

HOUSE BILL NO. 4547

March 18, 2021, Introduced by Reps. Hertel, Yaroch, Sowerby, Farrington, Wozniak, Stone, Shannon and Marino 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; to investigate and study the tolling of roads, streets, highways, or bridges; and to repeal acts and parts of acts,"

by amending sections 10a, 12, 12b, 13, and 14 (MCL 247.660a, 247.662, 247.662b, 247.663, and 247.664), section 10a as amended by 1992 PA 137, sections 12 and 14 as amended by 2020 PA 152, and section 13 as amended by 2020 PA 153.

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

1 highways, county primary and local roads, and city and village
 2 major and local streets transferred to and from state, county,
 3 city, or village jurisdiction during the preceding period of July 1
 4 to June 30. In each year after that determination, the transferred
 5 mileage ~~shall~~**must** be accumulated and added to the mileage
 6 transferred in each subsequent July 1 to June 30 period.

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

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

29 (4) For jurisdictional transfers made from ~~the~~**this** state to a

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

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

23 (6) The transfer of funds under this section ~~shall~~**must** be
 24 included each year in the October appropriation of the Michigan
 25 transportation fund.

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

1 **the number of lanes.**

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

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

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

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

29 (5) An amount equal to 4% of the total amount returned to the

1 county road commissions from the Michigan transportation fund must
2 be returned to the county road commissions in the same percentages
3 under subsection (7). All money returned to the county road
4 commissions ~~as provided in~~ **under** this subsection must be expended
5 by the county road commissions for the preservation, construction,
6 acquisition, and extension of county local road systems and is in
7 addition to the amounts provided in subsection (7).

8 (6) Except as otherwise provided in subsection (23), 75% of
9 the remainder of the total amount to be returned to the counties
10 must be expended by each county road commission for the
11 preservation, construction, acquisition, and extension of the
12 county primary road system, including the acquisition of a
13 necessary right of way for the system, work incidental to the
14 system, and a roadside park or motor parkway appurtenant to the
15 system, and must be returned to the counties as follows:

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

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

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

27 (7) Except as otherwise provided in subsection (23), the
28 balance of the remainder of the total amount to be returned to
29 counties must be expended by each county road commission for the

1 preservation, construction, acquisition, and extension of the
2 county local road system as defined by this act, including the
3 acquisition of a necessary right of way for the system, work
4 incidental to the system, and a roadside park or motor parkway
5 appurtenant to the system, and must be returned to the counties as
6 follows:

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

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

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

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

1 upon notes issued by a board of county road commissioners under
2 1943 PA 143, MCL 141.251 to 141.254.

3 (b) For the payment of principal and interest on bonds issued
4 under section 18c, and the payment of contributions of a board of
5 county road commissioners made under contracts entered into under
6 section 18d that are pledged to the payment of principal and
7 interest on bonds issued after June 30, 1957, under the
8 authorization of section 18c and contracts executed under section
9 18c.

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

13 (9) Beginning November 1, 2008, no more than 50% per year of
14 the amount returned to a county for use on the county primary road
15 system may be expended, with or without matching, on the county
16 local road system of that county. Except as otherwise provided in
17 this subsection, beginning September 30, 2010, no more than 30% per
18 year of the amount returned to a county for use on the county
19 primary road system may be expended, with or without matching, on
20 the county local road system of that county. An additional amount,
21 not to exceed 20% per year of the amount returned to a county for
22 use on the county primary road system, may be expended on the
23 county local road system of that county if there is an emergency or
24 if the county road commission determines that an additional 20% may
25 be expended on the county local road system. The county road
26 commission may attach any conditions to its determination if the
27 determination is for nonemergency purposes, including, but not
28 limited to, a requirement that the additional 20% expended on the
29 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 must be expended for snow and ice removal,
17 the reconstruction of an existing highway if not in conflict with
18 its asset management plan as provided in section 9a, and the
19 acquisition of a necessary right of way for those highways, and
20 work incidental to those highways, or for the servicing of bonds
21 issued by the county for these purposes. A county may expend
22 surplus money for the development, construction, or repair of an
23 off-street parking facility.

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

28 (12) Money returned to a county must be expended by the county
29 road commission for the purposes provided in this section and must

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

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

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

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

1 of the cost of the construction of local road bridges. The match
2 may exceed 75% of the cost of construction in the case of a public
3 emergency.

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

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

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

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

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

18 (e) Amounts expended in urban areas as determined under
19 section 12b.

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

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

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

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

1 purposes other than the purposes specified in subsection (16) (c)
 2 that its average annual debt service requirements for all bonds and
 3 notes or portions of bonds and notes issued after July 1, 1983, for
 4 purposes other than the preservation of highways, roads, streets,
 5 and bridges and other than for the purposes specified in subsection
 6 (16) (c), including the bond or note to be issued does not exceed
 7 10% of the money returned to the county road commission under this
 8 act, less the amounts specified in subsection (16) (a), (b), and (c)
 9 during the last completed fiscal year of the county road
 10 commission. If the purpose for which the bonds or notes are issued
 11 is changed after the issuance of the notes or bonds, the change
 12 must be made in a manner that maintains compliance with the
 13 certification required by this subsection, as of the date the
 14 certificate was originally issued, but the change does not
 15 invalidate or otherwise affect the bonds or notes with respect to
 16 which the certificate was issued or the obligation to pay debt
 17 service on the bonds or notes. A certification under this
 18 subsection is conclusive as to the matters stated in the
 19 certification for purposes of the validity of bonds and notes.

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

28 (20) Not more than 10% per year of all of the money received
 29 by and returned to a county from any source for the purposes of

1 this section may be expended for administrative expenses. A county
2 that expends more than 10% for administrative expenses in a year is
3 subject to section 14(5) unless a waiver is granted by the
4 department of treasury. As used in this subsection, "administrative
5 expenses" means expenses that are not assigned including, but not
6 limited to, specific road construction or preservation projects and
7 are often referred to as general or supportive services.

8 Administrative expenses do not include net equipment expense, net
9 capital outlay, debt service principal and interest, and payments
10 to other state or local offices that are assigned, but not limited
11 to, specific road construction projects or preservation activities.

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

1 standards to be used for audits performed under this subsection.
2 The notice must be provided 6 months ~~prior to~~**before** the fiscal
3 year in which the audit is conducted. The department shall notify
4 the county road commission, county board of commissioners, or any
5 other county governmental agency acting as the county road
6 authority of any subsequent changes to the standards. County road
7 commissions, county boards of commissioners, or any other county
8 governmental agencies acting as county road authorities, as
9 applicable, shall make available to the department the pertinent
10 records for the audit. Performance audits may be performed at the
11 discretion of the department or on receiving a request from the
12 speaker of the house of representatives or the senate majority
13 leader.

14 (22) Of the amounts appropriated for a county primary or local
15 road system under this section, where possible, a county road
16 commission shall secure pavement warranties for full replacement or
17 appropriate repair for contracted construction work on pavement
18 projects whose cost exceeds \$2,000,000.00 and projects for new
19 construction or reconstruction undertaken after April 1, 2016, if
20 allowed by the Federal Highway Administration and the department. A
21 county road commission shall submit a proposed warranty program to
22 the department for approval no later than April 1, 2016. If a
23 proposed warranty program submitted under this subsection is
24 approved by the department, the county road commission shall
25 implement the program no later than 1 year after the approval. A
26 county road commission shall include a list of all warranties that
27 were secured under this subsection and indicate whether any of
28 those warranties were redeemed with the report required under
29 section 14(3), and shall also list all pavement projects whose cost

1 exceeds \$2,000,000.00 for which a warranty was not secured. The
 2 list must include, but is not limited to, all of the following
 3 information:

4 (a) The type of project.

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

6 (c) The expected lifespan of the project.

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

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

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

14 (23) Once the asset management plan for a county as described
 15 in section 9a has been approved, amounts distributed to a county
 16 under this section ~~shall~~**must** be expended toward attainment of the
 17 condition goals in the asset management plan and as otherwise
 18 required by this act.

19 (24) A county road commission may use a portion of the amount
 20 returned to the county under this section for the payment of debt
 21 service on bonds, notes, or other obligations.

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

27 Sec. 12b. (1) The amounts returned to the counties for the
 28 county urban system as provided in section 12(4) ~~shall~~**must** be
 29 distributed on the basis of the county road mileage contained

1 within the urban area boundaries as established ~~pursuant to~~ **under**
2 this section.

3 (2) On January 3, 1973, the department of ~~transportation~~ shall
4 establish urban area boundaries ~~which shall~~ **that must** be reviewed
5 and corrected periodically and ~~which shall~~ **that must** be in
6 conformance with the federal-aid urban area definition as published
7 by the ~~federal highway administration of the United States~~
8 ~~department of transportation~~ **Federal Highway Administration** and in
9 effect July 1, 1971.

10 (3) The amounts returned to the county road commissions
11 qualifying under this section ~~shall~~ **must** be in the same proportion
12 that the total urban local road mileage ~~,~~ plus 6 times the urban
13 primary road mileage of each county bears to the total mileage in
14 all the urban local road systems of ~~the~~ **this** state, plus 6 times
15 the total mileage in all the urban primary road systems of ~~the~~ **this**
16 state.

17 (4) All amounts returned to the county road commissions on the
18 basis of the urban primary road mileage of each county are for use
19 on the county primary road system and are subject to the same
20 provisions of this act as other amounts for expenditure on the
21 county primary road system.

22 (5) All amounts returned to the county road commissions on the
23 basis of the urban local road mileage of each county are for
24 expenditure on the county local road system and are subject to the
25 same provisions of this act as other amounts for expenditure on the
26 county local road systems.

27 (6) **As used in this section, "mileage" means the total number**
28 **of lane miles of a highway, road, or street. As used in this**
29 **subsection, "lane miles" means the number of miles of pavement**

1 **going in 1 direction on a highway, road, or street, multiplied by**
2 **the number of lanes.**

3 Sec. 13. (1) The amount distributed to cities and villages
4 must be returned to the treasurers of the cities and villages in
5 the manner, for the purposes, and under the terms and conditions
6 specified in this section. The amount received by a newly
7 incorporated municipality must be in place of any other direct
8 distribution of money from the Michigan transportation fund. The
9 population of a newly incorporated municipality as determined under
10 this section must be added to the total population of all
11 incorporated cities and villages in this state in computing the
12 amounts to be returned under this section to each municipality in
13 the state. Major street mileage, local street mileage, and
14 equivalent major mileage, if applicable, must be determined by the
15 department before the next month for which distribution is made
16 following the effective date of incorporation of a newly
17 incorporated municipality.

18 (2) From the amount available for distribution to cities and
19 villages during each December, an amount equal to 0.7% of the total
20 amount returned to all cities and villages under subsections (3)
21 and (4) during the previous calendar year must be withheld. The
22 amount withheld must be used to partially reimburse cities and
23 villages located in counties that are eligible for snow removal
24 funds under section 12a and that have costs for winter maintenance
25 on major and local streets that are greater than the statewide
26 average. The distributions must be made annually during February
27 and must be calculated separately for the major and local street
28 systems but may be paid in a combined warrant. The distribution to
29 a city or village must be equal to 1/2 of its winter maintenance

1 expenditures after deducting the product of its total earnings
2 under subsections (3) and (4) multiplied by 2 times the average
3 municipal winter maintenance factor. Winter maintenance
4 expenditures must be determined from the street financial reports
5 for the most current fiscal years ending before July 1. A city or
6 village that does not submit a street financial report for the
7 fiscal year ending before July 1 by the subsequent December 31 is
8 ineligible for the winter maintenance payment that is to be based
9 on that street financial report. The department shall determine the
10 average municipal winter maintenance factor annually by dividing
11 the total expenditures of all cities and villages on winter
12 maintenance of streets and highways by the total amount earned by
13 all cities and villages under subsections (3) and (4) during the 12
14 months. If the sum of the distributions to be made under this
15 subsection exceeds the amount withheld, the distributions to each
16 eligible city and village must be reduced proportionately. If the
17 sum is less than the amount withheld, the balance must be added to
18 the amount available for distribution under subsections (3) and (4)
19 during the next month. The distributions are for use on the major
20 and local street systems respectively and are subject to the same
21 provisions as money returned under subsections (3) and (4).

22 (3) Seventy-five percent of the remaining amount to be
23 returned to the cities and villages, after deducting the amounts
24 withheld under subsection (2), must be returned 60% in the same
25 proportion that the population of each bears to the total
26 population of all cities and villages, and 40% in the same
27 proportion that the equivalent major mileage in each bears to the
28 total equivalent major mileage in all cities and villages. The
29 amount returned under this subsection must be used by each city and

1 village for the following purposes in the following order of
2 priority:

3 (a) For the payment of contributions required to be made by a
4 city or village under the provisions of contracts previously
5 entered into under 1941 PA 205, MCL 252.51 to 252.64, that have
6 been previously pledged for the payment of the principal and
7 interest on bonds issued under that act; or for the payment of the
8 principal and interest upon bonds issued by a city or village under
9 1952 PA 175, MCL 247.701 to 247.707.

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

13 (c) For the payment of principal and interest on loans
14 received under section 11(5), to the extent other money has not
15 been made available for that payment.

16 (d) Except as otherwise provided in this subdivision, for the
17 preservation, construction, acquisition, and extension of the major
18 street system as defined by this act including the acquisition of a
19 necessary right of way for the system, work incidental to the
20 system, and an appurtenant roadside park or motor parkway, of the
21 city or village and for the payment of the principal and interest
22 on that portion of the city's or village's general obligation bonds
23 that are attributable to the construction or reconstruction of the
24 city's or village's major street system. However, once an asset
25 management plan described in section 9a has been approved, funds
26 ~~shall~~**must** be used for the preservation, construction, and
27 acquisition of the street system as provided in subsection (16) or
28 for an emergency as described in section 11c. Not more than 5% per
29 year of the money returned to a city or village by this subsection

1 ~~shall~~**may** be expended for the preservation or acquisition of
 2 appurtenant roadside parks and motor parkways. Surplus money may be
 3 expended for the development, construction, or repair of off-street
 4 parking facilities, and the construction or repair of street
 5 lighting, ~~and~~**or** transfer to the local street system under
 6 subsection (6).

7 (e) For capital outlay projects for equipment and buildings,
 8 contributions pledged for the payment of loans and for the payment
 9 of contractual debt service requirements for the payment of bonds
 10 for the purpose of providing money for capital outlay projects for
 11 equipment and buildings necessary to the development and
 12 maintenance of the road system so long as amounts allocated under
 13 this subdivision are used for transportation purposes.

14 (4) The remaining amount to be returned to incorporated cities
 15 and villages must be expended in each city or village for the
 16 preservation, construction, acquisition, and extension of the local
 17 street system of the city or village, including the acquisition of
 18 a necessary right of way for the system, work incidental to the
 19 system, and subject to subsection (5), for the payment of the
 20 principal and interest on the portion of the city's or village's
 21 general obligation bonds that are attributable to the construction
 22 or reconstruction of the city's or village's local street system.
 23 However, once an asset management plan described in section 9a has
 24 been approved, funds ~~shall~~**must** be used for the preservation,
 25 construction, and acquisition of the street system as provided in
 26 subsection (16) or for an emergency as described in section 11c.
 27 The amount returned under this subsection must be returned to the
 28 cities and villages 60% in the same proportion that the population
 29 of each bears to the total population of all incorporated cities

1 and villages in this state, and 40% in the same proportion that the
2 total mileage of the local street system of each bears to the total
3 mileage in the local street systems of all cities and villages of
4 this state. The payment of the principal and interest on bonds
5 issued by a city or village under 1952 PA 175, MCL 247.701 to
6 247.707, and after that payment, the payment of debt service on
7 loans received under section 11(5), must have priority in the
8 expenditure of money returned under this subsection.

9 (5) Money distributed to each city and village for the
10 maintenance and preservation of its local street system under this
11 act represents the total responsibility of this state for local
12 street system support. Money distributed from the Michigan
13 transportation fund must not be expended for construction purposes
14 on city and village local streets except to the extent matched from
15 local revenues including other money returned to a city or village
16 by this state under the state constitution of 1963 and statutes of
17 this state, from money that can be raised by taxation in cities and
18 villages for street purposes within the limitations of the state
19 constitution of 1963 and statutes of this state, from special
20 assessments, or from any other source.

21 (6) Money returned under this section to a city or village
22 must be expended on the major and local street systems of that city
23 or village. However, the first priority is the major street system.
24 Money returned for expenditure on the major street system must be
25 expended in the priority order provided in subsection (3) except
26 that surplus money may be transferred for preservation of the local
27 street system. Major street money transferred for use on the local
28 street system must not be used for construction but may be used for
29 preservation. A city or village shall not transfer more than 50% of

1 its annual major street funding for the local street system unless
2 it has adopted and is following an asset management process for its
3 major and local street systems and adopts a resolution with a copy
4 to the department setting forth all of the following:

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

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

8 (c) The dollar amount of the transfer.

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

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

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

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

25 (9) In each city and village to which money is returned under
26 this section, the responsibility for street preservation and the
27 development, construction, or repair of off-street parking
28 facilities and construction or repair of street lighting ~~shall~~**must**
29 be coordinated by a single administrator designated by the

1 governing body who ~~shall be~~ **is** responsible for and ~~shall represent~~
2 **represents** the municipality in transactions with the department
3 under this act.

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

15 (11) Interest earned on money returned to a city or a village
16 for purposes provided in this section must be credited to the
17 appropriate street fund.

18 (12) In addition to the financial compliance audits required
19 by law, the department may conduct performance audits and make
20 investigations of the disposition of all state money received by
21 cities and villages for transportation purposes to determine
22 compliance with the terms and conditions of this act. Performance
23 audits must be conducted according to government auditing standards
24 issued by the United States General Accounting Office. The
25 department shall develop all performance audit procedures and
26 reporting requirements sufficient to determine whether money
27 expended under this section was expended in compliance with this
28 act by September 1, 2012 and shall report to the transportation
29 committees of the senate and house of representatives no later than

1 October 1, 2012 on the additional audit procedures and reporting
2 requirements. The audit procedures must include a review of the
3 road fund balance of the city or village. The cities and villages
4 shall report their road fund balances by fund balance component.
5 The department shall assist cities and villages to ensure that road
6 fund balances are consistently classified and are in compliance
7 with the audit and reporting requirements of this section. The
8 department shall provide notice to cities and villages of the
9 standards to be used for audits under this subsection ~~prior to~~
10 **before** the fiscal year in which the audit is conducted. The
11 department shall notify cities and villages of any subsequent
12 changes to the standards. Cities and villages shall make available
13 to the department the pertinent records for the audit. Performance
14 audits may be performed at the discretion of the department or on
15 receiving a request from the speaker of the house of
16 representatives or the senate majority leader.

17 (13) Of the amounts appropriated for a city or village major
18 or local street system under this section, where possible, a city
19 or village shall secure pavement warranties for full replacement or
20 appropriate repair for contracted construction work on pavement
21 projects whose cost exceeds \$2,000,000.00 and projects for new
22 construction or reconstruction undertaken after April 1, 2016 if
23 allowed by the Federal Highway Administration and the department. A
24 city or village shall submit a proposed warranty program to the
25 department for approval no later than February 1, 2017. If a
26 proposed warranty program submitted under this subsection is
27 approved by the department, the city or village shall implement the
28 program no later than 1 year after the approval. A city or village
29 shall include a list of all warranties that were secured under this

1 subsection and indicate whether any of those warranties were
2 redeemed with the report required under section 14(3), and shall
3 also list all pavement projects whose cost exceeds \$2,000,000.00
4 for which a warranty was not secured. The list ~~shall~~**must** include,
5 but is not limited to, all of the following information:

6 (a) The type of project.

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

8 (c) The expected lifespan of the project.

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

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

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

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

21 (15) A city or village may use a portion of the amount
22 returned to the city or village under this section for the payment
23 of debt service on bonds, notes, or other obligations.

24 (16) Once the asset management plan for a city or village as
25 described in section 9a has been approved, amounts distributed to a
26 city or village under this section ~~shall~~**must** be expended toward
27 attainment of the condition goals in the asset management plan and
28 as otherwise required by this act.

29 (17) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 (4) The county road commissions and the cities and villages
24 are authorized to expend adequate amounts from funds returned by
25 this act to cover the cost of administration, engineering, and
26 record keeping, and expenditures for those purposes must be
27 reported separately by each county road commission, city, and
28 village to the department.

29 (5) All distributions and returns of funds provided for in

1 this act must be withheld from the department, eligible
2 authorities, county road commissions, cities, villages, or other
3 eligible governmental agencies for failure to comply with any of
4 the requirements of this act, and the withholding must continue for
5 the period of noncompliance.

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

16 **(7) As used in this section, "mileage" means the total number**
17 **of lane miles of 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 Enacting section 1. This amendatory act takes effect 90 days
22 after the date it is enacted into law.