

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1049**

A bill to amend 1987 PA 231, entitled

"An act to create a transportation economic development fund in the state treasury; to prescribe the uses of and distributions from this fund; to create the office of economic development and to prescribe its powers and duties; to prescribe the powers and duties of the state transportation department, state transportation commission, and certain other bodies; and to permit the issuance of certain bonds,"

by amending sections 1, 3, 11, 12, 12a, and 13 (MCL 247.901, 247.903, 247.911, 247.912, 247.912a, and 247.913), section 1 as amended by 2010 PA 238, sections 3 and 12 as amended and section 12a as added by 1993 PA 149, and section 11 as amended by 2016 PA 273.

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

- 1**       Sec. 1. As used in this act:
- 2**       (a) "Administrator" means the person appointed by the

1 department, in accordance with the policies of the commission and  
2 civil service rules, to serve as director of the office of economic  
3 development.

4 (b) "Advanced traffic management systems" means the  
5 application of new technology designed to monitor, control, and  
6 manage the flow of traffic in real-time on a transportation network  
7 through traffic detection, communications, traffic control, and  
8 information processing technologies. Advanced traffic management  
9 systems do not include on-board navigation systems or electronic  
10 route guidance systems in a motor vehicle.

11 (c) "Commercial forest land" means land defined as commercial  
12 forest in Michigan's fourth forest inventory completed in May 1981  
13 and reported by the United States ~~department of agriculture~~  
14 **DEPARTMENT OF AGRICULTURE** in the resource bulletin NC-68 available  
15 from the United States ~~forest service's~~ **FOREST SERVICE'S** north  
16 central experiment station.

17 (d) "Commission" means the state transportation commission.

18 (e) "County road agency" means the board of county road  
19 commissioners, or if a board does not exist in a county, the agency  
20 designated by county charter.

21 (f) "Department" means the state transportation department.

22 (g) "Fund" means the economic development fund created in  
23 section 2.

24 (h) "National lakeshore" means land conveyed by this state to  
25 the United States ~~and which~~ **THAT** the United States has designated  
26 as national lakeshore.

27 (i) "National park" means land set aside and designated as a

1 national park by the United States.

2 (j) "Project" means a transportation road construction or  
3 improvement. Project also includes a ~~transit-oriented development~~  
4 ~~and a transit-oriented facility.~~

5 (k) "Qualified county" means a county in which a national  
6 lakeshore or a national park is located, or a county in which 34%  
7 or more of all the land is commercial forest land.

8 (l) "Rural county" means any county in this state with a  
9 population of 400,000 or less.

10 ~~— (m) "Transit-oriented development" means infrastructure~~  
11 ~~improvements that are located within 1/2 mile of a transit station~~  
12 ~~or transit-oriented facility that promotes transit ridership or~~  
13 ~~passenger rail use.~~

14 (M) ~~(n)~~ "Transit-oriented facility" means a facility that  
15 houses a transit station in a manner that promotes transit  
16 ridership or passenger rail use **AND OTHER INFRASTRUCTURE**  
17 **IMPROVEMENTS THAT FACILITATE TRANSIT RIDERSHIP OR PASSENGER RAIL**  
18 **USE.**

19 (N) ~~(o)~~ "Urban county" means a county in this state with a  
20 population greater than 400,000.

21 Sec. 3. (1) Money from the fund shall be allocated for  
22 projects to be funded ~~pursuant to~~ **UNDER** section 11(3)(a) ~~and (b)~~ in  
23 accordance with the adopted policies of the commission. No funds  
24 shall be committed to any project, nor shall any project be  
25 authorized for any funds under this act, until the commission  
26 notifies the senate committee on transportation ~~and tourism~~ and the  
27 house committee on transportation and the subcommittees on

1 transportation of the senate and house appropriations committees of  
 2 the proposed projects in the manner provided in section 18k of ~~Act~~  
 3 ~~No. 51 of the Public Acts of 1951, being section 247.668k of the~~  
 4 ~~Michigan Compiled Laws. 1951 PA 51, MCL 247.668K.~~ Hearings may be  
 5 conducted to afford interested parties the opportunity to address  
 6 aspects of the selection process, the final project list, proposed  
 7 funding, and related issues. If such hearings are not conducted by  
 8 the senate committee on transportation ~~and tourism~~ and the house  
 9 committee on transportation and the subcommittees on transportation  
 10 of the senate and house appropriations committees within 30 days,  
 11 if both the senate and house are in session, or 60 days, if either  
 12 the senate or the house or both are not in session of project  
 13 notification by the commission, the department may proceed with  
 14 project authorization for funding.

15 (2) The commission shall not commit funds to any project in a  
 16 new category for funding under section 7(3) or section 9(1)(a) ~~7~~  
 17 ~~added by this amendatory act, or future amendatory acts,~~ before the  
 18 commission notifies the legislative committees of the criteria for  
 19 approval of projects under these categories in the same manner  
 20 described in this section.

21 (3) Projects in section 11(3)(a) shall be coordinated with  
 22 projects in section 11(3)(c) through the designated representatives  
 23 on the urban task forces and regional rural task forces.  
 24 ~~respectively.~~

25 (4) The department may be the contracting agent for all  
 26 projects to be funded by this act. Contracts shall be awarded  
 27 consistent with the policies of the commission.

1 (5) The administrator or the person acting in that capacity  
2 shall assist the commission in reviewing recommendations for  
3 funding projects under this act.

4 (6) Of the money appropriated to the fund, not more than 1% as  
5 annually appropriated by the legislature shall be appropriated for  
6 administration of the fund.

7 (7) The commission shall do the following:

8 (a) Establish criteria for the awarding of projects.

9 (b) Exercise ~~such~~ oversight as it may consider appropriate to  
10 facilitate its development of policy for administration of the  
11 fund.

12 (c) Review all projects recommended for funding to assure that  
13 they satisfy commission policies and criteria. Funds shall not be  
14 allocated to projects unless they are in accord with commission  
15 policy and criteria.

16 (8) The office of economic development shall review each  
17 project application and recommend the award of funding to selected  
18 projects in accordance with the adopted policies of the commission.

19 Sec. 11. (1) Bonds may be issued as authorized by the  
20 commission for the purpose of funding projects under this act in  
21 the manner provided in sections 18b and 18k of 1951 PA 51, MCL  
22 247.668b and 247.668k, and in accordance with the adopted policies  
23 of the commission. Bonds shall not be committed for any project  
24 under this act until the requirements under section 3(1) have been  
25 satisfied.

26 (2) After the payment of interest and principal on bonds  
27 issued under this act and the appropriation for costs of

1 administration of the fund as provided under this act, fund revenue  
2 shall be annually appropriated as follows:

3 (a) The first \$5,000,000.00 for a forest roads program. Forest  
4 roads program funds shall be distributed each fiscal year to each  
5 qualified county in a percentage amount equal to the same  
6 percentage amount that the number of acres of commercial forest,  
7 national park, and national lakeshore land in each qualified county  
8 bears to the total number of acres of commercial forest, national  
9 park, and national lakeshore land in all qualified counties in this  
10 state. Revenue distributed under this subdivision shall be used for  
11 the construction or reconstruction of roads.

12 (b) The next \$2,500,000.00 of the fund shall be distributed  
13 each fiscal year for improvements **WITHIN RURAL COUNTIES** to roads  
14 and streets that are eligible for federal aid ~~in cities and~~  
15 ~~villages having a population of 5,000 or greater within rural~~  
16 ~~counties.~~ **AND ARE LOCATED INSIDE THE BOUNDARIES OF AN URBAN AREA OR**  
17 **AN URBANIZED AREA AS DETERMINED BY THE MOST RECENT FEDERAL**  
18 **DECENNIAL CENSUS AND AS ADJUSTED BY THE DEPARTMENT.**

19 (3) Of the balance remaining after funding projects under  
20 subsection (2), projects shall be funded in the categories  
21 described in section 9 based on the following percentages:

22 (a) ~~Except as otherwise provided in subsection (4),~~ 50% for  
23 economic development road projects in any of the targeted  
24 industries. For the fiscal year ending September 30, 2017 only, the  
25 allocation made under this subdivision shall be reduced by  
26 \$9,423,700.00.

27 (b) 25% for projects to reduce congestion on county primary

1 and city major streets within urban counties including advanced  
 2 traffic management systems. The funds shall be distributed to  
 3 counties with populations in excess of 400,000 in accordance with  
 4 the following formula:

|   | <u>Population</u>      | <u>Percentage of Funds</u> |
|---|------------------------|----------------------------|
| 5 |                        |                            |
| 6 | 1,750,000 or more      | 16%                        |
| 7 | 1,000,000 to 1,749,999 | 40%                        |
| 8 | 650,001 to 999,999     | 20%                        |
| 9 | 400,000 to 650,000     | 24%                        |

10 When 2 or more counties occupy the same category, the funds  
 11 shall be divided equally.

12 Projects funded under this category shall be used for the  
 13 widening of county primary roads or city major streets or for  
 14 advanced traffic management systems in eligible counties.

15 (c) 25% for ~~development~~ projects within rural counties. These  
 16 revenues shall be distributed for the improvement of rural primary  
 17 roads in rural counties and major streets in cities and villages  
 18 with a population of 5,000 or less **THAT ARE LOCATED OUTSIDE THE**  
 19 **BOUNDARIES OF AN URBAN AREA OR AN URBANIZED AREA AS DETERMINED BY**  
 20 **THE MOST RECENT FEDERAL DECENNIAL CENSUS AND AS ADJUSTED BY THE**  
 21 **DEPARTMENT.** Funds distributed under this subdivision shall be  
 22 allocated by the commission to the regional rural task force areas  
 23 defined in section 12a in the same proportion that the rural  
 24 primary mileage of the regional rural task force area bears to the  
 25 total rural primary mileage of all counties. Each rural county  
 26 shall be credited with an allocation in the proportion that the

1 county's rural primary mileage is to the total rural primary  
 2 mileage of those rural counties within the same regional rural task  
 3 force area. Projects funded under this subdivision shall be limited  
 4 to upgrading rural primary roads and major streets to create an  
 5 all-season road network. For the fiscal year ending September 30,  
 6 ~~2017-2016~~ only, the allocation made under this subdivision shall be  
 7 reduced by \$2,000,000.00, **AND \$2,000,000.00 SHALL BE ALLOCATED TO**  
 8 **THE APPROPRIATED PROJECT AS DESCRIBED IN SECTION 901 OF ARTICLE XX**  
 9 **OF 2016 PA 268.**

10 ~~—— (4) For the fiscal years ending September 30, 2011, September~~  
 11 ~~30, 2012, September 30, 2013, and September 30, 2014 only, there is~~  
 12 ~~appropriated \$12,000,000.00 from the fund for credit to the state~~  
 13 ~~trunk line fund established in section 11 of 1951 PA 51, MCL~~  
 14 ~~247.661, for the purposes of matching available federal-aid highway~~  
 15 ~~funds, and the distribution to targeted industries under subsection~~  
 16 ~~(3)(a) shall be reduced accordingly.~~

17 (4) ~~(5)~~ Beginning October 1, 2015, for the fiscal year ending  
 18 September 30, 2016 only, the following amounts are appropriated  
 19 from the fund and the distribution to targeted industries under  
 20 subsection (3)(a) shall be reduced accordingly:

21 (a) \$2,000,000.00 for credit to the state trunk line fund  
 22 established in section 11 of 1951 PA 51, MCL 247.661, for the  
 23 purposes of matching available federal-aid highway funds.

24 (b) \$2,000,000.00 for credit to the state aeronautics fund  
 25 established in section 34 of the aeronautics code of the state of  
 26 Michigan, 1945 PA 327, MCL 259.34, for the purpose of a 1-time  
 27 airport safety appropriation.



(5) ~~(6)~~ Beginning October 1, 2016, for the fiscal year ending September 30, 2017 only, \$10,400,000.00 is appropriated from the fund for credit to the state trunk line fund established in section 11 of 1951 PA 51, MCL 247.661, for the purpose of road and bridge construction, and the distribution to targeted industries under subsection (3) (a) shall be reduced accordingly.

~~(7) The obligation authority for any federal funds allocated under section 10 of 1951 PA 51, MCL 247.660, shall be distributed equally among urban task forces and regional rural task forces according to the distribution formula outlined in subsection (3) (b) and (c). An additional 1.5% of the obligation authority for federal funds identified in section 10 of 1951 PA 51, MCL 247.660, shall be distributed among the regional rural task forces according to the distribution formula outlined in subsection (3) (c). These funds shall be obligated and used consistent with section 10 of 1951 PA 51, MCL 247.660.~~

Sec. 12. (1) The urban task force ~~which~~ **THAT** represents the majority of the communities in the urban area of each county shall select and designate for eligibility projects for funding under section ~~11(3)(c)~~ **11 (3) (B)** within their respective allocations. One nonvoting member of each task force shall be a designee of and represent the administrator. In the case of widening projects only, the task forces shall designate projects for eligibility as follows:

(a) Projects shall be eligible for federal aid.

(b) Projects shall ~~consist of adding~~ **ADD** travel lanes, left turn lanes, and intersectional improvements to roads with 2 travel

lanes carrying more than 10,000 vehicles per day or roads with more than 2 travel lanes carrying more than 25,000 vehicles per day ~~in accordance with~~ **BASED ON THE MOST CURRENT TRAFFIC COUNT OR A** traffic ~~counts~~ **COUNT** done on or before April 1, 1993. **PROJECTS MAY ALSO BE FOR THE CONSTRUCTION OF NEW ROADS WITH 3 OR MORE TRAVEL LANES WHERE THE PROJECTED TRAFFIC COUNT EXCEEDS 10,000 VEHICLES PER DAY BASED ON AN ENGINEERING STUDY APPROVED BY THE DEPARTMENT.**

~~—— (2) Projects funded under section 11(4) shall be consistent with the provisions of section 10 of Act No. 51 of the Public Acts of 1951, being section 247.660 of the Michigan Compiled Laws.~~

**(2)** ~~(3)~~ If any task force fails to submit sufficient qualified projects to obligate its allocation by July 1 of any fiscal year, those funds shall be made available to the remaining urban task forces in the same proportion as the original allocation.

**(3)** ~~(4)~~ The individual urban task forces shall propose project result evaluation criteria for all projects to the administrator and the commission for review and comment.

**(4)** ~~(5)~~ The urban task forces shall report to the administrator on an annual basis the status of all projects selected for funding.

**(5)** ~~(6)~~ The programs and projects authorized in section ~~11(3)(c)~~ **11(3)(B)** shall be administered in a similar manner as current federal aid projects and in accordance with the adopted policies of the commission.

Sec. 12a. (1) The regional rural task force shall make recommendations to the commission and the administrator for funding projects under section ~~11(3)(d)~~ **11(3)(C)** within their respective

regions. If any represented county fails to submit sufficient qualified projects to obligate its allocation after 3 consecutive years, those funds shall be reallocated to the remaining counties in the same regional rural task force area. The regional rural task force areas shall coincide with the boundaries of the 14 state planning and development regions as configured on January 1, 1990. In a regional rural task force area that is composed of 5 or more counties, subtask forces of 2 or more of the counties may be formed with the approval of the task force.

(2) The regional rural task force shall be composed of a representative of each county road commission within the regional area plus an equal number of representatives from incorporated cities and villages with a population of 5,000 or less within the regional area, and a representative selected by the administrator. Projects submitted to the administrator for funding under section ~~11(3)(d)~~ **11(3)(C)** shall be based on the following:

(a) Only projects eligible for federal aid shall be funded unless otherwise approved by the regional rural task force.

(b) Projects shall be on existing hard surface roads unless otherwise waived by the regional rural task force.

(c) Construction shall be to all-season standards.

(d) These funds shall be used for physical construction only and shall not include costs of right-of-way acquisition and engineering.

~~Projects funded under section 11(4) shall be consistent with the provisions of section 10 of Act No. 51 of the Public Acts of 1951, being section 247.660 of the Michigan Compiled Laws.~~

1        **(3)** ~~(4)~~ The programs and projects authorized in section  
2 ~~11(3)(d)~~ **11(3)(C)** shall be administered in a similar manner as the  
3 current local federal aid projects and in accordance with the  
4 adopted policies of the commission.

5        Sec. 13. By December 31 each year the commission shall report  
6 to the governor, the house and senate appropriations committees,  
7 and the house and senate fiscal agencies the following information  
8 regarding this act:

9        (a) The projects funded during the previous fiscal year.

10       (b) The status of projects funded in the immediately preceding  
11 fiscal year.

12       (c) The number of jobs created and retained and any other  
13 economic benefits of the projects funded and listed under

14 ~~subdivision (a)~~ **SECTION 11(3)(A)**.

15       (d) The degree to which the projects funded have achieved the  
16 objectives of this act.

17       (e) Any other information considered necessary by the  
18 commission for the legislature to evaluate the effectiveness of  
19 this act.

20       Enacting section 1. This amendatory act takes effect 90 days  
21 after the date it is enacted into law.

22       Enacting section 2. This amendatory act does not take effect  
23 unless Senate Bill No. 25 of the 98th Legislature is enacted into  
24 law.