HOUSE BILL No. 4613

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May 14, 2015, Introduced by Reps. Lauwers, Runestad, Cole, Leutheuser, Iden, Sheppard, Theis, Inman and Potvin and referred to the Committee on Roads and Economic Development.

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

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

by amending sections 10, 11, 12, 13, and 14 (MCL 247.660, 247.661, 247.662, 247.663, and 247.664), section 10 as amended by 2007 PA 210, section 11 as amended by 2002 PA 639, sections 12 and 13 as amended by 2012 PA 298, and section 14 as amended by 1987 PA 234.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 10. (1) A fund to be known as the Michigan transportation fund is established ~~and shall be set up and maintained~~ in the state treasury as a separate fund. ~~Money received and collected under the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, except a license fee provided in that act, and a tax, fee, license, and other money received and collected under sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, except a truck safety fund fee provided in section 801(1)(k) of the Michigan vehicle code, 1949 PA 300, MCL 257.801, and money received under the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43, shall be deposited in the state treasury to the credit of the~~

~~Michigan transportation fund. In addition, income or profit derived from the investment of money in the Michigan transportation fund shall be deposited in the Michigan transportation fund.~~ **THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS FROM ANY SOURCE FOR DEPOSIT INTO THE FUND. THE STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE FUND. THE STATE TREASURER SHALL CREDIT TO THE FUND INTEREST AND EARNINGS FROM FUND INVESTMENTS.** Except as provided in this act, no other money, whether appropriated from the general fund of this state or any other source, shall be deposited in the Michigan transportation fund. Except as otherwise provided in this section, the legislature shall appropriate ~~funds~~ **MONEY** for the necessary expenses incurred in the administration and enforcement of the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43, and sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810. ~~Funds~~ **MONEY** appropriated for necessary expenses shall be based upon established cost allocation methodology that reflects actual costs. Appropriations for the necessary expenses incurred by the department of state in administration and enforcement of sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall be made from the Michigan transportation fund and from ~~funds~~ **MONEY** in the transportation administration collection fund created in section 810b of the Michigan vehicle code, 1949 PA 300, MCL 257.810b. Appropriations from the Michigan transportation fund for the necessary expenses incurred by **THE** department of state in administration and enforcement of sections 801 to 810 of the

Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall not exceed $20,000,000.00 per state fiscal year. ~~except for the fiscal year ending September 30, 2006. For the fiscal year ending September 30, 2006, the legislature may appropriate funds in excess of $20,000,000.00 from the Michigan transportation fund for all incremental additional expenses incurred by the department of state in enforcing sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, that arise because of the replacement of standard design registration license plates as provided in section 224 of the Michigan vehicle code, 1949 PA 300, MCL 257.224.~~ All money in the Michigan transportation fund is apportioned and appropriated in the following manner:

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

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

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

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

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

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

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

(H) ~~(g)~~ $5,000,000.00 to the local bridge fund established in subsection ~~(5)~~ **(4)** for distribution only to the local bridge advisory board, the regional bridge councils, cities, villages, and county road commissions.

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

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

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

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

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

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

(2) The money appropriated pursuant to this section shall be used for the purposes as provided in this act and any other applicable act. Subject to the requirements of section 9b, the department shall develop programs in conjunction with the Michigan

state chamber of commerce and the Michigan minority business development council to assist small businesses, including those located in enterprise zones and those located in empowerment zones as determined under federal law, as defined by law in becoming qualified to bid.

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

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

(4) ~~(5)~~ A fund to be known as the local bridge fund is established ~~and is set up and maintained~~ in the state treasury as a separate fund. The money appropriated to the local bridge fund and the interest accruing to that fund shall be expended for the local bridge program. The purpose of the fund is to provide financial assistance to highway authorities for the preservation, improvement, or reconstruction of existing bridges or for the construction of bridges to replace existing bridges in whole or part. The money in the local bridge fund is not subject to section 12(15) or 13(5). The local bridge advisory board is created and shall consist of 6 voting members appointed by the state transportation commission and 2 nonvoting members appointed by the ~~state transportation~~ department. The board shall include 3 members from the county road association of Michigan, 1 member who represents counties with populations 65,000 or greater, 1 member who represents counties with populations greater than 30,000 and less than 65,000, and 1 member who represents counties with populations of 30,000 or less. Three members shall be appointed from the Michigan municipal league, 1 member who represents cities with a population 75,000 or greater, 1 member who represents cities with a population less than 75,000, and 1 member who represents villages. Each organization with voting rights shall submit a list of nominees in each population category to the state transportation commission. The state transportation commission shall make the appointments from the lists submitted under this subsection. ~~Names shall be submitted within 45 days after October 1, 2004. The state transportation commission shall make the appointments by January 30, 2005.~~ Voting members shall be appointed for 2 years. The chairperson of the board shall be selected from among the voting members of the board. In addition to the 2 nonvoting members, the department shall provide qualified administrative staff and qualified technical assistance to the board.

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

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

(a) A ratio with a numerator that is the total number of local bridges in the region and a denominator that is the total number of local bridges in this state.

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

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

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

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

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

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

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

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

(e) A listing of ~~what~~ **THE** specific projects **THAT** were funded ~~pursuant to~~ **UNDER** subsection ~~(8).~~ **(7).**

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

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

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

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

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

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

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

(*i*) For the payment of contributions **PLEDGED BEFORE JULY 18, 1979 AND** required to be made by the state highway commission or the state transportation commission under contracts entered into before July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, ~~which contributions have been pledged before July 18, 1979,~~ for the payment of the principal and interest on bonds issued under 1941 PA 205, MCL 252.51 to 252.64, for the payment of which a sufficient sum is irrevocably appropriated.

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

(*iii*) For the payment of the principal and interest on bonds issued under section 18b for transportation purposes other than comprehensive transportation purposes as defined by law and the payment of contributions ~~of~~ **PLEDGED TO THE PAYMENT OF PRINCIPAL AND INTEREST ON BONDS ISSUED UNDER SECTION 18D AND CONTRACTS ENTERED INTO UNDER SECTION 18D BY** the state highway commission or state transportation commission to be made pursuant to contracts entered into under section 18d**.** ~~, which contributions are pledged to the payment of principal and interest on bonds issued under the authorization of section 18d and contracts executed pursuant to that section.~~ A sufficient portion of the fund is irrevocably appropriated to pay, when due, the principal and interest on bonds or notes issued under section 18b for purposes other than comprehensive transportation purposes as defined by law, and to pay the annual contributions of the state highway commission and the state transportation commission as are pledged for the payment of bonds issued ~~pursuant to~~ **UNDER** contracts authorized by section 18d.

(b) For the transfer of ~~funds~~ **MONEY** appropriated ~~pursuant to~~ **UNDER** section ~~10(1)(g)~~ **10(1)(I)** to the transportation economic development fund, but the transfer shall be reduced each fiscal year by the amount of debt service to be paid in that year from the state trunk line fund for bonds, notes, or other obligations issued to fund projects of the transportation economic development fund, which amount shall be certified by the department.

(c) For the transfer of ~~funds~~ **MONEY** appropriated ~~pursuant to~~ **UNDER** section 10(1)(a) to the ~~railroad~~ **RAIL** grade crossing account in the state trunk line fund for expenditure for rail grade crossing improvement purposes at rail grade crossings on public roads and streets under the jurisdiction of ~~the~~ **THIS** state, counties, cities, or villages. ~~Projects~~ **THE DEPARTMENT** shall ~~be~~

~~selected~~ **SELECT PROJECTS** for funding in accordance with the following:

(*i*) Not more than 50% or less than 30% of ~~these funds~~ **THIS MONEY** and matched federal ~~funds~~ **MONEY** shall be expended for state trunk line projects.

(*ii*) In prioritizing projects for ~~these funds,~~ **THIS MONEY,** in whole or in part, the department shall consider train and vehicular traffic volumes, accident history, traffic control device improvement needs, and the availability of funding.

(*iii*) Consistent with the other requirements for ~~these funds,~~ **THIS MONEY,** the first priority for ~~funds~~ **MONEY** deposited ~~pursuant to~~ **UNDER** this subdivision for rail grade crossing improvements and retirement shall be to match federal ~~funds~~ **MONEY** from the railroad-highway grade crossing improvement program or other comparable federal programs if a match is required under federal law.

(*iv*) If the department and ~~the~~ **A** road authority with jurisdiction over the crossing formally agree that the grade crossing should be eliminated by permanent closing of the public road or street, the physical removal of the crossing, roadway within railroad rights of way and street termination treatment ~~will~~ **SHALL** be negotiated between the road authority and railroad company. The ~~funds~~ **MONEY** provided to the road authority as a result of the crossing closure ~~will~~ **SHALL** be credited to its account representing the same road or street system on which the crossing is located and shall be used for any transportation purpose within that road authority's jurisdiction.

(D) FOR THE TRANSFER OF MONEY APPROPRIATED UNDER SECTION

10(1)(B) TO THE GRADE CROSSING SURFACE ACCOUNT IN THE STATE TRUNK LINE FUND FOR EXPENDITURE FOR RAIL GRADE CROSSING SURFACE IMPROVEMENT PURPOSES AT RAIL GRADE CROSSINGS ON PUBLIC ROADS AND STREETS UNDER THE JURISDICTION OF COUNTIES, CITIES, OR VILLAGES. PROJECTS SHALL BE SELECTED FOR FUNDING IN ACCORDANCE WITH THE FOLLOWING:

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

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

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

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

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

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

(H) ~~(g)~~ The ~~state transportation~~ department may enter into agreements with ~~county road commissions and with cities and villages~~ **A LOCAL ROAD AGENCY OR A PRIVATE SECTOR COMPANY** to perform work on a highway, road, or street. The agreements may provide for the performance by any of the contracting parties of any of the work contemplated by the contract including **MAINTENANCE,** engineering services**,** and the acquisition of rights of way in connection with the work, by purchase or condemnation by any of the contracting parties in its own name, and for joint participation in the costs, but only to the extent that the contracting parties are otherwise authorized by law to expend money on the highways, roads, or streets. The ~~state transportation~~ department also may contract with a ~~county~~ **LOCAL** road ~~commission, city, and village~~ **AGENCY** to advance money to a ~~county~~ **LOCAL** road ~~commission, city, and village~~ **AGENCY** to pay ~~their~~ **THE** costs of improving railroad grade crossings on the terms and conditions agreed to in the contract. A contract may be executed before or after the state transportation commission borrows money for the purpose of advancing money to a ~~county~~ **LOCAL** road ~~commission, city, or village,~~ **AGENCY,** but the contract shall be executed before the advancement of any money to a ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** by the state transportation commission, and shall provide for the full reimbursement of any advancement by a ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** to the ~~state transportation~~ department, with interest, within 15 years after advancement, from any available revenue sources of the ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** or, if provided in the contract, by deduction from the periodic disbursements of any money returned by the state to the ~~county~~ **LOCAL** road ~~commission, city, or village.~~ **AGENCY.**

(I) ~~(h)~~ For providing inventories of supplies and materials required for the activities of the ~~state transportation~~ department. The ~~state transportation~~ department may purchase supplies and materials for these purposes, with payment to be made out of the state trunk line fund to be charged on the basis of issues from inventory in accordance with the accounting and purchasing laws of this state.

(2) Notwithstanding any other provision of this act, **THE DEPARTMENT SHALL ANNUALLY EXPEND** at least 90% of state revenue appropriated annually to the state trunk line fund less the amounts described in subdivisions (a) to (i) ~~shall be expended annually by the state transportation department~~ for the preservation of highways, roads, streets, and bridges and for the payment of debt service on bonds, notes, or other obligations described in subsection (1)(a) issued after July 1, 1983, for the purpose of providing ~~funds~~ **MONEY** for the preservation of highways, roads,

streets, and bridges. Of the amounts appropriated for state trunk line projects, the department shall, where possible, secure **PAVEMENT** warranties ~~of not less than 5 year~~ **FOR** full replacement ~~guarantee~~ **OR APPROPRIATE REPAIR** for contracted construction work **ON PAVEMENT PROJECTS WHOSE COST EXCEEDS $1,000,000.00 AND PROJECTS FOR NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE OF THE 2015 AMENDATORY ACT THAT AMENDED THIS SUBSECTION. THE DEPARTMENT SHALL COMPILE AND MAKE AVAILABLE TO THE PUBLIC AN ANNUAL REPORT OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION AND ALL PAVEMENT PROJECTS WHOSE COSTS EXCEED $1,000,000.00 WHERE A WARRANTY WAS NOT SECURED AS PROVIDED IN SUBSECTION (14).** If an appropriate certificate is filed under section 18e but only to the extent necessary, this subsection ~~shall~~ **DOES** not prohibit the use of any amount of money restricted as to use by section 9 of article IX of the state constitution of 1963 and deposited in the state trunk line fund for the payment of debt service on bonds, notes, or other obligations pledging for the payment thereof money restricted as to use by section 9 of article IX of the state constitution of 1963 and deposited in the state trunk line fund, whenever issued, as specified under subsection (1)(a). The amounts ~~which~~ **THAT** are deducted from the state trunk line fund for the purpose of the calculation required by this subsection are as follows:

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

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

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

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

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

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

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

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

(g) Amounts expended for the purposes described in subsection

(5).

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

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

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

(4) Notwithstanding any other provision of this section, the ~~state transportation~~ department may loan money to ~~county~~ **A LOCAL** road ~~commissions, cities, and villages~~ **AGENCY** for paying capital costs of transportation purposes described in the second paragraph of section 9 of article IX of the state constitution of 1963 from the proceeds of bonds or notes issued pursuant to section 18b or

from the state trunk line fund. Loans made directly from the state trunk line fund shall be made only after provision of ~~funds~~ **MONEY** for the purposes specified in subsection (1)(a) to (f). Loans described in this subsection are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

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

(a) The money to be received by the ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** from the Michigan transportation fund, except to the extent the money has been or may in the future be pledged by contract in accordance with 1941 PA 205, MCL 252.51 to 252.64, or has been or may in the future be pledged for the payment of the principal and interest upon notes issued ~~pursuant to~~ **UNDER** 1943 PA 143, MCL 141.251 to 141.254, or has been or may in the future be pledged for the payment of principal and interest upon bonds issued under section 18c or 18d, or has been or may in the future be pledged for the payment of the principal and interest upon bonds issued ~~pursuant to~~ **UNDER** 1952 PA 175, MCL 247.701 to 247.707.

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

(6) ~~Loans~~ **IF REQUIRED BY THE DEPARTMENT, LOANS** made ~~pursuant to~~ **UNDER** subsection (4) ~~if required by the state transportation~~

~~department may be~~ **ARE** payable by deduction by the state treasurer, upon direction of the ~~state transportation~~ department, from the periodic disbursements of any money returned by ~~the~~ **THIS** state under this act to the ~~county~~ **LOCAL** road ~~commission, city, or village,~~ **AGENCY,** but only after sufficient money has been returned to the ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** to provide for the payment of contractual obligations incurred or to be incurred and principal and interest on notes and bonds issued or to be issued under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d. The interest rates and payment schedules of any loans made from the proceeds of bonds or notes issued pursuant to section 18b shall be established by the ~~state transportation~~ department to conform as closely as practicable to the interest rate and repayment schedules on the bonds or notes issued to make the loans. However, the ~~state transportation~~ department may allow for the deferral of the first payment of interest or principal on the loans for a period of not to exceed 1 year after the respective first payment of interest or principal on the bonds or notes issued to make the loans.

(7) The amount borrowed by a ~~county~~ **LOCAL** road ~~commission, city, or village pursuant to~~ **AGENCY UNDER** subsection (5) shall not be included in, or charged against, any constitutional, statutory, or charter debt limitation of the county, city, or village and shall not be included in the determination of the maximum annual principal and interest requirements of, or the limitations upon, the maximum annual principal and interest incurred under 1941 PA

205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d.

(8) The ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY** is not required to seek or obtain the approval of the electors, the municipal finance commission or its successor agency, or, except as provided in this subsection, the department of treasury to borrow money ~~pursuant to~~ **UNDER** subsection (5). The borrowing is not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or to section 5(g) of the home rule city act, 1909 PA 279, MCL 117.5. The ~~state transportation~~ department shall give at least 10 days' notice to the state treasurer of its intention to make a loan under subsection (4). If the state treasurer gives notice to the director of the ~~state transportation~~ department within 10 days of receiving the notice from the ~~state transportation~~ department, that, based upon the then existing financial or credit situation of the ~~county~~ **LOCAL** road ~~commission, city, or village,~~ **AGENCY,** it would not be in the best interests of ~~the~~ **THIS** state to make a loan under subsection (4) to the ~~county~~ **LOCAL** road ~~commission, city, or village,~~ **AGENCY,** the loan shall not be made unless the state treasurer, after a hearing, if requested by the affected ~~county~~ **LOCAL** road ~~commission, city, or village,~~ **AGENCY,** subsequently gives notice to the director of the ~~state transportation~~ department that the loan may be made on the conditions that the state treasurer specifies.

(9) The state transportation commission may borrow money and issue bonds and notes under ~~, and pursuant to the requirements of,~~ section 18b to make loans to ~~county~~ **A LOCAL** road ~~commissions,~~

~~cities, and villages~~ **AGENCY** for the purposes described in the second paragraph of section 9 of article IX of the state constitution of 1963, as provided in subsection (4). A single issue of bonds or notes may be issued for the purposes specified in subsection (4) and for the other purposes specified in section 18b. The house and senate transportation appropriations subcommittees shall be notified by the department if there are extras and overruns sufficient to require approval of either the state administrative board or the commission, or both, on any contract between the department and a local road agency or a private business.

(10) The director of the ~~state transportation~~ department, after consultation with representatives of the interests of ~~county~~ **LOCAL** road ~~commissions, cities, and villages,~~ **AGENCIES,** shall establish, by intergovernmental communication, procedures for the implementation and administration of the loan program established under subsections (4) to (9).

(11) Not more than 10% per year of all of the ~~funds~~ **MONEY** received by and returned to the ~~state transportation~~ department from any source for the purposes of this section may be expended for administrative expenses. The department shall be subject to section 14(5) if more than 10% per year is expended for administrative expenses. As used in this subsection, "administrative expenses" means ~~those~~ expenses that are not assigned including, but not limited to, specific road construction or preservation projects and are often referred to as general or supportive services. Administrative expenses ~~shall~~ **DO** not include

net equipment expense, net capital outlay, debt service principal and interest, and payments to other state or local offices ~~which~~ **THAT** are assigned, but not limited to, specific road construction projects or preservation activities.

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

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

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

(A) THE TYPE OF PROJECT.

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

(C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

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

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

(*ii*) ~~(b)~~ The installation or improvement of grade crossing surfaces.

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

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

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

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

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

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

(2) Each county road commission shall be reimbursed in an

amount up to $10,000.00 per year for the sum paid to a licensed professional engineer employed or retained by the county road commission in the previous year. The sum shall be returned to each county road commission certified by the department as complying with this subsection regarding the employment of an engineer.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Beginning November 1, 2008, no more than 50% per year of the amount returned to a county for use on the county primary road system may be expended, with or without matching, on the county local road system of that county. Except as otherwise provided in this subsection, beginning September 30, 2010, no more than 30% per year of the amount returned to a county for use on the county primary road system may be expended, with or without matching, on the county local road system of that county. An additional amount, not to exceed 20% per year of the amount returned to a county for use on the county primary road system, may be expended on the county local road system of that county if there is an emergency or if the county road commission determines that an additional 20% may be expended on the county local road system. The county road commission may attach any conditions to its determination if the determination is for nonemergency purposes, including, but not limited to, a requirement that the additional 20% expended on the county local road system only be used to supplement ~~funds~~ **MONEY** from other sources. No more than 15% per year of the amount returned to a county for expenditure on the county local road

system may be used, with or without matching, on the county primary road system of that county, and not to exceed an additional 15% per year of the amount returned to a county for expenditure on the county local road system, may, in case of an emergency or with the approval of the county road commission, be expended, with or without matching, on the county primary road system of that county. An amount returned to a county for and on account of county local roads ~~,~~ under this section ~~,~~ **THAT IS** in excess of the total amount paid into the county treasury each year by all of the townships of that county for and on account of the county local roads pursuant to section 14(6) may be transferred to and expended on the county primary road system of that county.

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

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

(12) ~~Funds~~ **MONEY** returned to a county shall be expended by the county road commission for the purposes provided in this section

and shall be deposited by the county treasurer in a designated county depository, in a separate account to the credit of the county road fund, and shall be paid out only upon the order of the county road commission, and interest accruing on the money shall become a part of, and be deposited with the county road fund.

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

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

(15) Money distributed from the Michigan transportation fund may be expended for construction purposes on county local roads only to the extent matched by money from other sources. However,

Michigan transportation funds may be expended for the construction of bridges on the county local roads in an amount not to exceed 75% of the cost of the construction of local road bridges.

(16) Notwithstanding any other provision of this act, at least 90% of the state revenue returned annually to the county road commission from the Michigan transportation fund less the amounts described in subdivisions (a) to (e) shall be expended annually by the county road commission for the preservation of highways, roads, streets, and bridges, and for the payment of contractual contributions pledged for the payment of bonds or portions of bonds, debt service requirements for the payment of bonds or portions of bonds, and debt service requirements for the payment of notes and loans or portions of notes and loans issued or received after July 1, 1983, for the purpose of providing ~~funds~~ **MONEY** for the preservation of highways, roads, streets, and bridges. If an appropriate certificate is filed under subsection (18) but only to the extent necessary, this subsection does not prohibit the use of any amount of state revenue returned annually to the county road commissions for the payment of contractual contributions pledged for the payment of bonds, for debt service requirements for the payment of bonds, and for debt service requirements for the payment of notes or loans, whenever issued or received, as specified under subsection (8). The amounts that are deducted from the state revenue returned to a county road commission from the Michigan transportation fund, for the purpose of the calculation required by this subsection are as follows:

(a) Amounts expended for the purposes described in subsection

(8) for bonds, notes, loans, or other obligations issued or received before July 2, 1983.

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

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

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

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

(17) As used in this subsection, "urban routes" means those portions of 2-lane county primary roads within an urban area that have average daily traffic in excess of 15,000. Notwithstanding any other provision of this act, except as provided in this subsection, a county road commission shall annually expend at least 90% of the federal revenue distributed to the county road commission for

highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges. A county road commission may expend in 1 year less than 90% of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges, if that year is part of a 3-year period in which at least 90% of the total federal revenue distributed in the 3-year period to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation purposes and the amount expended for hard-surfacing of gravel roads on the federal-aid system, is expended on the preservation of highways, roads, streets, and bridges. If a county road commission expends in 1 year less than 90% of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges and that year is not a part of a 3-year period in which at least 90% of the total federal revenue distributed in the 3-year period to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, is expended on the preservation of highways, roads, streets, and bridges, the county road commission shall expend in each year subsequent to the 3-year period 100%, or less in 1 year if sufficient for the purposes of this subsection, of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges until the average percentage spent on the preservation of highways, roads, streets, and bridges in the 3-year period and the subsequent years, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, is at least 90%. A year may be included in only one 3-year period for the purposes of this subsection. The requirements of this subsection shall be waived if compliance would cause the county road commission to be ineligible for federal revenue under federal law, but only to the extent necessary to make the county road commission eligible for that revenue under federal law. For the purpose of the calculations required by this subsection, the amount expended on urban routes by a county road commission for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system shall be deducted from the total federal revenue distributed to the use of the county road commission.

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

(19) In each charter county to which funds are returned under this section, the responsibility for road improvement,

preservation, and traffic operation work, and the development, construction, or repair of off-road parking facilities and construction or repair of road lighting shall be coordinated by a single administrator ~~to be~~ designated by the county executive who shall be responsible for and shall represent the charter county in transactions with the department pursuant to this act.

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

(21) In addition to the financial compliance audits required by law, the department may conduct performance audits and make investigations of the disposition of all state ~~funds~~ **MONEY** received by county road commissions, county boards of commissioners, or any other county governmental agency acting as the county road authority, for transportation purposes to determine compliance with the terms and conditions of this act. Performance audits shall be

conducted according to government auditing standards issued by the United States general accounting office. The department shall develop performance audit procedures and reporting requirements sufficient to determine whether ~~funds~~ **MONEY** expended under this section ~~were~~ **WAS** expended in compliance with this act by September 1, 2012 and shall report to the transportation committees of the senate and house of representatives no later than October 1, 2012 on the additional audit procedures and reporting requirements. The department shall provide notice to the county road commission, county board of commissioners, or any other county governmental agency acting as the county road authority, as applicable, of the standards to be used for audits performed under this subsection. The notice shall be provided 6 months prior to the fiscal year in which the audit is conducted. The department shall notify the county road commission, county board of commissioners, or any other county governmental agency acting as the county road authority of any subsequent changes to the standards. County road commissions, county boards of commissioners, or any other county governmental agencies acting as county road authorities, as applicable, shall make available to the department the pertinent records for the audit. Performance audits may be performed at the discretion of the department or upon receiving a request from the speaker of the house of representatives or the senate majority leader.

(22) OF THE AMOUNTS APPROPRIATED FOR A COUNTY PRIMARY OR LOCAL ROAD SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A COUNTY ROAD COMMISSION SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT

PROJECTS WHOSE COST EXCEEDS $1,000,000.00 AND PROJECTS FOR NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, IF ALLOWED BY THE FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A COUNTY ROAD COMMISSION SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE DEPARTMENT FOR APPROVAL NO LATER THAN FEBRUARY 1, 2016. IF A PROPOSED WARRANTY PROGRAM SUBMITTED UNDER THIS SUBSECTION IS APPROVED BY THE DEPARTMENT, THE COUNTY ROAD COMMISSION SHALL IMPLEMENT THE PROGRAM NO LATER THAN 1 YEAR AFTER THE APPROVAL. A COUNTY ROAD COMMISSION SHALL INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3), AND SHALL ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST EXCEEDS $1,000,000.00 FOR WHICH A WARRANTY WAS NOT SECURED. THE LIST SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

(A) THE TYPE OF PROJECT.

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

(C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

(2) From the amount available for distribution to cities and villages during each December, an amount equal to 0.7% of the total amount returned to all cities and villages under subsections (3) and (4) during the previous calendar year shall be withheld. The amount withheld shall be used to partially reimburse cities and villages located in counties that are eligible for snow removal funds pursuant to section 12a and that have costs for winter maintenance on major and local streets that are greater than the statewide average. The distributions shall be made annually during February and shall be calculated separately for the major and local street systems but may be paid in a combined warrant. The distribution to a city or village shall be equal to 1/2 of its winter maintenance expenditures after deducting the product of its total earnings under subsections (3) and (4) multiplied by 2 times the average municipal winter maintenance factor. Winter maintenance expenditures shall be determined from the street financial reports for the most current fiscal years ending before July 1. A city or village that does not submit a street financial report for the fiscal year ending before July 1 by the subsequent December 31 is ineligible for the winter maintenance payment that is to be based

on that street financial report. The department shall determine the average municipal winter maintenance factor annually by dividing the total expenditures of all cities and villages on winter maintenance of streets and highways by the total amount earned by all cities and villages under subsections (3) and (4) during the 12 months. If the sum of the distributions to be made under this subsection exceeds the amount withheld, the distributions to each eligible city and village shall be reduced proportionately. If the sum is less than the amount withheld, the balance shall be added to the amount available for distribution under subsections (3) and (4) during the next month. The distributions shall be for use on the major and local street systems respectively and shall be subject to the same provisions as ~~funds~~ **MONEY** returned under subsections (3) and (4).

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

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

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

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

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

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

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

(5) Money distributed to each city and village for the maintenance and preservation of its local street system under this

act represents the total responsibility of the state for local street system support. ~~Funds~~ **MONEY** distributed from the Michigan transportation fund shall not be expended for construction purposes on city and village local streets except to the extent matched from local revenues including other money returned to a city or village by ~~the~~ **THIS** state under the state constitution of 1963 and statutes of ~~the~~ **THIS** state, from ~~funds~~ **MONEY** that can be raised by taxation in cities and villages for street purposes within the limitations of the state constitution of 1963 and statutes of this state, from special assessments, or from any other source.

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

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

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

(c) The dollar amount of the transfer.

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

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

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

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

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

(10) Cities and villages may provide for consolidated street

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

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

(12) In addition to the financial compliance audits required by law, the department may conduct performance audits and make investigations of the disposition of all state ~~funds~~ **MONEY** received by cities and villages for transportation purposes to determine compliance with the terms and conditions of this act. Performance audits shall be conducted according to government auditing standards issued by the United States general accounting office. The department shall develop all performance audit procedures and reporting requirements sufficient to determine whether ~~funds~~ **MONEY** expended under this section ~~were~~ **WAS** expended in compliance with this act by September 1, 2012 and shall report to the transportation committees of the senate and house of representatives no later than October 1, 2012 on the additional audit procedures and reporting requirements. The audit procedures

shall include a review of the road fund balance of the city or village. The cities and villages shall report their road fund balances by fund balance component. The department shall assist cities and villages to ensure that road fund balances are consistently classified and are in compliance with the audit and reporting requirements of this section. The department shall provide notice to cities and villages of the standards to be used for audits under this subsection prior to the fiscal year in which the audit is conducted. The department shall notify cities and villages of any subsequent changes to the standards. Cities and villages shall make available to the department the pertinent records for the audit. Performance audits may be performed at the discretion of the department or upon receiving a request from the speaker of the house of representatives or the senate majority leader.

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

LATER THAN 1 YEAR AFTER THE APPROVAL. A CITY OR VILLAGE SHALL INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3), AND SHALL ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST EXCEEDS $1,000,000.00 FOR WHICH A WARRANTY WAS NOT SECURED. THE LIST SHALL INCLUDE, BUT IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

(A) THE TYPE OF PROJECT.

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

(C) THE EXPECTED LIFESPAN OF THE PROJECT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) All county road commissions and cities and villages shall keep accurate and uniform records on all road and street work and funds, and shall annually report to the ~~state transportation~~ department at the time, in the manner, and on forms prescribed by the ~~state transportation~~ department the mileage of each road system under their jurisdiction and the receipts and disbursements of road and street funds. In the annual report, each county road commission shall report on its compliance in the preceding year with the requirements of section 12(16) and (17). The report shall also specify, with respect to section 12(17), the total dollar amount expended for other than maintenance purposes which would not have

been permissible without the deduction of certain urban route expenditures as permitted under section 12(17). The report shall also specify the justification for a waiver of the requirement of section 12(17), if that requirement was waived. **A COUNTY ROAD COMMISSION, CITY, OR VILLAGE SHALL POST THE REPORT REQUIRED BY THIS SUBSECTION ON ITS WEBSITE, IF THE COUNTY ROAD COMMISSION, CITY, OR VILLAGE HAS A WEBSITE.**

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

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

(6) Money distributed to county road commissions for the maintenance and improvement of county local road systems pursuant to section 12 represents the total responsibility of ~~the~~ **THIS** state for local county road support. Additional funds required for the support of county local road systems may be supplied from other money returned to the township governments by ~~the~~ **THIS** state under the state constitution of 1963 and statutes of ~~the~~ **THIS** state, or

from funds that can be raised by taxation in the townships or counties for road purposes within the limitations of the state constitution of 1963 and statutes of ~~the~~ **THIS** state.

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