

**SENATE 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 **PLEDGED BEFORE JULY 18,**
11 **1979 AND** required to be made by the state highway commission or the
12 state transportation commission under contracts entered into before

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

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

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

1 state transportation commission as are pledged for the payment of
2 bonds issued ~~pursuant to~~ **UNDER** contracts authorized by section 18d.

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

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

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

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

25 (iii) Consistent with the other requirements for ~~these funds~~,
26 **THIS MONEY**, the first priority for ~~funds~~ **MONEY** deposited ~~pursuant~~
27 ~~to~~ **UNDER** this subdivision for rail grade crossing improvements and

1 retirement shall be to match federal ~~funds~~**MONEY** from the railroad-
2 highway grade crossing improvement program or other comparable
3 federal programs if a match is required under federal law.

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

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

17 (e) For the preservation of state trunk line highways and
18 bridges.

19 (f) For the opening, widening, improving, construction, and
20 reconstruction of state trunk line highways and bridges, including
21 the acquisition of necessary rights of way and the work incidental
22 to that opening, widening, improving, construction, or
23 reconstruction. Those sums in the state trunk line fund not
24 otherwise appropriated, distributed, determined, or set aside by
25 law shall be used for the construction or reconstruction of the
26 national system of interstate and defense highways, referred to in
27 this act as "the interstate highway system" to the extent necessary

1 to match federal aid ~~funds~~ **MONEY** as the federal aid ~~funds become~~
2 **MONEY BECOMES** available for that purpose; and, for the construction
3 and reconstruction of the state trunk line system.

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

1 with interest, within 15 years after advancement, from any
 2 available revenue sources of the ~~county-LOCAL road commission,~~
 3 ~~city, or village-AGENCY~~ or, if provided in the contract, by
 4 deduction from the periodic disbursements of any money returned by
 5 the state to the ~~county-LOCAL road commission, city, or~~
 6 ~~village-AGENCY.~~

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

14 (2) Notwithstanding any other provision of this act, **THE**
 15 **DEPARTMENT SHALL ANNUALLY EXPEND** at least 90% of state revenue
 16 appropriated annually to the state trunk line fund less the amounts
 17 described in subdivisions (a) to (i) ~~shall be expended annually by~~
 18 ~~the state transportation department~~ for the preservation of
 19 highways, roads, streets, and bridges and for the payment of debt
 20 service on bonds, notes, or other obligations described in
 21 subsection (1)(a) issued after July 1, 1983, for the purpose of
 22 providing ~~funds-~~**MONEY** for the preservation of highways, roads,
 23 streets, and bridges. Of the amounts appropriated for state trunk
 24 line projects, the department shall, where possible, secure
 25 **PAVEMENT** warranties ~~of not less than 5 year-~~**FOR** full replacement **OR**
 26 **APPROPRIATE REPAIR** guarantee for contracted construction work **ON**
 27 **PAVEMENT PROJECTS WHOSE COST EXCEEDS \$1,000,000.00 AND PROJECTS FOR**

1 NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE
2 DATE OF THE 2014 AMENDATORY ACT THAT AMENDED THIS SUBDIVISION. THE
3 DEPARTMENT SHALL COMPILE AND MAKE AVAILABLE TO THE PUBLIC AN ANNUAL
4 REPORT OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION
5 AND ALL PROJECTS WHERE A WARRANTY WAS NOT SECURED AS PROVIDED IN
6 SUBSECTION (14). If an appropriate certificate is filed under
7 section 18e but only to the extent necessary, this subsection ~~shall~~
8 DOES not prohibit the use of any amount of money restricted as to
9 use by section 9 of article IX of the state constitution of 1963
10 and deposited in the state trunk line fund for the payment of debt
11 service on bonds, notes, or other obligations pledging for the
12 payment thereof money restricted as to use by section 9 of article
13 IX of the state constitution of 1963 and deposited in the state
14 trunk line fund, whenever issued, as specified under subsection
15 (1)(a). The amounts ~~which~~ **THAT** are deducted from the state trunk
16 line fund for the purpose of the calculation required by this
17 subsection are as follows:

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

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

27 (c) Amounts expended for the construction of a highway,

1 street, road, or bridge to 1 or more of the following or for the
2 payment of debt service on bonds, notes, or other obligations
3 issued after July 1, 1983, for the purpose of providing ~~funds~~**MONEY**
4 for the construction of a highway, street, road, or bridge to 1 or
5 more of the following:

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

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

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

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

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

22 (g) Amounts expended for the purposes described in subsection
23 (5).

24 (h) Amounts appropriated for deposit in the transportation
25 economic development fund and the rail grade crossing account
26 pursuant to section ~~10(1)(g) and~~ 10(1)(a) **AND (H)**.

27 (i) Upon the affirmative recommendation of the director of the

1 ~~state transportation~~ department and the approval by resolution of
 2 the state transportation commission, those amounts expended for
 3 projects vital to the economy of this state, a region, or local
 4 area or the safety of the public. The resolution shall state the
 5 cost of the project exempted from this subsection.

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

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

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

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

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

21 (6) ~~Loans~~ **IF REQUIRED BY THE DEPARTMENT, LOANS** made ~~pursuant~~
 22 ~~to~~ **UNDER** subsection (4) ~~if required by the state transportation~~
 23 ~~department may be~~ **ARE** payable by deduction by the state treasurer,
 24 upon direction of the ~~state transportation department,~~ from the
 25 periodic disbursements of any money returned by ~~the~~ **THIS** state
 26 under this act to the ~~county LOCAL road commission, city, or~~
 27 ~~village,~~ **AGENCY**, but only after sufficient money has been returned

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

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

25 (8) The ~~county-LOCAL road commission, city, or village~~ **AGENCY**
26 is not required to seek or obtain the approval of the electors, the
27 municipal finance commission or its successor agency, or, except as

provided in this subsection, the department of treasury to borrow money ~~pursuant to~~ **UNDER** subsection (5). The borrowing is not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or to section 5(g) of the home rule city act, 1909 PA 279, MCL 117.5. The ~~state transportation~~ department shall give at least 10 days' notice to the state treasurer of its intention to make a loan under subsection (4). If the state treasurer gives notice to the director of the ~~state transportation~~ department within 10 days of receiving the notice from the ~~state transportation~~ department, that, based upon the then existing financial or credit situation of the ~~county~~ **LOCAL** road ~~commission,~~ ~~city, or village,~~ **AGENCY**, it would not be in the best interests of ~~the~~ **THIS** state to make a loan under subsection (4) to the ~~county~~ **LOCAL** road ~~commission,~~ ~~city, or village,~~ **AGENCY**, the loan shall not be made unless the state treasurer, after a hearing, if requested by the affected ~~county~~ **LOCAL** road ~~commission,~~ ~~city, or village,~~ **AGENCY**, subsequently gives notice to the director of the ~~state transportation~~ department that the loan may be made on the conditions that the state treasurer specifies.

(9) The state transportation commission may borrow money and issue bonds and notes under ~~, and pursuant to the requirements of,~~ section 18b to make loans to ~~county~~ **A LOCAL** road ~~commissions,~~ ~~cities, and villages~~ **AGENCY** for the purposes described in the second paragraph of section 9 of article IX of the state constitution of 1963, as provided in subsection (4). A single issue of bonds or notes may be issued for the purposes specified in subsection (4) and for the other purposes specified in section 18b.

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

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

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

27 (12) Any performance audits of the department shall be

1 conducted according to government auditing standards issued by the
2 United States general accounting office.

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

7 (14) **THE DEPARTMENT SHALL PREPARE ON AN ANNUAL BASIS A REPORT**
8 **LISTING ALL WARRANTIES THAT WERE SECURED UNDER SUBSECTION (2) AND**
9 **INDICATE WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED. THE**
10 **DEPARTMENT SHALL MAKE THE REPORT REQUIRED BY THIS SUBSECTION**
11 **AVAILABLE TO THE PUBLIC UPON REQUEST AND SHALL ALSO POST THE REPORT**
12 **ON ITS WEBSITE, WHICH SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF**
13 **THE FOLLOWING INFORMATION:**

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

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

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

17 (15) ~~(14)~~ As used in this section: ~~7 "rail grade crossing~~
18 ~~improvement purposes"~~

19 (A) **"LOCAL ROAD AGENCY" MEANS THAT TERM AS DEFINED IN SECTION**
20 **9A.**

21 (B) **"RAIL GRADE CROSSING IMPROVEMENT PURPOSES"** means 1 or more
22 of the following:

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

25 (ii) ~~(b)~~ The installation or improvement of grade crossing
26 surfaces.

27 (iii) ~~(c)~~ Modification, relocation, or modernization of railroad

1 grade crossing active and passive warning devices necessitated by
2 roadway improvement projects.

3 (iv) ~~(d)~~—Test installations of innovative warning devices or
4 other innovative applications.

5 (v) ~~(e)~~—Construction of new grade separations.

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

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

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

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

26 (3) An amount equal to 1% of the total amount returned to the
27 county road commissions from the Michigan transportation fund

1 during the prior calendar year shall be withheld annually from the
2 counties' November monthly distribution provided for in section 17,
3 and the amount shall be returned to the county road commissions for
4 snow removal purposes as provided in section 12a.

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

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

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

1 follows:

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

7 (b) One-tenth of the amount in the same proportion that the
8 total mileage in the county primary road system of each county
9 bears to the total mileage in all of the county primary road
10 systems of ~~the~~ **THIS** state.

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

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

21 (a) Sixty-five percent of the amount in the same proportion
22 that the total mileage in the county local road system of each
23 county bears to the total mileage in all of the county local road
24 systems of the state.

25 (b) Thirty-five percent of the amount in the same proportion
26 that the total population outside of incorporated municipalities in
27 each county bears to the total population outside of incorporated

1 municipalities in all of the counties of the state, according to
2 the most recent statewide federal census as certified at the
3 beginning of the state fiscal year.

4 (8) Money deposited in, or becoming a part of the county road
5 funds of a board of county road commissioners shall be expended
6 first for the payment of principal and interest on the bonds, for
7 the payment of contractual contributions pledged for the payment of
8 bonds, for debt service requirements for the payment of contractual
9 contributions pledged for the payment of bonds, and for debt
10 service requirements for the payment of notes and loans in the
11 following order of priority:

12 (a) For the payment of contributions required to be made by a
13 board of county road commissioners under a contract entered into
14 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for
15 the payment of the principal and interest on bonds issued under
16 that act, or for the payment of total debt service requirements
17 upon notes issued by a board of county road commissioners under
18 1943 PA 143, MCL 141.251 to 141.254.

19 (b) For the payment of principal and interest upon bonds
20 issued under section 18c, and the payment of contributions of a
21 board of county road commissioners made pursuant to contracts
22 entered into under section 18d that are pledged to the payment of
23 principal and interest on bonds issued after June 30, 1957, under
24 the authorization of section 18c and contracts executed pursuant to
25 ~~its provisions.~~ **SECTION 18C.**

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

1 not been made available for that payment.

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

1 roads ~~under this section~~ ~~THAT IS~~ in excess of the total amount
2 paid into the county treasury each year by all of the townships of
3 that county for and on account of the county local roads pursuant
4 to section 14(6) may be transferred to and expended on the county
5 primary road system of that county.

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

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

19 (12) ~~Funds~~ **MONEY** returned to a county shall be expended by the
20 county road commission for the purposes provided in this section
21 and shall be deposited by the county treasurer in a designated
22 county depository, in a separate account to the credit of the
23 county road fund, and shall be paid out only upon the order of the
24 county road commission, and interest accruing on the money shall
25 become a part of, and be deposited with the county road fund.

26 (13) In a county to which ~~funds are~~ **MONEY IS** returned under
27 this section, the function of the county road commission ~~shall be~~

1 **IS** limited to the formation of policy and the performance of the
2 official duties imposed by law and delegated by the county board of
3 commissioners. A member of the county road commission shall not be
4 employed individually in any other capacity for other duties with
5 the county road commission.

6 (14) A county road commission may enter into an agreement with
7 a county road commission of an adjacent county and with a city or
8 village to perform work on a highway, road, or street, and with the
9 department with respect to a state trunk line **HIGHWAY** and
10 connecting links of the state trunk line **HIGHWAY** within the limits
11 of the county or adjacent to the county. The agreement may provide
12 for the performance by each contracting party of the work
13 contemplated by the contract including engineering services and the
14 acquisition of rights of way in connection with the work
15 contemplated, by purchase or condemnation, by any of the
16 contracting parties in its own name and the agreement may provide
17 for joint participation in the costs.

18 (15) Money distributed from the Michigan transportation fund
19 may be expended for construction purposes on county local roads
20 only to the extent matched by money from other sources. However,
21 Michigan transportation funds may be expended for the construction
22 of bridges on the county local roads in an amount not to exceed 75%
23 of the cost of the construction of local road bridges.

24 (16) Notwithstanding any other provision of this act, at least
25 90% of the state revenue returned annually to the county road
26 commission from the Michigan transportation fund less the amounts
27 described in subdivisions (a) to (e) shall be expended annually by

1 the county road commission for the preservation of highways, roads,
2 streets, and bridges, and for the payment of contractual
3 contributions pledged for the payment of bonds or portions of
4 bonds, debt service requirements for the payment of bonds or
5 portions of bonds, and debt service requirements for the payment of
6 notes and loans or portions of notes and loans issued or received
7 after July 1, 1983, for the purpose of providing ~~funds~~**MONEY** for
8 the preservation of highways, roads, streets, and bridges. If an
9 appropriate certificate is filed under subsection (18) but only to
10 the extent necessary, this subsection does not prohibit the use of
11 any amount of state revenue returned annually to the county road
12 commissions for the payment of contractual contributions pledged
13 for the payment of bonds, for debt service requirements for the
14 payment of bonds, and for debt service requirements for the payment
15 of notes or loans, whenever issued or received, as specified under
16 subsection (8). The amounts that are deducted from the state
17 revenue returned to a county road commission from the Michigan
18 transportation fund, for the purpose of the calculation required by
19 this subsection are as follows:

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

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

25 (c) Amounts expended for capital outlay projects for equipment
26 and buildings, and for the payment of contractual contributions
27 pledged for the payment of bonds, for debt service requirements for

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

5 (d) Amounts expended for projects vital to the economy of the
6 local area or the safety of the public in the local area. Before
7 these amounts can be deducted, the governing body over the county
8 road commission or the county road commission, as applicable, shall
9 pass a resolution approving these projects. This resolution shall
10 state which projects will be funded and the cost of each project. A
11 copy of each approved resolution shall be forwarded immediately to
12 the department.

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

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

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

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

21 (18) A county road commission shall certify to the department
22 on or before the issuance of any bonds or notes issued after July
23 1, 1983, pursuant to 1943 PA 143, MCL 141.251 to 141.254, 1941 PA
24 205, MCL 252.51 to 252.64, or section 18c or 18d, for purposes
25 other than the preservation of highways, roads, streets, and
26 bridges and purposes other than the purposes specified in
27 subsection (16)(c) that its average annual debt service

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

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

27 (20) Not more than 10% per year of all of the ~~funds~~**MONEY**

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

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

1 on the 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 GUARANTEE FOR CONTRACTED CONSTRUCTION WORK ON
21 PAVEMENT PROJECTS WHOSE COST EXCEEDS \$1,000,000.00 AND PROJECTS FOR
22 NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE
23 DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, IF ALLOWED
24 BY THE FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A COUNTY
25 ROAD COMMISSION SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE
26 DEPARTMENT FOR APPROVAL NO LATER THAN SEPTEMBER 30, 2015. IF A
27 PROPOSED WARRANTY PROGRAM SUBMITTED UNDER THIS SUBSECTION IS

1 APPROVED BY THE DEPARTMENT, THE COUNTY ROAD COMMISSION SHALL
2 IMPLEMENT THE PROGRAM NO LATER THAN 1 YEAR AFTER THE APPROVAL. A
3 COUNTY ROAD COMMISSION SHALL INCLUDE A LIST OF ALL WARRANTIES THAT
4 WERE SECURED UNDER THIS SUBSECTION AND INDICATE WHETHER ANY OF
5 THOSE WARRANTIES WERE REDEEMED WITH THE REPORT REQUIRED UNDER
6 SECTION 14(3). THE LIST SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL
7 OF THE FOLLOWING INFORMATION:

8 (A) THE TYPE OF PROJECT.

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

10 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

26 (2) From the amount available for distribution to cities and
27 villages during each December, an amount equal to 0.7% of the total

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

1 the amount available for distribution under subsections (3) and (4)
2 during the next month. The distributions shall be for use on the
3 major and local street systems respectively and shall be subject to
4 the same provisions as ~~funds~~**MONEY** returned under subsections (3)
5 and (4).

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

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

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

26 (c) For the payment of principal and interest upon loans
27 received pursuant to section 11(5), to the extent other ~~funds~~ have

1 **MONEY HAS** not been made available for that payment.

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

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

24 (4) The remaining amount to be returned to incorporated cities
25 and villages shall be expended in each city or village for the
26 preservation, construction, acquisition, and extension of the local
27 street system of the city or village, including the acquisition of

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

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

1 special assessments, or from any other source.

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

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

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

19 (c) The dollar amount of the transfer.

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

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

23 (7) A city or village that has not adopted an asset management
24 plan shall obtain the concurrence of the department to transfer
25 more than 50% of its major street funding to its local street
26 system. The department may provide for pilot projects that would
27 allow a city or village that has adopted an asset management plan

1 under subsection (6) to combine their local and major street funds
2 into 1 street fund and to submit a single report to the department
3 on the expenditure of ~~funds~~**MONEY** on the local and major street
4 systems.

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

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

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

1 appropriate.

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

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

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

7 (13) OF THE AMOUNTS APPROPRIATED FOR A CITY OR VILLAGE MAJOR
8 OR LOCAL STREET SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A CITY
9 OR VILLAGE SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR
10 APPROPRIATE REPAIR GUARANTEE FOR CONTRACTED CONSTRUCTION WORK ON
11 PAVEMENT PROJECTS WHOSE COST EXCEEDS \$1,000,000.00 AND PROJECTS FOR
12 NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE
13 DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION IF ALLOWED BY
14 THE 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 SEPTEMBER 30, 2015. IF A PROPOSED
17 WARRANTY 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. A CITY OR VILLAGE SHALL
20 INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS
21 SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE
22 REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3). THE LIST
23 SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING
24 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 (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.

21 Enacting section 1. This amendatory act does not take effect
22 unless House Bill No. 5477 of the 97th Legislature is enacted into
23 law.