



**STATE OF INDIANA**  
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**MEMORANDUM**

**TO:** County Auditors, City Controllers, and Clerk-Treasurers

**FROM:** Paul D Joyce, CPA, State Examiner  
State Board of Accounts (SBOA)

Courtney Schaafsma, Commissioner  
Department of Local Government Finance (DLGF)

Brandye Hendrickson, Commissioner  
Department of Transportation (INDOT)

Kent Abernathy, Commissioner  
Bureau of Motor Vehicles (BMV)

**RE:** Local Match for the Local Road and Bridge Matching Grant Fund

**DATE:** June 9, 2016

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This joint memorandum is intended to address three issues regarding the local match required for a grant from the Local Road and Bridge Matching Grant Fund, established by HEA 1001-2016. The three issues addressed are as follows:

1. Use of Existing Road Funds for Matching Grants
  - a. **ISSUE:** Whether a local unit may use existing road funds (i.e., including motor vehicle highway (MVH) tax revenues, local road and street (LRS) tax revenues, wheel and surtax revenue, and major moves funds) to cover the local match required by IC 8-23-30-3(2).
  - b. **ANSWER:** SBOA has determined that these existing road funds may be used as local matching funds in applying for grants from the Local Road and Bridge Matching Grant Fund if the funds are transferred to the unit's rainy day fund in accordance with the requirements set forth by SBOA.

## 2. Use of Increased Wheel and Surtax Revenues for Matching Grants

- a. **ISSUE:** Whether a local unit that adopts an ordinance before July 1, 2016 increasing (counties) or imposing (municipalities) a wheel tax or motor vehicle excise surtax after July 1, 2016 may use the revenues generated by that increased/new tax to cover the local match required by IC 8-23-30-3(2).
- b. **ANSWER:** INDOT has determined that revenues from a wheel tax or motor vehicle excise surtax increased (counties) or imposed (municipalities) after July 1, 2016 by an ordinance adopted before July 1, 2016 may be used as local matching funds in applying for grants from the Local Road and Bridge Matching Grant Fund.

## 3. County Wheel and Surtax Ordinances Adopted Before July 1, 2016

- a. **ISSUE:** Whether the BMV will accept ordinances adopted before July 1, 2016 that increase a county's wheel tax or surtax rates in excess of the maximum rates allowed before HEA 1001-2016 takes effect on July 1, 2016.
- b. **ANSWER:** BMV will accept ordinances adopted before July 1, 2016 that increase county wheel tax or surtax rates beginning on January 1, 2017 pursuant to the new maximum rates authorized by HEA 1001-2016.

### **ISSUE #1: Use of Existing Road Funds for Matching Grants**

*This issue is governed by the accounting rules and policies administered by SBOA. Any questions concerning this issue should be directed to SBOA.*

**ISSUE: Whether a local unit may use existing road funds (i.e., including motor vehicle highway (MVH) tax revenues, local road and street (LRS) tax revenues, wheel and surtax revenue, and major moves funds) to cover the local match required by IC 8-23-30-3(2).**

This memorandum supersedes the prior memorandum issued by State Board of Accounts on May 24, 2016 with respect to this issue.

Under IC 8-23-30-3, a local unit is eligible to apply to INDOT for a grant from the Local Road and Bridge Matching Grant Fund if the unit:

- (1) Uses a transportation asset management plan approved by the department; and
- (2) Commits to a local match from one (1) or more of the following:
  - (A) Revenue attributable to an increase, after June 30, 2016, in the local unit's motor vehicle excise surtax or wheel tax rate under IC 6-3.5.
  - (B) Money received by the local unit as a special distribution of local income taxes under IC 6-3.6-9-17.
  - (C) Money in the local unit's rainy day fund under IC 36-1-8-5.1.

It is the audit position of SBOA that the restricted uses of other road funding that come from distributions for motor vehicle highway (MVH), local road and street (LRS), wheel, surtax and major moves funds generally meet the purposes of the Local Road and Bridge Matching Grant Fund. **Therefore existing MVH, LRS, wheel tax and surtax, and major moves funds may be used as matching funds for grants from the Local Road and Bridge Matching Grant Fund.** If existing funds are used, those funds shall be transferred to the local unit's Rainy Day Fund in accordance with the following:

(A) LRS Funds, Wheel and Surtax Funds

LRS funds and existing wheel tax and surtax funds are statutorily restricted to certain uses but do not have statutory provisions requiring the balance to remain in the fund. These funds may be transferred to the Rainy Day Fund if the unit's rainy day ordinance restricts these monies to their uses as provided under their originating statutes. The units may then use these funds to satisfy the local match to the Local Road and Bridge Matching Grant Fund

The wheel tax and surtax funds are commingled with MVH distributions within the MVH Fund. The unit will need to identify on a reasonable basis those wheel tax and surtax monies available for transfer. The unit shall keep available for audit the documentation and methodology used to determine the amount of transfer. Once the unit identifies the amount available, it may transfer this amount to a rainy day restricted fund.

To ensure that these monies remain restricted and identifiable, counties shall use:

Fund 1300 Rainy Day Restricted - Wheel and Sur Tax for wheel and sur tax transfers and;

Fund 1301 Rainy Day Restricted - Local Road and Street for local road and street transfers.

Cities and towns shall use:

Fund 260 Rainy Day Restricted - Wheel and Sur Tax for wheel and sur tax transfers and;

Fund 261 Rainy Day Restricted - Local Road and Street for local road and street transfers.

(B) MVH and Major Moves Funds

MVH funds and major moves funds are statutorily restricted to certain uses and require that the balances remain in the fund. However, monies from these funds may be transferred to the Rainy Day Fund if:

- (1) Monies from these funds are appropriated from their respective funds for a Transportation Asset Management Plan,
- (2) the amount appropriated is identified and directly committed within the plan (this would serve as encumbrance of these funds from one budget year to the next),

- (3) the unit's rainy day ordinance restricts these monies as committed match for the grant, and;
- (4) the unit's rainy day ordinance specifies that any committed unused balance at the end of the grant is to be returned to the originating fund.

To ensure that these monies remain restricted and identifiable, counties shall use:

Fund 1302 Rainy Day Restricted - Major Moves for major moves transfers and;  
Fund 1303 Rainy Day Restricted - MVH for MVH transfers.

Cities and towns shall use:

Fund 262 Rainy Day Restricted - Major Moves for major moves transfers and;  
Fund 263 Rainy Day Restricted - MVH for MVH transfers.

The grant itself should be treated as any other grant by setting up a separate state grant fund entitled Local Road and Bridge Matching Grant Fund. Any matches to the grant should be transferred to this fund.

If you have any questions regarding accounting for the funds specific to counties, please contact Lori Rogers or Shannon Lopez at SBOA at (317) 232-2512. If you have any questions regarding accounting for the funds specific to cities and towns, please contact Susan Gordon or Todd Caldwell at SBOA at (317) 232-2513. If you have any questions regarding accounting for these funds as part of a local unit's budget, please contact Dan Jones at DLGF at (317) 232-0651 or [djones@dlgf.in.gov](mailto:djones@dlgf.in.gov).

## **ISSUE #2: Use of Increased Wheel and Surtax Revenues for Matching Grants**

*This issue is governed by INDOT through its administration of the Local Road and Bridge Matching Grant Fund. Any questions concerning this issue should be directed to INDOT.*

**ISSUE: Whether a local unit that adopts an ordinance before July 1, 2016 increasing (counties) or imposing (municipalities) a wheel tax or motor vehicle excise surtax after July 1, 2016 may use the revenues generated by that increased/new tax to cover the local match required by IC 8-23-30-3(2).**

Beginning July 1, 2016, HEA 1001-2016 increases the maximum rates counties may adopt for county wheel taxes and county motor vehicle excise surtaxes, if the county has an approved transportation asset management plan approved by INDOT. Similarly, beginning March 10, 2016, HEA 1001-2016 allows municipalities that meet certain conditions to implement a municipal option wheel tax and motor vehicle excise surtax.

However, the effective date of any local wheel tax or surtax depends on the date the ordinance establishing the tax is adopted. Ind. Code §§ 6-3.5-4-5 (increased county surtax), 6-3.5-5-7(a) (increased county wheel tax), 6-3.5-10-3 (new municipal surtax), 6-3.5-11-5 (new municipal wheel tax). Rates established by an ordinance adopted after December 31 but before July 1 are effective the following January 1 (e.g., ordinances adopted before July 1, 2016 take effect January 1, 2017). Rates established by an ordinance adopted after June 30 are effective on

January 1 of the year following the year in which the ordinance was adopted (e.g., ordinances adopted after June 30, 2016 take effect January 1, 2018).

Under the Local Road and Bridge Matching Fund, a local unit may use “[r]evenue attributable to an increase, after June 30, 2016, in the local unit's motor vehicle excise surtax or wheel tax rate under IC 6-3.5” to satisfy its local matching requirement when applying for a grant from the Fund. Ind. Code § 8-23-30-3(2)(A). INDOT has determined that the reference to “increase” in IC 8-23-30-3(2)(A) refers to the effective date of the tax and not the date on which the ordinance imposing the rate is adopted. **A municipality or county, which adopts an ordinance before July 1, 2016 increasing (counties) or imposing (municipalities) a wheel tax or surtax taking effect on January 1, 2017, may use the funds generated by the increased/new tax to satisfy the statute’s local matching requirement.** The timing of the adoption of the ordinance must be consistent with BMV guidance.

If you have any questions regarding applying for grants from the Local Road and Bridge Matching Fund, please contact INDOT at <http://www.in.gov/indot/2390.htm>.

### **ISSUE #3: County Wheel and Surtax Ordinances Adopted Before July 1, 2016**

*This issue is governed by BMV through its administration of county wheel taxes and motor vehicle excise surtaxes. Any questions concerning this issue should be directed to BMV.*

**ISSUE: Whether the BMV will accept ordinances adopted before July 1, 2016 that increase a county’s wheel tax or surtax rates in excess of the maximum rates allowed before HEA 1001-2016 takes effect on July 1, 2016.**

Effective July 1, 2016, HEA 1001-2016 increases the maximum rates counties may adopt for county wheel taxes and county motor vehicle excise surtaxes, if the county has an approved transportation asset management plan approved by INDOT. Under IC 6-3.5-4-5 (increased county surtax) and IC 6-3.5-5-7(a) (increased county wheel tax), counties that intend to adopt rates in excess of the current statutory maximums and make those new rates effective beginning on January 1, 2017 must adopt an ordinance implementing those new rates before July 1, 2016. **To accommodate this need, the BMV will accept ordinances reflecting wheel tax and/or surtax rates in excess of the previous statutory maximums for counties that have an approved asset management plan so long as the ordinances are adopted on or before June 30, 2016. Upon receipt, BMV will review a submitted ordinance to ensure compliance and will begin collecting, and subsequently distributing, the increased taxes beginning January 1, 2017.**

If you have any questions regarding the BMV’s administration of wheel tax and surtax ordinances, please contact Chris Russell at BMV at (317) 234-1485 or [chrussell@bmv.in.gov](mailto:chrussell@bmv.in.gov).