

# HOUSE BILL No. 5864

September 30, 2014, Introduced by Reps. McMillin, Goike, Forlini and Kowall and referred to the Committee on Transportation and Infrastructure.

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 10a, 12, 12b, 13, and 14 (MCL 247.660a, 247.662, 247.662b, 247.663, and 247.664), section 10a as amended by 1992 PA 137, sections 12 and 13 as amended by 2012 PA 298, and section 14 as amended by 1987 PA 234.

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

1           Sec. 10a. (1) ~~Annually~~ **UNTIL THE EFFECTIVE DATE OF THE 2014**  
 2 **AMENDATORY ACT THAT AMENDED THIS SUBSECTION**, the state  
 3 ~~transportation~~ department shall determine the miles of state trunk  
 4 line highways, county primary and local roads, and city and village  
 5 major and local streets transferred to and from state, county,  
 6 city, or village jurisdiction during the preceding period of July 1  
 7 to June 30. In each year after that determination, the transferred  
 8 mileage shall be accumulated and added to the mileage transferred  
 9 in each subsequent July 1 to June 30 period.

10           (2) ~~The~~ **UNTIL THE EFFECTIVE DATE OF THE 2014 AMENDATORY ACT**  
 11 **THAT AMENDED THIS SUBSECTION**, THE current average revenue worth per

1 mile of a county primary road and a county local road shall be  
2 determined annually by dividing the total county primary and local  
3 road mileages respectively as of the first day of the preceding  
4 July 1 to June 30 period into the total amount of Michigan  
5 transportation funds returned to counties ~~pursuant to~~ **UNDER** this  
6 act for use on county primary and local roads respectively during  
7 that period, except money returned to counties ~~pursuant to~~ **UNDER**  
8 section 12(2) and (3).

9 (3) ~~The~~ **UNTIL THE EFFECTIVE DATE OF THE 2014 AMENDATORY ACT**  
10 **THAT AMENDED THIS SUBSECTION, THE** total amount of money to be  
11 transferred from and to the state trunk line fund, the counties,  
12 cities, and villages shall be determined annually by multiplying  
13 the current revenue worth per mile of a county primary road and a  
14 county local road respectively by the number of accumulated miles  
15 in each category transferred from and to state, county, city, or  
16 village jurisdiction. If the transferred facility becomes  
17 classified as part of the local road or street system of the  
18 receiving jurisdiction, the transfer of money shall be calculated  
19 on the basis of the revenue worth per mile of a county local road.  
20 In any other category of jurisdictional transfer, the transfer of  
21 money shall be calculated on the basis of the revenue worth per  
22 mile of a county primary road.

23 (4) For jurisdictional transfers made from ~~the~~ **THIS** state to a  
24 county, city, or village after July 1, 1992, the amount in the  
25 state trunk line fund to be transferred shall be transferred to the  
26 county, city, or village receiving jurisdiction. ~~If~~ **UNTIL THE**  
27 **EFFECTIVE DATE OF THE 2014 AMENDATORY ACT THAT AMENDED THIS**

1 **SUBSECTION, IF** the transferred highway is then classified as part  
 2 of the local road or street system of the receiving jurisdiction,  
 3 the transfer of money to the receiving jurisdiction shall be  
 4 calculated on the basis of the revenue worth per mile of a county  
 5 local road as determined in subsection (2). If the transferred  
 6 highway is then classified as part of the primary road or major  
 7 street system of the receiving jurisdiction, the transfer of money  
 8 to the receiving jurisdiction shall be calculated on the basis of  
 9 the revenue worth per mile of a county primary road as determined  
 10 in subsection (2). This subsection ~~and subsection (5)~~ shall not be  
 11 construed to ~~effect~~ **AFFECT** contracts entered into ~~before or after~~  
 12 ~~the effective date of this subsection pursuant to Act No. 166 of~~  
 13 ~~the Public Acts of 1965, being sections 408.551 to 408.558 of the~~  
 14 ~~Michigan Compiled Laws, UNDER 1965 PA 166, MCL 408.551 TO 408.558,~~  
 15 for the maintenance of a transferred highway.

16 ~~—— (5) In cities and villages with a population of 25,000 or~~  
 17 ~~more, trunk line mileage that is transferred to local jurisdiction~~  
 18 ~~after July 1, 1992 and is then classified as a major street shall~~  
 19 ~~be certified at twice its measured length.~~

20 **(5) BEGINNING ON THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT**  
 21 **ADDED THIS SUBSECTION, THE DEPARTMENT SHALL DETERMINE THE AMOUNTS**  
 22 **TO BE TRANSFERRED UNDER SUBSECTIONS (3) AND (4) BASED ON THE**  
 23 **PROPORTION THAT THE POPULATION OF THE RECEIVING COUNTY, CITY, OR**  
 24 **VILLAGE BEARS TO THE POPULATION OF ALL OTHER COUNTIES, CITIES, OR**  
 25 **VILLAGES IN THIS STATE.**

26 (6) The transfer of ~~funds~~ **MONEY** under this section shall be  
 27 included each year in the October appropriation of the Michigan

1 transportation fund.

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

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

15       (3) An amount equal to 1% of the total amount returned to the  
16 county road commissions from the Michigan transportation fund  
17 during the prior calendar year shall be withheld annually from the  
18 counties' November monthly distribution ~~provided for in~~ **UNDER**  
19 section 17, and the amount shall be returned to the county road  
20 commissions for snow removal purposes ~~as provided in~~ **UNDER** section  
21 12a.

22       (4) An amount equal to 10% of the total amount returned to the  
23 county road commissions from the Michigan transportation fund shall  
24 be returned to each county road commission having county primary,  
25 or county local road, or both, mileage in the urban areas as  
26 determined ~~pursuant to~~ **UNDER** section 12b. This sum shall be  
27 distributed ~~pursuant to~~ **UNDER** section 12b. The return shall be in

1 addition to the amounts provided in subsections (6) and (7) and for  
2 the purposes stated in those subsections.

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

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

20 (a) Three-fourths of the amount in proportion to the amount  
21 received within the respective county during the 12 months next  
22 preceding the date of each monthly distribution, as specific taxes  
23 upon registered motor vehicles under the Michigan vehicle code,  
24 1949 PA 300, MCL 257.1 to 257.923.

25 (b) One-tenth of the amount in the same proportion that the  
26 total ~~mileage in the county primary road system~~ **POPULATION** of each  
27 county bears to the total ~~mileage in all of the county primary road~~

1 ~~systems of the~~ **POPULATION OF THIS** state.

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

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

12 (a) Sixty-five percent of the amount in the same proportion  
13 that the total ~~mileage in~~ **POPULATION OF** the county ~~local road~~  
14 ~~system of each county bears~~ to the total ~~mileage in all of the~~  
15 ~~county local road systems~~ **POPULATION** of the ~~THIS~~ state.

16 (b) Thirty-five percent of the amount in the same proportion  
17 that the total population outside of incorporated municipalities in  
18 each county bears to the total population outside of incorporated  
19 municipalities in all of the counties of ~~the~~ **THIS** state, according  
20 to the most recent statewide federal census as certified at the  
21 beginning of the state fiscal year.

22 (8) Money deposited in ~~—~~ or becoming a part of the county road  
23 funds of a board of county road commissioners shall be expended  
24 first for the payment of principal and interest on the bonds, for  
25 the payment of contractual contributions pledged for the payment of  
26 bonds, for debt service requirements for the payment of contractual  
27 contributions pledged for the payment of bonds, and for debt

1 service requirements for the payment of notes and loans in the  
2 following order of priority:

3 (a) For the payment of contributions required to be made by a  
4 board of county road commissioners under a contract entered into  
5 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for  
6 the payment of the principal and interest on bonds issued under  
7 that act, or for the payment of total debt service requirements  
8 upon notes issued by a board of county road commissioners under  
9 1943 PA 143, MCL 141.251 to 141.254.

10 (b) For the payment of principal and interest upon bonds  
11 issued under section 18c, and the payment of contributions of a  
12 board of county road commissioners made pursuant to contracts  
13 entered into under section 18d that are pledged to the payment of  
14 principal and interest on bonds issued after June 30, 1957, under  
15 the authorization of section 18c and contracts executed ~~pursuant to~~  
16 ~~its provisions.~~ **UNDER SECTION 18C.**

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

20 (9) ~~Beginning November 1, 2008, no~~ **NO** more than 50% per year  
21 of the amount returned to a county for use on the county primary  
22 road system may be expended, with or without matching, on the  
23 county local road system of that county. Except as otherwise  
24 provided in this subsection, beginning September 30, 2010, no more  
25 than 30% per year of the amount returned to a county for use on the  
26 county primary road system may be expended, with or without  
27 matching, on the county local road system of that county. An

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

25 (10) Not less than 20% per year of the ~~fund~~**MONEY** returned to  
26 a county by this section shall be expended for snow and ice  
27 removal, the construction or reconstruction of a new highway or

1 existing highway, and the acquisition of a necessary right of way  
2 for those highways, and work incidental to those highways, or for  
3 the servicing of bonds issued by the county for these purposes.

4 Surplus ~~funds~~**MONEY** may be expended for the development,  
5 construction, or repair of an off-street parking facility.

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

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

17 (13) In a county to which ~~funds are~~**MONEY IS** returned under  
18 this section, the function of the county road commission ~~shall be~~  
19 **IS** limited to the formation of policy and the performance of the  
20 official duties imposed by law and delegated by the county board of  
21 commissioners. A member of the county road commission shall not be  
22 employed individually in any other capacity for other duties with  
23 the county road commission.

24 (14) A county road commission may enter into an agreement with  
25 a county road commission of an adjacent county and with a city or  
26 village to perform work on a highway, road, or street, and with the  
27 department with respect to a state trunk line **HIGHWAY** and

1 connecting links of the state trunk line **HIGHWAY** within the limits  
2 of the county or adjacent to the county. The agreement may provide  
3 for the performance by each contracting party of the work  
4 contemplated by the contract including engineering services and the  
5 acquisition of rights of way in connection with the work  
6 contemplated, by purchase or condemnation, by any of the  
7 contracting parties in its own name and the agreement may provide  
8 for joint participation in the costs.

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

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

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

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

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

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

23 (d) Amounts expended for projects vital to the economy of the  
24 local area or the safety of the public in the local area. Before  
25 these amounts can be deducted, the governing body over the county  
26 road commission or the county road commission, as applicable, shall  
27 pass a resolution approving these projects. This resolution shall

1 state which projects will be funded and the cost of each project. A  
2 copy of each approved resolution shall be forwarded immediately to  
3 the department.

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

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

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

1 included in only one 3-year period for the purposes of this  
2 subsection. The requirements of this subsection shall be waived if  
3 compliance would cause the county road commission to be ineligible  
4 for federal revenue under federal law, but only to the extent  
5 necessary to make the county road commission eligible for that  
6 revenue under federal law. For the purpose of the calculations  
7 required by this subsection, the amount expended on urban routes by  
8 a county road commission for purposes other than preservation and  
9 the amount expended for hard-surfacing of gravel roads on the  
10 federal-aid system shall be deducted from the total federal revenue  
11 distributed to the use of the county road commission.

12 (18) A county road commission shall certify to the department  
13 on or before the issuance of any bonds or notes issued after July  
14 1, 1983, ~~pursuant to~~ **UNDER** 1943 PA 143, MCL 141.251 to 141.254,  
15 1941 PA 205, MCL 252.51 to 252.64, or section 18c or 18d, for  
16 purposes other than the preservation of highways, roads, streets,  
17 and bridges and purposes other than the purposes specified in  
18 subsection (16)(c) that its average annual debt service  
19 requirements for all bonds and notes or portions of bonds and notes  
20 issued after July 1, 1983, for purposes other than the preservation  
21 of highways, roads, streets, and bridges and other than for the  
22 purposes specified in subsection (16)(c), including the bond or  
23 note to be issued does not exceed 10% of the ~~funds~~ **MONEY** returned  
24 to the county road commission ~~pursuant to~~ **UNDER** this act, less the  
25 amounts specified in subsection (16)(a), (b), and (c) during the  
26 last completed fiscal year of the county road commission. If the  
27 purpose for which the bonds or notes are issued is changed after

1 the issuance of the notes or bonds, the change shall be made in a  
2 manner that maintains compliance with the certification required by  
3 this subsection, as of the date the certificate was originally  
4 issued, but no such change shall invalidate or otherwise affect the  
5 bonds or notes with respect to which the certificate was issued or  
6 the obligation to pay debt service on the bonds or notes. A  
7 certification under this subsection is conclusive as to the matters  
8 stated in the certification for purposes of the validity of bonds  
9 and notes.

10 (19) In each charter county to which ~~funds are~~ **MONEY IS**  
11 returned under this section, the responsibility for road  
12 improvement, preservation, and traffic operation work, and the  
13 development, construction, or repair of off-road parking facilities  
14 and construction or repair of road lighting shall be coordinated by  
15 a single administrator to be designated by the county executive who  
16 shall be responsible for and shall represent the charter county in  
17 transactions with the department ~~pursuant to~~ **UNDER** this act.

18 (20) Not more than 10% per year of all of the ~~funds~~ **MONEY**  
19 received by and returned to a county from any source for the  
20 purposes of this section may be expended for administrative  
21 expenses. A county that expends more than 10% for administrative  
22 expenses in a year is subject to section 14(5) unless a waiver is  
23 granted by the department of treasury. As used in this subsection,  
24 "administrative expenses" means those 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

1 equipment expense, net capital outlay, debt service principal and  
2 interest, and payments to other state or local offices that are  
3 assigned, but not limited to, specific road construction projects  
4 or preservation activities.

5 (21) In addition to the financial compliance audits required  
6 by law, the department may conduct performance audits and make  
7 investigations of the disposition of all state ~~funds~~**MONEY** received  
8 by county road commissions, county boards of commissioners, or any  
9 other county governmental agency acting as the county road  
10 authority, for transportation purposes to determine compliance with  
11 the terms and conditions of this act. Performance audits shall be  
12 conducted according to government auditing standards issued by the  
13 United States general accounting office. The department shall  
14 develop performance audit procedures and reporting requirements  
15 sufficient to determine whether ~~funds~~**MONEY** expended under this  
16 section ~~were~~**WAS** expended in compliance with this act by September  
17 1, 2012 and shall report to the transportation committees of the  
18 senate and house of representatives no later than October 1, 2012  
19 on the additional audit procedures and reporting requirements. The  
20 department shall provide notice to the county road commission,  
21 county board of commissioners, or any other county governmental  
22 agency acting as the county road authority, as applicable, of the  
23 standards to be used for audits performed under this subsection.  
24 The notice shall be provided 6 months prior to the fiscal year in  
25 which the audit is conducted. The department shall notify the  
26 county road commission, county board of commissioners, or any other  
27 county governmental agency acting as the county road authority of

1 any subsequent changes to the standards. County road commissions,  
 2 county boards of commissioners, or any other county governmental  
 3 agencies acting as county road authorities, as applicable, shall  
 4 make available to the department the pertinent records for the  
 5 audit. Performance audits may be performed at the discretion of the  
 6 department or upon receiving a request from the speaker of the  
 7 house of representatives or the senate majority leader.

8       Sec. 12b. (1) The amounts returned to the counties for the  
 9 county urban system as provided in section 12(4) shall be  
 10 distributed on the basis of the ~~county road mileage contained~~  
 11 **POPULATION** within the urban area boundaries as established pursuant  
 12 ~~to~~ **UNDER** this section.

13       (2) On January 3, 1973, the department ~~of transportation shall~~  
 14 establish urban area boundaries ~~which~~ **THAT** shall be reviewed and  
 15 corrected periodically and ~~which~~ **THAT** shall be in conformance with  
 16 **CONFORM TO** the federal-aid urban area definition as published by  
 17 the federal highway administration of the United States department  
 18 of transportation and in effect July 1, 1971.

19       (3) The amounts returned to the county road commissions  
 20 qualifying under this section shall be in the same proportion that  
 21 the total **POPULATION OF THE** urban local road mileage, ~~plus 6 times~~  
 22 ~~the urban primary road mileage of each county~~ **AREA** bears to the  
 23 total ~~mileage in all the urban local road systems of the~~ **POPULATION**  
 24 **OF THIS** state. ~~, plus 6 times the total mileage in all the urban~~  
 25 ~~primary road systems of the state.~~

26       (4) All amounts returned to the county road commissions on the  
 27 basis of the **POPULATION OF** urban ~~primary road mileage of~~ **AREAS IN**

1 each county are for use on the county primary road system and are  
2 subject to the same provisions of this act as other amounts for  
3 expenditure on the county primary road system.

4 (5) All amounts returned to the county road commissions on the  
5 basis of the **POPULATION OF** urban ~~local road mileage of~~ **AREAS IN**  
6 each county are for expenditure on the county local road system and  
7 are subject to the same provisions of this act as other amounts for  
8 expenditure on the county local road systems.

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

24 (2) From the amount available for distribution to cities and  
25 villages during each December, **THE DEPARTMENT SHALL WITHHOLD** an  
26 amount equal to 0.7% of the total amount returned to all cities and  
27 villages under subsections (3) and (4) during the previous calendar

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

1 the amount available for distribution under subsections (3) and (4)  
2 during the next month. The distributions shall be for use on the  
3 major and local street systems respectively and shall be subject to  
4 the same provisions as ~~funds~~ **MONEY** returned under subsections (3)  
5 and (4).

6 (3) Seventy-five percent of the remaining amount to be  
7 returned to the cities and villages, after deducting the amounts  
8 withheld ~~pursuant to~~ **UNDER** subsection (2), shall be returned ~~60%~~ in  
9 the same proportion that the population of each bears to the total  
10 population of all cities and villages. ~~, and 40% in the same~~  
11 ~~proportion that the equivalent major mileage in each bears to the~~  
12 ~~total equivalent major mileage in all cities and villages.~~ The  
13 amount returned under this subsection shall be used by each city  
14 and village for the following purposes in the following order of  
15 priority:

16 (a) For the payment of contributions required to be made by a  
17 city or village under the provisions of contracts previously  
18 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have  
19 been previously pledged for the payment of the principal and  
20 interest on bonds issued under that act; or for the payment of the  
21 principal and interest upon bonds issued by a city or village  
22 ~~pursuant to~~ **UNDER** 1952 PA 175, MCL 247.701 to 247.707.

23 (b) Payment of obligations of the city or village on highway  
24 projects undertaken by the city or village jointly with the  
25 department.

26 (c) For the payment of principal and interest upon loans  
27 received ~~pursuant to~~ **UNDER** section 11(5), to the extent other ~~funds~~

1 ~~have~~**MONEY HAS** not been made available for that payment.

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

17 (e) For capital outlay projects for equipment and buildings,  
18 contributions pledged for the payment of loans and for the payment  
19 of contractual debt service requirements for the payment of bonds  
20 for the purpose of providing ~~funds~~**MONEY** for capital outlay  
21 projects for equipment and buildings necessary to the development  
22 and maintenance of the road system so long as amounts allocated  
23 under this subdivision are used for transportation purposes.

24 (4) The remaining amount to be returned to incorporated cities  
25 and villages shall be expended in each city or village for the  
26 preservation, construction, acquisition, and extension of the local  
27 street system of the city or village, including the acquisition of

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

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

1 of the state constitution of 1963 and statutes of this state, from  
2 special assessments, or from any other source.

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

1 allow a city or village that has adopted an asset management plan  
2 under subsection (6) to combine their local and major street ~~funds~~  
3 **MONEY** into 1 street fund and to submit a single report to the  
4 department on the expenditure of ~~funds~~**MONEY** on the local and major  
5 street systems.

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

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

19 (10) Cities and villages may provide for consolidated street  
20 administration. A city or a village may enter into an agreement  
21 with other cities or villages, the county road commission, or with  
22 the state transportation commission for the performance of street  
23 or highway work on a road or street within the limits of the city  
24 or village or adjacent to the city or village. The agreement may  
25 provide for any of the contracting parties to perform the work  
26 contemplated by the contracts including services and acquisition of  
27 rights of way, by purchase or condemnation in its own name. The

1 agreement may provide for joint participation in the costs if  
2 appropriate.

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

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

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

8 (13) As used in this section:

9 (a) "Administrative expenses" means expenses that are not  
 10 assigned under this section, including, but not limited to,  
 11 specific road construction or maintenance projects, and are often  
 12 referred to as general or supportive services. Administrative  
 13 expenses do not include net equipment expense, net capital outlay,  
 14 debt service principal and interest, or payments to other state or  
 15 local offices that are assigned, but not limited to, specific road  
 16 construction projects or maintenance activities.

17 ~~—— (b) "Equivalent major mileage" means the sum of 2 times the~~  
 18 ~~state trunk line mileage certified by the department as of March 31~~  
 19 ~~of each year, as being within the boundaries of each city and~~  
 20 ~~village having a population of 25,000 or more, plus the major~~  
 21 ~~street mileage in each city and village, multiplied by the~~  
 22 ~~following factor:~~

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

24 ~~—— (ii) 1.1 for cities and villages from 2,001 to 10,000~~  
 25 ~~population.~~

26 ~~—— (iii) 1.2 for cities and villages from 10,001 to 20,000~~  
 27 ~~population.~~

1 ~~—— (iv) 1.3 for cities and villages from 20,001 to 30,000~~  
2 ~~population.~~

3 ~~—— (v) 1.4 for cities and villages from 30,001 to 40,000~~  
4 ~~population.~~

5 ~~—— (vi) 1.5 for cities and villages from 40,001 to 50,000~~  
6 ~~population.~~

7 ~~—— (vii) 1.6 for cities and villages from 50,001 to 65,000~~  
8 ~~population.~~

9 ~~—— (viii) 1.7 for cities and villages from 65,001 to 80,000~~  
10 ~~population.~~

11 ~~—— (ix) 1.8 for cities and villages from 80,001 to 95,000~~  
12 ~~population.~~

13 ~~—— (x) 1.9 for cities and villages from 95,001 to 160,000~~  
14 ~~population.~~

15 ~~—— (xi) 2.0 for cities and villages from 160,001 to 320,000~~  
16 ~~population.~~

17 ~~—— (xii) For cities over 320,000 population, a factor of 2.1~~  
18 ~~increased successively by 0.1 for each 160,000 population increment~~  
19 ~~over 320,000.~~

20 (B) ~~(c)~~ "Population" means the population according to the  
21 most recent statewide federal census as certified at the beginning  
22 of the state fiscal year, except that, if a municipality has been  
23 newly incorporated since completion of the census, the population  
24 of the municipality for purposes of the distribution of ~~funds~~ **MONEY**  
25 before completion of the next census shall be the population as  
26 determined by special federal census, if there is a special federal  
27 census, and if not, by the population as determined by the official

1 census in connection with the incorporation, if there is such a  
 2 census and, if not, by a special state census to be taken at the  
 3 expense of the municipality by the secretary of state ~~pursuant to~~  
 4 **UNDER** section 6 of the home rule city act, 1909 PA 279, MCL 117.6.

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

9       (2) ~~Separate~~**CITIES, VILLAGES, AND COUNTY ROAD COMMISSIONS**  
 10 **SHALL KEEP SEPARATE** accounts ~~shall be kept by cities, villages, and~~  
 11 ~~county road commissions~~ of all money returned from the Michigan  
 12 transportation fund. This subsection shall not be construed to  
 13 prevent the combining of accounts on which separate bookkeeping  
 14 records are kept into a single deposit account.

15       (3) All county road commissions and cities and villages shall  
 16 keep accurate and uniform records on all road and street work and  
 17 ~~funds, MONEY,~~ and shall annually report to the ~~state transportation~~  
 18 department at the time, in the manner, and on forms prescribed by  
 19 the ~~state transportation~~ department the ~~mileage of~~**ESTIMATED**  
 20 **TRAFFIC VOLUME ON** each road system under their jurisdiction and the  
 21 receipts and disbursements of road and street ~~funds. MONEY.~~ In the  
 22 annual report, each county road commission shall report on its  
 23 compliance in the preceding year with the requirements of section  
 24 12(16) and (17). The report shall also specify, with respect to  
 25 section 12(17), the total dollar amount expended for other than  
 26 maintenance purposes which would not have been permissible without  
 27 the deduction of certain urban route expenditures as permitted

1 under section 12(17). The report shall also specify the  
2 justification for a waiver of the requirement of section 12(17), if  
3 that requirement was waived.

4 (4) ~~The expenditure of ALL COUNTY ROAD COMMISSIONS, CITIES,~~  
5 **AND VILLAGES MAY EXPEND** adequate amounts ~~, by county road~~  
6 ~~commissions and the cities and villages, from funds MONEY~~ returned  
7 ~~by UNDER~~ this act ~~, to cover the cost of administration,~~  
8 engineering, and record keeping, ~~is hereby authorized, and~~  
9 expenditures for those purposes shall be reported separately by  
10 each county road commission, city, and village to the ~~state~~  
11 ~~transportation~~ department.

12 (5) All distributions and returns of ~~funds provided for in~~  
13 **MONEY UNDER** this act shall be withheld from the ~~state~~  
14 ~~transportation~~ department, eligible authorities, county road  
15 commissions, cities, villages, or other eligible governmental  
16 agencies for failure to comply with any of the requirements of this  
17 act, and the withholding shall continue for the period of  
18 noncompliance.

19 (6) Money distributed to county road commissions for the  
20 maintenance and improvement of county local road systems ~~pursuant~~  
21 ~~to UNDER~~ section 12 represents the total responsibility of ~~the THIS~~  
22 state for local county road support. Additional ~~funds MONEY~~  
23 required for the support of county local road systems may be  
24 supplied from other money returned to the township governments by  
25 ~~the THIS~~ state under the state constitution of 1963 and statutes of  
26 ~~the THIS~~ state, or from ~~funds MONEY~~ that can be raised by taxation  
27 in the townships or counties for road purposes within the

1 limitations of the state constitution of 1963 and statutes of ~~the~~  
2 **THIS** state.