



**External Procedure #10**  
**Transit Vehicle/Equipment Disposal**  
**Procedure for:**  
**Transit Agencies (TAs)**  
**Effective 10/01/24**  
**Supersedes Version Dated 02/25/24**

## 1. Overview: Purpose of this Procedure

Michigan Department of Transportation (MDOT) Office of Passenger Transportation (OPT) is authorized by the Michigan Department of Technology, Management and Budget to oversee the local sale of transit vehicles and equipment that have met their useful lives in terms of age or miles.

This procedure is designed to provide transit agencies (TAs) with guidelines for lawfully disposing of vehicles/equipment originally purchased either with 100 percent state funds, a state-administered federal grant, or state matching funds for an urban grant. In addition, this procedure provides information about the Federal Transit Administration's (FTA's) new cap on proceeds from the sale of rolling stock, vessels, and equipment.

## 2. Glossary of Terms & Acronyms

<b>FTA</b>	Federal Transit Administration
<b>IJA</b>	Infrastructure Investment and Jobs Act
<b>MDOT</b>	Michigan Department of Transportation
<b>OAR</b>	Operating Assistance Report
<b>OPT</b>	Office of Passenger Transportation
<b>PTIMS</b>	Public Transportation Information Management System
<b>RPM</b>	Regional Project Manager
<b>TA</b>	Transit Agency

## 3. TA Roles & Compliance

Transit Agencies (TAs) are required to:

(a) Know, understand, and adhere to this procedure and its three online forms:

–**Online Form A:** [Vehicle Disposal/Transfer Request Form](#) (form #3650).

–**Online Form B:** [Equipment Disposal/Transfer Request Form](#) (form #3651).

–**Online Form C:** [Vehicle Replacement and Milestone Information MiDEAL \(Extended\) Purchase](#) (form #3179).

(b) Comply with this mandatory procedure fully and without deviation.

## 4. Requirements

### Return of Proceeds

Beginning November 15, 2021, the Infrastructure Investment and Jobs Act (IIJA) changed the provision for transit asset disposition. Effective October 1, 2024, additional changes and clarifications were made to the disposition of vehicles and equipment.

- A. For rolling stock and equipment that have met their minimum useful life, per 2CFR 200.313 and 200.314, if vehicles or equipment are sold for \$10,000 or less, the recipient may retain the full proceeds from the disposition. However, per 49 U.S.C. 5334(h)(4)(B), if vehicles or equipment are sold for more than \$10,000, the recipient may only retain \$5,000 plus any percentage of local funds in the original award.
- B. "Local" funds refer to any non-federal or non-state funds in the original award.
- C. If funds remain after the allowable portion is retained, they must be returned to the Federal Transit Administration (FTA) or MDOT, based on percentage of funds provided by each in the original award.
- D. Expenses associated with the sale of vehicle or equipment must be paid with local funds.
- E. Urban agencies are responsible for returning the federal share to FTA.
- F. MDOT OPT will invoice urban agencies for the state share and rural agencies for both federal and state shares.
- G. Upon receipt of an OPT invoice, rural agencies are required to return the state portion to MDOT and the federal portion directly to FTA, using pay.gov.
- H. Invoices will be issued quarterly.
- I. Funds derived from the disposal of transit vehicles/equipment originally purchased under a 100 percent state grant are retained by the grantee and used to support public transportation, regardless of the sale proceeds.

### Example 1

#### Funds Derived from the Disposal of Transit Vehicles/Equipment:

- ✓ Vehicle/equipment originally purchased with federal and state assistance (80/20 split).
- ✓ Sold for \$9,000.
- ✓ The recipient (TA) will retain \$9,000.

### Example 2

#### Funds Derived from the Disposal of Transit Vehicles/Equipment:

- ✓ Vehicle/equipment originally purchased with federal and state assistance (80/20 split).
- ✓ Sold for \$12,000.
- ✓ TA retains \$5,000.
- ✓ TA owes 80% of \$7,000 (\$5,600) to FTA and 20% of \$7,000 (\$1,400) to MDOT.

### Fair Market Value

- A. Fair market value means the most probable price vehicle/equipment would bring in an open competitive market.
- B. Subrecipients of OPT federal funding (TAs) are responsible for determining fair market value before selling vehicles/equipment by:
  - Dealer: TA obtains estimated fair market value from a reputable dealer. Vehicle/equipment may be sold to anyone at that price.
  - Auction: Local auctioneer handles sales of vehicle/equipment.
  - Competitive bid: TA publicly advertises for written bids, selling to the highest bidder.
- C. During rural agencies' triennial reviews, OPT compliance analyst will verify fair market value.
- D. TA must provide MDOT with written confirmation that proceeds have been deposited in a TA-controlled account used solely for overall transit operations; or the agency has recorded proceeds in the quarterly operating assistance report (OAR).
- E. Proceeds and insurance settlements from the disposal of damaged vehicles/equipment that have not met their useful lives must be returned to MDOT. MDOT will use the funds toward the replacement vehicle/equipment.
- F. Insurance settlements for vehicles on which MDOT is the first-secured party on the title must be sent to MDOT Accounting Service Center, 425 W. Ottawa St., Lansing, MI 48933.
- G. Vehicle titles showing State of Michigan as first-secured party must have a current release-of-lien form signed by MDOT's director or the director's agent prior to disposal.

## 5. Responsibilities & Action Steps

### Requesting Disposal of Vehicle/Equipment that Has Met Its Useful Life

**Step 1.** Email your OPT regional project manager (RPM), alerting them of your desire to dispose of vehicle/equipment. Include the following in your email:

- a. Completed [Vehicle Disposal/Transfer Request Form](#) (form #3650) or completed [Equipment Disposal/Transfer Request Form](#) (form #3651).
- b. Copy of the vehicle title if MDOT is the first-secured party on the title.

**Note:** Alternatively, you can access forms at [MDOT - WebForms - Search Results \(state.mi.us\)](#).

**Step 2.** Urban agencies must send their OPT RPM documentation showing FTA disposal approval, along with disposal-request documents.

**Step 3.** After receiving OPT approval for disposal, obtain at least the vehicle's/equipment's fair market value from a reputable dealer, auction, or competitive bid.

## TA Disposal of Vehicle/Equipment

**Step 1.** Your OPT RPM will notify you via email to dispose of vehicle/equipment using one of these methods:

- a. Dealer: Transit agency must obtain a documented fair market value from a reputable dealer or other source. The vehicle/equipment can be sold to anyone at that price.
- b. Auction: Local auctioneer handles sale of vehicle/equipment.
- c. Competitive Bid. TA publicly advertises for written bids and sells to the highest bidder.
- d. Sell to an eligible governmental agency/authority or nonprofit agency for not less than \$1.00, provided these criteria are met:
  - Vehicle/equipment has met its useful life.
  - Vehicle/equipment has no depreciable value.
  - MDOT's share of the estimated fair market value does not exceed \$1,000.
  - Board of the governmental agency/authority/nonprofit agency seeking to buy the vehicle/equipment approves of the disposal process.
- e. Vehicles that have met their useful lives may be retained as equipment. The TA must update the Public Transportation Information Management System (PTIMS) as follows:
  - Change vehicle status to "disposed," following the steps outlined below.
  - Add the vehicle to the equipment inventory in PTIMS.

**Step 2.** Within 90 days of receiving OPT RPM's written notification, dispose of vehicle/equipment.

**Step 3.** Update PTIMS as follows after disposing of vehicle/equipment:

- Change vehicle/equipment status to "disposed."
- Enter "date disposed."
- For vehicles, enter "current miles" and "miles as-of" date.
- Enter "disposal amount."

**Step 4.** If a vehicle is sold for \$10,000 or less, send your OPT RPM written confirmation that sales proceeds have been deposited into a TA-controlled account used solely for overall transit operations; or proceeds have been recorded in your quarterly operating assistance report (OAR).

**Step 5.** If vehicle is sold for over \$10,000:

- Retain \$5,000 plus the local fund percentage in the original contract/proposal authorization. (Example: If local funds covered 5% of the original purchase, you may retain \$5,000 plus 5% of the sale price.)
- Rural agencies: Upon receipt of invoice from MDOT, return remaining state portion of proceeds to MDOT. And return the remaining federal portion of proceeds to FTA, using pay.gov.
- Urban agencies: Return state share (based on original contract/project authorization) to MDOT upon receipt of invoice. And return federal share to FTA.

**Step 6.** Return funds to MDOT as follows:

- a. **All transit agencies:** After receiving an invoice from OPT, submit a check within the time frame shown on the invoice.
- b. Send checks to **MDOT Accounting Service Center, 425 W. Ottawa St., Lansing, MI 48933.**
- c. Notify your regional project manager the check has been sent.

**TA Disposal of Vehicle/Equipment Totaled by  
Accident or Fire Before Meeting Its Useful Life**
**Totaled Vehicles with OPT-Administered Federal Funding**
**Step 1.** Email the following to your OPT RPM:

- a. Completed [Vehicle Disposal/Transfer Request Form](#).
- b. Copy of the vehicle title.
- c. Copy of the insurance settlement check.
- d. Copy of the insurance policy showing deductible.
- e. [Replacement Vehicle Order Form](#).
- f. [Vehicle Replacement and Milestone Information MiDEAL \(Extended\) Purchase](#).

**Step 2.** If MDOT is the first-secured party on the title:

- a. Deposit the insurance settlement into your agency account.
- b. Mail a check, payable to MDOT, for the full settlement amount to **MDOT Accounting Service Center, 425 W. Ottawa St., Lansing, MI 48933.**
- c. Notify your regional project manager that a check has been sent.

**Step 3.** OPT RPM will notify you in writing of how to dispose of vehicle/equipment given insurance company options.**Step 4.** Once OPT identifies additional funding, the revised project authorization then will be awarded and submitted to your transit agency.**Step 5.** Update PTIMS as follows after disposing of vehicle/equipment:

- Change vehicle/equipment status to "disposed."
- Enter "date disposed."
- For vehicles, enter "current miles" and "miles as-of" date.
- Enter "disposal amount."

**Totaled Vehicles Without OPT-Administered Federal Funding**
**Step 1. Urban Agencies:**

- a. Keep state share of proceeds and contact FTA for directions regarding federal share.
- b. Coordinate with FTA to revise current grant to add to the insurance funding.
- c. Email approved revised grant to OPT RPM, who will revise the corresponding authorization.

**6. Questions & Requests for Information**

If you have questions or would like additional information about this procedure, please contact your OPT regional project manager at [Contact information \(michigan.gov\)](https://michigan.gov/contact).

**7. Procedure Approved by**

\_\_\_\_\_  
Administrator

\_\_\_\_\_  
Date

**8. Links to Online Forms A, B, C**

Online Form A: [Vehicle Disposal/Transfer Request Form.](#)

Online Form B: [Equipment Disposal/Transfer Request Form.](#)

Online Form C: [Vehicle Replacement and Milestone Information MiDEAL \(Extended\) Purchase.](#)