

**SUBSTITUTE FOR**  
**HOUSE BILL NO. 4737**

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 10, 11, 12, 13, and 14 (MCL 247.660, 247.661, 247.662, 247.663, and 247.664), section 10 as amended by 2007 PA 210, section 11 as amended by 2002 PA 639, sections 12 and 13 as amended by 2012 PA 298, and section 14 as amended by 1987 PA 234.

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

1           Sec. 10. (1) A fund to be known as the Michigan transportation  
 2 fund is established ~~and shall be set up and maintained in the state~~  
 3 treasury as a separate fund. ~~Money received and collected under the~~  
 4 ~~motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, except a~~  
 5 ~~license fee provided in that act, and a tax, fee, license, and~~  
 6 ~~other money received and collected under sections 801 to 810 of the~~  
 7 ~~Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, except~~  
 8 ~~a truck safety fund fee provided in section 801(1)(k) of the~~  
 9 ~~Michigan vehicle code, 1949 PA 300, MCL 257.801, and money received~~  
 10 ~~under the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43,~~  
 11 ~~shall be deposited in the state treasury to the credit of the~~  
 12 ~~Michigan transportation fund. In addition, income or profit derived~~  
 13 ~~from the investment of money in the Michigan transportation fund~~

1 ~~shall be deposited in the Michigan transportation fund. THE STATE~~  
2 ~~TREASURER MAY RECEIVE MONEY OR OTHER ASSETS FROM ANY SOURCE FOR~~  
3 ~~DEPOSIT INTO THE FUND. THE STATE TREASURER SHALL DIRECT THE~~  
4 ~~INVESTMENT OF THE FUND. THE STATE TREASURER SHALL CREDIT TO THE~~  
5 ~~FUND INTEREST AND EARNINGS FROM FUND INVESTMENTS.~~ Except as  
6 provided in this act, no other money, whether appropriated from the  
7 general fund of this state or any other source, shall be deposited  
8 in the Michigan transportation fund. Except as otherwise provided  
9 in this section, the legislature shall appropriate ~~funds~~ **MONEY** for  
10 the necessary expenses incurred in the administration and  
11 enforcement of the motor fuel tax act, 2000 PA 403, MCL 207.1001 to  
12 207.1170, the motor carrier act, 1933 PA 254, MCL 475.1 to ~~479.43,~~  
13 **479.42**, and sections 801 to 810 of the Michigan vehicle code, 1949  
14 PA 300, MCL 257.801 to 257.810. ~~Funds~~ **MONEY** appropriated for  
15 necessary expenses shall be based upon established cost allocation  
16 methodology that reflects actual costs. Appropriations for the  
17 necessary expenses incurred by the department of state in  
18 administration and enforcement of sections 801 to 810 of the  
19 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall  
20 be made from the Michigan transportation fund and from ~~funds~~ **MONEY**  
21 in the transportation administration collection fund created in  
22 section 810b of the Michigan vehicle code, 1949 PA 300, MCL  
23 257.810b. Appropriations from the Michigan transportation fund for  
24 the necessary expenses incurred by **THE** department of state in  
25 administration and enforcement of sections 801 to 810 of the  
26 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall  
27 not exceed \$20,000,000.00 per state fiscal year. ~~except for the~~

1 ~~fiscal year ending September 30, 2006. For the fiscal year ending~~  
2 ~~September 30, 2006, the legislature may appropriate funds in excess~~  
3 ~~of \$20,000,000.00 from the Michigan transportation fund for all~~  
4 ~~incremental additional expenses incurred by the department of state~~  
5 ~~in enforcing sections 801 to 810 of the Michigan vehicle code, 1949~~  
6 ~~PA 300, MCL 257.801 to 257.810, that arise because of the~~  
7 ~~replacement of standard design registration license plates as~~  
8 ~~provided in section 224 of the Michigan vehicle code, 1949 PA 300,~~  
9 ~~MCL 257.224.~~ All money in the Michigan transportation fund is  
10 apportioned and appropriated in the following manner:

11 (a) Not more than \$3,000,000.00 as may be annually  
12 appropriated each fiscal year to the state trunk line fund for  
13 subsequent deposit in the rail grade crossing account.

14 **(B) NOT MORE THAN \$3,000,000.00 AS MAY BE ANNUALLY**  
15 **APPROPRIATED EACH FISCAL YEAR TO THE STATE TRUNK LINE FUND FOR**  
16 **SUBSEQUENT DEPOSIT IN THE GRADE CROSSING SURFACE ACCOUNT.**

17 (C) ~~(b)~~ Not less than \$3,000,000.00 each year to the local  
18 bridge fund established in subsection ~~(5)~~ **(4)** for the purpose of  
19 payment of the principal, interest, and redemption premium on any  
20 notes or bonds issued by the state transportation commission under  
21 former section 11b or subsection ~~(10)~~ **(9)**.

22 (D) ~~(e)~~ Revenue from 3 cents of the tax levied under section  
23 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, to  
24 the state trunk line fund, county road commissions, and cities and  
25 villages in the percentages provided in subdivision ~~(i)~~ **(K)**.

26 (E) ~~(d)~~ ~~Until September 30, 2004, all of the revenue from 1~~  
27 ~~cent of the tax levied under section 8(1)(a) of the motor fuel tax~~

1 ~~act, 2000 PA 403, MCL 207.1008, to the state trunk line fund for~~  
2 ~~repair of state bridges under section 11. Beginning October 1, 2004~~  
3 ~~and continuing through September 30, 2005, 3/4 of the revenue from~~  
4 ~~1 cent of the tax levied under section 8(1)(a) of the motor fuel~~  
5 ~~tax act, 2000 PA 403, MCL 207.1008, shall be appropriated to the~~  
6 ~~state trunk line fund for the repair of state bridges under section~~  
7 ~~11, and 1/4 of the revenue from 1 cent of the tax levied under~~  
8 ~~section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL~~  
9 ~~207.1008, shall be appropriated to the local bridge fund created in~~  
10 ~~subsection (5) for distribution only to cities, villages, and~~  
11 ~~county road commissions. Beginning October 1, 2005, 1/2 **ONE-HALF** of~~  
12 ~~the revenue from 1 cent of the tax levied under section 8(1)(a) of~~  
13 ~~the motor fuel tax act, 2000 PA 403, MCL 207.1008, shall be~~  
14 ~~appropriated to the state trunk line fund for the repair of state~~  
15 ~~bridges under section 11, and 1/2 of the revenue from 1 cent of the~~  
16 ~~tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA~~  
17 ~~403, MCL 207.1008, shall be appropriated to the local bridge fund~~  
18 ~~created in subsection (5) **(4)** for distribution only to cities,~~  
19 ~~villages, and county road commissions.~~

20 (F) ~~(e)~~ \$43,000,000.00 to the state trunk line fund for debt  
21 service costs on state of Michigan projects.

22 (G) ~~(f)~~ ~~Except as provided in subsection (4), 10% **TEN PERCENT**~~  
23 ~~to the comprehensive transportation fund for the purposes described~~  
24 ~~in section 10e.~~

25 (H) ~~(g)~~ \$5,000,000.00 to the local bridge fund established in  
26 subsection ~~(5) **(4)**~~ for distribution only to the local bridge  
27 advisory board, the regional bridge councils, cities, villages, and

1 county road commissions.

2 (I) ~~(h)~~ \$36,775,000.00 to the state trunk line fund for  
 3 subsequent deposit in the transportation economic development fund,  
 4 and, ~~as of September 30, 1997,~~ with first priority for allocation  
 5 to debt service on bonds issued to fund transportation economic  
 6 development fund projects. In addition, ~~beginning October 1, 1997,~~  
 7 \$3,500,000.00 is appropriated from the Michigan transportation fund  
 8 to the state trunk line fund for subsequent deposit in the  
 9 transportation economic development fund to be used for economic  
 10 development road projects in any of the targeted industries  
 11 described in section 9(1)(a) of 1987 PA 231, MCL 247.909.

12 (J) ~~(i)~~ Not less than \$33,000,000.00 as may be annually  
 13 appropriated each fiscal year to the local program fund created in  
 14 section 11e.

15 (K) ~~(j)~~ The balance of the Michigan transportation fund as  
 16 follows, after deduction of the amounts appropriated in  
 17 subdivisions (a) ~~through (i) and section 11b.~~ **TO (J):**

18 (i) 39.1% to the state trunk line fund for the purposes  
 19 described in section 11.

20 (ii) 39.1% to the county road commissions of ~~the~~ **THIS** state.

21 (iii) 21.8% to the cities and villages of ~~the~~ **THIS** state.

22 (2) The money appropriated pursuant to this section shall be  
 23 used for the purposes as provided in this act and any other  
 24 applicable act. Subject to the requirements of section 9b, the  
 25 department shall develop programs in conjunction with the Michigan  
 26 state chamber of commerce and the Michigan minority business  
 27 development council to assist small businesses, including those

1 located in enterprise zones and those located in empowerment zones  
 2 as determined under federal law, as defined by law in becoming  
 3 qualified to bid.

4 (3) Thirty-one and one-half percent of the ~~funds~~ **MONEY**  
 5 appropriated to this state from the federal government ~~pursuant to~~  
 6 **UNDER** 23 USC 157, commonly known as minimum guarantee funds, shall  
 7 be allocated to the transportation economic development fund, if  
 8 ~~such an~~ **THE** allocation is consistent with federal law. ~~These funds~~  
 9 **THIS MONEY** shall be distributed 16-1/2% for development projects  
 10 for rural counties as defined by law and 15% for capacity  
 11 improvement or advanced traffic management systems in urban  
 12 counties as defined by law. Federal ~~funds~~ **MONEY** allocated for  
 13 distribution under this section ~~shall be~~ **IS** eligible for obligation  
 14 and use by all recipients as ~~defined by~~ **PROVIDED IN** the  
 15 ~~transportation equity act~~ **MOVING AHEAD** for **PROGRESS IN** the 21st  
 16 century **ACT**, Public Law ~~105-178-112-141~~.

17 ~~—— (4) For the fiscal year beginning October 1, 2003 only, the~~  
 18 ~~apportionment of 10% of Michigan transportation fund money to the~~  
 19 ~~comprehensive transportation fund as provided in subsection (1)(f)~~  
 20 ~~shall be reduced by \$10,000,000.00 and the \$10,000,000.00 shall be~~  
 21 ~~transferred to the state trunk line fund for capacity improvements~~  
 22 ~~to state trunk line highways.~~

23 (4) ~~(5)~~ A fund to be known as the local bridge fund is  
 24 established ~~and is set up and maintained in~~ the state treasury as a  
 25 separate fund. The money appropriated to the local bridge fund and  
 26 the interest accruing to that fund shall be expended for the local  
 27 bridge program. The purpose of the fund is to provide financial

1 assistance to highway authorities for the preservation,  
2 improvement, or reconstruction of existing bridges or for the  
3 construction of bridges to replace existing bridges in whole or  
4 part. The money in the local bridge fund is not subject to section  
5 12(15) or 13(5). The local bridge advisory board is created and  
6 shall consist of 6 voting members appointed by the state  
7 transportation commission and 2 nonvoting members appointed by the  
8 ~~state transportation department~~. The board shall include 3 members  
9 from the county road association of Michigan, 1 member who  
10 represents counties with populations 65,000 or greater, 1 member  
11 who represents counties with populations greater than 30,000 and  
12 less than 65,000, and 1 member who represents counties with  
13 populations of 30,000 or less. Three members shall be appointed  
14 from the Michigan municipal league, 1 member who represents cities  
15 with a population 75,000 or greater, 1 member who represents cities  
16 with a population less than 75,000, and 1 member who represents  
17 villages. Each organization with voting rights shall submit a list  
18 of nominees in each population category to the state transportation  
19 commission. The state transportation commission shall make the  
20 appointments from the lists submitted under this subsection. ~~Names~~  
21 ~~shall be submitted within 45 days after October 1, 2004. The state~~  
22 ~~transportation commission shall make the appointments by January~~  
23 ~~30, 2005.~~ Voting members shall be appointed for 2 years. The  
24 chairperson of the board shall be selected from among the voting  
25 members of the board. In addition to the 2 nonvoting members, the  
26 department shall provide qualified administrative staff and  
27 qualified technical assistance to the board.



1           (5) ~~(6) Beginning October 1, 2005, no~~ **NO** less than 5% and no  
2 more than 15% of the ~~funds~~ **MONEY** received in the local bridge fund  
3 may be used for critical repair of large bridges and emergencies as  
4 determined by the local bridge advisory board. ~~Beginning October 1,~~  
5 ~~2005, funds~~ **MONEY** remaining after the ~~funds~~ **MONEY** allocated for  
6 critical large bridge repair and emergencies ~~are~~ **IS** deducted shall  
7 be distributed by the board to the regional bridge councils created  
8 under this section. One regional council shall be formed for each  
9 department of transportation region as those regions exist on  
10 October 1, 2004. The regional councils shall consist of 2 members  
11 of the county road association of Michigan from counties in the  
12 region, 2 members of the Michigan municipal league from cities and  
13 villages in the region, and 1 member of the ~~state transportation~~  
14 department in each region. The members of the ~~state transportation~~  
15 department ~~shall be~~ **ARE** nonvoting members ~~who~~ **AND** shall provide  
16 qualified administrative staff and qualified technical assistance  
17 to the regional councils.

18           (6) ~~(7) Beginning October 1, 2005, funds~~ **MONEY** in the local  
19 bridge fund after deduction of the amounts set aside for critical  
20 repair of large bridges and emergency repairs shall be distributed  
21 among the regional bridge councils according to all of the  
22 following ratios, which shall be assigned a weight expressed as a  
23 percentage as determined by the board, with each ratio receiving no  
24 greater than a 50% weight and no less than a 25% weight:

25           (a) A ratio with a numerator that is the total number of local  
26 bridges in the region and a denominator that is the total number of  
27 local bridges in this state.

1 (b) A ratio with a numerator that is the total local bridge  
 2 deck area in the region and a denominator that is the total local  
 3 bridge deck area in this state.

4 (c) A ratio with a numerator that is the total amount of  
 5 structurally deficient local bridge deck area in the region and a  
 6 denominator that is the total amount of structurally deficient  
 7 local bridge deck area in this state.

8 ~~(7) (8) Beginning October 1, 2005, the~~ **THE** regional bridge  
 9 councils shall allocate the ~~funds~~ **MONEY** received from the board for  
 10 the preservation, improvement, and reconstruction of existing  
 11 bridges or for the construction of bridges to replace existing  
 12 bridges in whole or in part in each region.

13 ~~(8) (9) Beginning January 1, 2007 and each~~ **EACH** January, after  
 14 ~~2007,~~ the department shall submit a report to the chair and the  
 15 minority vice-chair of the appropriations committees of the senate  
 16 and the house of representatives, and to the standing committees on  
 17 transportation of the senate and the house of representatives, on  
 18 all of the following activities for the previous state fiscal year:

19 (a) A listing of how much money was dedicated for emergency  
 20 and large bridge repair.

21 (b) A listing of what emergency and large bridge repair  
 22 projects were funded.

23 (c) The actual weights used in the calculation required under  
 24 subsection ~~(7)~~ **(6)**.

25 (d) A listing of the total money distributed to each region.

26 (e) A listing of ~~what~~ **THE** specific projects **THAT** were funded  
 27 ~~pursuant to~~ **UNDER** subsection ~~(8)~~ **(7)**.

1           (9) ~~(10)~~—The state transportation commission shall borrow  
2 money and issue notes or bonds in an amount of not less than  
3 \$30,000,000.00 to supplement the funding provided for the local  
4 bridge program under subsection ~~(6)~~—(5). The bonds or notes issued  
5 ~~pursuant to~~ **UNDER** this subsection may be issued by the commission  
6 for any purpose for which other local bridge funds ~~—MONEY~~ may be  
7 used under this section. The bonds or notes authorized by this  
8 subsection shall be issued by resolution of the state  
9 transportation commission consistent with the requirements of  
10 section 18b.

11           (10) ~~(11)~~—The ~~state transportation~~ department shall promulgate  
12 rules ~~pursuant to~~ **UNDER** the administrative procedures act of 1969,  
13 1969 PA 306, MCL 24.201 to 24.328, governing the administration of  
14 the local bridge program. The rules shall set forth the eligibility  
15 criteria for financial assistance under the program and other  
16 matters related to the program that the department considers  
17 necessary and desirable. The department shall take into  
18 consideration the availability of federal aid and other financial  
19 resources of the highway authority responsible for the bridge, the  
20 importance of the bridge to the highway, road, or street network,  
21 and the condition of the existing bridge.

22           (11) ~~(12)~~ ~~Beginning October 1, 2004, the~~ **THE** revenue  
23 appropriated to the local bridge fund ~~pursuant to~~ **UNDER** subsection  
24 ~~(1)(d)~~—(1) **(E)** shall be distributed only to the local bridge  
25 advisory board, the regional bridge councils, cities, villages, and  
26 county road commissions.

27           (12) ~~(13)~~ ~~Beginning October 1, 2008, the~~ **THE** regional bridge

1 councils shall determine what bridge projects are selected for  
2 funding from the local bridge fund created in subsection ~~(5)~~ **(4)**  
3 and shall make a list of selected projects available to interested  
4 parties in the region. A determination that a bridge project is  
5 selected for funding in a given fiscal year is not approval to  
6 disburse the ~~funds~~ **MONEY**.

7 **(13)** ~~(14) Beginning October 1, 2008, a~~ **A** county road  
8 commission, city, or village may implement a bridge project if the  
9 bridge project has been selected for funding and is included in the  
10 appropriate regional bridge council's current multiyear bridge plan  
11 for the local bridge program but the regional bridge council has  
12 not allocated ~~funds~~ **MONEY** to the bridge project for the fiscal year  
13 that the bridge project is on the current multiyear bridge plan. A  
14 county road commission, city, or village may borrow ~~funds~~ **MONEY** to  
15 implement a project that has been selected for funding and is  
16 included in the appropriate regional bridge council's current  
17 multiyear bridge plan but has not been allocated ~~funds~~ **MONEY** by the  
18 regional bridge council. Based on available local bridge ~~funds~~  
19 **MONEY**, when a bridge project that was implemented with borrowed  
20 ~~funds~~ **MONEY** is allocated funding in a subsequent fiscal year, the  
21 funding shall only be used to repay the amount approved by the  
22 multiyear bridge plan when the ~~funds were~~ **MONEY WAS** borrowed. To be  
23 eligible for repayment of the amount borrowed, a bridge project  
24 that has been implemented with borrowed ~~funds~~ **MONEY** shall be  
25 administered through the department's local bridge program.

26 Sec. 11. (1) A fund to be known as the state trunk line fund  
27 is established ~~and shall be set up and maintained in~~ the state

1 treasury as a separate fund. The money deposited in the state trunk  
2 line fund is appropriated to the ~~state transportation~~ department  
3 for the following purposes in the following order of priority:

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

8 (i) For the payment of contributions **PLEGGED BEFORE JULY 18,**  
9 **1979 AND** required to be made by the state highway commission or the  
10 state transportation commission under contracts entered into before  
11 July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, ~~which~~  
12 ~~contributions have been pledged before July 18, 1979,~~ for the  
13 payment of the principal and interest on bonds issued under 1941 PA  
14 205, MCL 252.51 to 252.64, for the payment of which a sufficient  
15 sum is irrevocably appropriated.

16 (ii) For the payment of the principal and interest upon bonds  
17 designated "State of Michigan, State Highway Commissioner, Highway  
18 Construction Bonds, Series I", dated September 1, 1956, in the  
19 aggregate principal amount of \$25,000,000.00, issued pursuant to  
20 former 1955 PA 87 and the resolution of the state administrative  
21 board adopted August 6, 1956, for the payment of which a sufficient  
22 sum is irrevocably appropriated.

23 (iii) For the payment of the principal and interest on bonds  
24 issued under section 18b for transportation purposes other than  
25 comprehensive transportation purposes as defined by law and the  
26 payment of contributions ~~of~~ **PLEGGED TO THE PAYMENT OF PRINCIPAL AND**  
27 **INTEREST ON BONDS ISSUED UNDER SECTION 18D AND CONTRACTS ENTERED**

1 **INTO UNDER SECTION 18D BY** the state highway commission or state  
 2 transportation commission to be made pursuant to contracts entered  
 3 into under section 18d. ~~, which contributions are pledged to the~~  
 4 ~~payment of principal and interest on bonds issued under the~~  
 5 ~~authorization of section 18d and contracts executed pursuant to~~  
 6 ~~that section.~~ A sufficient portion of the fund is irrevocably  
 7 appropriated to pay, when due, the principal and interest on bonds  
 8 or notes issued under section 18b for purposes other than  
 9 comprehensive transportation purposes as defined by law, and to pay  
 10 the annual contributions of the state highway commission and the  
 11 state transportation commission as are pledged for the payment of  
 12 bonds issued ~~pursuant to~~ **UNDER** contracts authorized by section 18d.

13 (b) For the transfer of ~~funds~~ **MONEY** appropriated ~~pursuant to~~  
 14 **UNDER** section ~~10(1)(g)~~ **10(1)(I)** to the transportation economic  
 15 development fund, but the transfer shall be reduced each fiscal  
 16 year by the amount of debt service to be paid in that year from the  
 17 state trunk line fund for bonds, notes, or other obligations issued  
 18 to fund projects of the transportation economic development fund,  
 19 which amount shall be certified by the department.

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

1 (i) Not more than 50% or less than 30% of ~~these funds~~ **THIS**  
2 **MONEY** and matched federal ~~funds~~ **MONEY** shall be expended for state  
3 trunk line projects.

4 (ii) In prioritizing projects for ~~these funds~~, **THIS MONEY**, in  
5 whole or in part, the department shall consider train and vehicular  
6 traffic volumes, accident history, traffic control device  
7 improvement needs, and the availability of funding.

8 (iii) Consistent with the other requirements for ~~these funds~~,  
9 **THIS MONEY**, the first priority for ~~funds~~ **MONEY** deposited pursuant  
10 ~~to~~ **UNDER** this subdivision for rail grade crossing improvements and  
11 retirement shall be to match federal ~~funds~~ **MONEY** from the railroad-  
12 highway grade crossing improvement program or other comparable  
13 federal programs if a match is required under federal law.

14 (iv) If the department and ~~the~~ **A** road authority with  
15 jurisdiction over the crossing formally agree that the grade  
16 crossing should be eliminated by permanent closing of the public  
17 road or street, the physical removal of the crossing, roadway  
18 within railroad rights of way and street termination treatment ~~will~~  
19 **SHALL** be negotiated between the road authority and railroad  
20 company. The ~~funds~~ **MONEY** provided to the road authority as a result  
21 of the crossing closure ~~will~~ **SHALL** be credited to its account  
22 representing the same road or street system on which the crossing  
23 is located and shall be used for any transportation purpose within  
24 that road authority's jurisdiction.

25 (D) **FOR THE TRANSFER OF MONEY APPROPRIATED UNDER SECTION**  
26 **10(1)(B) TO THE GRADE CROSSING SURFACE ACCOUNT IN THE STATE TRUNK**  
27 **LINE FUND FOR EXPENDITURE FOR RAIL GRADE CROSSING SURFACE**

1 IMPROVEMENT PURPOSES AT RAIL GRADE CROSSINGS ON PUBLIC ROADS AND  
2 STREETS UNDER THE JURISDICTION OF COUNTIES, CITIES, OR VILLAGES.  
3 PROJECTS SHALL BE SELECTED FOR FUNDING IN ACCORDANCE WITH THE  
4 FOLLOWING:

5 (i) IN PRIORITIZING PROJECTS, THE DEPARTMENT SHALL CONSIDER  
6 VEHICULAR TRAFFIC VOLUMES, RELATIVE CROSSING SURFACE CONDITION, THE  
7 ABILITY OF THE RAILROAD AND LOCAL ROAD AUTHORITY TO MAKE  
8 COORDINATED IMPROVEMENTS, AND THE AVAILABILITY OF FUNDING.

9 (ii) THE GRADE CROSSING SURFACE ACCOUNT SHALL FUND 60% OF THE  
10 PROJECT COST, WITH THE REMAINING 40% FUNDED BY THE RAILROAD  
11 COMPANY.

12 (iii) FUNDING UNDER THE GRADE CROSSING SURFACE ACCOUNT SHALL  
13 BE LIMITED TO ITEMS OF WORK THAT ARE NORMALLY THE RESPONSIBILITY OF  
14 THE RAILROAD UNDER SECTION 309 OF THE RAILROAD CODE OF 1993, 1993  
15 PA 354, MCL 462.309. MAINTENANCE OF THE ROADWAY APPROACHES TO THE  
16 CROSSING WILL CONTINUE TO BE THE RESPONSIBILITY OF THE PARTY WITH  
17 JURISDICTION OVER THAT ROADWAY.

18 (E) ~~(d)~~—For the total operating expenses of the state trunk  
19 line fund for each fiscal year as appropriated by the legislature.

20 (F) ~~(e)~~—For the preservation of state trunk line highways and  
21 bridges.

22 (G) ~~(f)~~—For the opening, widening, improving, construction,  
23 and reconstruction of state trunk line highways and bridges,  
24 including the acquisition of necessary rights of way and the work  
25 incidental to that opening, widening, improving, construction, or  
26 reconstruction. Those sums in the state trunk line fund not  
27 otherwise appropriated, distributed, determined, or set aside by



1 law shall be used for the construction or reconstruction of the  
2 national system of interstate and defense highways, referred to in  
3 this act as "the interstate highway system" to the extent necessary  
4 to match federal aid ~~unds~~ **MONEY** as the federal aid ~~unds~~ **become**  
5 **MONEY BECOMES** available for that purpose; and, for the construction  
6 and reconstruction of the state trunk line system.

7 (H) ~~(g)~~ ~~The state transportation department~~ may enter into  
8 agreements with ~~county road commissions and with cities and~~  
9 ~~villages~~ **A LOCAL ROAD AGENCY OR A PRIVATE SECTOR COMPANY** to perform  
10 work on a highway, road, or street. The agreements may provide for  
11 the performance by any of the contracting parties of any of the  
12 work contemplated by the contract including **MAINTENANCE,**  
13 engineering services, and the acquisition of rights of way in  
14 connection with the work, by purchase or condemnation by any of the  
15 contracting parties in its own name, and for joint participation in  
16 the costs, but only to the extent that the contracting parties are  
17 otherwise authorized by law to expend money on the highways, roads,  
18 or streets. The ~~state transportation department~~ also may contract  
19 with a ~~county~~ **LOCAL** road ~~commission, city, and village~~ **AGENCY** to  
20 advance money to a ~~county~~ **LOCAL** road ~~commission, city, and village~~  
21 **AGENCY** to pay ~~their~~ **THE** costs of improving railroad grade crossings  
22 on the terms and conditions agreed to in the contract. A contract  
23 may be executed before or after the state transportation commission  
24 borrows money for the purpose of advancing money to a ~~county~~ **LOCAL**  
25 road ~~commission, city, or village,~~ **AGENCY,** but the contract shall  
26 be executed before the advancement of any money to a ~~county~~ **LOCAL**  
27 road ~~commission, city, or village~~ **AGENCY** by the state

1 transportation commission, and shall provide for the full  
2 reimbursement of any advancement by a ~~county-LOCAL road commission,~~  
3 ~~city, or village-AGENCY~~ to the ~~state transportation department,~~  
4 with interest, within 15 years after advancement, from any  
5 available revenue sources of the ~~county-LOCAL road commission,~~  
6 ~~city, or village-AGENCY~~ or, if provided in the contract, by  
7 deduction from the periodic disbursements of any money returned by  
8 the state to the ~~county-LOCAL road commission, city, or~~  
9 ~~village-AGENCY.~~

10 (I) ~~(h)~~ For providing inventories of supplies and materials  
11 required for the activities of the ~~state transportation department.~~  
12 The ~~state transportation department~~ may purchase supplies and  
13 materials for these purposes, with payment to be made out of the  
14 state trunk line fund to be charged on the basis of issues from  
15 inventory in accordance with the accounting and purchasing laws of  
16 this state.

17 (2) Notwithstanding any other provision of this act, **THE**  
18 **DEPARTMENT SHALL ANNUALLY EXPEND** at least 90% of state revenue  
19 appropriated annually to the state trunk line fund less the amounts  
20 described in subdivisions (a) to (i) ~~shall be expended annually by~~  
21 ~~the state transportation department~~ for the preservation of  
22 highways, roads, streets, and bridges and for the payment of debt  
23 service on bonds, notes, or other obligations described in  
24 subsection (1)(a) issued after July 1, 1983, for the purpose of  
25 providing ~~funds~~ **MONEY** for the preservation of highways, roads,  
26 streets, and bridges. Of the amounts appropriated for state trunk  
27 line projects, the department shall, where possible, secure

1 ~~PAVEMENT~~ warranties ~~of not less than 5 year~~ **FOR** full replacement  
2 ~~guarantee~~ **OR APPROPRIATE REPAIR** for contracted construction work **ON**  
3 **PAVEMENT PROJECTS WHOSE COST EXCEEDS \$2,000,000.00 AND PROJECTS FOR**  
4 **NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE**  
5 **DATE OF THE 2015 AMENDATORY ACT THAT AMENDED THIS SUBSECTION. THE**  
6 **DEPARTMENT SHALL COMPILE AND MAKE AVAILABLE TO THE PUBLIC AN ANNUAL**  
7 **REPORT OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION**  
8 **AND ALL PAVEMENT PROJECTS WHOSE COSTS EXCEED \$2,000,000.00 WHERE A**  
9 **WARRANTY WAS NOT SECURED AS PROVIDED IN SUBSECTION (14).** If an  
10 appropriate certificate is filed under section 18e but only to the  
11 extent necessary, this subsection ~~shall~~ **DOES** not prohibit the use  
12 of any amount of money restricted as to use by section 9 of article  
13 IX of the state constitution of 1963 and deposited in the state  
14 trunk line fund for the payment of debt service on bonds, notes, or  
15 other obligations pledging for the payment thereof money restricted  
16 as to use by section 9 of article IX of the state constitution of  
17 1963 and deposited in the state trunk line fund, whenever issued,  
18 as specified under subsection (1)(a). The amounts ~~which~~ **THAT** are  
19 deducted from the state trunk line fund for the purpose of the  
20 calculation required by this subsection are 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~~ **MONEY** for the

1 state matching requirements for projects on the national highway  
2 system.

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

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

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

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

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

23 (f) Amounts expended pursuant to contracts entered into before  
24 January 1, 1983.

25 (g) Amounts expended for the purposes described in subsection  
26 (5).

27 (h) Amounts appropriated for deposit in the transportation

1 economic development fund and the rail grade crossing account  
2 pursuant to section ~~10(1)(g) and~~ 10(1)(a) **AND (H)**.

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

9 (3) Notwithstanding any other provision of this act, the ~~state~~  
10 ~~transportation~~ department shall expend annually at least 90% of the  
11 federal revenue distributed to the credit of the state trunk line  
12 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. The  
16 requirement of this subsection ~~shall be~~ **IS** waived if compliance  
17 would cause this state to be ineligible according to federal law  
18 for federal revenue, but only to the extent necessary to make this  
19 state eligible according to federal law for that revenue.

20 (4) Notwithstanding any other provision of this section, the  
21 ~~state transportation~~ department may loan money to ~~county~~ **A LOCAL**  
22 ~~road commissions, cities, and villages~~ **AGENCY** for paying capital  
23 costs of transportation purposes described in the second paragraph  
24 of section 9 of article IX of the state constitution of 1963 from  
25 the proceeds of bonds or notes issued pursuant to section 18b or  
26 from the state trunk line fund. Loans made directly from the state  
27 trunk line fund shall be made only after provision of ~~funds~~ **MONEY**

1 for the purposes specified in subsection (1) (a) to (f). Loans  
2 described in this subsection are not subject to the revised  
3 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

4 (5) ~~County A LOCAL road commissions, cities, and villages~~  
5 **AGENCY** may borrow money from the proceeds of bonds or notes issued  
6 under section 18b or the state trunk line fund for the purposes set  
7 forth in subsection (4) that shall be repayable, with interest,  
8 from 1 or more of the following:

9 (a) The money to be received by the ~~county LOCAL road~~  
10 ~~commission, city, or village~~ **AGENCY** from the Michigan  
11 transportation fund, except to the extent the money has been or may  
12 in the future be pledged by contract in accordance with 1941 PA  
13 205, MCL 252.51 to 252.64, or has been or may in the future be  
14 pledged for the payment of the principal and interest upon notes  
15 issued pursuant to ~~UNDER~~ 1943 PA 143, MCL 141.251 to 141.254, or  
16 has been or may in the future be pledged for the payment of  
17 principal and interest upon bonds issued under section 18c or 18d,  
18 or has been or may in the future be pledged for the payment of the  
19 principal and interest upon bonds issued pursuant to ~~UNDER~~ 1952 PA  
20 175, MCL 247.701 to 247.707.

21 (b) Any other legally available funds ~~MONEY~~ of the ~~city,~~  
22 ~~village, or county LOCAL road commission,~~ **AGENCY**, other than the  
23 general funds of the county.

24 (6) ~~Loans IF REQUIRED BY THE DEPARTMENT, LOANS~~ made pursuant  
25 to ~~UNDER~~ subsection (4) if required by the state transportation  
26 department may be **ARE** payable by deduction by the state treasurer,  
27 upon direction of the ~~state transportation department,~~ from the

1 periodic disbursements of any money returned by ~~the~~ **THIS** state  
2 under this act to the ~~county~~ **LOCAL** road ~~commission, city, or~~  
3 ~~village,~~ **AGENCY**, but only after sufficient money has been returned  
4 to the ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** to  
5 provide for the payment of contractual obligations incurred or to  
6 be incurred and principal and interest on notes and bonds issued or  
7 to be issued under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143,  
8 MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or  
9 section 18c or 18d. The interest rates and payment schedules of any  
10 loans made from the proceeds of bonds or notes issued pursuant to  
11 section 18b shall be established by the ~~state transportation~~  
12 department to conform as closely as practicable to the interest  
13 rate and repayment schedules on the bonds or notes issued to make  
14 the loans. However, the ~~state transportation~~ department may allow  
15 for the deferral of the first payment of interest or principal on  
16 the loans for a period of not to exceed 1 year after the respective  
17 first payment of interest or principal on the bonds or notes issued  
18 to make the loans.

19 (7) The amount borrowed by a ~~county~~ **LOCAL** road ~~commission,~~  
20 ~~city, or village pursuant to~~ **AGENCY UNDER** subsection (5) shall not  
21 be included in, or charged against, any constitutional, statutory,  
22 or charter debt limitation of the county, city, or village and  
23 shall not be included in the determination of the maximum annual  
24 principal and interest requirements of, or the limitations upon,  
25 the maximum annual principal and interest incurred under 1941 PA  
26 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254,  
27 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d.

1           (8) The ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY**  
2 is not required to seek or obtain the approval of the electors, the  
3 municipal finance commission or its successor agency, or, except as  
4 provided in this subsection, the department of treasury to borrow  
5 money ~~pursuant to~~ **UNDER** subsection (5). The borrowing is not  
6 subject to the revised municipal finance act, 2001 PA 34, MCL  
7 141.2101 to 141.2821, or to section 5(g) of the home rule city act,  
8 1909 PA 279, MCL 117.5. The ~~state transportation~~ department shall  
9 give at least 10 days' notice to the state treasurer of its  
10 intention to make a loan under subsection (4). If the state  
11 treasurer gives notice to the director of the ~~state transportation~~  
12 department within 10 days of receiving the notice from the ~~state~~  
13 ~~transportation~~ department, that, based upon the then existing  
14 financial or credit situation of the ~~county~~ **LOCAL** road ~~commission,~~  
15 ~~city, or village,~~ **AGENCY**, it would not be in the best interests of  
16 ~~the~~ **THIS** state to make a loan under subsection (4) to the ~~county~~  
17 **LOCAL** road ~~commission, city, or village,~~ **AGENCY**, the loan shall not  
18 be made unless the state treasurer, after a hearing, if requested  
19 by the affected ~~county~~ **LOCAL** road ~~commission, city, or village,~~  
20 **AGENCY**, subsequently gives notice to the director of the ~~state~~  
21 ~~transportation~~ department that the loan may be made on the  
22 conditions that the state treasurer specifies.

23           (9) The state transportation commission may borrow money and  
24 issue bonds and notes under ~~, and pursuant to the requirements of,~~  
25 section 18b to make loans to ~~county~~ **A LOCAL** road ~~commissions,~~  
26 ~~cities, and villages~~ **AGENCY** for the purposes described in the  
27 second paragraph of section 9 of article IX of the state



1 constitution of 1963, as provided in subsection (4). A single issue  
2 of bonds or notes may be issued for the purposes specified in  
3 subsection (4) and for the other purposes specified in section 18b.  
4 The house and senate transportation appropriations subcommittees  
5 shall be notified by the department if there are extras and  
6 overruns sufficient to require approval of either the state  
7 administrative board or the commission, or both, on any contract  
8 between the department and a local road agency or a private  
9 business.

10 (10) The director of the ~~state transportation~~ department,  
11 after consultation with representatives of the interests of ~~county~~  
12 **LOCAL** road ~~commissions, cities, and villages,~~ **AGENCIES**, shall  
13 establish, by intergovernmental communication, procedures for the  
14 implementation and administration of the loan program established  
15 under subsections (4) to (9).

16 (11) Not more than ~~10%~~ **7%** per year of all of the ~~funds~~ **MONEY**  
17 received by and returned to the ~~state transportation~~ department  
18 from any source for the purposes of this section may be expended  
19 for administrative expenses. The department shall be subject to  
20 section 14(5) if more than ~~10%~~ **7%** per year is expended for  
21 administrative expenses. As used in this subsection,  
22 "administrative expenses" means ~~those~~ expenses that are not  
23 assigned including, but not limited to, specific road construction  
24 or preservation projects and are often referred to as general or  
25 supportive services. Administrative expenses ~~shall~~ **DO** not include  
26 net equipment expense, net capital outlay, debt service principal  
27 and interest, and payments to other state or local offices ~~which~~

1 **THAT** are assigned, but not limited to, specific road construction  
2 projects or preservation activities.

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

6 (13) Contracts entered into to advance money to a ~~county~~**LOCAL**  
7 road ~~commission, city, or village~~**AGENCY** under subsection (1)(g)  
8 are not subject to the revised municipal finance act, 2001 PA 34,  
9 MCL 141.2101 to 141.2821.

10 (14) **THE DEPARTMENT SHALL PREPARE ON AN ANNUAL BASIS A REPORT**  
11 **LISTING ALL WARRANTIES THAT WERE SECURED UNDER SUBSECTION (2) AND**  
12 **INDICATE WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED AND ALL**  
13 **PAVEMENT PROJECTS WHOSE COSTS EXCEED \$2,000,000.00 FOR WHICH A**  
14 **WARRANTY WAS NOT SECURED AS DESCRIBED IN SUBSECTION (2). THE**  
15 **DEPARTMENT SHALL MAKE THE REPORT REQUIRED BY THIS SUBSECTION**  
16 **AVAILABLE TO THE PUBLIC UPON REQUEST AND SHALL ALSO POST THE REPORT**  
17 **ON ITS WEBSITE, WHICH SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF**  
18 **THE FOLLOWING INFORMATION:**

19 (A) **THE TYPE OF PROJECT.**

20 (B) **THE COST OR ESTIMATED COST OF THE PROJECT.**

21 (C) **THE EXPECTED LIFESPAN OF THE PROJECT.**

22 (D) **WHETHER OR NOT THE PROJECT MET OR IS CURRENTLY MEETING ITS**  
23 **EXPECTED LIFESPAN.**

24 (E) **IF THE PROJECT FAILED TO MEET OR IS NOT MEETING ITS**  
25 **EXPECTED LIFESPAN, THE CAUSE OF THE FAILURE AND THE COST TO REPLACE**  
26 **OR REPAIR THE PROJECT.**

27 (F) **THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR**

1 REPAIRING THE PROJECT.

2 (15) ~~(14)~~ As used in this section: ~~,"rail grade crossing~~  
3 ~~improvement purposes"~~

4 (A) "LOCAL ROAD AGENCY" MEANS THAT TERM AS DEFINED IN SECTION  
5 9A.

6 (B) "RAIL GRADE CROSSING IMPROVEMENT PURPOSES" means 1 or more  
7 of the following:

8 (i) ~~(a)~~ The installation and modernization of active and  
9 passive warning devices at railroad grade crossings.

10 (ii) ~~(b)~~ The installation or improvement of grade crossing  
11 surfaces.

12 (iii) ~~(c)~~ Modification, relocation, or modernization of  
13 railroad grade crossing active and passive warning devices  
14 necessitated by roadway improvement projects.

15 (iv) ~~(d)~~ Test installations of innovative warning devices or  
16 other innovative applications.

17 (v) ~~(e)~~ Construction of new grade separations.

18 (vi) ~~(f)~~ A cash incentive payment made pursuant to subsection  
19 (1)(c)(iv) for any public road or street crossing, in an amount no  
20 greater than the cost of installing flashing light signals and half  
21 roadway gates at the crossing.

22 (vii) ~~(g)~~ Any other work that would be eligible for funding  
23 under the federal railroad-highway grade crossing improvement  
24 program or other comparable programs.

25 Sec. 12. (1) The amount distributed to the county road  
26 commissions shall be returned to the county treasurers in the  
27 manner, for the purposes, and under the terms and conditions

1 specified in this section. The department and the county road  
2 association of Michigan shall jointly develop incentives for  
3 counties to establish statewide purchasing pools for the more  
4 efficient use of Michigan transportation funds.

5 (2) Each county road commission shall be reimbursed in an  
6 amount up to \$10,000.00 per year for the sum paid to a licensed  
7 professional engineer employed or retained by the county road  
8 commission in the previous year. The sum shall be returned to each  
9 county road commission certified by the department as complying  
10 with this subsection regarding the employment of an engineer.

11 (3) An amount equal to 1% of the total amount returned to the  
12 county road commissions from the Michigan transportation fund  
13 during the prior calendar year shall be withheld annually from the  
14 counties' November monthly distribution provided for in section 17,  
15 and the amount shall be returned to the county road commissions for  
16 snow removal purposes as provided in section 12a.

17 (4) An amount equal to 10% of the total amount returned to the  
18 county road commissions from the Michigan transportation fund shall  
19 be returned to each county road commission having county primary,  
20 or county local road, or both, mileage in the urban areas as  
21 determined pursuant to section 12b. This sum shall be distributed  
22 pursuant to section 12b. The return shall be in addition to the  
23 amounts provided in subsections (6) and (7) and for the purposes  
24 stated in those subsections.

25 (5) An amount equal to 4% of the total amount returned to the  
26 county road commissions from the Michigan transportation fund shall  
27 be returned to the county road commissions in the same percentages

1 as provided in subsection (7). All money returned to the county  
2 road commissions as provided in this subsection shall be expended  
3 by the county road commissions for the preservation, construction,  
4 acquisition, and extension of county local road systems and shall  
5 be in addition to the amounts provided in subsection (7).

6 (6) Seventy-five percent of the remainder of the total amount  
7 to be returned to the counties shall be expended by each county  
8 road commission for the preservation, construction, acquisition,  
9 and extension of the county primary road system, including the  
10 acquisition of a necessary right of way for the system, work  
11 incidental to the system, and a roadside park or motor parkway  
12 appurtenant to the system, and shall be returned to the counties as  
13 follows:

14 (a) Three-fourths of the amount in proportion to the amount  
15 received within the respective county during the 12 months next  
16 preceding the date of each monthly distribution, as specific taxes  
17 upon registered motor vehicles under the Michigan vehicle code,  
18 1949 PA 300, MCL 257.1 to 257.923.

19 (b) One-tenth of the amount in the same proportion that the  
20 total mileage in the county primary road system of each county  
21 bears to the total mileage in all of the county primary road  
22 systems of ~~the~~ **THIS** state.

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

25 (7) The balance of the remainder of the total amount to be  
26 returned to counties shall be expended by each county road  
27 commission for the preservation, construction, acquisition, and

1 extension of the county local road system as defined by this act,  
2 including the acquisition of a necessary right of way for the  
3 system, work incidental to the system, and a roadside park or motor  
4 parkway appurtenant to the system, and shall be returned to the  
5 counties as follows:

6 (a) Sixty-five percent of the amount in the same proportion  
7 that the total mileage in the county local road system of each  
8 county bears to the total mileage in all of the county local road  
9 systems of the state.

10 (b) Thirty-five percent of the amount in the same proportion  
11 that the total population outside of incorporated municipalities in  
12 each county bears to the total population outside of incorporated  
13 municipalities in all of the counties of the state, according to  
14 the most recent statewide federal census as certified at the  
15 beginning of the state fiscal year.

16 (8) Money deposited in, or becoming a part of the county road  
17 funds of a board of county road commissioners shall be expended  
18 first for the payment of principal and interest on the bonds, for  
19 the payment of contractual contributions pledged for the payment of  
20 bonds, for debt service requirements for the payment of contractual  
21 contributions pledged for the payment of bonds, and for debt  
22 service requirements for the payment of notes and loans in the  
23 following order of priority:

24 (a) For the payment of contributions required to be made by a  
25 board of county road commissioners under a contract entered into  
26 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for  
27 the payment of the principal and interest on bonds issued under

1 that act, or for the payment of total debt service requirements  
2 upon notes issued by a board of county road commissioners under  
3 1943 PA 143, MCL 141.251 to 141.254.

4 (b) For the payment of principal and interest upon bonds  
5 issued under section 18c, and the payment of contributions of a  
6 board of county road commissioners made pursuant to contracts  
7 entered into under section 18d that are pledged to the payment of  
8 principal and interest on bonds issued after June 30, 1957, under  
9 the authorization of section 18c and contracts executed pursuant to  
10 ~~its provisions.~~**SECTION 18C.**

11 (c) For the payment of principal and interest upon loans  
12 received pursuant to section 11(5), to the extent other funds have  
13 not been made available for that payment.

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

1 determination is for nonemergency purposes, including, but not  
2 limited to, a requirement that the additional 20% expended on the  
3 county local road system only be used to supplement ~~funds~~**MONEY**  
4 from other sources. No more than 15% per year of the amount  
5 returned to a county for expenditure on the county local road  
6 system may be used, with or without matching, on the county primary  
7 road system of that county, and not to exceed an additional 15% per  
8 year of the amount returned to a county for expenditure on the  
9 county local road system, may, in case of an emergency or with the  
10 approval of the county road commission, be expended, with or  
11 without matching, on the county primary road system of that county.  
12 An amount returned to a county for and on account of county local  
13 roads ~~—~~under this section ~~—~~**THAT IS** in excess of the total amount  
14 paid into the county treasury each year by all of the townships of  
15 that county for and on account of the county local roads pursuant  
16 to section 14(6) may be transferred to and expended on the county  
17 primary road system of that county.

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

27 (11) Not more than 5% per year of the ~~funds~~**MONEY** returned to



1 a county for the county primary road system and the county local  
2 road system shall be expended for the maintenance, improvement, or  
3 acquisition of appurtenant roadside parks and motor parkways.

4 (12) ~~Funds~~ **MONEY** returned to a county shall be expended by the  
5 county road commission for the purposes provided in this section  
6 and shall be deposited by the county treasurer in a designated  
7 county depository, in a separate account to the credit of the  
8 county road fund, and shall be paid out only upon the order of the  
9 county road commission, and interest accruing on the money shall  
10 become a part of, and be deposited with the county road fund.

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

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

1 contracting parties in its own name and the agreement may provide  
2 for joint participation in the costs.

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

9 (16) Notwithstanding any other provision of this act, at least  
10 90% of the state revenue returned annually to the county road  
11 commission from the Michigan transportation fund less the amounts  
12 described in subdivisions (a) to (e) shall be expended annually by  
13 the county road commission for the preservation of highways, roads,  
14 streets, and bridges, and for the payment of contractual  
15 contributions pledged for the payment of bonds or portions of  
16 bonds, debt service requirements for the payment of bonds or  
17 portions of bonds, and debt service requirements for the payment of  
18 notes and loans or portions of notes and loans issued or received  
19 after July 1, 1983, for the purpose of providing ~~funds~~ **MONEY** for  
20 the preservation of highways, roads, streets, and bridges. If an  
21 appropriate certificate is filed under subsection (18) but only to  
22 the extent necessary, this subsection does not prohibit the use of  
23 any amount of state revenue returned annually to the county road  
24 commissions for the payment of contractual contributions pledged  
25 for the payment of bonds, for debt service requirements for the  
26 payment of bonds, and for debt service requirements for the payment  
27 of notes or loans, whenever issued or received, as specified under

1 subsection (8). The amounts that are deducted from the state  
2 revenue returned to a county road commission from the Michigan  
3 transportation fund, for the purpose of the calculation required by  
4 this subsection are as follows:

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

8 (b) Amounts expended for the administrative costs of the  
9 county road commission.

10 (c) Amounts expended for capital outlay projects for equipment  
11 and buildings, and for the payment of contractual contributions  
12 pledged for the payment of bonds, for debt service requirements for  
13 the payment of bonds, and for debt service requirements for the  
14 payment of notes and loans issued or received after July 1, 1983,  
15 for the purpose of providing funds for capital outlay projects for  
16 equipment and buildings.

17 (d) Amounts expended for projects vital to the economy of the  
18 local area or the safety of the public in the local area. Before  
19 these amounts can be deducted, the governing body over the county  
20 road commission or the county road commission, as applicable, shall  
21 pass a resolution approving these projects. This resolution shall  
22 state which projects will be funded and the cost of each project. A  
23 copy of each approved resolution shall be forwarded immediately to  
24 the department.

25 (e) Amounts expended in urban areas as determined pursuant to  
26 section 12b.

27 (17) As used in this subsection, "urban routes" means those

1 portions of 2-lane county primary roads within an urban area that  
2 have average daily traffic in excess of 15,000. Notwithstanding any  
3 other provision of this act, except as provided in this subsection,  
4 a county road commission shall annually expend at least 90% of the  
5 federal revenue distributed to the county road commission for  
6 highways, roads, streets, and bridges, less the amount expended on  
7 urban routes for purposes other than preservation and the amount  
8 expended for hard-surfacing of gravel roads on the federal-aid  
9 system, on the preservation of highways, roads, streets, and  
10 bridges. A county road commission may expend in 1 year less than  
11 90% of the federal revenue distributed to the county road  
12 commission for highways, roads, streets, and bridges, less the  
13 amount expended on urban routes for purposes other than  
14 preservation and the amount expended for hard-surfacing of gravel  
15 roads on the federal-aid system, on the preservation of highways,  
16 roads, streets, and bridges, if that year is part of a 3-year  
17 period in which at least 90% of the total federal revenue  
18 distributed in the 3-year period to the county road commission for  
19 highways, roads, streets, and bridges, less the amount expended on  
20 urban routes for purposes other than preservation purposes and the  
21 amount expended for hard-surfacing of gravel roads on the federal-  
22 aid system, is expended on the preservation of highways, roads,  
23 streets, and bridges. If a county road commission expends in 1 year  
24 less than 90% of the federal revenue distributed to the county road  
25 commission for highways, roads, streets, and bridges, less the  
26 amount expended on urban routes for purposes other than  
27 preservation and the amount expended for hard-surfacing of gravel

1 roads on the federal-aid system, on the preservation of highways,  
2 roads, streets, and bridges and that year is not a part of a 3-year  
3 period in which at least 90% of the total federal revenue  
4 distributed in the 3-year period to the county road commission for  
5 highways, roads, streets, and bridges, less the amount expended on  
6 urban routes for purposes other than preservation and the amount  
7 expended for hard-surfacing of gravel roads on the federal-aid  
8 system, is expended on the preservation of highways, roads,  
9 streets, and bridges, the county road commission shall expend in  
10 each year subsequent to the 3-year period 100%, or less in 1 year  
11 if sufficient for the purposes of this subsection, of the federal  
12 revenue distributed to the county road commission for highways,  
13 roads, streets, and bridges, less the amount expended on urban  
14 routes for purposes other than preservation and the amount expended  
15 for hard-surfacing of gravel roads on the federal-aid system, on  
16 the preservation of highways, roads, streets, and bridges until the  
17 average percentage spent on the preservation of highways, roads,  
18 streets, and bridges in the 3-year period and the subsequent years,  
19 less the amount expended on urban routes for purposes other than  
20 preservation and the amount expended for hard-surfacing of gravel  
21 roads on the federal-aid system, is at least 90%. A year may be  
22 included in only one 3-year period for the purposes of this  
23 subsection. The requirements of this subsection shall be waived if  
24 compliance would cause the county road commission to be ineligible  
25 for federal revenue under federal law, but only to the extent  
26 necessary to make the county road commission eligible for that  
27 revenue under federal law. For the purpose of the calculations

1 required by this subsection, the amount expended on urban routes by  
2 a county road commission for purposes other than preservation and  
3 the amount expended for hard-surfacing of gravel roads on the  
4 federal-aid system shall be deducted from the total federal revenue  
5 distributed to the use of the county road commission.

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

1 certification under this subsection is conclusive as to the matters  
2 stated in the certification for purposes of the validity of bonds  
3 and notes.

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

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

26 (21) In addition to the financial compliance audits required  
27 by law, the department may conduct performance audits and make

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



1 house of representatives or the senate majority leader.

2 (22) OF THE AMOUNTS APPROPRIATED FOR A COUNTY PRIMARY OR LOCAL  
3 ROAD SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A COUNTY ROAD  
4 COMMISSION SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR  
5 APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT  
6 PROJECTS WHOSE COST EXCEEDS \$2,000,000.00 AND PROJECTS FOR NEW  
7 CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE  
8 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, IF ALLOWED BY THE  
9 FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A COUNTY ROAD  
10 COMMISSION SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE  
11 DEPARTMENT FOR APPROVAL NO LATER THAN FEBRUARY 1, 2016. IF A  
12 PROPOSED WARRANTY PROGRAM SUBMITTED UNDER THIS SUBSECTION IS  
13 APPROVED BY THE DEPARTMENT, THE COUNTY ROAD COMMISSION SHALL  
14 IMPLEMENT THE PROGRAM NO LATER THAN 1 YEAR AFTER THE APPROVAL. A  
15 COUNTY ROAD COMMISSION SHALL INCLUDE A LIST OF ALL WARRANTIES THAT  
16 WERE SECURED UNDER THIS SUBSECTION AND INDICATE WHETHER ANY OF  
17 THOSE WARRANTIES WERE REDEEMED WITH THE REPORT REQUIRED UNDER  
18 SECTION 14(3), AND SHALL ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST  
19 EXCEEDS \$2,000,000.00 FOR WHICH A WARRANTY WAS NOT SECURED. THE  
20 LIST SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING  
21 INFORMATION:

22 (A) THE TYPE OF PROJECT.

23 (B) THE COST OR ESTIMATED COST OF THE PROJECT.

24 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

25 (D) WHETHER OR NOT THE PROJECT MET OR IS CURRENTLY MEETING ITS  
26 EXPECTED LIFESPAN.

27 (E) IF THE PROJECT FAILED TO MEET OR IS NOT MEETING ITS

1 EXPECTED LIFESPAN, THE CAUSE OF THE FAILURE AND THE COST TO REPLACE  
2 OR REPAIR THE PROJECT.

3 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR  
4 REPAIRING THE PROJECT.

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

20 (2) From the amount available for distribution to cities and  
21 villages during each December, an amount equal to 0.7% of the total  
22 amount returned to all cities and villages under subsections (3)  
23 and (4) during the previous calendar year shall be withheld. The  
24 amount withheld shall be used to partially reimburse cities and  
25 villages located in counties that are eligible for snow removal  
26 funds pursuant to section 12a and that have costs for winter  
27 maintenance on major and local streets that are greater than the

1 statewide average. The distributions shall be made annually during  
2 February and shall be calculated separately for the major and local  
3 street systems but may be paid in a combined warrant. The  
4 distribution to a city or village shall be equal to 1/2 of its  
5 winter maintenance expenditures after deducting the product of its  
6 total earnings under subsections (3) and (4) multiplied by 2 times  
7 the average municipal winter maintenance factor. Winter maintenance  
8 expenditures shall be determined from the street financial reports  
9 for the most current fiscal years ending before July 1. A city or  
10 village that does not submit a street financial report for the  
11 fiscal year ending before July 1 by the subsequent December 31 is  
12 ineligible for the winter maintenance payment that is to be based  
13 on that street financial report. The department shall determine the  
14 average municipal winter maintenance factor annually by dividing  
15 the total expenditures of all cities and villages on winter  
16 maintenance of streets and highways by the total amount earned by  
17 all cities and villages under subsections (3) and (4) during the 12  
18 months. If the sum of the distributions to be made under this  
19 subsection exceeds the amount withheld, the distributions to each  
20 eligible city and village shall be reduced proportionately. If the  
21 sum is less than the amount withheld, the balance shall be added to  
22 the amount available for distribution under subsections (3) and (4)  
23 during the next month. The distributions shall be for use on the  
24 major and local street systems respectively and shall be subject to  
25 the same provisions as ~~funds~~ **MONEY** returned under subsections (3)  
26 and (4).

27 (3) Seventy-five percent of the remaining amount to be

1 returned to the cities and villages, after deducting the amounts  
2 withheld pursuant to subsection (2), shall be returned 60% in the  
3 same proportion that the population of each bears to the total  
4 population of all cities and villages, and 40% in the same  
5 proportion that the equivalent major mileage in each bears to the  
6 total equivalent major mileage in all cities and villages. The  
7 amount returned under this subsection shall be used by each city  
8 and village for the following purposes in the following order of  
9 priority:

10 (a) For the payment of contributions required to be made by a  
11 city or village under the provisions of contracts previously  
12 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have  
13 been previously pledged for the payment of the principal and  
14 interest on bonds issued under that act; or for the payment of the  
15 principal and interest upon bonds issued by a city or village  
16 pursuant to 1952 PA 175, MCL 247.701 to 247.707.

17 (b) Payment of obligations of the city or village on highway  
18 projects undertaken by the city or village jointly with the  
19 department.

20 (c) For the payment of principal and interest upon loans  
21 received pursuant to section 11(5), to the extent other ~~funds have~~  
22 **MONEY HAS** not been made available for that payment.

23 (d) For the preservation, construction, acquisition, and  
24 extension of the major street system as defined by this act  
25 including the acquisition of a necessary right of way for the  
26 system, work incidental to the system, and an appurtenant roadside  
27 park or motor parkway, of the city or village and for the payment

1 of the principal and interest on that portion of the city's or  
2 village's general obligation bonds that are attributable to the  
3 construction or reconstruction of the city's or village's major  
4 street system. Not more than 5% per year of the ~~funds-MONEY~~  
5 returned to a city or village by this subsection shall be expended  
6 for the preservation or acquisition of appurtenant roadside parks  
7 and motor parkways. Surplus ~~funds-MONEY~~ may be expended for the  
8 development, construction, or repair of off-street parking  
9 facilities, the construction or repair of street lighting, and  
10 transfer to the local street system under subsection (6).

11 (e) For capital outlay projects for equipment and buildings,  
12 contributions pledged for the payment of loans and for the payment  
13 of contractual debt service requirements for the payment of bonds  
14 for the purpose of providing ~~funds-MONEY~~ for capital outlay  
15 projects for equipment and buildings necessary to the development  
16 and maintenance of the road system so long as amounts allocated  
17 under this subdivision are used for transportation purposes.

18 (4) The remaining amount to be returned to incorporated cities  
19 and villages shall be expended in each city or village for the  
20 preservation, construction, acquisition, and extension of the local  
21 street system of the city or village, including the acquisition of  
22 a necessary right of way for the system, work incidental to the  
23 system, and subject to subsection (5), for the payment of the  
24 principal and interest on the portion of the city's or village's  
25 general obligation bonds that are attributable to the construction  
26 or reconstruction of the city's or village's local street system.  
27 The amount returned under this subsection shall be returned to the

1 cities and villages 60% in the same proportion that the population  
2 of each bears to the total population of all incorporated cities  
3 and villages in the state, and 40% in the same proportion that the  
4 total mileage of the local street system of each bears to the total  
5 mileage in the local street systems of all cities and villages of  
6 the state. The payment of the principal and interest upon bonds  
7 issued by a city or village pursuant to 1952 PA 175, MCL 247.701 to  
8 247.707, and after that payment, the payment of debt service on  
9 loans received under section 11(5), shall have priority in the  
10 expenditure of money returned under this subsection.

11 (5) Money distributed to each city and village for the  
12 maintenance and preservation of its local street system under this  
13 act represents the total responsibility of the state for local  
14 street system support. ~~Funds~~ **MONEY** distributed from the Michigan  
15 transportation fund shall not be expended for construction purposes  
16 on city and village local streets except to the extent matched from  
17 local revenues including other money returned to a city or village  
18 by ~~the~~ **THIS** state under the state constitution of 1963 and statutes  
19 of ~~the~~ **THIS** state, from ~~funds~~ **MONEY** that can be raised by taxation  
20 in cities and villages for street purposes within the limitations  
21 of the state constitution of 1963 and statutes of this state, from  
22 special assessments, or from any other source.

23 (6) Money returned under this section to a city or village  
24 shall be expended on the major and local street systems of that  
25 city or village. However, the first priority ~~shall be~~ **IS** the major  
26 street system. Money returned for expenditure on the major street  
27 system shall be expended in the priority order provided in

1 subsection (3) except that surplus ~~fun~~~~ds~~~~—~~~~MONEY~~ may be transferred  
2 for preservation of the local street system. Major street ~~fun~~~~ds~~  
3 ~~MONEY~~ transferred for use on the local street system shall not be  
4 used for construction but may be used for preservation. A city or  
5 village shall not transfer more than 50% of its annual major street  
6 funding for the local street system unless it has adopted and is  
7 following an asset management process for its major and local  
8 street systems and adopts a resolution with a copy to the  
9 department setting forth all of the following:

10 (a) A list of the major streets in that city or village.

11 (b) A statement that the city or village is adequately  
12 maintaining its major streets.

13 (c) The dollar amount of the transfer.

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

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

17 (7) A city or village that has not adopted an asset management  
18 plan shall obtain the concurrence of the department to transfer  
19 more than 50% of its major street funding to its local street  
20 system. The department may provide for pilot projects that would  
21 allow a city or village that has adopted an asset management plan  
22 under subsection (6) to combine their local and major street funds  
23 into 1 street fund and to submit a single report to the department  
24 on the expenditure of ~~fun~~~~ds~~~~—~~~~MONEY~~ on the local and major street  
25 systems.

26 (8) Not more than 10% per year of all of the ~~fun~~~~ds~~~~—~~~~MONEY~~  
27 returned to a city or village from any source for the purposes of

1 this section may be expended for administrative expenses. A city or  
2 village that expends more than 10% for administrative expenses in a  
3 year is subject to section 14(5).

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

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

23 (11) Interest earned on  ~~funds~~ **MONEY** returned to a city or a  
24 village for purposes provided in this section shall be credited to  
25 the appropriate street fund.

26 (12) In addition to the financial compliance audits required  
27 by law, the department may conduct performance audits and make



1 investigations of the disposition of all state ~~unds~~**MONEY** received  
2 by cities and villages for transportation purposes to determine  
3 compliance with the terms and conditions of this act. Performance  
4 audits shall be conducted according to government auditing  
5 standards issued by the United States general accounting office.  
6 The department shall develop all performance audit procedures and  
7 reporting requirements sufficient to determine whether ~~unds~~**MONEY**  
8 expended under this section ~~were~~**WAS** expended in compliance with  
9 this act by September 1, 2012 and shall report to the  
10 transportation committees of the senate and house of  
11 representatives no later than October 1, 2012 on the additional  
12 audit procedures and reporting requirements. The audit procedures  
13 shall include a review of the road fund balance of the city or  
14 village. The cities and villages shall report their road fund  
15 balances by fund balance component. The department shall assist  
16 cities and villages to ensure that road fund balances are  
17 consistently classified and are in compliance with the audit and  
18 reporting requirements of this section. The department shall  
19 provide notice to cities and villages of the standards to be used  
20 for audits under this subsection prior to the fiscal year in which  
21 the audit is conducted. The department shall notify cities and  
22 villages of any subsequent changes to the standards. Cities and  
23 villages shall make available to the department the pertinent  
24 records for the audit. Performance audits may be performed at the  
25 discretion of the department or upon receiving a request from the  
26 speaker of the house of representatives or the senate majority  
27 leader.

1           (13) OF THE AMOUNTS APPROPRIATED FOR A CITY OR VILLAGE MAJOR  
2 OR LOCAL STREET SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A CITY  
3 OR VILLAGE SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR  
4 APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT  
5 PROJECTS WHOSE COST EXCEEDS \$2,000,000.00 AND PROJECTS FOR NEW  
6 CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE  
7 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION IF ALLOWED BY THE  
8 FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A CITY OR  
9 VILLAGE SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE DEPARTMENT  
10 FOR APPROVAL NO LATER THAN FEBRUARY 1, 2017. IF A PROPOSED WARRANTY  
11 PROGRAM SUBMITTED UNDER THIS SUBSECTION IS APPROVED BY THE  
12 DEPARTMENT, THE CITY OR VILLAGE SHALL IMPLEMENT THE PROGRAM NO  
13 LATER THAN 1 YEAR AFTER THE APPROVAL. A CITY OR VILLAGE SHALL  
14 INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS  
15 SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE  
16 REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3), AND SHALL  
17 ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST EXCEEDS \$2,000,000.00  
18 FOR WHICH A WARRANTY WAS NOT SECURED. THE LIST SHALL INCLUDE, BUT  
19 IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

20           (A) THE TYPE OF PROJECT.

21           (B) THE COST OR ESTIMATED COST OF THE PROJECT.

22           (C) THE EXPECTED LIFESPAN OF THE PROJECT.

23           (D) WHETHER OR NOT THE PROJECT MET OR IS CURRENTLY MEETING ITS  
24 EXPECTED LIFESPAN.

25           (E) IF THE PROJECT FAILED TO MEET OR IS NOT MEETING ITS  
26 EXPECTED LIFESPAN, THE CAUSE OF THE FAILURE AND THE COST TO REPLACE  
27 OR REPAIR THE PROJECT.

House Bill No. 4737 as amended October 21, 2015

1 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR  
2 REPAIRING THE PROJECT.

[(14) WITH THE APPROVAL OF THE DIRECTOR OF THE DEPARTMENT, A CITY MAY USE UP TO 20% OF THE AMOUNT RECEIVED BY THAT CITY UNDER THIS SECTION FOR PUBLIC TRANSIT PURPOSES IF MORE THAN 10,000,000 PASSENGERS USED PUBLIC TRANSIT WITHIN THAT CITY DURING THE PREVIOUS FISCAL YEAR.

3 (15)] ~~(13)~~—As used in this section:

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

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

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

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

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

23 (iv) 1.3 for cities and villages from 20,001 to 30,000  
24 population.

25 (v) 1.4 for cities and villages from 30,001 to 40,000  
26 population.

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

1 population.

2 (vii) 1.6 for cities and villages from 50,001 to 65,000  
3 population.

4 (viii) 1.7 for cities and villages from 65,001 to 80,000  
5 population.

6 (ix) 1.8 for cities and villages from 80,001 to 95,000  
7 population.

8 (x) 1.9 for cities and villages from 95,001 to 160,000  
9 population.

10 (xi) 2.0 for cities and villages from 160,001 to 320,000  
11 population.

12 (xii) For cities over 320,000 population, a factor of 2.1  
13 increased successively by 0.1 for each 160,000 population increment  
14 over 320,000.

15 (c) "Population" means the population according to the most  
16 recent statewide federal census as certified at the beginning of  
17 the state fiscal year, except that, if a municipality has been  
18 newly incorporated since completion of the census, the population  
19 of the municipality for purposes of the distribution of ~~funds~~ **MONEY**  
20 before completion of the next census shall be the population as  
21 determined by special federal census, if there is a special federal  
22 census, and if not, by the population as determined by the official  
23 census in connection with the incorporation, if there is such a  
24 census and, if not, by a special state census to be taken at the  
25 expense of the municipality by the secretary of state pursuant to  
26 section 6 of the home rule city act, 1909 PA 279, MCL 117.6.

27 Sec. 14. (1) Each county road commission and city and village

1 of the state shall prepare biennial primary road and major street  
2 programs, based on long-range plans, and shall make the programs  
3 available for review by the public.

4 (2) Separate accounts shall be kept by cities, villages, and  
5 county road commissions of all money returned from the Michigan  
6 transportation fund. This subsection ~~shall~~**DOES** not be construed to  
7 prevent the combining of accounts on which separate bookkeeping  
8 records are kept into a single deposit account.

9 (3) All county road commissions and cities and villages shall  
10 keep accurate and uniform records on all road and street work and  
11 funds, and shall annually report to the ~~state transportation~~  
12 department at the time, in the manner, and on forms prescribed by  
13 the ~~state transportation~~ department the mileage of each road system  
14 under their jurisdiction and the receipts and disbursements of road  
15 and street funds. In the annual report, each county road commission  
16 shall report on its compliance in the preceding year with the  
17 requirements of section 12(16) and (17). The report shall also  
18 specify, with respect to section 12(17), the total dollar amount  
19 expended for other than maintenance purposes which would not have  
20 been permissible without the deduction of certain urban route  
21 expenditures as permitted under section 12(17). The report shall  
22 also specify the justification for a waiver of the requirement of  
23 section 12(17), if that requirement was waived. **A COUNTY ROAD**  
24 **COMMISSION, CITY, OR VILLAGE SHALL POST THE REPORT REQUIRED BY THIS**  
25 **SUBSECTION ON ITS WEBSITE, IF THE COUNTY ROAD COMMISSION, CITY, OR**  
26 **VILLAGE HAS A WEBSITE.**

27 (4) The ~~expenditure of adequate amounts, by~~ county road

1 commissions and the cities and villages ~~—~~**ARE AUTHORIZED TO EXPEND**  
2 **ADEQUATE AMOUNTS** from funds returned by this act ~~—~~to cover the  
3 cost of administration, engineering, and record keeping, ~~is hereby~~  
4 ~~authorized,~~ and expenditures for those purposes shall be reported  
5 separately by each county road commission, city, and village to the  
6 ~~state transportation department.~~

7 (5) All distributions and returns of funds provided for in  
8 this act shall be withheld from the ~~state transportation~~  
9 department, eligible authorities, county road commissions, cities,  
10 villages, or other eligible governmental agencies for failure to  
11 comply with any of the requirements of this act, and the  
12 withholding shall continue for the period of noncompliance.

13 (6) Money distributed to county road commissions for the  
14 maintenance and improvement of county local road systems pursuant  
15 to section 12 represents the total responsibility of ~~the~~**THIS** state  
16 for local county road support. Additional funds required for the  
17 support of county local road systems may be supplied from other  
18 money returned to the township governments by ~~the~~**THIS** state under  
19 the state constitution of 1963 and statutes of ~~the~~**THIS** state, or  
20 from funds that can be raised by taxation in the townships or  
21 counties for road purposes within the limitations of the state  
22 constitution of 1963 and statutes of ~~the~~**THIS** state.

23 Enacting section 1. This amendatory act takes effect October  
24 1, 2016.

25 Enacting section 2. This amendatory act does not take effect  
26 unless all of the following bills of the 98th Legislature are  
27 enacted into law:

- 1 (a) House Bill No. 4370.
- 2 (b) House Bill No. 4614.
- 3 (c) House Bill No. 4616.
- 4 (d) House Bill No. 4736.
- 5 (e) House Bill No. 4738.