

HOUSE BILL NO. 4062

January 17, 2019, Introduced by Reps. Yaroch, Shannon, Marino, Sowerby, Brixie, Hertel, Stone, Peterson, Chirkun, Byrd, Hood, Cynthia Johnson, Wittenberg, Farrington and Wozniak and referred to the Committee on Transportation.

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,

1 city, or village jurisdiction during the preceding period of July 1
2 to June 30. In each year after that determination, the transferred
3 mileage shall be accumulated and added to the mileage transferred
4 in each subsequent July 1 to June 30 period.

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

13 (3) The total amount of money to be transferred from and to
14 the state trunk line fund, the counties, cities, and villages shall
15 be determined annually by multiplying the current revenue worth per
16 mile of a county primary road and a county local road respectively
17 by the number of accumulated miles in each category transferred
18 from and to state, county, city, or village jurisdiction. If the
19 transferred facility becomes classified as part of the local road
20 or street system of the receiving jurisdiction, the transfer of
21 money shall be calculated on the basis of the revenue worth per
22 mile of a county local road. In any other category of
23 jurisdictional transfer, the transfer of money shall be calculated
24 on the basis of the revenue worth per mile of a county primary
25 road.

26 (4) For jurisdictional transfers made from ~~the~~**this** state to a
27 county, city, or village after July 1, 1992, the amount in the
28 state trunk line fund to be transferred shall be transferred to the
29 county, city, or village receiving jurisdiction. If the transferred

1 highway is then classified as part of the local road or street
2 system of the receiving jurisdiction, the transfer of money to the
3 receiving jurisdiction shall be calculated on the basis of the
4 revenue worth per mile of a county local road as determined in
5 subsection (2). If the transferred highway is then classified as
6 part of the primary road or major street system of the receiving
7 jurisdiction, the transfer of money to the receiving jurisdiction
8 shall be calculated on the basis of the revenue worth per mile of a
9 county primary road as determined in subsection (2). This
10 subsection and subsection (5) ~~shall do not be construed to effect~~
11 **affect** contracts entered into before or after ~~the effective date of~~
12 ~~this subsection pursuant to Act No. 166 of the Public Acts of 1965,~~
13 ~~being sections 408.551 to 408.558 of the Michigan Compiled Laws,~~
14 **July 15, 1992 under 1965 PA 166, MCL 408.551 to 408.558,** for the
15 maintenance of a transferred highway.

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

20 (6) The transfer of funds under this section shall be included
21 each year in the October appropriation of the Michigan
22 transportation fund.

23 (7) **As used in this section, "mileage" means the total number**
24 **of lane miles on a highway, road, or street. As used in this**
25 **subsection, "lane miles" means the number of miles of pavement**
26 **going in 1 direction on a highway, road, or street, multiplied by**
27 **the number of lanes.**

28 Sec. 12. (1) The amount distributed to the county road
29 commissions shall be returned to the county treasurers in the

1 manner, for the purposes, and under the terms and conditions
 2 specified in this section. The department and the ~~county road~~
 3 ~~association~~ **County Road Association** of Michigan shall jointly
 4 develop incentives for counties to establish statewide purchasing
 5 pools for the more efficient use of Michigan transportation funds.

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

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

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

26 (5) An amount equal to 4% of the total amount returned to the
 27 county road commissions from the Michigan transportation fund shall
 28 be returned to the county road commissions in the same percentages
 29 as provided in subsection (7). All money returned to the county

1 road commissions ~~as provided in~~ **under** this subsection shall be
 2 expended by the county road commissions for the preservation,
 3 construction, acquisition, and extension of county local road
 4 systems and ~~shall be~~ **is** in addition to the amounts provided in
 5 subsection (7).

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

14 (a) Three-fourths of the amount in proportion to the amount
 15 received within the respective county during the 12 months next
 16 preceding the date of each monthly distribution, as specific taxes
 17 upon registered motor vehicles under the Michigan vehicle code,
 18 1949 PA 300, MCL 257.1 to 257.923.

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

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

25 (7) The balance of the remainder of the total amount ~~to be~~
 26 returned to counties shall be expended by each county road
 27 commission for the preservation, construction, acquisition, and
 28 extension of the county local road system as defined by this act,
 29 including the acquisition of a necessary right of way for the

1 system, work incidental to the system, and a roadside park or motor
2 parkway appurtenant to the system, and shall be returned to the
3 counties as follows:

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

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

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

22 (a) For the payment of contributions required to be made by a
23 board of county road commissioners under a contract entered into
24 under 1941 PA 205, MCL 252.51 to 252.64, that have been pledged for
25 the payment of the principal and interest on bonds issued under
26 that act, or for the payment of total debt service requirements
27 upon notes issued by a board of county road commissioners under
28 1943 PA 143, MCL 141.251 to 141.254.

29 (b) For the payment of principal and interest upon bonds

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

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

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

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

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

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

24 (12) Money returned to a county shall be expended by the
25 county road commission for the purposes provided in this section
26 and shall be deposited by the county treasurer in a designated
27 county depository, in a separate account to the credit of the
28 county road fund, and shall be paid out only upon the order of the
29 county road commission, and interest accruing on the money shall

1 become a part of, and be deposited with the county road fund.

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

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

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

27 (16) Notwithstanding any other provision of this act, at least
28 90% of the state revenue returned annually to the county road
29 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 money for the
9 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
28 pledged for the payment of bonds, for debt service requirements for
29 the payment of bonds, and for debt service requirements for the

1 payment of notes and loans issued or received after July 1, 1983,
2 for the purpose of providing funds for capital outlay projects for
3 equipment and buildings.

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

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

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

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

1 streets, and bridges in the 3-year period and the subsequent years,
2 less the 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, is at least 90%. A year may be
5 included in only one 3-year period for the purposes of this
6 subsection. The requirements of this subsection ~~shall be~~ **are** waived
7 if compliance would cause the county road commission to be
8 ineligible for federal revenue under federal law, but only to the
9 extent necessary to make the county road commission eligible for
10 that revenue under federal law. For the purpose of the calculations
11 required by this subsection, the amount expended on urban routes by
12 a county road commission for purposes other than preservation and
13 the amount expended for hard-surfacing of gravel roads on the
14 federal-aid system shall be deducted from the total federal revenue
15 distributed to the use of the county road commission. **As used in**
16 **this subsection, "urban routes" means the portions of 2-lane county**
17 **primary roads within an urban area that have average daily traffic**
18 **in excess of 15,000.**

19 (18) A county road commission shall certify to the department
20 on or before the issuance of any bonds or notes issued after July
21 1, 1983, ~~pursuant to~~ **under** 1943 PA 143, MCL 141.251 to 141.254,
22 1941 PA 205, MCL 252.51 to 252.64, or section 18c or 18d, for
23 purposes other than the preservation of highways, roads, streets,
24 and bridges and purposes other than the purposes specified in
25 subsection (16)(c) that its average annual debt service
26 requirements for all bonds and notes or portions of bonds and notes
27 issued after July 1, 1983, for purposes other than the preservation
28 of highways, roads, streets, and bridges and other than for the
29 purposes specified in subsection (16)(c), including the bond or

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

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

23 (20) Not more than 10% per year of all of the money received
 24 by and returned to a county from any source for the purposes of
 25 this section may be expended for administrative expenses. A county
 26 that expends more than 10% for administrative expenses in a year is
 27 subject to section 14(5) unless a waiver is granted by the
 28 department of treasury. As used in this subsection, "administrative
 29 expenses" means ~~these~~ expenses that are not assigned including, but

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

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

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

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

28 (a) The type of project.

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

1 (c) The expected lifespan of the project.

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

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

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

9 **(23) 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. 12b. (1) The amounts returned to the counties for the
15 county urban system as provided in section 12(4) shall be
16 distributed on the basis of the county road mileage contained
17 within the urban area boundaries as established ~~pursuant to~~ **under**
18 this section.

19 (2) On January 3, 1973, the department ~~of transportation~~ shall
20 establish urban area boundaries ~~which~~ **that** shall be reviewed and
21 corrected periodically and ~~which~~ **that** shall be in conformance with
22 the federal-aid urban area definition as published by the ~~federal~~
23 ~~highway administration of the United States department of~~
24 ~~transportation~~ **Federal Highway Administration** and in effect July 1,
25 1971.

26 (3) The amounts returned to the county road commissions
27 qualifying under this section shall be in the same proportion that
28 the total urban local road mileage ~~7~~ plus 6 times the urban primary
29 road mileage of each county bears to the total mileage in all the

1 urban local road systems of ~~the~~**this** state, plus 6 times the total
2 mileage in all the urban primary road systems of ~~the~~**this** state.

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

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

13 **(6) As used in this section, "mileage" means the total number**
14 **of lane miles of a highway, road, or street. As used in this**
15 **subsection, "lane miles" means the number of miles of pavement**
16 **going in 1 direction on a highway, road, or street, multiplied by**
17 **the number of lanes.**

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

1 department before the next month for which distribution is made
2 following the effective date of incorporation of a newly
3 incorporated municipality.

4 (2) From the amount available for distribution to cities and
5 villages during each December, an amount equal to 0.7% of the total
6 amount returned to all cities and villages under subsections (3)
7 and (4) during the previous calendar year shall be withheld. The
8 amount withheld shall be used to partially reimburse cities and
9 villages located in counties that are eligible for snow removal
10 funds ~~pursuant to~~ **under** section 12a and that have costs for winter
11 maintenance on major and local streets that are greater than the
12 statewide average. The distributions shall be made annually during
13 February and shall be calculated separately for the major and local
14 street systems but may be paid in a combined warrant. The
15 distribution to a city or village shall be equal to 1/2 of its
16 winter maintenance expenditures after deducting the product of its
17 total earnings under subsections (3) and (4) multiplied by 2 times
18 the average municipal winter maintenance factor. Winter maintenance
19 expenditures shall be determined from the street financial reports
20 for the most current fiscal years ending before July 1. A city or
21 village that does not submit a street financial report for the
22 fiscal year ending before July 1 by the subsequent December 31 is
23 ineligible for the winter maintenance payment that is to be based
24 on that street financial report. The department shall determine the
25 average municipal winter maintenance factor annually by dividing
26 the total expenditures of all cities and villages on winter
27 maintenance of streets and highways by the total amount earned by
28 all cities and villages under subsections (3) and (4) during the 12
29 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
28 department.

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

1 received ~~pursuant to~~**under** section 11(5), to the extent other money
2 has not been made available for that payment.

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

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

25 (4) The remaining amount to be returned to incorporated cities
26 and villages shall be expended in each city or village for the
27 preservation, construction, acquisition, and extension of the local
28 street system of the city or village, including the acquisition of
29 a necessary right of way for the system, work incidental to the

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

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

29 (6) Money returned under this section to a city or village

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

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

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

17 (c) The dollar amount of the transfer.

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

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

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

29 (8) Not more than 10% per year of all of the money returned to

1 a city or village from any source for the purposes of this section
2 may be expended for administrative expenses. A city or village that
3 expends more than 10% for administrative expenses in a year is
4 subject to section 14(5).

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

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

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

27 (12) In addition to the financial compliance audits required
28 by law, the department may conduct performance audits and make
29 investigations of the disposition of all state money received by

1 cities and villages for transportation purposes to determine
2 compliance with the terms and conditions of this act. Performance
3 audits shall be conducted according to government auditing
4 standards issued by the United States General Accounting Office.
5 The department shall develop all performance audit procedures and
6 reporting requirements sufficient to determine whether money
7 expended under this section was expended in compliance with this
8 act by September 1, 2012 and shall report to the transportation
9 committees of the senate and house of representatives no later than
10 October 1, 2012 on the additional audit procedures and reporting
11 requirements. The audit procedures shall include a review of the
12 road fund balance of the city or village. The cities and villages
13 shall report their road fund balances by fund balance component.
14 The department shall assist cities and villages to ensure that road
15 fund balances are consistently classified and are in compliance
16 with the audit and reporting requirements of this section. The
17 department shall provide notice to cities and villages of the
18 standards to be used for audits under this subsection prior to the
19 fiscal year in which the audit is conducted. The department shall
20 notify cities and villages of any subsequent changes to the
21 standards. Cities and villages shall make available to the
22 department the pertinent records for the audit. Performance audits
23 may be performed at the discretion of the department or upon
24 receiving a request from the speaker of the house of
25 representatives or the senate majority leader.

26 (13) Of the amounts appropriated for a city or village major
27 or local street system under this section, where possible, a city
28 or village shall secure pavement warranties for full replacement or
29 appropriate repair for contracted construction work on pavement

1 projects whose cost exceeds \$2,000,000.00 and projects for new
2 construction or reconstruction undertaken after ~~the effective date~~
3 ~~of the amendatory act that added this subsection~~ **April 1, 2016** if
4 allowed by the ~~federal highway administration~~ **Federal Highway**
5 **Administration** and the department. A city or village shall submit a
6 proposed warranty program to the department for approval no later
7 than February 1, 2017. If a proposed warranty program submitted
8 under this subsection is approved by the department, the city or
9 village shall implement the program no later than 1 year after the
10 approval. A city or village shall include a list of all warranties
11 that were secured under this subsection and indicate whether any of
12 those warranties were redeemed with the report required under
13 section 14(3), and shall also list all pavement projects whose cost
14 exceeds \$2,000,000.00 for which a warranty was not secured. The
15 list shall include, but is not limited to, all of the following
16 information:

17 (a) The type of project.

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

19 (c) The expected lifespan of the project.

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

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

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

27 (14) With the approval of the director of the department, a
28 city may use up to 20% of the amount received by that city under
29 this section for public transit purposes if more than 10,000,000

1 passengers used public transit within that city during the previous
2 fiscal year.

3 (15) As used in this section:

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

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

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

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

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

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

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

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

29 (vii) 1.6 for cities and villages from 50,001 to 65,000

1 population.

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

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

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

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

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

13 (c) **"Mileage" means the total number of lane miles of a**
14 **highway, road, or street. As used in this subdivision, "lane miles"**
15 **means the number of miles of pavement going in 1 direction on a**
16 **highway, road, or street, multiplied by the number of lanes.**

17 (d) ~~(e)~~—"Population" means the population according to the
18 most recent statewide federal census as certified at the beginning
19 of the state fiscal year, except that, if a municipality has been
20 newly incorporated since completion of the census, the population
21 of the municipality for purposes of the distribution of money
22 before completion of the next census shall be the population as
23 determined by special federal census, if there is a special federal
24 census, and if not, by the population as determined by the official
25 census in connection with the incorporation, if there is such a
26 census and, if not, by a special state census to be taken at the
27 expense of the municipality by the secretary of state ~~pursuant to~~
28 **under** section 6 of the home rule city act, 1909 PA 279, MCL 117.6.

29 Sec. 14. (1) Each county road commission and city and village

1 of the state shall prepare biennial primary road and major street
2 programs, based on long-range plans, and shall make the programs
3 available for review by the public.

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

9 (3) All county road commissions, ~~and~~ cities, and villages
10 shall keep accurate and uniform records on all road and street work
11 and funds, and shall annually report to the department at the time,
12 in the manner, and on forms prescribed by the department the
13 mileage of each road system under their jurisdiction and the
14 receipts and disbursements of road and street funds. In the annual
15 report, each county road commission shall report on its compliance
16 in the preceding year with ~~the requirements of~~ section 12(16) and
17 (17). The report shall also specify, with respect to section
18 12(17), the total dollar amount expended for other than maintenance
19 purposes which would not have been permissible without the
20 deduction of certain urban route expenditures as permitted under
21 section 12(17). The report shall also specify the justification for
22 a waiver of the requirement of section 12(17), if that requirement
23 was waived. A county road commission, city, or village shall post
24 the report required by this subsection on its website, if the
25 county road commission, city, or village has a website.

26 (4) The county road commissions and the cities and villages
27 are authorized to expend adequate amounts from funds returned by
28 this act to cover the cost of administration, engineering, and
29 record keeping, and expenditures for those purposes shall be

1 reported separately by each county road commission, city, and
2 village to the department.

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

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

19 **(7) As used in this section, "mileage" means the total number**
20 **of lane miles of a highway, road, or street. As used in this**
21 **subsection, "lane miles" means the number of miles of pavement**
22 **going in 1 direction on a highway, road, or street, multiplied by**
23 **the number of lanes.**

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