

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 5007**

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 10c, 12, and 13 (MCL 247.660c, 247.662, and 247.663), section 10c as amended by 2010 PA 257, section 12 as amended by 2010 PA 143, and section 13 as amended by 2010 PA 261.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 10c. As used in this act:

2 (a) "Urban or rural area" means a contiguous developed area,
3 including the immediate surrounding area, where transportation
4 services should reasonably be provided presently or in the future;
5 the area within the jurisdiction of an eligible authority; or for
6 the purpose of receiving funds for public transportation, a
7 contiguous developed area having a population of less than 50,000
8 that has an urban public transportation program approved by the
9 ~~state transportation department~~ and for which the state
10 transportation commission determines that public transportation
11 services should reasonably be provided presently or in the future.

12 (b) "Eligible authority" means an authority organized under
13 the metropolitan transportation authorities act of 1967, 1967 PA

1 204, MCL 124.401 to 124.426.

2 (c) "Eligible governmental agency" means a county, city, or
3 village or an authority created under 1963 PA 55, MCL 124.351 to
4 124.359; the urban cooperation act of 1967, 1967 (Ex Sess) PA 7,
5 MCL 124.501 to 124.512; 1967 (Ex Sess) PA 8, MCL 124.531 to
6 124.536; 1951 PA 35, MCL 124.1 to 124.13; the public transportation
7 authority act, 1986 PA 196, MCL 124.451 to 124.479; or the revenue
8 bond act of 1933, 1933 PA 94, MCL 141.101 to 141.140.

9 (d) "Transit vehicle" means a bus, rapid transit vehicle,
10 railroad car, street railway car, water vehicle, taxicab, or other
11 type of public transportation vehicle or individual unit, whether
12 operated singly or in a group ~~which~~ **THAT** provides public
13 transportation.

14 (e) "Transit vehicle mile" means a transit vehicle operated
15 for 1 mile in public transportation service, including demand
16 actuated and line-haul vehicle miles.

17 (f) "Demand actuated vehicle" means a bus or smaller transit
18 vehicle operated for providing group rides to members of the
19 general public paying fares individually, and on demand rather than
20 in regularly scheduled route service.

21 (g) "Demand actuated vehicle mile" means a demand actuated
22 vehicle operated for 1 mile in service to the general public.

23 (h) "Public transportation", "comprehensive transportation",
24 "public transportation service", "comprehensive transportation
25 service", "public transportation purpose", or "comprehensive
26 transportation purpose" means the movement of people and goods by
27 publicly or privately owned water vehicle, bus, railroad car,

1 street railway, aircraft, rapid transit vehicle, taxicab, or other
2 conveyance ~~which~~**THAT** provides general or special service to the
3 public, but not including charter or sightseeing service or
4 transportation ~~which~~**THAT** is exclusively for school purposes.
5 Public transportation, public transportation services, or public
6 transportation purposes; and comprehensive transportation,
7 comprehensive transportation services, or comprehensive
8 transportation purposes as defined in this subdivision are declared
9 by law to be transportation purposes within the meaning of section
10 9 of article IX of the state constitution of 1963.

11 (i) "State transportation commission" **OR "COMMISSION"** means
12 the state transportation commission established in section 28 of
13 article V of the state constitution of 1963.

14 (j) "Governmental unit" means the state transportation
15 department, the state transportation commission, a county road
16 commission, a city, or a village.

17 (k) "Department" or "department of transportation" **OR "STATE**
18 **TRANSPORTATION DEPARTMENT"** means ~~the state transportation~~
19 ~~department,~~ the principal department of state government created
20 under section 350 of the executive organization act of 1965, 1965
21 PA 380, MCL 16.450.

22 (l) "Preservation" means an activity undertaken to preserve the
23 integrity of the existing roadway system. Preservation does not
24 include new construction of highways, roads, streets, or bridges, a
25 project that increases the capacity of a highway facility to
26 accommodate that part of traffic having neither an origin nor
27 destination within the local area, widening of a lane width or

1 more, or adding turn lanes of more than 1/2 mile in length.

2 Preservation includes, but is not limited to, 1 or more of the
3 following:

4 (i) Maintenance.

5 (ii) Capital preventive treatments.

6 (iii) Safety projects.

7 (iv) Reconstruction.

8 (v) Resurfacing.

9 (vi) Restoration.

10 (vii) Rehabilitation.

11 (viii) Widening of less than the width of 1 lane.

12 (ix) Adding auxiliary weaving, climbing, or speed change lanes.

13 (x) Modernizing intersections.

14 (xi) Adding auxiliary turning lanes of 1/2 mile or less.

15 (xii) Installing traffic signs in new locations, installing
16 signal devices in new locations, and replacing existing signal
17 devices.

18 (m) "Maintenance" means routine maintenance or preventive
19 maintenance, or both. Maintenance does not include capital
20 preventive treatments, resurfacing, reconstruction, restoration,
21 rehabilitation, safety projects, widening of less than 1 lane
22 width, adding auxiliary turn lanes of 1/2 mile or less, adding
23 auxiliary weaving, climbing, or speed-change lanes, modernizing
24 intersections, or the upgrading of aggregate surface roads to hard
25 surface roads. Maintenance of state trunk line highways does not
26 include streetlighting except for freeway lighting for traffic
27 safety purposes.

(n) "Routine maintenance" means actions performed on a regular or controllable basis or in response to uncontrollable events upon a highway, road, street, or bridge. Routine maintenance includes, but is not limited to, 1 or more of the following:

(i) Snow and ice removal.

(ii) Pothole patching.

(iii) Unplugging drain facilities.

(iv) Replacing damaged sign and pavement markings.

(v) Replacing damaged guardrails.

(vi) Repairing storm damage.

(vii) Repair or operation of traffic signs and signal systems.

(viii) Emergency environmental cleanup.

(ix) Emergency repairs.

(x) Emergency management of road closures that result from uncontrollable events.

(xi) Cleaning streets and associated drainage.

(xii) Mowing roadside.

(xiii) Control of roadside brush and vegetation.

(xiv) Cleaning roadside.

(xv) Repairing lighting.

(xvi) Grading.

(o) "Preventive maintenance" means a planned strategy of cost-effective treatments to an existing roadway system and its appurtenances that preserve assets by retarding deterioration and maintaining functional condition without significantly increasing structural capacity. Preventive maintenance includes, but is not limited to, 1 or more of the following:

- 1 (i) Pavement crack sealing.
- 2 (ii) Micro surfacing.
- 3 (iii) Chip sealing.
- 4 (iv) Concrete joint resealing.
- 5 (v) Concrete joint repair.
- 6 (vi) Filling shallow pavement cracks.
- 7 (vii) Patching concrete.
- 8 (viii) Shoulder resurfacing.
- 9 (ix) Concrete diamond grinding.
- 10 (x) Dowel bar retrofit.
- 11 (xi) Bituminous overlays of 1-1/2 inches or less in thickness.
- 12 (xii) Restoration of drainage.
- 13 (xiii) Bridge crack sealing.
- 14 (xiv) Bridge joint repair.
- 15 (xv) Bridge seismic retrofit.
- 16 (xvi) Bridge scour countermeasures.
- 17 (xvii) Bridge painting.
- 18 (xviii) Pollution prevention.
- 19 (xix) New treatments as they ~~may be~~ **ARE** developed.

20 (p) "County road commission" means the board of county road
21 commissioners elected or appointed pursuant to section 6 of chapter
22 IV of 1909 PA 283, MCL 224.6, or, in the case of a charter county
23 with a population of 750,000 or more with an elected county
24 executive that does not have a board of county road commissioners,
25 the county executive for ministerial functions and the county
26 commission provided for in section 14(1)(d) of 1966 PA 293, MCL
27 45.514, for legislative functions. **IN ADDITION, IF A BOARD OF**

1 COUNTY ROAD COMMISSIONERS IS DISSOLVED AS PROVIDED IN SECTION 6 OF
2 CHAPTER IV OF 1909 PA 283, MCL 224.6, COUNTY ROAD COMMISSION
3 INCLUDES THE COUNTY BOARD OF COMMISSIONERS OF THE COUNTY.

4 (q) "Capital preventive treatments" means any preventive
5 maintenance category project on state trunk line highways that
6 qualifies under the department's capital preventive maintenance
7 program.

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

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

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

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

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

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

25 (a) Three-fourths of the amount in proportion to the amount
26 received within the respective county during the 12 months next
27 preceding the date of each monthly distribution, as specific taxes

1 upon registered motor vehicles under the Michigan vehicle code,
2 1949 PA 300, MCL 257.1 to 257.923.

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

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

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

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

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

27 (8) Money deposited in, or becoming a part of the county road

1 funds of a board of county road commissioners shall be expended
2 first for the payment of principal and interest on the bonds, for
3 the payment of contractual contributions pledged for the payment of
4 bonds, for debt service requirements for the payment of contractual
5 contributions pledged for the payment of bonds, and for debt
6 service requirements for the payment of notes and loans in the
7 following order of priority:

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

15 (b) For the payment of principal and interest upon bonds
16 issued under section 18c, and the payment of contributions of a
17 board of county road commissioners ~~to be made pursuant to contracts~~
18 entered into under section 18d, ~~which contributions~~ **THAT** are
19 pledged to the payment of principal and interest on bonds issued
20 after June 30, 1957, under the authorization of section 18c and
21 contracts executed pursuant to its provisions.

22 (c) For the payment of principal and interest upon loans
23 received pursuant to section ~~11(7),~~ **11(5)**, to the extent other
24 funds have not been made available for that payment.

25 (9) Beginning November 1, 2008, ~~not to exceed~~ **NO MORE THAN** 50%
26 per year of the amount returned to a county for use on the county
27 primary road system may be expended, with or without matching, on

1 the county local road system of that county. Except as otherwise
2 provided in this subsection, beginning September 30, 2010, ~~not to~~
3 ~~exceed~~ **NO MORE THAN** 30% per year of the amount returned to a county
4 for use on the county primary road system may be expended, with or
5 without matching, on the county local road system of that county.
6 An additional amount, not to exceed 20% per year of the amount
7 returned to a county for use on the county primary road system, may
8 be expended on the county local road system of that county if there
9 is an emergency or if the county road commission determines that an
10 additional 20% may be expended on the county local road system. The
11 county road commission may attach any conditions to its
12 determination if the determination is for nonemergency purposes,
13 including, but not limited to, a requirement that the additional
14 20% expended on the county local road system only be used to
15 supplement funds from other sources. ~~Not to exceed~~ **NO MORE THAN** 15%
16 per year of the amount returned to a county for expenditure on the
17 county local road system may be used, with or without matching, on
18 the county primary road system of that county, and not to exceed an
19 additional 15% per year of the amount returned to a county for
20 expenditure on the county local road system, may, in case of an
21 emergency or with the approval of the county road commission, be
22 expended, with or without matching, on the county primary road
23 system of that county. An amount returned to a county for and on
24 account of county local roads, under this section, in excess of the
25 total amount paid into the county treasury each year by all of the
26 townships of that county for and on account of the county local
27 roads pursuant to section 14(6) may be transferred to and expended

1 on the county primary road system of that county.

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

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

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

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

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

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

20 (16) Notwithstanding any other provision of this act, at least
21 90% of the state revenue returned annually to the county road
22 commission from the Michigan transportation fund less the amounts
23 described in subdivisions (a) to (e) shall be expended annually by
24 the county road commission for the preservation of highways, roads,
25 streets, and bridges, and for the payment of contractual
26 contributions pledged for the payment of bonds or portions of
27 bonds, debt service requirements for the payment of bonds or

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

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

19 (b) Amounts expended for the administrative costs of the
20 county road commission.

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

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

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

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

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

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

20 (18) A county road commission shall certify ~~, which~~
 21 ~~certification shall, for purposes of the validity of bonds and~~
 22 ~~notes, be conclusive as to the matters stated therein,~~ to the state
 23 ~~transportation~~ department on or before the issuance of any bonds or
 24 notes issued after July 1, 1983, pursuant to 1943 PA 143, MCL
 25 141.251 to 141.254, 1941 PA 205, MCL 252.51 to 252.64, or section
 26 18c or 18d, for purposes other than the preservation of highways,
 27 roads, streets, and bridges and purposes other than the purposes

1 specified in subsection (16)(c) that its average annual debt
2 service requirements for all bonds and notes or portions of bonds
3 and notes issued after July 1, 1983, for purposes other than the
4 preservation of highways, roads, streets, and bridges and other
5 than for the purposes specified in subsection (16)(c), including
6 the bond or note to be issued does not exceed 10% of the funds
7 returned to the county road commission pursuant to this act, less
8 the amounts specified in subsection (16)(a), (b), and (c) during
9 the last completed fiscal year of the county road commission. If
10 the purpose for which the bonds or notes are issued is changed
11 after the issuance of the notes or bonds, the change shall be made
12 in ~~such a manner to maintain~~ **THAT MAINTAINS** compliance with the
13 certification required by this subsection, as of the date the
14 certificate was originally issued, but no such change shall
15 invalidate or otherwise affect the bonds or notes with respect to
16 which the certificate was issued or the obligation to pay debt
17 service on the bonds or notes. **A CERTIFICATION UNDER THIS**
18 **SUBSECTION IS CONCLUSIVE AS TO THE MATTERS STATED IN THE**
19 **CERTIFICATION FOR PURPOSES OF THE VALIDITY OF BONDS AND NOTES.**

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

1 this act.

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

16 (21) In addition to the financial compliance audits required
17 by law, the department ~~of treasury shall~~ **MAY** conduct performance
18 audits and make investigations of the disposition of all state
19 funds received by county road commissions, county boards of
20 commissioners, or any other county governmental agency acting as
21 the county road authority, for transportation purposes to determine
22 compliance with the terms and conditions of this act. Performance
23 audits shall be conducted according to government auditing
24 standards issued by the United States general accounting office.
25 **THE DEPARTMENT SHALL DEVELOP PERFORMANCE AUDIT PROCEDURES AND**
26 **REPORTING REQUIREMENTS SUFFICIENT TO DETERMINE WHETHER FUNDS**
27 **EXPENDED UNDER THIS SECTION WERE EXPENDED IN COMPLIANCE WITH THIS**

1 ACT BY JULY 1, 2012 AND SHALL REPORT TO THE TRANSPORTATION
 2 COMMITTEES OF THE SENATE AND HOUSE OF REPRESENTATIVES NO LATER THAN
 3 AUGUST 1, 2012 ON THE ADDITIONAL AUDIT PROCEDURES AND REPORTING
 4 REQUIREMENTS. The department ~~of treasury~~ shall provide ~~6 months~~
 5 notice to the county road commission, ~~or~~ county board of
 6 commissioners, **OR ANY OTHER COUNTY GOVERNMENTAL AGENCY ACTING AS**
 7 **THE COUNTY ROAD AUTHORITY**, as applicable, of the standards to be
 8 used for audits performed under this subsection. **THE NOTICE SHALL**
 9 **BE PROVIDED 6 MONTHS** prior to the fiscal year in which the audit is
 10 conducted. The department shall notify the county road commission,
 11 ~~or~~ county board of commissioners, **OR ANY OTHER COUNTY GOVERNMENTAL**
 12 **AGENCY ACTING AS THE COUNTY ROAD AUTHORITY** of any subsequent
 13 changes to the standards. County road commissions, ~~or~~ county boards
 14 of commissioners, **OR ANY OTHER COUNTY GOVERNMENTAL AGENCIES ACTING**
 15 **AS COUNTY ROAD AUTHORITIES**, as applicable, shall make available to
 16 the department ~~of treasury~~ the pertinent records for the audit.
 17 **PERFORMANCE AUDITS MAY BE PERFORMED AT THE DISCRETION OF THE**
 18 **DEPARTMENT OR UPON RECEIVING A REQUEST FROM THE SPEAKER OF THE**
 19 **HOUSE OF REPRESENTATIVES OR THE SENATE MAJORITY LEADER.**

20 Sec. 13. (1) The amount distributed to cities and villages
 21 shall be returned to the treasurers of the cities and villages in
 22 the manner, for the purposes, and under the terms and conditions
 23 specified in this section. ~~As used in this section, "population"~~
 24 ~~means the population according to the most recent statewide federal~~
 25 ~~census as certified at the beginning of the state fiscal year,~~
 26 ~~except that, if a municipality has been newly incorporated since~~
 27 ~~completion of the census, the population of the municipality for~~

~~purposes of the distribution of funds before completion of the next census shall be the population as determined by special federal census, if there is a special federal census, and if not, by the population as determined by the official census in connection with the incorporation, if there is such a census and, if not, by a special state census to be taken at the expense of the municipality by the secretary of state pursuant to section 6 of the home rule city act, 1909 PA 279, MCL 117.6.~~ The amount received by ~~the~~**A** newly incorporated municipality shall be in place of any other direct distribution of funds from the Michigan transportation fund. The population of ~~the~~**A** newly incorporated municipality as determined under this section shall be added to the total population of all incorporated cities and villages in the state in computing the amounts to be returned under this section to each municipality in the state. Major street mileage, local street mileage, and equivalent major mileage, if applicable, shall be determined by the ~~state transportation~~ department before the next month for which distribution is made following the effective date of incorporation of a newly incorporated municipality.

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

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

(3) Seventy-five percent of the remaining amount to be returned to the cities and villages, after deducting the amounts withheld pursuant to subsection (2), shall be returned 60% in the same proportion that the population of each bears to the total population of all cities and villages, and 40% in the same proportion that the equivalent major mileage in each bears to the total equivalent major mileage in all cities and villages. ~~As used in this section, "equivalent major mileage" means the sum of 2 times the state trunk line mileage certified by the state transportation department as of March 31 of each year, as being within the boundaries of each city and village having a population of 25,000 or more, plus the major street mileage in each city and village, multiplied by the following factor:~~

- ~~—— 1.0 for cities and villages of 2,000 or less population;~~
- ~~—— 1.1 for cities and villages from 2,001 to 10,000 population;~~
- ~~—— 1.2 for cities and villages from 10,001 to 20,000 population;~~
- ~~—— 1.3 for cities and villages from 20,001 to 30,000 population;~~
- ~~—— 1.4 for cities and villages from 30,001 to 40,000 population;~~
- ~~—— 1.5 for cities and villages from 40,001 to 50,000 population;~~
- ~~—— 1.6 for cities and villages from 50,001 to 65,000 population;~~
- ~~—— 1.7 for cities and villages from 65,001 to 80,000 population;~~
- ~~—— 1.8 for cities and villages from 80,001 to 95,000 population;~~
- ~~—— 1.9 for cities and villages from 95,001 to 160,000 population;~~
- ~~—— 2.0 for cities and villages from 160,001 to 320,000 population;~~
- ~~—— and for cities over 320,000 population, by a factor of 2.1 increased successively by 0.1 for each 160,000 population increment~~

1 ~~ever 320,000.~~ The amount returned under this subsection shall be
2 used by each city and village for the following purposes in the
3 following order of priority:

4 (a) For the payment of contributions required to be made by a
5 city or village under the provisions of contracts previously
6 entered into under 1941 PA 205, MCL 252.51 to 252.64, ~~which~~
7 ~~contributions~~ **THAT** have been previously pledged for the payment of
8 the principal and interest on bonds issued under that act; or for
9 the payment of the principal and interest upon bonds issued by a
10 city or village pursuant to 1952 PA 175, MCL 247.701 to 247.707.

11 (b) Payment of obligations of the city or village on highway
12 projects undertaken by the city or village jointly with the ~~state~~
13 ~~transportation~~ department.

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

17 (d) For the preservation, construction, acquisition, and
18 extension of the major street system as defined by this act
19 including the acquisition of a necessary right of way for the
20 system, work incidental to the system, and an appurtenant roadside
21 park or motor parkway, of the city or village and for the payment
22 of the principal and interest on that portion of the city's or
23 village's general obligation bonds ~~which~~ **THAT** are attributable to
24 the construction or reconstruction of the city's or village's major
25 street system. Not more than 5% per year of the funds returned to a
26 city or village by this subsection shall be expended for the
27 preservation or acquisition of appurtenant roadside parks and motor

1 parkways. Surplus funds may be expended for the development,
2 construction, or repair of off-street parking facilities, ~~and the~~
3 construction or repair of street lighting, and transfer to the
4 local street system under subsection (6).

5 (e) For capital outlay projects for equipment and buildings,
6 contributions pledged for the payment of loans and for the payment
7 of contractual debt service requirements for the payment of bonds
8 for the purpose of providing funds for capital outlay projects for
9 equipment and buildings necessary to the development and
10 maintenance of the road system so long as amounts allocated under
11 this ~~subsection~~ **SUBDIVISION** are used for transportation purposes.

12 (4) The remaining amount to be returned to incorporated cities
13 and villages shall be expended in each city or village for the
14 preservation, construction, acquisition, and extension of the local
15 street system of the city or village, ~~as defined by this act,~~
16 including the acquisition of a necessary right of way for the
17 system, work incidental to the system, and subject to subsection
18 (5), for the payment of the principal and interest on ~~that~~ **THE**
19 portion of the city's or village's general obligation bonds ~~which~~
20 **THAT** are attributable to the construction or reconstruction of the
21 city's or village's local street system. The amount returned under
22 this subsection shall be returned to the cities and villages 60% in
23 the same proportion that the population of each bears to the total
24 population of all incorporated cities and villages in the state,
25 and 40% in the same proportion that the total mileage of the local
26 street system of each bears to the total mileage in the local
27 street systems of all cities and villages of the state. The payment

1 of the principal and interest upon bonds issued by a city or
2 village pursuant to 1952 PA 175, MCL 247.701 to 247.707, and after
3 that payment, the payment of debt service on loans received under
4 section 11(5), shall have priority in the expenditure of money
5 returned under this subsection.

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

18 (6) Money returned under this section to a city or village
19 shall be expended on the major and local street systems of that
20 city or village. However, the first priority shall be the major
21 street system. Money returned for expenditure on the major street
22 system shall be expended in the priority order provided in
23 subsection (3) except that surplus funds may be transferred for
24 preservation of the local street system. Major street funds
25 transferred for use on the local street system shall not be used
26 for construction but may be used for preservation. ~~as defined in~~
27 ~~section 10c.~~ A city or village shall not transfer more than 50% of

1 its annual major street funding for the local street system unless
2 it has adopted and is following an asset management process for its
3 major and local street systems and adopts a resolution with a copy
4 to the department setting forth all of the following:

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

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

8 (c) The dollar amount of the transfer.

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

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

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

20 (8) Not more than 10% per year of all of the funds returned to
21 a city or village from any source for the purposes of this section
22 may be expended for administrative expenses. ~~As used in this~~
23 ~~subsection, "administrative expenses" means those expenses that are~~
24 ~~not assigned including, but not limited to, specific road~~
25 ~~construction or maintenance projects and are often referred to as~~
26 ~~general or supportive services. Administrative expenses shall not~~
27 ~~include net equipment expense, net capital outlay, debt service~~

~~principal and interest, and payments to other state or local offices that are assigned, but not limited to, specific road construction projects or maintenance activities.~~ A city or village ~~which in a year~~ **THAT** expends more than 10% for administrative expenses ~~shall be~~ **IN A YEAR IS** subject to section 14(5).

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

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

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

1 (12) In addition to the financial compliance audits required
2 by law, the department ~~of treasury shall~~ **MAY** conduct performance
3 audits and make investigations of the disposition of all state
4 funds received by cities and villages for transportation purposes
5 to determine compliance with the terms and conditions of this act.
6 Performance audits shall be conducted according to government
7 auditing standards issued by the United States general accounting
8 office. **THE DEPARTMENT SHALL DEVELOP ALL PERFORMANCE AUDIT**
9 **PROCEDURES AND REPORTING REQUIREMENTS SUFFICIENT TO DETERMINE**
10 **WHETHER FUNDS EXPENDED UNDER THIS SECTION WERE EXPENDED IN**
11 **COMPLIANCE WITH THIS ACT BY JULY 1, 2012 AND SHALL REPORT TO THE**
12 **TRANSPORTATION COMMITTEES OF THE SENATE AND HOUSE OF**
13 **REPRESENTATIVES NO LATER THAN AUGUST 1, 2012 ON THE ADDITIONAL**
14 **AUDIT PROCEDURES AND REPORTING REQUIREMENTS. THE AUDIT PROCEDURES**
15 **SHALL INCLUDE A REVIEW OF THE ROAD FUND BALANCE OF THE CITY OR**
16 **VILLAGE. THE CITIES AND VILLAGES SHALL REPORT THEIR ROAD FUND**
17 **BALANCES BY FUND BALANCE COMPONENT. THE DEPARTMENT SHALL ASSIST**
18 **CITIES AND VILLAGES TO ENSURE THAT ROAD FUND BALANCES ARE**
19 **CONSISTENTLY CLASSIFIED AND ARE IN COMPLIANCE WITH THE AUDIT AND**
20 **REPORTING REQUIREMENTS OF THIS SECTION.** The department ~~of treasury~~
21 shall provide notice to cities and villages of the standards to be
22 used for audits under this subsection prior to the fiscal year in
23 which the audit is conducted. The department shall notify cities
24 and villages of any subsequent changes to the standards. Cities and
25 villages shall make available to the department ~~of treasury~~ the
26 pertinent records for the audit. **PERFORMANCE AUDITS MAY BE**
27 **PERFORMED AT THE DISCRETION OF THE DEPARTMENT OR UPON RECEIVING A**

1 REQUEST FROM THE SPEAKER OF THE HOUSE OF REPRESENTATIVES OR THE
2 SENATE MAJORITY LEADER.

3 (13) AS USED IN THIS SECTION:

4 (A) "ADMINISTRATIVE EXPENSES" MEANS EXPENSES THAT ARE NOT
5 ASSIGNED UNDER THIS SECTION, INCLUDING, BUT NOT LIMITED TO,
6 SPECIFIC ROAD CONSTRUCTION OR MAINTENANCE PROJECTS, AND ARE OFTEN
7 REFERRED TO AS GENERAL OR SUPPORTIVE SERVICES. ADMINISTRATIVE
8 EXPENSES DO NOT INCLUDE NET EQUIPMENT EXPENSE, NET CAPITAL OUTLAY,
9 DEBT SERVICE PRINCIPAL AND INTEREST, OR PAYMENTS TO OTHER STATE OR
10 LOCAL OFFICES THAT ARE ASSIGNED, BUT NOT LIMITED TO, SPECIFIC ROAD
11 CONSTRUCTION PROJECTS OR MAINTENANCE ACTIVITIES.

12 (B) "EQUIVALENT MAJOR MILEAGE" MEANS THE SUM OF 2 TIMES THE
13 STATE TRUNK LINE MILEAGE CERTIFIED BY THE DEPARTMENT AS OF MARCH 31
14 OF EACH YEAR, AS BEING WITHIN THE BOUNDARIES OF EACH CITY AND
15 VILLAGE HAVING A POPULATION OF 25,000 OR MORE, PLUS THE MAJOR
16 STREET MILEAGE IN EACH CITY AND VILLAGE, MULTIPLIED BY THE
17 FOLLOWING FACTOR:

18 (i) 1.0 FOR CITIES AND VILLAGES OF 2,000 OR LESS POPULATION.

19 (ii) 1.1 FOR CITIES AND VILLAGES FROM 2,001 TO 10,000
20 POPULATION.

21 (iii) 1.2 FOR CITIES AND VILLAGES FROM 10,001 TO 20,000
22 POPULATION.

23 (iv) 1.3 FOR CITIES AND VILLAGES FROM 20,001 TO 30,000
24 POPULATION.

25 (v) 1.4 FOR CITIES AND VILLAGES FROM 30,001 TO 40,000
26 POPULATION.

27 (vi) 1.5 FOR CITIES AND VILLAGES FROM 40,001 TO 50,000

1 POPULATION.

2 (vii) 1.6 FOR CITIES AND VILLAGES FROM 50,001 TO 65,000

3 POPULATION.

4 (viii) 1.7 FOR CITIES AND VILLAGES FROM 65,001 TO 80,000

5 POPULATION.

6 (ix) 1.8 FOR CITIES AND VILLAGES FROM 80,001 TO 95,000

7 POPULATION.

8 (x) 1.9 FOR CITIES AND VILLAGES FROM 95,001 TO 160,000

9 POPULATION.

10 (xi) 2.0 FOR CITIES AND VILLAGES FROM 160,001 TO 320,000

11 POPULATION.

12 (xii) FOR CITIES OVER 320,000 POPULATION, A FACTOR OF 2.1

13 INCREASED SUCCESSIVELY BY 0.1 FOR EACH 160,000 POPULATION INCREMENT

14 OVER 320,000.

15 (C) "POPULATION" MEANS THE POPULATION ACCORDING TO THE MOST

16 RECENT STATEWIDE FEDERAL CENSUS AS CERTIFIED AT THE BEGINNING OF

17 THE STATE FISCAL YEAR, EXCEPT THAT, IF A MUNICIPALITY HAS BEEN

18 NEWLY INCORPORATED SINCE COMPLETION OF THE CENSUS, THE POPULATION

19 OF THE MUNICIPALITY FOR PURPOSES OF THE DISTRIBUTION OF FUNDS

20 BEFORE COMPLETION OF THE NEXT CENSUS SHALL BE THE POPULATION AS

21 DETERMINED BY SPECIAL FEDERAL CENSUS, IF THERE IS A SPECIAL FEDERAL

22 CENSUS, AND IF NOT, BY THE POPULATION AS DETERMINED BY THE OFFICIAL

23 CENSUS IN CONNECTION WITH THE INCORPORATION, IF THERE IS SUCH A

24 CENSUS AND, IF NOT, BY A SPECIAL STATE CENSUS TO BE TAKEN AT THE

25 EXPENSE OF THE MUNICIPALITY BY THE SECRETARY OF STATE PURSUANT TO

26 SECTION 6 OF THE HOME RULE CITY ACT, 1909 PA 279, MCL 117.6.