



Illinois Department of Transportation

2300 South Dirksen Parkway / Springfield, Illinois / 62764

November 20, 2018

CIRCULAR LETTER 2018-20

NEEDY TOWNSHIP PROGRAM

COUNTY ENGINEERS/SUPERINTENDENTS OF HIGHWAYS
TOWNSHIP HIGHWAY COMMISSIONERS/ROAD DISTRICT SUPERINTENDENTS

The FY 2014 Needy Township Program subcommittee recommended a review of the program at minimum every five years. A request was made through the Illinois Association of County Engineers (IACE) Revenue Committee to form a subcommittee to revisit the Needy Township Program. Staff from the Department met with representatives from the IACE, Township Officials of Illinois (TOI), and the Township Highway Road Commissioners of Illinois (THRC) to discuss the Needy Township Program.

HISTORY:

The purpose of the program, which originated in 1987 as part of the Local Benefits Package, is to provide State assistance for needy townships, road districts, and county unit road districts (hereinafter townships, road districts, and county unit road districts will be referred to as townships) that levy at the maximum tax rate allowed without referendum, but do not generate enough revenue to meet a minimum level of funding per mile of roadway. The program is not intended to raise a township to the minimum level funding per mile, but rather to supplement the locally generated funds. The distribution of funds must be deposited in the township's Motor Fuel Tax (MFT) account and can be expended in accordance with all laws, rules, and policies established for MFT funds. The program is available to areas with the lowest ability to generate local revenue on a per-mile basis. The distribution formula is derived from an agreement with a subcommittee consisting of IDOT, IACE, TOI, and THRC. Eligible townships and assistance levels are set based on the equalized assessed valuation (EAV), levy extensions for applicable taxes, annual MFT distribution, and average maintenance cost per mile (see formula at end of this paper).

SOURCES OF DATA:

Electronic reports from the Illinois Department of Revenue will be used for the EAV and levy information.

Reports from the IDOT's Motor Fuel Tax System will be used for mileage and Motor Fuel Tax Allotment information for each township.

ELIGIBILITY BASIS:

Initial eligibility for the program is based on two factors: a township must be eligible to receive Motor Fuel Tax funds and must levy at least one applicable rate at a minimum of 0.165%.

The committee had discussions about when a township files their extension, versus when the township's EAV is determined, and the eventual calculation of the tax levy. Often this results in a tax levy that falls just shy of the 0.165%, even though the road commissioner fully intended to levy the full 0.165% at the time they filed their extension. Therefore, the committee agreed to use the most current levy extensions over the prior year's EAV (e.g. 2015 levy extension over 2014 EAV). Previously, the EAV and extension from the same year were used to determine eligibility. This discrepancy is why the previous methodology allowed for proportional shares.

The committee agreed to eliminate the prorated system for townships who fall between 0.155% and 0.165%. Using the prior year's EAV resolves the timing issue and affords township the opportunity to use the best information available to set their extensions.

There are several counties in Illinois that are covered by a Property Tax Extension Limitation Law (PTELL). The townships within these counties can levy the applicable road and bridge taxes identified, however they may not be able to levy at or above 0.165% due to their extension limitation. State statutes for MFT require the county clerk's office to annually certify to IDOT the township's / road district's road and bridge tax levy information and certify if the township is levying at their highest rate allowable under PTELL for that respective township. As the highest allowable rate will vary for each township under PTELL statutes, this is the only reasonable methodology available and agreeable to the committee that does not punish townships for being in a county under PTELL. In concurrence with the previous practice, the committee agreed that for the PTELL counties, the respective annual certifications will be used to determine if a township is levying at the highest allowable under PTELL and that the following rules will apply regarding program eligibility:

1. if the PTELL township is levying one of the below mentioned applicable taxes at or above 0.165%, they will receive their full allotment
2. if the township is levying one of the below mentioned applicable taxes at a rate less than 0.165%, but they are levying at their highest rate allowable under PTELL, they will receive their full allotment, and
3. if the township is levying one of the below mentioned applicable taxes at a rate less than 0.165%, and they are not levying at their maximum rate, they will not be eligible for the program.

This methodology is consistent with the MFT statutes for townships under PTELL.

APPLICABLE ROAD AND BRIDGE TAXES:

There is no change in the applicable road and bridge taxes reviewed. Any one of the following three general tax levies may be used to determine eligibility for the program. The three general tax levies that will be used for program eligibility include:

1. a "Road and Bridge" tax levy
2. a "Permanent Road" tax levy, or
3. a "Special Unit District Road" tax levy.

There will be no aggregation or combination of these tax levies for eligibility. The levy extensions will only be aggregated when determining the Local Revenue Generated (see below).

MFT DISTRIBUTION PER MILE:

The committee agreed to use each township's actual MFT distribution instead of the previously used average annual statewide MFT distribution per mile to the townships in the Needy Township distribution formula. With the availability of the information, there was no reason to use a statewide average instead of the actual allotment received. The value will be the most current state fiscal year. The mileage value will be the mileage at the end of most current state fiscal year.

LOCAL REVENUE GENERATED CALCULATION:

To evaluate need in the distribution formula, the local revenue generated (LRG) per mile is subtracted from the established minimum level of revenue required to maintain a mile of roadway. To calculate the local revenue generated per township, the levy extensions are added to MFT distribution and divided by mileage to determine the LRG per mile. Previously, if a township was eligible, their EAV was multiplied by 0.165% to calculate the levy amount without referendum. After thoughtful consideration, the committee has determined that in order to ensure the funding for the Needy Township Program is going to the neediest, the actual levy extensions for all three applicable taxes should be added to the MFT distribution and then the LRG is divided by the number of miles a township maintains to determine the LRG per mile.

MINIMUM LEVEL OF REVENUE:

The committee agreed that a minimum level of revenue required to maintain a mile of township roadway was imperative in the distribution formula as it sets a minimum threshold for illustrating a township's need. The actual value to use was a topic that generated the most discussion amongst the group. This value was \$1,547 for the FY 2012 distribution and prior distributions. The value was raised to \$3,775 for the FY 2013 distribution based on a compilation of data from an IACE funding Needs Study. IN FY 2014 IDOT revisited the IACE funding Needs Study and the maintenance cost data for items that would be more representative of the townships / road districts that are eligible for this program. In doing so, a new value of \$2,422 to maintain a mile of township / road district roadway was calculated. This value has been used since.

Prompted by a request from this year's subcommittee, IACE conducted a survey to determine road maintenance costs. The survey showed a wide variance in costs depending on location. The committee agreed again to focus on the maintenance cost data for items that would be more representative of the townships that are eligible for this program. The value that was the most representative of much of the state was

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\$3,500. The committee agreed that this value should be used as the minimum level of revenue needed to maintain a roadway per mile until such time that committee meets again or there are significant cost changes.

MINIMUM ALLOTMENT THRESHOLD:

The committee discussed the minimum allotment threshold and what value made sense with regard to administering the allotment, and what was a worthwhile minimum allotment for the recipient. The group agreed that the minimum allotment threshold amount should be kept at \$1,000. There is no maximum allotment threshold.

FUTURE PROGRAM UPDATES/REVIEW:

The committee agreed that a subcommittee of the IACE Revenue Committee, such as this one, should be formed to review the Needy Township Program at a minimum of every five years, or at such a time as there may be a significant change in the overall program funding or criteria.

FORMULA:

EAV=Equalized Assessed Valuation

LRG=Local Revenue Generated

- 1) $(\text{All three levy extensions} + \text{MFT Allotment}) / \text{mileage} = \text{LRG}$
- 2) $(\text{Minimum Level of Revenue} - \text{LRG}) = \text{Needy Township Shortfall}$
- 3) Needy Township Shortfall used to proportionally share the total program funding

Questions regarding this circular letter may be directed to Mr. Stephane B. Seck-Birhame, Local Program Development Engineer, by telephone at (217) 782-3972 or by email at Bablibile.Seck@illinois.gov.

Sincerely,



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Engineer of Local Roads and Streets

SSB/hp

cc: Regional Engineers, Illinois Department of Transportation
Molly Rockford, Illinois Association of County Engineers
Bryan Smith, Township Officials of Illinois
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