HOUSE BILL NO. 5176

October 30, 2025, Introduced by Reps. Alexander, Carra, DeSana, Schriver, Maddock, Kelly and Fox and referred to Committee on Transportation and Infrastructure.

A bill to amend 1951 PA 51, entitled

"An act to provide for the classification of all public roads, streets, and highways in this state, and for the revision of that classification and for additions to and deletions from each classification; to set up and establish the Michigan transportation fund; to provide for the deposits in the Michigan transportation fund of specific taxes on motor vehicles and motor vehicle fuels; to provide for the allocation of funds from the Michigan transportation fund and the use and administration of the fund for transportation purposes; to promote safe and efficient travel for motor vehicle drivers, bicyclists, pedestrians, and other legal users of roads, streets, and highways; to set up and establish the truck safety fund; to provide for the allocation of funds from the truck safety fund and administration of the fund for truck safety purposes; to set up and establish the Michigan truck safety commission; to establish certain standards for road contracts for certain businesses; to provide for the continuing review of transportation needs within the state; to authorize the state transportation commission, counties, cities, and villages to borrow money, issue bonds, and make pledges of funds for transportation purposes; to authorize counties to advance funds for the payment of deficiencies necessary for the payment of bonds issued under this act; to provide for the limitations, payment, retirement, and security of the bonds and pledges; to provide for appropriations and tax levies by counties and townships for county roads; to authorize contributions by townships for county roads; to provide for the establishment and administration of the state trunk line fund, local bridge fund, comprehensive transportation fund, and certain other funds; to provide for the deposits in the state trunk line fund, critical bridge fund, comprehensive transportation fund, and certain other funds of money raised by specific taxes and fees; to provide for definitions of public transportation functions and criteria; to define the purposes for which Michigan transportation funds may be allocated; to provide for Michigan transportation fund grants; to provide for review and approval of transportation programs; to provide for submission of annual legislative requests and reports; to provide for the establishment and functions of certain advisory entities; to provide for conditions for grants; to provide for the issuance of bonds and notes for transportation purposes; to provide for the powers and duties of certain state and local agencies and officials; to provide for the making of loans for transportation purposes by the state transportation department and for the receipt and repayment by local units and agencies of those loans from certain specified sources; to investigate and study the tolling of roads, streets, highways, or bridges; and to repeal acts and parts of acts,"

by amending sections 11, 12, and 13 (MCL 247.661, 247.662, and 247.663), section 11 as amended by 2015 PA 175, section 12 as amended by 2023 PA 248, and section 13 as amended by 2020 PA 153.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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

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

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

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

(*iii*) For the payment of the principal and interest on bonds issued under section 18b for transportation purposes other than comprehensive transportation purposes as defined by law and the payment of contributions pledged to the payment of principal and interest on bonds issued under section 18d and contracts entered into under section 18d by the state highway commission or state transportation commission to be made pursuant to contracts entered into under section 18d. A sufficient portion of the fund is irrevocably appropriated to pay, when due, the principal and interest on bonds or notes issued under section 18b for purposes other than comprehensive transportation purposes as defined by law, and to pay the annual contributions of the state highway commission and the state transportation commission as are pledged for the payment of bonds issued under contracts authorized by section 18d.

(b) For the transfer of money appropriated under section ~~10(1)(i)~~ **10(1)(j)** to the transportation economic development fund **created in section 2 of 1987 PA 231, MCL 247.902,** but the transfer ~~shall~~ **must** be reduced each fiscal year by the amount of debt service to be paid in that year from the state trunk line fund for bonds, notes, or other obligations issued to fund projects of the transportation economic development fund **created in section 2 of 1987 PA 231, MCL 247.902,** ~~which~~ **in an** amount ~~shall~~ **that must** be certified by the department.

(c) For the transfer of money appropriated under section 10(1)(a) to the rail grade crossing account in the state trunk line fund for expenditure for rail grade crossing improvement purposes at rail grade crossings on public roads and streets under the jurisdiction of this state, counties, cities, or villages. The department shall select projects for funding in accordance with the following:

(*i*) Not more than 50% or less than 30% of this money and matched federal money ~~shall~~ **may** be expended for state trunk line projects.

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

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

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

(d) For the transfer of money appropriated under section 10(1)(b) to the grade crossing surface account in the state trunk line fund for expenditure for rail grade crossing surface improvement purposes at rail grade crossings on public roads and streets under the jurisdiction of counties, cities, or villages. Projects ~~shall~~ **must** be selected for funding in accordance with the following:

(*i*) In prioritizing projects, the department shall consider vehicular traffic volumes, relative crossing surface condition, the ability of the railroad and local road authority to make coordinated improvements, and the availability of funding.

(*ii*) The grade crossing surface account ~~shall~~ **must** fund 60% of the project cost, with the remaining 40% funded by the railroad company.

(*iii*) Funding under the grade crossing surface account ~~shall be~~ **is** limited to items of work that are normally the responsibility of the railroad under section 309 of the railroad code of 1993, 1993 PA 354, MCL 462.309. Maintenance of the roadway approaches to the crossing will continue to be the responsibility of the party with jurisdiction over that roadway.

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

(f) For the preservation of state trunk line highways and bridges.

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

(h) The department may enter into agreements with a local road agency or a private sector company to perform work on a highway, road, or street. The agreements may provide for the performance by any of the contracting parties of any of the work contemplated by the contract including maintenance, engineering services, and the acquisition of rights of way in connection with the work, by purchase or condemnation by any of the contracting parties in its own name, and for joint participation in the costs, but only to the extent that the contracting parties are otherwise authorized by law to expend money on the highways, roads, or streets. The department also may contract with a local road agency to advance money to a local road agency to pay the costs of improving railroad grade crossings on the terms and conditions agreed to in the contract. A contract may be executed before or after the state transportation commission borrows money for the purpose of advancing money to a local road agency, but the contract ~~shall~~ **must** be executed before the advancement of any money to a local road agency by the state transportation commission, and ~~shall~~ **must** provide for the full reimbursement of any advancement by a local road agency to the department, with interest, ~~within~~ **not more than** 15 years after advancement, from any available revenue sources of the local road agency or, if provided in the contract, by deduction from the periodic disbursements of any money returned by ~~the~~ **this** state to the local road agency.

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

(2) Notwithstanding any other provision of this act, the department shall annually expend at least 90% of state revenue appropriated annually to the state trunk line fund less the amounts described in subdivisions (a) to (i) for the preservation of highways, roads, streets, and bridges and for the payment of debt

service on bonds, notes, or other obligations described in subsection (1)(a) issued after July 1, 1983, for the purpose of providing money for the preservation of highways, roads, streets, and bridges. ~~Of~~ **Except if a contract is entered into under section 13c, of** the amounts appropriated for state trunk line projects, the department shall, where possible, secure pavement warranties for full replacement or appropriate repair for contracted construction work on pavement projects whose cost exceeds $2,000,000.00 and projects for new construction or reconstruction undertaken after ~~the effective date of the 2015 amendatory act that amended this subsection.~~ **April 1, 2016.** The department shall compile and make available to the public an annual report of all warranties that were secured under this subsection and all pavement projects whose costs exceed $2,000,000.00 where a warranty was not secured as provided in subsection (14). If an appropriate certificate is filed under section 18e but only to the extent necessary, this subsection does not prohibit the use of any amount of money restricted as to use by section 9 of article IX of the state constitution of 1963 and deposited in the state trunk line fund for the payment of debt service on bonds, notes, or other obligations pledging for the payment thereof money restricted as to use by section 9 of article IX of the state constitution of 1963 and deposited in the state trunk line fund, whenever issued, as specified under subsection (1)(a). The amounts that are deducted from the state trunk line fund for the purpose of the calculation required by this subsection are as follows:

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

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

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

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

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

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

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

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

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

(h) Amounts appropriated for deposit in the transportation economic development fund **created in section 2 of 1987 PA 231, MCL 247.902,** and the rail grade crossing account ~~pursuant to~~ **under** section 10(1)(a) and ~~(h).~~ **(j).**

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

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

(4) Notwithstanding any other provision of this section, the department may loan money to a local road agency for paying capital costs of transportation purposes described in the second paragraph of section 9 of article IX of the state constitution of 1963 from the proceeds of bonds or notes issued pursuant to section 18b or from the state trunk line fund. Loans made directly from the state trunk line fund ~~shall~~ **may** be made only after provision of money for the purposes specified in subsection (1)(a) to (f). Loans described in this subsection are not subject to the revised municipal finance

act, 2001 PA 34, MCL 141.2101 to 141.2821.

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

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

(b) Any other legally available money of the local road agency, other than the general funds of the county.

(6) If required by the department, loans made under subsection (4) are payable by deduction by the state treasurer, upon direction of the department, from the periodic disbursements of any money returned by this state under this act to the local road agency, but only after sufficient money has been returned to the local road agency to provide for the payment of contractual obligations incurred or to be incurred and principal and interest on notes and bonds issued or to be issued under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d. The interest rates and payment schedules of any loans made from the proceeds of bonds or

notes issued ~~pursuant to~~ **under** section 18b ~~shall~~ **must** be established by the department to conform as closely as practicable to the interest rate and repayment schedules on the bonds or notes issued to make the loans. However, the department may allow for the deferral of the first payment of interest or principal on the loans for a period of not to exceed 1 year after the respective first payment of interest or principal on the bonds or notes issued to make the loans.

(7) The amount borrowed by a local road agency under subsection (5) ~~shall~~ **must** not be included in, or charged against, any constitutional, statutory, or charter debt limitation of the county, city, or village and ~~shall~~ **must** not be included in the determination of the maximum annual principal and interest requirements of, or the limitations ~~upon,~~ **on,** the maximum annual principal and interest incurred under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d.

(8) The local road agency is not required to seek or obtain the approval of the electors, the municipal finance commission or its successor agency, or, except as provided in this subsection, the department of treasury to borrow money under subsection (5). The borrowing is not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, or to section ~~5(g)~~ **5(1)(g)** of the home rule city act, 1909 PA 279, MCL 117.5. The department shall give at least 10 days' notice to the state treasurer of its intention to make a loan under subsection (4). If the state treasurer gives notice to the director of the department ~~within~~ **not later than** 10 days ~~of~~ **after** receiving the notice from the department, that, based ~~upon~~ **on** the then existing financial or

credit situation of the local road agency, it would not be in the best interests of this state to make a loan under subsection (4) to the local road agency, the loan ~~shall~~ **must** not be made unless the state treasurer, after a hearing, if requested by the affected local road agency, subsequently gives notice to the director of the department that the loan may be made on the conditions that the state treasurer specifies.

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

(10) The director of the department, after consultation with representatives of the interests of local road agencies, shall establish, by intergovernmental communication, procedures for the implementation and administration of the loan program established under subsections (4) to (9).

(11) Not more than 8% per year of all of the money received by and returned to the department from any source for the purposes of this section may be expended for administrative expenses. The department ~~shall be~~ **is** subject to section 14(5) if more than 8% per

year is expended for administrative expenses. As used in this subsection, "administrative expenses" means expenses that are not assigned including, but not limited to, specific road construction or preservation projects and are often referred to as general or supportive services. Administrative expenses do not include net equipment expense, net capital outlay, debt service principal and interest, and payments to other state or local offices that are assigned, but not limited to, specific road construction projects or preservation activities.

(12) Any performance audits of the department ~~shall~~ **must** be conducted according to government auditing standards issued by the United States General Accounting Office.

(13) Contracts entered into to advance money to a local road agency under subsection (1)(g) are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(14) The department shall prepare on an annual basis a report listing all warranties that were secured under subsection (2) and indicate whether any of those warranties were redeemed and all pavement projects whose costs exceed $2,000,000.00 for which a warranty was not secured as described in subsection (2). The department shall make the report required by this subsection available to the public upon request and shall also post the report on its website. ~~, which shall~~ **The report required by this subsection must** include, but is not limited to, all of the following information:

(a) The type of project.

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

(c) The expected lifespan of the project.

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

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

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

(15) As used in this section:

(a) "Local road agency" means that term as defined in section 9a.

(b) "Rail grade crossing improvement purposes" means 1 or more of the following:

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

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

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

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

(*v*) Construction of new grade separations.

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

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

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

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

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

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

(5) An amount equal to 4% of the total amount returned to the county road commissions from the Michigan transportation fund must be returned to the county road commissions in the same percentages

under subsection (7). All money returned to the county road commissions under this subsection must be expended by the county road commissions for the preservation, construction, acquisition, and extension of county local road systems and is in addition to the amounts provided in subsection (7).

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

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

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

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

(7) Except as otherwise provided in subsection (23), the balance of the remainder of the total amount to be returned to counties must be expended by each county road commission for the preservation, construction, acquisition, and extension of the county local road system as defined by this act, including the

acquisition of a necessary right of way for the system, work incidental to the system, and a roadside park or motor parkway appurtenant to the system, and must be returned to the counties as follows:

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

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

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

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

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

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

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

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

(10) Not less than 20% per year of the money returned to a county by this section must be expended for snow and ice removal, the reconstruction of an existing highway if not in conflict with its asset management plan as provided in section 9a, and the acquisition of a necessary right of way for those highways, and work incidental to those highways, or for the servicing of bonds issued by the county for these purposes. A county may expend surplus money for the development, construction, or repair of an off-street parking facility.

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

(12) Money returned to a county must be expended by the county road commission for the purposes provided in this section and must be deposited by the county treasurer in a designated county depository, in a separate account to the credit of the county road

fund, and must be paid out only on the order of the county road commission, and interest accruing on the money must become a part of, and be deposited with the county road fund.

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

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

(15) Money distributed from the Michigan transportation fund may be expended for construction purposes on county local roads only to the extent matched by money from other sources. However, Michigan transportation funds may be expended for the construction of bridges on the county local roads in an amount not to exceed 75% of the cost of the construction of local road bridges. The match may exceed 75% of the cost of construction in the case of a public emergency.

(16) Notwithstanding any other provision of this act, at least

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

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

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

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

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

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

(17) Notwithstanding any other provision of this act, except as provided in this subsection, a county road commission shall annually expend at least 90% of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges. A county road commission may expend in 1 year less than 90% of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges, if that year is part of a 3-

year period in which at least 90% of the total federal revenue distributed in the 3-year period to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation purposes and the amount expended for hard-surfacing of gravel roads on the federal-aid system, is expended on the preservation of highways, roads, streets, and bridges. If a county road commission expends in 1 year less than 90% of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges and that year is not a part of a 3-year period in which at least 90% of the total federal revenue distributed in the 3-year period to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, is expended on the preservation of highways, roads, streets, and bridges, the county road commission shall expend in each year subsequent to the 3-year period 100%, or less in 1 year if sufficient for the purposes of this subsection, of the federal revenue distributed to the county road commission for highways, roads, streets, and bridges, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, on the preservation of highways, roads, streets, and bridges until the average percentage spent on the preservation of highways, roads, streets, and bridges in the 3-year period and the subsequent years, less the amount expended on urban routes for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system, is at least 90%. A year may be included in only one 3-year period for the purposes of this subsection. The requirements of this subsection are waived if compliance would cause the county road commission to be ineligible for federal revenue under federal law, but only to the extent necessary to make the county road commission eligible for that revenue under federal law. For the purpose of the calculations required by this subsection, the amount expended on urban routes by a county road commission for purposes other than preservation and the amount expended for hard-surfacing of gravel roads on the federal-aid system must be deducted from the total federal revenue distributed to the use of the county road commission. As used in this subsection, "urban routes" means those portions of 2-lane county primary roads within an urban area that have average daily traffic in excess of 15,000.

(18) A county road commission shall certify to the department on or before the issuance of any bonds or notes issued after July 1, 1983, under 1943 PA 143, MCL 141.251 to 141.254, 1941 PA 205, MCL 252.51 to 252.64, or section 18c or 18d, for purposes other than the preservation of highways, roads, streets, and bridges and purposes other than the purposes specified in subsection (16)(c) that its average annual debt service requirements for all bonds and notes or portions of bonds and notes issued after July 1, 1983, for purposes other than the preservation of highways, roads, streets, and bridges and other than for the purposes specified in subsection (16)(c), including the bond or note to be issued does not exceed 10% of the money returned to the county road commission under this

act, less the amounts specified in subsection (16)(a), (b), and (c) during the last completed fiscal year of the county road commission. If the purpose for which the bonds or notes are issued is changed after the issuance of the notes or bonds, the change must be made in a manner that maintains compliance with the certification required by this subsection, as of the date the certificate was originally issued, but the change does not invalidate or otherwise affect the bonds or notes with respect to which the certificate was issued or the obligation to pay debt service on the bonds or notes. A certification under this subsection is conclusive as to the matters stated in the certification for purposes of the validity of bonds and notes.

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

(20) Not more than 10% per year of all of the money received by and returned to a county from any source for the purposes of this section may be expended for administrative expenses. A county that expends more than 10% for administrative expenses in a year is subject to section 14(5) unless a waiver is granted by the department of treasury. As used in this subsection, "administrative expenses" means expenses that are not assigned including, but not limited to, specific road construction or preservation projects and are often referred to as general or supportive services.

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

(21) In addition to the financial compliance audits required by law, the department may conduct performance audits and make investigations of the disposition of all state money received by county road commissions, county boards of commissioners, or any other county governmental agency acting as the county road authority, for transportation purposes to determine compliance with the terms and conditions of this act. Performance audits must be conducted according to government auditing standards issued by the United States General Accounting Office. The department shall develop performance audit procedures and reporting requirements sufficient to determine whether money expended under this section was expended in compliance with this act by September 1, 2012 and shall report to the transportation committees of the senate and house of representatives no later than October 1, 2012 on the additional audit procedures and reporting requirements. The department shall provide notice to the county road commission, county board of commissioners, or any other county governmental agency acting as the county road authority, as applicable, of the standards to be used for audits performed under this subsection. The notice must be provided 6 months before the fiscal year in which the audit is conducted. The department shall notify the county road commission, county board of commissioners, or any other county governmental agency acting as the county road authority of any subsequent changes to the standards. County road commissions, county boards of commissioners, or any other county governmental

agencies acting as county road authorities, as applicable, shall make available to the department the pertinent records for the audit. Performance audits may be performed at the discretion of the department or on receiving a request from the speaker of the house of representatives or the senate majority leader.

(22) ~~Of~~ **Except if a contract is entered into under section 13c, of** the amounts appropriated for a county primary or local road system under this section, where possible, a county road commission shall secure pavement warranties for full replacement or appropriate repair for contracted construction work on pavement projects whose cost exceeds $2,000,000.00 and projects for new construction or reconstruction undertaken after April 1, 2016, if allowed by the Federal Highway Administration and the department. A county road commission shall submit a proposed warranty program to the department for approval no later than April 1, 2016. If a proposed warranty program submitted under this subsection is approved by the department, the county road commission shall implement the program no later than 1 year after the approval. A county road commission shall include a list of all warranties that were secured under this subsection and indicate whether any of those warranties were redeemed with the report required under section 14(3), and shall also list all pavement projects whose cost exceeds $2,000,000.00 for which a warranty was not secured. The list must include, but is not limited to, all of the following information:

(a) The type of project.

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

(c) The expected lifespan of the project.

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

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

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

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

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

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

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

the amount available for distribution under subsections (3) and (4) during the next month. The distributions are for use on the major and local street systems respectively and are subject to the same provisions as money returned under subsections (3) and (4).

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

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

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

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

(d) Except as otherwise provided in this subdivision, for the preservation, construction, acquisition, and extension of the major street system as defined by this act including the acquisition of a necessary right of way for the system, work incidental to the system, and an appurtenant roadside park or motor parkway, of the city or village and for the payment of the principal and interest on that portion of the city's or village's general obligation bonds that are attributable to the construction or reconstruction of the city's or village's major street system. However, once an asset management plan described in section 9a has been approved, funds ~~shall~~ **must** be used for the preservation, construction, and acquisition of the street system as provided in subsection (16) or for an emergency as described in section 11c. Not more than 5% per year of the money returned to a city or village by this subsection ~~shall~~ **may** be expended for the preservation or acquisition of appurtenant roadside parks and motor parkways. Surplus money may be expended for the development, construction, or repair of off-street parking facilities, and the construction or repair of street lighting, and transfer to the local street system under subsection (6).

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

(4) The remaining amount to be returned to incorporated cities and villages must be expended in each city or village for the preservation, construction, acquisition, and extension of the local street system of the city or village, including the acquisition of

a necessary right of way for the system, work incidental to the system, and subject to subsection (5), for the payment of the principal and interest on the portion of the city's or village's general obligation bonds that are attributable to the construction or reconstruction of the city's or village's local street system. However, once an asset management plan described in section 9a has been approved, funds ~~shall~~ **must** be used for the preservation, construction, and acquisition of the street system as provided in subsection (16) or for an emergency as described in section 11c. The amount returned under this subsection must be returned to the cities and villages 60% in the same proportion that the population of each bears to the total population of all incorporated cities and villages in this state, and 40% in the same proportion that the total mileage of the local street system of each bears to the total mileage in the local street systems of all cities and villages of this state. The payment of the principal and interest on bonds issued by a city or village under 1952 PA 175, MCL 247.701 to 247.707, and after that payment, the payment of debt service on loans received under section 11(5), must have priority in the expenditure of money returned under this subsection.

(5) Money distributed to each city and village for the maintenance and preservation of its local street system under this act represents the total responsibility of this state for local street system support. Money distributed from the Michigan transportation fund must not be expended for construction purposes on city and village local streets except to the extent matched from local revenues including other money returned to a city or village by this state under the state constitution of 1963 and statutes of this state, from money that can be raised by taxation in cities and

villages for street purposes within the limitations of the state constitution of 1963 and statutes of this state, from special assessments, or from any other source.

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

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

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

(c) The dollar amount of the transfer.

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

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

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

into 1 street fund and to submit a single report to the department on the expenditure of money on the local and major street systems.

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

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

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

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

(12) In addition to the financial compliance audits required by law, the department may conduct performance audits and make investigations of the disposition of all state money received by cities and villages for transportation purposes to determine compliance with the terms and conditions of this act. Performance audits must be conducted according to government auditing standards issued by the United States General Accounting Office. The department shall develop all performance audit procedures and reporting requirements sufficient to determine whether money expended under this section was expended in compliance with this act by September 1, 2012 and shall report to the transportation committees of the senate and house of representatives no later than October 1, 2012 on the additional audit procedures and reporting requirements. The audit procedures must include a review of the road fund balance of the city or village. The cities and villages shall report their road fund balances by fund balance component. The department shall assist cities and villages to ensure that road fund balances are consistently classified and are in compliance with the audit and reporting requirements of this section. The department shall provide notice to cities and villages of the standards to be used for audits under this subsection ~~prior to~~ **before** the fiscal year in which the audit is conducted. The department shall notify cities and villages of any subsequent changes to the standards. Cities and villages shall make available to the department the pertinent records for the audit. Performance audits may be performed at the discretion of the department or on receiving a request from the speaker of the house of representatives or the senate majority leader.

(13) ~~Of~~ **Except if a contract is entered into under section**

13c, of the amounts appropriated for a city or village major or local street system under this section, where possible, a city or village shall secure pavement warranties for full replacement or appropriate repair for contracted construction work on pavement projects whose cost exceeds $2,000,000.00 and projects for new construction or reconstruction undertaken after April 1, 2016 if allowed by the Federal Highway Administration and the department. A city or village shall submit a proposed warranty program to the department for approval no later than February 1, 2017. If a proposed warranty program submitted under this subsection is approved by the department, the city or village shall implement the program no later than 1 year after the approval. A city or village shall include a list of all warranties that were secured under this subsection and indicate whether any of those warranties were redeemed with the report required under section 14(3), and shall also list all pavement projects whose cost exceeds $2,000,000.00 for which a warranty was not secured. The list ~~shall~~ **must** include, but is not limited to, all of the following information:

(a) The type of project.

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

(c) The expected lifespan of the project.

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

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

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

(14) With the approval of the director of the department, a

city may use up to 20% of the amount received by that city under this section for public transit purposes if more than 10,000,000 passengers used public transit within that city during the previous fiscal year.

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

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

(17) As used in this section:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Enacting section 1. This amendatory act does not take effect unless House Bill No. 5175 (request no. H05153'25) of the 103rd Legislature is enacted into law.