

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1156**

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

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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 9a, 10, and 11 (MCL 247.659a, 247.660, and 247.661), section 9a as amended by 1987 PA 234 and sections 10 and 11 as amended by 1997 PA 79, and by adding section 10o.

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

1       Sec. 9a. (1) ~~The state transportation commission shall~~  
2 ~~maintain a continuing study of the transportation needs of the~~  
3 ~~state. By December 1, 1987 and every 4 years thereafter~~  
4 OCTOBER 1, 1998, the governor shall appoint not more than 5 per-  
5 sons ~~to 4-year terms,~~ who shall serve as a ~~needs~~ study com-  
6 mittee TO REVIEW TRANSPORTATION FUNDING OPTIONS, TRANSPORTATION  
7 INVESTMENT PRIORITIES, AND POTENTIAL STRATEGIES FOR MAXIMIZING  
8 RETURNS ON TRANSPORTATION INVESTMENTS. The appointments shall be  
9 subject to the advice and consent of the senate. The committee  
10 shall include at least 1 representative of the following  
11 interests:

- 12       (a) Manufacturing.  
13       (b) Commerce.  
14       (c) Agriculture.

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1 (d) Tourism.

2 (e) Labor.

3 (2) BEGINNING OCTOBER 1, 1998, THE COMMITTEE SHALL ALSO  
4 INCLUDE THE MAJORITY AND MINORITY LEADERS OF THE SENATE OR A  
5 MEMBER OF THE SENATE DESIGNATED BY EACH LEADER AND THE SPEAKER  
6 AND MINORITY LEADER OF THE HOUSE OF REPRESENTATIVES OR A MEMBER  
7 OF THE HOUSE OF REPRESENTATIVES DESIGNATED BY EACH LEADER.

8 (3) BY JANUARY 1, 1999, THE LEGISLATIVE AUDITOR GENERAL  
9 SHALL REVIEW AND COMMENT ON THE DATA DEVELOPED BY THE DEPARTMENT  
10 UNDER SUBSECTION (5) IN ORDER TO ASSIST THE CITIZENS ADVISORY  
11 COMMITTEE.

12 (4) ~~-(2)-~~ A citizens advisory committee shall be created to  
13 receive and comment upon all reports, studies, and recommenda-  
14 tions prepared by the various designated technical subcommittees  
15 ~~prior to~~ OF THE CITIZENS ADVISORY COMMITTEE BEFORE but not  
16 later than the submission of the reports, studies, and recommen-  
17 dations to the ~~needs~~ study committee. The members of the citi-  
18 zens advisory committee shall be given sufficient time and oppor-  
19 tunity to provide members of the ~~needs~~ study committee their  
20 majority, minority, or individual views of the reports, studies,  
21 and recommendations of the various designated technical  
22 subcommittees. The governor shall appoint not more than ~~23~~ 24  
23 persons, ~~to 4-year terms,~~ who shall serve as a citizens  
24 advisory committee and shall include at least 1 representative  
25 FROM A LIST OF 3 RECOMMENDATIONS SUPPLIED BY EACH ORGANIZATION of  
26 the following organizations:

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- 1 (a) Michigan farm bureau.
- 2 (b) Michigan trucking association.
- 3 (c) Michigan association of counties.
- 4 (d) Michigan townships association.
- 5 (e) Michigan state chamber of commerce.
- 6 (f) Michigan tourist association.
- 7 (g) County road association of Michigan.
- 8 (h) Michigan public transit association.
- 9 (i) Michigan association of railroads.
- 10 (j) Michigan municipal league.
- 11 (k) Michigan motor bus association.
- 12 (l) Area agency for aging.
- 13 (m) Michigan association of railroad passengers.
- 14 (n) Nonmotorized advisory commission.
- 15 (o) Michigan association of airport executives.
- 16 (p) American association of aviation businesses.
- 17 (q) American association of retired persons.
- 18 (r) Michigan council for independent living.
- 19 (S) ASSOCIATED UNDERGROUND CONTRACTORS OF MICHIGAN.
- 20 (T) ASPHALT PAVERS ASSOCIATION OF MICHIGAN.
- 21 (U) MICHIGAN CONCRETE PAVERS ASSOCIATION.
- 22 (5) ~~(3)~~ The state transportation department shall provide
- 23 qualified staff, needs, technical oversight, and fiscal analysis
- 24 subcommittees, and provide by ~~January 1, 1988~~ SEPTEMBER 30,
- 25 1998, a recommended work program to the ~~needs~~ study committee
- 26 to enable the committee to carry out its functions.

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1       (6) ~~(4)~~ By a majority vote of the ~~needs~~ study committee,  
2 the committee shall report to the governor, the state  
3 transportation commission, and the legislature on the identified  
4 capital and maintenance needs, transportation investment and  
5 maintenance priorities, relative use of transportation systems,  
6 responsibilities for the identified needs including economic  
7 development needs, transportation funding options, historical  
8 transportation financing patterns as they relate to total state-  
9 wide fiscal resources, and strategies for maximizing the returns  
10 on transportation investments. All studies and reports relating  
11 to highways shall be reported according to functional and legal  
12 classification. The committee shall publish a preliminary report  
13 of the data and findings by January 1, ~~1989~~ 2000. The commit-  
14 tee, after holding appropriate public hearings, shall recommend,  
15 if it considers it necessary, alterations of formulas for trans-  
16 portation funding and alterations to the distributions of trans-  
17 portation responsibilities ~~before January 1, 1990, and before~~  
18 ~~January 1 of each fourth year thereafter~~ BY JULY 1, 2000. The  
19 report and recommendations shall also include any positions which  
20 a minority of the ~~needs~~ study committee support.

21       Sec. 10. (1) A fund to be known as the Michigan transporta-  
22 tion fund is established and shall be set up and maintained in  
23 the state treasury as a separate fund. Money received and col-  
24 lected under 1927 PA 150, MCL 207.101 to 207.202, except a  
25 license fee provided in that act, and a tax, fee, license, and  
26 other money received and collected under sections 801 to 810 of  
27 the Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810,

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1 except a truck safety fund fee provided in section 801(1)(k) of  
2 1949 PA 300, MCL 257.801, and money received under the motor car-  
3 rier act, 1933 PA 254, MCL 475.1 to 479.43, shall be deposited in  
4 the state treasury to the credit of the Michigan transportation  
5 fund. In addition, income or profit derived from the investment  
6 of money in the Michigan transportation fund shall be deposited  
7 in the Michigan transportation fund. Except as provided in this  
8 act, no other money, whether appropriated from the general fund  
9 of this state or any other source, shall be deposited in the  
10 Michigan transportation fund. Except as otherwise provided in  
11 this section, the legislature shall appropriate funds for the  
12 necessary expenses incurred in the administration and enforcement  
13 of 1927 PA 150, MCL 207.101 to 207.202, 1933 PA 254, MCL 475.1 to  
14 479.43, and sections 801 to 810 of the Michigan vehicle code,  
15 1949 PA 300, MCL 257.801 to 257.810. Funds appropriated for nec-  
16 essary expenses shall be based upon established cost allocation  
17 methodology that reflects actual costs. Beginning with the  
18 fiscal year ending September 30, 1998 and the next 2 succeeding  
19 fiscal years thereafter, funds appropriated for these administra-  
20 tive expenses for all state agencies and departments, other than  
21 the department, the commission, the department of environmental  
22 quality expedited permit processing program for road agencies,  
23 the department of state, and the attorney general shall be phased  
24 out until further funds are no longer appropriated for this  
25 purpose. All money in the Michigan transportation fund is appor-  
26 tioned and appropriated, for the fiscal years ending September

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1 30, 1993 through September 30, ~~1998~~ 2000, in the following  
2 manner:

3 (a) Not more than \$3,000,000.00 as may be annually appropri-  
4 ated each fiscal year to the state trunk line fund for subsequent  
5 deposit in the rail grade crossing account.

6 (b) Not less than \$3,000,000.00 each year to the critical  
7 bridge fund established in section 11b for the purpose of payment  
8 of the principal, interest, and redemption premium on any notes  
9 or bonds issued by the state transportation commission under  
10 section 11b.

11 (c) Revenue from 3 cents of the tax levied under  
12 section 2(1) of 1950 PA 127, MCL 207.102, to the state trunk line  
13 fund, county road commissions, and cities and villages in the  
14 percentages provided in subdivision (h).

15 (d) Revenue from 1 cent of the tax levied under section 2(1)  
16 of 1950 PA 127, MCL 207.102, to the state trunk line fund for  
17 repair of state bridges under section 11.

18 (e) \$43,000,000.00 to the state trunk line fund for debt  
19 service costs on state of Michigan projects.

20 (f) 10% to the comprehensive transportation fund for the  
21 purposes described in section 10e.

22 (g) \$36,775,000.00 to the state trunk line fund for subse-  
23 quent deposit in the transportation economic development fund,  
24 and, as of September 30, 1997, with first priority for allocation  
25 to debt service on bonds issued to fund transportation economic  
26 development fund projects. In addition, beginning October 1,  
27 1997, \$3,500,000.00 is appropriated from the Michigan

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1 transportation fund to the state trunk line fund for subsequent  
2 deposit in the transportation economic development fund to be  
3 used for economic development road projects in any of the tar-  
4 geted industries described in section 9(1)(a) of 1987 PA 231,  
5 MCL 247.909.

6 (h) The balance of the Michigan transportation fund as fol-  
7 lows, after deduction of the amounts appropriated in subdivisions  
8 (a) through (g) and section 11b:

9 (i) 39.1% to the state trunk line fund for the purposes  
10 described in section 11. Beginning October 1, 1995, a state  
11 grant of not less than \$33,000,000.00, as may be annually appro-  
12 priated each fiscal year, after the payment of debt service pur-  
13 suant to section 11(1)(a), shall be made to the local program  
14 fund created in section 11e.

15 (ii) 39.1% to the county road commissions of the state.

16 (iii) 21.8% to the cities and villages of the state.

17 (2) If a distribution formula is not enacted into law for  
18 any time period beginning after September 30, ~~1998~~ 2000, the  
19 following amounts are appropriated each fiscal year thereafter  
20 with the balance reverting to the Michigan transportation fund  
21 until a distribution formula is enacted:

22 ~~(a) 80% of the revenue received in the same percentages as~~  
23 ~~the distribution formula in effect before October 1, 1998 to the~~  
24 ~~state trunk line fund under the conditions provided in section~~  
25 ~~11, to the comprehensive transportation fund under the conditions~~  
26 ~~provided in section 10e, to the county road commissions under the~~

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1 ~~conditions provided in section 12, and to the cities and villages~~  
2 ~~under the conditions provided in section 13.~~

3       (A) ~~(b)~~ An amount is apportioned and appropriated to the  
4 comprehensive transportation fund sufficient to pay the principal  
5 and interest payments due on bonds and notes issued for compre-  
6 hensive transportation purposes under section 18b.

7       (B) ~~(c)~~ An amount is apportioned and appropriated to the  
8 state trunk line fund sufficient to pay the principal and inter-  
9 est payments due on bonds and notes issued for those purposes for  
10 which the state transportation commission may issue bonds and  
11 notes under section 18b, except for those bonds and notes issued  
12 for comprehensive transportation purposes, and sufficient to pay  
13 the obligations of the state trunk line fund pursuant to con-  
14 tracts entered into under section 18d, which contributions are  
15 pledged for the payment of principal and interest on bonds issued  
16 under section 18d.

17       (C) ~~(d)~~ An amount is apportioned and appropriated to  
18 county road commissions sufficient to pay the principal and  
19 interest payments due on bonds and notes described in section  
20 12(8).

21       (D) ~~(e)~~ An amount is apportioned and appropriated to  
22 cities and villages sufficient to pay the principal and interest  
23 payments due on bonds and notes described in section 13(3)(a).

24       (3) The money appropriated pursuant to this section shall be  
25 used for the purposes as provided in this act and any other  
26 applicable act. Subject to the requirements of section 9b, the  
27 department shall develop programs in conjunction with the

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1 Michigan state chamber of commerce and the Michigan minority  
2 business development council to assist small businesses, includ-  
3 ing those located in enterprise zones and those located in empow-  
4 erment zones as determined under federal law, as defined by law  
5 in becoming qualified to bid.

6 (4) The distribution formula enacted into law after  
7 September 30, ~~1998~~ 2000 shall not adversely affect the ability  
8 of the state or a city, village, county, or county road commis-  
9 sion which has issued bonds or notes payable from the Michigan  
10 transportation fund or the motor vehicle highway fund to pay the  
11 debt service on those bonds or notes.

12 (5) Thirty-one and one-half percent of the funds appropri-  
13 ated to this state from the federal government pursuant to 23  
14 U.S.C. 157, commonly known as minimum ~~allocation and donor state~~  
15 ~~bonus~~ GUARANTEE funds, shall be allocated to the transportation  
16 economic development fund, if such an allocation is consistent  
17 with federal law. These funds shall be distributed 16-1/2% for  
18 development projects for rural counties as defined by law and 15%  
19 for capacity improvement or advanced traffic management systems  
20 in urban counties as defined by law. Federal funds allocated for  
21 distribution under this section shall be eligible for obligation  
22 and use by all recipients as defined by the intermodal surface  
23 transportation efficiency act of 1991, Public Law 102-240, 105  
24 Stat. 1914.

25 ~~-(6) Notwithstanding any other provision of this section,~~  
26 ~~there is appropriated for the fiscal year ending September 30,~~  
27 ~~1997 a total of \$20,000,000.00 only to the state trunk line fund,~~

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1 ~~the county road commissions, and the cities and villages, from~~  
2 ~~the Michigan transportation fund. Funds appropriated under this~~  
3 ~~subsection shall be disbursed according to the provisions of~~  
4 ~~sections 11, 12, and 13.~~

5       SEC. 100. (1) TWENTY-THREE TO TWENTY-SEVEN PERCENT OF THE  
6 DOT-FHWA HIGHWAY RESEARCH, PLANNING, AND CONSTRUCTION FEDERAL  
7 FUNDS APPROPRIATED TO THIS STATE FROM THE FEDERAL GOVERNMENT FOR  
8 ROAD AND BRIDGE CONSTRUCTION SHALL BE ALLOCATED TO PROGRAMS  
9 ADMINISTERED BY LOCAL JURISDICTIONS AFTER DEDUCTION OF THE  
10 FOLLOWING:

11       (A) FUNDS THAT ARE SPECIFICALLY ALLOCATED AT THE FEDERAL  
12 LEVEL TO THE STATE OR LOCAL JURISDICTIONS.

13       (B) FUNDS ALLOCATED BY THE DEPARTMENT TO THE STATE AND TO  
14 LOCAL JURISDICTIONS THROUGH A COMPETITIVE PROCESS.

15       (2) FEDERAL AID EXCLUDED FROM THE CALCULATION OF FUNDING  
16 ALLOCATED TO PROGRAMS ADMINISTERED BY LOCAL JURISDICTIONS IN SUB-  
17 SECTION (1) INCLUDES, BUT IS NOT LIMITED TO, CONGESTION MITIGA-  
18 TION AND AIR QUALITY FUNDS, FEDERAL BRIDGE FUNDS, TRANSPORTATION  
19 ENHANCEMENT FUNDS, FUNDS DISTRIBUTED AT THE DISCRETION OF THE  
20 UNITED STATES SECRETARY OF TRANSPORTATION, AND CONGRESSIONALLY  
21 DESIGNATED FUNDS.

22       (3) THE FUNDS SHALL BE DISTRIBUTED TO ELIGIBLE LOCAL AGEN-  
23 CIES FOR TRANSPORTATION PURPOSES IN A MANNER CONSISTENT WITH  
24 STATE AND FEDERAL LAW.

25       (4) IT IS THE INTENT OF THE LEGISLATURE THAT FEDERAL AID TO  
26 HIGHWAYS ALLOCATED TO LOCAL JURISDICTIONS IN SUBSECTION (1) BE  
27 DISTRIBUTED IN A MANNER THAT PRODUCES A 25% AVERAGE ALLOCATION OF

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1 APPLICABLE FUNDS TO PROGRAMS FOR LOCAL JURISDICTIONS IN EACH  
2 FISCAL YEAR THROUGH THE FISCAL YEAR ENDING SEPTEMBER 30, 2000.  
3 BEGINNING IN THE FISCAL YEAR ENDING SEPTEMBER 30, 1999, THE AVER-  
4 AGE ALLOCATION OF APPLICABLE FEDERAL AID TO HIGHWAY FUNDS TO PRO-  
5 GRAMS FOR LOCAL JURISDICTIONS SHALL BE THE AVERAGE OF THE AMOUNT  
6 DISTRIBUTED TO LOCAL JURISDICTIONS UNDER SUBSECTION (1) AND SIMI-  
7 LARLY CALCULATED DISTRIBUTIONS IN EACH SUCCEEDING FISCAL YEAR.

8       Sec. 11. (1) A fund to be known as the state trunk line  
9 fund is established and shall be set up and maintained in the  
10 state treasury as a separate fund. The money deposited in the  
11 state trunk line fund is appropriated to the state transportation  
12 department for the following purposes in the following order of  
13 priority:

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

18       (i) For the payment of contributions required to be made by  
19 the state highway commission or the state transportation commis-  
20 sion under contracts entered into before July 18, 1979, under  
21 1941 PA 205, MCL 252.51 to 252.64, which contributions have been  
22 pledged before July 18, 1979, for the payment of the principal  
23 and interest on bonds issued under 1941 PA 205, MCL 252.51 to  
24 252.64, for the payment of which a sufficient sum is irrevocably  
25 appropriated.

26       (ii) For the payment of the principal and interest upon  
27 bonds designated "State of Michigan, State Highway Commissioner,

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1 Highway Construction Bonds, Series I", dated September 1, 1956,  
2 in the aggregate principal amount of \$25,000,000.00, issued pur-  
3 suant to former 1955 PA 87 and the resolution of the state admin-  
4 istrative board adopted August 6, 1956, for the payment of which  
5 a sufficient sum is irrevocably appropriated.

6       (iii) For the payment of the principal and interest on bonds  
7 issued under section 18b for transportation purposes other than  
8 comprehensive transportation purposes as defined by law and the  
9 payment of contributions of the state highway commission or state  
10 transportation commission to be made pursuant to contracts  
11 entered into under section 18d, which contributions are pledged  
12 to the payment of principal and interest on bonds issued under  
13 the authorization of section 18d and contracts executed pursuant  
14 to that section. A sufficient portion of the fund is irrevocably  
15 appropriated to pay, when due, the principal and interest on  
16 bonds or notes issued under section 18b for purposes other than  
17 comprehensive transportation purposes as defined by law, and to  
18 pay the annual contributions of the state highway commission and  
19 the state transportation commission as are pledged for the pay-  
20 ment of bonds issued pursuant to contracts authorized by section  
21 18d.

22       (b) For the transfer of funds appropriated pursuant to sec-  
23 tion 10(1)(g) to the transportation economic development fund,  
24 but the transfer shall be reduced each fiscal year by the amount  
25 of debt service to be paid in that year from the state trunk line  
26 fund for bonds, notes, or other obligations issued to fund

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1 projects of the transportation economic development fund, which  
2 amount shall be certified by the department.

3       (c) For the transfer of funds appropriated pursuant to sec-  
4 tion 10(1)(a) to the railroad grade crossing account in the state  
5 trunk line fund for expenditure to meet the cost, in whole or in  
6 part, of providing for the improvement, installation, and retire-  
7 ment of new or existing safety devices or other rail grade cross-  
8 ing improvements at rail grade crossings on public roads and  
9 streets under the jurisdiction of the state, counties, or cities  
10 and villages. Projects shall be selected for funding in accord-  
11 ance with the following:

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

15       (ii) In prioritizing projects for these funds, in whole or  
16 in part, the department shall consider train and vehicular traf-  
17 fic volumes, accident history, traffic control device improvement  
18 needs, and the availability of funding.

19       (iii) Consistent with the other requirements for these  
20 funds, the first priority for funds deposited pursuant to this  
21 subdivision for rail grade crossing improvements and retirement  
22 shall be to match federal funds from the railroad-highway grade  
23 crossing improvement program or other comparable federal  
24 programs.

25       (iv) If federal funds from the railroad-highway grade cross-  
26 ing improvement program or other comparable federal programs have  
27 been exhausted, funds deposited pursuant to this subdivision

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1 shall be used to fund 100% of grade crossing projects that  
2 receive the highest priority of unfunded projects pursuant to  
3 criteria established by the department.

4 (v) State railroad grade crossing funds shall not be used,  
5 either as 100% of project cost or to match federal  
6 railroad-highway grade crossing improvement funds, for a crossing  
7 that is determined by the department pursuant to the criteria  
8 established by the department to be a lower priority than other  
9 projects that have not yet been funded. However, if sufficient  
10 funds are available, these state railroad grade crossing account  
11 funds may be used for not more than 50% of a project's cost for a  
12 crossing that is determined by the department pursuant to the  
13 criteria established by the department to be a lower priority if  
14 the balance of not less than 50% of the project's cost is pro-  
15 vided by the road authority, railroad, or other sources.

16 (vi) The type of railroad grade crossing improvement,  
17 installation, relocation, or retirement of grade crossing sur-  
18 faces, active and passive traffic control devices, pavement mark-  
19 ing, or other related work shall be eligible for these railroad  
20 grade crossing account funds in the same manner as the project  
21 type eligibility provided by the federal funds from the  
22 railroad-highway grade crossing improvement program, except for  
23 the following:

24 (A) For new railroad crossings, these funds may be used for  
25 the crossing surface, active and passive traffic control devices,  
26 pavement marking, and other improvements necessitated by the new  
27 crossing.

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1 (B) These funds may be used for the modification,  
2 relocation, or modernization of railroad grade crossing facili-  
3 ties necessitated by roadway improvement projects.

4 (C) If the department and the road authority with jurisdic-  
5 tion over a public road or street crossing formally agree that  
6 the grade crossing should be eliminated by permanent closing of  
7 the public road or street, the road authority making the closing  
8 shall receive \$5,000.00 from the railroad grade crossing  
9 account. In addition, any connecting road improvements necessi-  
10 tated by the grade crossing closure are reimbursable on an actual  
11 cost basis not to exceed \$10,000.00 per crossing closed. The  
12 physical removal of the crossing, roadway within railroad rights  
13 of way and street termination treatment will be negotiated  
14 between the road authority and railroad company. The funds pro-  
15 vided to the road authority as a result of the crossing closure  
16 will be credited to its account representing the same road or  
17 street system on which the crossing is located.

18 (vii) This subdivision shall apply through September 30,  
19 ~~1998~~ 2000.

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

22 (e) For the maintenance of state trunk line highways and  
23 bridges.

24 (f) For the opening, widening, improving, construction, and  
25 reconstruction of state trunk line highways and bridges, includ-  
26 ing the acquisition of necessary rights of way and the work  
27 incidental to that opening, widening, improving, construction, or

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1 reconstruction. Those sums in the state trunk line fund not  
2 otherwise appropriated, distributed, determined, or set aside by  
3 law shall be used for the construction or reconstruction of the  
4 national system of interstate and defense highways, referred to  
5 in this act as "the interstate highway system" to the extent nec-  
6 essary to match federal aid funds as the federal aid funds become  
7 available for that purpose; and, for the construction and recon-  
8 struction of the state trunk line system.

9 (g) The state transportation department may enter into  
10 agreements with county road commissions and with cities and vil-  
11 lages to perform work on a highway, road, or street. The agree-  
12 ments may provide for the performance by any of the contracting  
13 parties of any of the work contemplated by the contract including  
14 engineering services and the acquisition of rights of way in con-  
15 nection with the work, by purchase or condemnation by any of the  
16 contracting parties in its own name, and for joint participation  
17 in the costs, but only to the extent that the contracting parties  
18 are otherwise authorized by law to expend money on the highways,  
19 roads, or streets. The state transportation department also may  
20 contract with a county road commission, city, and village to  
21 advance money to a county road commission, city, and village to  
22 pay their costs of improving railroad grade crossings on the  
23 terms and conditions agreed to in the contract. A contract may  
24 be executed before or after the state transportation commission  
25 borrows money for the purpose of advancing money to a county road  
26 commission, city, or village, but the contract shall be executed  
27 before the advancement of any money to a county road commission,

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1 city, or village by the state transportation commission, and  
2 shall provide for the full reimbursement of any advancement by a  
3 county road commission, city, or village to the state transporta-  
4 tion department, with interest, within 15 years after advance-  
5 ment, from any available revenue sources of the county road com-  
6 mission, city, or village or, if provided in the contract, by  
7 deduction from the periodic disbursements of any money returned  
8 by the state to the county road commission, city, or village.

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

16 (2) Notwithstanding any other provision of this act, at  
17 least 90% of state revenue appropriated annually to the state  
18 trunk line fund less the amounts described in subdivisions (a) to  
19 (i) shall be expended annually by the state transportation  
20 department for the maintenance of highways, roads, streets, and  
21 bridges and for the payment of debt service on bonds, notes, or  
22 other obligations described in subsection (1)(a) issued after  
23 July 1, 1983, for the purpose of providing funds for the mainte-  
24 nance of highways, roads, streets, and bridges. Of the amounts  
25 appropriated for state trunk line projects, the department shall,  
26 where possible, secure warranties of not less than 5-year full  
27 replacement guarantee for contracted construction work. If an

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1 appropriate certificate is filed under section 18e but only to  
2 the extent necessary, this subsection shall not prohibit the use  
3 of any amount of money restricted as to use by section 9 of arti-  
4 cle IX of the state constitution of 1963 and deposited in the  
5 state trunk line fund for the payment of debt service on bonds,  
6 notes, or other obligations pledging for the payment thereof  
7 money restricted as to use by section 9 of article IX of the  
8 state constitution of 1963 and deposited in the state trunk line  
9 fund, whenever issued, as specified under subsection (1)(a). The  
10 amounts which are deducted from the state trunk line fund for the  
11 purpose of the calculation required by this subsection are as  
12 follows:

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

16       (b) Amounts expended to provide the state matching require-  
17 ment for projects on the national highway system and for the pay-  
18 ment of debt service on bonds, notes, or other obligations issued  
19 after July 1, 1983, for the purpose of providing funds for the  
20 state matching requirements for projects on the national highway  
21 system.

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

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

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

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

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

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

17       (g) Amounts expended for the purposes described in subsec-  
18 tion (5).

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

22       (i) Upon the affirmative recommendation of the director of  
23 the state transportation department and the approval by resolu-  
24 tion of the state transportation commission, those amounts  
25 expended for projects vital to the economy of the state, a  
26 region, or local area or the safety of the public. The

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1 resolution shall state the cost of the project exempted from this  
2 subsection.

3       (3) Notwithstanding any other provision of this act, the  
4 state transportation department shall expend annually at least  
5 90% of the federal revenue distributed to the credit of the state  
6 trunk line fund in that year, except for federal revenue expended  
7 for the purposes described in subsection (2)(b), (c), (f), and  
8 (i) on the maintenance of highways, roads, streets, and bridges.  
9 The requirement of this subsection shall be waived if compliance  
10 would cause the state to be ineligible according to federal law  
11 for federal revenue, but only to the extent necessary to make the  
12 state eligible according to federal law for that revenue.

13       (4) As used in this section:

14       (a) "Maintenance" and "maintaining" mean snow removal;  
15 street cleaning and drainage; seal coating; patching and ordinary  
16 repairs; erection and maintenance of traffic signs and markings;  
17 safety projects; and the preservation, reconstruction, resurfac-  
18 ing, restoration, and rehabilitation of highways, roads, streets,  
19 and bridges. For the purposes of this section, maintenance and  
20 maintaining shall not be limited to the repair and replacement of  
21 a road but shall include maintaining the original intent of a  
22 construction project. If traffic patterns indicate that this  
23 intent is no longer being met, the department may expend funds to  
24 take corrective action and continue to fulfill its obligation of  
25 maintaining the department's original objective for the construc-  
26 tion project. However, maintenance and maintaining do not  
27 include projects which increase the capacity of a highway

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1 facility to accommodate that part of the traffic having neither  
2 origin nor destination within the local area.

3 (b) "Maintenance" and "maintaining" include widening less  
4 than lane width; adding auxiliary turning lanes of 1/2 mile or  
5 less; adding auxiliary weaving, climbing, or speed change lanes;  
6 and correcting substandard intersections.

7 (c) "Maintenance" and "maintaining" do not include the  
8 upgrading of aggregate surface roads to hard surface roads.

9 (d) "Maintenance" and "maintaining" include the portion of  
10 the costs of the units of the department performing the functions  
11 assigned on January 1, 1983, to the bureau of highways expended  
12 for the purposes described in subdivisions (a) and (b).

13 (5) Notwithstanding any other provision of this section, the  
14 state transportation department may loan money to county road  
15 commissions, cities, and villages for paying capital costs of  
16 transportation purposes described in the second paragraph of sec-  
17 tion 9 of article IX of the state constitution of 1963 from the  
18 proceeds of bonds or notes issued pursuant to section 18b or from  
19 the state trunk line fund. Loans made directly from the state  
20 trunk line fund shall be made only after provision of funds for  
21 the purposes specified in subsection (1)(a) to (f).

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

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1 (a) The money to be received by the county road commission,  
2 city, or village from the Michigan transportation fund, except to  
3 the extent the money has been or may in the future be pledged by  
4 contract in accordance with 1941 PA 205, MCL 252.51 to 252.64, or  
5 has been or may in the future be pledged for the payment of the  
6 principal and interest upon notes issued pursuant to 1943 PA 143,  
7 MCL 141.251 to 141.254, or has been or may in the future be  
8 pledged for the payment of principal and interest upon bonds  
9 issued under section 18c or 18d, or has been or may in the future  
10 be pledged for the payment of the principal and interest upon  
11 bonds issued pursuant to 1952 PA 175, MCL 247.701 to 247.707.

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

15 (7) Loans made pursuant to subsection (5) if required by the  
16 state transportation department may be payable by deduction by  
17 the state treasurer, upon direction of the state transportation  
18 department, from the periodic disbursements of any money returned  
19 by the state under this act to the county road commission, city,  
20 or village, but only after sufficient money has been returned to  
21 the county road commission, city, or village to provide for the  
22 payment of contractual obligations incurred or to be incurred and  
23 principal and interest on notes and bonds issued or to be issued  
24 under 1941 PA 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251  
25 to 141.254, 1952 PA 175, MCL 247.701 to 247.707, or section 18c  
26 or 18d. The interest rates and payment schedules of any loans  
27 made from the proceeds of bonds or notes issued pursuant to

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1 section 18b shall be established by the state transportation  
2 department to conform as closely as practicable to the interest  
3 rate and repayment schedules on the bonds or notes issued to make  
4 the loans. However, the state transportation department may  
5 allow for the deferral of the first payment of interest or prin-  
6 cipal on the loans for a period of not to exceed 1 year after the  
7 respective first payment of interest or principal on the bonds or  
8 notes issued to make the loans.

9       (8) The amount borrowed by a county road commission, city,  
10 or village pursuant to subsection (6) shall not be included in,  
11 or charged against, any constitutional, statutory, or charter  
12 debt limitation of the county, city, or village and shall not be  
13 included in the determination of the maximum annual principal and  
14 interest requirements of, or the limitations upon, the maximum  
15 annual principal and interest incurred under 1941 PA 205, MCL  
16 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA  
17 175, MCL 247.701 to 247.707, or section 18c or 18d.

18       (9) The county road commission, city, or village shall not  
19 be required to seek or obtain the approval of the electors, the  
20 municipal finance commission or its successor agency, or, except  
21 as provided in this subsection, the department of treasury to  
22 borrow money pursuant to subsection (6). The borrowing shall not  
23 be subject to the municipal finance act, 1943 PA 202, MCL 131.1  
24 to 139.3, or to section 5(g) of the home rule city act, 1909 PA  
25 279, MCL 117.5. The state transportation department shall give  
26 at least 10 days' notice to the state treasurer of its intention  
27 to make a loan under subsection (5). If the state treasurer

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

13       (10) The state transportation commission may borrow money  
14 and issue bonds and notes under, and pursuant to the requirements  
15 of, section 18b to make loans to county road commissions, cities,  
16 and villages for the purposes described in the second paragraph  
17 of section 9 of article IX of the state constitution of 1963, as  
18 provided in subsection (5). A single issue of bonds or notes may  
19 be issued for the purposes specified in subsection (5) and for  
20 the other purposes specified in section 18b. The house and  
21 senate transportation appropriations subcommittees shall be noti-  
22 fied by the department if there are extras and overruns suffi-  
23 cient to require approval of either the state administrative  
24 board or the commission, or both, on any contract between the  
25 department and a local road agency or a private business.

26       (11) The director of the state transportation department,  
27 after consultation with representatives of the interests of

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1 county road commissions, cities, and villages, shall establish,  
2 by intergovernmental communication, procedures for the implemen-  
3 tation and administration of the loan program established under  
4 subsections (5) to (10).

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

19 (13) Any performance audits of the department shall be con-  
20 ducted according to government auditing standards issued by the  
21 United States general accounting office.