

**SUBSTITUTE FOR
SENATE BILL NO. 520**

A bill to amend 1951 PA 51, entitled

"An act to provide for the classification of all public roads, streets, and highways in this state, and for the revision of that classification and for additions to and deletions from each classification; to set up and establish the Michigan transportation fund; to provide for the deposits in the Michigan transportation fund of specific taxes on motor vehicles and motor vehicle fuels; to provide for the allocation of funds from the Michigan transportation fund and the use and administration of the fund for transportation purposes; to promote safe and efficient travel for motor vehicle drivers, bicyclists, pedestrians, and other legal users of roads, streets, and highways; to set up and establish the truck safety fund; to provide for the allocation of funds from the truck safety fund and administration of the fund for truck safety purposes; to set up and establish the Michigan truck safety commission; to establish certain standards for road contracts for certain businesses; to provide for the continuing review of transportation needs within the state; to authorize the state



transportation commission, counties, cities, and villages to borrow money, issue bonds, and make pledges of funds for transportation purposes; to authorize counties to advance funds for the payment of deficiencies necessary for the payment of bonds issued under this act; to provide for the limitations, payment, retirement, and security of the bonds and pledges; to provide for appropriations and tax levies by counties and townships for county roads; to authorize contributions by townships for county roads; to provide for the establishment and administration of the state trunk line fund, local bridge fund, comprehensive transportation fund, and certain other funds; to provide for the deposits in the state trunk line fund, critical bridge fund, comprehensive transportation fund, and certain other funds of money raised by specific taxes and fees; to provide for definitions of public transportation functions and criteria; to define the purposes for which Michigan transportation funds may be allocated; to provide for Michigan transportation fund grants; to provide for review and approval of transportation programs; to provide for submission of annual legislative requests and reports; to provide for the establishment and functions of certain advisory entities; to provide for conditions for grants; to provide for the issuance of bonds and notes for transportation purposes; to provide for the powers and duties of certain state and local agencies and officials; to provide for the making of loans for transportation purposes by the state transportation department and for the receipt and repayment by local units and agencies of those loans from certain specified sources; and to repeal acts and parts of acts,"

by amending sections 11, 12, and 13 (MCL 247.661, 247.662, and 247.663), as amended by 2015 PA 175.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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



1 priority:

2 (i) For the payment of contributions pledged before July 18,
3 1979 and required to be made by the state highway commission or the
4 state transportation commission under contracts entered into before
5 July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, for the
6 payment of the principal and interest on bonds issued under 1941 PA
7 205, MCL 252.51 to 252.64, for the payment of which a sufficient
8 sum is irrevocably appropriated.

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

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



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

10 (c) For the transfer of money appropriated under section
11 10(1)(a) to the rail grade crossing account in the state trunk line
12 fund for expenditure for rail grade crossing improvement purposes
13 at rail grade crossings on public roads and streets under the
14 jurisdiction of this state, counties, cities, or villages. The
15 department shall select projects for funding in accordance with the
16 following:

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

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

24 (iii) Consistent with the other requirements for this money, the
25 first priority for money deposited under this subdivision for rail
26 grade crossing improvements and retirement shall be to match
27 federal money from the railroad-highway grade crossing improvement
28 program or other comparable federal programs if a match is required
29 under federal law.



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

11 (d) For the transfer of money appropriated under section
12 10(1)(b) to the grade crossing surface account in the state trunk
13 line fund for expenditure for rail grade crossing surface
14 improvement purposes at rail grade crossings on public roads and
15 streets under the jurisdiction of counties, cities, or villages.
16 Projects shall be selected for funding in accordance with the
17 following:

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

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

25 (iii) Funding under the grade crossing surface account shall be
26 limited to items of work that are normally the responsibility of
27 the railroad under section 309 of the railroad code of 1993, 1993
28 PA 354, MCL 462.309. Maintenance of the roadway approaches to the
29 crossing will continue to be the responsibility of the party with



1 jurisdiction over that roadway.

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

4 (f) For the preservation of state trunk line highways and
5 bridges.

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

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



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

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

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



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

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

25 (b) Amounts expended to provide the state matching requirement
 26 for projects on the national highway system and for the payment of
 27 debt service on bonds, notes, or other obligations issued after
 28 July 1, 1983, for the purpose of providing money for the state
 29 matching requirements for projects on the national highway system.



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

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

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

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

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

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

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

24 (h) Amounts appropriated for deposit in the transportation
 25 economic development fund **created in section 2 of 1987 PA 231, MCL**
 26 **247.902**, and the rail grade crossing account ~~pursuant to~~ **under**
 27 section 10(1)(a) and ~~(h)~~ **(j)**.

28 (i) Upon the affirmative recommendation of the director of the
 29 department and the approval by resolution of the state



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

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

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

26 (5) A local road agency may borrow money from the proceeds of
27 bonds or notes issued under section 18b or the state trunk line
28 fund for the purposes set forth in subsection (4) that shall be
29 repayable, with interest, from 1 or more of the following:



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

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

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



1 period of not to exceed 1 year after the respective first payment
2 of interest or principal on the bonds or notes issued to make the
3 loans.

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

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



1 on the conditions that the state treasurer specifies.

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

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

19 (11) Not more than 8% per year of all of the money received by
20 and returned to the department from any source for the purposes of
21 this section may be expended for administrative expenses. The
22 department ~~shall be~~ **is** subject to section 14(5) if more than 8% per
23 year is expended for administrative expenses. As used in this
24 subsection, "administrative expenses" means expenses that are not
25 assigned including, but not limited to, specific road construction
26 or preservation projects and are often referred to as general or
27 supportive services. Administrative expenses do not include net
28 equipment expense, net capital outlay, debt service principal and
29 interest, and payments to other state or local offices that are



1 assigned, but not limited to, specific road construction projects
2 or preservation activities.

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

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

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

18 (a) The type of project.

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

20 (c) The expected lifespan of the project.

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

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

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

28 **(g) Whether the construction contractor has posted a surety
29 bond or has otherwise warrantied the construction work by**



1 voluntarily placing its prequalified status as security for
2 replacement or repairs.

3 (15) If a construction contractor warranties construction work
4 by voluntarily placing its prequalified status as security for
5 replacement or repairs, and the construction contractor loses its
6 prequalified status because of a warranty claim, the department
7 shall consider the warranty claim and loss of prequalified status
8 in reviewing subsequent applications for prequalified status from
9 the construction contractor or any associated individual or
10 business entity. The department may deny applications for
11 prequalified status on the basis of a previous warranty claim that
12 resulted in the loss of prequalified status by the applicant and
13 any individual or business entity associated with that applicant.

14 (16) ~~(15)~~As used in this section:

15 (a) "Local road agency" means that term as defined in section
16 9a.

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

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

21 (ii) The installation or improvement of grade crossing
22 surfaces.

23 (iii) Modification, relocation, or modernization of railroad
24 grade crossing active and passive warning devices necessitated by
25 roadway improvement projects.

26 (iv) Test installations of innovative warning devices or other
27 innovative applications.

28 (v) Construction of new grade separations.

29 (vi) A cash incentive payment made ~~pursuant to~~ **under** subsection



1 (1) (c) (iv) for any public road or street crossing, in an amount no
 2 greater than the cost of installing flashing light signals and half
 3 roadway gates at the crossing.

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

7 (c) "Warranty" means 1 of the following:

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

11 (ii) If the construction contractor has prequalified status and
 12 the department consents, a contractual agreement for the
 13 construction contractor to fully replace or make appropriate
 14 repairs to the contracted construction work as determined by the
 15 department secured by the construction contractor voluntarily
 16 agreeing to surrender its prequalified status as a bidder on
 17 subsequent contracts with the department until all repairs are
 18 completed, as determined by the department.

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

26 (2) Each county road commission shall be reimbursed in an
 27 amount up to \$10,000.00 per year for the sum paid to a licensed
 28 professional engineer employed or retained by the county road
 29 commission in the previous year. The sum shall be returned to each



1 county road commission certified by the department as complying
2 with this subsection regarding the employment of an engineer.

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

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

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

26 (6) Seventy-five percent of the remainder of the total amount
27 to be returned to the counties shall be expended by each county
28 road commission for the preservation, construction, acquisition,
29 and extension of the county primary road system, including the



1 acquisition of a necessary right of way for the system, work
 2 incidental to the system, and a roadside park or motor parkway
 3 appurtenant to the system, and shall be returned to the counties as
 4 follows:

5 (a) Three-fourths of the amount in proportion to the amount
 6 received within the respective county during the 12 months next
 7 preceding the date of each monthly distribution, as specific taxes
 8 upon registered motor vehicles under the Michigan vehicle code,
 9 1949 PA 300, MCL 257.1 to 257.923.

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

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

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

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

28 (b) Thirty-five percent of the amount in the same proportion
 29 that the total population outside of incorporated municipalities in



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

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

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

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

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



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



1 section 14(6) may be transferred to and expended on the county
2 primary road system of that county.

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

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

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

22 (13) In a county to which money is returned under this
23 section, the function of the county road commission is limited to
24 the formation of policy and the performance of the official duties
25 imposed by law and delegated by the county board of commissioners.
26 A member of the county road commission shall not be employed
27 individually in any other capacity for other duties with the county
28 road commission.

29 (14) A county road commission may enter into an agreement with



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

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

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



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

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

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

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

24 (d) Amounts expended for projects vital to the economy of the
 25 local area or the safety of the public in the local area. Before
 26 these amounts can be deducted, the governing body over the county
 27 road commission or the county road commission, as applicable, shall
 28 pass a resolution approving these projects. This resolution shall
 29 state ~~which~~ **the** projects **that** will be funded and the cost of each



1 project. A copy of each approved resolution shall be forwarded
2 immediately to the department.

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

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



1 commission for highways, roads, streets, and bridges, less the
2 amount expended on urban routes for purposes other than
3 preservation and the amount expended for hard-surfacing of gravel
4 roads on the federal-aid system, on the preservation of highways,
5 roads, streets, and bridges and that year is not a part of a 3-year
6 period in which at least 90% of the total federal revenue
7 distributed in the 3-year period to the county road commission for
8 highways, roads, streets, and bridges, less the amount expended on
9 urban routes for purposes other than preservation and the amount
10 expended for hard-surfacing of gravel roads on the federal-aid
11 system, is expended on the preservation of highways, roads,
12 streets, and bridges, the county road commission shall expend in
13 each year subsequent to the 3-year period 100%, or less in 1 year
14 if sufficient for the purposes of this subsection, of the federal
15 revenue distributed to the county road commission for highways,
16 roads, streets, and bridges, less the amount expended on urban
17 routes for purposes other than preservation and the amount expended
18 for hard-surfacing of gravel roads on the federal-aid system, on
19 the preservation of highways, roads, streets, and bridges until the
20 average percentage spent on the preservation of highways, roads,
21 streets, and bridges in the 3-year period and the subsequent years,
22 less the amount expended on urban routes for purposes other than
23 preservation and the amount expended for hard-surfacing of gravel
24 roads on the federal-aid system, is at least 90%. A year may be
25 included in only one 3-year period for the purposes of this
26 subsection. The requirements of this subsection ~~shall be~~ **are** waived
27 if compliance would cause the county road commission to be
28 ineligible for federal revenue under federal law, but only to the
29 extent necessary to make the county road commission eligible for



1 that revenue under federal law. For the purpose of the calculations
 2 required by this subsection, the amount expended on urban routes by
 3 a county road commission for purposes other than preservation and
 4 the amount expended for hard-surfacing of gravel roads on the
 5 federal-aid system shall be deducted from the total federal revenue
 6 distributed to the use of the county road commission.

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



1 as to the matters stated in the certification for purposes of the
2 validity of bonds and notes.

3 (19) In each charter county to which funds are returned under
4 this section, the responsibility for road improvement,
5 preservation, and traffic operation work, and the development,
6 construction, or repair of off-road parking facilities and
7 construction or repair of road lighting shall be coordinated by a
8 single administrator designated by the county executive who shall
9 be responsible for and shall represent the charter county in
10 transactions with the department ~~pursuant to~~ **under** this act.

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

24 (21) In addition to the financial compliance audits required
25 by law, the department may conduct performance audits and make
26 investigations of the disposition of all state money received by
27 county road commissions, county boards of commissioners, or any
28 other county governmental agency acting as the county road
29 authority, for transportation purposes to determine compliance with



1 the terms and conditions of this act. Performance audits shall be
 2 conducted according to government auditing standards issued by the
 3 United States General Accounting Office. The department shall
 4 develop performance audit procedures and reporting requirements
 5 sufficient to determine whether money expended under this section
 6 was expended in compliance with this act by September 1, 2012 and
 7 shall report to the transportation committees of the senate and
 8 house of representatives no later than October 1, 2012 on the
 9 additional audit procedures and reporting requirements. The
 10 department shall provide notice to the county road commission,
 11 county board of commissioners, or any other county governmental
 12 agency acting as the county road authority, as applicable, of the
 13 standards to be used for audits performed under this subsection.
 14 The notice shall be provided 6 months prior to the fiscal year in
 15 which the audit is conducted. The department shall notify the
 16 county road commission, county board of commissioners, or any other
 17 county governmental agency acting as the county road authority of
 18 any subsequent changes to the standards. County road commissions,
 19 county boards of commissioners, or any other county governmental
 20 agencies acting as county road authorities, as applicable, shall
 21 make available to the department the pertinent records for the
 22 audit. Performance audits may be performed at the discretion of the
 23 department or upon receiving a request from the speaker of the
 24 house of representatives or the senate majority leader.

25 (22) Of the amounts appropriated for a county primary or local
 26 road system under this section, where possible, a county road
 27 commission shall secure pavement warranties for full replacement or
 28 appropriate repair for contracted construction work on ~~pavement~~
 29 ~~projects whose cost~~ **projects where the cost of pavement-related**



1 **items as defined by the warranty program** exceeds ~~\$2,000,000.00~~ and
 2 ~~projects for new construction or reconstruction~~ **\$5,000,000.00**
 3 undertaken after ~~the effective date of the amendatory act that~~
 4 ~~added this subsection,~~ **April 1, 2016**, if allowed by the ~~federal~~
 5 ~~highway administration~~ **Federal Highway Administration** and the
 6 department. A county road commission shall submit a proposed
 7 warranty program to the department for approval no later than April
 8 1, 2016. If a proposed warranty program submitted under this
 9 subsection is approved by the department, the county road
 10 commission shall implement the program no later than 1 year after
 11 the approval. A county road commission shall include a list of all
 12 warranties that were secured under this subsection and indicate
 13 whether any of those warranties were redeemed with the report
 14 required under section 14(3), and shall also list all ~~pavement~~
 15 ~~projects whose cost exceeds \$2,000,000.00~~ **projects where the cost**
 16 **of pavement-related items as defined by the warranty program**
 17 **exceeded \$5,000,000.00** for which a warranty was not secured. The
 18 list shall include, but is not limited to, all of the following
 19 information:

- 20 (a) The type of project.
 21 (b) The cost or estimated cost of the project.
 22 (c) The expected lifespan of the project.
 23 (d) Whether or not the project met or is currently meeting its
 24 expected lifespan.
 25 (e) If the project failed to meet or is not meeting its
 26 expected lifespan, the cause of the failure and the cost to replace
 27 or repair the project.
 28 (f) The entity responsible for paying the cost of replacing or
 29 repairing the project.



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

16 (2) From the amount available for distribution to cities and
 17 villages during each December, an amount equal to 0.7% of the total
 18 amount returned to all cities and villages under subsections (3)
 19 and (4) during the previous calendar year shall be withheld. The
 20 amount withheld shall be used to partially reimburse cities and
 21 villages located in counties that are eligible for snow removal
 22 funds ~~pursuant to~~**under** section 12a and that have costs for winter
 23 maintenance on major and local streets that are greater than the
 24 statewide average. The distributions shall be made annually during
 25 February and shall be calculated separately for the major and local
 26 street systems but may be paid in a combined warrant. The
 27 distribution to a city or village shall be equal to 1/2 of its
 28 winter maintenance expenditures after deducting the product of its
 29 total earnings under subsections (3) and (4) multiplied by 2 times



1 the average municipal winter maintenance factor. Winter maintenance
2 expenditures shall be determined from the street financial reports
3 for the most current fiscal years ending before July 1. A city or
4 village that does not submit a street financial report for the
5 fiscal year ending before July 1 by the subsequent December 31 is
6 ineligible for the winter maintenance payment that is to be based
7 on that street financial report. The department shall determine the
8 average municipal winter maintenance factor annually by dividing
9 the total expenditures of all cities and villages on winter
10 maintenance of streets and highways by the total amount earned by
11 all cities and villages under subsections (3) and (4) during the 12
12 months. If the sum of the distributions to be made under this
13 subsection exceeds the amount withheld, the distributions to each
14 eligible city and village shall be reduced proportionately. If the
15 sum is less than the amount withheld, the balance shall be added to
16 the amount available for distribution under subsections (3) and (4)
17 during the next month. The distributions ~~shall be~~**are** for use on
18 the major and local street systems respectively and ~~shall be~~**are**
19 subject to the same provisions as money returned under subsections
20 (3) and (4).

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



1 priority:

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

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

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

15 (d) For the preservation, construction, acquisition, and
 16 extension of the major street system as defined by this act
 17 including the acquisition of a necessary right of way for the
 18 system, work incidental to the system, and an appurtenant roadside
 19 park or motor parkway, of the city or village and for the payment
 20 of the principal and interest on that portion of the city's or
 21 village's general obligation bonds that are attributable to the
 22 construction or reconstruction of the city's or village's major
 23 street system. Not more than 5% per year of the money returned to a
 24 city or village by this subsection shall be expended for the
 25 preservation or acquisition of appurtenant roadside parks and motor
 26 parkways. Surplus money may be expended for the development,
 27 construction, or repair of off-street parking facilities, the
 28 construction or repair of street lighting, ~~and~~ **or** transfer to the
 29 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 money for capital outlay projects for
 5 equipment and buildings necessary to the development and
 6 maintenance of the road system so long as amounts allocated under
 7 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~~**this** state, and 40% in the same proportion that
 21 the total mileage of the local street system of each bears to the
 22 total mileage in the local street systems of all cities and
 23 villages of ~~the~~**this** state. The payment of the principal and
 24 interest upon bonds issued by a city or village ~~pursuant to~~**under**
 25 1952 PA 175, MCL 247.701 to 247.707, and after that payment, the
 26 payment of debt service on loans received under section 11(5),
 27 shall have priority in the expenditure of money returned under this
 28 subsection.

29 (5) Money distributed to each city and village for the



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

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

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

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

29 (c) The dollar amount of the transfer.



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

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

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

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

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

25 (10) Cities and villages may provide for consolidated street
26 administration. A city or a village may enter into an agreement
27 with other cities or villages, the county road commission, or with
28 the state transportation commission for the performance of street
29 or highway work on a road or street within the limits of the city



1 or village or adjacent to the city or village. The agreement may
2 provide for any of the contracting parties to perform the work
3 contemplated by the contracts including services and acquisition of
4 rights of way, by purchase or condemnation in its own name. The
5 agreement may provide for joint participation in the costs if
6 appropriate.

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

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



1 standards to be used for audits under this subsection prior to the
 2 fiscal year in which the audit is conducted. The department shall
 3 notify cities and villages of any subsequent changes to the
 4 standards. Cities and villages shall make available to the
 5 department the pertinent records for the audit. Performance audits
 6 may be performed at the discretion of the department or upon
 7 receiving a request from the speaker of the house of
 8 representatives or the senate majority leader.

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



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

3 (a) The type of project.

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

5 (c) The expected lifespan of the project.

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

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

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

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

18 (15) As used in this section:

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

27 (b) "Equivalent major mileage" means the sum of 2 times the
28 state trunk line mileage certified by the department as of March 31
29 of each year, as being within the boundaries of each city and



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

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

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

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

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

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

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

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

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

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

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

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

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

28 (c) "Population" means the population according to the most



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

