



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

*Administration of Act 51, P.A. 1951,
as Amended*

*Michigan Department of Transportation and
Department of Treasury*

Report Number:
591-0410-12

Released:
September 2012

The Michigan Transportation Fund, established by Act 51, P.A. 1951, as amended, is the depository for motor vehicle license revenue and gasoline tax revenue. After various statutory deductions and distributions, the revenue is distributed to the State (39.1%), to counties (39.1%), and to cities and villages (21.8%) for the construction, maintenance, and improvement of State highways, roads, and streets. Act 51 restricts the use of funds to road preservation, road maintenance, road construction, and snow removal.

Audit Objective:

To assess the effectiveness of the Michigan Department of Transportation's (MDOT's) and the Department of Treasury's efforts to monitor the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended.

Audit Conclusion:

We concluded that MDOT's efforts in monitoring the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended, were effective. We also concluded that the Department of Treasury's efforts in monitoring the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended, were not effective. We noted one material condition ([Finding 1](#)).

Material Condition:

The Department of Treasury did not conduct statutorily required performance audits of county road commissions, cities, and villages that received transportation dedicated funds ([Finding 1](#)).

Subsequent Event:

Subsequent to our audit fieldwork and prior to the release of this audit report, the Legislature passed and the Governor signed Act 298, P.A. 2012, effective August 23, 2012. Sections 12(21) and 13(12) of Act 298 assigned MDOT the responsibility to conduct performance audits of the disposition of all State funds received by counties, cities, and villages for transportation purposes to determine compliance with the Act.

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Audit Objective:

To assess the effectiveness of MDOT's efforts to ensure that transportation dedicated funds are allocated, distributed, and reported in compliance with Act 51, P.A. 1951, as amended.

Audit Conclusion:

We concluded that MDOT's efforts to ensure that transportation dedicated funds were allocated, distributed, and reported in compliance with Act 51, P.A. 1951, as amended, were effective. Our audit report does not include any reportable conditions related to this audit objective.

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Agency Response:

Our audit report contains 1 finding and 1 corresponding recommendation directed to the Department of Treasury. The Department of Treasury's preliminary response did not indicate agreement or disagreement but rather that, with the passage of Act 298, P.A. 2012, the recommendation was no longer applicable to the Department of Treasury.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

September 25, 2012

Mr. Jerrold M. Jung, Chair
State Transportation Commission
and
Kirk T. Steudle, P.E., Director
Michigan Department of Transportation
Murray Van Wagoner Transportation Building
Lansing, Michigan
and
Mr. Andy Dillon, State Treasurer
Richard H. Austin Building
Lansing, Michigan

Dear Mr. Jung, Mr. Steudle, and Mr. Dillon:

This is our report on the performance audit of the Administration of Act 51, P.A. 1951, as amended, Michigan Department of Transportation and Department of Treasury.

This report contains our report summary; description of process; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, finding, recommendation, and agency preliminary response; four exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, finding, and recommendation are organized by audit objective. The agency preliminary response was taken from the Department of Treasury's response subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendation and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

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MICHIGAN DEPARTMENT OF TRANSPORTATION
AND
DEPARTMENT OF TREASURY**

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GLOSSARY

Glossary of Acronyms and Terms

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Description of Process

Act 51, P.A. 1951, as amended (Sections 247.651 - 247.675 of the *Michigan Compiled Laws*), established the Michigan Transportation Fund* (MTF) as the depository for motor vehicle license revenue and gasoline tax revenue. After various statutory deductions and distributions, the revenue is distributed to the State (39.1%), to counties (39.1%), and to cities and villages (21.8%) for the construction, maintenance, and improvement of State highways, roads, and streets (see Exhibit 3). The allocation to the local units (counties, cities, and villages) is based on mileage, population, and vehicle registrations.

Act 51 restricts the use of the funds to road preservation, road maintenance, road construction, and snow removal. Local units are required to report to the Michigan Department of Transportation (MDOT), through the Act 51 report*, how the funds have been expended. MDOT staff ensure that the Act 51 reports are presented on a timely basis and that financial and roadway mileage totals are accurately reported.

The Department of Treasury is responsible for ensuring that local governmental entities receive an annual financial audit of their accounting records. Act 51 requires the Department of Treasury to conduct performance audits and make investigations of all State funds received by local units for transportation purposes to determine compliance with the terms and conditions contained in Act 51.

Pending legislation (as of June 22, 2012) would amend Act 51 to change the distribution process of transportation dedicated funding. If this legislation becomes law, a Commercial Corridor Fund* (CCF) would be created and, over a period of time, distribution from the MTF would end and transportation dedicated funds would be allocated to and distributed from the CCF. Also, the CCF distribution percentages vary from those in the MTF. In addition, legislative proposals would base the distribution of transportation dedicated funds on functional road classification and vehicle miles traveled instead of the current methodology (see Exhibit 4 for a summary of pending legislation).

* See glossary at end of report for definition.

For the period October 1, 2008 through September 30, 2011, \$5.5 billion in transportation dedicated funding receipts was deposited into the MTF (see Exhibit 1). For that time period, the amount of deductions from the MTF and distributions to MDOT and local units equaled the funding receipts amount (see Exhibit 2). MDOT, 83 county road commissions, and 533 cities and villages received transportation dedicated funding in fiscal year 2010-11.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Administration of Act 51, P.A. 1951, as amended, Michigan Department of Transportation (MDOT) and Department of Treasury, had the following objectives:

1. To assess the effectiveness* of MDOT's and the Department of Treasury's efforts to monitor the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended.
2. To assess the effectiveness of MDOT's efforts to ensure that transportation dedicated funds are allocated, distributed, and reported in compliance with Act 51, P.A. 1951, as amended.

Audit Scope

Our audit scope was to examine the Michigan Department of Transportation's and Department of Treasury's responsibilities, processes, and procedures related to the administration, distribution, and monitoring of transportation dedicated funds within the Michigan Transportation Fund. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives. Our preliminary review and audit procedures, primarily conducted from April through August 2012, generally covered the period October 1, 2009 through July 31, 2012.

During our audit, we did not visit local units of government to determine if they used transportation dedicated funding for its intended purpose. This review was restricted by a 1998 Attorney General Opinion, which stated that the Office of the Auditor General does not have authority to audit county road commissions and other local units of government.

* See glossary at end of report for definition.

As part of our audit, we compiled and reported supplemental information that relates to the receipt and distribution of the Michigan Transportation Fund revenue (see Exhibits 1 through 4). Our audit was not directed toward expressing an opinion on this information and, accordingly, we express no opinion on it.

Audit Methodology

We conducted a preliminary review of the processes utilized by MDOT and the Department of Treasury to administer Act 51 to formulate a basis for developing our audit objectives and defining our audit scope. Our review included interviewing various MDOT and Department of Treasury staff; reviewing applicable laws, rules, policies and procedures, and related reports from other states; examining pending legislation related to Act 51 (see Exhibit 4); analyzing and summarizing the receipt of transportation dedicated funding (see Exhibit 1) and the distribution of those funds (see Exhibit 2); and reviewing the internal control* that MDOT and the Department of Treasury developed and implemented to ensure that transportation dedicated funding is used for its intended purpose.

To accomplish our first objective, we reviewed the Department of Treasury's Bulletin for Audits of County Road Commissions, contacted independent accountants to obtain feedback on the Bulletin, and interviewed MDOT and Department of Treasury staff to clarify and obtain additional information regarding how they monitor the use of transportation dedicated funding. Also, we identified Act 51 performance and financial compliance reporting requirements and determined if these reporting requirements were met. Further, we reviewed the annual financial audits of selected local units of government that are presented on the Department of Treasury's Web site to determine if performance audit activities were documented within those audits.

To accomplish our second objective, we reviewed and documented how transportation dedicated funding was received and distributed; analyzed receipt and distribution totals for fiscal years 2009-10 and 2010-11; documented the controls that MDOT uses to ensure that distribution totals are accurate; and completed selected testing to ensure that MDOT implemented those controls. We verified, for selected local units, that the amounts of transportation dedicated funding distributed by MDOT were accurate.

* See glossary at end of report for definition.

We compiled and reported selected MTF receipt and distribution information and pending legislation, included as Exhibits 1 through 4.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 1 finding and 1 corresponding recommendation directed to the Department of Treasury. The Department of Treasury's preliminary response did not indicate agreement or disagreement but rather that, with the passage of Act 298, P.A. 2012, the recommendation was no longer applicable to the Department of Treasury.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require the Department of Treasury to develop a plan to comply with the audit recommendation and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We released our prior performance audit of the Administration of Act 51, P.A. 1951, as Amended, by the Michigan Department of Transportation and Department of Treasury (59-410-97), in February 1998. MDOT and the Department of Treasury complied with all 6 prior audit recommendations.

COMMENTS, FINDING, RECOMMENDATION,
AND AGENCY PRELIMINARY RESPONSE

EFFECTIVENESS OF EFFORTS TO MONITOR THE USE OF TRANSPORTATION DEDICATED FUNDS

COMMENT

Background: Sections 247.662(21) and 247.663(12) of the *Michigan Compiled Laws* require the Department of Treasury to conduct performance audits and make investigations of the disposition of all transportation dedicated funds received by county road commissions, cities, and villages to determine compliance with the terms and conditions of Act 51, P.A. 1951, as amended.

Attorney General Opinion No. 6970 (dated January 28, 1998) ruled that the Office of the Auditor General does not have the authority to audit county road commissions and other local units of government. This ruling limited our ability to assess how effectively local units utilized transportation dedicated funding.

Audit Objective: To assess the effectiveness of the Michigan Department of Transportation's (MDOT's) and the Department of Treasury's efforts to monitor the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended.

Audit Conclusion: **We concluded that MDOT's efforts in monitoring the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended, were effective. We also concluded that the Department of Treasury's efforts in monitoring the use of transportation dedicated funds in compliance with Act 51, P.A. 1951, as amended, were not effective.** Our review disclosed one material condition*. The Department of Treasury did not conduct statutorily required performance audits of county road commissions, cities, and villages that received transportation dedicated funds (Finding 1).

Subsequent Event: Subsequent to our audit fieldwork and prior to the release of this audit report, the Legislature passed and the Governor signed Act 298, P.A. 2012, effective August 23, 2012. Sections 12(21) and 13(12) of Act 298 assigned MDOT the responsibility to conduct performance audits of the disposition of all State funds received by counties, cities, and villages for transportation purposes to determine compliance with the Act.

* See glossary at end of report for definition.

FINDING

1. Performance Audits of Local Units

The Department of Treasury did not conduct statutorily required performance audits of county road commissions, cities, and villages that received transportation dedicated funds. As a result, the Department of Treasury could not ensure that county road commissions, cities, and villages expended transportation dedicated funds in compliance with Act 51 requirements.

Sections 247.662(21) and 247.663(12) of the *Michigan Compiled Laws* require the Department of Treasury to conduct performance audits and make investigations of the disposition of all transportation dedicated funds received by county road commissions, cities, and villages to determine compliance with the terms and conditions of Act 51.

Our review of the Department of Treasury's auditing procedures disclosed that the Department of Treasury did not conduct any performance audits of county road commissions, cities, or villages that received Act 51 funds during our audit period of October 1, 2009 through July 31, 2012. Department staff reported that they last conducted an Act 51 performance audit of any county road commission, city, or village in June 2006. For the fiscal year ended September 30, 2011, the Department of Treasury received \$7,638,064 of Act 51 funds. The Department of Treasury informed us that these funds were for the collection and transfer of motor fuel taxes as required by Act 51 and were not sufficient to also complete the statutorily required audits.

RECOMMENDATION

We recommend that the Department of Treasury conduct statutorily required performance audits of county road commissions, cities, and villages that receive transportation dedicated funds.

AGENCY PRELIMINARY RESPONSE

The Department of Treasury neither agrees nor disagrees with the recommendation. The Department of Treasury indicated that, with the passage of Act 298, P.A. 2012, which assigned the responsibility to conduct performance audits under Act 51, P.A. 1951, to MDOT, the recommendation is no longer applicable to the Department of Treasury.

EFFECTIVENESS OF EFFORTS TO ALLOCATE, DISTRIBUTE, AND REPORT TRANSPORTATION DEDICATED FUNDS

COMMENT

Background: Act 51, P.A. 1951, as amended, requires that 39.1% of the Michigan Transportation Fund (MTF), after deductions, be distributed to the State, 39.1% be distributed to counties, and 21.8% be distributed to cities and villages. The allocation to the local units (counties, cities, and villages) is based on mileage, population, and vehicle registrations.

Audit Objective: To assess the effectiveness of MDOT's efforts to ensure that transportation dedicated funds are allocated, distributed, and reported in compliance with Act 51, P.A. 1951, as amended.

Audit Conclusion: **We concluded that MDOT's efforts to ensure that transportation dedicated funds were allocated, distributed, and reported in compliance with Act 51, P.A. 1951, as amended, were effective.** Our audit report does not include any reportable conditions related to this audit objective.

SUPPLEMENTAL INFORMATION

ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED

Michigan Department of Transportation
Department of Treasury

Available Transportation Dedicated Funds
October 1, 2008 through September 30, 2011

	Fiscal Year Ended September 30			Three-Year Total
	2009	2010	2011	
Receipts:				
Gasoline tax	\$ 836,853,171	\$ 842,541,341	\$ 831,298,333	\$ 2,510,692,846
Diesel fuel tax	94,663,225	103,153,793	105,874,396	303,691,414
Liquid petroleum gas tax	427,681	333,271	337,312	1,098,265
Total motor fuel taxes	<u>\$ 931,944,077</u>	<u>\$ 946,028,406</u>	<u>\$ 937,510,041</u>	<u>\$ 2,815,482,524</u>
Diesel carrier tax	\$ 19,831,538	\$ 19,790,872	\$ 17,445,998	\$ 57,068,408
Diesel dealer license	38,500	43,420	49,100	131,020
Total diesel taxes	<u>\$ 19,870,038</u>	<u>\$ 19,834,292</u>	<u>\$ 17,495,098</u>	<u>\$ 57,199,428</u>
Resident weight tax	\$ 787,686,527	\$ 787,719,344	\$ 805,232,825	\$ 2,380,638,696
Nonresident weight tax	49,474,719	50,884,300	50,620,667	150,979,686
Total weight taxes	<u>\$ 837,161,247</u>	<u>\$ 838,603,643</u>	<u>\$ 855,853,492</u>	<u>\$ 2,531,618,382</u>
Miscellaneous revenue	<u>\$ 49,031,176</u>	<u>\$ 46,271,316</u>	<u>\$ 47,812,796</u>	<u>\$ 143,115,288</u>
Interest earnings	<u>\$ 1,744,825</u>	<u>\$ 349,268</u>	<u>\$ 283,084</u>	<u>\$ 2,377,177</u>
Total gross receipts	<u>\$ 1,839,751,362</u>	<u>\$ 1,851,086,926</u>	<u>\$ 1,858,954,512</u>	<u>\$ 5,549,792,800</u>

Source: The Office of the Auditor General compiled these amounts based on information obtained from the Financial Operations Division, Bureau of Finance and Administration, Michigan Department of Transportation.

ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED

Michigan Department of Transportation

Department of Treasury

Deductions From and Distribution of Transportation Dedicated Funds

October 1, 2008 through September 30, 2011

	Fiscal Year Ended September 30			Three-Year Total
	2009	2010	2011	
Deductions:				
Recreation Fund*	\$ 16,605,451	\$ 16,714,258	\$ 16,474,785	\$ 49,794,495
Transportation Economic Development Fund*	\$ 40,454,600	\$ 40,460,000	\$ 40,476,700	\$ 121,391,300
Michigan Transportation Fund (MTF):				
Local Program Fund*	\$ 33,000,000	\$ 33,000,000	\$ 33,000,000	\$ 99,000,000
Local Bridge Fund*	29,799,503	30,484,921	30,137,755	90,422,179
Rail crossing	3,000,000	3,000,000	3,000,000	9,000,000
Administrative grants	17,797,000	17,865,000	18,652,300	54,314,300
Debt service	43,000,000	43,000,000	43,000,000	129,000,000
Total MTF	\$ 126,596,503	\$ 127,349,921	\$ 127,790,055	\$ 381,736,479
General Fund:				
Department of State	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 60,000,000
Department of Treasury	7,150,800	7,340,700	8,283,600	22,775,100
Department of Environmental Quality	1,066,900	1,087,100	1,132,600	3,286,600
Department of Technology, Management, and Budget	45,800			45,800
Auditor General	204,300	204,300	204,300	612,900
Total General Fund	\$ 28,467,800	\$ 28,632,100	\$ 29,620,500	\$ 86,720,400
Total Deductions	\$ 212,124,354	\$ 213,156,279	\$ 214,362,040	\$ 639,642,674
Distributions:				
MTF:				
State Trunkline Fund*	\$ 586,830,155	\$ 590,652,482	\$ 592,683,157	\$ 1,770,165,793
Comprehensive Transportation Fund*	155,192,444	156,118,566	156,993,527	468,304,538
Counties	563,372,034	567,014,237	569,338,186	1,699,724,457
Cities and villages	322,232,376	324,145,361	325,577,602	971,955,339
Total MTF	\$ 1,627,627,008	\$ 1,637,930,646	\$ 1,644,592,472	\$ 4,910,150,127
Total Deductions and Distributions	\$ 1,839,751,362	\$ 1,851,086,925	\$ 1,858,954,512	\$ 5,549,792,800

* See glossary at end of report for definition.

This exhibit continued on next page.

ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED

Michigan Department of Transportation

Department of Treasury

Deductions From and Distribution of Transportation Dedicated Funds

October 1, 2008 through September 30, 2011

Continued

Top 5 County Distributions

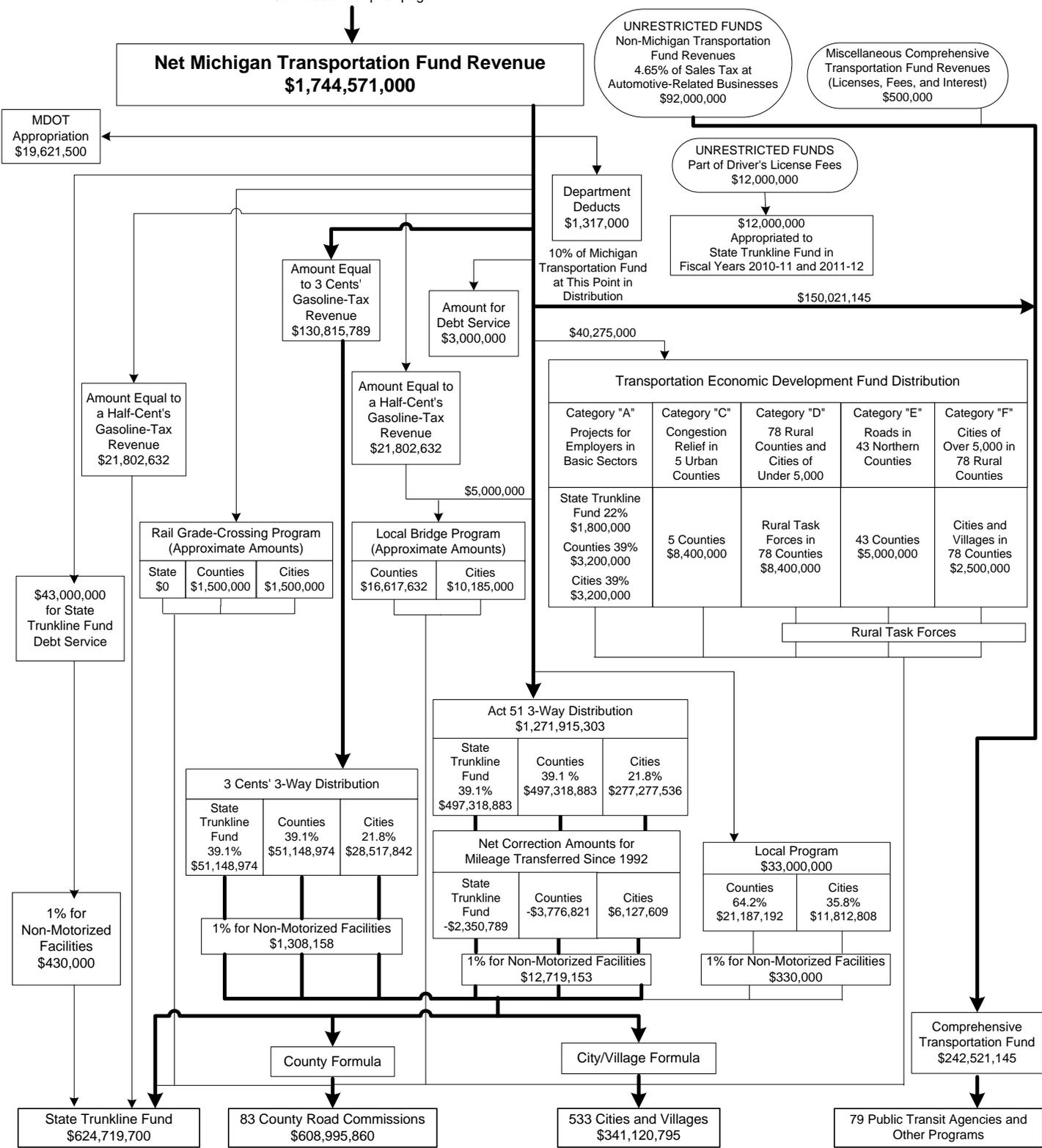
	Fiscal Year Ended September 30			Three-Year Total
	2009	2010	2011	
County:				
Oakland	\$ 57,664,585	\$ 57,424,979	\$ 57,332,602	\$ 172,422,166
Wayne	\$ 57,440,040	\$ 57,189,072	\$ 57,149,526	\$ 171,778,639
Macomb	\$ 35,511,842	\$ 35,730,147	\$ 36,183,784	\$ 107,425,773
Kent	\$ 27,934,791	\$ 28,179,714	\$ 28,460,215	\$ 84,574,720
Genesee	\$ 20,469,965	\$ 20,615,338	\$ 20,598,511	\$ 61,683,814

Top 5 City and Village Distributions

	Fiscal Year Ended September 30			Three-Year Total
	2009	2010	2011	
City or Village:				
Detroit	\$ 58,053,125	\$ 58,357,337	\$ 57,914,135	\$ 174,324,597
Grand Rapids	\$ 12,647,317	\$ 12,722,634	\$ 12,795,138	\$ 38,165,089
Flint	\$ 8,669,621	\$ 8,709,221	\$ 8,698,216	\$ 26,077,058
Warren	\$ 7,835,484	\$ 7,877,285	\$ 7,925,868	\$ 23,638,637
Lansing	\$ 7,782,838	\$ 7,823,524	\$ 7,865,378	\$ 23,471,740

Source: The Office of the Auditor General compiled these amounts based on information obtained from the Financial Operations Division, Bureau of Finance and Administration, Michigan Department of Transportation.

Continued from prior page



Source: Bureau of Transportation Planning, Michigan Department of Transportation.

ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED

Michigan Department of Transportation
Department of Treasury

Pending Legislation Related to Act 51

As of June 22, 2012

Bill Number	Brief Description	Potential Impact on Act 51
House Bill:		
4025	Credits amount equal to 12% of the sales tax on all motor fuels to the State Trunkline Fund (STF) but not more than the amount needed to match federal aid or \$100,000,000. If not needed to match federal aid, amount to the STF is limited to \$39,100,000 and any excess is distributed to counties (66%) and cities and villages (34%). The bill is limited to fiscal year 2012-13. The bill would also credit amount equal to 2/3 of the revenue from sales tax on aviation fuel and products to the Aeronautics Fund but no more than \$10,000,000 for fiscal year 2012-13 only.	One fiscal year expansion of transportation dedicated revenue to match available federal funds. The bill would reduce General Fund revenue by up to \$110,000,000 depending on fuel price and sales tax revenues.
5007	Transfers authority for completing performance audits of Act 51 funds from the Department of Treasury to the Michigan Department of Transportation (MDOT). This bill also requires audit procedures to include road fund balance procedures.	Authority for completing performance audits of Act 51 funds would transfer from the Department of Treasury to MDOT.
5298	Increases the diesel fuel tax and gasoline tax to 28.3 cents per gallon.	Increases gasoline tax from 19 cents per gallon to 28.3 cents per gallon. Increases diesel fuel tax from 15 cents per gallon to 28.3 cents per gallon. The rate could be increased quarterly by one cent until each reaches a ceiling rate of 40 cents per gallon.
5299	Increases motor carrier fuel tax rate to be based on the wholesale price of gasoline in the Motor Fuel Tax Act (28.3 cents per gallon).	Increases motor carrier fuel tax rate based on the wholesale price of gasoline in the Motor Fuel Tax Act (28.3 cents per gallon).
5300	Increases all registration and licensing fees on all classifications of vehicles.	Increases all registration and licensing fees on all classifications of vehicles. Starting October 1, 2012, Act 51 monies would begin flowing to the Commercial Corridor Fund (total less \$770 million to the Michigan Transportation Fund [MTF]). Each fiscal year thereafter, \$110 million less per fiscal year would flow to the MTF until October 1, 2019 when no funding would be deposited to the MTF.
5303	Creates a Commercial Corridor Fund (CCF) in addition to the MTF. This bill would also change how revenue is distributed.	The CCF, over a period of 8 years, would replace the MTF. Starting October 1, 2012, CCF monies would be distributed as follows: 10% to the Comprehensive Transportation Fund; of the remaining, 55% would go to the STF and 45% to local units. The distribution formula would change to be based on functional road classification and vehicle miles traveled rather than population, vehicle registrations, and centerline road miles.

This exhibit continued on next page.

ADMINISTRATION OF ACT 51, P.A. 1951, AS AMENDED
Michigan Department of Transportation
Department of Treasury

Pending Legislation Related to Act 51
As of June 22, 2012
Continued

Bill Number	Brief Description	Potential Impact on Act 51
Senate Bill:		
2	Replaces primary road mileage amounts in the county formula with vehicle miles traveled as determined by the Federal Highway Administration.	Replaces primary road mileage amounts in the county formula with vehicle miles traveled as determined by the Federal Highway Administration.
351	Amends Section 25 of the General Sales Tax Act to allow 18% of the collections of State sales tax imposed at a rate of 4% on the sale of motor fuel to be deposited into the STF for the purpose of matching federal aid.	This would increase funding for transportation but reduce the General Fund by \$102 to \$135 million per fiscal year (depending on the gallon price of fuel). This is considered a "permanent" fix to correcting shortfalls of federal matching dollars.

Source: The Office of the Auditor General (OAG) prepared this exhibit based on House Fiscal Agency or Senate Fiscal Agency analysis or OAG staff analysis if fiscal agency analysis was not available.

GLOSSARY

Glossary of Acronyms and Terms

Act 51 report	An annual financial report prepared by local units and forwarded to MDOT that presents a financial picture of all revenues, expenditures, and funds associated with the local unit's road network. The report also provides a schedule of the local unit's road mileage and population.
Commercial Corridor Fund (CCF)	A separate fund that would be established by proposed House Bill 5303 in the Department of Treasury. The bill would direct fuel tax revenue received under the Motor Fuel Tax Act and vehicle registration tax revenue received under the Michigan Vehicle Code to the CCF. The CCF would eventually replace the MTF.
Comprehensive Transportation Fund	A fund created by Act 51 to distribute funds to eligible authorities for public transportation purposes.
effectiveness	Success in achieving mission and goals.
internal control	The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse.
Local Bridge Fund	A fund established in the Department of Treasury that provides financial assistance to highway authorities for the preservation, improvement, or reconstruction of existing bridges or for the construction of bridges to replace existing bridges in whole or part.

Local Program Fund	A fund created within the STF for the purpose of receiving funds allocated from the MTF and from the STF. Funds received shall be distributed 64.2% to the county road commissions of the State and 35.8% to the cities and villages of the State.
material condition	A reportable condition that could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program.
MDOT	Michigan Department of Transportation.
Michigan Transportation Fund (MTF)	A fund set up in the Department of Treasury to receive money collected under the Motor Fuel Tax Act and taxes, fees, licenses, and other money received and collected under sections of the Michigan Vehicle Code. In addition, income or profit derived from the investment of money in the MTF shall be deposited in the MTF.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
Recreation Fund	A fund established to provide for the operation, maintenance, and development of recreation trails and restoration of lands damaged by off-road vehicles and inland lake cleanup.

State Trunkline Fund
(STF)

A fund established in the Department of Treasury to appropriate funds to MDOT for the payment of bonds or obligations; preservation of the State trunkline system and bridges; and for the opening, widening, improving, construction, and reconstruction of State trunkline highways and bridges.

Transportation
Economic
Development Fund

A fund that provides a means for State government, local agencies, and businesses to work together to meet the often extensive and urgent demands placed upon the transportation system by the fast paced and competitive global economy.

