

**SUBSTITUTE FOR
SENATE BILL NO. 1375**

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 sections 10 and 11 (MCL 247.660 and 247.661), section 10 as amended by 2007 PA 210 and section 11 as amended by 2002 PA 639.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 10. (1) A fund to be known as the Michigan transportation
2 fund is established and shall be set up and maintained in the state
3 treasury as a separate fund. Money received and collected under the
4 motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170, except a
5 license fee provided in that act, and a tax, fee, license, and
6 other money received and collected under sections 801 to 810 of the
7 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, except
8 a truck safety fund fee provided in section 801(1)(k) of the
9 Michigan vehicle code, 1949 PA 300, MCL 257.801, and money received
10 under the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43,
11 shall be deposited in the state treasury to the credit of the
12 Michigan transportation fund. In addition, income or profit derived
13 from the investment of money in the Michigan transportation fund
14 shall be deposited in the Michigan transportation fund. Except as

1 provided in this act, no other money, whether appropriated from the
2 general fund of this state or any other source, shall be deposited
3 in the Michigan transportation fund. Except as otherwise provided
4 in this section, the legislature shall appropriate funds for the
5 necessary expenses incurred in the administration and enforcement
6 of the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170,
7 the motor carrier act, 1933 PA 254, MCL 475.1 to 479.43, and
8 sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL
9 257.801 to 257.810. Funds appropriated for necessary expenses shall
10 be based upon established cost allocation methodology that reflects
11 actual costs. Appropriations for the necessary expenses incurred by
12 the department of state in administration and enforcement of
13 sections 801 to 810 of the Michigan vehicle code, 1949 PA 300, MCL
14 257.801 to 257.810, shall be made from the Michigan transportation
15 fund and from funds in the transportation administration collection
16 fund created in section 810b of the Michigan vehicle code, 1949 PA
17 300, MCL 257.810b. Appropriations from the Michigan transportation
18 fund for the necessary expenses incurred by department of state in
19 administration and enforcement of sections 801 to 810 of the
20 Michigan vehicle code, 1949 PA 300, MCL 257.801 to 257.810, shall
21 not exceed \$20,000,000.00 per state fiscal year except for the
22 fiscal year ending September 30, 2006. For the fiscal year ending
23 September 30, 2006, the legislature may appropriate funds in excess
24 of \$20,000,000.00 from the Michigan transportation fund for all
25 incremental additional expenses incurred by the department of state
26 in enforcing sections 801 to 810 of the Michigan vehicle code, 1949
27 PA 300, MCL 257.801 to 257.810, that arise because of the

1 replacement of standard design registration license plates as
2 provided in section 224 of the Michigan vehicle code, 1949 PA 300,
3 MCL 257.224. All money in the Michigan transportation fund is
4 apportioned and appropriated in the following manner:

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

8 **(B) NOT MORE THAN \$3,000,000.00 AS MAY BE ANNUALLY**
9 **APPROPRIATED EACH FISCAL YEAR TO THE STATE TRUNK LINE FUND FOR**
10 **SUBSEQUENT DEPOSIT IN THE GRADE CROSSING SURFACE ACCOUNT.**

11 (C) ~~(b)~~ Not less than \$3,000,000.00 each year to the local
12 bridge fund established in subsection (5) for the purpose of
13 payment of the principal, interest, and redemption premium on any
14 notes or bonds issued by the state transportation commission under
15 former section 11b or subsection (10).

16 (D) ~~(e)~~ Revenue from 3 cents of the tax levied under section
17 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL 207.1008, to
18 the state trunk line fund, county road commissions, and cities and
19 villages in the percentages provided in subdivision ~~(i)~~ **(K)**.

20 **(E)** ~~(d)~~ Until September 30, 2004, all of the revenue from 1
21 cent of the tax levied under section 8(1)(a) of the motor fuel tax
22 act, 2000 PA 403, MCL 207.1008, to the state trunk line fund for
23 repair of state bridges under section 11. Beginning October 1, 2004
24 and continuing through September 30, 2005, 3/4 of the revenue from
25 1 cent of the tax levied under section 8(1)(a) of the motor fuel
26 tax act, 2000 PA 403, MCL 207.1008, shall be appropriated to the
27 state trunk line fund for the repair of state bridges under section

1 11, and 1/4 of the revenue from 1 cent of the tax levied under
2 section 8(1)(a) of the motor fuel tax act, 2000 PA 403, MCL
3 207.1008, shall be appropriated to the local bridge fund created in
4 subsection (5) for distribution only to cities, villages, and
5 county road commissions. Beginning October 1, 2005, 1/2 of the
6 revenue from 1 cent of the tax levied under section 8(1)(a) of the
7 motor fuel tax act, 2000 PA 403, MCL 207.1008, shall be
8 appropriated to the state trunk line fund for the repair of state
9 bridges under section 11, and 1/2 of the revenue from 1 cent of the
10 tax levied under section 8(1)(a) of the motor fuel tax act, 2000 PA
11 403, MCL 207.1008, shall be appropriated to the local bridge fund
12 created in subsection (5) for distribution only to cities,
13 villages, and county road commissions.

14 (F) ~~(e)~~—\$43,000,000.00 to the state trunk line fund for debt
15 service costs on state of Michigan projects.

16 (G) ~~(f)~~—Except as provided in subsection (4), 10% to the
17 comprehensive transportation fund for the purposes described in
18 section 10e.

19 (H) ~~(g)~~—\$5,000,000.00 to the local bridge fund established in
20 subsection (5) for distribution only to the local bridge advisory
21 board, the regional bridge councils, cities, villages, and county
22 road commissions.

23 (I) ~~(h)~~—\$36,775,000.00 to the state trunk line fund for
24 subsequent deposit in the transportation economic development fund,
25 and, as of September 30, 1997, with first priority for allocation
26 to debt service on bonds issued to fund transportation economic
27 development fund projects. In addition, beginning October 1, 1997,

1 \$3,500,000.00 is appropriated from the Michigan transportation fund
2 to the state trunk line fund for subsequent deposit in the
3 transportation economic development fund to be used for economic
4 development road projects in any of the targeted industries
5 described in section 9(1)(a) of 1987 PA 231, MCL 247.909.

6 (J) ~~(i)~~—Not less than \$33,000,000.00 as may be annually
7 appropriated each fiscal year to the local program fund created in
8 section 11e.

9 (K) ~~(j)~~—The balance of the Michigan transportation fund as
10 follows, after deduction of the amounts appropriated in
11 subdivisions (a) through ~~(i)~~—(J) and section 11b:

12 (i) 39.1% to the state trunk line fund for the purposes
13 described in section 11.

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

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

16 (2) The money appropriated pursuant to this section shall be
17 used for the purposes as provided in this act and any other
18 applicable act. Subject to the requirements of section 9b, the
19 department shall develop programs in conjunction with the Michigan
20 state chamber of commerce and the Michigan minority business
21 development council to assist small businesses, including those
22 located in enterprise zones and those located in empowerment zones
23 as determined under federal law, as defined by law in becoming
24 qualified to bid.

25 (3) Thirty-one and one-half percent of the funds appropriated
26 to this state from the federal government pursuant to 23 USC 157,
27 commonly known as minimum guarantee funds, shall be allocated to

1 the transportation economic development fund, if such an allocation
2 is consistent with federal law. These funds shall be distributed
3 16-1/2% for development projects for rural counties as defined by
4 law and 15% for capacity improvement or advanced traffic management
5 systems in urban counties as defined by law. Federal funds
6 allocated for distribution under this section shall be eligible for
7 obligation and use by all recipients as defined by the
8 transportation equity act for the 21st century, Public Law 105-178.

9 (4) For the fiscal year beginning October 1, 2003 only, the
10 apportionment of 10% of Michigan transportation fund money to the
11 comprehensive transportation fund as provided in subsection ~~(1)(f)~~
12 **(1)(G)** shall be reduced by \$10,000,000.00 and the \$10,000,000.00
13 shall be transferred to the state trunk line fund for capacity
14 improvements to state trunk line highways.

15 (5) A fund to be known as the local bridge fund is established
16 and is set up and maintained in the state treasury as a separate
17 fund. The money appropriated to the local bridge fund and the
18 interest accruing to that fund shall be expended for the local
19 bridge program. The purpose of the fund is to provide financial
20 assistance to highway authorities for the preservation,
21 improvement, or reconstruction of existing bridges or for the
22 construction of bridges to replace existing bridges in whole or
23 part. The money in the local bridge fund is not subject to section
24 12(15) or 13(5). The local bridge advisory board is created and
25 shall consist of 6 voting members appointed by the state
26 transportation commission and 2 nonvoting members appointed by the
27 state transportation department. The board shall include 3 members

1 from the county road association of Michigan, 1 member who
2 represents counties with populations 65,000 or greater, 1 member
3 who represents counties with populations greater than 30,000 and
4 less than 65,000, and 1 member who represents counties with
5 populations of 30,000 or less. Three members shall be appointed
6 from the Michigan municipal league, 1 member who represents cities
7 with a population 75,000 or greater, 1 member who represents cities
8 with a population less than 75,000, and 1 member who represents
9 villages. Each organization with voting rights shall submit a list
10 of nominees in each population category to the state transportation
11 commission. The state transportation commission shall make the
12 appointments from the lists submitted under this subsection. Names
13 shall be submitted within 45 days after October 1, 2004. The state
14 transportation commission shall make the appointments by January
15 30, 2005. Voting members shall be appointed for 2 years. The
16 chairperson of the board shall be selected from among the voting
17 members of the board. In addition to the 2 nonvoting members, the
18 department shall provide qualified administrative staff and
19 qualified technical assistance to the board.

20 (6) Beginning October 1, 2005, no less than 5% and no more
21 than 15% of the funds received in the local bridge fund may be used
22 for critical repair of large bridges and emergencies as determined
23 by the local bridge advisory board. Beginning October 1, 2005,
24 funds remaining after the funds allocated for critical large bridge
25 repair and emergencies are deducted shall be distributed by the
26 board to the regional bridge councils created under this section.
27 One regional council shall be formed for each department of

1 transportation region as those regions exist on October 1, 2004.
2 The regional councils shall consist of 2 members of the county road
3 association of Michigan from counties in the region, 2 members of
4 the Michigan municipal league from cities and villages in the
5 region, and 1 member of the state transportation department in each
6 region. The members of the state transportation department shall be
7 nonvoting members who shall provide qualified administrative staff
8 and qualified technical assistance to the regional councils.

9 (7) Beginning October 1, 2005, funds in the local bridge fund
10 after deduction of the amounts set aside for critical repair of
11 large bridges and emergency repairs shall be distributed among the
12 regional bridge councils according to all of the following ratios,
13 which shall be assigned a weight expressed as a percentage as
14 determined by the board, with each ratio receiving no greater than
15 a 50% weight and no less than a 25% weight:

16 (a) A ratio with a numerator that is the total number of local
17 bridges in the region and a denominator that is the total number of
18 local bridges in this state.

19 (b) A ratio with a numerator that is the total local bridge
20 deck area in the region and a denominator that is the total local
21 bridge deck area in this state.

22 (c) A ratio with a numerator that is the total amount of
23 structurally deficient local bridge deck area in the region and a
24 denominator that is the total amount of structurally deficient
25 local bridge deck area in this state.

26 (8) Beginning October 1, 2005, the regional bridge councils
27 shall allocate the funds received from the board for the

1 preservation, improvement, and reconstruction of existing bridges
2 or for the construction of bridges to replace existing bridges in
3 whole or in part in each region.

4 (9) Beginning January 1, 2007 and each January after 2007, the
5 department shall submit a report to the chair and the minority
6 vice-chair of the appropriations committees of the senate and the
7 house of representatives, and to the standing committees on
8 transportation of the senate and the house of representatives, on
9 all of the following activities for the previous state fiscal year:

10 (a) A listing of how much money was dedicated for emergency
11 and large bridge repair.

12 (b) A listing of what emergency and large bridge repair
13 projects were funded.

14 (c) The actual weights used in the calculation required under
15 subsection (7).

16 (d) A listing of the total money distributed to each region.

17 (e) A listing of what specific projects were funded pursuant
18 to subsection (8).

19 (10) The state transportation commission shall borrow money
20 and issue notes or bonds in an amount of not less than
21 \$30,000,000.00 to supplement the funding provided for the local
22 bridge program under subsection (6). The bonds or notes issued
23 pursuant to this subsection may be issued by the commission for any
24 purpose for which other local bridge funds may be used under this
25 section. The bonds or notes authorized by this subsection shall be
26 issued by resolution of the state transportation commission
27 consistent with the requirements of section 18b.

1 (11) The state transportation department shall promulgate
2 rules pursuant to the administrative procedures act of 1969, 1969
3 PA 306, MCL 24.201 to 24.328, governing the administration of the
4 local bridge program. The rules shall set forth the eligibility
5 criteria for financial assistance under the program and other
6 matters related to the program that the department considers
7 necessary and desirable. The department shall take into
8 consideration the availability of federal aid and other financial
9 resources of the highway authority responsible for the bridge, the
10 importance of the bridge to the highway, road, or street network,
11 and the condition of the existing bridge.

12 (12) Beginning October 1, 2004, the revenue appropriated to
13 the local bridge fund pursuant to subsection ~~(1)(d)~~ **(1)(E)** shall be
14 distributed only to the local bridge advisory board, the regional
15 bridge councils, cities, villages, and county road commissions.

16 (13) Beginning October 1, 2008, the regional bridge councils
17 shall determine what bridge projects are selected for funding from
18 the local bridge fund created in subsection (5) and shall make a
19 list of selected projects available to interested parties in the
20 region. A determination that a bridge project is selected for
21 funding in a given fiscal year is not approval to disburse the
22 funds.

23 (14) Beginning October 1, 2008, a county road commission,
24 city, or village may implement a bridge project if the bridge
25 project has been selected for funding and is included in the
26 appropriate regional bridge council's current multiyear bridge plan
27 for the local bridge program but the regional bridge council has

1 not allocated funds to the bridge project for the fiscal year that
2 the bridge project is on the current multiyear bridge plan. A
3 county road commission, city, or village may borrow funds to
4 implement a project that has been selected for funding and is
5 included in the appropriate regional bridge council's current
6 multiyear bridge plan but has not been allocated funds by the
7 regional bridge council. Based on available local bridge funds,
8 when a bridge project that was implemented with borrowed funds is
9 allocated funding in a subsequent fiscal year, the funding shall
10 only be used to repay the amount approved by the multiyear bridge
11 plan when the funds were borrowed. To be eligible for repayment of
12 the amount borrowed, a bridge project that has been implemented
13 with borrowed funds shall be administered through the department's
14 local bridge program.

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

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

24 (i) For the payment of contributions required to be made by the
25 state highway commission or the state transportation commission
26 under contracts entered into before July 18, 1979, under 1941 PA
27 205, MCL 252.51 to 252.64, which contributions have been pledged

1 before July 18, 1979, for the payment of the principal and interest
2 on bonds issued under 1941 PA 205, MCL 252.51 to 252.64, for the
3 payment of which a sufficient sum is irrevocably appropriated.

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

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

26 (b) For the transfer of funds appropriated pursuant to section
27 ~~10(1)(g)~~ **10(1)(I)** to the transportation economic development fund,

1 but the transfer shall be reduced each fiscal year by the amount of
2 debt service to be paid in that year from the state trunk line fund
3 for bonds, notes, or other obligations issued to fund projects of
4 the transportation economic development fund, which amount shall be
5 certified by the department.

6 (c) For the transfer of funds appropriated pursuant to section
7 10(1)(a) to the railroad grade crossing account in the state trunk
8 line fund for expenditure for rail grade crossing improvement
9 purposes at rail grade crossings on public roads and streets under
10 the jurisdiction of the state, counties, cities, or villages.
11 Projects shall be selected for funding in accordance with the
12 following:

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

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

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

26 (iv) If the department and the road authority with jurisdiction
27 over the crossing formally agree that the grade crossing should be

1 eliminated by permanent closing of the public road or street, the
2 physical removal of the crossing, roadway within railroad rights of
3 way and street termination treatment will be negotiated between the
4 road authority and railroad company. The funds provided to the road
5 authority as a result of the crossing closure will be credited to
6 its account representing the same road or street system on which
7 the crossing is located and shall be used for any transportation
8 purpose within that road authority's jurisdiction.

9 (D) FOR THE TRANSFER OF FUNDS APPROPRIATED PURSUANT TO SECTION
10 10(1)(B) TO THE GRADE CROSSING SURFACE ACCOUNT IN THE STATE TRUNK
11 LINE FUND FOR EXPENDITURE FOR RAIL GRADE CROSSING SURFACE
12 IMPROVEMENT PURPOSES AT RAIL GRADE CROSSINGS ON PUBLIC ROADS AND
13 STREETS UNDER THE JURISDICTION OF COUNTIES, CITIES, OR VILLAGES.
14 PROJECTS SHALL BE SELECTED FOR FUNDING IN ACCORDANCE WITH THE
15 FOLLOWING:

16 (i) IN PRIORITIZING PROJECTS, THE DEPARTMENT SHALL CONSIDER
17 VEHICULAR TRAFFIC VOLUMES, RELATIVE CROSSING SURFACE CONDITION, THE
18 ABILITY OF THE RAILROAD AND LOCAL ROAD AUTHORITY TO MAKE
19 COORDINATED IMPROVEMENTS, AND THE AVAILABILITY OF FUNDING.

20 (ii) THE GRADE CROSSING SURFACE ACCOUNT SHALL FUND 60% OF THE
21 PROJECT COST, WITH THE REMAINING 40% FUNDED BY THE RAILROAD
22 COMPANY.

23 (iii) FUNDING UNDER THE GRADE CROSSING SURFACE ACCOUNT WILL BE
24 LIMITED TO THOSE ITEMS OF WORK NORMALLY THE RESPONSIBILITY OF THE
25 RAILROAD UNDER SECTION 309 OF THE RAILROAD CODE OF 1993, 1993 PA
26 354, MCL 462.309. MAINTENANCE OF THE ROADWAY APPROACHES TO THE
27 CROSSING WILL CONTINUE TO BE THE RESPONSIBILITY OF THE PARTY WITH

1 **JURISDICTION OVER THAT ROADWAY.**

2 (E) ~~(d)~~—For the total operating expenses of the state trunk
3 line fund for each fiscal year as appropriated by the legislature.

4 (F) ~~(e)~~—For the preservation of state trunk line highways and
5 bridges.

6 (G) ~~(f)~~—For the opening, widening, improving, construction,
7 and reconstruction of state trunk line highways and bridges,
8 including the acquisition of necessary rights of way and the work
9 incidental to that opening, widening, improving, construction, or
10 reconstruction. Those sums in the state trunk line fund not
11 otherwise appropriated, distributed, determined, or set aside by
12 law shall be used for the construction or reconstruction of the
13 national system of interstate and defense highways, referred to in
14 this act as "the interstate highway system" to the extent necessary
15 to match federal aid funds as the federal aid funds become
16 available for that purpose; and, for the construction and
17 reconstruction of the state trunk line system.

18 (H) ~~(g)~~—The state transportation department may enter into
19 agreements with county road commissions and with cities and
20 villages to perform work on a highway, road, or street. The
21 agreements may provide for the performance by any of the
22 contracting parties of any of the work contemplated by the contract
23 including engineering services and the acquisition of rights of way
24 in connection with the work, by purchase or condemnation by any of
25 the contracting parties in its own name, and for joint
26 participation in the costs, but only to the extent that the
27 contracting parties are otherwise authorized by law to expend money

1 on the highways, roads, or streets. The state transportation
2 department also may contract with a county road commission, city,
3 and village to advance money to a county road commission, city, and
4 village to pay their costs of improving railroad grade crossings on
5 the terms and conditions agreed to in the contract. A contract may
6 be executed before or after the state transportation commission
7 borrows money for the purpose of advancing money to a county road
8 commission, city, or village, but the contract shall be executed
9 before the advancement of any money to a county road commission,
10 city, or village by the state transportation commission, and shall
11 provide for the full reimbursement of any advancement by a county
12 road commission, city, or village to the state transportation
13 department, with interest, within 15 years after advancement, from
14 any available revenue sources of the county road commission, city,
15 or village or, if provided in the contract, by deduction from the
16 periodic disbursements of any money returned by the state to the
17 county road commission, city, or village.

18 (I) ~~(h)~~—For providing inventories of supplies and materials
19 required for the activities of the state transportation department.
20 The state transportation department may purchase supplies and
21 materials for these purposes, with payment to be made out of the
22 state trunk line fund to be charged on the basis of issues from
23 inventory in accordance with the accounting and purchasing laws of
24 this state.

25 (2) Notwithstanding any other provision of this act, at least
26 90% of state revenue appropriated annually to the state trunk line
27 fund less the amounts described in subdivisions (a) to (i) shall be

1 expended annually by the state transportation department for the
2 preservation of highways, roads, streets, and bridges and for the
3 payment of debt service on bonds, notes, or other obligations
4 described in subsection (1)(a) issued after July 1, 1983, for the
5 purpose of providing funds for the preservation of highways, roads,
6 streets, and bridges. Of the amounts appropriated for state trunk
7 line projects, the department shall, where possible, secure
8 warranties of not less than 5-year full replacement guarantee for
9 contracted construction work. If an appropriate certificate is
10 filed under section 18e but only to the extent necessary, this
11 subsection shall not prohibit the use of any amount of money
12 restricted as to use by section 9 of article IX of the state
13 constitution of 1963 and deposited in the state trunk line fund for
14 the payment of debt service on bonds, notes, or other obligations
15 pledging for the payment thereof money restricted as to use by
16 section 9 of article IX of the state constitution of 1963 and
17 deposited in the state trunk line fund, whenever issued, as
18 specified under subsection (1)(a). The amounts which are deducted
19 from the state trunk line fund for the purpose of the calculation
20 required by this subsection are as follows:

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

24 (b) Amounts expended to provide the state matching requirement
25 for projects on the national highway system and for the payment of
26 debt service on bonds, notes, or other obligations issued after
27 July 1, 1983, for the purpose of providing funds for the state

1 matching requirements for projects on the national highway system.

2 (c) Amounts expended for the construction of a highway,
3 street, road, or bridge to 1 or more of the following or for the
4 payment of debt service on bonds, notes, or other obligations
5 issued after July 1, 1983, for the purpose of providing funds for
6 the construction of a highway, street, road, or bridge to 1 or more
7 of the following:

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

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

13 (d) Amounts expended for capital outlay other than for
14 highways, roads, streets, and bridges or to pay debt service on
15 bonds, notes, or other obligations issued after July 1, 1983, for
16 the purpose of providing funds for capital outlay other than for
17 highways, roads, streets, and bridges.

18 (e) Amounts expended for the operating expenses of the state
19 transportation department other than the units of the department
20 performing the functions assigned on January 1, 1983 to the bureau
21 of highways.

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

24 (g) Amounts expended for the purposes described in subsection
25 (5).

26 (h) Amounts appropriated for deposit in the transportation
27 economic development fund and the rail grade crossing account

1 pursuant to section 10(1)(g) and 10(1)(a).

2 (i) Upon the affirmative recommendation of the director of the
3 state transportation department and the approval by resolution of
4 the state transportation commission, those amounts expended for
5 projects vital to the economy of this state, a region, or local
6 area or the safety of the public. The resolution shall state the
7 cost of the project exempted from this subsection.

8 (3) Notwithstanding any other provision of this act, the state
9 transportation department shall expend annually at least 90% of the
10 federal revenue distributed to the credit of the state trunk line
11 fund in that year, except for federal revenue expended for the
12 purposes described in subsection (2)(b), (c), (f), and (i) and for
13 the payment of notes issued under section 18b(9) on the
14 preservation of highways, roads, streets, and bridges. The
15 requirement of this subsection shall be waived if compliance would
16 cause this state to be ineligible according to federal law for
17 federal revenue, but only to the extent necessary to make this
18 state eligible according to federal law for that revenue.

19 (4) Notwithstanding any other provision of this section, the
20 state transportation department may loan money to county road
21 commissions, cities, and villages for paying capital costs of
22 transportation purposes described in the second paragraph of
23 section 9 of article IX of the state constitution of 1963 from the
24 proceeds of bonds or notes issued pursuant to section 18b or from
25 the state trunk line fund. Loans made directly from the state trunk
26 line fund shall be made only after provision of funds for the
27 purposes specified in subsection (1)(a) to ~~(f)~~—(G). Loans described

1 in this subsection are not subject to the revised municipal finance
2 act, 2001 PA 34, MCL 141.2101 to 141.2821.

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

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

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

21 (6) Loans made pursuant to subsection (4) if required by the
22 state transportation department may be payable by deduction by the
23 state treasurer, upon direction of the state transportation
24 department, from the periodic disbursements of any money returned
25 by the state under this act to the county road commission, city, or
26 village, but only after sufficient money has been returned to the
27 county road commission, city, or village to provide for the payment

1 of contractual obligations incurred or to be incurred and principal
2 and interest on notes and bonds issued or to be issued under 1941
3 PA 205, MCL 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254,
4 1952 PA 175, MCL 247.701 to 247.707, or section 18c or 18d. The
5 interest rates and payment schedules of any loans made from the
6 proceeds of bonds or notes issued pursuant to section 18b shall be
7 established by the state transportation department to conform as
8 closely as practicable to the interest rate and repayment schedules
9 on the bonds or notes issued to make the loans. However, the state
10 transportation department may allow for the deferral of the first
11 payment of interest or principal on the loans for a period of not
12 to exceed 1 year after the respective first payment of interest or
13 principal on the bonds or notes issued to make the loans.

14 (7) The amount borrowed by a county road commission, city, or
15 village pursuant to subsection (5) shall not be included in, or
16 charged against, any constitutional, statutory, or charter debt
17 limitation of the county, city, or village and shall not be
18 included in the determination of the maximum annual principal and
19 interest requirements of, or the limitations upon, the maximum
20 annual principal and interest incurred under 1941 PA 205, MCL
21 252.51 to 252.64, 1943 PA 143, MCL 141.251 to 141.254, 1952 PA 175,
22 MCL 247.701 to 247.707, or section 18c or 18d.

23 (8) The county road commission, city, or village is not
24 required to seek or obtain the approval of the electors, the
25 municipal finance commission or its successor agency, or, except as
26 provided in this subsection, the department of treasury to borrow
27 money pursuant to subsection (5). The borrowing is not subject to

1 the revised municipal finance act, 2001 PA 34, MCL 141.2101 to
2 141.2821, or to section 5(g) of the home rule city act, 1909 PA
3 279, MCL 117.5. The state transportation department shall give at
4 least 10 days' notice to the state treasurer of its intention to
5 make a loan under subsection (4). If the state treasurer gives
6 notice to the director of the state transportation department
7 within 10 days of receiving the notice from the state
8 transportation department, that, based upon the then existing
9 financial or credit situation of the county road commission, city,
10 or village, it would not be in the best interests of the state to
11 make a loan under subsection (4) to the county road commission,
12 city, or village, the loan shall not be made unless the state
13 treasurer, after a hearing, if requested by the affected county
14 road commission, city, or village, subsequently gives notice to the
15 director of the state transportation department that the loan may
16 be made on the conditions that the state treasurer specifies.

17 (9) The state transportation commission may borrow money and
18 issue bonds and notes under, and pursuant to the requirements of,
19 section 18b to make loans to county road commissions, cities, and
20 villages for the purposes described in the second paragraph of
21 section 9 of article IX of the state constitution of 1963, as
22 provided in subsection (4). A single issue of bonds or notes may be
23 issued for the purposes specified in subsection (4) and for the
24 other purposes specified in section 18b. The house and senate
25 transportation appropriations subcommittees shall be notified by
26 the department if there are extras and overruns sufficient to
27 require approval of either the state administrative board or the

1 commission, or both, on any contract between the department and a
2 local road agency or a private business.

3 (10) The director of the state transportation department,
4 after consultation with representatives of the interests of county
5 road commissions, cities, and villages, shall establish, by
6 intergovernmental communication, procedures for the implementation
7 and administration of the loan program established under
8 subsections (4) to (9).

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

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

26 (13) Contracts entered into to advance money to a county road
27 commission, city, or village under subsection ~~(1)(g)~~ **(1)(H)** are not

1 subject to the revised municipal finance act, 2001 PA 34, MCL
2 141.2101 to 141.2821.

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

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

7 (b) The installation or improvement of grade crossing
8 surfaces.

9 (c) Modification, relocation, or modernization of railroad
10 grade crossing active and passive warning devices necessitated by
11 roadway improvement projects.

12 (d) Test installations of innovative warning devices or other
13 innovative applications.

14 (e) Construction of new grade separations.

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

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