

**SUBSTITUTE FOR**  
**HOUSE BILL NO. 5460**

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

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

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

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

10       (i) For the payment of contributions required to be made by the  
11       state highway commission or the state transportation commission  
12       under contracts entered into before July 18, 1979, under 1941 PA  
13       205, MCL 252.51 to 252.64, which contributions have been pledged

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

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

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

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

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

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

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

26 (iv) If the department and ~~the~~ **A** road authority with  
 27 jurisdiction over the crossing formally agree that the grade

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

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

12 (e) For the preservation of state trunk line highways and  
13 bridges.

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

26 (g) The ~~state transportation~~ department may enter into  
27 agreements with county road commissions and with cities and

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

27 (h) For providing inventories of supplies and materials

1 required for the activities of the ~~state transportation department~~.  
2 The ~~state transportation department~~ may purchase supplies and  
3 materials for these purposes, with payment to be made out of the  
4 state trunk line fund to be charged on the basis of issues from  
5 inventory in accordance with the accounting and purchasing laws of  
6 this state.

7 (2) Notwithstanding any other provision of this act, **THE**  
8 **DEPARTMENT SHALL ANNUALLY EXPEND** at least 90% of state revenue  
9 appropriated annually to the state trunk line fund less the amounts  
10 described in subdivisions (a) to (i) ~~shall be expended annually by~~  
11 ~~the state transportation department~~ for the preservation of  
12 highways, roads, streets, and bridges and for the payment of debt  
13 service on bonds, notes, or other obligations described in  
14 subsection (1)(a) issued after July 1, 1983, for the purpose of  
15 providing ~~funds~~ **MONEY** for the preservation of highways, roads,  
16 streets, and bridges. Of the amounts appropriated for state trunk  
17 line projects, the department shall ~~, where possible,~~ secure  
18 warranties ~~of not less than 5-year~~ **FOR** full replacement **OR**  
19 **APPROPRIATE REPAIR** guarantee for contracted construction work **ON**  
20 **PROJECTS WHOSE COST EXCEEDS \$1,000,000.00, PROJECTS FOR NEW**  
21 **CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE**  
22 **OF THE 2014 AMENDATORY ACT THAT AMENDED THIS SUBDIVISION, AND ALL**  
23 **OTHER PROJECTS WHERE POSSIBLE. THE DEPARTMENT SHALL COMPILE AND**  
24 **MAKE AVAILABLE TO THE PUBLIC AN ANNUAL REPORT OF ALL WARRANTIES**  
25 **THAT WERE SECURED UNDER THIS SUBSECTION AND ALL PROJECTS WHERE A**  
26 **WARRANTY WAS NOT SECURED AS PROVIDED IN SUBSECTION (14).** If an  
27 appropriate certificate is filed under section 18e but only to the

1 extent necessary, this subsection ~~shall~~**DOES** not prohibit the use  
2 of any amount of money restricted as to use by section 9 of article  
3 IX of the state constitution of 1963 and deposited in the state  
4 trunk line fund for the payment of debt service on bonds, notes, or  
5 other obligations pledging for the payment thereof money restricted  
6 as to use by section 9 of article IX of the state constitution of  
7 1963 and deposited in the state trunk line fund, whenever issued,  
8 as specified under subsection (1)(a). The amounts ~~which~~**THAT** are  
9 deducted from the state trunk line fund for the purpose of the  
10 calculation required by this subsection are as follows:

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

14 (b) Amounts expended to provide the state matching requirement  
15 for projects on the national highway system and for the payment of  
16 debt service on bonds, notes, or other obligations issued after  
17 July 1, 1983, for the purpose of providing ~~funds~~**MONEY** for the  
18 state matching requirements for projects on the national highway  
19 system.

20 (c) Amounts expended for the construction of a highway,  
21 street, road, or bridge to 1 or more of the following or for the  
22 payment of debt service on bonds, notes, or other obligations  
23 issued after July 1, 1983, for the purpose of providing ~~funds~~**MONEY**  
24 for the construction of a highway, street, road, or bridge to 1 or  
25 more of the following:

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



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

4           (d) Amounts expended for capital outlay other than for  
5 highways, roads, streets, and bridges or to pay debt service on  
6 bonds, notes, or other obligations issued after July 1, 1983, for  
7 the purpose of providing ~~funds~~ **MONEY** for capital outlay other than  
8 for highways, roads, streets, and bridges.

9           (e) Amounts expended for the operating expenses of the ~~state~~  
10 ~~transportation~~ department other than the units of the department  
11 performing the functions assigned on January 1, 1983 to the bureau  
12 of highways.

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

15           (g) Amounts expended for the purposes described in subsection  
16 (5).

17           (h) Amounts appropriated for deposit in the transportation  
18 economic development fund and the rail grade crossing account  
19 pursuant to section ~~10(1)(g) and~~ 10(1)(a) **AND (G)**.

20           (i) Upon the affirmative recommendation of the director of the  
21 ~~state transportation~~ department and the approval by resolution of  
22 the state transportation commission, those amounts expended for  
23 projects vital to the economy of this state, a region, or local  
24 area or the safety of the public. The resolution shall state the  
25 cost of the project exempted from this subsection.

26           (3) Notwithstanding any other provision of this act, the ~~state~~  
27 ~~transportation~~ department shall expend annually at least 90% of the

1 federal revenue distributed to the credit of the state trunk line  
2 fund in that year, except for federal revenue expended for the  
3 purposes described in subsection (2)(b), (c), (f), and (i) and for  
4 the payment of notes issued under section 18b(9) on the  
5 preservation of highways, roads, streets, and bridges. The  
6 requirement of this subsection ~~shall be~~ **IS** waived if compliance  
7 would cause this state to be ineligible according to federal law  
8 for federal revenue, but only to the extent necessary to make this  
9 state eligible according to federal law for that revenue.

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

21 (5) County road commissions, cities, and villages may borrow  
22 money from the proceeds of bonds or notes issued under section 18b  
23 or the state trunk line fund for the purposes set forth in  
24 subsection (4) that shall be repayable, with interest, from 1 or  
25 more of the following:

26 (a) The money to be received by the county road commission,  
27 city, or village from the Michigan transportation fund, except to

1 the extent the money has been or may in the future be pledged by  
2 contract in accordance with 1941 PA 205, MCL 252.51 to 252.64, or  
3 has been or may in the future be pledged for the payment of the  
4 principal and interest upon notes issued pursuant to 1943 PA 143,  
5 MCL 141.251 to 141.254, or has been or may in the future be pledged  
6 for the payment of principal and interest upon bonds issued under  
7 section 18c or 18d, or has been or may in the future be pledged for  
8 the payment of the principal and interest upon bonds issued  
9 pursuant to 1952 PA 175, MCL 247.701 to 247.707.

10 (b) Any other legally available ~~funds~~**MONEY** of the city,  
11 village, or county road commission, other than the general funds of  
12 the county.

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

1 on the bonds or notes issued to make the loans. However, the ~~state~~  
2 ~~transportation~~-department may allow for the deferral of the first  
3 payment of interest or principal on the loans for a period of not  
4 to exceed 1 year after the respective first payment of interest or  
5 principal on the bonds or notes issued to make the loans.

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

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

1 financial or credit situation of the county road commission, city,  
2 or village, it would not be in the best interests of ~~the~~**THIS** state  
3 to make a loan under subsection (4) to the county road commission,  
4 city, or village, the loan shall not be made unless the state  
5 treasurer, after a hearing, if requested by the affected county  
6 road commission, city, or village, subsequently gives notice to the  
7 director of the ~~state transportation~~ department that the loan may  
8 be made on the conditions that the state treasurer specifies.

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

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

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

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

18           (13) Contracts entered into to advance money to a county road  
19 commission, city, or village under subsection (1)(g) are not  
20 subject to the revised municipal finance act, 2001 PA 34, MCL  
21 141.2101 to 141.2821.

22           **(14) THE DEPARTMENT SHALL PREPARE ON AN ANNUAL BASIS A REPORT**  
23 **LISTING ALL WARRANTIES THAT WERE SECURED UNDER SUBSECTION (2) AND**  
24 **INDICATE WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED. THE**  
25 **DEPARTMENT SHALL MAKE THE REPORT REQUIRED BY THIS SUBSECTION**  
26 **AVAILABLE TO THE PUBLIC UPON REQUEST AND SHALL ALSO POST THE REPORT**  
27 **ON ITS WEBSITE. THE DEPARTMENT SHALL ALSO INCLUDE IN THE REPORT**

1 REQUIRED BY THIS SUBSECTION A LIST OF ALL PROJECTS WHERE A WARRANTY  
2 WAS NOT SECURED, WHICH SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF  
3 THE FOLLOWING 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 (15) ~~(14)~~—As used in this section, "rail grade crossing  
15 improvement purposes" means 1 or more of the following:

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

18 (b) The installation or improvement of grade crossing  
19 surfaces.

20 (c) Modification, relocation, or modernization of railroad  
21 grade crossing active and passive warning devices necessitated by  
22 roadway improvement projects.

23 (d) Test installations of innovative warning devices or other  
24 innovative applications.

25 (e) Construction of new grade separations.

26 (f) A cash incentive payment made pursuant to subsection

27 (1)(c)(iv) for any public road or street crossing, in an amount no

1 greater than the cost of installing flashing light signals and half  
2 roadway gates at the crossing.

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

6 Sec. 12. (1) The amount distributed to the county road  
7 commissions shall be returned to the county treasurers in the  
8 manner, for the purposes, and under the terms and conditions  
9 specified in this section. The department and the county road  
10 association of Michigan shall jointly develop incentives for  
11 counties to establish statewide purchasing pools for the more  
12 efficient use of Michigan transportation funds.

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

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

25 (4) An amount equal to 10% of the total amount returned to the  
26 county road commissions from the Michigan transportation fund shall  
27 be returned to each county road commission having county primary,



1 or county local road, or both, mileage in the urban areas as  
2 determined pursuant to section 12b. This sum shall be distributed  
3 pursuant to section 12b. The return shall be in addition to the  
4 amounts provided in subsections (6) and (7) and for the purposes  
5 stated in those subsections.

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

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

22 (a) Three-fourths of the amount in proportion to the amount  
23 received within the respective county during the 12 months next  
24 preceding the date of each monthly distribution, as specific taxes  
25 upon registered motor vehicles under the Michigan vehicle code,  
26 1949 PA 300, MCL 257.1 to 257.923.

27 (b) One-tenth of the amount in the same proportion that the

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

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

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

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

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

24 (8) Money deposited in, or becoming a part of the county road  
25 funds of a board of county road commissioners shall be expended  
26 first for the payment of principal and interest on the bonds, for  
27 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 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 ~~its provisions.~~ **SECTION 18C.**

19 (c) For the payment of principal and interest upon loans  
20 received pursuant to section 11(5), to the extent other funds have  
21 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

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

26 (10) Not less than 20% per year of the ~~funds~~**MONEY** returned to  
 27 a county by this section shall be expended for snow and ice

1 removal, the construction or reconstruction of a new highway or  
2 existing highway, and the acquisition of a necessary right of way  
3 for those highways, and work incidental to those highways, or for  
4 the servicing of bonds issued by the county for these purposes.

5 ~~Surplus funds~~ **A COUNTY** may be expended ~~EXPEND SURPLUS MONEY~~ for the  
6 development, construction, or repair of an off-street parking  
7 facility.

8 (11) Not more than 5% per year of the ~~funds~~ **MONEY** returned to  
9 a county for the county primary road system and the county local  
10 road system shall be expended for the maintenance, improvement, or  
11 acquisition of appurtenant roadside parks and motor parkways.

12 (12) ~~Funds~~ **MONEY** returned to a county shall be expended by the  
13 county road commission for the purposes provided in this section  
14 and shall be deposited by the county treasurer in a designated  
15 county depository, in a separate account to the credit of the  
16 county road fund, and shall be paid out only upon the order of the  
17 county road commission, and interest accruing on the money shall  
18 become a part of, and be deposited with the county road fund.

19 (13) In a county to which ~~funds are~~ **MONEY IS** returned under  
20 this section, the function of the county road commission ~~shall be~~  
21 **IS** limited to the formation of policy and the performance of the  
22 official duties imposed by law and delegated by the county board of  
23 commissioners. A member of the county road commission shall not be  
24 employed individually in any other capacity for other duties with  
25 the county road commission.

26 (14) A county road commission may enter into an agreement with  
27 a county road commission of an adjacent county and with a city or

1 village to perform work on a highway, road, or street, and with the  
2 department with respect to a state trunk line **HIGHWAY** and  
3 connecting links of the state trunk line **HIGHWAY** within the limits  
4 of the county or adjacent to the county. The agreement may provide  
5 for the performance by each contracting party of the work  
6 contemplated by the contract including engineering services and the  
7 acquisition of rights of way in connection with the work  
8 contemplated, by purchase or condemnation, by any of the  
9 contracting parties in its own name and the agreement may provide  
10 for joint participation in the costs.

11 (15) Money distributed from the Michigan transportation fund  
12 may be expended for construction purposes on county local roads  
13 only to the extent matched by money from other sources. However,  
14 Michigan transportation funds may be expended for the construction  
15 of bridges on the county local roads in an amount not to exceed 75%  
16 of the cost of the construction of local road bridges.

17 (16) Notwithstanding any other provision of this act, at least  
18 90% of the state revenue returned annually to the county road  
19 commission from the Michigan transportation fund less the amounts  
20 described in subdivisions (a) to (e) shall be expended annually by  
21 the county road commission for the preservation of highways, roads,  
22 streets, and bridges, and for the payment of contractual  
23 contributions pledged for the payment of bonds or portions of  
24 bonds, debt service requirements for the payment of bonds or  
25 portions of bonds, and debt service requirements for the payment of  
26 notes and loans or portions of notes and loans issued or received  
27 after July 1, 1983, for the purpose of providing ~~funds~~ **MONEY** for

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

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

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

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

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

1 road commission or the county road commission, as applicable, shall  
2 pass a resolution approving these projects. This resolution shall  
3 state which projects will be funded and the cost of each project. A  
4 copy of each approved resolution shall be forwarded immediately to  
5 the department.

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

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



1 urban routes for purposes other than preservation purposes and the  
2 amount expended for hard-surfacing of gravel roads on the federal-  
3 aid system, is expended on the preservation of highways, roads,  
4 streets, and bridges. If a county road commission expends in 1 year  
5 less than 90% of the federal revenue distributed to the county road  
6 commission for highways, roads, streets, and bridges, less the  
7 amount expended on urban routes for purposes other than  
8 preservation and the amount expended for hard-surfacing of gravel  
9 roads on the federal-aid system, on the preservation of highways,  
10 roads, streets, and bridges and that year is not a part of a 3-year  
11 period in which at least 90% of the total federal revenue  
12 distributed in the 3-year period to the county road commission for  
13 highways, roads, streets, and bridges, less the amount expended on  
14 urban routes for purposes other than preservation and the amount  
15 expended for hard-surfacing of gravel roads on the federal-aid  
16 system, is expended on the preservation of highways, roads,  
17 streets, and bridges, the county road commission shall expend in  
18 each year subsequent to the 3-year period 100%, or less in 1 year  
19 if sufficient for the purposes of this subsection, of the federal  
20 revenue distributed to the county road commission for highways,  
21 roads, streets, and bridges, less the amount expended on urban  
22 routes for purposes other than preservation and the amount expended  
23 for hard-surfacing of gravel roads on the federal-aid system, on  
24 the preservation of highways, roads, streets, and bridges until the  
25 average percentage spent on the preservation of highways, roads,  
26 streets, and bridges in the 3-year period and the subsequent years,  
27 less the amount expended on urban routes for purposes other than

1 preservation and the amount expended for hard-surfacing of gravel  
2 roads on the federal-aid system, is at least 90%. A year may be  
3 included in only one 3-year period for the purposes of this  
4 subsection. The requirements of this subsection shall be waived if  
5 compliance would cause the county road commission to be ineligible  
6 for federal revenue under federal law, but only to the extent  
7 necessary to make the county road commission eligible for that  
8 revenue under federal law. For the purpose of the calculations  
9 required by this subsection, the amount expended on urban routes by  
10 a county road commission for purposes other than preservation and  
11 the amount expended for hard-surfacing of gravel roads on the  
12 federal-aid system shall be deducted from the total federal revenue  
13 distributed to the use of the county road commission.

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

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

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

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

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

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

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

10 (22) OF THE AMOUNTS APPROPRIATED FOR A COUNTY PRIMARY OR LOCAL  
11 ROAD SYSTEM UNDER THIS SECTION, A COUNTY ROAD COMMISSION SHALL  
12 SECURE WARRANTIES FOR FULL REPLACEMENT OR APPROPRIATE REPAIR  
13 GUARANTEE FOR CONTRACTED CONSTRUCTION WORK ON PROJECTS WHOSE COST  
14 EXCEEDS \$1,000,000.00, PROJECTS FOR NEW CONSTRUCTION OR  
15 RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE OF THE  
16 AMENDATORY ACT THAT ADDED THIS SUBSECTION IF ALLOWED BY THE FEDERAL  
17 HIGHWAY ADMINISTRATION AND THE DEPARTMENT, AND ALL OTHER PROJECTS  
18 WHERE POSSIBLE. A COUNTY ROAD COMMISSION SHALL INCLUDE A LIST OF  
19 ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION AND INDICATE  
20 WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED WITH THE REPORT  
21 REQUIRED UNDER SECTION 14(3). A COUNTY ROAD COMMISSION SHALL ALSO  
22 INCLUDE A LIST OF ALL PROJECTS WHERE A WARRANTY WAS NOT SECURED  
23 WITH THE REPORT REQUIRED UNDER SECTION 14(3), WHICH SHALL INCLUDE,  
24 BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

25 (A) THE TYPE OF PROJECT.

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

27 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

6           (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR  
7 REPAIRING THE PROJECT.

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

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

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

1 the same provisions as ~~funds~~**MONEY** returned under subsections (3)  
2 and (4).

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

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

20 (b) Payment of obligations of the city or village on highway  
21 projects undertaken by the city or village jointly with the  
22 department.

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

26 (d) For the preservation, construction, acquisition, and  
27 extension of the major street system as defined by this act



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

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

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

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

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

26 (6) Money returned under this section to a city or village  
27 shall be expended on the major and local street systems of that

1 city or village. However, the first priority ~~shall be~~ **IS** the major  
2 street system. Money returned for expenditure on the major street  
3 system shall be expended in the priority order provided in  
4 subsection (3) except that surplus ~~funds~~ **MONEY** may be transferred  
5 for preservation of the local street system. Major street ~~funds~~  
6 **MONEY** transferred for use on the local street system shall not be  
7 used for construction but may be used for preservation. A city or  
8 village shall not transfer more than 50% of its annual major street  
9 funding for the local street system unless it has adopted and is  
10 following an asset management process for its major and local  
11 street systems and adopts a resolution with a copy to the  
12 department setting forth all of the following:

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

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

16 (c) The dollar amount of the transfer.

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

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

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

1 systems.

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

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

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

26 (11) Interest earned on ~~funds~~**MONEY** returned to a city or a  
27 village for purposes provided in this section shall be credited to

1 the appropriate street fund.

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

1 discretion of the department or upon receiving a request from the  
2 speaker of the house of representatives or the senate majority  
3 leader.

4 (13) OF THE AMOUNTS APPROPRIATED FOR A CITY OR VILLAGE MAJOR  
5 OR LOCAL STREET SYSTEM UNDER THIS SECTION, A CITY OR VILLAGE SHALL  
6 SECURE WARRANTIES FOR FULL REPLACEMENT OR APPROPRIATE REPAIR  
7 GUARANTEE FOR CONTRACTED CONSTRUCTION WORK ON PROJECTS WHOSE COST  
8 EXCEEDS \$1,000,000.00, PROJECTS FOR NEW CONSTRUCTION OR  
9 RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE OF THE  
10 AMENDATORY ACT THAT ADDED THIS SUBSECTION, AND ALL OTHER PROJECTS  
11 WHERE POSSIBLE. A CITY OR VILLAGE SHALL INCLUDE A LIST OF ALL  
12 WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION AND INDICATE  
13 WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED WITH THE REPORT  
14 REQUIRED UNDER SECTION 14(3). A CITY OR VILLAGE SHALL ALSO INCLUDE  
15 A LIST OF ALL PROJECTS WHERE A WARRANTY WAS NOT SECURED WITH THE  
16 REPORT REQUIRED UNDER SECTION 14(3), WHICH SHALL INCLUDE, BUT IS  
17 NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

18 (A) THE TYPE OF PROJECT.

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

20 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

26 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR  
27 REPAIRING THE PROJECT.

1           (14) ~~(13)~~—As used in this section:

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

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

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

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

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

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

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

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

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

1 population.

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

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

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

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

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

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

25 Sec. 14. (1) Each county road commission and city and village  
26 of the state shall prepare biennial primary road and major street  
27 programs, based on long-range plans, and shall make the programs



1 available for review by the public.

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

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

25 (4) The ~~expenditure of adequate amounts, by~~ county road  
26 commissions and the cities and villages ~~,—~~ **ARE AUTHORIZED TO EXPEND**  
27 **ADEQUATE AMOUNTS** from funds returned by this act ~~,—~~ to cover the

1 cost of administration, engineering, and record keeping, ~~is hereby~~  
2 ~~authorized,~~ and expenditures for those purposes shall be reported  
3 separately by each county road commission, city, and village to the  
4 ~~state transportation~~ department.

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

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