

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1182

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 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 section 13 (MCL 247.663), as amended by 2004 PA 9.

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

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

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

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

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

18 (3) Seventy-five percent of the remaining amount to be  
19 returned to the cities and villages, after deducting the amounts  
20 withheld pursuant to subsection (2), shall be returned 60% in the  
21 same proportion that the population of each bears to the total  
22 population of all cities and villages, and 40% in the same  
23 proportion that the equivalent major mileage in each bears to the  
24 total equivalent major mileage in all cities and villages. As used  
25 in this section, "equivalent major mileage" means the sum of 2  
26 times the state trunk line mileage certified by the state  
27 transportation department as of March 31 of each year, as being

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

4 1.0 for cities and villages of 2,000 or less population;

5 1.1 for cities and villages from 2,001 to 10,000 population;

6 1.2 for cities and villages from 10,001 to 20,000 population;

7 1.3 for cities and villages from 20,001 to 30,000 population;

8 1.4 for cities and villages from 30,001 to 40,000 population;

9 1.5 for cities and villages from 40,001 to 50,000 population;

10 1.6 for cities and villages from 50,001 to 65,000 population;

11 1.7 for cities and villages from 65,001 to 80,000 population;

12 1.8 for cities and villages from 80,001 to 95,000 population;

13 1.9 for cities and villages from 95,001 to 160,000 population;

14 2.0 for cities and villages from 160,001 to 320,000

15 population;

16 and for cities over 320,000 population, by a factor of 2.1  
17 increased successively by 0.1 for each 160,000 population increment  
18 over 320,000. The amount returned under this subsection shall be  
19 used by each city and village for the following purposes in the  
20 following order of priority:

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

1           (b) Payment of obligations of the city or village on highway  
2 projects undertaken by the city or village jointly with the state  
3 transportation department.

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

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

22           (4) The remaining amount to be returned to incorporated cities  
23 and villages shall be expended in each city or village for the  
24 preservation, construction, acquisition, and extension of the local  
25 street system of the city or village, as defined by this act,  
26 including the acquisition of a necessary right of way for the  
27 system, work incidental to the system, and subject to subsection

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

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

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1 ~~apply to section 11b.~~

2 (6) ~~Except as provided in subsection (12), money~~ **MONEY**  
3 returned under this section to a city or village shall be expended  
4 on the major and local street systems of that city or village.  
5 However, the first priority shall be the major street system. Money  
6 returned for expenditure on the major street system shall be  
7 expended in the priority order provided in subsection (3) except  
8 that surplus funds may be transferred for preservation of the local  
9 street system. Major street funds transferred for use on the local  
10 street system shall not be used for construction but may be used  
11 for preservation as defined in section 10c. A city or village shall  
12 not transfer more than ~~25%~~ **50%** of its annual major street funding  
13 for the local street system unless it has adopted and is following  
14 an asset management process for its major and local street systems  
15 and adopts a resolution with a copy to the department setting forth  
16 all of the following:

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

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

20 (c) The dollar amount of the transfer.

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

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

24 **(7) A CITY OR VILLAGE THAT HAS NOT ADOPTED AN ASSET MANAGEMENT**  
25 **PLAN SHALL OBTAIN THE CONCURRENCE OF THE DEPARTMENT TO TRANSFER**  
26 **MORE THAN 50% OF ITS MAJOR STREET FUNDING TO ITS LOCAL STREET**  
27 **SYSTEM. [THE DEPARTMENT MAY PROVIDE FOR PILOT PROJECTS THAT WOULD ALLOW A**

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1 CITY OR VILLAGE THAT HAS ADOPTED AN ASSET MANAGEMENT PLAN UNDER  
2 SUBSECTION (6) TO COMBINE THEIR LOCAL AND MAJOR STREET FUNDS INTO 1  
3 STREET FUND AND TO SUBMIT A SINGLE REPORT TO THE DEPARTMENT ON THE  
4 EXPENDITURE OF FUNDS ON THE LOCAL AND MAJOR STREET SYSTEMS.]

5 (8) ~~-(7)-~~ Not more than 10% per year of all of the funds

6 returned to a city or village from any source for the purposes of  
7 this section may be expended for administrative expenses. As used  
8 in this subsection, "administrative expenses" means those expenses  
9 that are not assigned including, but not limited to, specific road  
10 construction or maintenance projects and are often referred to as  
11 general or supportive services. Administrative expenses shall not  
12 include net equipment expense, net capital outlay, debt service  
13 principal and interest, and payments to other state or local  
14 offices that are assigned, but not limited to, specific road  
15 construction projects or maintenance activities. A city or village  
16 which in a year expends more than 10% for administrative expenses  
17 shall be subject to section 14(5).

18 (9) ~~-(8)-~~ In each city and village to which funds are returned  
19 under this section, the responsibility for street preservation and  
20 the development, construction, or repair of off-street parking  
21 facilities and construction or repair of street lighting shall be  
22 coordinated by a single administrator to be designated by the  
23 governing body who shall be responsible for and shall represent the  
24 municipality in transactions with the state transportation  
25 department pursuant to this act.

26 (10) ~~-(9)-~~ Cities and villages may provide for consolidated  
27 street administration. A city or a village may enter into an  
agreement with other cities or villages, the county road

1 commission, or with the state transportation commission for the  
2 performance of street or highway work on a road or street within  
3 the limits of the city or village or adjacent to the city or  
4 village. The agreement may provide for the performance by any of  
5 the contracting parties of the work contemplated by the contracts  
6 including services and acquisition of rights of way, by purchase or  
7 condemnation by any of the contracting parties in its own name. The  
8 agreement may provide for joint participation in the costs if  
9 appropriate.

10 (11) ~~-(10)-~~ Interest earned on funds returned to a city or a  
11 village for purposes provided in this section shall be credited to  
12 the appropriate street fund.

13 (12) ~~-(11)-~~ In addition to the financial compliance audits  
14 required by law, the department of treasury shall conduct  
15 performance audits and make investigations of the disposition of  
16 all state funds received by cities and villages for transportation  
17 purposes to determine compliance with the terms and conditions of  
18 this act. Performance audits shall be conducted according to  
19 government auditing standards issued by the United States general  
20 accounting office. The department of treasury shall provide notice  
21 to cities and villages of the standards to be used for audits under  
22 this subsection prior to the fiscal year in which the audit is  
23 conducted. The department shall notify cities and villages of any  
24 subsequent changes to the standards. Cities and villages shall make  
25 available to the department of treasury the pertinent records for  
26 the audit.

27 ~~----- (12) Effective January 1, 2009, money returned to a city or~~

1 ~~village for expenditure on the major street system may not be~~  
2 ~~transferred or expended for use on the local street system except~~  
3 ~~to the extent matched by local revenues expended by the city or~~  
4 ~~village on the major street system or state trunk line highways.~~  
5 ~~For purposes of this subsection, local revenue means revenue other~~  
6 ~~than Michigan transportation fund revenue and includes, but is not~~  
7 ~~limited to, general fund revenue and special assessments.~~

8 (13) On or before October 1, 2008, the department shall  
9 prepare a report listing by city and village, and in total, the  
10 following information:

11 (a) Amounts transferred between major street fund and local  
12 street fund.

13 (b) Amounts of local revenue ~~as defined in subsection (12)~~  
14 expended on the major street system. The report shall include  
15 fiscal years from January 1, 2002 through June 30, 2008. The report  
16 shall analyze the extent to which the amendatory act that added  
17 this subsection affected city and village transfers from major  
18 street funds to local street funds, and the amount of local revenue  
19 expended on city or village major streets and state trunk lines.  
20 The report shall be submitted to the house and senate  
21 appropriations committees and to the house and senate fiscal  
22 agencies.