exploration.

Work that contains repairs, maintenance or remodeling of a limited nature or scope, which is not done as part of a larger bondable project, shall not be considered a bondable capital project.
<table>
<thead>
<tr>
<th>TYPE of PROJECT</th>
<th>BONDABLE EXPENDITURES</th>
<th>NON-BONDABLE EXPENDITURES</th>
</tr>
</thead>
</table>
| Planning        | • A/E design for construction or installation (from Schematic design to working drawings).  
• Construction management and observation.  
• Costs of the following are eligible only if done as part of a larger (grant funded) bondable project:  
  • Environmental assessments,  
  • Wetland delineations,  
  • Archeological surveys,  
  • Historical properties studies/surveys. | • Long-range development plans.  
• Facility surveys.  
• Feasibility studies.  
• Energy audits.  
• Program or scope statements.  
• Archeological digs. |
| Land and Building Acquisition | • Acquisition costs of all improved or unimproved real property including appraisal fees, title opinions, surveying tees, real estate fees, title transfer taxes, condemnation and related legal expenses. | • Acquisition of leasehold interests through rental of real property.  
• Relocation costs. |
| Utilities       | Installation or replacement of:  
• Potable, high temperature or domestic water systems.  
• Electrical systems including components or telecommunications equipment.  
• Steam and condensate return systems.  
• Fire hydrants, standpipes and central fire and security alert systems.  
• Lighting systems and tap-ons or extensions of existing utility systems.  
• Automated temperature or environmental control systems and air or water pollution control systems, including installing energy management control computers.  
• Waste disposal systems for contaminated radioactive, hazardous or surgical waste. Solar heating associated with a larger bondable project.  
• Sewage and water treatment facilities.  
• Earth moving to create artificial lakes, reservoirs or for utility or other related conservation purposes. Restoration to original condition of natural or manmade features at the site of any utility installation.  
• Trenches or ditches dug for the purpose of laying tile or providing ducts to remove excessive rainfall and prevent erosion. | Minor changes such as repairing or replacing:  
• Leaking corroded wiring or pipes.  
• Radiators, coils, fans, motors, re-tubing boilers, central valves, thermostats, timers or meters.  
• Installing energy management control computers.  
• Duct work return air systems, and heat reclamation systems.  
• Solar heating or cooling systems.  
• Telephone or communications systems.  
• Paging systems, lines for television or computer monitoring for security or energy management.  
• Installation of energy conservation equipment or changes to existing systems to reduce energy consumption.  
• Installation of insulation. |
| Buildings, Additions or Structures | • New construction of buildings or structures.  
• New additions to existing buildings or structures.  
• Reconstruction of an existing building or structure (including installation of new structural or interior walls, floors, ceilings, utilities, interior finishes, carpeting, furnishings and equipment along with demolition).  
• Exterior work to surface, structure or foundation to extend useful life.  
• Roof Work: limited to removal of the system to the decking as well as stone, metal or other work to control water damage or ice formation.  
• Costs of the following are eligible only if done as part of a larger bondable (grant funded) project:  
  • Interior work such as painting or plastering, sanding, replacing electrical and light fixtures, decorative remodeling, paneling, handicapped accessibility improvements, moving toilets, water fountains, telephone, etc.  
  • Fire alarms, smoke detectors, fire doors and hall partitions, vent dampers, automatic door closers, etc. | • Normally anticipated exterior repairs (e.g., patching concrete, filling or sealing cracks, painting, caulking, insulation, plastering, etc.).  
• Roof repairs, patching, replacing shingles, spot treatment, adding gravel or other materials, replacing gutters, fascia, downspouts, etc. |
<table>
<thead>
<tr>
<th>TYPE of PROJECT</th>
<th>BONDABLE EXPENDITURES</th>
<th>NON-BONDABLE EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Improvements</td>
<td>▪ Demolition, when done in preparation for additional bondable construction.</td>
<td>▪ Repairs or resurfacing of existing roads to preserve or extend useful life.</td>
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<td>▪ Grading sidewalks: terracing, exterior lighting, seeding/sodding if part of a larger bondable project.</td>
<td>▪ Repairs to existing bridges such as sandblasting, painting, sealing or resurfacing.</td>
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<td>▪ Replacement of bridges, ramps, curbs, overpasses, and underpasses.</td>
<td>▪ Seeding or sodding for erosion control, installation of plants or landscaping not a part of a larger bondable project.</td>
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<td>▪ Landscaping, installation of plant material if associated with a bondable project.</td>
<td>▪ Archeological digs, research or exploration.</td>
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<td>▪ Construction of a new road, parking lot or campground; extension of a road, parking lot or campground.</td>
<td>▪ Leaking underground storage tank fees</td>
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<td>▪ Upgrade of road or parking lot.</td>
<td>▪ Demolition, in cases where no additional bondable construction is part of the project.</td>
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<td><em>Acquisition, transportation and installation initial movable equipment associated with a larger bondable (grant-funded) project:</em></td>
<td>▪ Livestock.</td>
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<td>▪ Office and household equipment and furniture.</td>
<td>▪ Rolling stock including cars, trucks, boats and related items.</td>
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<td></td>
<td>▪ Machinery and implements.</td>
<td>▪ Spare and replacement parts.</td>
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<td></td>
<td>▪ Scientific instruments and apparatus except for those with short useful life.</td>
<td>▪ Items such as glassware, crockery, etc.</td>
</tr>
<tr>
<td></td>
<td>▪ Commodities.</td>
<td>▪ Computers, related equipment and software.</td>
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</tbody>
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Appendix A: Definitions

Standardized Definitions and Specific Application of Bondability Guidelines;

The following standardized definitions and guidelines enumerate the appropriate utilization of and limitations applicable to the use of bond proceeds to finance various capital improvement projects and related expenditure purposes.

(a) **Planning** Bondable planning costs include those expenditures which are related to architectural and engineering design required for planning the construction or installation of bondable capital improvement projects. Included are costs for schematic design development, which refers to preliminary studies developed from program statements that reflect the general functional characteristics and architectural requirements of a bondable capital improvement project; costs for definitive design development, which mean the refinement of schematic design into final detailed design requirements; and costs incurred for the completion of construction documents and detailed working drawings required for bidding and construction, including any allowable reimbursable provided within an executed contract for professional and technical services.

Expenditures for general long-range development plans, master plans, historical or archeological research, surveying, preliminary engineering studies, aerial mapping, feasibility studies, program or scope statements, or other expenditures similar in character shall not be considered bondable.

(b) **Land** "Land" includes expenditures for the acquisition of real property (including easements of record with an extended term, but excluding any lease-hold interests obtained through rental of real property), whether obtained by purchase of or by condemnation under the applicable Eminent Domain laws of the State of Illinois, and for all expenses directly and necessarily related to such purchase or condemnation.

All necessary and reasonable expenses incurred in the acquisition of real property qualify for bond financing. Such expenditures may include the following:

1. Land costs
2. Appraisal fees
3. Title opinions
4. Surveying fees
5. Real estate fees
6. Title transfer taxes
7. Condemnation costs and related legal expenses
8. Relocation costs

(c) **Buildings, Additions, and/or Structures** “Buildings, additions and/or structures” shall mean and include those facilities with a roof and/or walls that have a foundation. This category also includes site developments necessarily required or related to the preparation of a site for construction purposes; and required built-in, special-purpose, or other fixed equipment, which is permanently affixed or connected to real property in such a manner that removal would cause consequent damage to the real property to which it is affixed.

All expenditures which may be classified within the category previously defined shall be considered bondable.
(d) **Utilities** In general, the category "utilities" shall mean and include expenditures for the acquisition, construction, replacement, modernization, and/or extension of systems for distributing or disbursing utility services.

Bondable utility costs may include, but are not limited to the following items:

1. Provisions for potable water; high-temperature, water for sanitary or other related purposes; domestic hot or chilled water;
2. Systems and associated components for disbursing or distributing electricity or providing telecommunications service, including underground or overhead distribution cables for television, computers, or other modes of communication;
3. Steam and condensate returns;
4. Storm and/or sanitary sewers;
5. Fire hydrants and stand pipes;
6. Central fire and security alert systems;
7. Exterior lighting
8. Tap-ons or extensions related to existing utility systems;
9. Automated temperature/environmental control systems, and air and water pollution control systems;
10. Provisions for the disposal of scientific contaminated waste and surgical waste;
11. Solar heating or other approved energy systems;
12. Sewage and water treatment facilities, equipment and related distribution systems;
13. Earth moving to create artificial lakes, reservoirs for utility or related conservation purposes;
14. Restoration of natural and/or manmade features of the site of any utility installation to its original condition;
15. Trenches or ditches dug for the purpose of laying tile or providing ducts to remove excessive rainfall and prevent erosion.

(e) **Site Improvements** "Site Improvements" means and includes expenditures for all improvements to real property that are not otherwise included within the category of "Buildings, Additions and/or Structures".

Bondable site improvement expenditures shall include all costs incidental to demolition, rough and final grading of a site, and the construction or replacement of sidewalks, road and driveway pavement surfaces, bridges, ramps, curbs, overpasses, underpasses, pedestrian bridges and tunnels, surface parking areas, campground development, building terraces, retaining walls, exterior lighting, and seeding or sodding for erosion control only if related to a bondable capital improvement project.

Expenditures for independent landscaping improvements, which are not directly associated with a bondable capital improvement project shall not be considered as bondable.

In this context, seeding or sodding which is not primarily intended for erosion control in relation to a bondable capital improvement project shall not be considered bondable. Similarly, expenditures incurred for the planting of trees, shrubs, bushes, or other vegetation, including revegetation, shall not be considered as bondable improvements unless such expenses are directly and initially associated with or represent an integral component of a bondable capital improvement project.
(f) **Durable Movable Equipment**

(1) "Durable Movable Equipment" shall mean initial movable equipment, including all items of initial equipment, other than built-in equipment, which are necessary and appropriate for the functioning of a facility for its specific purpose, and which will be used solely or primarily in the rooms or areas covered in the subject project. Further, such equipment is defined as manufactured items which have an extended useful life, are not affixed to a building and capable of being moved or relocated from room to room or building to building, are not consumed in use, and have an identity and function which will not be lost through incorporation into a more complex unit.

(2) In applying the above definition, reference should be made to the State Finance Act and the distinction between Commodities (30 ILCS 105/15b) and Equipment (30 ILCS 105/20) as defined by that Act. Within the context of that Act, the following guidelines should be applied in defining Durable Movable Equipment:

(a) No commodities will be purchased from Bond funds.
(b) Office/household equipment and furniture will be bondable.
(c) Machinery, implements, and major tools will be bondable.
(d) Scientific instruments and apparatus will be bondable except for those items which are subject to short useful life, i.e., glassware, tubing, crockery, light bulbs, etc. These items are more correctly defined as commodities.
(e) Library books, maps, and paintings, other than those purchased in the Art in Architecture program, are not fundable from Bond funds.
(f) Livestock, for any use, is not fundable from Bond funds.
(g) Rolling Stock of a specialized nature, including cars, trucks, and related items, are not fundable from Bond funds.
(h) Boats and allied equipment will be considered as Rolling Stock.
(i) Equipment not otherwise classified will be considered bondable provided it meets all other guidelines.
(j) Items of equipment costing under $25 which are purchased in quantity, conform to all other guidelines and have a significant useful life can be funded from Bond funds. These items should be capable of identification for inventory control purposes.
(k) Significant /useful life should be considered a minimum of 10 years.
(l) Spare and replacement parts should be considered as commodities.

(g) **Remodeling and Rehabilitation** Bondable "Remodeling and Rehabilitation" means and includes expenditures for all capital improvements which have the primary objective of altering the functional capabilities of a structure or facility, restoring it to original operating condition or improving the existing functional capability or capacity of the structure or facility.

"Remodeling" shall include all capital improvement projects, which have the primary objective of changing the functional character of areas, modifying capacity for the number of persons who can be accommodated by the area for purposes of the currently assigned programmatic function, and/or altering spatial relationships provided by the area for purposes of the currently assigned programmatic function.

"Rehabilitation" shall include all non-recurring capital improvement expenditures having the primary purpose of restoring or upgrading an existing area to original operating condition. Recurring expenditures for repairs and/or maintenance, which are predictable or reflect regular attention in preserving or keeping a facility in ordinarily efficient operating condition, or arresting deterioration, without appreciably upgrading, improving, or increasing the value of a facility, shall be considered as non-bondable repair and maintenance expenditures.
(h) Direct Costs Associated with issuance of State General Obligation Bonds

Costs of this nature shall include expenses associated with advertising, printing, bond rating, security, delivery, legal and financial services, and all other expenses necessary and incident to the issuance of State general obligation bonds.

(i) Limitations Applicable to Other Expenditure Purposes

The following expenditure purposes shall not be considered as bondable:

1. Operational and administrative expenses, such as compensation costs, travel, commodities, non-initial equipment, or other recurring expenditures which are similar in character;
2. Expenditures for leasing or rental of equipment and/or facilities;
3. Archeological digs, research, or exploration;
4. Expenditures, "to reimburse agencies of the State for costs of staff labor and material which are already provided for through the operating budget or the agency";
5. Expenditures to acquire or construct temporary facilities or on facilities whose abandonment or replacement is imminent;
6. Unpredictable or unusual legal expenses (other than land acquisition legal expenses), such as for special litigation, which are not ordinarily or customarily provided within the budget for a capital improvement project. Such expenditures are more appropriately financed from contractual services operating funds appropriated for such purposes;
7. Separate purchases of sand, gravel, rock, asphalt and concrete in limited quantities; ordinary hardware items; temporary, nondurable fencing; spare and/or replacement parts and equipment; hand tools; decorative models, plaques and other commemorative memorabilia; and other commodity-type consumable items having a relatively brief expected useful life.

(j) Bondable Expenditures Based on Expected Useful Life Equal to Term of Bond Financing

The following expenditure purposes shall be considered bondable only if such purposes demonstrate an expected useful life, based upon engineering studies, supporting technical data, or relevant precedents under similar circumstances, which is greater than or equal to the term of bond financing:

1. Purchase or installation of rip rap, metal pilings, or similar materials for the purpose of erosion and/or flood control; provided further that the impact of the proposed expenditure is to improve rather than maintain such areas;
2. Expenses directly related to dredging, levee, drainage, channel and/or lake improvements;
3. Rehabilitation of existing road and parking area surfaces;
4. Costs incurred in the acquisition or purchase of historical, antique, or period furnishings of value, provided that such items are directly associated with a new capital improvement project and considered essential to the primary purpose of such projects; and further provided that such items will be subject to adequate security and protection and accepted property control accountability