

# SENATE BILL NO. 520

September 12, 2019, Introduced by Senator OUTMAN 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:

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

5 (i) For the payment of contributions pledged before July 18,  
6 1979 and required to be made by the state highway commission or the  
7 state transportation commission under contracts entered into before  
8 July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, for the  
9 payment of the principal and interest on bonds issued under 1941 PA  
10 205, MCL 252.51 to 252.64, for the payment of which a sufficient  
11 sum is irrevocably appropriated.

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

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

1 and to pay the annual contributions of the state highway commission  
2 and the state transportation commission as are pledged for the  
3 payment of bonds issued under contracts authorized by section 18d.

4 (b) For the transfer of money appropriated under section  
5 ~~10(1)(i)~~**10(1)(j)** to the transportation economic development fund  
6 **created in section 2 of 1987 PA 231, MCL 247.902**, but the transfer  
7 shall be reduced each fiscal year by the amount of debt service to  
8 be paid in that year from the state trunk line fund for bonds,  
9 notes, or other obligations issued to fund projects of the  
10 transportation economic development fund **created in section 2 of**  
11 **1987 PA 231, MCL 247.902**, which amount shall be certified by the  
12 department.

13 (c) For the transfer of money appropriated under section  
14 10(1)(a) to the rail grade crossing account in the state trunk line  
15 fund for expenditure for rail grade crossing improvement purposes  
16 at rail grade crossings on public roads and streets under the  
17 jurisdiction of this state, counties, cities, or villages. The  
18 department shall select projects for funding in accordance with the  
19 following:

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

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

27 (iii) Consistent with the other requirements for this money, the  
28 first priority for money deposited under this subdivision for rail  
29 grade crossing improvements and retirement shall be to match

1 federal money from the railroad-highway grade crossing improvement  
2 program or other comparable federal programs if a match is required  
3 under federal law.

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

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

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

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

28 (iii) Funding under the grade crossing surface account shall be  
29 limited to items of work that are normally the responsibility of

1 the railroad under section 309 of the railroad code of 1993, 1993  
2 PA 354, MCL 462.309. Maintenance of the roadway approaches to the  
3 crossing will continue to be the responsibility of the party with  
4 jurisdiction over that roadway.

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

7 (f) For the preservation of state trunk line highways and  
8 bridges.

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

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

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

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

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

1 and bridges. Of the amounts appropriated for state trunk line  
2 projects, the department shall ~~, where possible,~~ secure pavement  
3 warranties for full replacement or appropriate repair for  
4 contracted construction work on pavement **construction or**  
5 **reconstruction and capital preventative maintenance** projects whose  
6 cost exceeds \$2,000,000.00 ~~and projects for new construction or~~  
7 ~~reconstruction~~ **\$5,000,000.00** undertaken after ~~the effective date of~~  
8 ~~the 2015 amendatory act that amended this subsection.~~ **April 1,**  
9 **2016.** The department shall compile and make available to the public  
10 an annual report of all warranties that were secured under this  
11 subsection. ~~and all pavement projects whose costs exceed~~  
12 ~~\$2,000,000.00 where a warranty was not secured as provided in~~  
13 ~~subsection (14).~~ If an appropriate certificate is filed under  
14 section 18e but only to the extent necessary, this subsection does  
15 not prohibit the use of any amount of money restricted as to use by  
16 section 9 of article IX of the state constitution of 1963 and  
17 deposited in the state trunk line fund for the payment of debt  
18 service on bonds, notes, or other obligations pledging for the  
19 payment thereof money restricted as to use by section 9 of article  
20 IX of the state constitution of 1963 and deposited in the state  
21 trunk line fund, whenever issued, as specified ~~under~~ **in** subsection  
22 (1) (a). The amounts that are deducted from the state trunk line  
23 fund for the purpose of the calculation required by this subsection  
24 are as follows:

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

28 (b) Amounts expended to provide the state matching requirement  
29 for projects on the national highway system and for the payment of



1 debt service on bonds, notes, or other obligations issued after  
2 July 1, 1983, for the purpose of providing money for the state  
3 matching requirements for projects on the national highway system.

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

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

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

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

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

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

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

27 (h) Amounts appropriated for deposit in the transportation  
28 economic development fund **created in section 2 of 1987 PA 231, MCL**  
29 **247.902**, and the rail grade crossing account ~~pursuant to~~ **under**

1 section 10(1)(a) and ~~(h)-(j)~~.

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

8 (3) Notwithstanding any other provision of this act, the  
9 department shall expend annually at least 90% of the federal  
10 revenue distributed to the credit of the state trunk line fund in  
11 that year, except for federal revenue expended for the purposes  
12 described in subsection (2)(b), (c), (f), and (i) and for the  
13 payment of notes issued under section 18b(9) on the preservation of  
14 highways, roads, streets, and bridges. The requirement of this  
15 subsection is waived if compliance would cause this state to be  
16 ineligible according to federal law for federal revenue, but only  
17 to the extent necessary to make this state eligible according to  
18 federal law for that revenue.

19 (4) Notwithstanding any other provision of this section, the  
20 department may loan money to a local road agency for paying capital  
21 costs of transportation purposes described in the second paragraph  
22 of section 9 of article IX of the state constitution of 1963 from  
23 the proceeds of bonds or notes issued pursuant to section 18b or  
24 from the state trunk line fund. Loans made directly from the state  
25 trunk line fund shall be made only after provision of money for the  
26 purposes specified in subsection (1)(a) to (f). Loans described in  
27 this subsection are not subject to the revised municipal finance  
28 act, 2001 PA 34, MCL 141.2101 to 141.2821.

29 (5) A local road agency may borrow money from the proceeds of

1 bonds or notes issued under section 18b or the state trunk line  
2 fund for the purposes set forth in subsection (4) that shall be  
3 repayable, with interest, from 1 or more of the following:

4 (a) The money to be received by the local road agency from the  
5 Michigan transportation fund, except to the extent the money has  
6 been or may in the future be pledged by contract in accordance with  
7 1941 PA 205, MCL 252.51 to 252.64, or has been or may in the future  
8 be pledged for the payment of the principal and interest upon notes  
9 issued under 1943 PA 143, MCL 141.251 to 141.254, or has been or  
10 may in the future be pledged for the payment of principal and  
11 interest upon bonds issued under section 18c or 18d, or has been or  
12 may in the future be pledged for the payment of the principal and  
13 interest upon bonds issued under 1952 PA 175, MCL 247.701 to  
14 247.707.

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

17 (6) If required by the department, loans made under subsection  
18 (4) are payable by deduction by the state treasurer, upon direction  
19 of the department, from the periodic disbursements of any money  
20 returned by this state under this act to the local road agency, but  
21 only after sufficient money has been returned to the local road  
22 agency to provide for the payment of contractual obligations  
23 incurred or to be incurred and principal and interest on notes and  
24 bonds issued or to be issued under 1941 PA 205, MCL 252.51 to  
25 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL  
26 247.701 to 247.707, or section 18c or 18d. The interest rates and  
27 payment schedules of any loans made from the proceeds of bonds or  
28 notes issued ~~pursuant to~~**under** section 18b shall be established by  
29 the department to conform as closely as practicable to the interest

1 rate and repayment schedules on the bonds or notes issued to make  
2 the loans. However, the department may allow for the deferral of  
3 the first payment of interest or principal on the loans for a  
4 period of not to exceed 1 year after the respective first payment  
5 of interest or principal on the bonds or notes issued to make the  
6 loans.

7 (7) The amount borrowed by a local road agency under  
8 subsection (5) shall not be included in, or charged against, any  
9 constitutional, statutory, or charter debt limitation of the  
10 county, city, or village and shall not be included in the  
11 determination of the maximum annual principal and interest  
12 requirements of, or the limitations upon, the maximum annual  
13 principal and interest incurred under 1941 PA 205, MCL 252.51 to  
14 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL  
15 247.701 to 247.707, or section 18c or 18d.

16 (8) The local road agency is not required to seek or obtain  
17 the approval of the electors, the municipal finance commission or  
18 its successor agency, or, except as provided in this subsection,  
19 the department of treasury to borrow money under subsection (5).  
20 The borrowing is not subject to the revised municipal finance act,  
21 2001 PA 34, MCL 141.2101 to 141.2821, or to section 5(g) of the  
22 home rule city act, 1909 PA 279, MCL 117.5. The department shall  
23 give at least 10 days' notice to the state treasurer of its  
24 intention to make a loan under subsection (4). If the state  
25 treasurer gives notice to the director of the department within 10  
26 days of receiving the notice from the department, that, based upon  
27 the then existing financial or credit situation of the local road  
28 agency, it would not be in the best interests of this state to make  
29 a loan under subsection (4) to the local road agency, the loan

1 shall not be made unless the state treasurer, after a hearing, if  
2 requested by the affected local road agency, subsequently gives  
3 notice to the director of the department that the loan may be made  
4 on the conditions that the state treasurer specifies.

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

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

22 (11) Not more than 8% per year of all of the money received by  
23 and returned to the department from any source for the purposes of  
24 this section may be expended for administrative expenses. The  
25 department ~~shall be~~ **is** subject to section 14(5) if more than 8% per  
26 year is expended for administrative expenses. As used in this  
27 subsection, "administrative expenses" means expenses that are not  
28 assigned including, but not limited to, specific road construction  
29 or preservation projects and are often referred to as general or

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

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

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

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

21 (a) The type of project.

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

23 (c) The expected lifespan of the project.

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

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

29 (f) The entity responsible for paying the cost of replacing or

1 repairing the project.

2 **(g) Whether the construction contractor has posted a surety**  
 3 **bond or has otherwise warrantied the construction work by**  
 4 **voluntarily placing its prequalified status as security for**  
 5 **replacement or repairs.**

6 (15) As used in this section:

7 (a) "Local road agency" means that term as defined in section  
 8 9a.

9 (b) "Rail grade crossing improvement purposes" means 1 or more  
 10 of the following:

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

13 (ii) The installation or improvement of grade crossing  
 14 surfaces.

15 (iii) Modification, relocation, or modernization of railroad  
 16 grade crossing active and passive warning devices necessitated by  
 17 roadway improvement projects.

18 (iv) Test installations of innovative warning devices or other  
 19 innovative applications.

20 (v) Construction of new grade separations.

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

25 (vii) Any other work that would be eligible for funding under  
 26 the federal railroad-highway grade crossing improvement program or  
 27 other comparable programs.

28 **(c) "Warranty" means 1 of the following:**

1           (i) A surety bond in the amount of full replacement or  
2 appropriate repair for the contracted construction work, as  
3 determined by the department.

4           (ii) If the construction contractor has prequalified status, a  
5 contractual agreement for the construction contractor to fully  
6 replace or make appropriate repairs to the contracted construction  
7 work as determined by the department secured by the construction  
8 contractor voluntarily agreeing to surrender its prequalified  
9 status as a bidder on subsequent contracts with the department  
10 until all repairs are completed, as determined by the department.

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

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

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



1           (4) An amount equal to 10% of the total amount returned to the  
2 county road commissions from the Michigan transportation fund shall  
3 be returned to each county road commission having county primary,  
4 or county local road, or both, mileage in the urban areas as  
5 determined ~~pursuant to~~**under** section 12b. This sum shall be  
6 distributed ~~pursuant to~~**as provided in** section 12b. The return  
7 ~~shall be~~**is** in addition to the amounts provided in subsections (6)  
8 and (7) and for the purposes stated in those subsections.

9           (5) An amount equal to 4% of the total amount returned to the  
10 county road commissions from the Michigan transportation fund shall  
11 be returned to the county road commissions in the same percentages  
12 ~~as provided in~~**under** subsection (7). All money returned to the  
13 county road commissions as provided in this subsection shall be  
14 expended by the county road commissions for the preservation,  
15 construction, acquisition, and extension of county local road  
16 systems and ~~shall be~~**is** in addition to the amounts provided in  
17 subsection (7).

18           (6) Seventy-five percent of the remainder of the total amount  
19 to be returned to the counties shall be expended by each county  
20 road commission for the preservation, construction, acquisition,  
21 and extension of the county primary road system, including the  
22 acquisition of a necessary right of way for the system, work  
23 incidental to the system, and a roadside park or motor parkway  
24 appurtenant to the system, and shall be returned to the counties as  
25 follows:

26           (a) Three-fourths of the amount in proportion to the amount  
27 received within the respective county during the 12 months next  
28 preceding the date of each monthly distribution, as specific taxes  
29 upon registered motor vehicles under the Michigan vehicle code,

1 1949 PA 300, MCL 257.1 to 257.923.

2 (b) One-tenth of the amount in the same proportion that the  
3 total mileage in the county primary road system of each county  
4 bears to the total mileage in all of the county primary road  
5 systems of this state.

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

8 (7) The balance of the remainder of the total amount to be  
9 returned to counties shall be expended by each county road  
10 commission for the preservation, construction, acquisition, and  
11 extension of the county local road system as defined by this act,  
12 including the acquisition of a necessary right of way for the  
13 system, work incidental to the system, and a roadside park or motor  
14 parkway appurtenant to the system, and shall be returned to the  
15 counties as follows:

16 (a) Sixty-five percent of the amount in the same proportion  
17 that the total mileage in the county local road system of each  
18 county bears to the total mileage in all of the county local road  
19 systems of ~~the~~**this** state.

20 (b) Thirty-five percent of the amount in the same proportion  
21 that the total population outside of incorporated municipalities in  
22 each county bears to the total population outside of incorporated  
23 municipalities in all of the counties of ~~the~~**this** state, according  
24 to the most recent statewide federal census as certified at the  
25 beginning of the state fiscal year.

26 (8) Money deposited in, or becoming a part of the county road  
27 funds of a board of county road commissioners shall be expended  
28 first for the payment of principal and interest on the bonds, for  
29 the payment of contractual contributions pledged for the payment of

1 bonds, for debt service requirements for the payment of contractual  
2 contributions pledged for the payment of bonds, and for debt  
3 service requirements for the payment of notes and loans in the  
4 following order of priority:

5 (a) For the payment of contributions required to be made by a  
6 board of county road commissioners under a contract entered into  
7 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for  
8 the payment of the principal and interest on bonds issued under  
9 that act, or for the payment of total debt service requirements  
10 upon notes issued by a board of county road commissioners under  
11 1943 PA 143, MCL 141.251 to 141.254.

12 (b) For the payment of principal and interest upon bonds  
13 issued under section 18c, and the payment of contributions of a  
14 board of county road commissioners made ~~pursuant to~~ **under** contracts  
15 entered into under section 18d that are pledged to the payment of  
16 principal and interest on bonds issued after June 30, 1957, under  
17 the authorization of section 18c and contracts executed ~~pursuant to~~  
18 **under** section 18c.

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

22 (9) Beginning November 1, 2008, no more than 50% per year of  
23 the amount returned to a county for use on the county primary road  
24 system may be expended, with or without matching, on the county  
25 local road system of that county. Except as otherwise provided in  
26 this subsection, beginning September 30, 2010, no more than 30% per  
27 year of the amount returned to a county for use on the county  
28 primary road system may be expended, with or without matching, on  
29 the county local road system of that county. An additional amount,

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

24 (10) Not less than 20% per year of the money returned to a  
25 county by this section shall be expended for snow and ice removal,  
26 the construction or reconstruction of a new highway or existing  
27 highway, and the acquisition of a necessary right of way for those  
28 highways, and work incidental to those highways, or for the  
29 servicing of bonds issued by the county for these purposes. A

1 county may expend surplus money for the development, construction,  
2 or repair of an off-street parking facility.

3 (11) Not more than 5% per year of the money returned to a  
4 county for the county primary road system and the county local road  
5 system shall be expended for the maintenance, improvement, or  
6 acquisition of appurtenant roadside parks and motor parkways.

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

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

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

1 contemplated, by purchase or condemnation, by any of the  
2 contracting parties in its own name and the agreement may provide  
3 for joint participation in the costs.

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

10 (16) Notwithstanding any other provision of this act, at least  
11 90% of the state revenue returned annually to the county road  
12 commission from the Michigan transportation fund less the amounts  
13 described in subdivisions (a) to (e) shall be expended annually by  
14 the county road commission for the preservation of highways, roads,  
15 streets, and bridges, and for the payment of contractual  
16 contributions pledged for the payment of bonds or portions of  
17 bonds, debt service requirements for the payment of bonds or  
18 portions of bonds, and debt service requirements for the payment of  
19 notes and loans or portions of notes and loans issued or received  
20 after July 1, 1983, for the purpose of providing money for the  
21 preservation of highways, roads, streets, and bridges. If an  
22 appropriate certificate is filed under subsection (18) but only to  
23 the extent necessary, this subsection does not prohibit the use of  
24 any amount of state revenue returned annually to the county road  
25 commissions for the payment of contractual contributions pledged  
26 for the payment of bonds, for debt service requirements for the  
27 payment of bonds, and for debt service requirements for the payment  
28 of notes or loans, whenever issued or received, as specified under  
29 subsection (8). The amounts that are deducted from the state

1 revenue returned to a county road commission from the Michigan  
2 transportation fund, for the purpose of the calculation required by  
3 this subsection are as follows:

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

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

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

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

24 (e) Amounts expended in urban areas as determined ~~pursuant to~~  
25 **under** section 12b.

26 (17) As used in this subsection, "urban routes" means those  
27 portions of 2-lane county primary roads within an urban area that  
28 have average daily traffic in excess of 15,000. Notwithstanding any  
29 other provision of this act, except as provided in this subsection,

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



1 urban routes for purposes other than preservation and the amount  
2 expended for hard-surfacing of gravel roads on the federal-aid  
3 system, is expended on the preservation of highways, roads,  
4 streets, and bridges, the county road commission shall expend in  
5 each year subsequent to the 3-year period 100%, or less in 1 year  
6 if sufficient for the purposes of this subsection, of the federal  
7 revenue distributed to the county road commission for highways,  
8 roads, streets, and bridges, less the amount expended on urban  
9 routes for purposes other than preservation and the amount expended  
10 for hard-surfacing of gravel roads on the federal-aid system, on  
11 the preservation of highways, roads, streets, and bridges until the  
12 average percentage spent on the preservation of highways, roads,  
13 streets, and bridges in the 3-year period and the subsequent years,  
14 less the 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, is at least 90%. A year may be  
17 included in only one 3-year period for the purposes of this  
18 subsection. The requirements of this subsection ~~shall be~~ **are** waived  
19 if compliance would cause the county road commission to be  
20 ineligible for federal revenue under federal law, but only to the  
21 extent necessary to make the county road commission eligible for  
22 that revenue under federal law. For the purpose of the calculations  
23 required by this subsection, the amount expended on urban routes by  
24 a county road commission for purposes other than preservation and  
25 the amount expended for hard-surfacing of gravel roads on the  
26 federal-aid system shall be deducted from the total federal revenue  
27 distributed to the use of the county road commission.

28 (18) A county road commission shall certify to the department  
29 on or before the issuance of any bonds or notes issued after July

1 1, 1983, ~~pursuant to~~**under** 1943 PA 143, MCL 141.251 to 141.254,  
 2 1941 PA 205, MCL 252.51 to 252.64, or section 18c or 18d, for  
 3 purposes other than the preservation of highways, roads, streets,  
 4 and bridges and purposes other than the purposes specified in  
 5 subsection (16)(c) that its average annual debt service  
 6 requirements for all bonds and notes or portions of bonds and notes  
 7 issued after July 1, 1983, for purposes other than the preservation  
 8 of highways, roads, streets, and bridges and other than for the  
 9 purposes specified in subsection (16)(c), including the bond or  
 10 note to be issued does not exceed 10% of the money returned to the  
 11 county road commission ~~pursuant to~~**under** this act, less the amounts  
 12 specified in subsection (16)(a), (b), and (c) during the last  
 13 completed fiscal year of the county road commission. If the purpose  
 14 for which the bonds or notes are issued is changed after the  
 15 issuance of the notes or bonds, the change shall be made in a  
 16 manner that maintains compliance with the certification required by  
 17 this subsection, as of the date the certificate was originally  
 18 issued, but ~~no such~~**the** change ~~shall~~**does not** invalidate or  
 19 otherwise affect the bonds or notes with respect to which the  
 20 certificate was issued or the obligation to pay debt service on the  
 21 bonds or notes. A certification under this subsection is conclusive  
 22 as to the matters stated in the certification for purposes of the  
 23 validity of bonds and notes.

24 (19) In each charter county to which funds are returned under  
 25 this section, the responsibility for road improvement,  
 26 preservation, and traffic operation work, and the development,  
 27 construction, or repair of off-road parking facilities and  
 28 construction or repair of road lighting shall be coordinated by a  
 29 single administrator designated by the county executive who shall

1 be responsible for and shall represent the charter county in  
2 transactions with the department ~~pursuant to~~**under** this act.

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

16 (21) In addition to the financial compliance audits required  
17 by law, the department may conduct performance audits and make  
18 investigations of the disposition of all state money received by  
19 county road commissions, county boards of commissioners, or any  
20 other county governmental agency acting as the county road  
21 authority, for transportation purposes to determine compliance with  
22 the terms and conditions of this act. Performance audits shall be  
23 conducted according to government auditing standards issued by the  
24 United States General Accounting Office. The department shall  
25 develop performance audit procedures and reporting requirements  
26 sufficient to determine whether money expended under this section  
27 was expended in compliance with this act by September 1, 2012 and  
28 shall report to the transportation committees of the senate and  
29 house of representatives no later than October 1, 2012 on the

1 additional audit procedures and reporting requirements. The  
 2 department shall provide notice to the county road commission,  
 3 county board of commissioners, or any other county governmental  
 4 agency acting as the county road authority, as applicable, of the  
 5 standards to be used for audits performed under this subsection.  
 6 The notice shall be provided 6 months prior to the fiscal year in  
 7 which the audit is conducted. The department shall notify the  
 8 county road commission, county board of commissioners, or any other  
 9 county governmental agency acting as the county road authority of  
 10 any subsequent changes to the standards. County road commissions,  
 11 county boards of commissioners, or any other county governmental  
 12 agencies acting as county road authorities, as applicable, shall  
 13 make available to the department the pertinent records for the  
 14 audit. Performance audits may be performed at the discretion of the  
 15 department or upon receiving a request from the speaker of the  
 16 house of representatives or the senate majority leader.

17 (22) Of the amounts appropriated for a county primary or local  
 18 road system under this section, where possible, a county road  
 19 commission shall secure pavement warranties for full replacement or  
 20 appropriate repair for contracted construction work on pavement  
 21 **construction or reconstruction and capital preventative maintenance**  
 22 projects whose cost exceeds ~~\$2,000,000.00~~ and projects for new  
 23 ~~construction or reconstruction~~ **\$5,000,000.00** undertaken after the  
 24 ~~effective date of the amendatory act that added this subsection,~~  
 25 **April 1, 2016**, if allowed by the ~~federal highway administration~~  
 26 **Federal Highway Administration** and the department. A county road  
 27 commission shall submit a proposed warranty program to the  
 28 department for approval no later than April 1, 2016. If a proposed  
 29 warranty program submitted under this subsection is approved by the

1 department, the county road commission shall implement the program  
2 no later than 1 year after the approval. **If the county road**  
3 **commission has implemented a warranty program approved before the**  
4 **effective date of the amendatory act that added this sentence and**  
5 **that program does not satisfy the requirements under this section,**  
6 **the county road commission shall update and submit a new proposed**  
7 **program to the department for approval no later than October 1,**  
8 **2020.** A county road commission shall include a list of all  
9 warranties that were secured under this subsection and indicate  
10 whether any of those warranties were redeemed with the report  
11 required under section 14(3), and shall also list all pavement  
12 **construction or reconstruction and capital preventative maintenance**  
13 projects whose cost exceeds ~~\$2,000,000.00~~ **\$5,000,000.00** for which a  
14 warranty was not secured. The list shall include, but is not  
15 limited to, all of the following information:

16 (a) The type of project.

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

18 (c) The expected lifespan of the project.

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

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

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

26 Sec. 13. (1) The amount distributed to cities and villages  
27 shall be returned to the treasurers of the cities and villages in  
28 the manner, for the purposes, and under the terms and conditions  
29 specified in this section. The amount received by a newly

1 incorporated municipality shall be in place of any other direct  
2 distribution of money from the Michigan transportation fund. The  
3 population of a newly incorporated municipality as determined under  
4 this section shall be added to the total population of all  
5 incorporated cities and villages in the state in computing the  
6 amounts to be returned under this section to each municipality in  
7 ~~the~~**this** state. Major street mileage, local street mileage, and  
8 equivalent major mileage, if applicable, shall be determined by the  
9 department before the next month for which distribution is made  
10 following the effective date of incorporation of a newly  
11 incorporated municipality.

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

1 fiscal year ending before July 1 by the subsequent December 31 is  
 2 ineligible for the winter maintenance payment that is to be based  
 3 on that street financial report. The department shall determine the  
 4 average municipal winter maintenance factor annually by dividing  
 5 the total expenditures of all cities and villages on winter  
 6 maintenance of streets and highways by the total amount earned by  
 7 all cities and villages under subsections (3) and (4) during the 12  
 8 months. If the sum of the distributions to be made under this  
 9 subsection exceeds the amount withheld, the distributions to each  
 10 eligible city and village shall be reduced proportionately. If the  
 11 sum is less than the amount withheld, the balance shall be added to  
 12 the amount available for distribution under subsections (3) and (4)  
 13 during the next month. The distributions ~~shall be~~ **are** for use on  
 14 the major and local street systems respectively and ~~shall be~~ **are**  
 15 subject to the same provisions as money returned under subsections  
 16 (3) and (4).

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

27 (a) For the payment of contributions required to be made by a  
 28 city or village under the provisions of contracts previously  
 29 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have

1 been previously pledged for the payment of the principal and  
2 interest on bonds issued under that act; or for the payment of the  
3 principal and interest upon bonds issued by a city or village  
4 pursuant to 1952 PA 175, MCL 247.701 to 247.707.

5 (b) Payment of obligations of the city or village on highway  
6 projects undertaken by the city or village jointly with the  
7 department.

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

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

26 (e) For capital outlay projects for equipment and buildings,  
27 contributions pledged for the payment of loans and for the payment  
28 of contractual debt service requirements for the payment of bonds  
29 for the purpose of providing money for capital outlay projects for



1 equipment and buildings necessary to the development and  
2 maintenance of the road system so long as amounts allocated under  
3 this subdivision are used for transportation purposes.

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

25 (5) Money distributed to each city and village for the  
26 maintenance and preservation of its local street system under this  
27 act represents the total responsibility of ~~the~~**this** state for local  
28 street system support. Money distributed from the Michigan  
29 transportation fund shall not be expended for construction purposes

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

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

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

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

25 (c) The dollar amount of the transfer.

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

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

29 (7) A city or village that has not adopted an asset management

1 plan shall obtain the concurrence of the department to transfer  
2 more than 50% of its major street funding to its local street  
3 system. The department may provide for pilot projects that would  
4 allow a city or village that has adopted an asset management plan  
5 under subsection (6) to combine their local and major street funds  
6 into 1 street fund and to submit a single report to the department  
7 on the expenditure of money on the local and major street systems.

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

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

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

1 agreement may provide for joint participation in the costs if  
2 appropriate.

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

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

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

5 (13) Of the amounts appropriated for a city or village major  
 6 or local street system under this section, where possible, a city  
 7 or village shall secure pavement warranties for full replacement or  
 8 appropriate repair for contracted construction work on pavement  
 9 **construction or reconstruction and capital preventative maintenance**  
 10 projects whose cost exceeds ~~\$2,000,000.00~~ and ~~projects for new~~  
 11 ~~construction or reconstruction~~ **\$5,000,000.00** undertaken after the  
 12 ~~effective date of the amendatory act that added this subsection~~  
 13 **April 1, 2016**, if allowed by the ~~federal highway administration~~  
 14 **Federal Highway Administration** and the department. A city or  
 15 village shall submit a proposed warranty program to the department  
 16 for approval no later than February 1, 2017. If a proposed warranty  
 17 program submitted under this subsection is approved by the  
 18 department, the city or village shall implement the program no  
 19 later than 1 year after the approval. **If the city or village has**  
 20 **implemented a warranty program approved before the effective date**  
 21 **of the amendatory act that added this sentence and that program**  
 22 **does not satisfy the requirements under this section, the city or**  
 23 **village shall update and submit a new proposed program to the**  
 24 **department for approval no later than October 1, 2020.** A city or  
 25 village shall include a list of all warranties that were secured  
 26 under this subsection and indicate whether any of those warranties  
 27 were redeemed with the report required under section 14(3), and  
 28 shall also list all pavement **construction or reconstruction and**  
 29 **capital preventative maintenance** projects whose cost exceeds

1 ~~\$2,000,000.00~~ **\$5,000,000.00** for which a warranty was not secured.

2 The list shall include, but is not limited to, all of the following  
3 information:

4 (a) The type of project.

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

6 (c) The expected lifespan of the project.

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

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

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

14 (14) With the approval of the director of the department, a  
15 city may use up to 20% of the amount received by that city under  
16 this section for public transit purposes if more than 10,000,000  
17 passengers used public transit within that city during the previous  
18 fiscal year.

19 (15) As used in this section:

20 (a) "Administrative expenses" means expenses that are not  
21 assigned under this section, including, but not limited to,  
22 specific road construction or maintenance projects, and are often  
23 referred to as general or supportive services. Administrative  
24 expenses do not include net equipment expense, net capital outlay,  
25 debt service principal and interest, or payments to other state or  
26 local offices that are assigned, but not limited to, specific road  
27 construction projects or maintenance activities.

28 (b) "Equivalent major mileage" means the sum of 2 times the  
29 state trunk line mileage certified by the department as of March 31

1 of each year, as being within the boundaries of each city and  
2 village having a population of 25,000 or more, plus the major  
3 street mileage in each city and village, multiplied by the  
4 following factor:

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

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

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

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

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

14 (vi) 1.5 for cities and villages from 40,001 to 50,000  
15 population.

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

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

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

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

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

26 (xii) For cities over 320,000 population, a factor of 2.1  
27 increased successively by 0.1 for each 160,000 population increment  
28 over 320,000.

1           (c) "Population" means the population according to the most  
2 recent statewide federal census as certified at the beginning of  
3 the state fiscal year, except that, if a municipality has been  
4 newly incorporated since completion of the census, the population  
5 of the municipality for purposes of the distribution of money  
6 before completion of the next census shall be the population as  
7 determined by special federal census, if there is a special federal  
8 census, and if not, by the population as determined by the official  
9 census in connection with the incorporation, if there is such a  
10 census and, if not, by a special state census to be taken at the  
11 expense of the municipality by the secretary of state ~~pursuant to~~  
12 **under** section 6 of the home rule city act, 1909 PA 279, MCL 117.6.