

MICHIGAN TRANSPORTATION FUND – ACT 51

FREQUENTLY ASKED QUESTIONS

1. Administration, Engineering and Record Keeping on line 23, page 3, of the Street Financial Report (SFR):
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| <ul style="list-style-type: none">a. Why is there a 10 percent limit?b. How is the 10 percent calculated?c. What happens if I go over the 10 percent? |
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a. Why is there a 10 percent limit?

Michigan Compiled Law (MCL) Section 247.663 of P.A. 338 of 2006, which amended P.A. 51 of 1951, as amended, also known as Section 13(7) states:

“Not more than 10% per year of all” Michigan Transportation Funds (MTF) returned to a city or village from any MTF source “for the purposes of this section may be expended for administrative expenses. As used in this subsection, “administrative expenses” means those expenses that are not assigned including, but not limited to, specific road construction or maintenance projects and are often referred to as general or supportive services. Administrative expenses shall not include net equipment expense, net capital outlay, debt service principal and interest, and payments to other state or local offices that are assigned, but not limited to, specific road construction projects or maintenance activities. A city or village which in a year expends more than 10% for administrative expenses shall be subject to section 14(5).”

MCL Section 247.664 of P.A. 51 of 1951, as amended, also known as Section 14(5) states:

“All distributions and returns of funds provided for in this act shall be withheld from the state transportation department, eligible authorities, county road commissions, cities, villages, or other eligible governmental agencies for failure to comply with any of the requirements of this act, and the withholding shall continue for the period of noncompliance.”

b. How is the 10 percent calculated?

The Department of Treasury, Local Audit and Finance Division, has made the determination that the basis for the calculation is 10 percent of the sum of lines 1, 2, and 6 on page 3 of the Form 2030 Long Form SFR for Major Street and Local Street funds individually. No other local funds can be used to increase the base amount.

c. What happens if I go over the 10 percent limit?

Administration, Engineering, and Record Keeping expenses are those incurred to benefit the agency as a whole. They are not readily assignable to a specific activity and are otherwise indirect in nature.

See the Act 51 SFR Long Form (Form 2030) instruction booklet for definitions and examples.

Review the expenses posting to Administration, Engineering and Record Keeping, determining if any expenses can be properly charged as direct costs to a street fund project. If you do have direct street fund project costs, you can restate the expenditures on lines 17–22 and 24–32, on page 3 of the SFR.

Determine if you have excess general fund contributions. General fund transfers (or transfers of funds from local revenue sources) in excess of those required to meet the Local Street Fund construction matching requirements can be used to cover excess administrative expenses. Review your construction report to determine what is needed to match local construction. Transfers in excess of the required 50 percent match amount can be used to offset expenses in excess of the 10 percent limit.

Transfer local revenue from current year to offset the over limit amount in the prior year. This will require a resolution from your city/village council. Mail or fax a copy of the resolution to:

Michigan Department of Transportation (MDOT)
Financial Operations Division
Financial Outreach Services
425 W. Ottawa
P.O. Box 30050
Lansing, MI 48933
Email: MDOT-Outreach@michigan.gov
Fax number: (517) 335-0669

We will expect to see the prior year adjustment in your current year Audited Financial Statements (AFS).

If a city/village is not in compliance with the Act 51 10 percent limit, future Michigan Transportation Fund (MTF) distributions will be withheld until corrective action is taken, pursuant to MCL Section 247.664 of P.A. 51 of 1951, as amended.

❖ ***Tip: Review your current year budget for Administration. If your budget is within the 10 percent limit, it is likely your actual expenses will be.***

2. Transfer of MTF between Major and Local Street Funds, line 39, page 4 of the SFR:

- a. Why are we limited in how much funding we can transfer?
- b. How is the amount calculated?

a. Why are we limited in how much funding we can transfer?

MCL Section 247.663 of P.A. 338 of 2006, which amended, P.A. 51, of 1951, as amended, also known as Sections 13(6) and 13(7) states:

“(6) Money returned under this section to a city or village shall be expended on the major and local street systems of that city or village. However, the first priority shall be the major street system. Money returned for expenditure on the major street system shall be expended in the priority order provided in subsection (3) except that surplus funds may be transferred for preservation of the local street system. Major street funds transferred for use on the local street system shall not be used for construction but may be used for preservation as defined in section 10(c). A city or village shall not transfer more than 50% of its annual major street funding for the local street system unless it has adopted and is following an asset management process for its major and local street systems and adopts a resolution with a copy to the department setting forth all of the following:

- (a) A list of the major streets in that city or village.
- (b) A statement that the city or village is adequately maintaining its major streets.
- (c) The dollar amount of the transfer.
- (d) The local streets to be funded with the transfer.
- (e) A statement that the city or village is following an asset management process for its major and local street systems.

(7) A city or village that has not adopted an asset management plan shall obtain the concurrence of the department to transfer more than 50% of its major street funding to its local street system. The department may provide for pilot projects that would allow a city or village that has adopted an asset management plan under subsection (6) to combine their local and major street funds into 1 street fund and to submit a single report to the department on the expenditure of funds on the local and major street systems.”

b. How is the amount calculated?

The sum of current year MTF receipts for Major Street Fund from lines 1, 2 and 7 on page 3 of the SFR is the base for the calculation. Multiply the base by 50 percent. This is amount allowed by law, unless the city/village has an approved Asset Management Process on file with the Department.

3. Transfer of MTF between Major and Local Street Funds, line 39, page 4 of the SFR:

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| <ul style="list-style-type: none">a. What is an Asset Management Process (Plan)?b. Why do I need an Asset Management Process (Plan)?c. What is the Asset Management Council?d. Who do I ask for help if I don't have an asset management plan? Is there any charge for this help? |
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a. What is an Asset Management Plan (Process)?

MCL Section 247.659(a) of P.A. 51 of 1951, as amended, also known as Section 9(a) (1) (a) defines Asset Management as follows:

“Asset management” means an ongoing process of maintaining, upgrading, and operating physical assets cost-effectively, based on a continuous physical inventory and condition assessment.”

The fundamental elements of an Asset Management process include:

Conduct periodic system condition inventories.

Identify needs by forecasting system conditions based upon reliable rates of deterioration.

Establish strategic goals and objectives, and performance measures

Evaluate investment scenarios based upon forecasted conditions and achievement of goals and objectives

Develop and implement a multi-year investment program

Routinely monitor the performance of system improvements

b. Why do I need an Asset Management Plan?

An Asset Management Plan is not required, unless you want to transfer more than 50 percent of current year MTF receipts from the Major Street Fund to the Local Street Fund. You must have an approved plan on file with the Asset Management Council Coordinator. With an Asset Management Process the amount of funds allowed for transfer will depend on your plan.

c. What is the Asset Management Council?

MCL Section 247.659(a) (2), of P.A. 51 of 1951, as amended, states:

“(2) In order to provide a coordinated, unified effort by the various roadway agencies within the state, the transportation asset management council is hereby created within the state transportation commission and is charged with advising the commission on a statewide asset management strategy and the processes and necessary tools needed to implement such a strategy beginning with the federal-aid eligible highway system, and once completed, continuing on with the county road and municipal systems, in a cost-effective, efficient manner. Nothing in this section shall prohibit a local road agency from using an asset management process on its non-federal-aid eligible system. The council shall consist of 10 voting members appointed by the state transportation commission. The council shall include 2 members from the county road association of Michigan, 2 members from the Michigan municipal league, 2 members

from the state planning and development regions, 1 member from the Michigan townships association, 1 member from the Michigan association of counties, and 2 members from the department. Nonvoting members shall include 1 person from the agency or office selected as the location for central data storage. Each agency with voting rights shall submit a list of 2 nominees to the state transportation commission from which the appointments shall be made. The Michigan townships association shall submit 1 name, and the Michigan association of counties shall submit 1 name. Names shall be submitted within 30 days after the effective date of the 2002 amendatory act that amended this section. The state transportation commission shall make the appointments within 30 days after receipt of the lists.

(3) The positions for the department shall be permanent. The position of the central data storage agency shall be nonvoting and shall be for as long as the agency continues to serve as the data storage repository. The member from the Michigan association of counties shall be initially appointed for 2 years. The member from the Michigan townships association shall be initially appointed for 3 years. Of the members first appointed from the county road association of Michigan, the Michigan municipal league, and the state planning and development regions, 1 member of each group shall be appointed for 2 years and 1 member of each group shall be appointed for 3 years. At the end of the initial appointment, all terms shall be for 3 years. The chairperson shall be selected from among the voting members of the council.

(4) The department shall provide qualified administrative staff and the state planning and development regions shall provide qualified technical assistance to the council.

(5) The council shall develop and present to the state transportation commission for approval within 90 days after the date of the first meeting such procedures and requirements as are necessary for the administration of the asset management process. This shall, at a minimum, include the areas of training, data storage and collection, reporting, development of a multiyear program, budgeting and funding, and other issues related to asset management that may arise from time to time. All quality control standards and protocols shall, at a minimum, be consistent with any existing federal requirements and regulations and existing government accounting standards.

(6) The council may appoint a technical advisory panel whose members shall be representatives from the transportation construction associations and related transportation road interests. The asset management council shall select members to the technical advisory panel from names submitted by the transportation construction associations and related transportation road interests. The technical advisory panel members shall be appointed for 3 years. The asset management council shall determine the research issues and assign projects to the technical advisory panel to assist in the development of statewide policies. The technical advisory panel's recommendations

shall be advisory only and not binding on the asset management council.”

c. Who do I ask for help if I don't have an asset management plan? Is there any charge for this help?

Richard J. Lilly is the Asset Management Council Coordinator for MDOT. Mr. Lilly can be reached at (517) 335-2606 or by email at lillyr@michigan.gov. The Asset Management Council has a website at www.michigan.gov/mdotamc. We recommend that a local agency developing an asset management plan download the “AM Guide for Local Agencies in Michigan” (under Commissions, Councils and Committees, Asset Management Council – Guide for Local Roads) and then contact Mr. Lilly directly for guidance. There is no charge for assistance from Mr. Lilly.

4. Transfer of MTF between Major and Local Street Funds, line 39, page 4 of the SFR:

Can I exceed the 50 percent transfer without a resolution from my city/village council or without an asset management plan?

Can I exceed the 50 percent transfer without a resolution from my city/village council or without an asset management plan?

No. If the city/village is not in compliance with Section 13 (6) or (7), MDOT will withhold future MTF distributions until compliance is met.

5. Actual Qualified Expenditures for Nonmotorized Improvements, page 4 of the SFR:

- a. What are nonmotorized expenditures?
- b. How is the amount calculated?
- c. What expenditures can I use to meet this requirement?
- d. How do I get help?
- e. What happens if I don't have any nonmotorized expenditures, or the amount I have is not enough?

a. What are nonmotorized expenditures?

MCL Section 247.660(k) of P.A. 82 of 2006, which amends P.A. 51 of 1951, also known as Section 10(k) states the following:

“(1) Transportation purposes as provided in this act include provisions for facilities and services for nonmotorized transportation including bicycling.

(2) Of the funds allocated from the Michigan transportation fund to the state trunk line fund and to the counties, cities, and villages, a reasonable amount, but not less than 1% of those funds shall be expended for construction or improvement of nonmotorized transportation services and facilities.

(3) An improvement in a road, street, or highway which facilitates nonmotorized transportation by the paving of unpaved road shoulders, widening of lanes, the addition or improvement of a sidewalk in a city or village, or any other appropriate measure shall be considered to be a qualified nonmotorized facility for the purposes of this section.

(4) Units of government need not meet the provisions of this section annually, provided the requirements are met as an average over a reasonable period of years, beginning with 1978, not to exceed 10.

(5) The state transportation department or a county, city, or village receiving money from the Michigan transportation fund annually shall prepare and submit a 5-year program for the improvement of qualified nonmotorized facilities which when implemented would result in the expenditure of an amount equal to at least 1% of the amount distributed to the state transportation department or the county, city, or village, whichever is appropriate, from the Michigan transportation fund in the previous calendar year multiplied by 10, less the accumulated total expenditures by the state transportation department or the county, city, or village for qualified nonmotorized facilities in the immediately preceding 5 calendar years. A county, city, or village receiving money from the Michigan transportation fund shall consult with the state transportation development region where the county, city, or village is located in its preparation and submittal of the 5-year program under this subsection.

(6) Facilities for nonmotorized transportation may be established in conjunction with or separate from already existing highways, roads, and streets and shall be established when a highway, road, or street is being constructed, reconstructed, or relocated, unless:

(a) The cost of establishing the facilities would be disproportionate to the need or probable use.

(b) The establishment of the facilities would be contrary to public safety.

(c) Adequate facilities for nonmotorized transportation already exist in the area.

(d) Matching funds are not available through the department of natural resources or other state, local, or federal government sources.

(e) The previous expenditures and projected expenditures for nonmotorized transportation facilities for the fiscal year exceed 1% of that unit's share of the Michigan transportation fund, in which case additional expenditures shall be discretionary.

(7) The state transportation department may provide information and assistance to county road commissions, cities, and villages on the planning, design, and construction of nonmotorized transportation facilities and services."

b. How is the amount calculated?

Pursuant to MCL Section 247.660(k) of P.A. 82 of 2006, as amended, MDOT calculates the base by adding lines 1, 2 and 6 on page 3 of the SFR. The Major Street Fund amount is added to the Local Street Fund amount to arrive at the base for the calculation. Multiply the base by one percent and then multiply by 10. The one percent amount is what is required for the current year, if you have no prior year eligible expenditures. The ten year amount, in the formula at the top of the chart, needs to be less than the Grand Total. If you have enough expenditures in prior years, you won't have to identify any for the current year.

c. What expenditures can I use to meet this requirement?

There is a table in the instructions for the Act 51 SFR long form, (Form 2030), entitled Work Creditable Against the Section 10(k) 1% Expenditure Requirement. This table describes expenditures that can be used for Road and Non-Road Facilities. MCL Section 247.660(k)(3) of P.A. 82 of 2006, which amended P.A. 51 of 1955 as amended, states the following with regards to sidewalks as non-motorized expenditures.

"(3) An improvement in a road, street, or highway which facilitates nonmotorized transportation by the paving of unpaved road shoulders, widening of lanes, the addition or improvement of a sidewalk in a city or village, or any other appropriate measure shall be considered to be a qualified nonmotorized facility for the purposes of this section.

However, MCL Section 247.660(k) (3) of P.A. 82 of 2006, which amended P.A. 51 of 1951, as amended, changed the wording as follows: from ". . . by the paving of unpaved road surfaces and shoulders . . ." to ". . . by the paving of unpaved road shoulders . ..". This means that changing from gravel to hard surface roads, including paving of gravel roads, no longer qualifies as eligible expenditures for non-motorized improvements.

d. How do I get help?

Joshua DeBruyn is the Bicycle and Pedestrian Coordinator for MDOT. Mr. DeBruyn can help a local agency determine if prior year expenditures can be used to meet the nonmotorized requirement. He can also help a local agency develop the plan as described in Section 10(k). He can be reached at (517) 335-2918 or by email at debruynj@michigan.gov.

e. What happens if I don't have any nonmotorized expenditures, or if the Grand Total amount is not enough?

When a city/village is not in compliance with Section 10(k), pursuant to MCL Section 247.660(k) of P.A. 82 of 2006, they will need to have

their Council adopt a resolution identifying how they will come into compliance within the next three years.

The resolution must identify what projects will be done and the amount that needs to be spent to bring the city/village into compliance for lack of spending in past years. Once compliance is met, MTF funds will be released, if they are being withheld.

- ❖ ***TIP: This is not the same as the five-year plan detailed in MCL Section 247.660(k) of P.A. 82 of 2006, which identifies how you plan to make your community more pedestrian friendly in the future.***

6. Interest Earned on MTF Revenue:
a. Why do I have to record interest on line 6, page 3 of the SFR?
b. What happens if I don't record interest earnings on the Revenue section of the SFR?
c. Who should I ask for help?

a. Why do I have to record interest on line 6, on page 3 of the SFR?

MCL Section 247.663 of P.A. 51 of 1951, as amended, also known as Section 13(10) states:

"Interest earned on funds returned to a city or a village for purposes provided in this section shall be credited to the appropriate street fund."

b. What happens if I don't record interest earnings on the Revenue section of the SFR?

We will expect to see interest earnings if the fund had a positive balance at the end of the prior year. We will contact you to discuss this. Future MTF distributions could be withheld until interest is recorded properly.

c. Who should I ask for help?

You will need to contact your CPA to identify how much of the MTF Revenue received for either Major Street Funds or Local Street Funds, or both, recorded on lines 1 and 2 on page 3 of your SFR should actually be recorded on line 6.

7. Alleys, Unused Streets, Cemetery and Minor Park Drives:
Can I use my Local Street Funds on alleys?

Can I use my Local Street Funds on alleys?

P.A. 51 of 1951, as amended, does not address the issue of alleys. Past practice and MDOT policy decisions have led to the following interpretations:

In general, MTF should not be spent on alleys.

An alley is a public way which provides secondary access to abutting land. Alleys, unused streets and cemetery and minor park drives, are not included in the tabulation of street mileage for the purposes of distributing MTF funds. If the alley is not part of your mileage certification map filed with MDOT, it should not receive funding.

Where an alley is open and used by the public as a public way, MTF Local Street funds may be used for its maintenance. The alley should become part of your mileage as shown on your mileage certification map if improvements are made.

8. Definitions of Preservation and Construction:

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| <ul style="list-style-type: none">a. What is the definition of preservation and what is allowed for this category?b. What is the definition of construction and what is allowed for this category? |
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a. What is the definition of Preservation and what is allowed for this category?

MCL Section 247.660(c) of P.A. 51 of 1951, as amended, also known as Section 10(c) has the following definitions:

(l) "**Preservation**" means an activity undertaken to preserve the integrity of the existing roadway system. Preservation does not include new construction of highways, roads, streets, or bridges, a project that increases the capacity of a highway facility to accommodate that part of traffic having neither an origin nor destination within the local area, widening of a lane width or more, or adding turn lanes of more than 1/2 mile in length.

Preservation includes, but is not limited to, 1 or more of the following:

- (i)* Preservation.
- (ii)* Capital preventive treatments.
- (iii)* Safety projects.
- (iv)* Reconstruction.
- (v)* Resurfacing.
- (vi)* Restoration.
- (vii)* Rehabilitation.
- (viii)* Widening of less than the width of 1 lane.
- (ix)* Adding auxiliary weaving, climbing, or speed change lanes.
- (x)* Modernizing intersections.
- (xi)* Adding auxiliary turning lanes of 1/2 mile or less.
- (xii)* Installing traffic signs in new locations, installing signal devices in new locations, and replacing existing signal devices.

(m) "**Preservation**" means routine preservation or preventive preservation, or both. Preservation does not include capital preventive treatments, resurfacing, reconstruction, restoration, rehabilitation, safety projects, widening of less than 1 lane width, adding auxiliary turn lanes of 1/2 mile or less, adding auxiliary weaving, climbing, or

speed-change lanes, modernizing intersections, or the upgrading of aggregate surface roads to hard surface roads. Preservation of state trunk line highways does not include street lighting except for freeway lighting for traffic safety purposes.

(n) "**Routine preservation**" means actions performed on a regular or controllable basis or in response to uncontrollable events upon a highway, road, street, or bridge. Routine preservation includes, but is not limited to, 1 or more of the following:

- (i) Snow and ice removal.
- (ii) Pothole patching.
- (iii) Unplugging drain facilities.
- (iv) Replacing damaged sign and pavement markings.
- (v) Replacing damaged guardrails.
- (vi) Repairing storm damage.
- (vii) Repair or operation of traffic signs and signal systems.
- (viii) Emergency environmental cleanup.
- (ix) Emergency repairs.
- (x) Emergency management of road closures that result from uncontrollable events.
- (xi) Cleaning streets and associated drainage.
- (xii) Mowing roadside.
- (xiii) Control of roadside brush and vegetation.
- (xiv) Cleaning roadside.
- (xv) Repairing lighting.
- (xvi) Grading.

(o) "**Preventive preservation**" means a planned strategy of cost-effective treatments to an existing roadway system and its appurtenances that preserve assets by retarding deterioration and maintaining functional condition without significantly increasing structural capacity. Preventive preservation includes, but is not limited to, 1 or more of the following:

- (i) Pavement crack sealing.
- (ii) Micro surfacing.
- (iii) Chip sealing.
- (iv) Concrete joint resealing.
- (v) Concrete joint repair.
- (vi) Filling shallow pavement cracks.
- (vii) Patching concrete.
- (viii) Shoulder resurfacing.
- (ix) Concrete diamond grinding.
- (x) Dowel bar retrofit.
- (xi) Bituminous overlays of 1-1/2 inches or less in thickness.
- (xii) Restoration of drainage.
- (xiii) Bridge crack sealing.
- (xiv) Bridge joint repair.
- (xv) Bridge seismic retrofit.
- (xvi) Bridge scour countermeasures.
- (xvii) Bridge painting.
- (xviii) Pollution prevention.
- (xix) New treatments as they may be developed."

b. What is the definition of construction and what is allowed for this category?

Construction includes a project that increases the capacity of a highway facility to accommodate that part of traffic having neither an origin nor destination within the local area, widening of a lane width or more, or adding turn lanes of more than 1/2 mile in length.

9. Helpful Websites for Use by Counties, Cities and Villages:

- a. <http://mdotwas1.mdot.state.mi.us/public/act51reporting>
- b. www.michigan.gov/mdot
- c. <http://www.michigan.gov/treasury>
- d. www.cpexpress.state.mi.us
- e. www.legislature.mi.gov
- f. www.michigan.gov – Additional information for municipalities

a. <http://mdotwas1.mdot.state.mi.us/public/act51reporting>

The Michigan Department of Transportation (MDOT) has developed new web based functionality for counties, cities and villages who want to know how much transportation funding they have received for a given period of time. The website can be found at the above address or on the www.michigan.gov/mdot website, under ‘**doing business**’ on the left side of the screen, then select “**Resources**” from the right center of the screen and then select “**Act 51 Reporting System**”. (Information available is up to the two months prior to the current date. This is due to the way distributions are made.)

b. www.michigan.gov/mdot

Click on “**doing business**” on the left side of the window. The information available to you is a listing of what MDOT makes available from our Transportation Service Centers. The information is listed by category (i.e., permits, Design, etc.). There are two other main boxes of information on this screen, “how to . . .”, and “resources”. The “how to . . .” section helps you learn how to bid on projects or become DBE certified. The “resources” section has a listing of MPO’s and MDOT’s file libraries plus much more.

Select “**Forms**”. This takes you to a screen which allows you to select from a list of MDOT’s most requested forms. A box at the top of the window allows you to quickly move to the list of forms that you are interested in. The Act 51 (Form 2030) SFR Long and (Form 2030EZ) Short Form including instructions are listed under Act 51 by year. Form 2012, Resolution for Designation of Street Administrator, is available here, as well as forms to request changes to mileage.

❖ **Tip: We keep 3 years of forms on the website. Currently available are 2005, 2006 and 2007.**

At the main screen click on “**maps & publications**” on the left side of the window. From the next screen select “**Reports**” on the left side of the window. Under the heading of “**michigan transportation fund**”,

you will find a document titled **“FAQ - ACT 51”**. This document has answers to some of the most commonly asked questions by cities/villages. Also under the heading of **“michigan transportation fund”**, after the FAQ document are **“annual reports”** by fiscal year starting with 2001 and ending with 2006. The annual reports have the detail of revenue collected for the distribution to the counties, cities and incorporated villages.

This website contains information that municipalities can use to help meet the Act 51 requirements. Anytime you need more information or specific details, please contact our office, MDOT Financial Outreach Services, at (517) 373-7777. You can also come to our office in Lansing and meet with a staff member to help you finalize your SFR

At the main screen click again on **“doing business”** then under **“resources”** in the right center of the screen, click on **MDOT File Libraries**. On the next screen is a box asking you to **“Select a file library”**. In the box, using the scroll handle on the right side **“▼”**, scroll down until you see **MTFRPTS**. The Library of MTF Reports includes:

City/Village Allocation Factors – The report name is **“Alloc_Mu.02.xls”**, where 02 represents the month of interest and is changed each month (example “02” is 02/2007). The information in this report includes total population, primary miles, local miles, state trunkline miles and the population factor for each incorporated city/village in the state. You can use this information with the City and Village Average Unit Values, 02/07 found in the report **“CVUV0207.xls”**. This report shows the 12 month period of 03/2006 to 02/2007, based on actual distributions, including the Local Road Program funds. This report has an Estimating Format using the above factors to allow you to calculate potential increases or decreases to the cities/villages share of the MTF distributions.

- ❖ ***Tip: Two months of this report are available on the website, the current month and the previous month. Two months of the City/Village Average Unit Values report are also available on the website.***

County Allocation Factors – The report name is **“Alloc_Cnty.02.xls”** where 02 represents the month of interest (example “02” is 02/2007). The information in this report includes primary miles, local miles, urban primary miles, urban local miles, total population and the engineering amount for each county in the state. You can use this information with the County Average Unit Value, 02/07 found in the file **“COUV0207.xls”**. This report shows the 12 month period of 03/2006 to 02/2007, based on actual distributions, including the Local Road Program funds. This report has an Estimating Format using the above factors to allow you to calculate potential increases or decreases to the county share of the MTF distributions.

- ❖ **Tip:** *Two months of this report are available on the website, the current month and the previous month. Two months of the County Average Unit Values report are also available on the website.*

City/Village Population Factors –You can find population factors in the City/Village Allocation Factors Report named “**Alloc_Mu.02.xls**” which is mentioned above.

County Population Factors –You can find population factors in the County Allocation Factors Report named “**Alloc_Cnty.02.xls**” which is mentioned above.

City/Village Average Unit Values, 02/07 – The report name is “**CVUV0207.xls**”, where “02/07” represents the end month of the 12-month period (03/2006 to 02/2007) for which you are interested, based on actual distributions including the Local Road Program funds. This report along with Allocation and Population Factors referenced above lets you examine detailed MTF Receipts received by individual formula. Allocation and Population Factors can be used to predict potential changes such as: Major Streets population, major miles, 2*Trunkline miles and Local Streets population and local miles. This can help you determine if your share of the total MTF Distribution will increase or decrease in the upcoming year based on potential factor changes.

- ❖ **Tip:** *There are two months available on the website, the current month and the previous month for the City/Village Average Unit Values and for the City/Village Allocation Factors.*

County Average Unit Values, 02/07 – This report is similar to the City/Village Average Unit Values Report listed above. The report name is “**COUV0207.xls**”, where “02/07” represents the end month of the 12-month period (03/2006 to 02/2007) for which you are interested, based on actual distributions including the Local Road Program funds. This report along with the County Allocation Factors mentioned above can be used to calculate a potential increase or decrease to the distribution of MTF for County Urban Primary, County Urban Local, County Primary and County Local shares.

- ❖ **Tip:** *There are two months available on the website, the current month and the previous month for the County Average Unit Values and for the County Allocation Factors.*

Estimated City/Village MTF Revenue for the Period 10/2006 – 09/2007, Treasury Revenue Estimate of 5/17/06 with September 2006 Updates. This file is titled “**Cvest07ORTA051706.xls**”. Using the estimated revenue and the population factors for your municipality you can calculate your share of projected revenue. There is an estimating format at the bottom of the report to help with the calculation.

- ❖ **Tip:** *There is only one year of this report on the website, FY2007.*

Estimated County MTF Revenue for the Period 10/2006 – 09/2007, Treasury Revenue Estimate of 5/17/06 with September 2006 Updates. This file is titled "COEST07ORTA051706.xls. Using the estimated revenue and the population factors for your county you can calculate your share of projected revenue. There is an estimating format at the bottom of the report to help with the calculation.

- ❖ **Tip: There is only one year of this report on the website, FY2007.**

City/Village MTF Payment Breakdown. This report shows the most current monthly MTF distributions received by each city or village and can be found in a file titled "contnmu.xls, City/Village MTF Payment Breakdown 02/07".

- ❖ **Tip: Only the current month's report is available on the website.**

County MTF Payment Breakdown. This report shows the most current monthly MTF distributions received by each county and can be found in a file titled "contnco.xls, County MTF Payment Breakdown 02/07".

- ❖ **Tip: Only the current month's report is available on the website.**

MTF and Local Road Program Statement of Comparative Receipts and Distributions, Reported on Cash Basis– are in the report titled "Aug06.xls" for current and prior year month ending August 31, 2006. The data for this report comes from the Michigan Department of Treasury. The report shows receipts less grants and administrative costs which is the net amount to be distributed. The report shows the percentages received by counties and cities as well as the State Trunkline fund distribution and the Local Road program distribution.

- ❖ **Tip: The current month and the previous month are on the website, so the filenames will change each month.**

139 Report – MCL Section 247.667 of PA 51 of 1951, as amended, also known as Section 17(2) states:

"The state transportation department, within 120 days after the close of each fiscal year of the state shall furnish to the legislature and the governor a detailed report of revenues credited to the Michigan transportation fund and distributions under this act and a detailed report of the interest earnings and allocations of each fund created or appropriated money under this act, showing the amounts distributed to each county road commission, city, and village and the purposes for which those amounts were expended."

MDOT Report 139 is the fiscal year "2005" annual report of the Michigan Transportation Fund, as required by Section 17(2) of the Michigan Highway Law, Public Act 51 of 1951, as amended. This report summarizes revenues collected, cost of administration, authorized expenditures and the amounts distributed to each county

road commission, city and village. Report 139 has different schedules and they are listed in the file library as: **"SCHA06.xls", SCHB06.XLS, SCHC06.XLS and "SCHD06.XKS"**. **Schedule A** is the Summary of Receipts and Distributions for the MTF and Local Program Fund for the Fiscal Year October 1, 2005 through September 30, 2006. This report shows each quarter and the total for the year. **Schedule B** reports the Distribution to Counties for the fiscal year October 1, 2005 through September 30, 2006. **Schedule C** reports the distribution to Cities and Villages for the fiscal year **"2005"** October 1, 2004 through September 30, 2005. **Schedule D** reports the Distribution to Counties and Cities and Villages by County for the fiscal year October 1, 2005 through September 30, 2006.

❖ *Tip: If you have difficulty with any of the above information, please call Financial Outreach Services at (517) 241-3178.*

c. <http://www.michigan.gov/treasury>

One reason to use this site is that AFS since 2003 are on this site. MDOT will ask for hard copies of your AFS, if you don't send one or we are unable to find it on the Local Audit and Finance Division (LAF) of the Department of Treasury's website. Your CPA can easily upload your AFS to LAF's website, and then you won't need to send a hard copy to MDOT, because we can get it from the website.

From the Department of Treasury's home page, select **"Local Government"** from the list on the left side of the window.

Select **"Local Unit Audit Reports"** in the list on the left side of the window.

Scroll down so you can see the years of Audited Financial Statements (AFS) that are available.

d. www.cpexpress.state.mi.us

Use this website to register to receive bid information, purchase orders, and payments from the State of Michigan. Once registered, you can access or change your information 24 hours a day.

Use this site to sign-up to receive State of Michigan payments via Direct Deposit (Electronic Fund Transfer).

Use this site to view payment details on your Direct Deposit (Electronic fund Transfer).

You can use this site to change the address where warrants will be distributed. This is also the place where you can change from mailed warrants to Electronic Funds Transfer (EFT) and have the funds deposited automatically.

If you have difficulty with this website, please call the hotline at (517) 373-4111.

e. www.legislature.mi.gov

You use this site to research Act 51 and to stay current with pending legislation.

For example P.A. 338 of 2006, amended P.A. 51 of 1951, Section 13 (MCL Section 247.663). This act specifically changed subsections (6) and (7). The amount that can be transferred from the Major Street Fund to the Local Street Fund has increased from 25% to 50%. The exact wording is as follows:

Subsection (6) "Money returned under this section to a city or village shall be expended on the major and local street systems of that city or village. However, the first priority shall be the major street system. Money returned for expenditure on the major street system shall be expended in the priority order provided in subsection (3) except that surplus funds may be transferred for preservation of the local street system. Major street funds transferred for use on the local street system shall not be used for construction but may be used for preservation as defined in section 10c. A city or village shall not transfer more than 50% of its annual major street funding for the local street system unless it has adopted and is following an asset management process for its major and local street systems and adopts a resolution with a copy to the department setting forth all of the following:

- (a) A list of the major streets in that city or village.
- (b) A statement that the city or village is adequately maintaining its major streets.
- (c) The dollar amount of the transfer.
- (d) The local streets to be funded with the transfer.
- (e) A statement that the city or village is following an asset management process for its major and local street systems"

Subsection (7) states "A city or village that has not adopted an asset management plan shall obtain the concurrence of the department to transfer more than 50% of its major street funding to its local street system. The department may provide for pilot projects that would allow a city or village that has adopted an asset management plan under subsection (6) to combine their local and major street funds into 1 street fund and to submit a single report to the department on the expenditure of funds on the local and major street systems."

f. www.michigan.gov – Additional information for municipalities

Local Government – this will take you to a screen with information and links
Regional Coalitions
More Resources

9. Deficit Elimination:

What is it, what should be done and who should do it?

What is it, what should be done and who should do it?

Deficit Condition as Defined in the Attorney General Opinion No. 6154, rendered June 17, 1983, states:

“A local unit of government must file a financial plan to eliminate a deficit for any fund required for compliance with statutory uniform accounting requirements if the fund ends its fiscal year in a condition where the total expenditure for that fund, including an accrued deficit, exceed total revenues in that fund for the fiscal year, including any surplus carried forward. Any surplus in such fund may not be used to correct a deficit condition in the general fund of the municipality, and the local unit of government must file a financial plan to eliminate the deficit.”

MCL Section 247.663 of P.A. 140 of 1971, as amended, also known as Section 21 states:

“(1) If a city, village, township or county fails to provide an annual financial report or audit which conforms with the minimum procedures and standards prescribed by the state treasurer and is required under Act No. 2 of the Public Acts of 1968, as amended, being sections 141.421 to 141.440a of the Michigan Compiled Laws, or Act No. 71 of the Public Acts of 1919, being sections 21.41 to 21.53 of the Michigan Compiled Laws, the payments required under this act may be withheld until the financial report or audit is submitted as required by law.

(2) For a fiscal year of a unit of local government ending on or after October 1, 1980 or any year thereafter, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition. Upon request of a local unit of government the department of treasury may assist that local unit in the formulation of the financial plan to correct the deficit condition. The local unit of government shall file the financial plan with the department of treasury for evaluation and certification that the plan ensures that the deficit condition is corrected. Upon certification by the department of treasury, the local unit of government shall institute the plan. An amount equal to 25% of each payment to a local unit of government entitled to payments under this act may be withheld until requirements of this subsection are met.

(3) The department of treasury shall notify each house of the legislature of any local unit of government that fails to provide a financial report or an audit required by subsection (1) and of any local unit of government required to file a financial plan under subsection (2).

(4) As used in this section, “deficit condition” means a situation where, at the end of a fiscal year, total expenditures, including an accrued deficit, exceeded total revenues for that fiscal year, including any surplus carried forward”.

The financial plan must be approved by:

U.S. Mail: Local Audit and Finance Division
Michigan Department of Treasury
P.O. Box 30728
Lansing, Michigan 48909-8228

Email: Treas_LAFD@michigan.gov
Phone: (517) 373-0660
FAX: (517) 373-0633

If MDOT has been withholding MTF funds, we will need to get a copy of the approved letter from Treasury before we release any funds.

10. Fixed Assets:

Can fixed assets be purchased with MTF funds?

Can fixed assets be purchased with MTF funds?

Yes, however, if the equipment is used by the city/village for non-MTF uses, you might charge the local source that utilized the equipment the Schedule C Rental Rates. The fixed assets would be depreciated in the same manner as other city/village assets are being depreciated.

11. Schedule C – What is included
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What is Schedule C?

What is Schedule C?

Schedule C are Equipment Rental Rates compiled by MDOT. The current rates are effective January 1, 2007 through December 31, 2007. Hourly equipment rental rates are based on the following data reported by the County Road Commission on the county equipment questionnaires:

1. Expenses: Direct repair, indirect repair and storage, operating and depreciation.
2. Hours of equipment operations.

These rates were computed using 2005 actual expenses of county road commissions, plus a factor for estimated increased costs between 2005 and 2007.

Counties possessing a State Trunkline Maintenance Contract for the effective term of 10/01/2003 through 9/30/2008 will be reimbursed at these rates. However a county may elect to use a modified rate for reimbursement in accordance with subsection 15(F) of the contract.

You can download this schedule from our website at http://www.michigan.gov/documents/mdot/MDOT_Rental_Rates_2007_181732_7.pdf

12. MTF Advance Distribution:

Is there a possibility of obtaining an emergency advance from MTF?
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Is there a possibility of obtaining an emergency advance from MTF?

The Highway Commission adopted Resolution No. 65-3, signed February 2, 1965. The section which relates to this question states:

“WHEREAS, Act 51 provides for the advance of certain earned revenues when a county, city or village has a special need, and upon showing thereof which is satisfactory to the state highway commission, and the state highway commissioner may authorize the advance – Section 11(1)(9) and Section 11(13).”

13. Potential errors when filling out the Act 51 SFR and how to correct them:

- a. Signature Page – page 1
- b. Balance Sheet and Liabilities and Fund Balances – page 2
- c. Revenue – page 3
- d. Expenditures – page 3
- e. Operating Transfers: In and Out – page 4
- f. Actual Qualified Expenditures for Non-motorized Improvements – page 4
- g. Schedule of Fixed Assets – page 5
- h. Schedule of Long Term Debt for Major and Local Street Funds – page 6
- i. Major and Local Streets Construction Report – page 7

a. Signature Page – page 1

No signatures on this page. We require two signatures, on this page. The Street Administrator must sign and whoever the city/village chooses, usually the Clerk, Manager, Financial Officer or Treasurer. A proxy is not acceptable. This is a common internal control measure and provides for a separation of duties: one person completed the form and the other reviews and certifies.

As important as the signatures are, you must also indicate the fiscal period covered, example 2/28/06. The year is filled in for you when you download the form.

It is also important for you to put the name of your city/village at the top along with the name of the county.

b. Balance Sheet and Liabilities and Fund Balances – page 2

MDOT asks you to report short term, non-capital assets and liabilities.

Sometimes a municipality will show a deficit in the Ending Fund Balance. If this is true for your local agency, you need to have a Deficit Elimination Plan on file with the Department of Treasury, Local Audit and Finance Division. MDOT requires a copy of the plan sent to Treasury and we will release any funds that we have been withholding.

❖ **Tip: See Question 9 for definitions and instructions.**

If you do not have the ability to enter your information on the proper form on our website, you may fill out the form by hand. It is imperative that you check your math to avoid unnecessary processing

delays. Make sure your assets equal your liabilities plus ending fund balance.

Assets should be positive. If your report shows cash as a negative value, you will be contacted to correct this situation. A negative asset should be shown as a positive liability, (i.e., Bank Overdraft \$50.00) and entered on line 2c. This should be removed from that line and entered as a positive on line 7b, (i.e., Bank Overdraft \$50.00).

We ask that you show Certificates of Deposit or Pooled Investments on the lines we have provided rather than using an Other (Identify) line or blank line. Entering data on the Other (Identify) line or a blank line, without labeling, describing or otherwise identifying the source, causes a discrepancy which we must resolve before we can complete our review of your SFR.

We look at the reasonableness of your "Due To" and "Due From" amounts in relation to your financial position.

It is very important that you identify your MTF Accounts Receivable and separate it from other receivables. The state uses a two-month accrual accounting system, so you will always have a "Due From" amount from MDOT for MTF earned but not yet received.

If you have more than six distinct fund types, add a summary page with the sum of your attachment entered on 7b with the notation "see summary page".

The Fund Balance amount page 2 line 9, should always be the same amount on page 4, line 47. Use the fillable form on our website to avoid this type of error. The web form will auto fill these fields.

c. Revenue – page 3

Revenues recorded on lines 5, 9, 10 or 11, must have corresponding expenditures on lines 28, 29, 30 and 31.

Record Metro Act funds on the Metro Act Line. In 2007, we will have a new line added to this section for Metro Act Funds. In the meantime, please use line 14 – Miscellaneous (Identify) with the notation "Metro Act Funds".

Line 5 – State Trunkline Preservation; contract revenues must be reported on this line, separate from the MTF Act 51 distributions.

Line 6 – Interest; all interest earned must be reported on this line. Some local agencies are posting the interest earned on street funds to their General Fund which is not in compliance with P.A. 51 of 1951, as amended. If your line 6 is blank, provide a written explanation of why interest was not earned on your Street Fund balance.

❖ ***Tip: If you have a positive ending fund balance from last fiscal year, you should have interest earnings.***

Lines 12 and 13 – Tax Levies and Special Assessments. Tax Levies or Special Assessments for road projects must remain in the street funds until fully expended.

d. Expenditures – page 3

Lines 17 and 18 – Construction Expenditures. If the amounts shown on page 3 do not match the amounts on the Major and Local Streets Construction Report on page 7, our system will flag this as an error. The new definition for Construction and Preservation are listed in question #1 above. If you have expenditures for these lines under the Local Street Fund, you must indicate how you matched these expenditures with a local source. The match requirement is 50 percent.

- ❖ ***Tip: If you classify a preservation project as construction, you are not making the best use of your local money.***

Line 23 – Administration, Engineering and Record Keeping. Expenditures on this line are limited to 10 percent of the MTF receipts on lines 1, 2, and 6.

- ❖ ***Tip: See Question #1 for definitions and instructions.***

Line 24 – Roadside Parks. Expenditures are limited to five percent of MTF receipts on lines 1, 2, and 7. Roadside parks expenditures are limited to Major Street Fund projects only.

Line 32 – Miscellaneous (identify) It is imperative that you identify the fund that covered the expenses.

e. Operating Transfers: In and Out – page 4

Lines 34 – 38 and 42 can only be positive. MTF funds are restricted and, therefore, can only be transferred between themselves. Negative transfers on these lines will need to be restated as expenditures on page 3 on the appropriate lines 17 – 32.

P.A. 338 of 2006 amended Act 51 of 1951. The amount allowed for transfer from Major to Local was increased to 50 percent of current years MTF receipts on page 3, lines 1, 2 and 6.

- ❖ ***Tip: See Question #2 for definitions and instructions.***

Line 41 – Debt Retirement Fund. Amounts shown of this line must match columns 8 and 9 on the Schedule of Long Term Debt on page 6.

Line 46 – Fund Balance at Beginning of Year. This amount must match the amounts shown as the Fund Balance at End of Year on your previous SFR and in your AFS.

Line 47 – Fund Balance at End of Year. This number must be positive. If it is not, you must file a Deficit Elimination Plan with Treasury as explained in Question #3 above.

Prior Year Adjustments – Adjust your beginning fund balances and indicate that they are RESTATED. Prior year adjustments should not be reported as revenue or operating transfers in or out.

f. Actual Qualified Expenditures for Non-motorized Improvements – page 4

The grand total must equal or exceed 1 percent of the current year MTF receipts, for Major and Local combined, multiplied by 10. Keep in mind that each year the oldest expenditures drop off. For example, the 2006 form includes years 1997 to 2006. The 2007 form will have years 1998 to 2007.

❖ **Tip: See Question #3 for definitions and instructions.**

g. Schedule of Fixed Assets – page 5

This schedule should be used to track the useful life of equipment purchased with Act 51 MTF funds.

Be sure to provide all the information that is required on this page.

All pre-authorized equipment should be reported here. Assets are also reported on line 5 of the Balance Sheet.

Carry each piece of equipment until it is completely depreciated.

If the equipment is sold, enter any proceeds on page 3 under Revenues on line 14 – Other Revenue with the notation “Asset Sold” and what the asset was (i.e., Asset Sold – Snowplow).

Equipment is expensed out as it is used by applying the Schedule C equipment rental rates. Report equipment usage on lines 16 – 19 on page 3.

h. Schedule of Long Term Debt for Major and Local Street Funds – page 6

You can pledge future Act 51 MTF funds as collateral for long term debt. Future Act 51 funds are then used to make your debt service payments.

Total Debt Retired, column 9, should match the amount reported on line 40, page 4, of the Operating Transfers, Debt Retirement Fund for Major and Local Street funds.

i. Major and Local Streets Construction Report – page 7

Our system flags the report if no units are shown for either the Major System or the Local System, for **ROADS - “New Construction/New Location”, “Increase Capacity”, “Miscellaneous (specify)” (please include a notation so we can be sure that this amount is Construction and not Preservation); BRIDGES – “Replacement”, “New Location”, and “Replace with Culvert”.**

Our system flags the report when the amounts of Expenditure lines 17 and 18, do not match the "**Grand Total**" for either the Major System or Local System on page 7, or if there is no report shown.

Be sure your project meets the definition of Construction in Question # 7(b) above.

If you have a Local System construction project, a 50 percent match is required from a local funding source.

14. Local Matching Dollars for MTF Funds:
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Do locals have to match MTF funds?

Do locals have to match MTF funds?

No, not for general use funds. However, you are required to match MTF funds used for Local Street Construction Projects. This requires a 50 percent match as described in Question # 13(d) above.