

## LOCAL AGENCY DISASTER RELIEF PROGRAM

Phone: (517) 373-8080  
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**House Bill 5945 (H-2) as reported from committee**

**Sponsor: Rep. Nate Shannon**

**Committee: Transportation, Mobility and Infrastructure**

**Complete to 12-5-24**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 5945 would amend 1951 PA 51 (“Act 51”), which governs state transportation appropriations, to establish a local agency disaster relief program and the Local Agency Disaster Relief Board in the Michigan Department of Transportation (MDOT) to assist in repairing or replacing a local road agency’s infrastructure following a local or state-level declared emergency.<sup>1</sup> The bill also would create the Local Agency Disaster Relief Board Fund in the state treasury and redirect, for credit to the fund, a total of \$5.0 million each year from the current Act 51 formula distribution of Michigan Transportation Fund (MTF) revenue to local road agencies. The annual \$5.0 million amount would comprise \$3.0 million from the current county road commission 39.1% share MTF revenue and \$2.0 million from the current city/village 21.8% share of MTF revenue.

#### **Local agency disaster relief program**

The bill would create the local agency disaster relief program in MDOT. The program would have to provide financial assistance to assist in repairing or replacing a local road agency's infrastructure following a local or state-level declared emergency as provided in the bill and in accordance with the policies, criteria, agreements, or contracts of the Local Agency Disaster Relief Board. The program would have to provide funding to local road agencies for one or more of the following:

- Restoring or replacing a public local road, bridge, or other physical transportation infrastructure to the condition existing before the state-level declared emergency event or to the current state and federal standards as recognized in board policy, if the local road agency has exhausted all other federal and state funding sources.
- Completing engineering and design to meet current standards.
- Purchasing land or construction easements required to construct the public road, bridge, or physical transportation infrastructure.
- Conducting inspection and oversight necessary to ensure that performance standards are met.
- Performing project administration necessary to ensure that financial accountability standards are met.

To obtain funding, a local road agency would have to file a funding application with the Local Agency Disaster Relief Board at any time as determined by the board, on a form approved by the board that contains the information required by the board.

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<sup>1</sup> As used in the bill, the term *local road agency* would mean a county road commission or designated county road agency or city or village that is responsible for the construction or maintenance of public roads in Michigan under Act 51. There are 83 county road agencies and 531 city or village road agencies in Michigan.

### **Local Agency Disaster Relief Board**

The bill would create the Local Agency Disaster Relief Board in MDOT. The board would consist of all of the following members:

- Three voting members appointed by the County Road Association of Michigan.
- Two voting members appointed by the Michigan Municipal League.
- One voting member who is an engineer, appointed jointly by the County Road Association of Michigan and the Michigan Municipal League.
- One nonvoting member appointed by MDOT.
- One nonvoting member appointed by the Department of Environment, Great Lakes, and Energy (EGLE).
- One nonvoting member appointed by the Department of State Police.

The first members of the board would have to be appointed by not later than October 1, 2025. Successor members (after a term ends or if there is a vacancy) would have to be appointed jointly by the County Road Association of Michigan and the Michigan Municipal League (for a voting member) or by the original appointing department (for a nonvoting member). Members of the board would serve for terms of two years or until a successor is appointed, whichever is later, except that some of the initial appointments would be for three years in order to stagger the terms.

The member appointed by MDOT would call the board's first meeting, at which the board would have to elect a chairperson and other officers it considers necessary or appropriate from among its voting members. The board would have to meet at least quarterly. The chairperson could call a special meeting in response to a local or state-level declared emergency that is of a fiscal magnitude the board has established as actionable.

A majority of the voting members of the board would constitute a quorum, and a majority of the voting members present and serving would be required for official action of the board.

The board would have to conduct its business in compliance with the Open Meetings Act, and a writing prepared, owned, used, possessed, or retained by the board in the performance of an official function would be subject to the Freedom of Information Act.

Board members would serve without compensation but, subject to available funding, could receive reimbursement for necessary travel and expenses consistent with applicable law and the rules and procedures of the Civil Service Commission and the Department of Technology, Management, and Budget or local road agency policies.

The governor could remove a member of the board for incompetence, dereliction of duty, malfeasance, misfeasance, nonfeasance in office, or any other good cause.

The board could employ part-time or full-time managers or engineers and could contract with a person, in accordance with its policies, to provide expertise or to perform professional or technical services, administrative assistance, or legal counsel. The board would determine the duties of a manager, engineer, or other person employed under these provisions and would have to require the person to maintain all necessary insurances.

The board would have to establish policies, criteria, definitions, and timelines for funding a repair or replace work project and a review process for considering funding applications. No later than 180 days after receiving a funding application, the board would have to notify the applicant in writing whether the funding application is approved in part or in entirety, or if the

funding application is rejected or remains pending for a specific reason. Before releasing money from the program, the board would have to enter into an agreement with the funding recipient.

### **Local Agency Disaster Relief Board Fund**

The bill would create the Local Agency Disaster Relief Board Fund in the state treasury. The state treasurer would have to deposit in the fund money and other assets received from any source, direct the investment of money in the fund, and credit to the fund interest and earnings from those investments. MDOT would be the administrator of the fund for audit purposes.

Up to \$5.0 million annually could be deposited in the fund. The balance of the fund could not exceed \$50.0 million at the beginning of a fiscal year, excluding funds already obligated but not spent. The bill would establish a new earmark of MTF revenue for credit to the fund. Specifically, the bill would redirect, for credit to the fund, a total of \$5.0 million each year from the current Act 51 formula distribution of Michigan Transportation Fund (MTF) revenue to local road agencies: \$3.0 million from the current county road commission 39.1% share MTF revenue and \$2.0 million from the current city/village 21.8% share of MTF revenue. (Presumably the \$5.0 million transfer would not be made if the balance of the fund exceeds \$50.0 million at the beginning of a fiscal year, excluding funds already obligated but not spent.) The money in the fund would not be subject to the restrictions of section 12(15) of Act 51.

The money in the fund would have to be expended by the Local Agency Disaster Relief Board as provided in the bill. The board could approve the use of money in the fund for activities not included in the program description, such as items not otherwise eligible for funding from a federal or state disaster program or from federal or state matching funds, needed to restore a public road, a bridge, drainage, or other facilities as allowed by law on a demonstrated need by a local road agency.

### **Report**

For each year in which the board receives funding applications under the bill, it would have to report by October 1 on the use of money from the fund report by October 1 to the House and Senate standing committees with primary jurisdiction over transportation issues and to the House and Senate appropriation subcommittees on transportation. The report would have to include at least all of the following:

- The number of funding applications received.
- The name of each local road agency that submitted a funding application.
- Whether each funding application was approved or denied.
- The amount of local match for each funding application that was granted.
- The individual and annual cumulative amount of money awarded under the bill, including an identification of the purpose of the money awarded.

MCL 247.660 and 246.661

### **FISCAL IMPACT:**

Section 10 of Act 51 establishes the MTF and directs the appropriation of MTF revenue. MTF revenue is first allocated for administrative, statewide planning, collection costs, and for various statutory categorical programs, including to the Comprehensive Transportation Fund (CTF) for public transportation programs. The MTF balance, after these various allocations and distributions, plus revenue from an earmark of income tax revenue and from an earmark

of the excise tax on recreational marijuana, is distributed for state and local road agency highway programs as follows:<sup>2</sup>

- 39.1% to the State Trunkline Fund (STF), for construction and preservation of the state trunkline system and administration of MDOT.
- 39.1% to 83 county road commissions for county road systems
- 21.8% to 531 cities and villages for preservation of city/village streets

As described above, House Bill 5945 would create the Local Agency Disaster Relief Board Fund in the state treasury and redirect \$5.0 million each year for credit to the fund from the current Act 51 formula distribution of MTF revenue to local road agencies: \$3.0 million from the current county road commission 39.1% share MTF revenue, and \$2.0 million from the current city/village 21.8% share of MTF revenue. The bill would reduce the formula distribution of MTF revenue to county road commissions by \$3.0 million each year, and to cities and villages by \$2.0 million, but could authorize additional funding for those specific local road agencies that received disaster relief funding under the program.

Section 11k would restrict the beginning fund balance total to \$50.0 million, excluding funds obligated but not yet spent. As a result, if the fund balance exceeded this \$50.0 million figure, presumably the \$5.0 million transfer would not be made. The bill would have no impact on the MTF distribution to the CTF or the STF.

Note that boilerplate section 1005(2)(a) of the FY 2023-24 transportation budget (Article 15 of 2023 PA 119) earmarked \$5.0 million from the state general fund for a local disaster relief fund to provide funding for a local disaster relief program in order to “provide grants to local road agencies in response to natural disasters and other emergency events that affect transportation infrastructure or operations.”

Finally, administration of the program would require financial resources. The cost of program administration cannot be readily estimated at this time. The bill also authorizes the board to employ part-time or full-time managers or engineers, or contract for professional or technical services, administrative assistance, or legal counsel. It is not clear if these persons would be employed through the state classified civil service system as classified employees or authorized as personal service contractors.

## **POSITIONS:**

The Michigan Department of Transportation indicated a neutral position on the bill. (12-3-24)

Legislative Analyst: Rick Yuille  
Fiscal Analyst: William E. Hamilton

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

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<sup>2</sup> See [https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal\\_Brief\\_MTF\\_Distribution\\_Formula\\_to\\_LRA\\_Mar2024\\_Update.pdf](https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_MTF_Distribution_Formula_to_LRA_Mar2024_Update.pdf)