

**SUBSTITUTE FOR  
SENATE BILL NO. 465**

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; to investigate and study the tolling of roads, streets, highways, or bridges; and to repeal acts and parts of acts,"

by amending section 10o (MCL 247.660o), as amended by 2000 PA 188.

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

1       Sec. 10o. (1) Twenty-three to twenty-seven percent of the DOT-  
2 FHWA highway research, planning, and construction federal funds  
3 appropriated to this state from the federal government for road and  
4 bridge construction ~~shall~~**must** be allocated to programs  
5 administered by local jurisdictions after deduction of the  
6 following:

7       (a) Funds that are specifically allocated at the federal level  
8 to ~~the~~**this** state or local jurisdictions.

9       (b) Funds allocated by the department to ~~the~~**this** state and to



1 local jurisdictions through a competitive process.

2 (2) Federal aid excluded from the calculation of funding  
3 allocated to programs administered by local jurisdictions in  
4 subsection (1) includes, but is not limited to, congestion  
5 mitigation and air quality funds, federal bridge funds,  
6 transportation enhancement funds, funds distributed at the  
7 discretion of the United States ~~secretary~~**Secretary** of  
8 ~~transportation~~**Transportation**, and congressionally designated  
9 funds.

10 (3) The funds ~~shall~~**must** be distributed to eligible local **road**  
11 agencies for transportation purposes in a manner consistent with  
12 state and federal law.

13 (4) It is the intent of the legislature that federal aid to  
14 highways allocated to local jurisdictions in subsection (1) be  
15 distributed in a manner that produces a 25% average allocation of  
16 applicable funds to programs for local jurisdictions in each fiscal  
17 year through the fiscal year ending September 30, 2000. Beginning  
18 in the fiscal year ending September 30, 1999, the average  
19 allocation of applicable federal aid to highway funds to programs  
20 for local jurisdictions ~~shall~~**must** be the average of the amount  
21 distributed to local jurisdictions under subsection (1) and  
22 similarly calculated distributions in each succeeding fiscal year.  
23 The average allocation percentage described in this subsection  
24 ~~shall~~**must** be adjusted to reflect any ~~voluntary~~ agreements made by  
25 the department with local jurisdictions regarding the state buyout  
26 of local federal aid.

27 (5) **Subject to subsections (6) to (15), the department shall**  
28 **award money from the state trunkline fund to local road agencies in**  
29 **exchange for federal aid obligation authority allocated to local-**



1 agency projects as provided in this section, if allowed by federal  
2 law and rules.

3 (6) The department must make available money from the state  
4 trunkline fund in exchange for federal aid obligation authority  
5 awarded to local road agencies in the amounts described in  
6 subsection (8) unless the amount must be reduced to do either or  
7 both of the following:

8 (a) Match all available federal aid including  
9 reapportionments, redistributions, or other awards of federal aid  
10 obligation authority.

11 (b) Provide for debt service, the minimum state-funded  
12 program, routine maintenance of state trunk lines, administration,  
13 and all other functions of the department.

14 (7) If the department reduces the amount of money available  
15 from the state trunkline fund under subsection (6), the department  
16 must submit a letter to the chairpersons of the senate and house of  
17 representatives transportation committees, the chairpersons of the  
18 senate and house of representatives transportation appropriations  
19 subcommittees, the senate majority leader, and the speaker of the  
20 house of representatives explaining why the department is unable to  
21 match available federal aid or perform its essential functions.

22 (8) Except if reduced under subsection (6), the amount of  
23 money available from the state trunkline fund in exchange for  
24 federal aid obligation authority awarded to local road agencies is  
25 as follows:

26 (a) In the fiscal year ending September 30, 2023, the maximum  
27 amount available for exchange is \$25,000,000.00.

28 (b) In the fiscal year ending September 30, 2024, the maximum  
29 amount available for exchange is \$35,000,000.00.



1 (c) In the fiscal year ending September 30, 2025, and in every  
2 subsequent fiscal year, the maximum amount available for exchange  
3 is \$45,000,000.00.

4 (9) Local road agencies may apply for state money in exchange  
5 for 100% of the federal aid obligation authority allocated by the  
6 department to a local road agency project in a metropolitan  
7 planning organization transportation improvement program or in the  
8 rural transportation improvement program, in the manner and on the  
9 schedule determined by the department. The department must publish  
10 announcements, instructions, forms, and deadlines on its website.  
11 If applications are received that request more state money than is  
12 available to be exchanged in a fiscal year, awards must be made in  
13 the order received.

14 (10) State money must be exchanged with local road agencies  
15 for federal aid obligation authority in an amount equal to 90 cents  
16 per dollar of all federal aid obligation authority allocated in the  
17 approved transportation improvement plan to each project for which  
18 authority is exchanged.

19 (11) The department must pay state money exchanged for federal  
20 aid obligation authority to local road agencies when sufficient  
21 federal aid obligation authority is received from the Federal  
22 Highway Administration to cover the exchanges, not including any  
23 year-end redistributions.

24 (12) The first priority for the use of state money exchanged  
25 for federal aid obligation authority must be the local road agency  
26 project for which the federal aid obligation authority was  
27 originally proposed. If the state money exchanged for federal aid  
28 obligation authority exceeds the cost of the original project, any  
29 surplus must be applied to federal-aid-eligible projects by the



1 local road agency or returned to the department. Completed work  
2 must be reported to the transportation asset management council  
3 investment reporting tool or any successor system.

4 (13) State money exchanged for federal aid obligation  
5 authority must be expended not later than 3 years after the  
6 exchange. If the project for which federal aid obligation authority  
7 was exchanged cannot be completed within 3 years, the local road  
8 agency must notify the department and its metropolitan planning  
9 agency or rural task force and identify an alternate project  
10 eligible for federal aid that can be constructed within the  
11 original 3-year period, or return the money to the department.

12 (14) A local road agency that is awarded state money in  
13 exchange for federal aid obligation authority is limited to not  
14 more than 5 force-account projects and a total force-account  
15 project cost authorization of not more than \$400,000.00 per fiscal  
16 year, regardless of work type or funding source, not including a  
17 project funded with Federal Highway Administration Emergency Relief  
18 Program money or that is minor utility work as described in 23 CFR  
19 635.205(b). Each local road agency must verify that the limits in  
20 this subsection are not exceeded.

21 (15) Contracts between local road agencies and contractors for  
22 projects funded from state money exchanged for federal aid  
23 obligation authority must contain a federal wage and benefits  
24 schedule consistent with, and incorporating the requirements of,  
25 Section IV of Form FHWA 1273, revised May 1, 2012, or any successor  
26 form, and provide that covered workers are third-party  
27 beneficiaries of these contract requirements.

28 (16) As used in this section:

29 (a) "Federal aid obligation authority" means federal aid



1 obligation authority and an equal amount of contract authority.

2 (b) "Minimum state-funded program" includes, but is not  
3 limited to, preservation, preventive maintenance, maintenance,  
4 operations, safety, administration, and all other essential  
5 functions not eligible for federal aid, as determined by the  
6 department.

7 Enacting section 1. This amendatory act takes effect October  
8 1, 2022.

9 Enacting section 2. This amendatory act does not take effect  
10 unless Senate Bill No. 466 of the 101st Legislature is enacted into  
11 law.