

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4613**

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 10, 11, 12, 13, and 14 (MCL 247.660, 247.661, 247.662, 247.663, and 247.664), section 10 as amended by 2007 PA 210, 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, and by adding section 10f.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 10. (1) A fund to be known as the Michigan transportation
 2 fund is established ~~and shall be set up and maintained in the state~~
 3 treasury as a separate fund. ~~Money received and collected under the~~
 4 ~~motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, except a~~
 5 ~~license fee provided in that act, and a tax, fee, license, and~~
 6 ~~other money received and collected under sections 801 to 810 of the~~
 7 ~~Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, except~~
 8 ~~a truck safety fund fee provided in section 801(1)(k) of the~~
 9 ~~Michigan vehicle code, 1949 PA 300, MCL 257.801, and money received~~
 10 ~~under the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43,~~
 11 ~~shall be deposited in the state treasury to the credit of the~~
 12 ~~Michigan transportation fund. In addition, income or profit derived~~
 13 ~~from the investment of money in the Michigan transportation fund~~

1 ~~shall be deposited in the Michigan transportation fund. Except as~~
2 ~~provided in this act, no other money, whether appropriated from the~~
3 ~~general fund of this state or any other source, shall be deposited~~
4 ~~in the Michigan transportation fund. THE STATE TREASURER MAY~~
5 ~~RECEIVE MONEY OR OTHER ASSETS FROM ANY SOURCE FOR DEPOSIT INTO THE~~
6 ~~FUND. THE STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE FUND.~~
7 ~~THE STATE TREASURER SHALL CREDIT TO THE FUND INTEREST AND EARNINGS~~
8 ~~FROM FUND INVESTMENTS.~~ Except as otherwise provided in this
9 section, the legislature shall appropriate ~~funds~~ **MONEY** for the
10 necessary expenses incurred in the administration and enforcement
11 of the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170,
12 the motor carrier act, 1933 PA 254, MCL 475.1 to ~~479.43, 479.42,~~
13 and sections 801 to 810 of the Michigan vehicle code, 1949 PA 300,
14 MCL 257.801 to 257.810. ~~Funds~~ **MONEY** appropriated for necessary
15 expenses shall be based upon established cost allocation
16 methodology that reflects actual costs. Appropriations for the
17 necessary expenses incurred by the department of state in
18 administration and enforcement of sections 801 to 810 of the
19 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall
20 be made from the Michigan transportation fund and from ~~funds~~ **MONEY**
21 in the transportation administration collection fund created in
22 section 810b of the Michigan vehicle code, 1949 PA 300, MCL
23 257.810b. Appropriations from the Michigan transportation fund for
24 the necessary expenses incurred by **THE** department of state in
25 administration and enforcement of sections 801 to 810 of the
26 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall
27 not exceed \$20,000,000.00 per state fiscal year. ~~except for the~~

~~fiscal year ending September 30, 2006. For the fiscal year ending September 30, 2006, the legislature may appropriate funds in excess of \$20,000,000.00 from the Michigan transportation fund for all incremental additional expenses incurred by the department of state in enforcing sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, that arise because of the replacement of standard design registration license plates as provided in section 224 of the Michigan vehicle code, 1949 PA 300, MCL 257.224. All~~ **EXCEPT AS OTHERWISE PROVIDED IN SECTION 10F, ALL** money in the Michigan transportation fund is apportioned and appropriated in the following manner:

(a) Not more than \$3,000,000.00 as may be annually appropriated each fiscal year to the state trunk line fund for subsequent deposit in the rail grade crossing account.

(B) NOT MORE THAN \$3,000,000.00 AS MAY BE ANNUALLY APPROPRIATED EACH FISCAL YEAR TO THE STATE TRUNK LINE FUND FOR SUBSEQUENT DEPOSIT IN THE GRADE CROSSING SURFACE ACCOUNT.

(C) ~~(b)~~ Not less than \$3,000,000.00 each year to the local bridge fund established in subsection ~~(5)~~ **(4)** for the purpose of payment of the principal, interest, and redemption premium on any notes or bonds issued by the state transportation commission under former section 11b or subsection ~~(10)~~ **(9)**.

(D) ~~(e)~~ Revenue from 3 cents of the tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, to the state trunk line fund, county road commissions, and cities and villages in the percentages provided in subdivision ~~(i)~~ **(K)**.

(E) ~~(d)~~ Until September 30, 2004, all of the revenue from 1

~~cent of the tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, to the state trunk line fund for repair of state bridges under section 11. Beginning October 1, 2004 and continuing through September 30, 2005, 3/4 of the revenue from 1 cent of the tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, shall be appropriated to the state trunk line fund for the repair of state bridges under section 11, and 1/4 of the revenue from 1 cent of the tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, shall be appropriated to the local bridge fund created in subsection (5) for distribution only to cities, villages, and county road commissions. Beginning October 1, 2005, 1/2~~ **ONE-HALF** of the revenue from 1 cent of the tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, ~~shall be~~ **appropriated** to the state trunk line fund for the repair of state bridges under section 11, and 1/2 of the revenue from 1 cent of the tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, ~~shall be appropriated to the local bridge fund created in subsection (5)~~ **(4)** for distribution only to cities, villages, and county road commissions.

(F) ~~(e)~~ \$43,000,000.00 to the state trunk line fund for debt service costs on state of Michigan projects.

(G) ~~(f)~~ ~~Except as provided in subsection (4), 10%~~ **TEN PERCENT** to the comprehensive transportation fund for the purposes described in section 10e.

(H) ~~(g)~~ \$5,000,000.00 to the local bridge fund established in subsection ~~(5)~~ **(4)** for distribution only to the local bridge

1 advisory board, the regional bridge councils, cities, villages, and
2 county road commissions.

3 (I) ~~(h)~~—\$36,775,000.00 to the state trunk line fund for
4 subsequent deposit in the transportation economic development fund,
5 ~~and, as of September 30, 1997,~~ with first priority for allocation
6 to debt service on bonds issued to fund transportation economic
7 development fund projects. In addition, ~~beginning October 1, 1997,~~
8 \$3,500,000.00 is appropriated from the Michigan transportation fund
9 to the state trunk line fund for subsequent deposit in the
10 transportation economic development fund to be used for economic
11 development road projects in any of the targeted industries
12 described in section 9(1)(a) of 1987 PA 231, MCL 247.909.

13 (J) ~~(i)~~—Not less than \$33,000,000.00 as may be annually
14 appropriated each fiscal year to the local program fund created in
15 section 11e.

16 (K) ~~(j)~~—The balance of the Michigan transportation fund as
17 follows, after deduction of the amounts appropriated in
18 subdivisions (a) ~~through (i) and section 11b:~~ **TO (J):**

19 (i) 39.1% to the state trunk line fund for the purposes
20 described in section 11.

21 (ii) 39.1% to the county road commissions of ~~the~~ **THIS** state.

22 (iii) 21.8% to the cities and villages of ~~the~~ **THIS** state.

23 (2) The money appropriated pursuant to this section shall be
24 used for the purposes as provided in this act and any other
25 applicable act. Subject to the requirements of section 9b, the
26 department shall develop programs in conjunction with the Michigan
27 state chamber of commerce and the Michigan minority business

development council to assist small businesses, including those located in enterprise zones and those located in empowerment zones as determined under federal law, as defined by law in becoming qualified to bid.

(3) Thirty-one and one-half percent of the ~~funds~~ **MONEY** appropriated to this state from the federal government pursuant to **UNDER** 23 USC 157, commonly known as minimum guarantee funds, shall be allocated to the transportation economic development fund, if such an ~~THE~~ allocation is consistent with federal law. ~~These funds~~ **THIS MONEY** shall be distributed 16-1/2% for development projects for rural counties as defined by law and 15% for capacity improvement or advanced traffic management systems in urban counties as defined by law. Federal ~~funds~~ **MONEY** allocated for distribution under this section shall be ~~IS~~ eligible for obligation and use by all recipients as defined by ~~PROVIDED IN~~ the ~~transportation equity act~~ **MOVING AHEAD for PROGRESS IN** the 21st century **ACT**, Public Law ~~105-178-112-141~~.

~~—— (4) For the fiscal year beginning October 1, 2003 only, the apportionment of 10% of Michigan transportation fund money to the comprehensive transportation fund as provided in subsection (1)(f) shall be reduced by \$10,000,000.00 and the \$10,000,000.00 shall be transferred to the state trunk line fund for capacity improvements to state trunk line highways.~~

(4) ~~(5)~~ A fund to be known as the local bridge fund is established ~~and is set up and maintained in~~ the state treasury as a separate fund. The money appropriated to the local bridge fund and the interest accruing to that fund shall be expended for the local

1 bridge program. The purpose of the fund is to provide financial
2 assistance to highway authorities for the preservation,
3 improvement, or reconstruction of existing bridges or for the
4 construction of bridges to replace existing bridges in whole or
5 part. The money in the local bridge fund is not subject to section
6 12(15) or 13(5). The local bridge advisory board is created and
7 shall consist of 6 voting members appointed by the state
8 transportation commission and 2 nonvoting members appointed by the
9 ~~state transportation department~~. The board shall include 3 members
10 from the county road association of Michigan, 1 member who
11 represents counties with populations 65,000 or greater, 1 member
12 who represents counties with populations greater than 30,000 and
13 less than 65,000, and 1 member who represents counties with
14 populations of 30,000 or less. Three members shall be appointed
15 from the Michigan municipal league, 1 member who represents cities
16 with a population 75,000 or greater, 1 member who represents cities
17 with a population less than 75,000, and 1 member who represents
18 villages. Each organization with voting rights shall submit a list
19 of nominees in each population category to the state transportation
20 commission. The state transportation commission shall make the
21 appointments from the lists submitted under this subsection. ~~Names~~
22 ~~shall be submitted within 45 days after October 1, 2004. The state~~
23 ~~transportation commission shall make the appointments by January~~
24 ~~30, 2005.~~ Voting members shall be appointed for 2 years. The
25 chairperson of the board shall be selected from among the voting
26 members of the board. In addition to the 2 nonvoting members, the
27 department shall provide qualified administrative staff and

1 qualified technical assistance to the board.

2 (5) ~~(6) Beginning October 1, 2005, no~~ **NO** less than 5% and no
 3 more than 15% of the ~~funds~~ **MONEY** received in the local bridge fund
 4 may be used for critical repair of large bridges and emergencies as
 5 determined by the local bridge advisory board. ~~Beginning October 1,~~
 6 ~~2005, funds~~ **MONEY** remaining after the ~~funds~~ **MONEY** allocated for
 7 critical large bridge repair and emergencies ~~are~~ **IS** deducted shall
 8 be distributed by the board to the regional bridge councils created
 9 under this section. One regional council shall be formed for each
 10 department of transportation region as those regions exist on
 11 October 1, 2004. The regional councils shall consist of 2 members
 12 of the county road association of Michigan from counties in the
 13 region, 2 members of the Michigan municipal league from cities and
 14 villages in the region, and 1 member of the ~~state transportation~~
 15 department in each region. The members of the ~~state transportation~~
 16 department ~~shall be~~ **ARE** nonvoting members ~~who~~ **AND** shall provide
 17 qualified administrative staff and qualified technical assistance
 18 to the regional councils.

19 (6) ~~(7) Beginning October 1, 2005, funds~~ **MONEY** in the local
 20 bridge fund after deduction of the amounts set aside for critical
 21 repair of large bridges and emergency repairs shall be distributed
 22 among the regional bridge councils according to all of the
 23 following ratios, which shall be assigned a weight expressed as a
 24 percentage as determined by the board, with each ratio receiving no
 25 greater than a 50% weight and no less than a 25% weight:

26 (a) A ratio with a numerator that is the total number of local
 27 bridges in the region and a denominator that is the total number of

1 local bridges in this state.

2 (b) A ratio with a numerator that is the total local bridge
3 deck area in the region and a denominator that is the total local
4 bridge deck area in this state.

5 (c) A ratio with a numerator that is the total amount of
6 structurally deficient local bridge deck area in the region and a
7 denominator that is the total amount of structurally deficient
8 local bridge deck area in this state.

9 (7) ~~(8) Beginning October 1, 2005, the~~ **THE** regional bridge
10 councils shall allocate the ~~funds~~ **MONEY** received from the board for
11 the preservation, improvement, and reconstruction of existing
12 bridges or for the construction of bridges to replace existing
13 bridges in whole or in part in each region.

14 (8) ~~(9) Beginning January 1, 2007 and each~~ **EACH** January, after
15 2007, the department shall submit a report to the chair and the
16 minority vice-chair of the appropriations committees of the senate
17 and the house of representatives, and to the standing committees on
18 transportation of the senate and the house of representatives, on
19 all of the following activities for the previous state fiscal year:

20 (a) A listing of how much money was dedicated for emergency
21 and large bridge repair.

22 (b) A listing of what emergency and large bridge repair
23 projects were funded.

24 (c) The actual weights used in the calculation required under
25 subsection ~~(7)~~ **(6)**.

26 (d) A listing of the total money distributed to each region.

27 (e) A listing of ~~what~~ **THE** specific projects **THAT** were funded

1 ~~pursuant to~~ **UNDER** subsection ~~(8)-(7)~~.

2 **(9)** ~~(10)~~ The state transportation commission shall borrow
3 money and issue notes or bonds in an amount of not less than
4 \$30,000,000.00 to supplement the funding provided for the local
5 bridge program under subsection ~~(6)-(5)~~. The bonds or notes issued
6 ~~pursuant to~~ **UNDER** this subsection may be issued by the commission
7 for any purpose for which other local bridge ~~funds~~ **MONEY** may be
8 used under this section. The bonds or notes authorized by this
9 subsection shall be issued by resolution of the state
10 transportation commission consistent with the requirements of
11 section 18b.

12 **(10)** ~~(11)~~ The ~~state transportation department~~ shall promulgate
13 rules ~~pursuant to~~ **UNDER** the administrative procedures act of 1969,
14 1969 PA 306, MCL 24.201 to 24.328, governing the administration of
15 the local bridge program. The rules shall set forth the eligibility
16 criteria for financial assistance under the program and other
17 matters related to the program that the department considers
18 necessary and desirable. The department shall take into
19 consideration the availability of federal aid and other financial
20 resources of the highway authority responsible for the bridge, the
21 importance of the bridge to the highway, road, or street network,
22 and the condition of the existing bridge.

23 **(11)** ~~(12)~~ ~~Beginning October 1, 2004, the~~ **THE** revenue
24 appropriated to the local bridge fund ~~pursuant to~~ **UNDER** subsection
25 ~~(1)-(d)~~ **(1) (E)** shall be distributed only to the local bridge
26 advisory board, the regional bridge councils, cities, villages, and
27 county road commissions.

1 (12) ~~(13) Beginning October 1, 2008, the~~ **THE** regional bridge
 2 councils shall determine what bridge projects are selected for
 3 funding from the local bridge fund created in subsection ~~(5)~~ **(4)**
 4 and shall make a list of selected projects available to interested
 5 parties in the region. A determination that a bridge project is
 6 selected for funding in a given fiscal year is not approval to
 7 disburse the ~~funds~~ **MONEY**.

8 (13) ~~(14) Beginning October 1, 2008, a~~ **A** county road
 9 commission, city, or village may implement a bridge project if the
 10 bridge project has been selected for funding and is included in the
 11 appropriate regional bridge council's current multiyear bridge plan
 12 for the local bridge program but the regional bridge council has
 13 not allocated ~~funds~~ **MONEY** to the bridge project for the fiscal year
 14 that the bridge project is on the current multiyear bridge plan. A
 15 county road commission, city, or village may borrow ~~funds~~ **MONEY** to
 16 implement a project that has been selected for funding and is
 17 included in the appropriate regional bridge council's current
 18 multiyear bridge plan but has not been allocated ~~funds~~ **MONEY** by the
 19 regional bridge council. Based on available local bridge ~~funds~~
 20 **MONEY**, when a bridge project that was implemented with borrowed
 21 ~~funds~~ **MONEY** is allocated funding in a subsequent fiscal year, the
 22 funding shall only be used to repay the amount approved by the
 23 multiyear bridge plan when the ~~funds were~~ **MONEY WAS** borrowed. To be
 24 eligible for repayment of the amount borrowed, a bridge project
 25 that has been implemented with borrowed ~~funds~~ **MONEY** shall be
 26 administered through the department's local bridge program.

27 **SEC. 10F. BEGINNING ON THE EFFECTIVE DATE OF THE AMENDATORY**

1 ACT THAT ADDED THIS SECTION, MONEY DISTRIBUTED TO THIS SECTION
2 UNDER SECTION 143(2) OF THE MOTOR FUEL TAX ACT, 2000 PA 403, MCL
3 207.1143, OR UNDER SECTION 51(3) OF THE INCOME TAX ACT OF 1967,
4 1967 PA 281, MCL 206.51, SHALL BE DISTRIBUTED AS FOLLOWS:

5 (A) 39.1% TO THE DEPARTMENT. MONEY DISTRIBUTED TO THE
6 DEPARTMENT UNDER THIS SUBDIVISION SHALL BE USED BY THE DEPARTMENT
7 IN THE SAME MANNER AS PROVIDED IN SECTION 11.

8 (B) 39.1% TO THE COUNTY ROAD COMMISSIONS OF THIS STATE. MONEY
9 DISTRIBUTED TO A COUNTY ROAD COMMISSION UNDER THIS SUBDIVISION
10 SHALL BE USED BY THE COUNTY ROAD COMMISSION IN THE SAME MANNER AS
11 PROVIDED IN SECTION 12.

12 (C) 21.8% TO THE CITIES AND VILLAGES OF THIS STATE. MONEY
13 DISTRIBUTED TO A CITY OR VILLAGE UNDER THIS SUBDIVISION SHALL BE
14 USED BY THE CITY OR VILLAGE IN THE SAME MANNER AS PROVIDED IN
15 SECTION 13.

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

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

25 (i) For the payment of contributions **PLEDGED BEFORE JULY 18,**
26 **1979 AND** required to be made by the state highway commission or the
27 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)(I)** 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 TRANSFER OF MONEY APPROPRIATED UNDER SECTION
16 10(1)(B) TO THE GRADE CROSSING SURFACE ACCOUNT IN THE STATE TRUNK
17 LINE FUND FOR EXPENDITURE FOR RAIL GRADE CROSSING SURFACE
18 IMPROVEMENT PURPOSES AT RAIL GRADE CROSSINGS ON PUBLIC ROADS AND
19 STREETS UNDER THE JURISDICTION OF COUNTIES, CITIES, OR VILLAGES.
20 PROJECTS SHALL BE SELECTED FOR FUNDING IN ACCORDANCE WITH THE
21 FOLLOWING:

22 (i) IN PRIORITIZING PROJECTS, THE DEPARTMENT SHALL CONSIDER
23 VEHICULAR TRAFFIC VOLUMES, RELATIVE CROSSING SURFACE CONDITION, THE
24 ABILITY OF THE RAILROAD AND LOCAL ROAD AUTHORITY TO MAKE
25 COORDINATED IMPROVEMENTS, AND THE AVAILABILITY OF FUNDING.

26 (ii) THE GRADE CROSSING SURFACE ACCOUNT SHALL FUND 60% OF THE
27 PROJECT COST, WITH THE REMAINING 40% FUNDED BY THE RAILROAD

1 COMPANY.

2 (iii) FUNDING UNDER THE GRADE CROSSING SURFACE ACCOUNT SHALL
3 BE LIMITED TO ITEMS OF WORK THAT ARE NORMALLY THE RESPONSIBILITY OF
4 THE RAILROAD UNDER SECTION 309 OF THE RAILROAD CODE OF 1993, 1993
5 PA 354, MCL 462.309. MAINTENANCE OF THE ROADWAY APPROACHES TO THE
6 CROSSING WILL CONTINUE TO BE THE RESPONSIBILITY OF THE PARTY WITH
7 JURISDICTION OVER THAT ROADWAY.

8 (E) ~~(d)~~—For the total operating expenses of the state trunk
9 line fund for each fiscal year as appropriated by the legislature.

10 (F) ~~(e)~~—For the preservation of state trunk line highways and
11 bridges.

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

24 (H) ~~(g)~~—The ~~state transportation department~~ may enter into
25 agreements with ~~county road commissions and with cities and~~
26 ~~villages~~ **A LOCAL ROAD AGENCY OR A PRIVATE SECTOR COMPANY** to perform
27 work on a highway, road, or street. The agreements may provide for

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

27 (I) ~~(h)~~ For providing inventories of supplies and materials

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

7 (2) Notwithstanding any other provision of this act, **THE**
8 **DEPARTMENT SHALL ANNUALLY EXPEND** at least 90% of state revenue
9 appropriated annually to the state trunk line fund less the amounts
10 described in subdivisions (a) to (i) ~~shall be expended annually by~~
11 ~~the state transportation department~~ for the preservation of
12 highways, roads, streets, and bridges and for the payment of debt
13 service on bonds, notes, or other obligations described in
14 subsection (1)(a) issued after July 1, 1983, for the purpose of
15 providing ~~funds~~ **MONEY** for the preservation of highways, roads,
16 streets, and bridges. Of the amounts appropriated for state trunk
17 line projects, the department shall, where possible, secure
18 **PAVEMENT** warranties ~~of not less than 5 year~~ **FOR** full replacement
19 ~~guarantee~~ **OR APPROPRIATE REPAIR** for contracted construction work **ON**
20 **PAVEMENT PROJECTS WHOSE COST EXCEEDS \$1,000,000.00 AND PROJECTS FOR**
21 **NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE**
22 **DATE OF THE 2015 AMENDATORY ACT THAT AMENDED THIS SUBSECTION. THE**
23 **DEPARTMENT SHALL COMPILE AND MAKE AVAILABLE TO THE PUBLIC AN ANNUAL**
24 **REPORT OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION**
25 **AND ALL PAVEMENT PROJECTS WHOSE COSTS EXCEED \$1,000,000.00 WHERE A**
26 **WARRANTY WAS NOT SECURED AS PROVIDED IN SUBSECTION (14).** If an
27 appropriate certificate is filed under section 18e but only to the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (a) The money to be received by the ~~county~~ **LOCAL** road
 27 ~~commission, city, or village~~ **AGENCY** from the Michigan

1 transportation fund, except to the extent the money has been or may
 2 in the future be pledged by contract in accordance with 1941 PA
 3 205, MCL 252.51 to 252.64, or has been or may in the future be
 4 pledged for the payment of the principal and interest upon notes
 5 issued ~~pursuant to~~ **UNDER** 1943 PA 143, MCL 141.251 to 141.254, or
 6 has been or may in the future be pledged for the payment of
 7 principal and interest upon bonds issued under section 18c or 18d,
 8 or has been or may in the future be pledged for the payment of the
 9 principal and interest upon bonds issued ~~pursuant to~~ **UNDER** 1952 PA
 10 175, MCL 247.701 to 247.707.

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

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

1 section 18b shall be established by the ~~state transportation~~
2 department to conform as closely as practicable to the interest
3 rate and repayment schedules on the bonds or notes issued to make
4 the loans. However, the ~~state transportation~~ department may allow
5 for the deferral of the first payment of interest or principal on
6 the loans for a period of not to exceed 1 year after the respective
7 first payment of interest or principal on the bonds or notes issued
8 to make the loans.

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

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

1 treasurer gives notice to the director of the ~~state transportation~~
 2 department within 10 days of receiving the notice from the ~~state~~
 3 ~~transportation department~~, that, based upon the then existing
 4 financial or credit situation of the ~~county~~ **LOCAL** road ~~commission,~~
 5 ~~city, or village,~~ **AGENCY**, it would not be in the best interests of
 6 the ~~THIS~~ state to make a loan under subsection (4) to the ~~county~~
 7 **LOCAL** road ~~commission, city, or village,~~ **AGENCY**, the loan shall not
 8 be made unless the state treasurer, after a hearing, if requested
 9 by the affected ~~county~~ **LOCAL** road ~~commission, city, or village,~~
 10 **AGENCY**, subsequently gives notice to the director of the ~~state~~
 11 ~~transportation department~~ that the loan may be made on the
 12 conditions that the state treasurer specifies.

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

27 (10) The director of the ~~state transportation department~~,

1 after consultation with representatives of the interests of ~~county~~
 2 **LOCAL** road ~~commissions, cities, and villages,~~ **AGENCIES**, shall
 3 establish, by intergovernmental communication, procedures for the
 4 implementation and administration of the loan program established
 5 under subsections (4) to (9).

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

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

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

27 (14) **THE DEPARTMENT SHALL PREPARE ON AN ANNUAL BASIS A REPORT**

1 LISTING ALL WARRANTIES THAT WERE SECURED UNDER SUBSECTION (2) AND
 2 INDICATE WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED AND ALL
 3 PAVEMENT PROJECTS WHOSE COSTS EXCEED \$1,000,000.00 FOR WHICH A
 4 WARRANTY WAS NOT SECURED AS DESCRIBED IN SUBSECTION (2). THE
 5 DEPARTMENT SHALL MAKE THE REPORT REQUIRED BY THIS SUBSECTION
 6 AVAILABLE TO THE PUBLIC UPON REQUEST AND SHALL ALSO POST THE REPORT
 7 ON ITS WEBSITE, WHICH SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF
 8 THE FOLLOWING INFORMATION:

9 (A) THE TYPE OF PROJECT.

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

11 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

17 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR
 18 REPAIRING THE PROJECT.

19 (15) ~~(14)~~ As used in this section: ~~,"rail grade crossing~~
 20 ~~improvement purposes"~~

21 (A) "LOCAL ROAD AGENCY" MEANS THAT TERM AS DEFINED IN SECTION
 22 9A.

23 (B) "RAIL GRADE CROSSING IMPROVEMENT PURPOSES" means 1 or more
 24 of the following:

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

27 (ii) ~~(b)~~ The installation or improvement of grade crossing

1 surfaces.

2 (iii) ~~(e)~~ Modification, relocation, or modernization of
3 railroad grade crossing active and passive warning devices
4 necessitated by roadway improvement projects.

5 (iv) ~~(d)~~ Test installations of innovative warning devices or
6 other innovative applications.

7 (v) ~~(e)~~ Construction of new grade separations.

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

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

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

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

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

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

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

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

1 incidental to the system, and a roadside park or motor parkway
2 appurtenant to the system, and shall be returned to the counties as
3 follows:

4 (a) Three-fourths of the amount in proportion to the amount
5 received within the respective county during the 12 months next
6 preceding the date of each monthly distribution, as specific taxes
7 upon registered motor vehicles under the Michigan vehicle code,
8 1949 PA 300, MCL 257.1 to 257.923.

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

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

15 (7) The balance of the remainder of the total amount to be
16 returned to counties shall be expended by each county road
17 commission for the preservation, construction, acquisition, and
18 extension of the county local road 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 a roadside park or motor
21 parkway appurtenant to the system, and shall be returned to the
22 counties as follows:

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

27 (b) Thirty-five percent of the amount in the same proportion

1 that the total population outside of incorporated municipalities in
2 each county bears to the total population outside of incorporated
3 municipalities in all of the counties of the state, according to
4 the most recent statewide federal census as certified at the
5 beginning of the state fiscal year.

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

14 (a) For the payment of contributions required to be made by a
15 board of county road commissioners under a contract entered into
16 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for
17 the payment of the principal and interest on bonds issued under
18 that act, or for the payment of total debt service requirements
19 upon notes issued by a board of county road commissioners under
20 1943 PA 143, MCL 141.251 to 141.254.

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

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

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

1 without matching, on the county primary road system of that county.
2 An amount returned to a county for and on account of county local
3 roads ~~under this section~~ ~~THAT IS~~ in excess of the total amount
4 paid into the county treasury each year by all of the townships of
5 that county for and on account of the county local roads pursuant
6 to section 14(6) may be transferred to and expended on the county
7 primary road system of that county.

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

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

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

1 (13) In a county to which ~~funds are~~ **MONEY IS** returned under
2 this section, the function of the county road commission ~~shall be~~
3 **IS** limited to the formation of policy and the performance of the
4 official duties imposed by law and delegated by the county board of
5 commissioners. A member of the county road commission shall not be
6 employed individually in any other capacity for other duties with
7 the county road commission.

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

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

26 (16) Notwithstanding any other provision of this act, at least
27 90% of the state revenue returned annually to the county road

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

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

25 (b) Amounts expended for the administrative costs of the
26 county road commission.

27 (c) Amounts expended for capital outlay projects for equipment

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

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

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

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

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

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

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

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

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

1 transactions with the department pursuant to this act.

2 (20) Not more than 10% per year of all of the ~~funds~~**MONEY**
3 received by and returned to a county from any source for the
4 purposes of this section may be expended for administrative
5 expenses. A county that expends more than 10% for administrative
6 expenses in a year is subject to section 14(5) unless a waiver is
7 granted by 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 do not include net
12 equipment expense, net capital outlay, debt service principal and
13 interest, and payments to other state or local offices that are
14 assigned, but not limited to, specific road construction projects
15 or preservation activities.

16 (21) In addition to the financial compliance audits required
17 by law, the department may conduct performance audits and make
18 investigations of the disposition of all state ~~funds~~**MONEY** received
19 by county road commissions, county boards of commissioners, or any
20 other county governmental agency acting as the county road
21 authority, for transportation purposes to determine compliance with
22 the terms and conditions of this act. Performance audits shall be
23 conducted according to government auditing standards issued by the
24 United States general accounting office. The department shall
25 develop performance audit procedures and reporting requirements
26 sufficient to determine whether ~~funds~~**MONEY** expended under this
27 section ~~were~~**WAS** expended in compliance with this act by September

1 1, 2012 and shall report to the transportation committees of the
2 senate and house of representatives no later than October 1, 2012
3 on the additional audit procedures and reporting requirements. The
4 department shall provide notice to the county road commission,
5 county board of commissioners, or any other county governmental
6 agency acting as the county road authority, as applicable, of the
7 standards to be used for audits performed under this subsection.
8 The notice shall be provided 6 months prior to the fiscal year in
9 which the audit is conducted. The department shall notify the
10 county road commission, county board of commissioners, or any other
11 county governmental agency acting as the county road authority of
12 any subsequent changes to the standards. County road commissions,
13 county boards of commissioners, or any other county governmental
14 agencies acting as county road authorities, as applicable, shall
15 make available to the department the pertinent records for the
16 audit. Performance audits may be performed at the discretion of the
17 department or upon receiving a request from the speaker of the
18 house of representatives or the senate majority leader.

19 (22) OF THE AMOUNTS APPROPRIATED FOR A COUNTY PRIMARY OR LOCAL
20 ROAD SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A COUNTY ROAD
21 COMMISSION SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR
22 APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT
23 PROJECTS WHOSE COST EXCEEDS \$1,000,000.00 AND PROJECTS FOR NEW
24 CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE
25 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, IF ALLOWED BY THE
26 FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A COUNTY ROAD
27 COMMISSION SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE

1 DEPARTMENT FOR APPROVAL NO LATER THAN FEBRUARY 1, 2016. IF A
2 PROPOSED WARRANTY PROGRAM SUBMITTED UNDER THIS SUBSECTION IS
3 APPROVED BY THE DEPARTMENT, THE COUNTY ROAD COMMISSION SHALL
4 IMPLEMENT THE PROGRAM NO LATER THAN 1 YEAR AFTER THE APPROVAL. A
5 COUNTY ROAD COMMISSION SHALL INCLUDE A LIST OF ALL WARRANTIES THAT
6 WERE SECURED UNDER THIS SUBSECTION AND INDICATE WHETHER ANY OF
7 THOSE WARRANTIES WERE REDEEMED WITH THE REPORT REQUIRED UNDER
8 SECTION 14(3), AND SHALL ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST
9 EXCEEDS \$1,000,000.00 FOR WHICH A WARRANTY WAS NOT SECURED. THE
10 LIST SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING
11 INFORMATION:

12 (A) THE TYPE OF PROJECT.

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

14 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

20 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR
21 REPAIRING THE PROJECT.

22 Sec. 13. (1) The amount distributed to cities and villages
23 shall be returned to the treasurers of the cities and villages in
24 the manner, for the purposes, and under the terms and conditions
25 specified in this section. The amount received by a newly
26 incorporated municipality shall be in place of any other direct
27 distribution of ~~funds~~**MONEY** from the Michigan transportation fund.

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

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

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

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

27 (a) For the payment of contributions required to be made by a

1 city or village under the provisions of contracts previously
2 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have
3 been previously pledged for the payment of the principal and
4 interest on bonds issued under that act; or for the payment of the
5 principal and interest upon bonds issued by a city or village
6 pursuant to 1952 PA 175, MCL 247.701 to 247.707.

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

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

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

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

8 (4) The remaining amount to be returned to incorporated cities
9 and villages shall be expended in each city or village for the
10 preservation, construction, acquisition, and extension of the local
11 street system of the city or village, including the acquisition of
12 a necessary right of way for the system, work incidental to the
13 system, and subject to subsection (5), for the payment of the
14 principal and interest on the portion of the city's or village's
15 general obligation bonds that are attributable to the construction
16 or reconstruction of the city's or village's local street system.
17 The amount returned under this subsection shall be returned to the
18 cities and villages 60% in the same proportion that the population
19 of each bears to the total population of all incorporated cities
20 and villages in the state, and 40% in the same proportion that the
21 total mileage of the local street system of each bears to the total
22 mileage in the local street systems of all cities and villages of
23 the state. The payment of the principal and interest upon bonds
24 issued by a city or village pursuant to 1952 PA 175, MCL 247.701 to
25 247.707, and after that payment, the payment of debt service on
26 loans received under section 11(5), shall have priority in the
27 expenditure of money returned under this subsection.

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

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

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

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

3 (c) The dollar amount of the transfer.

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

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

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

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

21 (9) In each city and village to which ~~funds are~~**MONEY IS**
22 returned under this section, the responsibility for street
23 preservation and the development, construction, or repair of off-
24 street parking facilities and construction or repair of street
25 lighting shall be coordinated by a single administrator ~~to be~~
26 designated by the governing body who shall be responsible for and
27 shall represent the municipality in transactions with the

1 department pursuant to this act.

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

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

16 (12) In addition to the financial compliance audits required
17 by law, the department may conduct performance audits and make
18 investigations of the disposition of all state ~~funds~~ **MONEY** received
19 by cities and villages for transportation purposes to determine
20 compliance with the terms and conditions of this act. Performance
21 audits shall be conducted according to government auditing
22 standards issued by the United States ~~general accounting office.~~
23 **GENERAL ACCOUNTING OFFICE.** The department shall develop all
24 performance audit procedures and reporting requirements sufficient
25 to determine whether ~~funds~~ **MONEY** expended under this section ~~were~~
26 **WAS** expended in compliance with this act by September 1, 2012 and
27 shall report to the transportation committees of the senate and

1 house of representatives no later than October 1, 2012 on the
2 additional audit procedures and reporting requirements. The audit
3 procedures shall include a review of the road fund balance of the
4 city or village. The cities and villages shall report their road
5 fund balances by fund balance component. The department shall
6 assist cities and villages to ensure that road fund balances are
7 consistently classified and are in compliance with the audit and
8 reporting requirements of this section. The department shall
9 provide notice to cities and villages of the standards to be used
10 for audits under this subsection prior to the fiscal year in which
11 the audit is conducted. The department shall notify cities and
12 villages of any subsequent changes to the standards. Cities and
13 villages shall make available to the department the pertinent
14 records for the audit. Performance audits may be performed at the
15 discretion of the department or upon receiving a request from the
16 speaker of the house of representatives or the senate majority
17 leader.

18 (13) OF THE AMOUNTS APPROPRIATED FOR A CITY OR VILLAGE MAJOR
19 OR LOCAL STREET SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A CITY
20 OR VILLAGE SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR
21 APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT
22 PROJECTS WHOSE COST EXCEEDS \$1,000,000.00 AND PROJECTS FOR NEW
23 CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE
24 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION IF ALLOWED BY THE
25 FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A CITY OR
26 VILLAGE SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE DEPARTMENT
27 FOR APPROVAL NO LATER THAN FEBRUARY 1, 2016. IF A PROPOSED WARRANTY

1 PROGRAM SUBMITTED UNDER THIS SUBSECTION IS APPROVED BY THE
2 DEPARTMENT, THE CITY OR VILLAGE SHALL IMPLEMENT THE PROGRAM NO
3 LATER THAN 1 YEAR AFTER THE APPROVAL. A CITY OR VILLAGE SHALL
4 INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS
5 SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE
6 REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3), AND SHALL
7 ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST EXCEEDS \$1,000,000.00
8 FOR WHICH A WARRANTY WAS NOT SECURED. THE LIST SHALL INCLUDE, BUT
9 IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

10 (A) THE TYPE OF PROJECT.

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

12 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

18 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR
19 REPAIRING THE PROJECT.

20 (14) ~~(13)~~—As used in this section:

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

1 construction projects or maintenance activities.

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

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

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

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

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

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

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

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

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

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

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

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

1 population.

2 (xii) For cities over 320,000 population, a factor of 2.1
3 increased successively by 0.1 for each 160,000 population increment
4 over 320,000.

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

17 Sec. 14. (1) Each county road commission and city and village
18 of the state shall prepare biennial primary road and major street
19 programs, based on long-range plans, and shall make the programs
20 available for review by the public.

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

26 (3) All county road commissions and cities and villages shall
27 keep accurate and uniform records on all road and street work and

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

17 (4) The ~~expenditure of adequate amounts, by~~ county road
 18 commissions and the cities and villages **, ARE AUTHORIZED TO EXPEND**
 19 **ADEQUATE AMOUNTS** from funds returned by this act ~~, to cover the~~
 20 cost of administration, engineering, and record keeping, ~~is hereby~~
 21 ~~authorized,~~ and expenditures for those purposes shall be reported
 22 separately by each county road commission, city, and village to the
 23 ~~state transportation~~ department.

24 (5) All distributions and returns of funds provided for in
 25 this act shall be withheld from the ~~state transportation~~
 26 department, eligible authorities, county road commissions, cities,
 27 villages, or other eligible governmental agencies for failure to

1 comply with any of the requirements of this act, and the
2 withholding shall continue for the period of noncompliance.

3 (6) Money distributed to county road commissions for the
4 maintenance and improvement of county local road systems pursuant
5 to section 12 represents the total responsibility of ~~the~~**THIS** state
6 for local county road support. Additional funds required for the
7 support of county local road systems may be supplied from other
8 money returned to the township governments by ~~the~~**THIS** state under
9 the state constitution of 1963 and statutes of ~~the~~**THIS** state, or
10 from funds that can be raised by taxation in the townships or
11 counties for road purposes within the limitations of the state
12 constitution of 1963 and statutes of ~~the~~**THIS** state.

13 Enacting section 1. 1951 PA 51, MCL 247.651 to 247.675, is
14 repealed effective January 1, 2033.

15 Enacting section 2. This amendatory act takes effect October
16 1, 2015.

17 Enacting section 3. This amendatory act does not take effect
18 unless all of the following bills of the 98th Legislature are
19 enacted into law:

20 (a) Senate Bill No. 414.

21 (b) House Bill No. 4612.

22 (c) House Bill No. 4614.

23 (d) House Bill No. 4615.

24 (e) House Bill No. 4616.