

HOUSE BILL NO. 4821

August 26, 2025, Introduced by Reps. Schriver, Wortz, Maddock, Martin, Tisdell, Kuhn, Wozniak and Cavitt and referred to Committee on Government Operations.

A bill to amend 1968 PA 2, entitled
"Uniform budgeting and accounting act,"
(MCL 141.421 to 141.440a) by adding section 13b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 13b. (1) If a municipality imposes a drainage fee, and
2 that drainage fee generates annual revenue for the municipality in
3 excess of \$10,000,000.00 or 5% of the municipality's general fund
4 budget, whichever is less, the municipality shall create and
5 maintain a separate, segregated account for all revenues collected

1 from that drainage fee.

2 (2) Revenues maintained in a separate, segregated account
3 created under subsection (1) must not be commingled with the
4 municipality's general fund or any other revenue source.

5 (3) A municipality shall expend money from a separate,
6 segregated account created under subsection (1) only for the costs
7 directly related to the service or regulatory purpose for which the
8 drainage fee was imposed.

9 (4) If a municipality is required to create and maintain a
10 separate, segregated account under subsection (1), that
11 municipality shall annually publish on the municipality's website a
12 detailed report that includes, but is not limited to, all of the
13 following:

14 (a) The total yearly revenue collected from drainage fees.

15 (b) A line-item breakdown of expenditures from the separate,
16 segregated account created under subsection (1), including, but not
17 limited to, any specific projects, services, or regulatory
18 activities funded.

19 (c) Evidence that the drainage fee imposed is reasonably and
20 demonstrably proportionate to the actual, itemized cost incurred by
21 the municipality in providing stormwater or drainage-related
22 services or regulatory activities. The evidence provided must
23 include documentation of the methodology, calculations, and cost
24 allocations used in determining the drainage fee.

25 (d) Any surplus or deficit in the separate, segregated account
26 created under subsection (1) and the plans to address that surplus
27 or deficit.

28 (5) A municipality that is required to annually publish a
29 report under subsection (4) shall notify the residents of that

1 municipality of the availability of the report by at least 1 public
2 communication method, including, but not limited to, a utility bill
3 insert, a municipal website announcement, or using the local news
4 media. In addition, not later than 60 days after publishing the
5 report required under subsection (4), the governing body of the
6 municipality shall hold a public hearing to allow for verbal and
7 written comments regarding the report. Not later than 30 days after
8 the public hearing is held under this subsection, the governing
9 body of the municipality must make a summary of the verbal and
10 written comments and responses made during the public hearing
11 available on the municipality's website.

12 (6) The department, in consultation with the auditor general,
13 shall conduct random audits each year of not less than 5% of the
14 municipalities that are required to create and maintain a separate,
15 segregated account under subsection (1) to ensure compliance with
16 this section. In addition, if the department receives a petition
17 signed by not less than 1% of a municipality's registered electors,
18 the department shall, not later than 6 months after receiving the
19 petition, conduct an audit of that municipality's drainage fees and
20 separate, segregated account created under subsection (1). The
21 department shall publish on the department's website the findings
22 of any audit conducted under this subsection and shall submit those
23 findings to the municipality and to the legislature.

24 (7) After conducting an audit under subsection (6), if the
25 department determines any of the following, the department shall
26 recommend to the municipality that the drainage fee be classified
27 as a tax and be subject to voter approval:

28 (a) The drainage fee is not proportionate to the service
29 provided.

1 (b) Revenues maintained in a separate, segregated account
2 created under subsection (1) are being commingled with the
3 municipality's general fund or any other revenue source.

4 (c) Expenditures from a separate, segregated account created
5 under subsection (1) are being used for purposes unrelated to the
6 service or regulatory purpose for which the drainage fee was
7 imposed.

8 (8) If a municipality violates subsection (1), (2), (3), (4),
9 or (5), that municipality is subject to the following:

10 (a) For a first violation, a written warning from the
11 department and a 60-day period to correct the violation.

12 (b) For a second violation that occurs within 3 years after a
13 first violation, a civil fine of \$50,000.00 or 1% of the
14 municipality's annual revenue from the drainage fee, whichever is
15 greater. The department shall deposit a civil fine imposed under
16 this subdivision in the general fund.

17 (c) For a third or subsequent violation that occurs within 5
18 years after a first violation, the suspension of the municipality's
19 authority to assess and collect a drainage fee until compliance
20 with this section is verified by the department.

21 (9) If the department determines that a municipality willfully
22 misclassified a drainage fee to evade voter approval of a tax, the
23 municipality shall refund the amount of the drainage fee improperly
24 collected to each affected payer of the drainage fee. Not later
25 than 30 days after the department's determination under this
26 subsection, the municipality must initiate the refund process to
27 each affected payer of the drainage fee. The municipality must
28 complete the refund process not later than 180 days after the
29 refund process is initiated. The refunds must be issued to the

1 original payer of the drainage fee using the same method by which
2 the drainage fee was collected, if possible, or by mailed check if
3 no electronic method is available. The municipality shall post a
4 notice on the municipality's website, and send by mail to each
5 affected payer of the drainage fee impacted by this subsection,
6 regarding the eligibility for a refund and the refund process. If a
7 municipality fails to complete the refund process as required in
8 this subsection, the municipality is subject to a civil fine of
9 \$500.00 per day until the municipality completes the refund
10 process. The department shall deposit a civil fine imposed under
11 this subsection in the general fund.

12 (10) The department may promulgate rules to implement this
13 section under the administrative procedures act of 1969, 1969 PA
14 306, MCL 24.201 to 24.328. The department shall not adopt any rule
15 that expands or conflicts with the express limitations and
16 authority established under this section.

17 (11) As used in this section:

18 (a) "Costs directly related" means, subject to subdivision
19 (b), expenditures that are necessary and narrowly focused on the
20 implementation, operation, or enforcement of drainage-related
21 services or regulatory objectives and include, but are not limited
22 to, any of the following:

23 (i) Maintenance, repair, or improvement of stormwater
24 infrastructure, including catch basins, culverts, retention and
25 detention basins, storm drains, and sewer systems used for drainage
26 purposes.

27 (ii) Engineering, surveying, planning, or environmental studies
28 directly tied to stormwater system improvements or regulatory
29 compliance.

1 (iii) Salaries, benefits, or contract costs for personnel whose
2 duties are primarily dedicated to stormwater system management,
3 operation, or compliance enforcement.

4 (iv) Equipment, materials, or supplies used exclusively for
5 drainage system operations or stormwater quality control.

6 (v) Public education, outreach, or signage specifically
7 related to stormwater management, water quality, or drainage
8 regulations.

9 (b) "Costs directly related" do not include any of the
10 following:

11 (i) Local government administrative overhead.

12 (ii) Street repair or capital improvements not caused by or
13 linked to stormwater needs.

14 (iii) Indirect personnel costs for employees not primarily
15 assigned to stormwater or drainage activities.

16 (iv) Transfers to any other fund or program not connected to
17 stormwater services.

18 (c) "Department" means the department of treasury.

19 (d) "Drainage fee" means a fee, charge, or assessment by a
20 municipality that is based on the impervious surface area or runoff
21 potential and that is used for stormwater services, regardless of
22 whether the stormwater services are rendered separately or through
23 combined sewer system operations.

24 (e) "Municipality" means a county, city, township, or village.

25 Enacting section 1. This amendatory act takes effect 180 days
26 after the date it is enacted into law.