

# HOUSE BILL No. 5641

June 10, 2014, Introduced by Reps. Townsend, Yonker, Victory, Farrington, Dianda, Schor, Driskell, Switalski, Cochran, Pagel, Lauwers, Zemke, Stallworth, Talabi, Irwin and Barnett and referred to the Committee on Transportation and Infrastructure.

A bill to amend 1951 PA 51, entitled

"An act to provide for the classification of all public roads, streets, and highways in this state, and for the revision of that classification and for additions to and deletions from each classification; to set up and establish the Michigan transportation fund; to provide for the deposits in the Michigan transportation fund of specific taxes on motor vehicles and motor vehicle fuels; to provide for the allocation of funds from the Michigan transportation fund and the use and administration of the fund for transportation purposes; to promote safe and efficient travel for motor vehicle drivers, bicyclists, pedestrians, and other legal users of roads, streets, and highways; to set up and establish the truck safety fund; to provide for the allocation of funds from the truck safety fund and administration of the fund for truck safety purposes; to set up and establish the Michigan truck safety commission; to establish certain standards for road contracts for certain businesses; to provide for the continuing review of transportation needs within the state; to authorize the state transportation commission, counties, cities, and villages to borrow money, issue bonds, and make pledges of funds for transportation purposes; to authorize counties to advance funds for the payment of

deficiencies necessary for the payment of bonds issued under this act; to provide for the limitations, payment, retirement, and security of the bonds and pledges; to provide for appropriations and tax levies by counties and townships for county roads; to authorize contributions by townships for county roads; to provide for the establishment and administration of the state trunk line fund, local bridge fund, comprehensive transportation fund, and certain other funds; to provide for the deposits in the state trunk line fund, critical bridge fund, comprehensive transportation fund, and certain other funds of money raised by specific taxes and fees; to provide for definitions of public transportation functions and criteria; to define the purposes for which Michigan transportation funds may be allocated; to provide for Michigan transportation fund grants; to provide for review and approval of transportation programs; to provide for submission of annual legislative requests and reports; to provide for the establishment and functions of certain advisory entities; to provide for conditions for grants; to provide for the issuance of bonds and notes for transportation purposes; to provide for the powers and duties of certain state and local agencies and officials; to provide for the making of loans for transportation purposes by the state transportation department and for the receipt and repayment by local units and agencies of those loans from certain specified sources; and to repeal acts and parts of acts,"

by amending sections 11, 12, and 13 (MCL 247.661, 247.662, and 247.663), section 11 as amended by 2002 PA 639 and sections 12 and 13 as amended by 2012 PA 298.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 11. (1) A fund to be known as the state trunk line fund  
2 is established ~~and shall be set up and maintained~~ in the state  
3 treasury as a separate fund. The money deposited in the state trunk  
4 line fund is appropriated to the ~~state transportation~~ department  
5 for the following purposes in the following order of priority:

6           (a) For the payment, but only from money restricted as to use  
7 by section 9 of article IX of the state constitution of 1963, of  
8 bonds, notes, or other obligations in the following order of  
9 priority:

10           (i) For the payment of contributions **PLEGGED BEFORE JULY 18,**  
11 **1979 AND** required to be made by the state highway commission or the

1 state transportation commission under contracts entered into before  
2 July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, ~~which~~  
3 ~~contributions have been pledged before July 18, 1979,~~ for the  
4 payment of the principal and interest on bonds issued under 1941 PA  
5 205, MCL 252.51 to 252.64, for the payment of which a sufficient  
6 sum is irrevocably appropriated.

7 (ii) For the payment of the principal and interest upon bonds  
8 designated "State of Michigan, State Highway Commissioner, Highway  
9 Construction Bonds, Series I", dated September 1, 1956, in the  
10 aggregate principal amount of \$25,000,000.00, issued ~~pursuant to~~  
11 **UNDER** former 1955 PA 87 and the resolution of the state  
12 administrative board adopted August 6, 1956, for the payment of  
13 which a sufficient sum is irrevocably appropriated.

14 (iii) For the payment of the principal and interest on bonds  
15 issued under section 18b for transportation purposes other than  
16 comprehensive transportation purposes as defined by law and the  
17 payment of contributions of the state highway commission or state  
18 transportation commission to be made ~~pursuant to~~ **UNDER** contracts  
19 entered into under section 18d, which contributions are pledged to  
20 the payment of principal and interest on bonds issued under the  
21 authorization of section 18d and contracts executed ~~pursuant to~~  
22 **UNDER** that section. A sufficient portion of the fund is irrevocably  
23 appropriated to pay, when due, the principal and interest on bonds  
24 or notes issued under section 18b for purposes other than  
25 comprehensive transportation purposes as defined by law, and to pay  
26 the annual contributions of the state highway commission and the  
27 state transportation commission as are pledged for the payment of

1 bonds issued ~~pursuant to~~ **UNDER** contracts authorized by section 18d.

2 (b) For the transfer of funds appropriated ~~pursuant to~~ **UNDER**  
3 section ~~10(1)(g)~~ **10(1)(H)** to the transportation economic  
4 development fund, but the transfer shall be reduced each fiscal  
5 year by the amount of debt service to be paid in that year from the  
6 state trunk line fund for bonds, notes, or other obligations issued  
7 to fund projects of the transportation economic development fund,  
8 which amount shall be certified by the department.

9 (c) For the transfer of funds appropriated ~~pursuant to~~ **UNDER**  
10 section 10(1)(a) to the ~~railroad~~ **RAIL** grade crossing account in the  
11 state trunk line fund for expenditure for rail grade crossing  
12 improvement purposes at rail grade crossings on public roads and  
13 streets under the jurisdiction of ~~the~~ **THIS** state, counties, cities,  
14 or villages. ~~Projects~~ **THE DEPARTMENT** shall ~~be selected~~ **SELECT**  
15 **PROJECTS** for funding in accordance with the following:

16 (i) Not more than 50% or less than 30% of these funds and  
17 matched federal funds shall be expended for state trunk line  
18 projects.

19 (ii) In prioritizing projects for these funds, in whole or in  
20 part, the department shall consider train and vehicular traffic  
21 volumes, accident history, traffic control device improvement  
22 needs, and the availability of funding.

23 (iii) Consistent with the other requirements for these funds,  
24 the first priority for funds deposited ~~pursuant to~~ **UNDER** this  
25 subdivision for rail grade crossing improvements and retirement  
26 ~~shall be~~ **IS** to match federal funds from the railroad-highway grade  
27 crossing improvement program or other comparable federal programs

1 if a match is required under federal law.

2 (iv) If the department and the road authority with jurisdiction  
3 over the crossing formally agree that the grade crossing should be  
4 eliminated by permanent closing of the public road or street, the  
5 physical removal of the crossing, roadway within railroad rights of  
6 way, and street termination treatment ~~will~~**SHALL** be negotiated  
7 between the road authority and railroad company. The funds provided  
8 to the road authority as a result of the crossing closure ~~will~~  
9 **SHALL** be credited to its account representing the same road or  
10 street system on which the crossing is located and shall be used  
11 for any transportation purpose within that road authority's  
12 jurisdiction.

13 (d) For the total operating expenses of the state trunk line  
14 fund for each fiscal year as appropriated by the legislature.

15 (e) For the preservation of state trunk line highways and  
16 bridges.

17 (f) For the opening, widening, improving, construction, and  
18 reconstruction of state trunk line highways and bridges, including  
19 the acquisition of necessary rights of way and the work incidental  
20 to that opening, widening, improving, construction, or  
21 reconstruction. ~~These sums~~**THE DEPARTMENT SHALL USE SUMS** in the  
22 state trunk line fund **THAT ARE** not otherwise appropriated,  
23 distributed, determined, or set aside by law ~~shall be used~~ for the  
24 construction or reconstruction of the national system of interstate  
25 and defense highways, referred to in this act as "the interstate  
26 highway system" to the extent necessary to match federal aid funds  
27 as the federal aid funds become available for that purpose; and,

1 for the construction and reconstruction of the state trunk line  
2 system.

3 (g) The ~~state transportation~~ department may enter into  
4 ~~agreements~~ **AN AGREEMENT** with **A** county road ~~commissions~~ and with  
5 ~~cities and villages~~ **COMMISSION, CITY, OR VILLAGE** to perform work on  
6 a highway, road, or street. The ~~agreements~~ **AGREEMENT** may provide  
7 for the performance by any of the contracting parties of any of the  
8 work contemplated by the contract including engineering services  
9 and the acquisition of rights of way in connection with the work,  
10 by purchase or condemnation by any of the contracting parties in  
11 its own name, and for joint participation in the costs, but only to  
12 the extent that the contracting parties are otherwise authorized by  
13 law to expend money on the highways, roads, or streets. The ~~state~~  
14 ~~transportation~~ department also may contract with a county road  
15 commission, city, and ~~OR~~ village to advance money to a county road  
16 commission, city, and ~~OR~~ village to pay ~~their~~ **ITS** costs of  
17 improving ~~railroad~~ **RAIL** grade crossings on the terms and conditions  
18 agreed to in the contract. A contract may be executed before or  
19 after the state transportation commission borrows money for the  
20 purpose of advancing money to a county road commission, city, or  
21 village, but the contract shall be executed before the advancement  
22 of any money to a county road commission, city, or village by the  
23 state transportation commission, and shall provide for the full  
24 reimbursement of any advancement by a county road commission, city,  
25 or village to the ~~state transportation~~ department, with interest,  
26 within 15 years after advancement, from any available revenue  
27 sources of the county road commission, city, or village or, if

1 provided in the contract, by deduction from the periodic  
2 disbursements of any money returned by ~~the~~**THIS** state to the county  
3 road commission, city, or village.

4 (h) For providing inventories of supplies and materials  
5 required for the activities of the ~~state transportation~~ department.  
6 The ~~state transportation~~ department may purchase supplies and  
7 materials for these purposes, with payment to be made out of the  
8 state trunk line fund to be charged on the basis of issues from  
9 inventory in accordance with the accounting and purchasing laws of  
10 this state.

11 (2) ~~Notwithstanding~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS**  
12 **SUBSECTION AND NOTWITHSTANDING** any other provision of this act, **THE**  
13 **DEPARTMENT SHALL EXPEND ANNUALLY** at least 90% of state revenue  
14 appropriated annually to the state trunk line fund less the amounts  
15 described in subdivisions (a) to (i) ~~shall be expended annually by~~  
16 ~~the state transportation department~~ for the preservation of  
17 highways, roads, streets, and bridges and for the payment of debt  
18 service on bonds, notes, or other obligations described in  
19 subsection (1) (a) issued after July 1, 1983, for the purpose of  
20 providing funds for the preservation of highways, roads, streets,  
21 and bridges. **BEGINNING ON THE EFFECTIVE DATE OF THE 2014 AMENDATORY**  
22 **ACT THAT AMENDED THIS SUBSECTION AND ENDING WHEN THE ASSET**  
23 **MANAGEMENT COUNCIL DETERMINES THAT ALL HIGHWAYS, ROADS, STREETS,**  
24 **AND BRIDGES IN THIS STATE THAT ARE WITHIN THE JURISDICTION OF THE**  
25 **DEPARTMENT ARE IN AT LEAST FAIR CONDITION, THE DEPARTMENT SHALL**  
26 **EXPEND ANNUALLY ALL OF THE STATE REVENUE APPROPRIATED ANNUALLY TO**  
27 **THE STATE TRUNK LINE FUND LESS THE AMOUNTS DESCRIBED IN**

1 SUBDIVISIONS (A) TO (I) FOR THE PRESERVATION OF HIGHWAYS, ROADS,  
2 STREETS, AND BRIDGES AND FOR THE PAYMENT OF DEBT SERVICE ON BONDS,  
3 NOTES, OR OTHER OBLIGATIONS DESCRIBED IN SUBSECTION (1)(A) ISSUED  
4 AFTER JULY 1, 1983, FOR THE PURPOSE OF PROVIDING FUNDS FOR THE  
5 PRESERVATION OF HIGHWAYS, ROADS, STREETS, AND BRIDGES. Of the  
6 amounts appropriated for state trunk line projects, the department  
7 shall, where possible, secure warranties of not less than 5-year  
8 full replacement guarantee for contracted construction work. If an  
9 appropriate certificate is filed under section 18e but only to the  
10 extent necessary, this subsection ~~shall~~**DOES** not prohibit the use  
11 of any amount of money restricted as to use by section 9 of article  
12 IX of the state constitution of 1963 and deposited in the state  
13 trunk line fund for the payment of debt service on bonds, notes, or  
14 other obligations pledging for the payment ~~thereof~~**OF THAT DEBT**  
15 **SERVICE** money restricted as to use by section 9 of article IX of  
16 the state constitution of 1963 and deposited in the state trunk  
17 line fund, whenever issued, as specified under subsection (1)(a).  
18 The amounts ~~which~~**THAT** are deducted from the state trunk line fund  
19 for the purpose of the calculation required by this subsection are  
20 as follows:

21 (a) Amounts expended for the purposes described in subsection  
22 (1)(a) for the payment of debt service on bonds, notes, or other  
23 obligations issued before July 2, 1983.

24 (b) Amounts expended to provide the state matching requirement  
25 for projects on the national highway system and for the payment of  
26 debt service on bonds, notes, or other obligations issued after  
27 July 1, 1983, for the purpose of providing funds for the state



1 matching requirements for projects on the national highway system.

2 (c) Amounts expended for the construction of a highway,  
3 street, road, or bridge to 1 or more of the following or for the  
4 payment of debt service on bonds, notes, or other obligations  
5 issued after July 1, 1983, for the purpose of providing funds for  
6 the construction of a highway, street, road, or bridge to 1 or more  
7 of the following:

8 (i) A location for which a building permit has been obtained  
9 for the construction of a manufacturing or industrial facility.

10 (ii) A location for which a building permit has been obtained  
11 for the renovation of, or addition to, a manufacturing or  
12 industrial facility.

13 (d) Amounts expended for capital outlay other than for  
14 highways, roads, streets, and bridges or to pay debt service on  
15 bonds, notes, or other obligations issued after July 1, 1983, for  
16 the purpose of providing funds for capital outlay other than for  
17 highways, roads, streets, and bridges.

18 (e) Amounts expended for the operating expenses of the ~~state~~  
19 ~~transportation~~ department other than the units of the department  
20 performing the functions assigned on January 1, 1983 to the bureau  
21 of highways.

22 (f) Amounts expended ~~pursuant to~~ **UNDER** contracts entered into  
23 before January 1, 1983.

24 (g) Amounts expended for the purposes described in subsection  
25 (5).

26 (h) Amounts appropriated for deposit in the transportation  
27 economic development fund and the rail grade crossing account

1 ~~pursuant to~~ **UNDER** section ~~10(1)(g) and 10(1)(a)~~. **10(1)(A) AND (H)**.

2 (i) Upon the affirmative recommendation of the director of the  
3 ~~state transportation~~ department and the approval by resolution of  
4 the state transportation commission, ~~these~~ amounts expended for  
5 projects vital to the economy of this state, a region, or local  
6 area or the safety of the public. The resolution shall state the  
7 cost of the project exempted from this subsection.

8 (3) ~~Notwithstanding~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS**  
9 **SUBSECTION AND NOTWITHSTANDING** any other provision of this act, the  
10 ~~state transportation~~ department shall expend annually at least 90%  
11 of the federal revenue distributed to the credit of the state trunk  
12 line fund in that year, except for federal revenue expended for the  
13 purposes described in subsection (2)(b), (c), (f), and (i) and for  
14 the payment of notes issued under section 18b(9) on the  
15 preservation of highways, roads, streets, and bridges. **BEGINNING ON**  
16 **THE EFFECTIVE DATE OF THE 2014 AMENDATORY ACT THAT AMENDED THIS**  
17 **SUBSECTION AND ENDING WHEN THE ASSET MANAGEMENT COUNCIL DETERMINES**  
18 **THAT ALL HIGHWAYS, ROADS, STREETS, AND BRIDGES IN THIS STATE THAT**  
19 **ARE WITHIN THE JURISDICTION OF THE DEPARTMENT ARE IN AT LEAST FAIR**  
20 **CONDITION, THE DEPARTMENT SHALL EXPEND ANNUALLY ALL OF THE FEDERAL**  
21 **REVENUE DISTRIBUTED TO THE CREDIT OF THE STATE TRUNK LINE FUND IN**  
22 **THAT YEAR, EXCEPT FOR FEDERAL REVENUE EXPENDED FOR THE PURPOSES**  
23 **DESCRIBED IN SUBSECTION (2)(B), (C), (F), AND (I) AND FOR THE**  
24 **PAYMENT OF NOTES ISSUED UNDER SECTION 18B(9), ON THE PRESERVATION**  
25 **OF HIGHWAYS, ROADS, STREETS, AND BRIDGES.** The ~~requirement~~  
26 **REQUIREMENTS** of this subsection ~~shall be~~ **ARE** waived if compliance  
27 would cause this state to be ineligible according to federal law

1 for federal revenue, but only to the extent necessary to make this  
2 state eligible according to federal law for that revenue.

3 (4) Notwithstanding any other provision of this section, the  
4 ~~state transportation~~ department may loan money to **A** county road  
5 ~~commissions, cities, and villages~~ **COMMISSION, CITY, OR VILLAGE** for  
6 paying capital costs of transportation purposes described in the  
7 second paragraph of section 9 of article IX of the state  
8 constitution of 1963 from the proceeds of bonds or notes issued  
9 ~~pursuant to~~ **UNDER** section 18b or from the state trunk line fund.  
10 Loans made directly from the state trunk line fund shall be made  
11 only after provision of funds for the purposes specified in  
12 subsection (1)(a) to (f). Loans described in this subsection are  
13 not subject to the revised municipal finance act, 2001 PA 34, MCL  
14 141.2101 to 141.2821.

15 (5) ~~County~~ **A COUNTY** road ~~commissions, cities, and villages~~  
16 **COMMISSION, CITY, OR VILLAGE** may borrow money from the proceeds of  
17 bonds or notes issued under section 18b or the state trunk line  
18 fund for the purposes set forth in subsection (4) that shall be  
19 repayable, with interest, from 1 or more of the following:

20 (a) The money to be received by the county road commission,  
21 city, or village from the Michigan transportation fund, except to  
22 the extent the money has been or may in the future be pledged by  
23 contract in accordance with 1941 PA 205, MCL 252.51 to 252.64, or  
24 has been or may in the future be pledged for the payment of the  
25 principal and interest upon notes issued ~~pursuant to~~ **UNDER** 1943 PA  
26 143, MCL 141.251 to 141.254, or has been or may in the future be  
27 pledged for the payment of principal and interest upon bonds issued

1 under section 18c or 18d, or has been or may in the future be  
2 pledged for the payment of the principal and interest upon bonds  
3 issued ~~pursuant to~~ **UNDER** 1952 PA 175, MCL 247.701 to 247.707.

4 (b) Any other legally available funds of the city, village, or  
5 county road commission, other than the general funds of the county.

6 (6) ~~Loans~~ **A LOAN** made ~~pursuant to~~ **UNDER** subsection (4) if  
7 required by the ~~state transportation~~ department may be payable by  
8 deduction by the state treasurer, upon direction of the ~~state~~  
9 ~~transportation~~ department, from the periodic disbursements of any  
10 money returned by ~~the~~ **THIS** state under this act to the county road  
11 commission, city, or village, but only after sufficient money has  
12 been returned to the county road commission, city, or village to  
13 provide for the payment of contractual obligations incurred or to  
14 be incurred and principal and interest on notes and bonds issued or  
15 to be issued under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143,  
16 MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or  
17 section 18c or 18d. The **DEPARTMENT SHALL ESTABLISH THE** interest  
18 rates and payment schedules of ~~any~~ **A** loans made from the proceeds  
19 of bonds or notes issued ~~pursuant to~~ **UNDER** section 18b ~~shall be~~  
20 ~~established by the state transportation department to conform as~~  
21 closely as practicable to the interest rate and repayment schedules  
22 on the bonds or notes issued to make the loans. However, the ~~state~~  
23 ~~transportation~~ department may allow for the deferral of the first  
24 payment of interest or principal on the loans for a period of not  
25 to exceed 1 year after the respective first payment of interest or  
26 principal on the bonds or notes issued to make the loans.

27 (7) The amount borrowed by a county road commission, city, or

1 village ~~pursuant to~~ **UNDER** subsection (5) shall not be included in,  
2 or charged against, any constitutional, statutory, or charter debt  
3 limitation of the county, city, or village and shall not be  
4 included in the determination of the maximum annual principal and  
5 interest requirements of, or the limitations upon, the maximum  
6 annual principal and interest incurred under 1941 PA 205, MCL  
7 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175,  
8 MCL 247.701 to 247.707, or section 18c or 18d.

9 (8) ~~The~~ **A** county road commission, city, or village is not  
10 required to seek or obtain the approval of the electors, the  
11 municipal finance commission or its successor agency, or, except as  
12 provided in this subsection, the department of treasury to borrow  
13 money ~~pursuant to~~ **UNDER** subsection (5). The borrowing is not  
14 subject to the revised municipal finance act, 2001 PA 34, MCL  
15 141.2101 to 141.2821, or to section 5(g) of the home rule city act,  
16 1909 PA 279, MCL 117.5. The ~~state transportation~~ department shall  
17 give at least 10 days' notice to the state treasurer of its  
18 intention to make a loan under subsection (4). If the state  
19 treasurer gives notice to the director of the ~~state transportation~~  
20 department within 10 days of receiving the notice from the ~~state~~  
21 ~~transportation~~ department, that, based upon the then existing  
22 financial or credit situation of the county road commission, city,  
23 or village, it would not be in the best interests of ~~the~~ **THIS** state  
24 to make a loan under subsection (4) to the county road commission,  
25 city, or village, the **DEPARTMENT SHALL NOT MAKE THE** loan ~~shall not~~  
26 ~~be made~~ unless the state treasurer, after a hearing, if requested  
27 by the affected county road commission, city, or village,

1 subsequently gives notice to the director of the ~~state~~  
2 ~~transportation~~ department that the loan may be made on the  
3 conditions that the state treasurer specifies.

4 (9) The state transportation commission may borrow money and  
5 issue bonds and notes under ~~, and pursuant to the requirements of,~~  
6 section 18b to make ~~loans~~ **A LOAN** to **A** county road ~~commissions,~~  
7 ~~cities, and villages~~ **COMMISSION, CITY, OR VILLAGE** for the purposes  
8 described in the second paragraph of section 9 of article IX of the  
9 state constitution of 1963, as provided in subsection (4). A single  
10 issue of bonds or notes may be issued for the purposes specified in  
11 subsection (4) and for the other purposes specified in section 18b.  
12 The **DEPARTMENT SHALL NOTIFY THE** house and senate transportation  
13 appropriations subcommittees ~~shall be notified by the department if~~  
14 there are extras and overruns sufficient to require approval of  
15 either the state administrative board or the commission, or both,  
16 on any contract between the department and a local road agency or a  
17 private business.

18 (10) The director of the ~~state transportation~~ department,  
19 after consultation with representatives of the interests of county  
20 road commissions, cities, and villages, shall establish, by  
21 intergovernmental communication, procedures for the implementation  
22 and administration of the loan program established under  
23 subsections (4) to (9).

24 (11) ~~Not~~ **THE DEPARTMENT SHALL NOT EXPEND** more than 10% per  
25 year of all of the funds received by and returned to the ~~state~~  
26 ~~transportation~~ department from any source for the purposes of this  
27 section ~~may be expended~~ for administrative expenses. The department

1 shall be subject to section 14(5) if **IT EXPENDS** more than 10% per  
2 year ~~is expended~~ for administrative expenses. As used in this  
3 subsection, "administrative expenses" means those expenses that are  
4 not assigned including, but not limited to, specific road  
5 construction or preservation projects and are often referred to as  
6 general or supportive services. Administrative expenses ~~shall~~**DO**  
7 not include net equipment expense, net capital outlay, debt service  
8 principal and interest, and payments to other state or local  
9 offices ~~which~~**THAT** are assigned, but not limited to, specific road  
10 construction projects or preservation activities.

11 (12) Any performance audits of the department shall be  
12 conducted according to government auditing standards issued by the  
13 United States general accounting office.

14 (13) Contracts entered into to advance money to a county road  
15 commission, city, or village under subsection (1)(g) are not  
16 subject to the revised municipal finance act, 2001 PA 34, MCL  
17 141.2101 to 141.2821.

18 (14) As used in this section, "rail grade crossing improvement  
19 purposes" means 1 or more of the following:

20 (a) The installation and modernization of active and passive  
21 warning devices at railroad grade crossings.

22 (b) The installation or improvement of grade crossing  
23 surfaces.

24 (c) Modification, relocation, or modernization of railroad  
25 grade crossing active and passive warning devices necessitated by  
26 roadway improvement projects.

27 (d) Test installations of innovative warning devices or other

1 innovative applications.

2 (e) Construction of new grade separations.

3 (f) A cash incentive payment made ~~pursuant to~~ **UNDER** subsection  
4 (1)(c)(iv) for any public road or street crossing, in an amount no  
5 greater than the cost of installing flashing light signals and half  
6 roadway gates at the crossing.

7 (g) Any other work that would be eligible for funding under  
8 the federal railroad-highway grade crossing improvement program or  
9 other comparable programs.

10 Sec. 12. (1) The **DEPARTMENT SHALL RETURN THE** amount  
11 distributed to the county road commissions ~~shall be returned~~ to the  
12 county treasurers in the manner, for the purposes, and under the  
13 terms and conditions specified in this section. The department and  
14 the county road association of Michigan shall jointly develop  
15 incentives for counties to establish statewide purchasing pools for  
16 the more efficient use of Michigan transportation funds.

17 (2) ~~Each~~ **THE DEPARTMENT SHALL REIMBURSE EACH** county road  
18 commission ~~shall be reimbursed~~ in an amount up to \$10,000.00 per  
19 year for the sum paid to a licensed professional engineer employed  
20 or retained by the county road commission in the previous year. The  
21 **DEPARTMENT SHALL RETURN THE** sum ~~shall be returned~~ to each county  
22 road commission certified by the department as complying with this  
23 subsection regarding the employment of an engineer.

24 (3) ~~An~~ **THE DEPARTMENT SHALL WITHHOLD ANNUALLY AN** amount equal  
25 to 1% of the total amount returned to the county road commissions  
26 from the Michigan transportation fund during the prior calendar  
27 year ~~shall be withheld annually~~ from the counties' November monthly



1 distribution provided for in section 17, and the **DEPARTMENT SHALL**  
2 **RETURN THAT** amount ~~shall be returned to~~ the county road commissions  
3 for snow removal purposes as provided in section 12a.

4 (4) ~~An~~ **THE DEPARTMENT SHALL RETURN AN** amount equal to 10% of  
5 the total amount returned to the county road commissions from the  
6 Michigan transportation fund ~~shall be returned to~~ each county road  
7 commission having county primary, or county local road, or both,  
8 mileage in the urban areas as determined ~~pursuant to~~ **UNDER** section  
9 12b. ~~This~~ **THE DEPARTMENT SHALL DISTRIBUTE THIS** sum ~~shall be~~  
10 ~~distributed pursuant to~~ **UNDER** section 12b. The return ~~shall be~~ **IS**  
11 in addition to the amounts provided in subsections (6) and (7) and  
12 for the purposes stated in those subsections.

13 (5) ~~An~~ **THE DEPARTMENT SHALL RETURN AN** amount equal to 4% of  
14 the total amount returned to the county road commissions from the  
15 Michigan transportation fund ~~shall be returned to~~ the county road  
16 commissions in the same percentages as provided in subsection (7).  
17 ~~All~~ **THE COUNTY ROAD COMMISSIONS SHALL EXPEND THE** money returned to  
18 ~~the county road commissions as provided in~~ **THEM UNDER** this  
19 subsection ~~shall be expended by the county road commissions for the~~  
20 preservation, construction, acquisition, and extension of county  
21 local road systems. ~~and shall be~~ **THE AMOUNT RETURNED UNDER THIS**  
22 **SUBSECTION IS** in addition to the amounts provided in subsection  
23 (7).

24 (6) ~~Seventy five percent~~ **EACH COUNTY ROAD COMMISSION SHALL**  
25 **EXPEND 75%** of the remainder of the total amount to be returned to  
26 the counties ~~shall be expended by each county road commission for~~  
27 the preservation, construction, acquisition, and extension of the

1 county primary road system, including the acquisition of a  
2 necessary right of way for the system, work incidental to the  
3 system, and a roadside park or motor parkway appurtenant to the  
4 system, and **THE DEPARTMENT** shall ~~be returned~~ **RETURN THE AMOUNT**  
5 **DESCRIBED IN THIS SUBSECTION** to the counties as follows:

6 (a) Three-fourths of the amount in proportion to the amount  
7 received within the respective county during the 12 months next  
8 preceding the date of each monthly distribution, as specific taxes  
9 upon registered motor vehicles under the Michigan vehicle code,  
10 1949 PA 300, MCL 257.1 to 257.923.

11 (b) One-tenth of the amount in the same proportion that the  
12 total mileage in the county primary road system of each county  
13 bears to the total mileage in all of the county primary road  
14 systems of ~~the~~ **THIS** state.

15 (c) One eighty-third of the remaining 15% of the amount to  
16 each county.

17 (7) ~~The~~ **EACH COUNTY ROAD COMMISSION SHALL EXPEND THE** balance  
18 of the remainder of the total amount to be returned to counties  
19 ~~shall be expended by each county road commission~~ for the  
20 preservation, construction, acquisition, and extension of the  
21 county local road system as defined by this act, including the  
22 acquisition of a necessary right of way for the system, work  
23 incidental to the system, and a roadside park or motor parkway  
24 appurtenant to the system, and **THE DEPARTMENT** shall ~~be returned~~  
25 **RETURN THE AMOUNT DESCRIBED IN THIS SUBSECTION** to the counties as  
26 follows:

27 (a) Sixty-five percent of the amount in the same proportion

1 that the total mileage in the county local road system of each  
2 county bears to the total mileage in all of the county local road  
3 systems of ~~the~~**THIS** state.

4 (b) Thirty-five percent of the amount in the same proportion  
5 that the total population outside of incorporated municipalities in  
6 each county bears to the total population outside of incorporated  
7 municipalities in all of the counties of ~~the~~**THIS** state, according  
8 to the most recent statewide federal census as certified at the  
9 beginning of the state fiscal year.

10 (8) ~~Money~~**A COUNTY ROAD COMMISSION SHALL EXPEND MONEY**  
11 deposited in ~~or~~ becoming a part of the county road funds of a ~~THE~~  
12 board of county road commissioners ~~shall be expended~~ first for the  
13 payment of principal and interest on the bonds, for the payment of  
14 contractual contributions pledged for the payment of bonds, for  
15 debt service requirements for the payment of contractual  
16 contributions pledged for the payment of bonds, and for debt  
17 service requirements for the payment of notes and loans in the  
18 following order of priority:

19 (a) For the payment of contributions required to be made by a  
20 board of county road commissioners under a contract entered into  
21 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for  
22 the payment of the principal and interest on bonds issued under  
23 that act, or for the payment of total debt service requirements  
24 upon notes issued by a board of county road commissioners under  
25 1943 PA 143, MCL 141.251 to 141.254.

26 (b) For the payment of principal and interest upon bonds  
27 issued under section 18c, and the payment of contributions of a

1 board of county road commissioners made ~~pursuant to~~ **UNDER** contracts  
2 entered into under section 18d that are pledged to the payment of  
3 principal and interest on bonds issued after June 30, 1957, under  
4 the authorization of section 18c and contracts executed ~~pursuant to~~  
5 ~~its provisions.~~ **UNDER SECTION 18C.**

6 (c) For the payment of principal and interest upon loans  
7 received ~~pursuant to~~ **UNDER** section 11(5), to the extent other funds  
8 have not been made available for that payment.

9 (9) ~~Beginning November 1, 2008, no more than 50% per year of~~  
10 ~~the amount returned to a county for use on the county primary road~~  
11 ~~system may be expended, with or without matching, on the county~~  
12 ~~local road system of that county.~~ Except as otherwise provided in  
13 this subsection, ~~beginning September 30, 2010, no more than 30% per~~  
14 ~~year of the amount returned to a county for use on the county~~  
15 ~~primary road system may be expended, with or without matching, on~~  
16 ~~the county local road system of that county. An additional amount,~~  
17 ~~not to exceed 20% per year of the amount returned to a county for~~  
18 ~~use on the county primary road system, may be expended on the~~  
19 ~~county local road system of that county if there is an emergency or~~  
20 ~~if the county road commission determines that an additional 20% may~~  
21 ~~be expended on the county local road system. The county road~~  
22 ~~commission may attach any conditions to its determination if the~~  
23 ~~determination is for nonemergency purposes, including, but not~~  
24 ~~limited to, a requirement that the additional 20% expended on the~~  
25 ~~county local road system only be used to supplement funds from~~  
26 ~~other sources. No more than 15% per year of the amount returned to~~  
27 ~~a county for expenditure on the county local road system may be~~

1 used, with or without matching, on the county primary road system  
 2 of that county, and not to exceed an additional 15% per year of the  
 3 amount returned to a county for expenditure on the county local  
 4 road system, may, in case of an emergency or with the approval of  
 5 the county road commission, be expended, with or without matching,  
 6 on the county primary road system of that county. An amount  
 7 returned to a county for and on account of county local roads,  
 8 under this section, in excess of the total amount paid into the  
 9 county treasury each year by all of the townships of that county  
 10 for and on account of the county local roads ~~pursuant to~~ **UNDER**  
 11 section 14(6) may be transferred to and expended on the county  
 12 primary road system of that county.

13 (10) ~~Not~~ **A COUNTY SHALL EXPEND NOT** less than 20% per year of  
 14 the funds returned to a ~~that~~ county by this section ~~shall be~~  
 15 ~~expended~~ for snow and ice removal, the construction or  
 16 reconstruction of a new highway or existing highway, and the  
 17 acquisition of a necessary right of way for those highways, and  
 18 work incidental to those highways, or for the servicing of bonds  
 19 issued by the county for these purposes. ~~Surplus~~ **A COUNTY MAY**  
 20 **EXPEND SURPLUS** funds ~~may be expended~~ for the development,  
 21 construction, or repair of an off-street parking facility.

22 (11) ~~Not~~ **A COUNTY SHALL NOT EXPEND** more than 5% per year of  
 23 the funds returned to a ~~that~~ county for the county primary road  
 24 system and the county local road system ~~shall be expended~~ for the  
 25 maintenance, improvement, or acquisition of appurtenant roadside  
 26 parks and motor parkways.

27 (12) ~~Funds~~ **A COUNTY ROAD COMMISSION SHALL EXPEND FUNDS**

1 returned to a county ~~shall be expended by the county road~~  
2 ~~commission~~ for the purposes provided in this section, and **THE**  
3 **COUNTY TREASURER** shall be ~~deposited by the county treasurer~~ **DEPOSIT**  
4 **THE FUNDS** in a designated county depository, in a separate account  
5 to the credit of the county road fund, and shall be ~~paid~~ **PAY THE**  
6 **FUNDS** out only upon the order of the county road commission, and  
7 interest accruing on the money shall become a part of, and be  
8 deposited with, the county road fund.

9 (13) In a county to which funds are returned under this  
10 section, the function of the county road commission shall be  
11 limited to the formation of policy and the performance of the  
12 official duties imposed by law and delegated by the county board of  
13 commissioners. A member of the county road commission shall not be  
14 employed individually in any other capacity for other duties with  
15 the county road commission.

16 (14) A county road commission may enter into an agreement with  
17 a county road commission of an adjacent county and with a city or  
18 village to perform work on a highway, road, or street, and with the  
19 department with respect to a state trunk line **HIGHWAY** and  
20 connecting links of the state trunk line **HIGHWAY** within the limits  
21 of the county or adjacent to the county. The agreement may provide  
22 for the performance by each contracting party of the work  
23 contemplated by the contract including engineering services and the  
24 acquisition of rights of way in connection with the work  
25 contemplated, by purchase or condemnation, by any of the  
26 contracting parties in its own name and the agreement may provide  
27 for joint participation in the costs.

1           (15) ~~Money~~ **A COUNTY MAY EXPEND MONEY** distributed from the  
2 Michigan transportation fund ~~may be expended~~ for construction  
3 purposes on county local roads only to the extent matched by money  
4 from other sources. However, **A COUNTY MAY EXPEND** Michigan  
5 transportation funds ~~may be expended~~ for the construction of  
6 bridges on the county local roads in an amount not to exceed 75% of  
7 the cost of the construction of local road bridges.

8           (16) ~~Notwithstanding~~ **EXCEPT AS OTHERWISE PROVIDED IN THIS**  
9 **SUBSECTION AND NOTWITHSTANDING** any other provision of this act, **A**  
10 **COUNTY ROAD COMMISSION SHALL EXPEND ANNUALLY** at least 90% of the  
11 state revenue returned annually to the county road commission from  
12 the Michigan transportation fund less the amounts described in  
13 subdivisions (a) to (e) ~~shall be expended annually by the county~~  
14 ~~road commission~~ for the preservation of highways, roads, streets,  
15 and bridges, and for the payment of contractual contributions  
16 pledged for the payment of bonds or portions of bonds, debt service  
17 requirements for the payment of bonds or portions of bonds, and  
18 debt service requirements for the payment of notes and loans or  
19 portions of notes and loans issued or received after July 1, 1983,  
20 for the purpose of providing funds for the preservation of  
21 highways, roads, streets, and bridges. **BEGINNING ON THE EFFECTIVE**  
22 **DATE OF THE 2014 AMENDATORY ACT THAT AMENDED THIS SUBSECTION AND**  
23 **ENDING WHEN THE ASSET MANAGEMENT COUNCIL DETERMINES THAT ALL**  
24 **HIGHWAYS, ROADS, STREETS, AND BRIDGES IN THIS STATE THAT ARE WITHIN**  
25 **THE JURISDICTION OF THE COUNTY ROAD COMMISSION OF THIS STATE ARE IN**  
26 **AT LEAST FAIR CONDITION, ALL OF THE STATE REVENUE RETURNED ANNUALLY**  
27 **TO A COUNTY ROAD COMMISSION FROM THE MICHIGAN TRANSPORTATION FUND**

1 LESS THE AMOUNTS DESCRIBED IN SUBDIVISIONS (A) TO (E) SHALL BE  
2 EXPENDED ANNUALLY BY THE COUNTY ROAD COMMISSION FOR THE  
3 PRESERVATION OF HIGHWAYS, ROADS, STREETS, AND BRIDGES, AND FOR THE  
4 PAYMENT OF CONTRACTUAL CONTRIBUTIONS PLEDGED FOR THE PAYMENT OF  
5 BONDS OR PORTIONS OF BONDS, DEBT SERVICE REQUIREMENTS FOR THE  
6 PAYMENT OF BONDS OR PORTIONS OF BONDS, AND DEBT SERVICE  
7 REQUIREMENTS FOR THE PAYMENT OF NOTES AND LOANS OR PORTIONS OF  
8 NOTES AND LOANS ISSUED OR RECEIVED AFTER JULY 1, 1983, FOR THE  
9 PURPOSE OF PROVIDING FUNDS FOR THE PRESERVATION OF HIGHWAYS, ROADS,  
10 STREETS, AND BRIDGES. If an appropriate certificate is filed under  
11 subsection (18) but only to the extent necessary, this subsection  
12 does not prohibit the use of any amount of state revenue returned  
13 annually to the county road commissions for the payment of  
14 contractual contributions pledged for the payment of bonds, for  
15 debt service requirements for the payment of bonds, and for debt  
16 service requirements for the payment of notes or loans, whenever  
17 issued or received, as specified under subsection (8). The amounts  
18 that are deducted from the state revenue returned to a county road  
19 commission from the Michigan transportation fund, for the purpose  
20 of the calculation required by this subsection are as follows:

21 (a) Amounts expended for the purposes described in subsection  
22 (8) for bonds, notes, loans, or other obligations issued or  
23 received before July 2, 1983.

24 (b) Amounts expended for the administrative costs of the  
25 county road commission.

26 (c) Amounts expended for capital outlay projects for equipment  
27 and buildings, and for the payment of contractual contributions



1 pledged for the payment of bonds, for debt service requirements for  
2 the payment of bonds, and for debt service requirements for the  
3 payment of notes and loans issued or received after July 1, 1983,  
4 for the purpose of providing funds for capital outlay projects for  
5 equipment and buildings.

6 (d) Amounts expended for projects vital to the economy of the  
7 local area or the safety of the public in the local area. Before  
8 these amounts can be deducted, the governing body over the county  
9 road commission or the county road commission, as applicable, shall  
10 pass a resolution approving these projects. This resolution shall  
11 state which projects will be funded and the cost of each project. A  
12 **THE GOVERNING BODY OVER THE COUNTY ROAD COMMISSION OR THE COUNTY**  
13 **ROAD COMMISSION SHALL IMMEDIATELY FORWARD A** copy of each approved  
14 resolution ~~shall be forwarded immediately to the department.~~

15 (e) Amounts expended in urban areas as determined ~~pursuant to~~  
16 **UNDER** section 12b.

17 (17) ~~As used in this subsection, "urban routes" means those~~  
18 ~~portions of 2 lane county primary roads within an urban area that~~  
19 ~~have average daily traffic in excess of 15,000. Notwithstanding any~~  
20 other provision of this act, except as provided in this subsection,  
21 a county road commission shall annually expend at least 90% of the  
22 federal revenue distributed to the county road commission for  
23 highways, roads, streets, and bridges, less the amount expended on  
24 urban routes for purposes other than preservation and the amount  
25 expended for hard-surfacing of gravel roads on the federal-aid  
26 system, on the preservation of highways, roads, streets, and  
27 bridges. ~~A-EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, A~~

1 county road commission may expend in 1 year less than 90% of the  
2 federal revenue distributed to the county road commission for  
3 highways, roads, streets, and bridges, less the amount expended on  
4 urban routes for purposes other than preservation and the amount  
5 expended for hard-surfacing of gravel roads on the federal-aid  
6 system, on the preservation of highways, roads, streets, and  
7 bridges, if that year is part of a 3-year period in which at least  
8 90% of the total federal revenue distributed in the 3-year period  
9 to the county road commission for highways, roads, streets, and  
10 bridges, less the amount expended on urban routes for purposes  
11 other than preservation purposes and the amount expended for hard-  
12 surfacing of gravel roads on the federal-aid system, is expended on  
13 the preservation of highways, roads, streets, and bridges. If a  
14 county road commission expends in 1 year less than 90% of the  
15 federal revenue distributed to the county road commission for  
16 highways, roads, streets, and bridges, less the amount expended on  
17 urban routes for purposes other than preservation and the amount  
18 expended for hard-surfacing of gravel roads on the federal-aid  
19 system, on the preservation of highways, roads, streets, and  
20 bridges and that year is not a part of a 3-year period in which at  
21 least 90% of the total federal revenue distributed in the 3-year  
22 period to the county road commission for highways, roads, streets,  
23 and bridges, less the amount expended on urban routes for purposes  
24 other than preservation and the amount expended for hard-surfacing  
25 of gravel roads on the federal-aid system, is expended on the  
26 preservation of highways, roads, streets, and bridges, the county  
27 road commission shall expend in each year subsequent to the 3-year

1 period 100%, or less in 1 year if sufficient for the purposes of  
2 this subsection, of the federal revenue distributed to the county  
3 road commission for highways, roads, streets, and bridges, less the  
4 amount expended on urban routes for purposes other than  
5 preservation and the amount expended for hard-surfacing of gravel  
6 roads on the federal-aid system, on the preservation of highways,  
7 roads, streets, and bridges until the average percentage spent on  
8 the preservation of highways, roads, streets, and bridges in the 3-  
9 year period and the subsequent years, less the amount expended on  
10 urban routes for purposes other than preservation and the amount  
11 expended for hard-surfacing of gravel roads on the federal-aid  
12 system, is at least 90%. A year may be included in only one 3-year  
13 period for the purposes of this subsection. **BEGINNING ON THE**  
14 **EFFECTIVE DATE OF THE 2014 AMENDATORY ACT THAT AMENDED THIS**  
15 **SUBSECTION AND ENDING WHEN THE ASSET MANAGEMENT COUNCIL DETERMINES**  
16 **THAT ALL HIGHWAYS, ROADS, STREETS, AND BRIDGES IN THIS STATE THAT**  
17 **ARE WITHIN THE JURISDICTION OF THE COUNTY ROAD COMMISSION OF THIS**  
18 **STATE ARE IN AT LEAST FAIR CONDITION, A COUNTY ROAD COMMISSION**  
19 **SHALL EXPEND ANNUALLY ALL OF THE FEDERAL REVENUE DISTRIBUTED TO THE**  
20 **COUNTY ROAD COMMISSION IN THAT YEAR ON THE PRESERVATION OF**  
21 **HIGHWAYS, ROADS, STREETS, AND BRIDGES.** The requirements of this  
22 subsection ~~shall be~~ **ARE** waived if compliance would cause the county  
23 road commission to be ineligible for federal revenue under federal  
24 law, but only to the extent necessary to make the county road  
25 commission eligible for that revenue under federal law. For the  
26 purpose of the calculations required by this subsection, the amount  
27 expended on urban routes by a county road commission for purposes

1 other than preservation and the amount expended for hard-surfacing  
2 of gravel roads on the federal-aid system shall be deducted from  
3 the total federal revenue distributed to the use of the county road  
4 commission. **AS USED IN THIS SUBSECTION, "URBAN ROUTES" MEANS THOSE**  
5 **PORTIONS OF 2-LANE COUNTY PRIMARY ROADS WITHIN AN URBAN AREA THAT**  
6 **HAVE AVERAGE DAILY TRAFFIC IN EXCESS OF 15,000.**

7 (18) A county road commission shall certify to the department  
8 on or before the issuance of any bonds or notes issued after July  
9 1, 1983, ~~pursuant to~~**UNDER** 1943 PA 143, MCL 141.251 to 141.254,  
10 1941 PA 205, MCL 252.51 to 252.64, or section 18c or 18d, for  
11 purposes other than the preservation of highways, roads, streets,  
12 and bridges and purposes other than the purposes specified in  
13 subsection (16)(c) that its average annual debt service  
14 requirements for all bonds and notes or portions of bonds and notes  
15 issued after July 1, 1983, for purposes other than the preservation  
16 of highways, roads, streets, and bridges and other than for the  
17 purposes specified in subsection (16)(c), including the bond or  
18 note to be issued does not exceed 10% of the funds returned to the  
19 county road commission ~~pursuant to~~**UNDER** this act, less the amounts  
20 specified in subsection (16)(a), (b), and (c) during the last  
21 completed fiscal year of the county road commission. If the purpose  
22 for which the bonds or notes are issued is changed after the  
23 issuance of the notes or bonds, the change shall be made in a  
24 manner that maintains compliance with the certification required by  
25 this subsection, as of the date the certificate was originally  
26 issued, but ~~no such~~**THE** change shall **NOT** invalidate or otherwise  
27 affect the bonds or notes with respect to which the certificate was

1 issued or the obligation to pay debt service on the bonds or notes.  
2 A certification under this subsection is conclusive as to the  
3 matters stated in the certification for purposes of the validity of  
4 bonds and notes.

5 (19) In each charter county to which funds are returned under  
6 this section, the responsibility for road improvement,  
7 preservation, and traffic operation work, and the development,  
8 construction, or repair of off-road parking facilities and  
9 construction or repair of road lighting shall be coordinated by a  
10 single administrator to be designated by the county executive who  
11 shall be responsible for and shall represent the charter county in  
12 transactions with the department ~~pursuant to~~ **UNDER** this act.

13 (20) ~~Not~~ **A COUNTY MAY NOT EXPEND** more than 10% per year of all  
14 of the funds received by and returned to a ~~a~~ **THAT** county from any  
15 source for the purposes of this section ~~may be expended for~~  
16 administrative expenses. A county that expends more than 10% for  
17 administrative expenses in a year is subject to section 14(5)  
18 unless **THE DEPARTMENT OF TREASURY GRANTS** a waiver. ~~is granted by~~  
19 ~~the department of treasury.~~ As used in this subsection,  
20 "administrative expenses" means those expenses that are not  
21 assigned including, but not limited to, specific road construction  
22 or preservation projects and are often referred to as general or  
23 supportive services. Administrative expenses do not include net  
24 equipment expense, net capital outlay, debt service principal and  
25 interest, and payments to other state or local offices that are  
26 assigned, but not limited to, specific road construction projects  
27 or preservation activities.

1           (21) In addition to the financial compliance audits required  
2 by law, the department may conduct performance audits and make  
3 investigations of the disposition of all state funds received by  
4 county road commissions, county boards of commissioners, or any  
5 other county governmental agency acting as the county road  
6 authority, for transportation purposes to determine compliance with  
7 the terms and conditions of this act. ~~Performance~~ **THE DEPARTMENT**  
8 **SHALL CONDUCT PERFORMANCE** audits ~~shall be conducted~~ according to  
9 government auditing standards issued by the United States general  
10 accounting office. The department shall develop performance audit  
11 procedures and reporting requirements sufficient to determine  
12 whether funds expended under this section were expended in  
13 compliance with this act by September 1, 2012 and shall report to  
14 the transportation committees of the senate and house of  
15 representatives no later than October 1, 2012 on the additional  
16 audit procedures and reporting requirements. The department shall  
17 provide notice to the county road commission, county board of  
18 commissioners, or any other county governmental agency acting as  
19 the county road authority, as applicable, of the standards to be  
20 used for audits performed under this subsection. The **DEPARTMENT**  
21 **SHALL PROVIDE THE** notice ~~shall be provided~~ 6 months prior to the  
22 fiscal year in which the audit is conducted. The department shall  
23 notify the county road commission, county board of commissioners,  
24 or any other county governmental agency acting as the county road  
25 authority of any subsequent changes to the standards. County road  
26 commissions, county boards of commissioners, or any other county  
27 governmental agencies acting as county road authorities, as

1 applicable, shall make available to the department the pertinent  
2 records for the audit. Performance audits may be performed at the  
3 discretion of the department or upon receiving a request from the  
4 speaker of the house of representatives or the senate majority  
5 leader.

6       Sec. 13. (1) The **DEPARTMENT SHALL RETURN TO THE TREASURERS OF**  
7 **THE CITIES AND VILLAGES THE** amount distributed to cities and  
8 villages ~~shall be returned to the treasurers of the cities and~~  
9 ~~villages~~ in the manner, for the purposes, and under the terms and  
10 conditions specified in this section. The amount received by a  
11 newly incorporated municipality shall be in place of any other  
12 direct distribution of funds from the Michigan transportation fund.  
13 The **DEPARTMENT SHALL ADD THE** population of a newly incorporated  
14 municipality as determined under this section ~~shall be added to the~~  
15 total population of all incorporated cities and villages in ~~the~~  
16 **THIS** state in computing the amounts to be returned under this  
17 section to each municipality in ~~the~~ **THIS** state. ~~Major~~ **THE**  
18 **DEPARTMENT SHALL DETERMINE MAJOR** street mileage, local street  
19 mileage, and equivalent major mileage, if applicable, ~~shall be~~  
20 ~~determined by the department~~ before the next month for which  
21 distribution is made following the effective date of incorporation  
22 of a newly incorporated municipality.

23       (2) From the amount available for distribution to cities and  
24 villages during each December, **THE DEPARTMENT SHALL WITHHOLD** an  
25 amount equal to 0.7% of the total amount returned to all cities and  
26 villages under subsections (3) and (4) during the previous calendar  
27 year. ~~shall be withheld.~~ The **DEPARTMENT SHALL USE THE** amount

1 withheld ~~shall be used~~ to partially reimburse cities and villages  
2 located in counties that are eligible for snow removal funds  
3 ~~pursuant to~~ **UNDER** section 12a and that have costs for winter  
4 maintenance on major and local streets that are greater than the  
5 statewide average. The **DEPARTMENT SHALL MAKE THE** distributions  
6 ~~shall be made~~ annually during February and shall ~~be calculated~~  
7 **CALCULATE THE DISTRIBUTIONS** separately for the major and local  
8 street systems, but **THE DEPARTMENT** may ~~be paid~~ **PAY THE**  
9 **DISTRIBUTIONS** in a combined warrant. The distribution to a city or  
10 village shall be equal to 1/2 of its winter maintenance  
11 expenditures after deducting the product of its total earnings  
12 under subsections (3) and (4) multiplied by 2 times the average  
13 municipal winter maintenance factor. ~~Winter~~ **THE DEPARTMENT SHALL**  
14 **DETERMINE WINTER** maintenance expenditures ~~shall be determined~~ from  
15 the street financial reports for the most current fiscal years  
16 ending before July 1. A city or village that does not submit a  
17 street financial report for the fiscal year ending before July 1 by  
18 the subsequent December 31 is ineligible for the winter maintenance  
19 payment that is to be based on that street financial report. The  
20 department shall determine the average municipal winter maintenance  
21 factor annually by dividing the total expenditures of all cities  
22 and villages on winter maintenance of streets and highways by the  
23 total amount earned by all cities and villages under subsections  
24 (3) and (4) during the 12 months. If the sum of the distributions  
25 to be made under this subsection exceeds the amount withheld, the  
26 **DEPARTMENT SHALL PROPORTIONATELY REDUCE THE** distributions to each  
27 eligible city and village. ~~shall be reduced proportionately.~~ If the



1 sum is less than the amount withheld, the **DEPARTMENT SHALL ADD THE**  
2 balance ~~shall be added~~ to the amount available for distribution  
3 under subsections (3) and (4) during the next month. The  
4 distributions shall be for use on the major and local street  
5 systems respectively and ~~shall be~~ **ARE** subject to the same  
6 provisions as funds returned under subsections (3) and (4).

7 (3) ~~Seventy five percent~~ **THE DEPARTMENT SHALL RETURN 75%** of  
8 the remaining amount to be returned to the cities and villages,  
9 after deducting the amounts withheld ~~pursuant to~~ **UNDER** subsection  
10 (2), ~~shall be returned~~ 60% in the same proportion that the  
11 population of each bears to the total population of all cities and  
12 villages, and 40% in the same proportion that the equivalent major  
13 mileage in each bears to the total equivalent major mileage in all  
14 cities and villages. ~~The~~ **EACH CITY AND VILLAGE SHALL USE THE** amount  
15 returned under this subsection ~~shall be used by each city and~~  
16 ~~village~~ for the following purposes in the following order of  
17 priority:

18 (a) For the payment of contributions required to be made by a  
19 city or village under the provisions of contracts previously  
20 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have  
21 been previously pledged for the payment of the principal and  
22 interest on bonds issued under that act; or for the payment of the  
23 principal and interest upon bonds issued by a city or village  
24 ~~pursuant to~~ **UNDER** 1952 PA 175, MCL 247.701 to 247.707.

25 (b) Payment of obligations of the city or village on highway  
26 projects undertaken by the city or village jointly with the  
27 department.

1 (c) For the payment of principal and interest upon loans  
2 received ~~pursuant to~~ **UNDER** section 11(5), to the extent other funds  
3 have not been made available for that payment.

4 (d) For the preservation, construction, acquisition, and  
5 extension of the major street system as defined by this act  
6 including the acquisition of a necessary right of way for the  
7 system, work incidental to the system, and an appurtenant roadside  
8 park or motor parkway, of the city or village and for the payment  
9 of the principal and interest on that portion of the city's or  
10 village's general obligation bonds that are attributable to the  
11 construction or reconstruction of the city's or village's major  
12 street system. ~~Not~~ **A CITY OR VILLAGE SHALL NOT EXPEND** more than 5%  
13 per year of the funds returned to a ~~that~~ city or village by this  
14 subsection ~~shall be expended~~ for the preservation or acquisition of  
15 appurtenant roadside parks and motor parkways. ~~Surplus~~ **A CITY OR**  
16 **VILLAGE MAY EXPEND** funds ~~may be expended~~ for the development,  
17 construction, or repair of off-street parking facilities, the  
18 construction or repair of street lighting, and transfer to the  
19 local street system under subsection (6).

20 (e) For capital outlay projects for equipment and buildings,  
21 contributions pledged for the payment of loans and for the payment  
22 of contractual debt service requirements for the payment of bonds  
23 for the purpose of providing funds for capital outlay projects for  
24 equipment and buildings necessary to the development and  
25 maintenance of the road system so long as amounts allocated under  
26 this subdivision are used for transportation purposes.

27 (4) ~~The~~ **EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (8), THE**

1 remaining amount ~~to be~~ returned to incorporated cities and villages  
2 shall be expended in each city or village for the preservation,  
3 construction, acquisition, and extension of the local street system  
4 of the city or village, including the acquisition of a necessary  
5 right of way for the system, work incidental to the system, and  
6 subject to subsection (5), for the payment of the principal and  
7 interest on the portion of the city's or village's general  
8 obligation bonds that are attributable to the construction or  
9 reconstruction of the city's or village's local street system. The  
10 **DEPARTMENT SHALL RETURN THE** amount returned under this subsection  
11 ~~shall be returned~~ to the cities and villages 60% in the same  
12 proportion that the population of each bears to the total  
13 population of all incorporated cities and villages in ~~the~~ **THIS**  
14 state, and 40% in the same proportion that the total mileage of the  
15 local street system of each bears to the total mileage in the local  
16 street systems of all cities and villages of ~~the~~ **THIS** state. The  
17 payment of the principal and interest upon bonds issued by a city  
18 or village ~~pursuant to~~ **UNDER** 1952 PA 175, MCL 247.701 to 247.707,  
19 and after that payment, the payment of debt service on loans  
20 received under section 11(5), shall have priority in the  
21 expenditure of money returned under this subsection.

22 (5) Money distributed to each city and village for the  
23 maintenance and preservation of its local street system under this  
24 act represents the total responsibility of ~~the~~ **THIS** state for local  
25 street system support. ~~Funds~~ **A CITY OR VILLAGE SHALL NOT EXPEND**  
26 **FUNDS** distributed from the Michigan transportation fund ~~shall not~~  
27 ~~be expended~~ for construction purposes on city and village local

1 streets except to the extent matched from local revenues including  
2 other money returned to a city or village by ~~the~~**THIS** state under  
3 the state constitution of 1963 and statutes of ~~the~~**THIS** state, from  
4 funds that can be raised by taxation in cities and villages for  
5 street purposes within the limitations of the state constitution of  
6 1963 and statutes of this state, from special assessments, or from  
7 any other source.

8 (6) ~~Money~~**A CITY OR VILLAGE SHALL EXPEND MONEY** returned under  
9 this section ~~to a city or village shall be expended~~ on the major  
10 and local street systems of that city or village. However, the  
11 first priority shall be the major street system. ~~Money~~**A CITY OR**  
12 **VILLAGE SHALL EXPEND MONEY** returned for expenditure on the major  
13 street system ~~shall be expended~~ in the priority order provided in  
14 subsection (3) except that **THE CITY OR VILLAGE MAY TRANSFER** surplus  
15 funds ~~may be transferred~~ for preservation of the local street  
16 system. ~~Major~~**A CITY OR VILLAGE SHALL NOT USE MAJOR** street funds  
17 transferred for use on the local street system ~~shall not be used~~  
18 for construction but **THE CITY OR VILLAGE** ~~may be used~~**USE THOSE**  
19 **FUNDS** for preservation. A city or village shall not transfer more  
20 than 50% of its annual major street funding for the local street  
21 system unless it has adopted and is following an asset management  
22 process for its major and local street systems and adopts a  
23 resolution with a copy to the department setting forth all of the  
24 following:

- 25 (a) A list of the major streets in that city or village.  
26 (b) A statement that the city or village is adequately  
27 maintaining its major streets.

1 (c) The dollar amount of the transfer.

2 (d) The local streets to be funded with the transfer.

3 (e) A statement that the city or village is following an asset  
4 management process for its major and local street systems.

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

13 (8) **NOTWITHSTANDING ANY OTHER PROVISION OF THIS ACT, BEGINNING**  
14 **ON THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS**  
15 **SUBSECTION AND ENDING WHEN THE ASSET MANAGEMENT COUNCIL DETERMINES**  
16 **THAT ALL HIGHWAYS, ROADS, STREETS, AND BRIDGES IN THIS STATE THAT**  
17 **ARE WITHIN THE JURISDICTION OF THE CITIES AND VILLAGES OF THIS**  
18 **STATE ARE IN AT LEAST FAIR CONDITION, ALL OF THE STATE REVENUE**  
19 **RETURNED ANNUALLY TO A CITY OR VILLAGE FROM THE MICHIGAN**  
20 **TRANSPORTATION FUND LESS THE AMOUNTS DESCRIBED IN SUBSECTIONS (2)**  
21 **AND (3) SHALL BE EXPENDED ANNUALLY BY THE CITY OR VILLAGE FOR THE**  
22 **PRESERVATION OF HIGHWAYS, ROADS, STREETS, AND BRIDGES, AND FOR THE**  
23 **PAYMENT OF CONTRACTUAL CONTRIBUTIONS PLEDGED FOR THE PAYMENT OF**  
24 **BONDS OR PORTIONS OF BONDS, DEBT SERVICE REQUIREMENTS FOR THE**  
25 **PAYMENT OF BONDS OR PORTIONS OF BONDS, AND DEBT SERVICE**  
26 **REQUIREMENTS FOR THE PAYMENT OF NOTES AND LOANS OR PORTIONS OF**  
27 **NOTES AND LOANS ISSUED OR RECEIVED AFTER JULY 1, 1983, FOR THE**

1 **PURPOSE OF PROVIDING FUNDS FOR THE PRESERVATION OF HIGHWAYS, ROADS,**  
2 **STREETS, AND BRIDGES.**

3 (9) ~~(8) Not~~ **A CITY OR VILLAGE SHALL NOT EXPEND** more than 10%  
4 per year of all of the funds returned to a ~~that~~ **THAT** city or village  
5 from any source for the purposes of this section ~~may be expended~~  
6 for administrative expenses. A city or village that expends more  
7 than 10% for administrative expenses in a year is subject to  
8 section 14(5).

9 (10) ~~(9)~~ In each city and village to which funds are returned  
10 under this section, the responsibility for street preservation and  
11 the development, construction, or repair of off-street parking  
12 facilities and construction or repair of street lighting shall be  
13 coordinated by a single administrator to be designated by the  
14 governing body who shall be responsible for and shall represent the  
15 municipality in transactions with the department ~~pursuant to~~ **UNDER**  
16 this act.

17 (11) ~~(10)~~ Cities and villages may provide for consolidated  
18 street administration. A city or a village may enter into an  
19 agreement with other cities or villages, the county road  
20 commission, or with the state transportation commission for the  
21 performance of street or highway work on a road or street within  
22 the limits of the city or village or adjacent to the city or  
23 village. The agreement may provide for any of the contracting  
24 parties to perform the work contemplated by the contracts including  
25 services and acquisition of rights of way, by purchase or  
26 condemnation in its own name. The agreement may provide for joint  
27 participation in the costs if appropriate.

1           (12) ~~(11) Interest~~ **A CITY OR VILLAGE SHALL CREDIT INTEREST**  
2 earned on funds returned to a ~~THAT~~ city or a village for purposes  
3 provided in this section ~~shall be credited to the appropriate~~  
4 street fund.

5           (13) ~~(12)~~ In addition to the financial compliance audits  
6 required by law, the department may conduct performance audits and  
7 make investigations of the disposition of all state funds received  
8 by cities and villages for transportation purposes to determine  
9 compliance with the terms and conditions of this act. ~~Performance~~  
10 **THE DEPARTMENT SHALL CONDUCT PERFORMANCE** audits ~~shall be conducted~~  
11 according to government auditing standards issued by the United  
12 States general accounting office. The department shall develop all  
13 performance audit procedures and reporting requirements sufficient  
14 to determine whether funds expended under this section were  
15 expended in compliance with this act by September 1, 2012 and shall  
16 report to the transportation committees of the senate and house of  
17 representatives no later than October 1, 2012 on the additional  
18 audit procedures and reporting requirements. The audit procedures  
19 shall include a review of the road fund balance of the city or  
20 village. The cities and villages shall report their road fund  
21 balances by fund balance component. The department shall assist  
22 cities and villages to ensure that road fund balances are  
23 consistently classified and are in compliance with the audit and  
24 reporting requirements of this section. The department shall  
25 provide notice to cities and villages of the standards to be used  
26 for audits under this subsection prior to the fiscal year in which  
27 the audit is conducted. The department shall notify cities and

1 villages of any subsequent changes to the standards. Cities and  
2 villages shall make available to the department the pertinent  
3 records for the audit. Performance audits may be performed at the  
4 discretion of the department or upon receiving a request from the  
5 speaker of the house of representatives or the senate majority  
6 leader.

7 (14) ~~(13)~~—As used in this section:

8 (a) "Administrative expenses" means expenses that are not  
9 assigned under this section, including, but not limited to,  
10 specific road construction or maintenance projects, and are often  
11 referred to as general or supportive services. Administrative  
12 expenses do not include net equipment expense, net capital outlay,  
13 debt service principal and interest, or payments to other state or  
14 local offices that are assigned, but not limited to, specific road  
15 construction projects or maintenance activities.

16 (b) "Equivalent major mileage" means the sum of 2 times the  
17 state trunk line mileage certified by the department as of March 31  
18 of each year, as being within the boundaries of each city and  
19 village having a population of 25,000 or more, plus the major  
20 street mileage in each city and village, multiplied by the  
21 following factor:

22 (i) 1.0 for cities and villages of 2,000 or less population.

23 (ii) 1.1 for cities and villages from 2,001 to 10,000  
24 population.

25 (iii) 1.2 for cities and villages from 10,001 to 20,000  
26 population.

27 (iv) 1.3 for cities and villages from 20,001 to 30,000



1 population.

2 (v) 1.4 for cities and villages from 30,001 to 40,000

3 population.

4 (vi) 1.5 for cities and villages from 40,001 to 50,000

5 population.

6 (vii) 1.6 for cities and villages from 50,001 to 65,000

7 population.

8 (viii) 1.7 for cities and villages from 65,001 to 80,000

9 population.

10 (ix) 1.8 for cities and villages from 80,001 to 95,000

11 population.

12 (x) 1.9 for cities and villages from 95,001 to 160,000

13 population.

14 (xi) 2.0 for cities and villages from 160,001 to 320,000

15 population.

16 (xii) For cities over 320,000 population, a factor of 2.1

17 increased successively by 0.1 for each 160,000 population increment

18 over 320,000.

19 (c) "Population" means the population according to the most

20 recent statewide federal census as certified at the beginning of

21 the state fiscal year, except that, if a municipality has been

22 newly incorporated since completion of the census, the population

23 of the municipality for purposes of the distribution of funds

24 before completion of the next census shall be the population as

25 determined by special federal census, if there is a special federal

26 census, and if not, by the population as determined by the official

27 census in connection with the incorporation, if there is such a

1 census and, if not, by a special state census to be taken at the  
2 expense of the municipality by the secretary of state ~~pursuant to~~  
3 **UNDER** section 6 of the home rule city act, 1909 PA 279, MCL 117.6.