

**SUBSTITUTE FOR
SENATE BILL NO. 1180**

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

by amending section 13 (MCL 247.663), as amended by 2006 PA 338.

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 federal
 6 census as certified at the beginning of the state fiscal year,
 7 except that, if a municipality has been newly incorporated since
 8 completion of the census, the population of the municipality for
 9 purposes of the distribution of funds before completion of the next
 10 census shall be the population as determined by special federal
 11 census, if there is a special federal census, and if not, by the
 12 population as determined by the official census in connection with
 13 the incorporation, if there is such a census and, if not, by a
 14 special state census to be taken at the expense of the municipality

1 by the secretary of state pursuant to section 6 of the home rule
2 city act, 1909 PA 279, MCL 117.6. The amount received by the newly
3 incorporated municipality shall be in place of any other direct
4 distribution of funds from the Michigan transportation fund. The
5 population of the newly incorporated municipality as determined
6 under this section shall be added to the total population of all
7 incorporated cities and villages in the state in computing the
8 amounts to be returned under this section to each municipality in
9 the state. Major street mileage, local street mileage, and
10 equivalent major mileage, if applicable, shall be determined by the
11 state transportation department before the next month for which
12 distribution is made following the effective date of incorporation
13 of a newly incorporated municipality.

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

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

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

1 in this section, "equivalent major mileage" means the sum of 2
2 times the state trunk line mileage certified by the state
3 transportation department as of March 31 of each year, as being
4 within the boundaries of each city and village having a population
5 of 25,000 or more, plus the major street mileage in each city and
6 village, multiplied by the following factor:

7 1.0 for cities and villages of 2,000 or less population;
8 1.1 for cities and villages from 2,001 to 10,000 population;
9 1.2 for cities and villages from 10,001 to 20,000 population;
10 1.3 for cities and villages from 20,001 to 30,000 population;
11 1.4 for cities and villages from 30,001 to 40,000 population;
12 1.5 for cities and villages from 40,001 to 50,000 population;
13 1.6 for cities and villages from 50,001 to 65,000 population;
14 1.7 for cities and villages from 65,001 to 80,000 population;
15 1.8 for cities and villages from 80,001 to 95,000 population;
16 1.9 for cities and villages from 95,001 to 160,000 population;
17 2.0 for cities and villages from 160,001 to 320,000
18 population;

19 and for cities over 320,000 population, by a factor of 2.1
20 increased successively by 0.1 for each 160,000 population increment
21 over 320,000. The amount returned under this subsection shall be
22 used by each city and village for the following purposes in the
23 following order of priority:

24 (a) For the payment of contributions required to be made by a
25 city or village under the provisions of contracts previously
26 entered into under 1941 PA 205, MCL 252.51 to 252.64, which
27 contributions have been previously pledged for the payment of the

1 principal and interest on bonds issued under that act; or for the
2 payment of the principal and interest upon bonds issued by a city
3 or village pursuant to 1952 PA 175, MCL 247.701 to 247.707.

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

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

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

25 **(E) FOR CAPITAL OUTLAY PROJECTS FOR EQUIPMENT AND BUILDINGS,**
26 **CONTRIBUTIONS PLEDGED FOR THE PAYMENT OF LOANS AND FOR THE PAYMENT**
27 **OF CONTRACTUAL DEBT SERVICE REQUIREMENTS FOR THE PAYMENT OF BONDS**

1 FOR THE PURPOSE OF PROVIDING FUNDS FOR CAPITAL OUTLAY PROJECTS FOR
2 EQUIPMENT AND BUILDINGS NECESSARY TO THE DEVELOPMENT AND
3 MAINTENANCE OF THE ROAD SYSTEM SO LONG AS AMOUNTS ALLOCATED UNDER
4 THIS SUBSECTION ARE USED FOR TRANSPORTATION PURPOSES.

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

26 (5) Money distributed to each city and village for the
27 maintenance and preservation of its local street system under this

1 act represents the total responsibility of the state for local
2 street system support. Funds distributed from the Michigan
3 transportation fund shall not be expended for construction purposes
4 on city and village local streets except to the extent matched from
5 local revenues including other money returned to a city or village
6 by the state under the state constitution of 1963 and statutes of
7 the state, from funds that can be raised by taxation in cities and
8 villages for street purposes within the limitations of the state
9 constitution of 1963 and statutes of the state, from special
10 assessments, or from any other source.

11 (6) Money returned under this section to a city or village
12 shall be expended on the major and local street systems of that
13 city or village. However, the first priority shall be the major
14 street system. Money returned for expenditure on the major street
15 system shall be expended in the priority order provided in
16 subsection (3) except that surplus funds may be transferred for
17 preservation of the local street system. Major street funds
18 transferred for use on the local street system shall not be used
19 for construction but may be used for preservation as defined in
20 section 10c. A city or village shall not transfer more than 50% of
21 its annual major street funding for the local street system unless
22 it has adopted and is following an asset management process for its
23 major and local street systems and adopts a resolution with a copy
24 to the department setting forth all of the following:

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

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

1 (c) The dollar amount of the transfer.

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

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

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

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

26 (9) In each city and village to which funds are returned under
27 this section, the responsibility for street preservation and the

1 development, construction, or repair of off-street parking
2 facilities and construction or repair of street lighting shall be
3 coordinated by a single administrator to be designated by the
4 governing body who shall be responsible for and shall represent the
5 municipality in transactions with the state transportation
6 department pursuant to this act.

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

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

21 (12) In addition to the financial compliance audits required
22 by law, the department of treasury shall conduct performance audits
23 and make investigations of the disposition of all state funds
24 received by cities and villages for transportation purposes to
25 determine compliance with the terms and conditions of this act.
26 Performance audits shall be conducted according to government
27 auditing standards issued by the United States general accounting

1 office. The department of treasury shall provide notice to cities
2 and villages of the standards to be used for audits under this
3 subsection prior to the fiscal year in which the audit is
4 conducted. The department shall notify cities and villages of any
5 subsequent changes to the standards. Cities and villages shall make
6 available to the department of treasury the pertinent records for
7 the audit.

8 ~~—— (13) On or before October 1, 2008, the department shall~~
9 ~~prepare a report listing by city and village, and in total, the~~
10 ~~following information:~~

11 ~~—— (a) Amounts transferred between major street fund and local~~
12 ~~street fund.~~

13 ~~—— (b) Amounts of local revenue expended on the major street~~
14 ~~system. The report shall include fiscal years from January 1, 2002~~
15 ~~through June 30, 2008. The report shall analyze the extent to which~~
16 ~~the amendatory act that added this subsection affected city and~~
17 ~~village transfers from major street funds to local street funds,~~
18 ~~and the amount of local revenue expended on city or village major~~
19 ~~streets and state trunk lines. The report shall be submitted to the~~
20 ~~house and senate appropriations committees and to the house and~~
21 ~~senate fiscal agencies.~~