

# SENATE BILL No. 36

January 21, 2003, Introduced by Senator SWITALSKI 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 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, critical bridge fund, comprehensive transportation fund, and certain other funds; to provide for the deposits in the state trunk line fund,

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

by amending sections 1c, 11, 12, and 13 (MCL 247.651c, 247.661, 247.662, and 247.663), section 1c as amended by 1982 PA 438, section 11 as amended by 2002 PA 639, section 12 as amended by 2002 PA 498, and section 13 as amended by 1999 PA 54.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1c. The state transportation department shall bear the  
2 cost of opening, widening, and improving, including construction  
3 and reconstruction, in accordance with standards and  
4 specifications of the department, all state trunk line highways,  
5 subject to all of the following provisions:

6       (a) Incorporated cities and villages shall participate with  
7 the department in the cost of opening, widening, and improving,  
8 including construction and reconstruction of state trunk line  
9 highways within cities and villages to which may be added,  
10 subject to the approval of the state transportation commission,  
11 streets that are connecting links of trunk line highways or  
12 streets as are made connecting links of trunk line highways,  
13 according to the following schedule subject to the definition of

1 population as provided in section 13:

2 (i) In cities and villages having a population of 50,000 or  
3 more, 12.5% of the cost shall be borne by the city or village,  
4 and 87.5% by the state transportation department.

5 (ii) In cities and villages having a population of 40,000 or  
6 more and less than 50,000, 11.25% of the cost shall be borne by  
7 the city or village, and 88.75% by the state transportation  
8 department.

9 (iii) In cities and villages having a population of 25,000 or  
10 more and less than 40,000, 8.75% of the cost shall be borne by  
11 the city or village, and 91.25% by the state transportation  
12 department.

13 (iv) In cities and villages having a population of less than  
14 25,000, the state transportation department shall bear the entire  
15 cost.

16 (b) As used in this act, "opening, widening, and improving,  
17 including construction and reconstruction, of state trunk line  
18 highways" includes, but is not limited to, the cost of right of  
19 way; the cost of removal and replacement of **trees if trees are**  
20 **removed as part of a project**, sidewalks, street lighting,  
21 curbing, where removal and replacement is made necessary by  
22 construction or reconstruction of a trunk line highway; and the  
23 cost of bridges and structures, including that part of the cost  
24 of grade separation structures not paid by the railroad  
25 companies.

26 (c) In a city or village, the width of a state trunk line  
27 highway shall be the width required to serve anticipated future

1 traffic needs for a 20-year period as determined by a department  
2 transportation survey, which width, except as prescribed by this  
3 subdivision, shall not be less than the currently accepted  
4 standards prescribed for a 4-lane highway; the width as may be  
5 built on the same trunk line route immediately beyond and  
6 adjacent to either legal boundary of the city or village; or on  
7 trunk lines eligible for federal highway funds, a width as may be  
8 prescribed by the federal government, whichever width is  
9 greater. However, the department and the governing body of a  
10 city or village by mutual agreement may determine that the width  
11 of a state trunk line highway shall be less than the width  
12 otherwise prescribed by this subdivision.

13 (d) If a city or village ~~shall desire~~ **desires** to widen a  
14 state trunk line highway for local purposes beyond the width  
15 prescribed in subdivision (c), the entire cost of the extra  
16 width, less the federal highway funds which may be allocated to  
17 the portion of the project by the department, shall be borne by  
18 the city or village.

19 (e) The state transportation commission and the boards of  
20 county road commissioners may enter into agreements with  
21 townships or private persons for the improvement or widening of  
22 state trunk line highways or county roads. The state  
23 transportation commission and the boards of county road  
24 commissioners may require full or partial participation in the  
25 cost of the improvement or widening by the requesting party as  
26 considered appropriate.

27 Sec. 11. (1) A fund to be known as the state trunk line

1 fund is established and shall be set up and maintained in the  
2 state treasury as a separate fund. The money deposited in the  
3 state trunk line fund is appropriated to the state transportation  
4 department for the following purposes in the following order of  
5 priority:

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

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

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

25 (iii) For the payment of the principal and interest on bonds  
26 issued under section 18b for transportation purposes other than  
27 comprehensive transportation purposes as defined by law and the

1 payment of contributions of the state highway commission or state  
2 transportation commission to be made pursuant to contracts  
3 entered into under section 18d, which contributions are pledged  
4 to the payment of principal and interest on bonds issued under  
5 the authorization of section 18d and contracts executed pursuant  
6 to that section. A sufficient portion of the fund is irrevocably  
7 appropriated to pay, when due, the principal and interest on  
8 bonds or notes issued under section 18b for purposes other than  
9 comprehensive transportation purposes as defined by law, and to  
10 pay the annual contributions of the state highway commission and  
11 the state transportation commission as are pledged for the  
12 payment of bonds issued pursuant to contracts authorized by  
13 section 18d.

14 (b) For the transfer of funds appropriated pursuant to  
15 section 10(1)(g) to the transportation economic development fund,  
16 but the transfer shall be reduced each fiscal year by the amount  
17 of debt service to be paid in that year from the state trunk line  
18 fund for bonds, notes, or other obligations issued to fund  
19 projects of the transportation economic development fund, which  
20 amount shall be certified by the department.

21 (c) For the transfer of funds appropriated pursuant to  
22 section 10(1)(a) to the railroad grade crossing account in the  
23 state trunk line fund for expenditure for rail grade crossing  
24 improvement purposes at rail grade crossings on public roads and  
25 streets under the jurisdiction of the state, counties, cities, or  
26 villages. Projects shall be selected for funding in accordance  
27 with the following:

1           (i) Not more than 50% or less than 30% of these funds and  
2 matched federal funds shall be expended for state trunk line  
3 projects.

4           (ii) In prioritizing projects for these funds, in whole or in  
5 part, the department shall consider train and vehicular traffic  
6 volumes, accident history, traffic control device improvement  
7 needs, and the availability of funding.

8           (iii) Consistent with the other requirements for these funds,  
9 the first priority for funds deposited pursuant to this  
10 subdivision for rail grade crossing improvements and retirement  
11 shall be to match federal funds from the railroad-highway grade  
12 crossing improvement program or other comparable federal programs  
13 if a match is required under federal law.

14           (iv) If the department and the road authority with  
15 jurisdiction over the crossing formally agree that the grade  
16 crossing should be eliminated by permanent closing of the public  
17 road or street, the physical removal of the crossing, roadway  
18 within railroad rights of way and street termination treatment  
19 will be negotiated between the road authority and railroad  
20 company. The funds provided to the road authority as a result of  
21 the crossing closure will be credited to its account representing  
22 the same road or street system on which the crossing is located  
23 and shall be used for any transportation purpose within that road  
24 authority's jurisdiction.

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

27           (e) For the preservation of state trunk line highways and

1 bridges.

2 (f) For the opening, widening, improving, construction, and  
3 reconstruction of state trunk line highways and bridges,  
4 including the acquisition of necessary rights of way and the work  
5 incidental to that opening, widening, improving, construction, or  
6 reconstruction. Those sums in the state trunk line fund not  
7 otherwise appropriated, distributed, determined, or set aside by  
8 law shall be used for the construction or reconstruction of the  
9 national system of interstate and defense highways, referred to  
10 in this act as "the interstate highway system" to the extent  
11 necessary to match federal aid funds as the federal aid funds  
12 become available for that purpose; and, for the construction and  
13 reconstruction of the state trunk line system. **Money from the**  
14 **state trunk line fund shall not be expended under this**  
15 **subdivision unless each tree that is removed, destroyed, or both**  
16 **in the opening, widening, improving, construction, and**  
17 **reconstruction of state highways and bridges conducted under this**  
18 **section is replaced with a sapling of the same or a similar**  
19 **variety of tree that was removed, destroyed, or both. However,**  
20 **this tree replacement requirement applies only to projects**  
21 **conducted under contracts executed on or after the effective date**  
22 **of the amendatory act that added section 12(22).**

23 (g) The state transportation department may enter into  
24 agreements with county road commissions and with cities and  
25 villages to perform work on a highway, road, or street. The  
26 agreements may provide for the performance by any of the  
27 contracting parties of any of the work contemplated by the



1 contract including engineering services and the acquisition of  
2 rights of way in connection with the work, by purchase or  
3 condemnation by any of the contracting parties in its own name,  
4 and for joint participation in the costs, but only to the extent  
5 that the contracting parties are otherwise authorized by law to  
6 expend money on the highways, roads, or streets. The state  
7 transportation department also may contract with a county road  
8 commission, city, and village to advance money to a county road  
9 commission, city, and village to pay their costs of improving  
10 railroad grade crossings on the terms and conditions agreed to in  
11 the contract. A contract may be executed before or after the  
12 state transportation commission borrows money for the purpose of  
13 advancing money to a county road commission, city, or village,  
14 but the contract shall be executed before the advancement of any  
15 money to a county road commission, city, or village by the state  
16 transportation commission, and shall provide for the full  
17 reimbursement of any advancement by a county road commission,  
18 city, or village to the state transportation department, with  
19 interest, within 15 years after advancement, from any available  
20 revenue sources of the county road commission, city, or village  
21 or, if provided in the contract, by deduction from the periodic  
22 disbursements of any money returned by the state to the county  
23 road commission, city, or village. **Beginning on the effective**  
24 **date of the amendatory act that added section 12(22), every**  
25 **agreement entered into under this subdivision shall include a**  
26 **requirement that each tree that is removed, destroyed, or both**  
27 **shall be replaced with a sapling of the same or a similar variety**

1 of tree that was removed, destroyed, or both and that the county  
2 road commission that entered into the agreement shall provide  
3 matching funds for this purpose not to exceed 25% of the cost.  
4 No more than 1/2 of 1% of the total construction costs of the  
5 project shall be for tree replacement.

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

13 (2) Notwithstanding any other provision of this act, at least  
14 90% of state revenue appropriated annually to the state trunk  
15 line fund less the amounts described in subdivisions (a) to (i)  
16 shall be expended annually by the state transportation department  
17 for the preservation of highways, roads, streets, and bridges and  
18 for the payment of debt service on bonds, notes, or other  
19 obligations described in subsection (1)(a) issued after July 1,  
20 1983, for the purpose of providing funds for the preservation of  
21 highways, roads, streets, and bridges. Of the amounts  
22 appropriated for state trunk line projects, the department shall,  
23 where possible, secure warranties of not less than 5-year full  
24 replacement guarantee for contracted construction work. If an  
25 appropriate certificate is filed under section 18e but only to  
26 the extent necessary, this subsection shall not prohibit the use  
27 of any amount of money restricted as to use by section 9 of

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (3) Notwithstanding any other provision of this act, the  
27 state transportation department shall expend annually at least

1 90% of the federal revenue distributed to the credit of the state  
2 trunk line fund in that year, except for federal revenue expended  
3 for the purposes described in subsection (2)(b), (c), (f), and  
4 (i) and for the payment of notes issued under section 18b(9) on  
5 the preservation of highways, roads, streets, and bridges. The  
6 requirement of this subsection shall be waived if compliance  
7 would cause this state to be ineligible according to federal law  
8 for federal revenue, but only to the extent necessary to make  
9 this state eligible according to federal law for that revenue.

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

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

26 (a) The money to be received by the county road commission,  
27 city, or village from the Michigan transportation fund, except to

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

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

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

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

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

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

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

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

24 (10) The director of the state transportation department,  
25 after consultation with representatives of the interests of  
26 county road commissions, cities, and villages, shall establish,  
27 by intergovernmental communication, procedures for the



1 implementation and administration of the loan program established  
2 under subsections (4) to (9).

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

17 (12) Any performance audits of the department shall be  
18 conducted according to government auditing standards issued by  
19 the United States general accounting office.

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

24 (14) As used in this section, "rail grade crossing  
25 improvement purposes" means 1 or more of the following:

26 (a) The installation and modernization of active and passive  
27 warning devices at railroad grade crossings.

1 (b) The installation or improvement of grade crossing  
2 surfaces.

3 (c) Modification, relocation, or modernization of railroad  
4 grade crossing active and passive warning devices necessitated by  
5 roadway improvement projects.

6 (d) Test installations of innovative warning devices or other  
7 innovative applications.

8 (e) Construction of new grade separations.

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

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

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

23 (2) Each county road commission shall be reimbursed in an  
24 amount up to \$10,000.00 per year for the sum paid to a licensed  
25 professional engineer employed or retained by the county road  
26 commission in the previous year. The sum shall be returned to  
27 each county road commission certified by the state transportation

1 department as complying with this subsection regarding the  
2 employment of an engineer.

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

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

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

27 (6) Seventy-five percent of the remainder of the total amount

1 to be returned to the counties shall be expended by each county  
2 road commission for the preservation, construction, acquisition,  
3 and extension of the county primary road system, including the  
4 acquisition of a necessary right of way for the system, work  
5 incidental to the system, and a roadside park or motor parkway  
6 appurtenant to the system, and shall be returned to the counties  
7 as follows:

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

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

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

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

27 (a) Sixty-five percent of the amount in the same proportion

1 that the total mileage in the county local road system of each  
2 county bears to the total mileage in all of the county local road  
3 systems of the state.

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

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

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

25 (b) For the payment of principal and interest upon bonds  
26 issued under section 18c, and the payment of contributions of a  
27 board of county road commissioners to be made pursuant to

1 contracts entered into under section 18d, which contributions are  
2 pledged to the payment of principal and interest on bonds issued  
3 after June 30, 1957, under the authorization of section 18c and  
4 contracts executed pursuant to its provisions.

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

8 (9) Not to exceed 30% per year of the amount returned to a  
9 county for use on the county primary road system may be expended,  
10 with or without matching, on the county local road system of that  
11 county. Not to exceed 15% per year of the amount returned to a  
12 county for expenditure on the county local road system may be  
13 used, with or without matching, on the county primary road system  
14 of that county, and not to exceed an additional 15% per year of  
15 the amount returned to a county for expenditure on the county  
16 local road system, may, in case of an emergency or with the  
17 approval of the state transportation department, be expended,  
18 with or without matching, on the county primary road system of  
19 that county. An amount returned to a county for and on account  
20 of county local roads, under this section, in excess of the total  
21 amount paid into the county treasury each year by all of the  
22 townships of that county for and on account of the county local  
23 roads pursuant to section 14(6) may be transferred to and  
24 expended on the county primary road system of that county.

25 (10) Not less than 20% per year of the funds returned to a  
26 county by this section shall be expended for snow and ice  
27 removal, the construction or reconstruction of a new highway or

1 existing highway, and the acquisition of a necessary right of way  
2 for those highways, and work incidental to those highways, or for  
3 the servicing of bonds issued by the county for these purposes.  
4 Surplus funds may be expended for the development, construction,  
5 or repair of an off-street parking facility.

6 (11) Not more than 5% per year of the funds returned to a  
7 county for the county primary road system and the county local  
8 road system shall be expended for the maintenance, improvement,  
9 or acquisition of appurtenant roadside parks and motor parkways.

10 (12) Funds returned to a county shall be expended by the  
11 county road commission for the purposes provided in this section  
12 and shall be deposited by the county treasurer in a designated  
13 county depository, in a separate account to the credit of the  
14 county road fund, and shall be paid out only upon the order of  
15 the county road commission, and interest accruing on the money  
16 shall become a part of, and be deposited with the county road  
17 fund.

18 (13) In a county to which the funds are returned the function  
19 of the county road commission shall be limited to the formation  
20 of policy and the performance of the official duties imposed by  
21 law and delegated by the county board of commissioners. A member  
22 of the county road commission shall not be employed individually  
23 in any other capacity for other duties with the county road  
24 commission.

25 (14) A county road commission may enter into an agreement  
26 with a county road commission of an adjacent county and with a  
27 city or village to perform work on a highway, road, or street,

1 and with the state transportation department with respect to a  
2 state trunk line and connecting links of the state trunk line  
3 within the limits of the county or adjacent to the county. The  
4 agreement may provide for the performance by each contracting  
5 party of the work contemplated by the contract including  
6 engineering services and the acquisition of rights of way in  
7 connection with the work contemplated, by purchase or  
8 condemnation, by any of the contracting parties in its own name  
9 and the agreement may provide for joint participation in the  
10 costs. **Beginning on the effective date of the amendatory act**  
11 **that added subsection (22), every agreement entered into under**  
12 **this subdivision shall include a requirement that each tree that**  
13 **is removed, destroyed, or both under the agreement shall be**  
14 **replaced with a sapling of the same or a similar variety of tree**  
15 **as was removed, destroyed, or both and that the contracting party**  
16 **or parties agree to provide matching funds for this purpose not**  
17 **to exceed 25% of the cost. However, not more than 1/2 of 1% of**  
18 **the total construction costs for the project shall be for tree**  
19 **replacement.**

20 (15) Money distributed from the Michigan transportation fund  
21 may be expended for construction purposes on county local roads  
22 only to the extent matched by money from other sources. However,  
23 Michigan transportation funds may be expended for the  
24 construction of bridges on the county local roads in an amount  
25 not to exceed 75% of the cost of the construction of local road  
26 bridges. This subsection does not apply to section 11b.

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



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

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

27 (b) Amounts expended for the administrative costs of the

1 county road commission.

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

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

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

19 (17) As used in this subsection, "urban routes" means those  
20 portions of 2-lane county primary roads within an urban area  
21 which has average daily traffic in excess of 15,000.

22 Notwithstanding any other provision of this act, except as  
23 provided in this subsection, a county road commission shall  
24 expend annually at least 90% of the federal revenue distributed  
25 to the use of the county road commission for highways, roads,  
26 streets, and bridges, less the amount expended on urban routes  
27 for other than preservation purposes and the amount expended for

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

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

1 road commission.

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

27 (19) In each charter county to which funds are returned under

1 this section, the responsibility for road improvement,  
2 preservation, and traffic operation work, and the development,  
3 construction, or repair of off-road parking facilities and  
4 construction or repair of road lighting shall be coordinated by a  
5 single administrator to be designated by the county executive who  
6 shall be responsible for and shall represent the charter county  
7 in transactions with the state transportation department pursuant  
8 to this act.

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

23 (21) In addition to the financial compliance audits required  
24 by law, the department of treasury shall conduct performance  
25 audits and make investigations of the disposition of all state  
26 funds received by county road commissions, county boards of  
27 commissioners, or any other county governmental agency acting as

1 the county road authority, for transportation purposes to  
2 determine compliance with the terms and conditions of this act.  
3 Performance audits shall be conducted according to government  
4 auditing standards issued by the United States general accounting  
5 office. The department of treasury shall provide 6 months notice  
6 to the county road commission or county board of commissioners,  
7 as applicable, of the standards to be used for audits performed  
8 under this subsection prior to the fiscal year in which the audit  
9 is conducted. The department shall notify the county road  
10 commission or county board of commissioners of any subsequent  
11 changes to the standards. County road commissions or county  
12 boards of commissioners, as applicable, shall make available to  
13 the department of treasury the pertinent records for the audit.

14 **(22) Funds returned to the county under this section shall**  
15 **only be expended by the county for projects that include the**  
16 **replacement of each tree that is removed, destroyed, or both with**  
17 **a sapling of the same or a similar variety of tree as was**  
18 **removed, destroyed, or both. However, this tree replacement**  
19 **requirement applies only to projects conducted under contracts**  
20 **executed on or after the effective date of the amendatory act**  
21 **that added this subsection.**

22 Sec. 13. (1) The amount distributed to cities and villages  
23 shall be returned to the treasurers of the cities and villages in  
24 the manner, for the purposes, and under the terms and conditions  
25 specified in this section. As used in this section, "population"  
26 means the population according to the most recent statewide  
27 federal census as certified at the beginning of the state fiscal

1 year, except that, if a municipality has been newly incorporated  
2 since completion of the census, the population of the  
3 municipality for purposes of the distribution of funds before  
4 completion of the next census shall be the population as  
5 determined by special federal census, if there is a census, and  
6 if not, by the population as determined by the official census in  
7 connection with the incorporation, if there is such a census and,  
8 if not, by a special state census to be taken at the expense of  
9 the municipality by the secretary of state pursuant to section 6  
10 of the home rule city act, 1909 PA 279, MCL 117.6. The amount  
11 received by the newly incorporated municipality shall be in place  
12 of any other direct distribution of funds from the Michigan  
13 transportation fund. The population of the newly incorporated  
14 municipality as determined under this section shall be added to  
15 the total population of all incorporated cities and villages in  
16 the state in computing the amounts to be returned under this  
17 section to each municipality in the state. Major street mileage,  
18 local street mileage, and equivalent major mileage, if  
19 applicable, shall be determined by the state transportation  
20 department before the next month for which distribution is made  
21 following the effective date of incorporation of a newly  
22 incorporated municipality.

23 (2) From the amount available for distribution to cities and  
24 villages during each December, an amount equal to 0.7% of the  
25 total amount returned to all cities and villages under  
26 subsections (3) and (4) during the previous calendar year shall  
27 be withheld. The amount withheld shall be used to partially



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

1 (3) and (4) during the next month. The distributions shall be  
2 for use on the major and local street systems respectively and  
3 shall be subject to the same provisions as funds returned under  
4 subsections (3) and (4).

5 (3) Seventy-five percent of the remaining amount to be  
6 returned to the cities and villages, after deducting the amounts  
7 withheld pursuant to subsection (2), shall be returned 60% in the  
8 same proportion that the population of each bears to the total  
9 population of all cities and villages, and 40% in the same  
10 proportion that the equivalent major mileage in each bears to the  
11 total equivalent major mileage in all cities and villages. As  
12 used in this section, "equivalent major mileage" means the sum of  
13 2 times the state trunk line mileage certified by the state  
14 transportation department as of March 31 of each year, as being  
15 within the boundaries of each city and village having a  
16 population of 25,000 or more, plus the major street mileage in  
17 each city and village, multiplied by the following factor:

18 1.0 for cities and villages of 2,000 or less population;

19 1.1 for cities and villages from 2,001 to 10,000 population;

20 1.2 for cities and villages from 10,001 to 20,000 population;

21 1.3 for cities and villages from 20,001 to 30,000 population;

22 1.4 for cities and villages from 30,001 to 40,000 population;

1 1.5 for cities and villages from 40,001 to 50,000 population;

2 1.6 for cities and villages from 50,001 to 65,000 population;

3 1.7 for cities and villages from 65,001 to 80,000 population;

4 1.8 for cities and villages from 80,001 to 95,000 population;

5 1.9 for cities and villages from 95,001 to 160,000 population;

6 2.0 for cities and villages from 160,001 to 320,000 population;

7 and for cities over 320,000 population, by a factor of 2.1

8 increased successively by 0.1 for each 160,000 population

9 increment over 320,000. The amount returned under this

10 subsection shall be used by each city and village for the

11 following purposes in the following order of priority:

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

19 (b) Payment of obligations of the city or village on highway  
20 projects undertaken by the city or village jointly with the state  
21 transportation department.

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

1 received pursuant to section 11(7), to the extent other funds  
2 have not been made available for that payment.

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

18 (4) The remaining amount to be returned to incorporated  
19 cities and villages shall be expended in each city or village for  
20 the maintenance, improvement, construction, reconstruction,  
21 acquisition, and extension of the local street system of the city  
22 or village, as defined by this act, including the acquisition of  
23 a necessary right of way for the system, work incidental to the  
24 system, and subject to subsection (5), for the payment of the  
25 principal and interest on that portion of the city's or village's  
26 general obligation bonds which are attributable to the  
27 construction or reconstruction of the city's or village's local

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

13 (5) Money distributed to each city and village for the  
14 maintenance and improvement of its local street system under this  
15 act represents the total responsibility of the state for local  
16 street system support. Funds distributed from the Michigan  
17 transportation fund shall not be expended for construction  
18 purposes on city and village local streets except to the extent  
19 matched from local revenues including other money returned to a  
20 city or village by the state under the state constitution of 1963  
21 and statutes of the state, from funds that can be raised by  
22 taxation in cities and villages for street purposes within the  
23 limitations of the state constitution of 1963 and statutes of the  
24 state, from special assessments, or from any other source. This  
25 subsection does not apply to section 11b.

26 (6) Money returned under this section to a city or village  
27 shall be expended on the major and local street systems of that

1 city or village. However, the first priority shall be the major  
2 street system. Money returned for expenditure on the major  
3 street system may be expended on the local street system in an  
4 amount equal to the amount of local revenues, as provided in  
5 subsection (5), expended by the city or village on the major  
6 street system or on state trunk line highways, and to the extent  
7 that that amount of major street money is not transferred for  
8 expenditure on the local street system in that year, major street  
9 money received during the next succeeding 2 years may be  
10 transferred for expenditure on the local system until the amount  
11 so authorized for transfer is fully expended. If a city or  
12 village transfers more than 25% of its major street funding for  
13 the local street system, the city or village shall adopt a  
14 resolution with a copy to the department setting forth all of the  
15 following:

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

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

19 (c) The dollar amount of the transfer.

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

21 (7) Not more than 10% per year of all of the funds returned  
22 to a city or village from any source for the purposes of this  
23 section may be expended for administrative expenses. As used in  
24 this subsection, "administrative expenses" means those expenses  
25 that are not assigned including, but not limited to, specific  
26 road construction or maintenance projects and are often referred  
27 to as general or supportive services. Administrative expenses

1 ~~shall~~ do not include net equipment expense, net capital outlay,  
2 debt service principal and interest, and payments to other state  
3 or local offices that are assigned, but not limited to, specific  
4 road construction projects or maintenance activities. A city or  
5 village ~~which~~ **that** in a year expends more than 10% for  
6 administrative expenses shall be subject to section 14(5).

7 (8) In each city and village to which funds are returned  
8 under this section, the responsibility for street improvement,  
9 maintenance, and traffic operation work, and the development,  
10 construction, or repair of off-street parking facilities and  
11 construction or repair of street lighting shall be coordinated by  
12 a single administrator to be designated by the governing body who  
13 shall be responsible for and shall represent the municipality in  
14 transactions with the state transportation department pursuant to  
15 this act.

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

1 amendatory act that added subsection (12), every agreement  
2 entered into under this subsection shall include a requirement  
3 that each tree that is removed, destroyed, or both under this  
4 agreement shall be replaced with a sapling of the same or a  
5 similar variety of tree as was removed, destroyed, or both and  
6 that the contracting party or parties agree to provide matching  
7 funds for this purpose not to exceed 25% of the cost. However,  
8 not more than 1/2 of 1% of the total construction costs for the  
9 project shall be for tree replacement.

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

13 (11) In addition to the financial compliance audits required  
14 by law, the department of treasury shall conduct performance  
15 audits and make investigations of the disposition of all state  
16 funds received by cities and villages for transportation purposes  
17 to determine compliance with the terms and conditions of this  
18 act. Performance audits shall be conducted according to  
19 government auditing standards issued by the United States general  
20 accounting office. The department of treasury shall provide  
21 notice to cities and villages of the standards to be used for  
22 audits under this subsection prior to the fiscal year in which  
23 the audit is conducted. The department shall notify cities and  
24 villages of any subsequent changes to the standards. Cities and  
25 villages shall make available to the department of treasury the  
26 pertinent records for the audit.

27 (12) Money returned under this section shall only be expended



1 by the city or village for projects that include the replacement  
2 of each tree that is removed, destroyed, or both with a sapling  
3 of the same or a similar variety of tree as was removed,  
4 destroyed, or both. However, this tree replacement requirement  
5 applies only to projects conducted under contracts executed on or  
6 after the effective date of the amendatory act that added this  
7 subsection.