

**SUBSTITUTE FOR  
HOUSE BILL NO. 4932**

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 section 13 (MCL 247.663), as amended by 1997 PA 79.

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

1       Sec. 13. (1) The amount distributed to cities and villages  
2 shall be returned to the treasurers of the cities and villages in  
3 the manner, for the purposes, and under the terms and conditions  
4 specified in this section. As used in this section, "population"  
5 means the population according to the most recent statewide fed-  
6 eral census as certified at the beginning of the state fiscal  
7 year, except that, if a municipality has been newly incorporated  
8 since completion of the census, the population of the municipali-  
9 ty for purposes of the distribution of funds before completion  
10 of the next census shall be the population as determined by spe-  
11 cial federal census, if there is a census, and if not, by the  
12 population as determined by the official census in connection  
13 with the incorporation, if there is such a census and, if not, by  
14 a special state census to be taken at the expense of the municipi-  
15 pality by the secretary of state pursuant to section 6 of the  
16 home rule city act, 1909 PA 279, MCL 117.6. The amount received

1 by the newly incorporated municipality shall be in place of any  
2 other direct distribution of funds from the Michigan transporta-  
3 tion fund. The population of the newly incorporated municipality  
4 as determined under this section shall be added to the total pop-  
5 ulation of all incorporated cities and villages in the state in  
6 computing the amounts to be returned under this section to each  
7 municipality in the state. Major street mileage, local street  
8 mileage, and equivalent major mileage, if applicable, shall be  
9 determined by the state transportation department before the next  
10 month for which distribution is made following the effective date  
11 of incorporation of a newly incorporated municipality.

12       (2) From the amount available for distribution to cities and  
13 villages during each December, an amount equal to 0.7% of the  
14 total amount returned to all cities and villages under subsec-  
15 tions (3) and (4) during the previous calendar year shall be  
16 withheld. The amount withheld shall be used to partially reim-  
17 burse those cities and villages located in those counties that  
18 are eligible for snow removal funds pursuant to section 12a and  
19 that have costs for winter maintenance on major and local streets  
20 that are greater than the statewide average. The distributions  
21 shall be made annually during February and shall be calculated  
22 separately for the major and local street systems but may be paid  
23 in a combined warrant. The distribution to a city or village  
24 shall be equal to 1/2 of its winter maintenance expenditures  
25 after deducting the product of its total earnings under subsec-  
26 tions (3) and (4) multiplied by 2 times the average municipal  
27 winter maintenance factor. Winter maintenance expenditures shall

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

20       (3) Seventy-five percent of the remaining amount to be  
21 returned to the cities and villages, after deducting the amounts  
22 withheld pursuant to subsection (2), shall be returned 60% in the  
23 same proportion that the population of each bears to the total  
24 population of all cities and villages, and 40% in the same pro-  
25 portion that the equivalent major mileage in each bears to the  
26 total equivalent major mileage in all cities and villages. As  
27 used in this section, "equivalent major mileage" means the sum of

1 2 times the state trunk line mileage certified by the state  
2 transportation department as of March 31 of each year, as being  
3 within the boundaries of each city and village having a popula-  
4 tion of 25,000 or more, plus the major street mileage in each  
5 city and village, multiplied by the following factor:

6 1.0 for cities and villages of 2,000 or less population;

7 1.1 for cities and villages from 2,001 to 10,000 population;

8 1.2 for cities and villages from 10,001 to 20,000 population;

9 1.3 for cities and villages from 20,001 to 30,000 population;

10 1.4 for cities and villages from 30,001 to 40,000 population;

11 1.5 for cities and villages from 40,001 to 50,000 population;

12 1.6 for cities and villages from 50,001 to 65,000 population;

13 1.7 for cities and villages from 65,001 to 80,000 population;

14 1.8 for cities and villages from 80,001 to 95,000 population;

15 1.9 for cities and villages from 95,001 to 160,000 population;

16 2.0 for cities and villages from 160,001 to 320,000 population;

17

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

19 increased successively by 0.1 for each 160,000 population incre-

20 ment over 320,000. The amount returned under this subsection

21 shall be used by each city and village for the following purposes

22 in the following order of priority:

23 (a) For the payment of contributions required to be made by

24 a city or village under the provisions of contracts previously

25 entered into under 1941 PA 205, MCL 252.51 to 252.64, which con-

26 tributions have been previously pledged for the payment of the

27 principal and interest on bonds issued under that act; or for the

1 payment of the principal and interest upon bonds issued by a city  
2 or village pursuant to 1952 PA 175, MCL 247.701 to 247.707.

3 (b) Payment of obligations of the city or village on highway  
4 projects undertaken by the city or village jointly with the state  
5 transportation department.

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

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

24 (4) The remaining amount to be returned to incorporated  
25 cities and villages shall be expended in each city or village for  
26 the maintenance, improvement, construction, reconstruction,  
27 acquisition, and extension of the local street system of the city

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

19 (5) Money distributed to each city and village for the main-  
20 tenance and improvement of its local street system under this act  
21 represents the total responsibility of the state for local street  
22 system support. Funds distributed from the Michigan transporta-  
23 tion fund shall not be expended for construction purposes on city  
24 and village local streets except to the extent matched from local  
25 revenues including other money returned to a city or village by  
26 the state under the state constitution of 1963 and statutes of  
27 the state, from funds that can be raised by taxation in cities

1 and villages for street purposes within the limitations of the  
2 state constitution of 1963 and statutes of the state, from spe-  
3 cial assessments, or from any other source. This subsection does  
4 not apply to section 11b.

5 (6) Money returned under this section to a city or village  
6 shall be expended ~~as follows:~~

7 ~~(a) Not to exceed 25% per year of the amount returned to a~~  
8 ~~city or village for use on the major street system, may be~~  
9 ~~expended on the local street system of that city or village and~~  
10 ~~not to exceed an additional 15% per year of the amount returned~~  
11 ~~to an incorporated city or village for expenditure on the major~~  
12 ~~street system, may, in case of an emergency or with the approval~~  
13 ~~of the state transportation department, be expended on the local~~  
14 ~~street system of that city or village.~~

15 ~~(b) Money returned for expenditure on the major street~~  
16 ~~system may be expended on the local street system in an amount~~  
17 ~~equal to the amount of local revenues, as provided in subsection~~  
18 ~~(5), expended by the city or village on the major street system~~  
19 ~~or on state trunk line highways, and to the extent that that~~  
20 ~~amount of major street money is not transferred for expenditure~~  
21 ~~on the local street system in that year, major street money~~  
22 ~~received during the next succeeding 2 years may be transferred~~  
23 ~~for expenditure on the local system until the amount so autho-~~  
24 ~~rized for transfer is fully expended.~~

25 ~~(c) The amount returned to a city or village for expenditure~~  
26 ~~on the local street system or a portion of that amount may be~~  
27 ~~expended on the major AND LOCAL street -system- 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 SUB-  
5 SECTION (5), EXPENDED BY THE CITY OR VILLAGE ON THE MAJOR STREET  
6 SYSTEM OR ON STATE TRUNK LINE HIGHWAYS, AND TO THE EXTENT THAT  
7 THAT AMOUNT OF MAJOR STREET MONEY IS NOT TRANSFERRED FOR EXPENDI-  
8 TURE ON THE LOCAL STREET SYSTEM IN THAT YEAR, MAJOR STREET MONEY  
9 RECEIVED DURING THE NEXT SUCCEEDING 2 YEARS MAY BE TRANSFERRED  
10 FOR EXPENDITURE ON THE LOCAL SYSTEM UNTIL THE AMOUNT SO AUTHO-  
11 RIZED FOR TRANSFER IS FULLY EXPENDED. IF A CITY OR VILLAGE  
12 TRANSFERS MORE THAN 25% OF ITS MAJOR STREET FUNDING FOR THE LOCAL  
13 STREET SYSTEM, THE CITY OR VILLAGE SHALL ADOPT A RESOLUTION WITH  
14 A COPY TO THE DEPARTMENT SETTING FORTH ALL OF THE FOLLOWING:  
15 (A) A LIST OF THE MAJOR STREETS IN THAT CITY OR VILLAGE.  
16 (B) A STATEMENT THAT THE CITY OR VILLAGE IS ADEQUATELY MAIN-  
17 TAINING ITS MAJOR STREETS.  
18 (C) THE DOLLAR AMOUNT OF THE TRANSFER.  
19 (D) THE LOCAL STREETS TO BE FUNDED WITH THE TRANSFER.  
20 (7) ~~(d)~~ Not more than 10% per year of all of the funds  
21 returned to a city or village from any source for the purposes of  
22 this section may be expended for administrative expenses. As  
23 used in this subsection, "administrative expenses" means those  
24 expenses that are not assigned including, but not limited to,  
25 specific road construction or maintenance projects and are often  
26 referred to as general or supportive services. Administrative  
27 expenses shall not include net equipment expense, net capital

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

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

16       (9) ~~—(8)—~~ Cities and villages may provide for consolidated  
17 street administration. A city or a village may enter into an  
18 agreement with other cities or villages, the county road commis-  
19 sion, or with the state transportation commission for the per-  
20 formance of street or highway work on a road or street within the  
21 limits of the city or village or adjacent to the city or  
22 village. The agreement may provide for the performance by any of  
23 the 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.

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1       (10) ~~-(9)-~~ Interest earned on funds returned to a city or a  
2 village for purposes provided in this section shall be credited  
3 to the appropriate street fund.

4       (11) ~~-(10)-~~ In addition to the financial compliance audits  
5 required by law, the department of treasury shall conduct per-  
6 formance audits and make investigations of the disposition of all  
7 state funds received by cities and villages for transportation  
8 purposes to determine compliance with the terms and conditions of  
9 this act. Performance audits shall be conducted according to  
10 government auditing standards issued by the United States general  
11 accounting office. The department of treasury shall provide  
12 notice to cities and villages of the standards to be used for  
13 audits under this subsection prior to the fiscal year in which  
14 the audit is conducted. The department shall notify cities and  
15 villages of any subsequent changes to the standards. Cities and  
16 villages shall make available to the department of treasury the  
17 pertinent records for the audit.