

**SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4737**

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 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, and by adding section 1j.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 **SEC. 1J. (1) NO LATER THAN DECEMBER 1, 2015, THE DEPARTMENT**
 2 **SHALL FORM A SPECIAL INTERNAL TASK FORCE SPECIFICALLY NAMED THE**
 3 **ROADS INNOVATION TASK FORCE. THE PURPOSE OF THE TASK FORCE SHALL BE**
 4 **TO CREATE A COMPREHENSIVE PUBLIC REPORT THAT DOES ALL OF THE**
 5 **FOLLOWING:**

6 **(A) EVALUATES ROAD MATERIALS AND CONSTRUCTION METHODS THAT,**
 7 **WHEN IMPLEMENTED, COULD ALLOW THE DEPARTMENT TO BUILD HIGH-QUALITY**
 8 **ROADS IN THIS STATE THAT LAST LONGER THAN THOSE TYPICALLY**
 9 **CONSTRUCTED BY THE DEPARTMENT, WITH A GOAL OF ROADS LASTING AT**
 10 **LEAST 50 YEARS, HIGHER QUALITY ROADS, AND REDUCED MAINTENANCE**
 11 **COSTS.**

12 **(B) FOCUSES ON MATERIALS AND PROCESSES THAT MAY COST MORE IN**

1 INITIAL UP-FRONT SPENDING BUT THAT STILL PRODUCE LIFE-CYCLE
2 CONSTRUCTION AND MAINTENANCE SAVINGS. THE DEPARTMENT SHALL STRIVE
3 TO ACHIEVE A REDUCTION OF AT LEAST 50% IN ITS NET PRESENT VALUE 50-
4 YEAR LIFE CYCLE COSTS AS COMPARED TO THE COMMENSURATE NET PRESENT
5 VALUE 50-YEAR LIFE CYCLE COSTS FOR ROAD CONSTRUCTION AND
6 MAINTENANCE COSTS FROM 2015, IN A MANNER THAT RESULTS IN NO STATE
7 ROADS BEING RATED IN POOR CONDITION AND HAS NO NET DEGRADATION FROM
8 OVERALL 2015 LEVEL PAVEMENT SURFACE EVALUATION AND RATING (PASER)
9 SCORES WITHIN THE PLAN'S FIRST 10 YEARS.

10 (C) FOCUSES ON LONGER-TERM TIME FRAMES THAT SEEK TO MAXIMIZE
11 VALUE TO THE TAXPAYERS OF THIS STATE ON A TOTAL COST BASIS,
12 REGARDLESS OF FUNDING OR FINANCING CONSIDERATIONS. THE REPORT SHALL
13 NOT INCORPORATE OR REFERENCE PLANS OR SUGGESTIONS REGARDING
14 BONDING, REFINANCING, OR FINANCING INNOVATIONS.

15 (2) NOT LATER THAN MARCH 1, 2016, THE DEPARTMENT SHALL
16 FINALIZE AND MAKE PUBLIC THE REPORT DESCRIBED IN SUBSECTION (1).
17 THE TASK FORCE SHALL PRESENT THAT REPORT AT A PUBLIC HEARING BEFORE
18 A JOINT COMMITTEE HEARING OF THE STANDING COMMITTEES OF THE SENATE
19 AND HOUSE OF REPRESENTATIVES WITH PRIMARY RESPONSIBILITY FOR
20 TRANSPORTATION ISSUES CALLED BY THE CHAIRS.

21 (3) NOT LATER THAN JUNE 1, 2016, THE TASK FORCE SHALL UPDATE
22 THE FINALIZED REPORT DESCRIBED IN SUBSECTION (2) TO PROVIDE
23 SUGGESTED BOILERPLATE LANGUAGE WHICH COINCIDES WITH HOW THE
24 DEPARTMENT WOULD EXECUTE THE PLAN AND ATTEMPT TO ACHIEVE THE
25 TARGETS DESCRIBED IN SUBSECTION (1). THE PLAN SHALL INCLUDE
26 SUFFICIENT DETAIL TO ALLOW THE LEGISLATURE TO MONITOR AND TRACK
27 PROGRESS, ESTIMATE HOW LONG IT IS EXPECTED TO TAKE TO ACHIEVE

1 TARGETS, AND PROJECT WHAT THE INFLATION ADJUSTED REDUCTION IN
2 ANNUAL SPENDING WILL BE ONCE FULLY IMPLEMENTED AS COMPARED TO THE
3 COSTS ASSOCIATED WITH 2015.

4 (4) BEGINNING IN FISCAL YEAR 2016-2017 AND EACH FISCAL YEAR
5 THEREAFTER, THE FIRST \$100,000,000.00 RECEIVED AND COLLECTED
6 ATTRIBUTABLE TO TAXES IMPOSED UNDER SECTION 8(1) OF THE MOTOR FUEL
7 TAX ACT, 2000 PA 403, MCL 207.1008, SHALL BE ANNUALLY DEPOSITED
8 INTO THE STATE TREASURY TO THE CREDIT OF THE ROADS INNOVATION FUND
9 CREATED IN SUBSECTION (5).

10 (5) THE ROADS INNOVATION FUND IS CREATED WITHIN THE STATE
11 TREASURY. THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS
12 FROM ANY SOURCE FOR DEPOSIT INTO THE ROADS INNOVATION FUND. THE
13 STATE TREASURER SHALL DIRECT THE INVESTMENT OF THE ROADS INNOVATION
14 FUND. THE STATE TREASURER SHALL CREDIT TO THE ROADS INNOVATION FUND
15 INTEREST AND EARNINGS FROM FUND INVESTMENTS. MONEY IN THE ROADS
16 INNOVATION FUND AT THE CLOSE OF THE FISCAL YEAR SHALL REMAIN IN THE
17 ROADS INNOVATION FUND AND SHALL NOT LAPSE TO THE GENERAL FUND. THE
18 DEPARTMENT OF TREASURY SHALL BE THE ADMINISTRATOR OF THE FUND FOR
19 AUDITING PURPOSES. THE DEPARTMENT SHALL EXPEND MONEY FROM THE FUND
20 ONLY AFTER EACH HOUSE OF THE LEGISLATURE APPROVES A 1-TIME
21 CONCURRENT RESOLUTION ON A RECORD ROLL CALL VOTE TO RELEASE MONEY
22 IN THE ROADS INNOVATION FUND. ONCE RELEASED BY THE 1-TIME
23 CONCURRENT RESOLUTION, MONEY IN THE ROADS INNOVATION FUND SHALL BE
24 DEPOSITED IN THE MICHIGAN TRANSPORTATION FUND CREATED IN SECTION 10
25 AND DISTRIBUTED AS PROVIDED IN SECTION 10. ONCE MONEY IS RELEASED
26 BY THE 1-TIME CONCURRENT RESOLUTION, THE ROADS INNOVATION FUND
27 SHALL NO LONGER ANNUALLY RECEIVE THE AMOUNT DESCRIBED IN SUBSECTION

1 (4).

2 Sec. 10. (1) A fund to be known as the Michigan transportation
3 fund is established ~~and shall be set up and maintained in the state~~
4 treasury as a separate fund. ~~Money received and collected under the~~
5 ~~motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, except a~~
6 ~~license fee provided in that act, and a tax, fee, license, and~~
7 ~~other money received and collected under sections 801 to 810 of the~~
8 ~~Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, except~~
9 ~~a truck safety fund fee provided in section 801(1)(k) of the~~
10 ~~Michigan vehicle code, 1949 PA 300, MCL 257.801, and money received~~
11 ~~under the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43,~~
12 ~~shall be deposited in the state treasury to the credit of the~~
13 ~~Michigan transportation fund. In addition, income or profit derived~~
14 ~~from the investment of money in the Michigan transportation fund~~
15 ~~shall be deposited in the Michigan transportation fund.~~ **THE STATE**
16 **TREASURER MAY RECEIVE MONEY OR OTHER ASSETS FROM ANY SOURCE FOR**
17 **DEPOSIT INTO THE FUND. THE STATE TREASURER SHALL DIRECT THE**
18 **INVESTMENT OF THE FUND. THE STATE TREASURER SHALL CREDIT TO THE**
19 **FUND INTEREST AND EARNINGS FROM FUND INVESTMENTS.** Except as
20 provided in this act, no other money, whether appropriated from the
21 general fund of this state or any other source, shall be deposited
22 in the Michigan transportation fund. Except as otherwise provided
23 in this section, the legislature shall appropriate ~~funds~~ **MONEY** for
24 the necessary expenses incurred in the administration and
25 enforcement of the motor fuel tax act, 2000 PA 403, MCL 207.1001 to
26 207.1170, the motor carrier act, 1933 PA 254, MCL 475.1 to ~~479.43,~~
27 **479.42,** and sections 801 to 810 of the Michigan vehicle code, 1949

1 PA 300, MCL 257.801 to 257.810. ~~Funds~~ **MONEY** appropriated for
2 necessary expenses shall be based upon established cost allocation
3 methodology that reflects actual costs. Appropriations for the
4 necessary expenses incurred by the department of state in
5 administration and enforcement of sections 801 to 810 of the
6 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall
7 be made from the Michigan transportation fund and from ~~funds~~ **MONEY**
8 in the transportation administration collection fund created in
9 section 810b of the Michigan vehicle code, 1949 PA 300, MCL
10 257.810b. Appropriations from the Michigan transportation fund for
11 the necessary expenses incurred by **THE** department of state in
12 administration and enforcement of sections 801 to 810 of the
13 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall
14 not exceed \$20,000,000.00 per state fiscal year. ~~except for the~~
15 ~~fiscal year ending September 30, 2006. For the fiscal year ending~~
16 ~~September 30, 2006, the legislature may appropriate funds in excess~~
17 ~~of \$20,000,000.00 from the Michigan transportation fund for all~~
18 ~~incremental additional expenses incurred by the department of state~~
19 ~~in enforcing sections 801 to 810 of the Michigan vehicle code, 1949~~
20 ~~PA 300, MCL 257.801 to 257.810, that arise because of the~~
21 ~~replacement of standard design registration license plates as~~
22 ~~provided in section 224 of the Michigan vehicle code, 1949 PA 300,~~
23 ~~MCL 257.224. All~~ **EXCEPT AS PROVIDED IN SECTION 51D OF THE INCOME**
24 **TAX ACT OF 1967, 1967 PA 281, MCL 206.51D, ALL** money in the
25 Michigan transportation fund is apportioned and appropriated in the
26 following manner:

27 (a) Not more than \$3,000,000.00 as may be annually

1 appropriated each fiscal year to the state trunk line fund for
2 subsequent deposit in the rail grade crossing account.

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

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

11 **(D)** ~~(e)~~ Revenue from 3 cents of the tax levied under section
12 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, to
13 the state trunk line fund, county road commissions, and cities and
14 villages in the percentages provided in subdivision ~~(i)~~ **(K)**.

15 **(E)** ~~(d)~~ ~~Until September 30, 2004, all of the revenue from 1~~
16 ~~cent of the tax levied under section 8(1)(a) of the motor fuel tax~~
17 ~~act, 2000 PA 403, MCL 207.1008, to the state trunk line fund for~~
18 ~~repair of state bridges under section 11. Beginning October 1, 2004~~
19 ~~and continuing through September 30, 2005, 3/4 of the revenue from~~
20 ~~1 cent of the tax levied under section 8(1)(a) of the motor fuel~~
21 ~~tax act, 2000 PA 403, MCL 207.1008, shall be appropriated to the~~
22 ~~state trunk line fund for the repair of state bridges under section~~
23 ~~11, and 1/4 of the revenue from 1 cent of the tax levied under~~
24 ~~section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL~~
25 ~~207.1008, shall be appropriated to the local bridge fund created in~~
26 ~~subsection (5) for distribution only to cities, villages, and~~
27 ~~county road commissions. Beginning October 1, 2005, 1/2 **ONE-HALF** of~~

1 the revenue from 1 cent of the tax levied under section 8(1)(a) of
2 the motor fuel tax act, 2000 PA 403, MCL 207.1008, ~~shall be~~
3 ~~appropriated~~ to the state trunk line fund for the repair of state
4 bridges under section 11, and 1/2 of the revenue from 1 cent of the
5 tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA
6 403, MCL 207.1008, ~~shall be appropriated~~ to the local bridge fund
7 created in subsection ~~(5)~~ **(4)** for distribution only to cities,
8 villages, and county road commissions.

9 **(F)** ~~(e)~~ ~~\$43,000,000.00~~ **\$50,000,000.00** to the state trunk line
10 fund for debt service costs on state of Michigan projects.

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

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

18 **(I)** ~~(h)~~ ~~\$36,775,000.00~~ to the state trunk line fund for
19 subsequent deposit in the transportation economic development fund,
20 ~~and, as of September 30, 1997,~~ with first priority for allocation
21 to debt service on bonds issued to fund transportation economic
22 development fund projects. In addition, ~~beginning October 1, 1997,~~
23 \$3,500,000.00 is appropriated from the Michigan transportation fund
24 to the state trunk line fund for subsequent deposit in the
25 transportation economic development fund to be used for economic
26 development road projects in any of the targeted industries
27 described in section 9(1)(a) of 1987 PA 231, MCL 247.909.

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

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

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

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

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

11 (2) The money appropriated pursuant to this section shall be
 12 used for the purposes as provided in this act and any other
 13 applicable act. Subject to the requirements of section 9b, the
 14 department shall develop programs in conjunction with the Michigan
 15 state chamber of commerce and the Michigan minority business
 16 development council to assist small businesses, including those
 17 located in enterprise zones and those located in empowerment zones
 18 as determined under federal law, as defined by law in becoming
 19 qualified to bid.

20 (3) Thirty-one and one-half percent of the ~~funds~~ **MONEY**
 21 appropriated to this state from the federal government ~~pursuant to~~
 22 **UNDER** 23 USC 157, commonly known as minimum guarantee funds, shall
 23 be allocated to the transportation economic development fund, if
 24 ~~such an~~ **THE** allocation is consistent with federal law. ~~These funds~~
 25 **THIS MONEY** shall be distributed 16-1/2% for development projects
 26 for rural counties as defined by law and 15% for capacity
 27 improvement or advanced traffic management systems in urban

1 counties as defined by law. Federal ~~funds~~**MONEY** allocated for
2 distribution under this section ~~shall be~~**IS** eligible for obligation
3 and use by all recipients as ~~defined by~~**PROVIDED IN** the
4 ~~transportation equity act~~**MOVING AHEAD** for **PROGRESS IN** the 21st
5 century **ACT**, Public Law ~~105-178-112-141~~.

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

12 **(4)** ~~(5)~~—A fund to be known as the local bridge fund is
13 established and ~~is set up and maintained~~ in the state treasury as a
14 separate fund. The money appropriated to the local bridge fund and
15 the interest accruing to that fund shall be expended for the local
16 bridge program. The purpose of the fund is to provide financial
17 assistance to highway authorities for the preservation,
18 improvement, or reconstruction of existing bridges or for the
19 construction of bridges to replace existing bridges in whole or
20 part. The money in the local bridge fund is not subject to section
21 12(15) or 13(5). The local bridge advisory board is created and
22 shall consist of 6 voting members appointed by the state
23 transportation commission and 2 nonvoting members appointed by the
24 ~~state transportation department~~. The board shall include 3 members
25 from the county road association of Michigan, 1 member who
26 represents counties with populations 65,000 or greater, 1 member
27 who represents counties with populations greater than 30,000 and

1 less than 65,000, and 1 member who represents counties with
2 populations of 30,000 or less. Three members shall be appointed
3 from the Michigan municipal league, 1 member who represents cities
4 with a population 75,000 or greater, 1 member who represents cities
5 with a population less than 75,000, and 1 member who represents
6 villages. Each organization with voting rights shall submit a list
7 of nominees in each population category to the state transportation
8 commission. The state transportation commission shall make the
9 appointments from the lists submitted under this subsection. ~~Names~~
10 ~~shall be submitted within 45 days after October 1, 2004. The state~~
11 ~~transportation commission shall make the appointments by January~~
12 ~~30, 2005.~~ Voting members shall be appointed for 2 years. The
13 chairperson of the board shall be selected from among the voting
14 members of the board. In addition to the 2 nonvoting members, the
15 department shall provide qualified administrative staff and
16 qualified technical assistance to the board.

17 (5) ~~(6) Beginning October 1, 2005, no~~ **NO** less than 5% and no
18 more than 15% of the ~~funds~~ **MONEY** received in the local bridge fund
19 may be used for critical repair of large bridges and emergencies as
20 determined by the local bridge advisory board. ~~Beginning October 1,~~
21 ~~2005, funds~~ **MONEY** remaining after the ~~funds~~ **MONEY** allocated for
22 critical large bridge repair and emergencies ~~are~~ **IS** deducted shall
23 be distributed by the board to the regional bridge councils created
24 under this section. One regional council shall be formed for each
25 department of transportation region as those regions exist on
26 October 1, 2004. The regional councils shall consist of 2 members
27 of the county road association of Michigan from counties in the

1 region, 2 members of the Michigan municipal league from cities and
2 villages in the region, and 1 member of the ~~state transportation~~
3 department in each region. The members of the ~~state transportation~~
4 department ~~shall be~~ **ARE** nonvoting members ~~who~~ **AND** shall provide
5 qualified administrative staff and qualified technical assistance
6 to the regional councils.

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

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

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

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

24 (7) ~~(8) Beginning October 1, 2005, the~~ **THE** regional bridge
25 councils shall allocate the ~~funds~~ **MONEY** received from the board for
26 the preservation, improvement, and reconstruction of existing
27 bridges or for the construction of bridges to replace existing

1 bridges in whole or in part in each region.

2 (8) ~~(9) Beginning January 1, 2007 and each~~ **EACH** January, after
3 ~~2007,~~ the department shall submit a report to the chair and the
4 minority vice-chair of the appropriations committees of the senate
5 and the house of representatives, and to the standing committees on
6 transportation of the senate and the house of representatives, on
7 all of the following activities for the previous state fiscal year:

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

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

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

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

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

17 (9) ~~(10)~~ The state transportation commission shall borrow
18 money and issue notes or bonds in an amount of not less than
19 \$30,000,000.00 to supplement the funding provided for the local
20 bridge program under subsection ~~(6)~~. **(5)**. The bonds or notes issued
21 ~~pursuant to~~ **UNDER** this subsection may be issued by the commission
22 for any purpose for which other local bridge ~~funds~~ **MONEY** may be
23 used under this section. The bonds or notes authorized by this
24 subsection shall be issued by resolution of the state
25 transportation commission consistent with the requirements of
26 section 18b.

27 (10) ~~(11)~~ The ~~state transportation~~ department shall promulgate

1 rules ~~pursuant to~~ **UNDER** the administrative procedures act of 1969,
2 1969 PA 306, MCL 24.201 to 24.328, governing the administration of
3 the local bridge program. The rules shall set forth the eligibility
4 criteria for financial assistance under the program and other
5 matters related to the program that the department considers
6 necessary and desirable. The department shall take into
7 consideration the availability of federal aid and other financial
8 resources of the highway authority responsible for the bridge, the
9 importance of the bridge to the highway, road, or street network,
10 and the condition of the existing bridge.

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

16 ~~(12) (13) Beginning October 1, 2008, the~~ **THE** regional bridge
17 councils shall determine what bridge projects are selected for
18 funding from the local bridge fund created in subsection ~~(5)~~ **(4)**
19 and shall make a list of selected projects available to interested
20 parties in the region. A determination that a bridge project is
21 selected for funding in a given fiscal year is not approval to
22 disburse the ~~funds~~ **MONEY**.

23 ~~(13) (14) Beginning October 1, 2008, a~~ **A** county road
24 commission, city, or village may implement a bridge project if the
25 bridge project has been selected for funding and is included in the
26 appropriate regional bridge council's current multiyear bridge plan
27 for the local bridge program but the regional bridge council has

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

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

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

24 (i) For the payment of contributions **PLEGGED BEFORE JULY 18,**
25 **1979 AND** required to be made by the state highway commission or the
26 state transportation commission under contracts entered into before
27 July 18, 1979, under 1941 PA 205, MCL 252.51 to 252.64, ~~which~~

1 ~~contributions have been pledged before July 18, 1979,~~ for the
 2 payment of the principal and interest on bonds issued under 1941 PA
 3 205, MCL 252.51 to 252.64, for the payment of which a sufficient
 4 sum is irrevocably appropriated.

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

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

1 bonds issued ~~pursuant to~~ **UNDER** contracts authorized by section 18d.

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

9 (c) For the transfer of ~~funds~~ **MONEY** appropriated ~~pursuant to~~
10 **UNDER** section 10(1)(a) to the ~~railroad~~ **RAIL** grade crossing account
11 in the state trunk line fund for expenditure for rail grade
12 crossing improvement purposes at rail grade crossings on public
13 roads and streets under the jurisdiction of ~~the~~ **THIS** state,
14 counties, cities, or villages. ~~Projects~~ **THE DEPARTMENT** shall be
15 ~~selected~~ **SELECT PROJECTS** for funding in accordance with the
16 following:

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

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

24 (iii) Consistent with the other requirements for ~~these funds,~~
25 **THIS MONEY**, the first priority for ~~funds~~ **MONEY** deposited ~~pursuant~~
26 ~~to~~ **UNDER** this subdivision for rail grade crossing improvements and
27 retirement shall be to match federal ~~funds~~ **MONEY** from the railroad-

1 highway grade crossing improvement program or other comparable
2 federal programs if a match is required under federal law.

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

14 (D) **FOR THE TRANSFER OF MONEY APPROPRIATED UNDER SECTION**
15 **10(1)(B) TO THE GRADE CROSSING SURFACE ACCOUNT IN THE STATE TRUNK**
16 **LINE FUND FOR EXPENDITURE FOR RAIL GRADE CROSSING SURFACE**
17 **IMPROVEMENT PURPOSES AT RAIL GRADE CROSSINGS ON PUBLIC ROADS AND**
18 **STREETS UNDER THE JURISDICTION OF COUNTIES, CITIES, OR VILLAGES.**
19 **PROJECTS SHALL BE SELECTED FOR FUNDING IN ACCORDANCE WITH THE**
20 **FOLLOWING:**

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

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

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

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

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

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

23 (H) ~~(g)~~—The ~~state transportation~~ department may enter into
 24 agreements with ~~county road commissions and with cities and~~
 25 ~~villages~~ **A LOCAL ROAD AGENCY OR A PRIVATE SECTOR COMPANY** to perform
 26 work on a highway, road, or street. The agreements may provide for
 27 the performance by any of the contracting parties of any of the

1 work contemplated by the contract including **MAINTENANCE**,
2 engineering services, and the acquisition of rights of way in
3 connection with the work, by purchase or condemnation by any of the
4 contracting parties in its own name, and for joint participation in
5 the costs, but only to the extent that the contracting parties are
6 otherwise authorized by law to expend money on the highways, roads,
7 or streets. The ~~state transportation~~ department also may contract
8 with a ~~county~~**LOCAL** road ~~commission, city, and village~~**AGENCY** to
9 advance money to a ~~county~~**LOCAL** road ~~commission, city, and village~~
10 **AGENCY** to pay ~~their~~**THE** costs of improving railroad grade crossings
11 on the terms and conditions agreed to in the contract. A contract
12 may be executed before or after the state transportation commission
13 borrows money for the purpose of advancing money to a ~~county~~**LOCAL**
14 road ~~commission, city, or village,~~**AGENCY**, but the contract shall
15 be executed before the advancement of any money to a ~~county~~**LOCAL**
16 road ~~commission, city, or village~~**AGENCY** by the state
17 transportation commission, and shall provide for the full
18 reimbursement of any advancement by a ~~county~~**LOCAL** road ~~commission,~~
19 ~~city, or village~~**AGENCY** to the ~~state transportation~~ department,
20 with interest, within 15 years after advancement, from any
21 available revenue sources of the ~~county~~**LOCAL** road ~~commission,~~
22 ~~city, or village~~**AGENCY** or, if provided in the contract, by
23 deduction from the periodic disbursements of any money returned by
24 the state to the ~~county~~**LOCAL** road ~~commission, city, or~~
25 ~~village~~**AGENCY**.

26 (I) ~~(h)~~ For providing inventories of supplies and materials
27 required for the activities of the ~~state transportation~~ department.

1 The ~~state transportation~~ department may purchase supplies and
2 materials for these purposes, with payment to be made out of the
3 state trunk line fund to be charged on the basis of issues from
4 inventory in accordance with the accounting and purchasing laws of
5 this state.

6 (2) Notwithstanding any other provision of this act, **THE**
7 **DEPARTMENT SHALL ANNUALLY EXPEND** at least 90% of state revenue
8 appropriated annually to the state trunk line fund less the amounts
9 described in subdivisions (a) to (i) ~~shall be expended annually by~~
10 ~~the state transportation department~~ for the preservation of
11 highways, roads, streets, and bridges and for the payment of debt
12 service on bonds, notes, or other obligations described in
13 subsection (1) (a) issued after July 1, 1983, for the purpose of
14 providing ~~funds~~ **MONEY** for the preservation of highways, roads,
15 streets, and bridges. Of the amounts appropriated for state trunk
16 line projects, the department shall, where possible, secure
17 **PAVEMENT** warranties ~~of not less than 5 year~~ **FOR** full replacement
18 ~~guarantee~~ **OR APPROPRIATE REPAIR** for contracted construction work **ON**
19 **PAVEMENT PROJECTS WHOSE COST EXCEEDS \$2,000,000.00 AND PROJECTS FOR**
20 **NEW CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE**
21 **DATE OF THE 2015 AMENDATORY ACT THAT AMENDED THIS SUBSECTION. THE**
22 **DEPARTMENT SHALL COMPILE AND MAKE AVAILABLE TO THE PUBLIC AN ANNUAL**
23 **REPORT OF ALL WARRANTIES THAT WERE SECURED UNDER THIS SUBSECTION**
24 **AND ALL PAVEMENT PROJECTS WHOSE COSTS EXCEED \$2,000,000.00 WHERE A**
25 **WARRANTY WAS NOT SECURED AS PROVIDED IN SUBSECTION (14).** If an
26 appropriate certificate is filed under section 18e but only to the
27 extent necessary, this subsection ~~shall~~ **DOES** not prohibit the use

1 of any amount of money restricted as to use by section 9 of article
2 IX of the state constitution of 1963 and deposited in the state
3 trunk line fund for the payment of debt service on bonds, notes, or
4 other obligations pledging for the payment thereof money restricted
5 as to use by section 9 of article IX of the state constitution of
6 1963 and deposited in the state trunk line fund, whenever issued,
7 as specified under subsection (1)(a). The amounts ~~which~~ **THAT** are
8 deducted from the state trunk line fund for the purpose of the
9 calculation required by this subsection are as follows:

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

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

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

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

27 (ii) A location for which a building permit has been obtained

1 for the renovation of, or addition to, a manufacturing or
2 industrial facility.

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

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

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

14 (g) Amounts expended for the purposes described in subsection
15 (5).

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

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

25 (3) Notwithstanding any other provision of this act, the ~~state~~
26 ~~transportation~~ department shall expend annually at least 90% of the
27 federal revenue distributed to the credit of the state trunk line

1 fund in that year, except for federal revenue expended for the
2 purposes described in subsection (2)(b), (c), (f), and (i) and for
3 the payment of notes issued under section 18b(9) on the
4 preservation of highways, roads, streets, and bridges. The
5 requirement of this subsection ~~shall be~~ **IS** waived if compliance
6 would cause this state to be ineligible according to federal law
7 for federal revenue, but only to the extent necessary to make this
8 state eligible according to federal law for that revenue.

9 (4) Notwithstanding any other provision of this section, the
10 ~~state transportation department~~ may loan money to ~~county~~ **A LOCAL**
11 ~~road commissions, cities, and villages~~ **AGENCY** for paying capital
12 costs of transportation purposes described in the second paragraph
13 of section 9 of article IX of the state constitution of 1963 from
14 the proceeds of bonds or notes issued pursuant to section 18b or
15 from the state trunk line fund. Loans made directly from the state
16 trunk line fund shall be made only after provision of ~~funds~~ **MONEY**
17 for the purposes specified in subsection (1)(a) to (f). Loans
18 described in this subsection are not subject to the revised
19 municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

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

25 (a) The money to be received by the ~~county~~ **LOCAL** road
26 ~~commission, city, or village~~ **AGENCY** from the Michigan
27 transportation fund, except to the extent the money has been or may

1 in the future be pledged by contract in accordance with 1941 PA
2 205, MCL 252.51 to 252.64, or has been or may in the future be
3 pledged for the payment of the principal and interest upon notes
4 issued ~~pursuant to~~ **UNDER** 1943 PA 143, MCL 141.251 to 141.254, or
5 has been or may in the future be pledged for the payment of
6 principal and interest upon bonds issued under section 18c or 18d,
7 or has been or may in the future be pledged for the payment of the
8 principal and interest upon bonds issued ~~pursuant to~~ **UNDER** 1952 PA
9 175, MCL 247.701 to 247.707.

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

13 (6) ~~Loans~~ **IF REQUIRED BY THE DEPARTMENT, LOANS** made pursuant
14 ~~to~~ **UNDER** subsection (4) ~~if required by the state transportation~~
15 ~~department may be~~ **ARE** payable by deduction by the state treasurer,
16 upon direction of the ~~state transportation~~ department, from the
17 periodic disbursements of any money returned by ~~the~~ **THIS** state
18 under this act to the ~~county~~ **LOCAL** road ~~commission,~~ ~~city,~~ or
19 ~~village,~~ **AGENCY**, but only after sufficient money has been returned
20 to the ~~county~~ **LOCAL** road ~~commission,~~ ~~city,~~ or ~~village~~ **AGENCY** to
21 provide for the payment of contractual obligations incurred or to
22 be incurred and principal and interest on notes and bonds issued or
23 to be issued under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143,
24 MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or
25 section 18c or 18d. The interest rates and payment schedules of any
26 loans made from the proceeds of bonds or notes issued pursuant to
27 section 18b shall be established by the ~~state transportation~~

1 department to conform as closely as practicable to the interest
2 rate and repayment schedules on the bonds or notes issued to make
3 the loans. However, the ~~state transportation~~ department may allow
4 for the deferral of the first payment of interest or principal on
5 the loans for a period of not to exceed 1 year after the respective
6 first payment of interest or principal on the bonds or notes issued
7 to make the loans.

8 (7) The amount borrowed by a ~~county~~ **LOCAL** road ~~commission,~~
9 ~~city, or village~~ pursuant to **AGENCY UNDER** subsection (5) shall not
10 be included in, or charged against, any constitutional, statutory,
11 or charter debt limitation of the county, city, or village and
12 shall not be included in the determination of the maximum annual
13 principal and interest requirements of, or the limitations upon,
14 the maximum annual principal and interest incurred under 1941 PA
15 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254,
16 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d.

17 (8) The ~~county~~ **LOCAL** road ~~commission, city, or village~~ **AGENCY**
18 is not required to seek or obtain the approval of the electors, the
19 municipal finance commission or its successor agency, or, except as
20 provided in this subsection, the department of treasury to borrow
21 money pursuant to **UNDER** subsection (5). The borrowing is not
22 subject to the revised municipal finance act, 2001 PA 34, MCL
23 141.2101 to 141.2821, or to section 5(g) of the home rule city act,
24 1909 PA 279, MCL 117.5. The ~~state transportation~~ department shall
25 give at least 10 days' notice to the state treasurer of its
26 intention to make a loan under subsection (4). If the state
27 treasurer gives notice to the director of the ~~state transportation~~

1 department within 10 days of receiving the notice from the ~~state~~
2 ~~transportation~~ department, that, based upon the then existing
3 financial or credit situation of the ~~county~~ **LOCAL** road ~~commission,~~
4 ~~city, or village,~~ **AGENCY**, it would not be in the best interests of
5 ~~the~~ **THIS** state to make a loan under subsection (4) to the ~~county~~
6 **LOCAL** road ~~commission, city, or village,~~ **AGENCY**, the loan shall not
7 be made unless the state treasurer, after a hearing, if requested
8 by the affected ~~county~~ **LOCAL** road ~~commission, city, or village,~~
9 **AGENCY**, subsequently gives notice to the director of the ~~state~~
10 ~~transportation~~ department that the loan may be made on the
11 conditions that the state treasurer specifies.

12 (9) The state transportation commission may borrow money and
13 issue bonds and notes under ~~, and pursuant to the requirements of,~~
14 section 18b to make loans to ~~county~~ **A LOCAL** road ~~commissions,~~
15 ~~cities, and villages~~ **AGENCY** for the purposes described in the
16 second paragraph of section 9 of article IX of the state
17 constitution of 1963, as provided in subsection (4). A single issue
18 of bonds or notes may be issued for the purposes specified in
19 subsection (4) and for the other purposes specified in section 18b.
20 The house and senate transportation appropriations subcommittees
21 shall be notified by the department if there are extras and
22 overruns sufficient to require approval of either the state
23 administrative board or the commission, or both, on any contract
24 between the department and a local road agency or a private
25 business.

26 (10) The director of the ~~state transportation~~ department,
27 after consultation with representatives of the interests of ~~county~~

1 ~~LOCAL~~ road ~~commissions, cities, and villages,~~ **AGENCIES**, shall
 2 establish, by intergovernmental communication, procedures for the
 3 implementation and administration of the loan program established
 4 under subsections (4) to (9).

5 (11) Not more than ~~10%~~**8%** per year of all of the ~~funds~~**MONEY**
 6 received by and returned to the ~~state transportation~~ department
 7 from any source for the purposes of this section may be expended
 8 for administrative expenses. The department shall be subject to
 9 section 14(5) if more than ~~10%~~**8%** per year is expended for
 10 administrative expenses. As used in this subsection,
 11 "administrative expenses" means ~~those~~ expenses that are not
 12 assigned including, but not limited to, specific road construction
 13 or preservation projects and are often referred to as general or
 14 supportive services. Administrative expenses ~~shall~~**DO** not include
 15 net equipment expense, net capital outlay, debt service principal
 16 and interest, and payments to other state or local offices ~~which~~
 17 **THAT** are assigned, but not limited to, specific road construction
 18 projects or preservation activities.

19 (12) Any performance audits of the department shall be
 20 conducted according to government auditing standards issued by the
 21 United States ~~general accounting office.~~**GENERAL ACCOUNTING OFFICE.**

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

26 (14) **THE DEPARTMENT SHALL PREPARE ON AN ANNUAL BASIS A REPORT**
 27 **LISTING ALL WARRANTIES THAT WERE SECURED UNDER SUBSECTION (2) AND**

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

8 (A) THE TYPE OF PROJECT.

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

10 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

11 (D) WHETHER OR NOT THE PROJECT MET OR IS CURRENTLY MEETING ITS
 12 EXPECTED LIFESPAN.

13 (E) IF THE PROJECT FAILED TO MEET OR IS NOT MEETING ITS
 14 EXPECTED LIFESPAN, THE CAUSE OF THE FAILURE AND THE COST TO REPLACE
 15 OR REPAIR THE PROJECT.

16 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR
 17 REPAIRING THE PROJECT.

18 (15) ~~(14)~~ As used in this section: ~~7~~ "rail grade crossing
 19 improvement purposes"

20 (A) "LOCAL ROAD AGENCY" MEANS THAT TERM AS DEFINED IN SECTION
 21 9A.

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

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

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

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

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

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

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

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

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

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

27 (3) An amount equal to 1% of the total amount returned to the

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

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

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

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

1 appurtenant to the system, and shall be returned to the counties as
2 follows:

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

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

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

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

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

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

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

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

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

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

27 (c) For the payment of principal and interest upon loans

1 received pursuant to section 11(5), to the extent other funds have
2 not been made available for that payment.

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

1 An amount returned to a county for and on account of county local
2 roads ~~under this section~~ ~~THAT IS~~ in excess of the total amount
3 paid into the county treasury each year by all of the townships of
4 that county for and on account of the county local roads pursuant
5 to section 14(6) may be transferred to and expended on the county
6 primary road system of that county.

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

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

20 (12) ~~Funds~~ **MONEY** returned to a county shall be expended by the
21 county road commission for the purposes provided in this section
22 and shall be deposited by the county treasurer in a designated
23 county depository, in a separate account to the credit of the
24 county road fund, and shall be paid out only upon the order of the
25 county road commission, and interest accruing on the money shall
26 become a part of, and be deposited with the county road fund.

27 (13) In a county to which ~~funds are~~ **MONEY IS** returned under

1 this section, the function of the county road commission ~~shall be~~
2 **IS** limited to the formation of policy and the performance of the
3 official duties imposed by law and delegated by the county board of
4 commissioners. A member of the county road commission shall not be
5 employed individually in any other capacity for other duties with
6 the county road commission.

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

19 (15) Money distributed from the Michigan transportation fund
20 may be expended for construction purposes on county local roads
21 only to the extent matched by money from other sources. However,
22 Michigan transportation funds may be expended for the construction
23 of bridges on the county local roads in an amount not to exceed 75%
24 of the cost of the construction of local road bridges.

25 (16) Notwithstanding any other provision of this act, at least
26 90% of the state revenue returned annually to the county road
27 commission from the Michigan transportation fund less the amounts

1 described in subdivisions (a) to (e) shall be expended annually by
2 the county road commission for the preservation of highways, roads,
3 streets, and bridges, and for the payment of contractual
4 contributions pledged for the payment of bonds or portions of
5 bonds, debt service requirements for the payment of bonds or
6 portions of bonds, and debt service requirements for the payment of
7 notes and loans or portions of notes and loans issued or received
8 after July 1, 1983, for the purpose of providing ~~funds~~**MONEY** for
9 the preservation of highways, roads, streets, and bridges. If an
10 appropriate certificate is filed under subsection (18) but only to
11 the extent necessary, this subsection does not prohibit the use of
12 any amount of state revenue returned annually to the county road
13 commissions for the payment of contractual contributions pledged
14 for the payment of bonds, for debt service requirements for the
15 payment of bonds, and for debt service requirements for the payment
16 of notes or loans, whenever issued or received, as specified under
17 subsection (8). The amounts that are deducted from the state
18 revenue returned to a county road commission from the Michigan
19 transportation fund, for the purpose of the calculation required by
20 this subsection are as follows:

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

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

26 (c) Amounts expended for capital outlay projects for equipment
27 and buildings, and for the payment of contractual contributions

1 pledged for the payment of bonds, for debt service requirements for
2 the payment of bonds, and for debt service requirements for the
3 payment of notes and loans issued or received after July 1, 1983,
4 for the purpose of providing funds for capital outlay projects for
5 equipment and buildings.

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

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

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

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

1 revenue distributed to the county road commission for highways,
2 roads, streets, and bridges, less the amount expended on urban
3 routes for purposes other than preservation and the amount expended
4 for hard-surfacing of gravel roads on the federal-aid system, on
5 the preservation of highways, roads, streets, and bridges until the
6 average percentage spent on the preservation of highways, roads,
7 streets, and bridges in the 3-year period and the subsequent years,
8 less the amount expended on urban routes for purposes other than
9 preservation and the amount expended for hard-surfacing of gravel
10 roads on the federal-aid system, is at least 90%. A year may be
11 included in only one 3-year period for the purposes of this
12 subsection. The requirements of this subsection shall be waived if
13 compliance would cause the county road commission to be ineligible
14 for federal revenue under federal law, but only to the extent
15 necessary to make the county road commission eligible for that
16 revenue under federal law. For the purpose of the calculations
17 required by this subsection, the amount expended on urban routes by
18 a county road commission for purposes other than preservation and
19 the amount expended for hard-surfacing of gravel roads on the
20 federal-aid system shall be deducted from the total federal revenue
21 distributed to the use of the county road commission.

22 (18) A county road commission shall certify to the department
23 on or before the issuance of any bonds or notes issued after July
24 1, 1983, pursuant to 1943 PA 143, MCL 141.251 to 141.254, 1941 PA
25 205, MCL 252.51 to 252.64, or section 18c or 18d, for purposes
26 other than the preservation of highways, roads, streets, and
27 bridges and purposes other than the purposes specified in

1 subsection (16)(c) that its average annual debt service
2 requirements for all bonds and notes or portions of bonds and notes
3 issued after July 1, 1983, for purposes other than the preservation
4 of highways, roads, streets, and bridges and other than for the
5 purposes specified in subsection (16)(c), including the bond or
6 note to be issued does not exceed 10% of the ~~funds~~**MONEY** returned
7 to the county road commission pursuant to this act, less the
8 amounts specified in subsection (16)(a), (b), and (c) during the
9 last completed fiscal year of the county road commission. If the
10 purpose for which the bonds or notes are issued is changed after
11 the issuance of the notes or bonds, the change shall be made in a
12 manner that maintains compliance with the certification required by
13 this subsection, as of the date the certificate was originally
14 issued, but no such change shall invalidate or otherwise affect the
15 bonds or notes with respect to which the certificate was issued or
16 the obligation to pay debt service on the bonds or notes. A
17 certification under this subsection is conclusive as to the matters
18 stated in the certification for purposes of the validity of bonds
19 and notes.

20 (19) In each charter county to which funds are returned under
21 this section, the responsibility for road improvement,
22 preservation, and traffic operation work, and the development,
23 construction, or repair of off-road parking facilities and
24 construction or repair of road lighting shall be coordinated by a
25 single administrator ~~to be~~ designated by the county executive who
26 shall be responsible for and shall represent the charter county in
27 transactions with the department pursuant to this act.

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

15 (21) In addition to the financial compliance audits required
16 by law, the department may conduct performance audits and make
17 investigations of the disposition of all state ~~funds-MONEY~~ received
18 by county road commissions, county boards of commissioners, or any
19 other county governmental agency acting as the county road
20 authority, for transportation purposes to determine compliance with
21 the terms and conditions of this act. Performance audits shall be
22 conducted according to government auditing standards issued by the
23 United States ~~general accounting office.~~ **GENERAL ACCOUNTING OFFICE.**
24 The department shall develop performance audit procedures and
25 reporting requirements sufficient to determine whether ~~funds-MONEY~~
26 expended under this section ~~were-WAS~~ expended in compliance with
27 this act by September 1, 2012 and shall report to the

1 transportation committees of the senate and house of
2 representatives no later than October 1, 2012 on the additional
3 audit procedures and reporting requirements. The department shall
4 provide notice to the county road commission, county board of
5 commissioners, or any other county governmental agency acting as
6 the county road authority, as applicable, of the standards to be
7 used for audits performed under this subsection. The notice shall
8 be provided 6 months prior to the fiscal year in which the audit is
9 conducted. The department shall notify the county road commission,
10 county board of commissioners, or any other county governmental
11 agency acting as the county road authority of any subsequent
12 changes to the standards. County road commissions, county boards of
13 commissioners, or any other county governmental agencies acting as
14 county road authorities, as applicable, shall make available to the
15 department the pertinent records for the audit. Performance audits
16 may be performed at the discretion of the department or upon
17 receiving a request from the speaker of the house of
18 representatives or the senate majority leader.

19 **(22) OF THE AMOUNTS APPROPRIATED FOR A COUNTY PRIMARY OR LOCAL**
20 **ROAD SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A COUNTY ROAD**
21 **COMMISSION SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR**
22 **APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT**
23 **PROJECTS WHOSE COST EXCEEDS \$2,000,000.00 AND PROJECTS FOR NEW**
24 **CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE**
25 **OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION, IF ALLOWED BY THE**
26 **FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A COUNTY ROAD**
27 **COMMISSION SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE**

1 DEPARTMENT FOR APPROVAL NO LATER THAN APRIL 1, 2016. IF A PROPOSED
2 WARRANTY PROGRAM SUBMITTED UNDER THIS SUBSECTION IS APPROVED BY THE
3 DEPARTMENT, THE COUNTY ROAD COMMISSION SHALL IMPLEMENT THE PROGRAM
4 NO LATER THAN 1 YEAR AFTER THE APPROVAL. A COUNTY ROAD COMMISSION
5 SHALL INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS
6 SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE
7 REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3), AND SHALL
8 ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST EXCEEDS \$2,000,000.00
9 FOR WHICH A WARRANTY WAS NOT SECURED. THE LIST SHALL INCLUDE, BUT
10 IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

11 (A) THE TYPE OF PROJECT.

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

13 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

14 (D) WHETHER OR NOT THE PROJECT MET OR IS CURRENTLY MEETING ITS
15 EXPECTED LIFESPAN.

16 (E) IF THE PROJECT FAILED TO MEET OR IS NOT MEETING ITS
17 EXPECTED LIFESPAN, THE CAUSE OF THE FAILURE AND THE COST TO REPLACE
18 OR REPAIR THE PROJECT.

19 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR
20 REPAIRING THE PROJECT.

21 Sec. 13. (1) The amount distributed to cities and villages
22 shall be returned to the treasurers of the cities and villages in
23 the manner, for the purposes, and under the terms and conditions
24 specified in this section. The amount received by a newly
25 incorporated municipality shall be in place of any other direct
26 distribution of ~~funds~~ **MONEY** from the Michigan transportation fund.
27 The population of a newly incorporated municipality as determined

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

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

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

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

26 (a) For the payment of contributions required to be made by a
27 city or village under the provisions of contracts previously

1 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have
2 been previously pledged for the payment of the principal and
3 interest on bonds issued under that act; or for the payment of the
4 principal and interest upon bonds issued by a city or village
5 pursuant to 1952 PA 175, MCL 247.701 to 247.707.

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

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

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

27 (e) For capital outlay projects for equipment and buildings,

1 contributions pledged for the payment of loans and for the payment
2 of contractual debt service requirements for the payment of bonds
3 for the purpose of providing ~~funds~~**MONEY** for capital outlay
4 projects for equipment and buildings necessary to the development
5 and maintenance of the road system so long as amounts allocated
6 under this subdivision are used for transportation purposes.

7 (4) The remaining amount to be returned to incorporated cities
8 and villages shall be expended in each city or village for the
9 preservation, construction, acquisition, and extension of the local
10 street system of the city or village, including the acquisition of
11 a necessary right of way for the system, work incidental to the
12 system, and subject to subsection (5), for the payment of the
13 principal and interest on the portion of the city's or village's
14 general obligation bonds that are attributable to the construction
15 or reconstruction of the city's or village's local street system.
16 The amount returned under this subsection shall be returned to the
17 cities and villages 60% in the same proportion that the population
18 of each bears to the total population of all incorporated cities
19 and villages in the state, and 40% in the same proportion that the
20 total mileage of the local street system of each bears to the total
21 mileage in the local street systems of all cities and villages of
22 the state. The payment of the principal and interest upon bonds
23 issued by a city or village pursuant to 1952 PA 175, MCL 247.701 to
24 247.707, and after that payment, the payment of debt service on
25 loans received under section 11(5), shall have priority in the
26 expenditure of money returned under this subsection.

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

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

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

- 26 (a) A list of the major streets in that city or village.
27 (b) A statement that the city or village is adequately

1 maintaining its major streets.

2 (c) The dollar amount of the transfer.

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

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

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

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

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

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

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

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

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

17 (13) OF THE AMOUNTS APPROPRIATED FOR A CITY OR VILLAGE MAJOR
18 OR LOCAL STREET SYSTEM UNDER THIS SECTION, WHERE POSSIBLE, A CITY
19 OR VILLAGE SHALL SECURE PAVEMENT WARRANTIES FOR FULL REPLACEMENT OR
20 APPROPRIATE REPAIR FOR CONTRACTED CONSTRUCTION WORK ON PAVEMENT
21 PROJECTS WHOSE COST EXCEEDS \$2,000,000.00 AND PROJECTS FOR NEW
22 CONSTRUCTION OR RECONSTRUCTION UNDERTAKEN AFTER THE EFFECTIVE DATE
23 OF THE AMENDATORY ACT THAT ADDED THIS SUBSECTION IF ALLOWED BY THE
24 FEDERAL HIGHWAY ADMINISTRATION AND THE DEPARTMENT. A CITY OR
25 VILLAGE SHALL SUBMIT A PROPOSED WARRANTY PROGRAM TO THE DEPARTMENT
26 FOR APPROVAL NO LATER THAN FEBRUARY 1, 2017. IF A PROPOSED WARRANTY
27 PROGRAM SUBMITTED UNDER THIS SUBSECTION IS APPROVED BY THE

1 DEPARTMENT, THE CITY OR VILLAGE SHALL IMPLEMENT THE PROGRAM NO
2 LATER THAN 1 YEAR AFTER THE APPROVAL. A CITY OR VILLAGE SHALL
3 INCLUDE A LIST OF ALL WARRANTIES THAT WERE SECURED UNDER THIS
4 SUBSECTION AND INDICATE WHETHER ANY OF THOSE WARRANTIES WERE
5 REDEEMED WITH THE REPORT REQUIRED UNDER SECTION 14(3), AND SHALL
6 ALSO LIST ALL PAVEMENT PROJECTS WHOSE COST EXCEEDS \$2,000,000.00
7 FOR WHICH A WARRANTY WAS NOT SECURED. THE LIST SHALL INCLUDE, BUT
8 IS NOT LIMITED TO, ALL OF THE FOLLOWING INFORMATION:

9 (A) THE TYPE OF PROJECT.

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

11 (C) THE EXPECTED LIFESPAN OF THE PROJECT.

12 (D) WHETHER OR NOT THE PROJECT MET OR IS CURRENTLY MEETING ITS
13 EXPECTED LIFESPAN.

14 (E) IF THE PROJECT FAILED TO MEET OR IS NOT MEETING ITS
15 EXPECTED LIFESPAN, THE CAUSE OF THE FAILURE AND THE COST TO REPLACE
16 OR REPAIR THE PROJECT.

17 (F) THE ENTITY RESPONSIBLE FOR PAYING THE COST OF REPLACING OR
18 REPAIRING THE PROJECT.

19 (14) WITH THE APPROVAL OF THE DIRECTOR OF THE DEPARTMENT, A
20 CITY MAY USE UP TO 20% OF THE AMOUNT RECEIVED BY THAT CITY UNDER
21 THIS SECTION FOR PUBLIC TRANSIT PURPOSES IF MORE THAN 10,000,000
22 PASSENGERS USED PUBLIC TRANSIT WITHIN THAT CITY DURING THE PREVIOUS
23 FISCAL YEAR.

24 (15) ~~(13)~~—As used in this section:

25 (a) "Administrative expenses" means expenses that are not
26 assigned under this section, including, but not limited to,
27 specific road construction or maintenance projects, and are often

1 referred to as general or supportive services. Administrative
2 expenses do not include net equipment expense, net capital outlay,
3 debt service principal and interest, or payments to other state or
4 local offices that are assigned, but not limited to, specific road
5 construction projects or maintenance activities.

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

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

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

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

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

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

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

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

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

27 (ix) 1.8 for cities and villages from 80,001 to 95,000

1 population.

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

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

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

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

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

25 (2) Separate accounts shall be kept by cities, villages, and
26 county road commissions of all money returned from the Michigan
27 transportation fund. This subsection ~~shall~~**DOES** not be construed to

1 prevent the combining of accounts on which separate bookkeeping
2 records are kept into a single deposit account.

3 (3) All county road commissions and cities and villages shall
4 keep accurate and uniform records on all road and street work and
5 funds, and shall annually report to the ~~state transportation~~
6 department at the time, in the manner, and on forms prescribed by
7 the ~~state transportation~~ department the mileage of each road system
8 under their jurisdiction and the receipts and disbursements of road
9 and street funds. In the annual report, each county road commission
10 shall report on its compliance in the preceding year with the
11 requirements of section 12(16) and (17). The report shall also
12 specify, with respect to section 12(17), the total dollar amount
13 expended for other than maintenance purposes which would not have
14 been permissible without the deduction of certain urban route
15 expenditures as permitted under section 12(17). The report shall
16 also specify the justification for a waiver of the requirement of
17 section 12(17), if that requirement was waived. **A COUNTY ROAD**
18 **COMMISSION, CITY, OR VILLAGE SHALL POST THE REPORT REQUIRED BY THIS**
19 **SUBSECTION ON ITS WEBSITE, IF THE COUNTY ROAD COMMISSION, CITY, OR**
20 **VILLAGE HAS A WEBSITE.**

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

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

7 (6) Money distributed to county road commissions for the
8 maintenance and improvement of county local road systems pursuant
9 to section 12 represents the total responsibility of ~~the~~**THIS** state
10 for local county road support. Additional funds required for the
11 support of county local road systems may be supplied from other
12 money returned to the township governments by ~~the~~**THIS** state under
13 the state constitution of 1963 and statutes of ~~the~~**THIS** state, or
14 from funds that can be raised by taxation in the townships or
15 counties for road purposes within the limitations of the state
16 constitution of 1963 and statutes of ~~the~~**THIS** state.

17 Enacting section 1. This amendatory act takes effect April 1,
18 2016.

19 Enacting section 2. This amendatory act does not take effect
20 unless all of the following bills of the 98th Legislature are
21 enacted into law:

- 22 (a) Senate Bill No. 414.
23 (b) House Bill No. 4370.
24 (c) House Bill No. 4614.
25 (d) House Bill No. 4616.
26 (e) House Bill No. 4736.
27 (f) House Bill No. 4738.