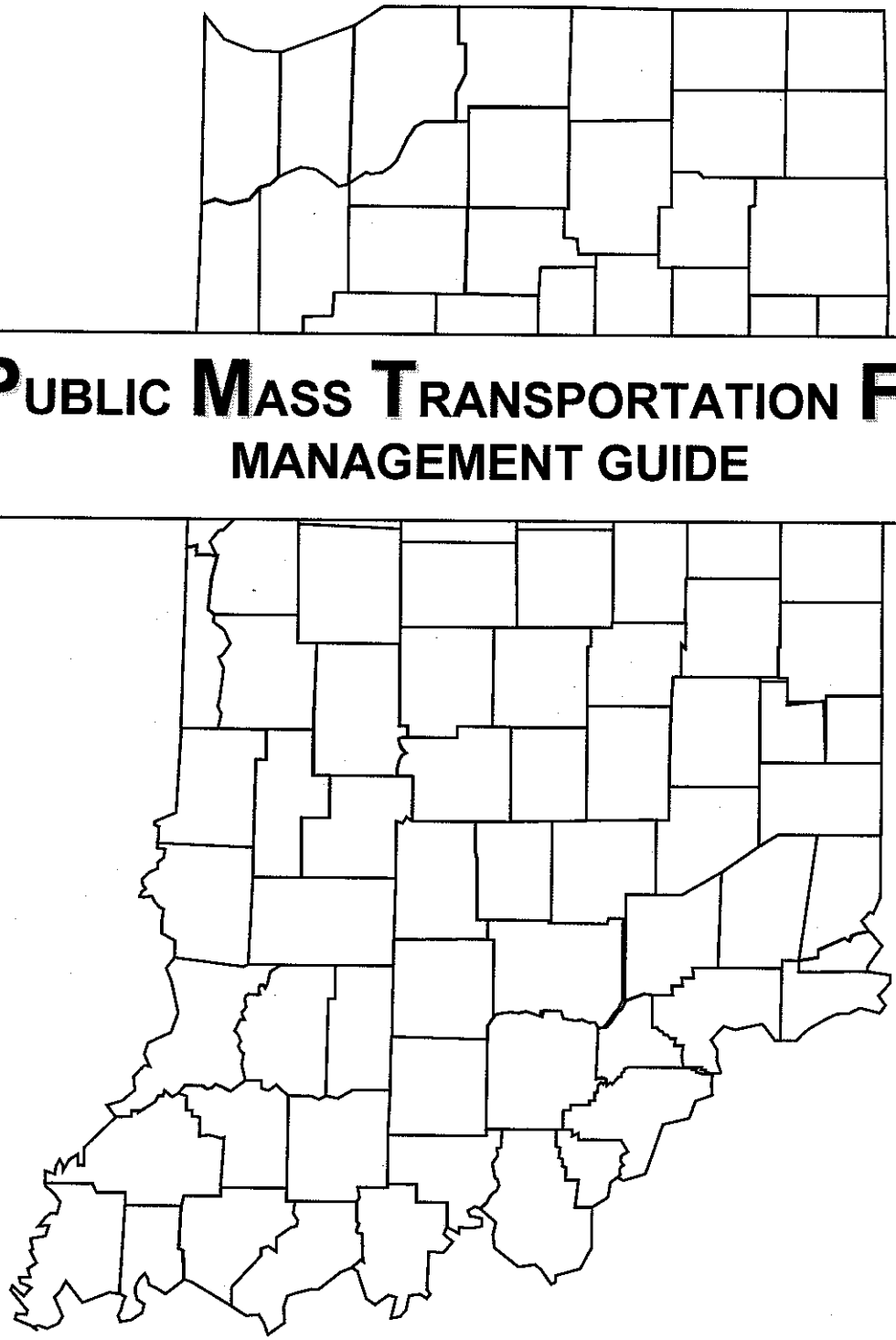

PUBLIC MASS TRANSPORTATION FUND
MANAGEMENT GUIDE

Indiana Department of Transportation – Office of Transit
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I. PURPOSE

The Indiana State Legislature established the Public Mass Transportation Fund (PMTF) to promote and develop public transportation in Indiana. Responsible administration of these funds necessitates that resources be targeted to increase local financial involvement, and encourage the delivery of efficient, effective transportation. The PMTF program management principles are designed to promote uniform application of administrative rules and procedures, obligate funds promptly, pay valid claims promptly, and fulfill oversight duties with a minimum level of regulation and reporting.

This Management Plan explains the policies and procedures used by the Indiana Department of Transportation (INDOT),Transit Office to administer the PMTF. This concise accounting of the PMTF process will assist INDOT Project Managers and Local Grantees to meet their program responsibilities.

This Management Plan is organized chronologically from the availability of funding to the final accounting of expended funds. A chart is included that illustrates the PMTF funding process. This chart will assist in scheduling work assignments and aid in understanding the flow of the manual.

II. STATUTORY AUTHORITY

The Public Mass Transportation Fund (PMTF) is a dedicated revenue fund created by the 1980 Indiana General Assembly (I. C. 8-23-3-8) to assist public transportation in the state. The PMTF receives .67% of the state's 7% general sales and use tax.

According to the statute, the state legislature established the Public Mass Transportation Fund for the purpose of promoting and developing public mass transportation in Indiana. The Indiana Department of Transportation administers the fund.

State budget legislation specifies the following regarding the PMTF program:

1) Eligible grantees can use PMTF to match federal funds available under the Federal Transit Act or local funds from an eligible municipal corporation. Only applications for capital and operating assistance may be approved;

2) The Commissioner for the Indiana Department of Transportation shall approve the formula for allocating PMTF funds.

3) The Commissioner must forward his/her approval for review by the State Budget Committee. The State Budget Committee forwards its review to the State Budget Agency for final approval.

SUMMARY OF PMTF PROCESS

Legislature appropriates PMTF funds (biennial activity)	May
INDOT Commissioner approves PMTF distribution	August/September
Section 5311 (rural/small urban) grant applications due	late August
State Budget Committee reviews PMTF distribution	September
INDOT distributes annual appropriation using performance formula, notifies systems of new allocation and prior year balances, and distributes grant applications to Section 5307(urban) systems.	September
INDOT reviews/approves Section 5311 applications and executes grant contracts.	September - Feb.
Section 5307 urban grantees submit PMTF application	November - Feb.
INDOT reviews/approves urban PMTF grant applications and executes grant contracts.	December - Feb.
Grantees submit first quarter claims/reports	May 15
Grantees submit second quarter claims/reports	August 15
Grantees submit third quarter claims/reports	November 15
Grantees submit fourth quarter claims and Annual Report	February 15
INDOT finalizes Annual Report	February - June
INDOT deobligates of PMTF and Section 5311 contract balances to determine carryover funding	June - August
Grantees submit audit reports and INDOT performs review and final close-out of operating grants	Annual, when audit is available

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III. ROLES AND RESPONSIBILITIES

Eligible Recipient

An eligible recipient is defined as any grantee that receives federal funds under the Federal Transit Act, or that provides public transportation in Indiana, excluding AMTRAK. These eligible recipients can provide public transportation service directly or through a purchase of service contract. New starts are eligible for state PMTF assistance ONLY after completing a two year demonstration period.

The eligible recipient is responsible for:

1. Assessing local transit needs;
2. Establishing a base of continuous local support;
3. Transit service operations (or oversight, if contracted);
4. Ongoing service planning and compliance with state/federal program requirements.

In addition, the eligible recipient is responsible for the following reporting requirements:

1. Preparation and monitoring of budgets and subcontracts;
2. Preparing claim vouchers for reimbursement;
3. Preparing quarterly and annual operating/financial reports;
4. Obtaining and submitting audits to INDOT.

Urbanized Area

Those areas in the State defined by the U.S. Census Bureau in the latest census as Urbanized. These areas are eligible to receive federal Section 5307 funding for public transit operating and capital grants.

Rural or Small Urban Area

These terms are used to describe any area outside an urbanized area with a population of less than 50,000. These areas are eligible to receive federal Section 5311 funding for public transit operating and capital grants.

Indiana Department of Transportation

The Indiana Department of Transportation, Office of Transit is the designated state agency responsible for administering the PMTF. This includes:

1. Allocating funds using the performance based formula;
2. Authorizing the use of PMTF for operating and capital projects;
3. Monitoring and accounting for PMTF expenditures;
4. Providing technical assistance concerning the PMTF program.

State Budget Committee

The State Budget Committee is comprised of representatives (from both political parties) from the House Ways and Means Committee, Senate Budget Committee and the State Budget Agency Director. This committee reviews the annual state PMTF formula distribution.

State Budget Agency

The State Budget Agency is the state administrative agency responsible for reviewing and approving all allocations of PMTF.

IV. THE PMTF FUNDING PROCESS

The PMTF funding process is divided into five steps:

1. Appropriations
2. Allocations
3. Applications
4. Contracts
5. Claims and Payment

Each of these five steps is discussed in further detail below.

Appropriations

The Indiana State Legislature is responsible for making funding appropriations to the PMTF program. The State Legislature makes appropriations every two years to the PMTF program in conjunction with the state's biennial budget process. For each year of the state's budget, the legislature establishes a **maximum** level of PMTF that can be made available to eligible transit systems. Since the PMTF is funded through the state sales tax, the maximum level of PMTF funding is based on State Budget Agency estimates of how much sales tax revenue the state will collect over the next two years.

If the amount of sales tax collected falls below the estimated projections, the State Budget Agency will reduce the appropriation for the PMTF.

Any balance of funds remaining from a previous year's appropriation may be added to the next year's appropriation.

Allocations

Once the maximum amount of money available is established by the State Legislature, INDOT distributes funding - via the PMTF allocation formula - to eligible recipients. The current formula is summarized as follows:

1) The formula provides a set-aside to the Northern Indiana Commuter Transportation District (NICTD) of 12.34%.

   The decision to fund NICTD separately resulted from concern that it was not reasonable to compare motor bus transit systems to commuter rail service. It allows for a more rational peer-based performance comparison among the rest of the transit systems.

2) INDOT distributes the remainder of the total allocation to the motor bus transit systems. INDOT divides these systems into four groups: Large fixed-route, Small fixed-route, Urban Demand Response and Rural Demand Response systems. INDOT allocates PMTF funds to each group based on the group percentage of total statewide operating expenses.

3) INDOT allocates funding within each group based on performance, as follows:

   - 1/3 Passengers per Operating Expense, measured as passengers carried divided by operating expense, weighted by passengers
   - 1/3 Miles per Operating Expense, measured as total vehicle miles operated divided by operating expense, weighted by total vehicle miles
   - 1/3 Locally Derived Income (LDI) per Operating Expense, measured as LDI divided by operating expense, weighted by LDI*

     * **Locally Derived Income** consists of: 1) System revenue, including fares, charter, advertising and all other auxiliary and non-transportation revenues; 2) Taxes levied by, on behalf of, the transit system, and 3) Local cash grants and reimbursements including local general fund; unrestricted state/federal funds (i.e., federal funds eligible to match Section 5311 funds); property, local option income, license excise and intangible taxes; bank building and loan funds; local bonding funds; and other locally derived assistance. *LDI does not include contra-expenses, (e.g. expense refunds such as motor fuel tax), or in-kind volunteer services.*

4) The formula imposes an allocation cap, limiting PMTF funding for each system to 50% of actual operating expense. The operating expense is not the three year average as used in the remainder of the formula. Instead, the cap compares current PMTF funding (for example, for CY 2006), to the actual operating expense reported for a single year two years prior (in this example, 2004). Typically data from two years prior is the most current data available. Funds released due to the imposition of the cap are reallocated within the system's group, based on each non-capped system's allocation as a portion of the group allocation.

INDOT will calculate the PMTF formula using fiscal and operating data compiled from each recipient's Annual Report for the previous three years. For example, INDOT used each recipient's 2002, 2003 and 2004 Annual Report data to calculate their CY 2006 PMTF allocation.

To increase the stability and predictability of the allocations to each system, vehicle miles, passengers, operating expense, and LDI are all calculated as three-year rolling averages prior to being applied to the formula. This is consistent with the three-year average method used for Section 5311 funding. The exception to using a three-year average is in the determination of an administrative cap, discussed above in item #4.

INDOT announces each recipient's allocation amount after review by the State Budget Committee. This usually occurs around September.

Fund Availability: Grantees have up to three calendar years to obligate and spend the PMTF funds allocated during any given year. For example, funds from CY 2006 must be obligated and spent by the end of CY 2008 or else they will automatically revert to the PMTF Reserve Account. Any funds in the PMTF Reserve Account will be re-allocated.

Applications

In order to access their PMTF allocation, the eligible recipient must submit an application to INDOT. Application forms are available from INDOT. PMTF funds may only be used to assist with capital and/or operating projects. *INDOT will not provide funding in excess of the recipient's PMTF allocation or the level of local financial participation (Locally Derived Income) in the project.* If federal funding is used in the project, the PMTF application project scope and budget must be consistent with the federal application.

Urban transit systems (those funded through the federal Section 5307 program) will receive a PMTF grant application from INDOT in the fall of each year. These applications are due by the end of December.

Rural and small urban transit systems (funded through the federal Section 5311 program) will initiate their application for PMTF funds in conjunction with their application for Section 5311 funds. *A separate PMTF application is not required.* Section 5311/PMTF applications are due to INDOT in August of each year.

Contracts

After reviewing and approving a PMTF application, INDOT will then execute an operating or capital contract with the recipient.

All PMTF contracts are restricted to a dollar for dollar match of Locally Derived Income (LDI). LDI is defined as follows:

- System revenue, including fares, charter, advertising and all other auxiliary and non-transportation revenues.
- Taxes levied by, on behalf of, the transit system.
- Local cash grants and reimbursements including local general fund, property, local option income, license excise and intangible taxes. bank building and loan funds, local bonding funds, and other locally derived assistance.

LDI does <u>not</u> include contra-expenses (e.g., expense refunds such as motor fuel tax), or in-kind volunteer services.

Operating grant contracts are effective through each calendar year (January through December) unless otherwise specified. Capital grant contracts are in effect for 18 months from the date the contract is fully executed by the Indiana Attorney General. Capital grant time extensions are allowable but must be approved, in writing, by INDOT.

For Urban Recipients: For those systems receiving Section 5307 funding, INDOT has developed a separate PMTF contract to commit funding to their operating and capital contracts.

For Rural/Small Urban recipients: For those systems receiving Section 5311 funding, the PMTF funding and related provisions are incorporated into the contract for Section 5311 funding.

For PMTF/Local only recipients: For those systems only using PMTF/local funds for their operating/capital projects, INDOT has developed a separate PMTF contract to commit funding to their project.

Contract Amendments: At the middle or end of the grant year, a recipient may discover that 1) total operating expenses are higher than originally budgeted; or 2) bids for capital equipment exceed budgeted amounts; or 3) that it needs to change the type of capital equipment originally programmed in its capital grant. If the recipient has a balance of PMTF funds (from either previous or current allocations), they may request a contract amendment to cover these unanticipated expenses. *A revised budget is necessary to substantiate the contract amendment.*

Purchase Orders, Contract Invoice Vouchers and Reimbursements

Once a grant contract is in place, the State Auditor's office will issue a Purchase Order to encumber the funds for the grantee.

After expenditures have been incurred, the PMTF grantee may apply for reimbursement using a state contract invoice voucher. Grantees apply for reimbursement on a quarterly basis.

The PMTF grantee will obtain the contract invoice voucher (and instructions for completing the state form) from the Transit Office. The grantee may also obtain an electronic copy of the contract invoice voucher from their INDOT Project Manager.

V. REPORTING REQUIREMENTS

Quarterly Reports

Quarterly operating reports serve to justify the payments disbursed throughout the year, serve as a cross-check for claim vouchers and help INDOT identify technical assistance needs.

All transit systems receiving PMTF and/or Section 5311 funds are required to submit quarterly reports to INDOT. These reports are due 45 days following the end of each calendar quarter. The due dates are as follows:

Deadline	Reporting Period
May 15th	First quarter (January through March)
August 15th	Second quarter (April through June)
November 15th	Third quarter (July through September)
February 15th	Fourth quarter (October through December)

The quarterly operating data is used to report passenger trips, passenger revenue, total vehicle miles, revenue vehicle miles, revenue vehicle hours, and gallons of fuel used. The quarterly financial data is used to report total expenses, operating income, federal funding (Section 5307 or 5311), local cash grants and reimbursements (including unrestricted state and federal funds), and PMTF funds.

Final Operating Financial Status Worksheet *(Section 5311 Grantees Only)*

All Section 5311 grantees must submit this report with their Fourth quarter claim invoice-voucher. Grantees will use this report to present yearly totals for expenses, operating income, Section 5311 funds, local cash grants and reimbursements and PMTF. The yearly totals listed must match the information provided in the Annual Report. Final Operating Financial Status Reports are available from your Section 5311 Project Manager.

Annual Report

Since 1976, INDOT has published an annual report detailing the operating and financial statistics of Indiana's publicly funded passenger transit systems. In December, INDOT distributes an annual report questionnaire to each system. Annual reports are due to INDOT on or before February 28th of each year.

INDOT distributes the report to elected officials, planners, transit systems and other interested persons/parties.

INDOT uses operating and financial performance information contained in the Annual Report to calculate the PMTF formula allocation. For example, INDOT used data contained in the 2002, 2003 and 2004 Annual Reports to distribute CY 2006 funding.

VI. PROJECT CLOSE-OUT

Deobligations

When an operating/capital project is complete and the contracted funds exceed those used to match locally derived income, INDOT or the grantee will initiate a deobligation of excess monies. Deobligation of amounts exceeding $100 must be made with the concurrence of the grantee. INDOT can initiate deobligations of amounts under $100 without grantee concurrence.

The deobligation form (available from your INDOT Project Manager) states that the excess funds are no longer needed and can be released into the grantee's **"free balance"** account for other uses. Free Balance funds are a grantee's PMTF monies not under contract for an operating or capital project. It is important for each grantee to track these balances.

Grantees must remember that they only have three calendar years to spend the PMTF funds allocated during any given year. Therefore, the following rules apply to all deobligations:

1. A grantee may de-obligate and re-obligate funds any time during the three-year period of availability. For example, funds deobligated from a CY 2005 grant can be re-obligated to another grant and spent by the end of CY 2007.
2. Any funds left in the grantee's free balance at the end of the three-year availability will automatically revert to the PMTF Reserve Account. For example, any funds from a CY 2006 allocation will automatically revert to the PMTF Reserve Account on January 1, 2009. INDOT will re-allocate any funds in the PMTF Reserve Account.

Deallocations

Periodically, INDOT Project Managers will analyze the PMTF free balances carried by transit systems. If the analysis determines that the funds cannot be fully expended within a reasonable time period, INDOT may request the grantee "de-allocate" some of their PMTF funding. In most cases, INDOT will deallocate those funds that are nearing the end of their three-year period of availability.

Funds that are deallocated revert to the PMTF Reserve Account.

Audits

As a requirement of the PMTF and Section 5311 grant contracts, all grantees must submit a copy of their annual audit to INDOT. All audits are due to INDOT by the end of the following calendar year.

Once INDOT receives the audit, the financial statements are compared with annual report statistics to ensure that operating expenses and revenues are consistent. INDOT also reviews audit findings that might affect the accounting of PMTF or Section 5311 funds. INDOT will work with PMTF/Section 5311 grantees to ensure that any audit findings are addressed in a satisfactory manner.

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