

HOUSE BILL No. 5706

March 8, 2018, Introduced by Reps. Yaroch, Marino, Lucido, Farrington, Webber, LaGrand, Hertel, Green, Yanez, Howrylak, Chirkun and Sowerby and referred to the Committee on Transportation and Infrastructure.

A bill to amend 1951 PA 51, entitled

"An act to provide for the classification of all public roads, streets, and highways in this state, and for the revision of that classification and for additions to and deletions from each classification; to set up and establish the Michigan transportation fund; to provide for the deposits in the Michigan transportation fund of specific taxes on motor vehicles and motor vehicle fuels; to provide for the allocation of funds from the Michigan transportation fund and the use and administration of the fund for transportation purposes; to promote safe and efficient travel for motor vehicle drivers, bicyclists, pedestrians, and other legal users of roads, streets, and highways; to set up and establish the truck safety fund; to provide for the allocation of funds from the truck safety fund and administration of the fund for truck safety purposes; to set up and establish the Michigan truck safety commission; to establish certain standards for road contracts for certain businesses; to provide for the continuing review of transportation needs within the state; to authorize the state transportation commission, counties, cities, and villages to borrow money, issue bonds, and make pledges of funds for transportation purposes; to authorize counties to advance funds for the payment of deficiencies necessary for the payment of bonds issued under this act; to provide for the limitations, payment, retirement, and security of the bonds and pledges; to provide for appropriations and tax levies by counties and townships for county roads; to

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

by amending sections 10a, 12, 12b, 13, and 14 (MCL 247.660a, 247.662, 247.662b, 247.663, and 247.664), section 10a as amended by 1992 PA 137 and sections 12, 13, and 14 as amended by 2015 PA 175.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

9 (2) The current average revenue worth per mile of a county
10 primary road and a county local road shall be determined annually
11 by dividing the total county primary and local road mileages
12 respectively as of the first day of the preceding July 1 to June 30
13 period into the total amount of Michigan transportation funds

1 returned to counties ~~pursuant to~~ **UNDER** this act for use on county
2 primary and local roads respectively during that period, except
3 money returned to counties ~~pursuant to~~ **UNDER** section 12(2) and (3).

4 (3) The total amount of money to be transferred from and to
5 the state trunk line fund, the counties, cities, and villages shall
6 be determined annually by multiplying the current revenue worth per
7 mile of a county primary road and a county local road respectively
8 by the number of accumulated miles in each category transferred
9 from and to state, county, city, or village jurisdiction. If the
10 transferred facility becomes classified as part of the local road
11 or street system of the receiving jurisdiction, the transfer of
12 money shall be calculated on the basis of the revenue worth per
13 mile of a county local road. In any other category of
14 jurisdictional transfer, the transfer of money shall be calculated
15 on the basis of the revenue worth per mile of a county primary
16 road.

17 (4) For jurisdictional transfers made from ~~the~~ **THIS** state to a
18 county, city, or village after July 1, 1992, the amount in the
19 state trunk line fund to be transferred shall be transferred to the
20 county, city, or village receiving jurisdiction. If the transferred
21 highway is then classified as part of the local road or street
22 system of the receiving jurisdiction, the transfer of money to the
23 receiving jurisdiction shall be calculated on the basis of the
24 revenue worth per mile of a county local road as determined in
25 subsection (2). If the transferred highway is then classified as
26 part of the primary road or major street system of the receiving
27 jurisdiction, the transfer of money to the receiving jurisdiction

1 shall be calculated on the basis of the revenue worth per mile of a
2 county primary road as determined in subsection (2). This
3 subsection and subsection (5) ~~shall DO not be construed to effect~~
4 **AFFECT** contracts entered into before or after ~~the effective date of~~
5 ~~this subsection pursuant to Act No. 166 of the Public Acts of 1965,~~
6 ~~being sections 408.551 to 408.558 of the Michigan Compiled Laws,~~
7 **JULY 15, 1992 UNDER 1965 PA 166, MCL 408.551 TO 408.558**, for the
8 maintenance of a transferred highway.

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

13 (6) The transfer of funds under this section shall be included
14 each year in the October appropriation of the Michigan
15 transportation fund.

16 (7) **AS USED IN THIS SECTION, "MILEAGE" MEANS THE TOTAL NUMBER**
17 **OF LANE MILES ON A HIGHWAY, ROAD, OR STREET. AS USED IN THIS**
18 **SUBSECTION, "LANE MILES" MEANS THE NUMBER OF MILES OF PAVEMENT**
19 **GOING IN 1 DIRECTION ON A HIGHWAY, ROAD, OR STREET, MULTIPLIED BY**
20 **THE NUMBER OF LANES.**

21 Sec. 12. (1) The amount distributed to the county road
22 commissions shall be returned to the county treasurers in the
23 manner, for the purposes, and under the terms and conditions
24 specified in this section. The department and the ~~county road~~
25 ~~association~~ **COUNTY ROAD ASSOCIATION** of Michigan shall jointly
26 develop incentives for counties to establish statewide purchasing
27 pools for the more efficient use of Michigan transportation funds.

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

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

13 (4) An amount equal to 10% of the total amount returned to the
14 county road commissions from the Michigan transportation fund shall
15 be returned to each county road commission having county primary,
16 or county local road, or both, mileage in the urban areas as
17 determined ~~pursuant to~~ **UNDER** section 12b. This sum shall be
18 distributed ~~pursuant to~~ **AS PROVIDED IN** section 12b. The return
19 ~~shall be~~ **IS** in addition to the amounts provided in subsections (6)
20 and (7) and for the purposes stated in those subsections.

21 (5) An amount equal to 4% of the total amount returned to the
22 county road commissions from the Michigan transportation fund shall
23 be returned to the county road commissions in the same percentages
24 as provided in subsection (7). All money returned to the county
25 road commissions ~~as provided in~~ **UNDER** this subsection shall be
26 expended by the county road commissions for the preservation,
27 construction, acquisition, and extension of county local road

1 systems and ~~shall be~~ **IS** in addition to the amounts provided in
2 subsection (7).

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

11 (a) Three-fourths of the amount in proportion to the amount
12 received within the respective county during the 12 months next
13 preceding the date of each monthly distribution, as specific taxes
14 upon registered motor vehicles under the Michigan vehicle code,
15 1949 PA 300, MCL 257.1 to 257.923.

16 (b) One-tenth of the amount in the same proportion that the
17 total mileage in the county primary road system of each county
18 bears to the total mileage in all of the county primary road
19 systems of this state.

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

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

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

3 (a) Sixty-five percent of the amount in the same proportion
4 that the total mileage in the county local road system of each
5 county bears to the total mileage in all of the county local road
6 systems of ~~the~~**THIS** state.

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

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

21 (a) For the payment of contributions required to be made by a
22 board of county road commissioners under a contract entered into
23 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for
24 the payment of the principal and interest on bonds issued under
25 that act, or for the payment of total debt service requirements
26 upon notes issued by a board of county road commissioners under
27 1943 PA 143, MCL 141.251 to 141.254.

1 (b) For the payment of principal and interest upon bonds
2 issued under section 18c, and the payment of contributions of a
3 board of county road commissioners made pursuant to contracts
4 entered into under section 18d that are pledged to the payment of
5 principal and interest on bonds issued after June 30, 1957, under
6 the authorization of section 18c and contracts executed pursuant to
7 section 18c.

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

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

1 other sources. No more than 15% per year of the amount returned to
2 a county for expenditure on the county local road system may be
3 used, with or without matching, on the county primary road system
4 of that county, and not to exceed an additional 15% per year of the
5 amount returned to a county for expenditure on the county local
6 road system, may, in case of an emergency or with the approval of
7 the county road commission, be expended, with or without matching,
8 on the county primary road system of that county. An amount
9 returned to a county for and on account of county local roads under
10 this section that is in excess of the total amount paid into the
11 county treasury each year by all of the townships of that county
12 for and on account of the county local roads ~~pursuant to~~ **UNDER**
13 section 14(6) may be transferred to and expended on the county
14 primary road system of that county.

15 (10) Not less than 20% per year of the money returned to a
16 county by this section shall be expended for snow and ice removal,
17 the construction or reconstruction of a new highway or existing
18 highway, and the acquisition of a necessary right of way for those
19 highways, and work incidental to those highways, or for the
20 servicing of bonds issued by the county for these purposes. A
21 county may expend surplus money for the development, construction,
22 or repair of an off-street parking facility.

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

27 (12) Money returned to a county shall be expended by the

1 county road commission for the purposes provided in this section
2 and shall be deposited by the county treasurer in a designated
3 county depository, in a separate account to the credit of the
4 county road fund, and shall be paid out only upon the order of the
5 county road commission, and interest accruing on the money shall
6 become a part of, and be deposited with the county road fund.

7 (13) In a county to which money is returned under this
8 section, the function of the county road commission is limited to
9 the formation of policy and the performance of the official duties
10 imposed by law and delegated by the county board of commissioners.
11 A member of the county road commission shall not be employed
12 individually in any other capacity for other duties with the county
13 road commission.

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

26 (15) Money distributed from the Michigan transportation fund
27 may be expended for construction purposes on county local roads

1 only to the extent matched by money from other sources. However,
2 Michigan transportation funds may be expended for the construction
3 of bridges on the county local roads in an amount not to exceed 75%
4 of the cost of the construction of local road bridges.

5 (16) Notwithstanding any other provision of this act, at least
6 90% of the state revenue returned annually to the county road
7 commission from the Michigan transportation fund less the amounts
8 described in subdivisions (a) to (e) shall be expended annually by
9 the county road commission for the preservation of highways, roads,
10 streets, and bridges, and for the payment of contractual
11 contributions pledged for the payment of bonds or portions of
12 bonds, debt service requirements for the payment of bonds or
13 portions of bonds, and debt service requirements for the payment of
14 notes and loans or portions of notes and loans issued or received
15 after July 1, 1983, for the purpose of providing money for the
16 preservation of highways, roads, streets, and bridges. If an
17 appropriate certificate is filed under subsection (18) but only to
18 the extent necessary, this subsection does not prohibit the use of
19 any amount of state revenue returned annually to the county road
20 commissions for the payment of contractual contributions pledged
21 for the payment of bonds, for debt service requirements for the
22 payment of bonds, and for debt service requirements for the payment
23 of notes or loans, whenever issued or received, as specified under
24 subsection (8). The amounts that are deducted from the state
25 revenue returned to a county road commission from the Michigan
26 transportation fund, for the purpose of the calculation required by
27 this subsection are as follows:

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

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

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

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

21 (e) Amounts expended in urban areas as determined ~~pursuant to~~
22 **UNDER** section 12b.

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

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

1 highways, roads, streets, and bridges, less the amount expended on
2 urban routes for purposes other than preservation and the amount
3 expended for hard-surfacing of gravel roads on the federal-aid
4 system, is expended on the preservation of highways, roads,
5 streets, and bridges, the county road commission shall expend in
6 each year subsequent to the 3-year period 100%, or less in 1 year
7 if sufficient for the purposes of this subsection, of the federal
8 revenue distributed to the county road commission for highways,
9 roads, streets, and bridges, less the amount expended on urban
10 routes for purposes other than preservation and the amount expended
11 for hard-surfacing of gravel roads on the federal-aid system, on
12 the preservation of highways, roads, streets, and bridges until the
13 average percentage spent on the preservation of highways, roads,
14 streets, and bridges in the 3-year period and the subsequent years,
15 less the 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, is at least 90%. A year may be
18 included in only one 3-year period for the purposes of this
19 subsection. The requirements of this subsection ~~shall be~~ **ARE** waived
20 if compliance would cause the county road commission to be
21 ineligible for federal revenue under federal law, but only to the
22 extent necessary to make the county road commission eligible for
23 that revenue under federal law. For the purpose of the calculations
24 required by this subsection, the amount expended on urban routes by
25 a county road commission for purposes other than preservation and
26 the amount expended for hard-surfacing of gravel roads on the
27 federal-aid system shall be deducted from the total federal revenue

1 distributed to the use of the county road commission. **AS USED IN**
2 **THIS SUBSECTION, "URBAN ROUTES" MEANS THE PORTIONS OF 2-LANE COUNTY**
3 **PRIMARY ROADS WITHIN AN URBAN AREA THAT HAVE AVERAGE DAILY TRAFFIC**
4 **IN EXCESS OF 15,000.**

5 (18) A county road commission shall certify to the department
6 on or before the issuance of any bonds or notes issued after July
7 1, 1983, pursuant to 1943 PA 143, MCL 141.251 to 141.254, 1941 PA
8 205, MCL 252.51 to 252.64, or section 18c or 18d, for purposes
9 other than the preservation of highways, roads, streets, and
10 bridges and purposes other than the purposes specified in
11 subsection (16)(c) that its average annual debt service
12 requirements for all bonds and notes or portions of bonds and notes
13 issued after July 1, 1983, for purposes other than the preservation
14 of highways, roads, streets, and bridges and other than for the
15 purposes specified in subsection (16)(c), including the bond or
16 note to be issued does not exceed 10% of the money returned to the
17 county road commission ~~pursuant to~~ **UNDER** this act, less the amounts
18 specified in subsection (16)(a), (b), and (c) during the last
19 completed fiscal year of the county road commission. If the purpose
20 for which the bonds or notes are issued is changed after the
21 issuance of the notes or bonds, the change shall be made in a
22 manner that maintains compliance with the certification required by
23 this subsection, as of the date the certificate was originally
24 issued, but ~~no such~~ **THE** change shall ~~shall~~ **DOES NOT** invalidate or
25 otherwise affect the bonds or notes with respect to which the
26 certificate was issued or the obligation to pay debt service on the
27 bonds or notes. A certification under this subsection is conclusive

1 as to the matters stated in the certification for purposes of the
2 validity of bonds and notes.

3 (19) In each charter county to which funds are returned under
4 this section, the responsibility for road improvement,
5 preservation, and traffic operation work, and the development,
6 construction, or repair of off-road parking facilities and
7 construction or repair of road lighting shall be coordinated by a
8 single administrator designated by the county executive who shall
9 be responsible for and shall represent the charter county in
10 transactions with the department ~~pursuant to~~ **UNDER** this act.

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

24 (21) In addition to the financial compliance audits required
25 by law, the department may conduct performance audits and make
26 investigations of the disposition of all state money received by
27 county road commissions, county boards of commissioners, or any

1 other county governmental agency acting as the county road
2 authority, for transportation purposes to determine compliance with
3 the terms and conditions of this act. Performance audits shall be
4 conducted according to government auditing standards issued by the
5 United States General Accounting Office. The department shall
6 develop performance audit procedures and reporting requirements
7 sufficient to determine whether money expended under this section
8 was expended in compliance with this act by September 1, 2012 and
9 shall report to the transportation committees of the senate and
10 house of representatives no later than October 1, 2012 on the
11 additional audit procedures and reporting requirements. The
12 department shall provide notice to the county road commission,
13 county board of commissioners, or any other county governmental
14 agency acting as the county road authority, as applicable, of the
15 standards to be used for audits performed under this subsection.
16 The notice shall be provided 6 months prior to the fiscal year in
17 which the audit is conducted. The department shall notify the
18 county road commission, county board of commissioners, or any other
19 county governmental agency acting as the county road authority of
20 any subsequent changes to the standards. County road commissions,
21 county boards of commissioners, or any other county governmental
22 agencies acting as county road authorities, as applicable, shall
23 make available to the department the pertinent records for the
24 audit. Performance audits may be performed at the discretion of the
25 department or upon receiving a request from the speaker of the
26 house of representatives or the senate majority leader.

27 (22) Of the amounts appropriated for a county primary or local

1 road system under this section, where possible, a county road
2 commission shall secure pavement warranties for full replacement or
3 appropriate repair for contracted construction work on pavement
4 projects whose cost exceeds \$2,000,000.00 and projects for new
5 construction or reconstruction undertaken after ~~the effective date~~
6 ~~of the amendatory act that added this subsection,~~ **APRIL 1, 2016**, if
7 allowed by the ~~federal highway administration~~ **FEDERAL HIGHWAY**
8 **ADMINISTRATION** and the department. A county road commission shall
9 submit a proposed warranty program to the department for approval
10 no later than April 1, 2016. If a proposed warranty program
11 submitted under this subsection is approved by the department, the
12 county road commission shall implement the program no later than 1
13 year after the approval. A county road commission shall include a
14 list of all warranties that were secured under this subsection and
15 indicate whether any of those warranties were redeemed with the
16 report required under section 14(3), and shall also list all
17 pavement projects whose cost exceeds \$2,000,000.00 for which a
18 warranty was not secured. The list shall include, but is not
19 limited to, all of the following information:

- 20 (a) The type of project.
- 21 (b) The cost or estimated cost of the project.
- 22 (c) The expected lifespan of the project.
- 23 (d) Whether or not the project met or is currently meeting its
24 expected lifespan.
- 25 (e) If the project failed to meet or is not meeting its
26 expected lifespan, the cause of the failure and the cost to replace
27 or repair the project.

1 (f) The entity responsible for paying the cost of replacing or
2 repairing the project.

3 (23) AS USED IN THIS SECTION, "MILEAGE" MEANS THE TOTAL NUMBER
4 OF LANE MILES OF A HIGHWAY, ROAD, OR STREET. AS USED IN THIS
5 SUBSECTION, "LANE MILES" MEANS THE NUMBER OF MILES OF PAVEMENT
6 GOING IN 1 DIRECTION ON A HIGHWAY, ROAD, OR STREET, MULTIPLIED BY
7 THE NUMBER OF LANES.

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

13 (2) On January 3, 1973, the department of ~~transportation~~ shall
14 establish urban area boundaries ~~which~~ **THAT** shall be reviewed and
15 corrected periodically and ~~which~~ **THAT** shall be in conformance with
16 the federal-aid urban area definition as published by the ~~federal~~
17 ~~highway administration of the United States department of~~
18 ~~transportation~~ **FEDERAL HIGHWAY ADMINISTRATION** and in effect July 1,
19 1971.

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

26 (4) All amounts returned to the county road commissions on the
27 basis of the urban primary road mileage of each county are for use

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

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

9 **(6) AS USED IN THIS SECTION, "MILEAGE" MEANS THE TOTAL NUMBER**
10 **OF LANE MILES OF A HIGHWAY, ROAD, OR STREET. AS USED IN THIS**
11 **SUBSECTION, "LANE MILES" MEANS THE NUMBER OF MILES OF PAVEMENT**
12 **GOING IN 1 DIRECTION ON A HIGHWAY, ROAD, OR STREET, MULTIPLIED BY**
13 **THE NUMBER OF LANES.**

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

1 incorporated municipality.

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

1 subsection exceeds the amount withheld, the distributions to each
2 eligible city and village shall be reduced proportionately. If the
3 sum is less than the amount withheld, the balance shall be added to
4 the amount available for distribution under subsections (3) and (4)
5 during the next month. The distributions ~~shall be~~ **ARE** for use on
6 the major and local street systems respectively and ~~shall be~~ **ARE**
7 subject to the same provisions as money returned under subsections
8 (3) and (4).

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

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

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

1 department.

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

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

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

27 (4) The remaining amount to be returned to incorporated cities

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

21 (5) Money distributed to each city and village for the
22 maintenance and preservation of its local street system under this
23 act represents the total responsibility of ~~the~~**THIS** state for local
24 street system support. Money distributed from the Michigan
25 transportation fund shall not be expended for construction purposes
26 on city and village local streets except to the extent matched from
27 local revenues including other money returned to a city or village

1 by this state under the state constitution of 1963 and statutes of
2 this state, from money that can be raised by taxation in cities and
3 villages for street purposes within the limitations of the state
4 constitution of 1963 and statutes of this state, from special
5 assessments, or from any other source.

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

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

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

23 (c) The dollar amount of the transfer.

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

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

27 (7) A city or village that has not adopted an asset management

1 plan shall obtain the concurrence of the department to transfer
2 more than 50% of its major street funding to its local street
3 system. The department may provide for pilot projects that would
4 allow a city or village that has adopted an asset management plan
5 under subsection (6) to combine their local and major street funds
6 into 1 street fund and to submit a single report to the department
7 on the expenditure of money on the local and major street systems.

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

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

21 (10) Cities and villages may provide for consolidated street
22 administration. A city or a village may enter into an agreement
23 with other cities or villages, the county road commission, or with
24 the state transportation commission for the performance of street
25 or highway work on a road or street within the limits of the city
26 or village or adjacent to the city or village. The agreement may
27 provide for any of the contracting parties to perform the work

1 contemplated by the contracts including services and acquisition of
2 rights of way, by purchase or condemnation in its own name. The
3 agreement may provide for joint participation in the costs if
4 appropriate.

5 (11) Interest earned on money returned to a city or a village
6 for purposes provided in this section shall be credited to the
7 appropriate street fund.

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

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

9 (13) Of the amounts appropriated for a city or village major
10 or local street system under this section, where possible, a city
11 or village shall secure pavement warranties for full replacement or
12 appropriate repair for contracted construction work on pavement
13 projects whose cost exceeds \$2,000,000.00 and projects for new
14 construction or reconstruction undertaken after ~~the effective date~~
15 ~~of the amendatory act that added this subsection~~ **APRIL 1, 2016** if
16 allowed by the ~~federal highway administration~~ **FEDERAL HIGHWAY**
17 **ADMINISTRATION** and the department. A city or village shall submit a
18 proposed warranty program to the department for approval no later
19 than February 1, 2017. If a proposed warranty program submitted
20 under this subsection is approved by the department, the city or
21 village shall implement the program no later than 1 year after the
22 approval. A city or village shall include a list of all warranties
23 that were secured under this subsection and indicate whether any of
24 those warranties were redeemed with the report required under
25 section 14(3), and shall also list all pavement projects whose cost
26 exceeds \$2,000,000.00 for which a warranty was not secured. The
27 list shall include, but is not limited to, all of the following

1 information:

2 (a) The type of project.

3 (b) The cost or estimated cost of the project.

4 (c) The expected lifespan of the project.

5 (d) Whether or not the project met or is currently meeting its
6 expected lifespan.

7 (e) If the project failed to meet or is not meeting its
8 expected lifespan, the cause of the failure and the cost to replace
9 or repair the project.

10 (f) The entity responsible for paying the cost of replacing or
11 repairing the project.

12 (14) With the approval of the director of the department, a
13 city may use up to 20% of the amount received by that city under
14 this section for public transit purposes if more than 10,000,000
15 passengers used public transit within that city during the previous
16 fiscal year.

17 (15) As used in this section:

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

26 (b) "Equivalent major mileage" means the sum of 2 times the
27 state trunk line mileage certified by the department as of March 31

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

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

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

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

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

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

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

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

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

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

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

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

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

1 over 320,000.

2 (C) "MILEAGE" MEANS THE TOTAL NUMBER OF LANE MILES OF A
3 HIGHWAY, ROAD, OR STREET. AS USED IN THIS SUBDIVISION, "LANE MILES"
4 MEANS THE NUMBER OF MILES OF PAVEMENT GOING IN 1 DIRECTION ON A
5 HIGHWAY, ROAD, OR STREET, MULTIPLIED BY THE NUMBER OF LANES.

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

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

22 (2) Separate accounts shall be kept by cities, villages, and
23 county road commissions of all money returned from the Michigan
24 transportation fund. This subsection does not prevent the combining
25 of accounts on which separate bookkeeping records are kept into a
26 single deposit account.

27 (3) All county road commissions, ~~and~~ cities, and villages

1 shall keep accurate and uniform records on all road and street work
2 and funds, and shall annually report to the department at the time,
3 in the manner, and on forms prescribed by the department the
4 mileage of each road system under their jurisdiction and the
5 receipts and disbursements of road and street funds. In the annual
6 report, each county road commission shall report on its compliance
7 in the preceding year with ~~the requirements of~~ section 12(16) and
8 (17). The report shall also specify, with respect to section
9 12(17), the total dollar amount expended for other than maintenance
10 purposes which would not have been permissible without the
11 deduction of certain urban route expenditures as permitted under
12 section 12(17). The report shall also specify the justification for
13 a waiver of the requirement of section 12(17), if that requirement
14 was waived. A county road commission, city, or village shall post
15 the report required by this subsection on its website, if the
16 county road commission, city, or village has a website.

17 (4) The county road commissions and the cities and villages
18 are authorized to expend adequate amounts from funds returned by
19 this act to cover the cost of administration, engineering, and
20 record keeping, and expenditures for those purposes shall be
21 reported separately by each county road commission, city, and
22 village to the department.

23 (5) All distributions and returns of funds provided for in
24 this act shall be withheld from the department, eligible
25 authorities, county road commissions, cities, villages, or other
26 eligible governmental agencies for failure to comply with any of
27 the requirements of this act, and the withholding shall continue

1 for the period of noncompliance.

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

12 (7) **AS USED IN THIS SECTION, "MILEAGE" MEANS THE TOTAL NUMBER**
13 **OF LANE MILES OF A HIGHWAY, ROAD, OR STREET. AS USED IN THIS**
14 **SUBSECTION, "LANE MILES" MEANS THE NUMBER OF MILES OF PAVEMENT**
15 **GOING IN 1 DIRECTION ON A HIGHWAY, ROAD, OR STREET, MULTIPLIED BY**
16 **THE NUMBER OF LANES.**

17 Enacting section 1. This amendatory act takes effect 90 days
18 after the date it is enacted into law.