

HOUSE BILL No. 6567

December 4, 2018, Introduced by Reps. Sowerby, Chirkun, Yanez, Clemente, Moss, Zemke, Hertel, Anthony, Green, Ellison, LaGrand, Liberati and Rabhi and referred to the Committee on Transportation and Infrastructure.

A bill to amend 1951 PA 51, entitled

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

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

by amending sections 11, 12, and 13 (MCL 247.661, 247.662, and 247.663), as amended by 2015 PA 175.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

10 (i) For the payment of contributions pledged before July 18,
11 1979 and required to be made by the state highway commission or the
12 state transportation commission under contracts entered into before

1 July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, for the
2 payment of the principal and interest on bonds issued under 1941 PA
3 205, MCL 252.51 to 252.64, for the payment of which a sufficient
4 sum is irrevocably appropriated.

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

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

26 (b) For the transfer of money appropriated under section
27 ~~10(1)(i)~~**10(1)(J)** to the transportation economic development fund,

1 but the transfer shall be reduced each fiscal year by the amount of
2 debt service to be paid in that year from the state trunk line fund
3 for bonds, notes, or other obligations issued to fund projects of
4 the transportation economic development fund, which amount shall be
5 certified by the department.

6 (c) For the transfer of money appropriated under section
7 10(1)(a) to the rail grade crossing account in the state trunk line
8 fund for expenditure for rail grade crossing improvement purposes
9 at rail grade crossings on public roads and streets under the
10 jurisdiction of this state, counties, cities, or villages. The
11 department shall select projects for funding in accordance with the
12 following:

13 (i) Not more than 50% or less than 30% of this money and
14 matched federal money shall be expended for state trunk line
15 projects.

16 (ii) In prioritizing projects for this money, in whole or in
17 part, the department shall consider train and vehicular traffic
18 volumes, accident history, traffic control device improvement
19 needs, and the availability of funding.

20 (iii) Consistent with the other requirements for this money,
21 the first priority for money deposited under this subdivision for
22 rail grade crossing improvements and retirement shall be to match
23 federal money from the railroad-highway grade crossing improvement
24 program or other comparable federal programs if a match is required
25 under federal law.

26 (iv) If the department and a road authority with jurisdiction
27 over the crossing formally agree that the grade crossing should be

1 eliminated by permanent closing of the public road or street, the
2 physical removal of the crossing, roadway within railroad rights of
3 way and street termination treatment shall be negotiated between
4 the road authority and railroad company. The money provided to the
5 road authority as a result of the crossing closure shall be
6 credited to its account representing the same road or street system
7 on which the crossing is located and shall be used for any
8 transportation purpose within that road authority's jurisdiction.

9 (d) For the transfer of money appropriated under section
10 10(1)(b) to the grade crossing surface account in the state trunk
11 line fund for expenditure for rail grade crossing surface
12 improvement purposes at rail grade crossings on public roads and
13 streets under the jurisdiction of counties, cities, or villages.
14 Projects shall be selected for funding in accordance with the
15 following:

16 (i) In prioritizing projects, the department shall consider
17 vehicular traffic volumes, relative crossing surface condition, the
18 ability of the railroad and local road authority to make
19 coordinated improvements, and the availability of funding.

20 (ii) The grade crossing surface account shall fund 60% of the
21 project cost, with the remaining 40% funded by the railroad
22 company.

23 (iii) Funding under the grade crossing surface account shall
24 be limited to items of work that are normally the responsibility of
25 the railroad under section 309 of the railroad code of 1993, 1993
26 PA 354, MCL 462.309. Maintenance of the roadway approaches to the
27 crossing will continue to be the responsibility of the party with

1 jurisdiction over that roadway.

2 (e) For the total operating expenses of the state trunk line
3 fund for each fiscal year as appropriated by the legislature.

4 (f) For the preservation of state trunk line highways and
5 bridges.

6 (g) For the opening, widening, improving, construction, and
7 reconstruction of state trunk line highways and bridges, including
8 the acquisition of necessary rights of way and the work incidental
9 to that opening, widening, improving, construction, or
10 reconstruction. ~~These sums~~ **SUMS** in the state trunk line fund **THAT**
11 **ARE** not otherwise appropriated, distributed, determined, or set
12 aside by law shall be used for the construction or reconstruction
13 of the national system of interstate and defense highways, referred
14 to in this act as "the interstate highway system", to the extent
15 necessary to match federal aid money as the federal aid money
16 becomes available for that purpose; and, for the construction and
17 reconstruction of the state trunk line system.

18 (h) The department may enter into agreements with a local road
19 agency or a private sector company to perform work on a highway,
20 road, or street. The agreements may provide for the performance by
21 any of the contracting parties of any of the work contemplated by
22 the contract including maintenance, engineering services, and the
23 acquisition of rights of way in connection with the work, by
24 purchase or condemnation by any of the contracting parties in its
25 own name, and for joint participation in the costs, but only to the
26 extent that the contracting parties are otherwise authorized by law
27 to expend money on the highways, roads, or streets. The department

1 also may contract with a local road agency to advance money to a
2 local road agency to pay the costs of improving railroad grade
3 crossings on the terms and conditions agreed to in the contract. A
4 contract may be executed before or after the state transportation
5 commission borrows money for the purpose of advancing money to a
6 local road agency, but the contract shall be executed before the
7 advancement of any money to a local road agency by the state
8 transportation commission, and shall provide for the full
9 reimbursement of any advancement by a local road agency to the
10 department, with interest, within 15 years after advancement, from
11 any available revenue sources of the local road agency or, if
12 provided in the contract, by deduction from the periodic
13 disbursements of any money returned by ~~the~~**THIS** state to the local
14 road agency.

15 (i) For providing inventories of supplies and materials
16 required for the activities of the department. The department may
17 purchase supplies and materials for these purposes, with payment to
18 be made out of the state trunk line fund ~~to be~~**AND** charged on the
19 basis of issues from inventory in accordance with the accounting
20 and purchasing laws of this state.

21 (2) Notwithstanding any other provision of this act, the
22 department shall annually expend at least 90% of state revenue
23 appropriated annually to the state trunk line fund less the amounts
24 described in subdivisions (a) to (i) for the preservation of
25 highways, roads, streets, and bridges and for the payment of debt
26 service on bonds, notes, or other obligations described in
27 subsection (1)(a) issued after July 1, 1983, for the purpose of

1 providing money for the preservation of highways, roads, streets,
2 and bridges. **THE DEPARTMENT SHALL NOT EXPEND ANY REVENUE**
3 **APPROPRIATED TO THE STATE TRUNK LINE FUND FOR NEW CONSTRUCTION**
4 **UNLESS AT LEAST 95% OF ALL FREEWAY LANE MILES WITHIN THE**
5 **DEPARTMENT'S JURISDICTION HAVE BEEN RATED BY THE DEPARTMENT AS GOOD**
6 **OR FAIR, AND UNLESS AT LEAST 85% OF ALL NONFREEWAY STATE TRUNK LINE**
7 **MILES HAVE BEEN RATED BY THE DEPARTMENT AS GOOD OR FAIR. THE**
8 **DEPARTMENT SHALL USE ITS MOST RECENT ANNUAL REMAINING SERVICE LIFE**
9 **DATA WHEN RATING FREEWAYS AND NONFREEWAY AND STATE TRUNK LINE**
10 **HIGHWAYS AS PROVIDED IN THIS SUBSECTION.** Of the amounts
11 appropriated for state trunk line projects, the department shall,
12 where possible, secure pavement warranties for full replacement or
13 appropriate repair for contracted construction work on pavement
14 projects whose cost exceeds \$2,000,000.00 and projects for new
15 construction or reconstruction undertaken after ~~the effective date~~
16 ~~of the 2015 amendatory act that amended this subsection.~~ **APRIL 1,**
17 **2016.** The department shall compile and make available to the public
18 an annual report of all warranties that were secured under this
19 subsection and all pavement projects whose costs exceed
20 \$2,000,000.00 where a warranty was not secured as provided in
21 subsection (14). If an appropriate certificate is filed under
22 section 18e but only to the extent necessary, this subsection does
23 not prohibit the use of any amount of money restricted as to use by
24 section 9 of article IX of the state constitution of 1963 and
25 deposited in the state trunk line fund for the payment of debt
26 service on bonds, notes, or other obligations pledging for the
27 payment thereof money restricted as to use by section 9 of article

1 IX of the state constitution of 1963 and deposited in the state
2 trunk line fund, whenever issued, as specified under subsection
3 (1) (a). The amounts that are deducted from the state trunk line
4 fund for the purpose of the calculation required by this subsection
5 are as follows:

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

9 (b) Amounts expended to provide the state matching requirement
10 for projects on the national highway system and for the payment of
11 debt service on bonds, notes, or other obligations issued after
12 July 1, 1983, for the purpose of providing money for the state
13 matching requirements for projects on the national highway system.

14 (c) Amounts expended for the construction of a highway,
15 street, road, or bridge to 1 or more of the following or for the
16 payment of debt service on bonds, notes, or other obligations
17 issued after July 1, 1983, for the purpose of providing money for
18 the construction of a highway, street, road, or bridge to 1 or more
19 of the following:

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

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

25 (d) Amounts expended for capital outlay other than for
26 highways, roads, streets, and bridges or to pay debt service on
27 bonds, notes, or other obligations issued after July 1, 1983, for

1 the purpose of providing money for capital outlay other than for
2 highways, roads, streets, and bridges.

3 (e) Amounts expended for the operating expenses of the
4 department other than the units of the department performing the
5 functions assigned on January 1, 1983 to the bureau of highways.

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

8 (g) Amounts expended for the purposes described in subsection
9 (5).

10 (h) Amounts appropriated for deposit in the transportation
11 economic development fund and the rail grade crossing account
12 ~~pursuant to~~ **UNDER** section 10(1)(a) and ~~(h)~~ **(J)**.

13 (i) Upon the affirmative recommendation of the director of the
14 department and the approval by resolution of the state
15 transportation commission, those amounts expended for projects
16 vital to the economy of this state, a region, or local area or the
17 safety of the public. The resolution shall state the cost of the
18 project exempted from this subsection.

19 (3) Notwithstanding any other provision of this act **AND**
20 **SUBJECT TO SUBSECTION (2)**, the department shall expend annually at
21 least 90% of the federal revenue distributed to the credit of the
22 state trunk line fund in that year, except for federal revenue
23 expended for the purposes described in subsection (2)(b), (c), (f),
24 and (i) and for the payment of notes issued under section 18b(9) on
25 the preservation of highways, roads, streets, and bridges. The
26 requirement of this subsection is waived if compliance would cause
27 this state to be ineligible according to federal law for federal

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

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

13 (5) A local road agency may borrow money from the proceeds of
14 bonds or notes issued under section 18b or the state trunk line
15 fund for the purposes set forth in subsection (4) that shall be
16 repayable, with interest, from 1 or more of the following:

17 (a) The money to be received by the local road agency from the
18 Michigan transportation fund, except to the extent the money has
19 been or may in the future be pledged by contract in accordance with
20 1941 PA 205, MCL 252.51 to 252.64, or has been or may in the future
21 be pledged for the payment of the principal and interest upon notes
22 issued under 1943 PA 143, MCL 141.251 to 141.254, or has been or
23 may in the future be pledged for the payment of principal and
24 interest upon bonds issued under section 18c or 18d, or has been or
25 may in the future be pledged for the payment of the principal and
26 interest upon bonds issued under 1952 PA 175, MCL 247.701 to
27 247.707.

1 (b) Any other legally available money of the local road
2 agency, other than the general funds of the county.

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

22 (7) The amount borrowed by a local road agency under
23 subsection (5) shall not be included in, or charged against, any
24 constitutional, statutory, or charter debt limitation of the
25 county, city, or village and shall not be included in the
26 determination of the maximum annual principal and interest
27 requirements of, or the limitations upon, the maximum annual

1 principal and interest incurred under 1941 PA 205, MCL 252.51 to
2 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL
3 247.701 to 247.707, or section 18c or 18d.

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

22 (9) The state transportation commission may borrow money and
23 issue bonds and notes under section 18b to make loans to a local
24 road agency for the purposes described in the second paragraph of
25 section 9 of article IX of the state constitution of 1963, as
26 provided in subsection (4). A single issue of bonds or notes may be
27 issued for the purposes specified in subsection (4) and for the

1 other purposes specified in section 18b. The house and senate
2 transportation appropriations subcommittees shall be notified by
3 the department if there are extras and overruns sufficient to
4 require approval of either the state administrative board or the
5 commission, or both, on any contract between the department and a
6 local road agency or a private business.

7 (10) The director of the department, after consultation with
8 representatives of the interests of local road agencies, shall
9 establish, by intergovernmental communication, procedures for the
10 implementation and administration of the loan program established
11 under subsections (4) to (9).

12 (11) Not more than 8% per year of all of the money received by
13 and returned to the department from any source for the purposes of
14 this section may be expended for administrative expenses. The
15 department shall be subject to section 14(5) if more than 8% per
16 year is expended for administrative expenses. As used in this
17 subsection, "administrative expenses" means expenses that are not
18 assigned including, but not limited to, specific road construction
19 or preservation projects and are often referred to as general or
20 supportive services. Administrative expenses do not include net
21 equipment expense, net capital outlay, debt service principal and
22 interest, and payments to other state or local offices that are
23 assigned, but not limited to, specific road construction projects
24 or preservation activities.

25 (12) Any performance audits of the department shall be
26 conducted according to government auditing standards issued by the
27 United States General Accounting Office.

1 (13) Contracts entered into to advance money to a local road
2 agency under subsection (1)(g) are not subject to the revised
3 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

4 (14) The department shall prepare on an annual basis a report
5 listing all warranties that were secured under subsection (2) and
6 indicate whether any of those warranties were redeemed and all
7 pavement projects whose costs exceed \$2,000,000.00 for which a
8 warranty was not secured as described in subsection (2). The
9 department shall make the report required by this subsection
10 available to the public upon request and shall also post the report
11 on its website, which shall include, but is not limited to, all of
12 the following information:

13 (a) The type of project.

14 (b) The cost or estimated cost of the project.

15 (c) The expected lifespan of the project.

16 (d) Whether or not the project met or is currently meeting its
17 expected lifespan.

18 (e) If the project failed to meet or is not meeting its
19 expected lifespan, the cause of the failure and the cost to replace
20 or repair the project.

21 (f) The entity responsible for paying the cost of replacing or
22 repairing the project.

23 (15) As used in this section:

24 (a) "Local road agency" means that term as defined in section
25 9a.

26 **(B) "NEW CONSTRUCTION" MEANS THE ADDITION OF A NEW LANE TO AN**
27 **EXISTING HIGHWAY, THE ADDITION OF AN INTERCHANGE TO AN EXISTING**

1 LIMITED ACCESS HIGHWAY UNLESS THE INTERCHANGE IS PART OF A PROJECT
2 DESIGNED TO IMPROVE SAFETY BY RECONFIGURING EXISTING INTERCHANGES
3 TO THE LIMITED ACCESS HIGHWAY, THE EXTENSION OF AN EXISTING
4 HIGHWAY, OR THE CONSTRUCTION OF A NEW HIGHWAY. NEW CONSTRUCTION
5 DOES NOT INCLUDE A PRESERVATION ACTIVITY.

6 (C) ~~(b)~~—"Rail grade crossing improvement purposes" means 1 or
7 more of the following:

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

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

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

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

17 (v) Construction of new grade separations.

18 (vi) 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) Any other work that would be eligible for funding under
23 the federal railroad-highway grade crossing improvement program or
24 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~~ **COUNTY ROAD ASSOCIATION** of Michigan shall jointly
3 develop incentives for counties to establish statewide purchasing
4 pools for the more 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~~ **UNDER** section 12b. This sum shall be
22 distributed ~~pursuant to~~ **UNDER** section 12b. The return shall be in
23 addition to the amounts provided in subsections (6) and (7) and for
24 the purposes 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 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~~**THIS** 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~~**THIS** state, according
14 to 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~~ **UNDER** 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 **UNDER** section 18c.

11 (c) For the payment of principal and interest upon loans
12 received ~~pursuant to~~ **UNDER** section 11(5), to the extent other funds
13 have 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 money from
4 other sources. No more than 15% per year of the amount returned to
5 a county for expenditure on the county local road system may be
6 used, with or without matching, on the county primary road system
7 of that county, and not to exceed an additional 15% per year of the
8 amount returned to a county for expenditure on the county local
9 road system, may, in case of an emergency or with the approval of
10 the county road commission, be expended, with or without matching,
11 on the county primary road system of that county. An amount
12 returned to a county for and on account of county local roads under
13 this section that is in excess of the total amount paid into the
14 county treasury each year by all of the townships of that county
15 for and on account of the county local roads ~~pursuant to~~ **UNDER**
16 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 money returned to a
19 county by this section shall be expended for snow and ice removal,
20 the construction or reconstruction of a new highway or existing
21 highway, and the acquisition of a necessary right of way for those
22 highways, and work incidental to those highways, or for the
23 servicing of bonds issued by the county for these purposes. A
24 county may expend surplus money for the development, construction,
25 or repair of an off-street parking facility.

26 (11) Not more than 5% per year of the money returned to a
27 county for the county primary road system and the county local road

1 system shall be expended for the maintenance, improvement, or
2 acquisition of appurtenant roadside parks and motor parkways.

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

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

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

1 for joint participation in the costs.

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

8 (16) Notwithstanding any other provision of this act, at least
9 90% of the state revenue returned annually to the county road
10 commission from the Michigan transportation fund less the amounts
11 described in subdivisions (a) to (e) shall be expended annually by
12 the county road commission for the preservation of highways, roads,
13 streets, and bridges, and for the payment of contractual
14 contributions pledged for the payment of bonds or portions of
15 bonds, debt service requirements for the payment of bonds or
16 portions of bonds, and debt service requirements for the payment of
17 notes and loans or portions of notes and loans issued or received
18 after July 1, 1983, for the purpose of providing money for the
19 preservation of highways, roads, streets, and bridges. **A COUNTY
20 ROAD COMMISSION SHALL NOT EXPEND ANY REVENUE APPROPRIATED TO THE
21 COUNTY ROAD COMMISSION UNDER THIS SECTION FOR NEW CONSTRUCTION
22 UNLESS AT LEAST 85% OF ALL PAVED COUNTY ROAD LANE MILES WITHIN THE
23 COUNTY ROAD COMMISSION'S JURISDICTION HAVE BEEN RATED AS GOOD OR
24 FAIR AS REPORTED IN THE COUNTY ROAD COMMISSION'S MOST RECENT REPORT
25 TO THE TRANSPORTATION ASSET MANAGEMENT COUNCIL. THE COUNTY ROAD
26 COMMISSION SHALL USE THE PAVEMENT SURFACE EVALUATION AND RATING
27 (PASER) SYSTEM WHEN RATING COUNTY ROADS AS PROVIDED IN THIS**

1 **SUBSECTION.** If an appropriate certificate is filed under subsection
2 (18) but only to the extent necessary, this subsection does not
3 prohibit the use of any amount of state revenue returned annually
4 to the county road commissions for the payment of contractual
5 contributions pledged for the payment of bonds, for debt service
6 requirements for the payment of bonds, and for debt service
7 requirements for the payment of notes or loans, whenever issued or
8 received, as specified under subsection (8). The amounts that are
9 deducted from the state revenue returned to a county road
10 commission from the Michigan transportation fund, for the purpose
11 of the calculation required by this subsection are as follows:

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

15 (b) Amounts expended for the administrative costs of the
16 county road commission.

17 (c) Amounts expended for capital outlay projects for equipment
18 and buildings, and for the payment of contractual contributions
19 pledged for the payment of bonds, for debt service requirements for
20 the payment of bonds, and for debt service requirements for the
21 payment of notes and loans issued or received after July 1, 1983,
22 for the purpose of providing funds for capital outlay projects for
23 equipment and buildings.

24 (d) Amounts expended for projects vital to the economy of the
25 local area or the safety of the public in the local area. Before
26 these amounts can be deducted, the governing body over the county
27 road commission or the county road commission, as applicable, shall

1 pass a resolution approving these projects. This resolution shall
2 state which projects will be funded and the cost of each project. A
3 copy of each approved resolution shall be forwarded immediately to
4 the department.

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

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

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

13 (18) A county road commission shall certify to the department
14 on or before the issuance of any bonds or notes issued after July
15 1, 1983, ~~pursuant to~~ **UNDER** 1943 PA 143, MCL 141.251 to 141.254,
16 1941 PA 205, MCL 252.51 to 252.64, or section 18c or 18d, for
17 purposes other than the preservation of highways, roads, streets,
18 and bridges and purposes other than the purposes specified in
19 subsection (16)(c) that its average annual debt service
20 requirements for all bonds and notes or portions of bonds and notes
21 issued after July 1, 1983, for purposes other than the preservation
22 of highways, roads, streets, and bridges and other than for the
23 purposes specified in subsection (16)(c), including the bond or
24 note to be issued does not exceed 10% of the money returned to the
25 county road commission ~~pursuant to~~ **UNDER** this act, less the amounts
26 specified in subsection (16)(a), (b), and (c) during the last
27 completed fiscal year of the county road commission. If the purpose

1 for which the bonds or notes are issued is changed after the
2 issuance of the notes or bonds, the change shall be made in a
3 manner that maintains compliance with the certification required by
4 this subsection, as of the date the certificate was originally
5 issued, but no such change shall invalidate or otherwise affect the
6 bonds or notes with respect to which the certificate was issued or
7 the obligation to pay debt service on the bonds or notes. A
8 certification under this subsection is conclusive as to the matters
9 stated in the certification for purposes of the validity of bonds
10 and notes.

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

19 (20) Not more than 10% per year of all of the money received
20 by and returned to a county from any source for the purposes of
21 this section may be expended for administrative expenses. A county
22 that expends more than 10% for administrative expenses in a year is
23 subject to section 14(5) unless a waiver is granted by the
24 department of treasury. As used in this subsection, "administrative
25 expenses" means those expenses that are not assigned including, but
26 not limited to, specific road construction or preservation projects
27 and are often referred to as general or supportive services.

1 Administrative expenses do not include net equipment expense, net
2 capital outlay, debt service principal and interest, and payments
3 to other state or local offices that are assigned, but not limited
4 to, specific road construction projects or preservation activities.

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

1 any subsequent changes to the standards. County road commissions,
2 county boards of commissioners, or any other county governmental
3 agencies acting as county road authorities, as applicable, shall
4 make available to the department the pertinent records for the
5 audit. Performance audits may be performed at the discretion of the
6 department or upon receiving a request from the speaker of the
7 house of representatives or the senate majority leader.

8 (22) Of the amounts appropriated for a county primary or local
9 road system under this section, where possible, a county road
10 commission shall secure pavement warranties for full replacement or
11 appropriate repair for contracted construction work on pavement
12 projects whose cost exceeds \$2,000,000.00 and projects for new
13 construction or reconstruction undertaken after ~~the effective date~~
14 ~~of the amendatory act that added this subsection,~~ **APRIL 1, 2016**, if
15 allowed by the federal highway administration and the department. A
16 county road commission shall submit a proposed warranty program to
17 the department for approval no later than April 1, 2016. If a
18 proposed warranty program submitted under this subsection is
19 approved by the department, the county road commission shall
20 implement the program no later than 1 year after the approval. A
21 county road commission shall include a list of all warranties that
22 were secured under this subsection and indicate whether any of
23 those warranties were redeemed with the report required under
24 section 14(3), and shall also list all pavement projects whose cost
25 exceeds \$2,000,000.00 for which a warranty was not secured. The
26 list shall include, but is not limited to, all of the following
27 information:

1 (a) The type of project.

2 (b) The cost or estimated cost of the project.

3 (c) The expected lifespan of the project.

4 (d) Whether or not the project met or is currently meeting its
5 expected lifespan.

6 (e) If the project failed to meet or is not meeting its
7 expected lifespan, the cause of the failure and the cost to replace
8 or repair the project.

9 (f) The entity responsible for paying the cost of replacing or
10 repairing the project.

11 **(23) "NEW CONSTRUCTION" MEANS THE ADDITION OF A NEW LANE TO AN**
12 **EXISTING ROAD, THE EXTENSION OF AN EXISTING ROAD, OR THE**
13 **CONSTRUCTION OF A NEW ROAD. NEW CONSTRUCTION DOES NOT INCLUDE A**
14 **PRESERVATION ACTIVITY.**

15 Sec. 13. (1) The amount distributed to cities and villages
16 shall be returned to the treasurers of the cities and villages in
17 the manner, for the purposes, and under the terms and conditions
18 specified in this section. The amount received by a newly
19 incorporated municipality shall be in place of any other direct
20 distribution of money from the Michigan transportation fund. The
21 population of a newly incorporated municipality as determined under
22 this section shall be added to the total population of all
23 incorporated cities and villages in ~~the~~**THIS** state in computing the
24 amounts to be returned under this section to each municipality in
25 the state. Major street mileage, local street mileage, and
26 equivalent major mileage, if applicable, shall be determined by the
27 department before the next month for which distribution is made

1 following the effective date of incorporation of a newly
2 incorporated municipality.

3 (2) From the amount available for distribution to cities and
4 villages during each December, an amount equal to 0.7% of the total
5 amount returned to all cities and villages under subsections (3)
6 and (4) during the previous calendar year shall be withheld. The
7 amount withheld shall be used to partially reimburse cities and
8 villages located in counties that are eligible for snow removal
9 funds ~~pursuant to~~ **UNDER** section 12a and that have costs for winter
10 maintenance on major and local streets that are greater than the
11 statewide average. The distributions shall be made annually during
12 February and shall be calculated separately for the major and local
13 street systems but may be paid in a combined warrant. The
14 distribution to a city or village shall be equal to 1/2 of its
15 winter maintenance expenditures after deducting the product of its
16 total earnings under subsections (3) and (4) multiplied by 2 times
17 the average municipal winter maintenance factor. Winter maintenance
18 expenditures shall be determined from the street financial reports
19 for the most current fiscal years ending before July 1. A city or
20 village that does not submit a street financial report for the
21 fiscal year ending before July 1 by the subsequent December 31 is
22 ineligible for the winter maintenance payment that is to be based
23 on that street financial report. The department shall determine the
24 average municipal winter maintenance factor annually by dividing
25 the total expenditures of all cities and villages on winter
26 maintenance of streets and highways by the total amount earned by
27 all cities and villages under subsections (3) and (4) during the 12

1 months. If the sum of the distributions to be made under this
2 subsection exceeds the amount withheld, the distributions to each
3 eligible city and village shall be reduced proportionately. If the
4 sum is less than the amount withheld, the balance shall be added to
5 the amount available for distribution under subsections (3) and (4)
6 during the next month. The distributions shall be for use on the
7 major and local street systems respectively and shall be subject to
8 the same provisions as money returned under subsections (3) and
9 (4).

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

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

27 (b) Payment of obligations of the city or village on highway

1 projects undertaken by the city or village jointly with the
2 department.

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

6 (d) For the preservation, construction, acquisition, and
7 extension of the major street system as defined by this act
8 including the acquisition of a necessary right of way for the
9 system, work incidental to the system, and an appurtenant roadside
10 park or motor parkway, of the city or village and for the payment
11 of the principal and interest on that portion of the city's or
12 village's general obligation bonds that are attributable to the
13 construction or reconstruction of the city's or village's major
14 street system. Not more than 5% per year of the money returned to a
15 city or village by this subsection shall be expended for the
16 preservation or acquisition of appurtenant roadside parks and motor
17 parkways. Surplus money may be expended for the development,
18 construction, or repair of off-street parking facilities, the
19 construction or repair of street lighting, and transfer to the
20 local street system under subsection (6). **A CITY OR VILLAGE SHALL**
21 **NOT EXPEND ANY MONEY RETURNED UNDER THIS SUBDIVISION FOR NEW**
22 **CONSTRUCTION UNLESS AT LEAST 85% OF ALL PAVED STREET LANE MILES**
23 **WITHIN THE CITY'S OR VILLAGE'S JURISDICTION HAVE BEEN RATED AS GOOD**
24 **OR FAIR AS REPORTED IN THE CITY'S OR VILLAGE'S MOST RECENT REPORT**
25 **TO THE TRANSPORTATION ASSET MANAGEMENT COUNCIL. THE CITY OR VILLAGE**
26 **SHALL USE THE PAVEMENT SURFACE EVALUATION AND RATING (PASER) SYSTEM**
27 **WHEN RATING STREETS AS PROVIDED IN THIS SUBDIVISION.**

1 (e) For capital outlay projects for equipment and buildings,
2 contributions pledged for the payment of loans and for the payment
3 of contractual debt service requirements for the payment of bonds
4 for the purpose of providing money for capital outlay projects for
5 equipment and buildings necessary to the development and
6 maintenance of the road system so long as amounts allocated under
7 this subdivision are used for transportation purposes.

8 (4) The remaining amount to be returned to incorporated cities
9 and villages shall be expended in each city or village for the
10 preservation, construction, acquisition, and extension of the local
11 street system of the city or village, including the acquisition of
12 a necessary right of way for the system, work incidental to the
13 system, and subject to subsection (5), for the payment of the
14 principal and interest on the portion of the city's or village's
15 general obligation bonds that are attributable to the construction
16 or reconstruction of the city's or village's local street system. **A**
17 **CITY OR VILLAGE SHALL NOT EXPEND ANY MONEY RETURNED UNDER THIS**
18 **SUBSECTION FOR NEW CONSTRUCTION UNLESS AT LEAST 85% OF ALL PAVED**
19 **STREET LANE MILES WITHIN THE CITY'S OR VILLAGE'S JURISDICTION HAVE**
20 **BEEN RATED AS GOOD OR FAIR IN THE CITY'S OR VILLAGE'S MOST RECENT**
21 **REPORT TO THE TRANSPORTATION ASSET MANAGEMENT COUNCIL. THE CITY OR**
22 **VILLAGE SHALL USE THE PAVEMENT SURFACE EVALUATION AND RATING**
23 **(PASER) SYSTEM WHEN RATING STREETS AS PROVIDED IN THIS SUBSECTION.**
24 The amount returned under this subsection shall be returned to the
25 cities and villages 60% in the same proportion that the population
26 of each bears to the total population of all incorporated cities
27 and villages in ~~the~~**THIS** state, and 40% in the same proportion that

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

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

21 (6) Money returned under this section to a city or village
22 shall be expended on the major and local street systems of that
23 city or village. However, the first priority is the major street
24 system. Money returned for expenditure on the major street system
25 shall be expended in the priority order provided in subsection (3)
26 except that surplus money may be transferred for preservation of
27 the local street system. Major street money transferred for use on

1 the local street system shall not be used for construction but may
2 be used for preservation. A city or village shall not transfer more
3 than 50% of its annual major street funding for the local street
4 system unless it has adopted and is following an asset management
5 process for its major and local street systems and adopts a
6 resolution with a copy to the department setting forth all of the
7 following:

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

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

11 (c) The dollar amount of the transfer.

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

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

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

23 (8) Not more than 10% per year of all of the money returned to
24 a city or village from any source for the purposes of this section
25 may be expended for administrative expenses. A city or village that
26 expends more than 10% for administrative expenses in a year is
27 subject to section 14(5).

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

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

20 (11) Interest earned on money returned to a city or a village
21 for purposes provided in this section shall be credited to the
22 appropriate street fund.

23 (12) In addition to the financial compliance audits required
24 by law, the department may conduct performance audits and make
25 investigations of the disposition of all state money received by
26 cities and villages for transportation purposes to determine
27 compliance with the terms and conditions of this act. Performance

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

24 (13) Of the amounts appropriated for a city or village major
25 or local street system under this section, where possible, a city
26 or village shall secure pavement warranties for full replacement or
27 appropriate repair for contracted construction work on pavement

1 projects whose cost exceeds \$2,000,000.00 and projects for new
2 construction or reconstruction undertaken after ~~the effective date~~
3 ~~of the amendatory act that added this subsection~~ **APRIL 1, 2016** if
4 allowed by the ~~federal highway administration~~ **FEDERAL HIGHWAY**
5 **ADMINISTRATION** and the department. A city or village shall submit a
6 proposed warranty program to the department for approval no later
7 than February 1, 2017. If a proposed warranty program submitted
8 under this subsection is approved by the department, the city or
9 village shall implement the program no later than 1 year after the
10 approval. A city or village shall include a list of all warranties
11 that were secured under this subsection and indicate whether any of
12 those warranties were redeemed with the report required under
13 section 14(3), and shall also list all pavement projects whose cost
14 exceeds \$2,000,000.00 for which a warranty was not secured. The
15 list shall include, but is not limited to, all of the following
16 information:

17 (a) The type of project.

18 (b) The cost or estimated cost of the project.

19 (c) The expected lifespan of the project.

20 (d) Whether or not the project met or is currently meeting its
21 expected lifespan.

22 (e) If the project failed to meet or is not meeting its
23 expected lifespan, the cause of the failure and the cost to replace
24 or repair the project.

25 (f) The entity responsible for paying the cost of replacing or
26 repairing the project.

27 (14) With the approval of the director of the department, a

1 city may use up to 20% of the amount received by that city under
2 this section for public transit purposes if more than 10,000,000
3 passengers used public transit within that city during the previous
4 fiscal year.

5 (15) As used in this section:

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

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

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

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

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

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

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

1 population.

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

3 population.

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

5 population.

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

7 population.

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

9 population.

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

11 population.

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

13 population.

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

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

16 over 320,000.

17 (C) "NEW CONSTRUCTION" MEANS THE ADDITION OF A NEW LANE TO AN
18 EXISTING STREET, THE EXTENSION OF AN EXISTING STREET, OR THE
19 CONSTRUCTION OF A NEW STREET. NEW CONSTRUCTION DOES NOT INCLUDE A
20 PRESERVATION ACTIVITY.

21 (D) ~~(e)~~—"Population" means the population according to the
22 most recent statewide federal census as certified at the beginning
23 of the state fiscal year, except that, if a municipality has been
24 newly incorporated since completion of the census, the population
25 of the municipality for purposes of the distribution of money
26 before completion of the next census shall be the population as
27 determined by special federal census, if there is a special federal

1 census, and if not, by the population as determined by the official
2 census in connection with the incorporation, if there is such a
3 census and, if not, by a special state census to be taken at the
4 expense of the municipality by the secretary of state ~~pursuant to~~
5 **UNDER** section 6 of the home rule city act, 1909 PA 279, MCL 117.6.

6 Enacting section 1. This amendatory act takes effect 90 days
7 after the date it is enacted into law.