

**SUBSTITUTE FOR  
HOUSE BILL NO. 4074**

A bill to amend 1951 PA 51, entitled

"An act to provide for the classification of all public roads, streets, and highways in this state, and for the revision of that classification and for additions to and deletions from each classification; to set up and establish the Michigan transportation fund; to provide for the deposits in the Michigan transportation fund of specific taxes on motor vehicles and motor vehicle fuels; to provide for the allocation of funds from the Michigan transportation fund and the use and administration of the fund for transportation purposes; to set up and establish the truck safety fund; to provide for the allocation of funds from the truck safety fund and administration of the fund for truck safety purposes; to set up and establish the Michigan truck safety commission; to establish certain standards for road contracts for certain businesses; to provide for the continuing review of transportation needs within the state; to authorize the state transportation commission, counties, cities, and villages to borrow money, issue bonds, and make pledges of funds for transportation purposes; to authorize counties to advance funds for the payment of deficiencies necessary for the payment of bonds issued under this act; to provide for the limitations, payment, retirement, and security of the bonds and pledges; to provide for appropriations and tax levies by counties and townships for county roads; to authorize contributions by townships for county roads; to provide for the establishment and administration of the state trunk line fund, critical bridge fund, comprehensive transportation fund, and certain other funds; to provide for the deposits in the state trunk line fund,

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

by amending sections 10c, 10e, 10h, 10l, and 10n (MCL 247.660c, 247.660e, 247.660h, 247.660l, and 247.660n), sections 10c and 10h as amended by 2002 PA 498, section 10e as amended by 1998 PA 87, section 10l as amended by 1987 PA 234, and section 10n as amended by 2002 PA 329.

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

1       Sec. 10c. As used in this act:  
 2       (a) "Urban or rural area" means a contiguous developed area,  
 3 including the immediate surrounding area, where transportation  
 4 services should reasonably be provided presently or in the  
 5 future; the area within the jurisdiction of an eligible  
 6 authority; or for the purpose of receiving funds for public  
 7 transportation, a contiguous developed area having a population  
 8 of less than 50,000 population that has an urban public  
 9 transportation program approved by the state transportation  
 10 department and for which the state transportation commission  
 11 determines that public transportation services should reasonably  
 12 be provided presently or in the future.

1 (b) "Eligible authority" means an authority organized  
2 ~~pursuant to~~ **under** the metropolitan transportation authorities  
3 act of 1967, 1967 PA 204, MCL 124.401 to 124.426, **or an authority**  
4 **organized or continued under the Detroit area regional**  
5 **transportation authority act.**

6 (c) "Eligible governmental agency" means a county, city, or  
7 village or an authority created ~~pursuant to~~ **under** 1963 PA 55,  
8 MCL 124.351 to 124.359; the urban cooperation act of 1967, 1967  
9 (Ex Sess) PA 7, MCL 124.501 to 124.512; 1967 (Ex Sess) PA 8,  
10 MCL 124.1 to 124.13; 1951 PA 35, MCL 124.1 to 124.13; the public  
11 transportation authority act, 1986 PA 196, MCL 124.451 to  
12 124.479; or the revenue bond act of 1933, 1933 PA 94, MCL 141.101  
13 to 141.140.

14 (d) "Transit vehicle" means a bus, rapid transit vehicle,  
15 railroad car, water vehicle, taxicab, or other type of public  
16 transportation vehicle or individual unit, whether operated  
17 singly or in a group which provides public transportation.

18 (e) "Transit vehicle mile" means a transit vehicle operated  
19 for 1 mile in public transportation service including demand  
20 actuated and line-haul vehicle miles.

21 (f) "Demand actuated vehicle" means a bus or smaller transit  
22 vehicle operated for providing group rides to members of the  
23 general public paying fares individually, and on demand rather  
24 than in regularly scheduled route service.

25 (g) "Demand actuated vehicle mile" means a demand actuated  
26 vehicle operated for 1 mile in service to the general public.

27 (h) "Public transportation", "comprehensive transportation",

1 "public transportation service", "comprehensive transportation  
2 service", "public transportation purpose", or "comprehensive  
3 transportation purpose" means the movement of people and goods by  
4 publicly or privately owned water vehicle, bus, railroad car,  
5 aircraft, rapid transit vehicle, taxicab, or other conveyance  
6 which provides general or special service to the public, but not  
7 including charter or sightseeing service or transportation which  
8 is exclusively for school purposes. Public transportation,  
9 public transportation services, or public transportation  
10 purposes; and comprehensive transportation, comprehensive  
11 transportation services, or comprehensive transportation purposes  
12 as defined in this subdivision are declared by law to be  
13 transportation purposes within the meaning of section 9 of  
14 article IX of the state constitution of 1963.

15 (i) "State transportation commission" means the state  
16 transportation commission established in section 28 of article V  
17 of the state constitution of 1963.

18 (j) "Governmental unit" means the state transportation  
19 department, the state transportation commission, a county road  
20 commission, a city, or a village.

21 (k) "Department" or "department of transportation" means the  
22 state transportation department, which may be referred to  
23 administratively as the department of transportation.

24 (l) "Preservation" means an activity undertaken to preserve  
25 the integrity of the existing roadway system. Preservation does  
26 not include new construction of highways, roads, streets, or  
27 bridges, a project that increases the capacity of a highway

1 facility to accommodate that part of traffic having neither an  
2 origin nor destination within the local area, widening of a lane  
3 width or more, or adding turn lanes of more than 1/2 mile in  
4 length. Preservation includes, but is not limited to, 1 or more  
5 of the following:

- 6 (i) Maintenance.
- 7 (ii) Capital preventive treatments.
- 8 (iii) Safety projects.
- 9 (iv) Reconstruction.
- 10 (v) Resurfacing.
- 11 (vi) Restoration.
- 12 (vii) Rehabilitation.
- 13 (viii) Widening of less than the width of 1 lane.
- 14 (ix) Adding auxiliary weaving, climbing, or speed change  
15 lanes.
- 16 (x) Modernizing intersections.
- 17 (xi) Adding auxiliary turning lanes of 1/2 mile or less.
- 18 (m) "Maintenance" means routine maintenance or preventive  
19 maintenance, or both. Maintenance does not include capital  
20 preventive treatments, resurfacing, reconstruction, restoration,  
21 rehabilitation, safety projects, widening of less than 1 lane  
22 width, adding auxiliary turn lanes of 1/2 mile or less, adding  
23 auxiliary weaving, climbing, or speed-change lanes, modernizing  
24 intersections, or the upgrading of aggregate surface roads to  
25 hard surface roads. Maintenance of state trunk line highways  
26 does not include streetlighting except for freeway lighting for  
27 traffic safety purposes.

1 (n) "Routine maintenance" means actions performed on a  
2 regular or controllable basis or in response to uncontrollable  
3 events upon a highway, road, street, or bridge. Routine  
4 maintenance includes, but is not limited to, 1 or more of the  
5 following:

6 (i) Snow and ice removal.

7 (ii) Pothole patching.

8 (iii) Unplugging drain facilities.

9 (iv) Replacing damaged sign and pavement markings.

10 (v) Replacing damaged guardrails.

11 (vi) Repairing storm damage.

12 (vii) Repair, replacement, or operation of traffic signal  
13 systems.

14 (viii) Emergency environmental cleanup.

15 (ix) Emergency repairs.

16 (x) Emergency management of road closures that result from  
17 uncontrollable events.

18 (xi) Cleaning streets and associated drainage.

19 (xii) Installing traffic signs and signal devices.

20 (xiii) Mowing roadside.

21 (xiv) Control of roadside brush and vegetation.

22 (xv) Cleaning roadside.

23 (xvi) Repairing lighting.

24 (xvii) Grading.

25 (o) "Preventive maintenance" means a planned strategy of  
26 cost-effective treatments to an existing roadway system and its  
27 appurtenances that preserve assets by retarding deterioration and

1 maintaining functional condition without significantly increasing  
2 structural capacity. Preventive maintenance includes, but is not  
3 limited to, 1 or more of the following:

- 4 (i) Pavement crack sealing.
- 5 (ii) Micro surfacing.
- 6 (iii) Chip sealing.
- 7 (iv) Concrete joint resealing.
- 8 (v) Concrete joint repair.
- 9 (vi) Filling shallow pavement cracks.
- 10 (vii) Patching concrete.
- 11 (viii) Shoulder resurfacing.
- 12 (ix) Concrete diamond grinding.
- 13 (x) Dowel bar retrofit.
- 14 (xi) Bituminous overlays of 1-1/2 inches or less in  
15 thickness.
- 16 (xii) Restoration of drainage.
- 17 (xiii) Bridge crack sealing.
- 18 (xiv) Bridge joint repair.
- 19 (xv) Bridge seismic retrofit.
- 20 (xvi) Bridge scour countermeasures.
- 21 (xvii) Bridge painting.
- 22 (xviii) Pollution prevention.
- 23 (xix) New treatments as they may be developed.
- 24 (p) "County road commission" means the board of county road  
25 commissioners elected or appointed pursuant to section 6 of  
26 chapter IV of 1909 PA 283, MCL 224.6, or, in the case of a  
27 charter county with a population of 2,000,000 or more with an

1 elected county executive that does not have a board of county  
2 road commissioners, the county executive for ministerial  
3 functions and the county commission provided for in section  
4 14(1)(d) of 1966 PA 293, MCL 45.514, for legislative functions.

5 (q) "Capital preventive treatments" means any preventive  
6 maintenance category project on state trunk line highways that  
7 qualifies under the department's capital preventive maintenance  
8 program.

9 Sec. 10e. (1) The comprehensive transportation fund is  
10 appropriated for each fiscal year in the following order of  
11 priority.

12 (2) The first priority is to pay, but only from money  
13 restricted as to use by section 9 of article IX of the state  
14 constitution of 1963, the principal and interest on bonds or  
15 notes issued under section 18b for comprehensive transportation  
16 purposes as defined by law. A sufficient portion of the  
17 comprehensive transportation fund is irrevocably appropriated to  
18 pay, when due, the principal and interest on those bonds and  
19 notes.

20 (3) After making or setting aside payments required by  
21 subsection (2), the second priority of the comprehensive  
22 transportation fund is the payment of the department's cost in  
23 administering the comprehensive transportation fund. The amount  
24 to be expended pursuant to this subsection shall not exceed the  
25 costs appropriated for the administration of the fund in the  
26 fiscal year ending September 30, 1987, as adjusted annually on  
27 October 1, by the change for the preceding 12 months in the



1 Detroit consumer price index for urban wage earners and shall be  
2 appropriated annually by the legislature.

3 (4) After making or setting aside payments required by  
4 subsections (2) and (3), the balance of the comprehensive  
5 transportation fund shall be expended each fiscal year as  
6 appropriated annually by the legislature pursuant to the state  
7 transportation program approved by the commission as follows:

8 (a) The third priority shall be the payment of operating  
9 grants to eligible authorities and eligible governmental agencies  
10 according to the following formulations and subject to the  
11 following requirements:

12 (i) For the fiscal year ending September 30, 1998, and for  
13 each fiscal year thereafter, each eligible authority and eligible  
14 governmental agency which provides public transportation services  
15 in urbanized areas under Public Law 103-272, 49 U.S.C. 5307, with  
16 a Michigan population greater than 100,000 shall receive a grant  
17 of up to 50% of their eligible operating expenses as defined by  
18 the state transportation department.

19 (ii) For the fiscal year ending September 30, 1998, and each  
20 fiscal year thereafter, each eligible authority and eligible  
21 governmental agency which provides public transportation services  
22 in urbanized areas with a Michigan population less than or equal  
23 to 100,000 and nonurbanized areas under Public Law 103-272, 49  
24 U.S.C. 5311, shall receive a grant of up to 60% of their eligible  
25 operating expenses as defined by the state transportation  
26 department. For purposes of receiving a grant under this  
27 subparagraph in nonurbanized areas, eligible costs of services

1 provided by water vehicle shall be reimbursed at not less than  
2 50% of the portion of the costs not eligible for reimbursement by  
3 the federal government.

4 (iii) Funds shall not be distributed to an eligible authority  
5 or eligible governmental agency under this act unless the  
6 eligible authority or eligible governmental agency provides or  
7 agrees to provide preferential fares for public transportation  
8 services to persons 65 years of age or over or persons with  
9 disabilities riding in off peak periods of service. As used in  
10 this section, "person with disabilities" means an individual with  
11 a disability as that term is defined in 61 F.R.P. 56424 (November  
12 1, 1996) and 49 C.F.R. part 27. The preferential fares shall not  
13 be higher than 50% of the regular 1-way single fare.

14 (iv) Eligible authorities and eligible governmental agencies  
15 shall not engage in charter service using vehicles, facilities,  
16 or equipment funded under this act except on an incidental basis  
17 as defined by 49 C.F.R. part 604.

18 (v) Notwithstanding any other provision of this subsection,  
19 for the fiscal year ending September 30, 1998, each eligible  
20 authority and eligible governmental agency shall receive a  
21 distribution from the comprehensive transportation fund not less  
22 than the distribution received for eligible operating expenses  
23 for the fiscal year ending September 30, 1997. Beginning with  
24 the fiscal year ending September 30, 1998 and each fiscal year  
25 thereafter, each eligible authority and eligible governmental  
26 agency shall receive a distribution from the comprehensive  
27 transportation fund for eligible operating expenses not less than

1 the distribution received for the fiscal year ending  
2 September 30, 1997. As it relates to this subsection the ratio  
3 between comprehensive transportation funds and local funds in the  
4 fiscal year ending September 30, 1989 shall be maintained for all  
5 fiscal years by the eligible authority and eligible governmental  
6 agency. Reductions in this ratio shall require a proportionate  
7 reduction in the comprehensive transportation funds provided for  
8 any fiscal year. **An eligible authority created under the Detroit  
9 area regional transportation authority act shall not receive a  
10 grant or distribution under this section that has a greater  
11 percentage of total grants or distributions than the grants or  
12 distributions received by an entity created under the  
13 metropolitan transportation authorities act of 1967, 1967 PA 204,  
14 MCL 124.401 to 124.426, during the fiscal year ending September  
15 30, 2004.**

16 (vi) Each eligible authority and eligible governmental agency  
17 receiving comprehensive transportation funds shall prepare and  
18 submit to the department a quarterly report of the progress made  
19 in carrying out its local transportation program within 40 days  
20 after the end of each fiscal year quarter. The progress report  
21 shall be made on forms authorized by the United States department  
22 of transportation under the provisions of the surface  
23 transportation and uniform relocation assistance act of 1987,  
24 Public Law 100-17, 101 Stat. 132.

25 (vii) The department shall periodically adjust or  
26 redistribute comprehensive transportation funds previously  
27 distributed under this subdivision.

1 (b) For the fiscal year ending September 30, 1997, and each  
2 fiscal year thereafter, not less than 10% shall be distributed by  
3 the department for intercity passenger and intercity freight  
4 transportation purposes.

5 (c) For the fiscal year ending September 30, 1997, and each  
6 fiscal year thereafter, funds remaining in the fund after payment  
7 of the amounts required by subdivisions (a) and (b) shall be  
8 distributed by the department for public transportation  
9 purposes. For the fiscal year ending September 30, 1998, and  
10 each fiscal year thereafter, funds shall be made available to  
11 match all projects for eligible authorities and eligible  
12 governmental agencies that are approved for federal funding as  
13 provided by federal law and for which an approved transportation  
14 improvement program (TIP) and state transportation improvement  
15 plan (STIP) exist. Funds distributed under this subdivision  
16 shall be expended pursuant to specific line item appropriation  
17 for, but are not limited to, the following public transportation  
18 purposes:

19 (i) The specialized services assistance program. The  
20 specialized services assistance program shall be funded with not  
21 less than \$3,600,100.00 from funds distributed under this  
22 subdivision. Funds shall be distributed according to guidelines  
23 developed by the department based upon the following  
24 considerations:

25 (A) Proposals for coordinated specialized services assistance  
26 funding shall be developed jointly between existing eligible  
27 authorities or eligible governmental agencies that provide public

1 transportation services and the area agencies on aging or any  
2 other organization representing specialized services interests,  
3 as defined in this subdivision. Plans shall be reviewed and  
4 approved by the bureau of urban and public transportation of the  
5 department. Upon approval, the department shall release the  
6 funds to the eligible authority or eligible governmental agency  
7 which shall then allocate the funds to the area agency on aging  
8 or any other organization representing specialized services  
9 interests, as defined in this subdivision for the purchase of  
10 services as approved in the plan by the department.

11 (B) If an eligible authority or eligible governmental agency  
12 does not exist to provide public transportation service in a  
13 county, coordinated proposals for specialized services assistance  
14 funding may be submitted by the area agency on aging or any other  
15 organization representing specialized services interests, as  
16 defined in this subdivision. The proposals shall be reviewed and  
17 approved by the bureau of urban and public transportation of the  
18 department. Upon approval, the department shall release the  
19 funds to the area agency on aging or any other organization  
20 representing specialized services interests, as defined in this  
21 subdivision for the purchase of services as approved in the plan  
22 by the department.

23 (C) For the purposes of this program, "specialized services"  
24 means public transportation primarily designed for persons with  
25 disabilities or persons who are 65 years of age or older.

26 (ii) Local bus capital. For the fiscal year ending September  
27 30, 1998 and each fiscal year thereafter, not less than

1 \$8,000,000.00 will be distributed for either matching federal  
2 funds for local bus capital or 100% capital projects for eligible  
3 authorities and eligible governmental agencies that are not  
4 eligible to receive federal capital formula funds under section  
5 5307 of the federal intermodal surface transportation efficiency  
6 act, Public Law 102-240, or any successor act.

7 (iii) Local bus new services.

8 (iv) Not less than \$2,000,000.00 in each fiscal year for the  
9 credit program established under section 101.

10 (v) Public transportation development.

11 (vi) Other public transportation programs approved by the  
12 commission.

13 (d) The unappropriated and unencumbered balance of the  
14 comprehensive transportation fund lapses at the end of each  
15 fiscal year and reverts to the comprehensive transportation fund  
16 for appropriation in the following fiscal year.

17 (5) Eligible authorities and eligible governmental agencies  
18 shall receive capital grants each fiscal year by the annual  
19 process described in this section. Amounts received by an  
20 eligible authority or eligible governmental agency pursuant to  
21 this subsection shall be expended by that authority or agency  
22 solely for capital projects which have been approved by the state  
23 transportation commission. Any funds approved by distribution to  
24 an eligible authority or eligible governmental agency pursuant to  
25 this section which have not been encumbered by that agency or  
26 authority for an approved capital project by the end of the  
27 following fiscal year in which the funds were approved shall not

1 be expended by the authority or agency and be available for  
2 distribution from the comprehensive transportation fund for the  
3 purposes described in this section.

4 (6) The department, in carrying out the policy of the state  
5 transportation commission, shall annually prepare and distribute  
6 by December 1, instructions to eligible governmental agencies,  
7 eligible authorities, and intercity carriers to enable the  
8 preparation of a local transportation program. Eligible  
9 governmental agencies, eligible authorities, and intercity  
10 carriers shall give public notice of their intent to apply for  
11 money in the comprehensive transportation fund to the residents  
12 of the counties, townships, villages, and cities affected by the  
13 local transportation program and shall make their application  
14 available for a period of 30 days. All comments received by the  
15 eligible governmental agency, eligible authority, or intercity  
16 carrier shall be transmitted to the department.

17 (7) On or before March 1 of each year, each intercity  
18 carrier, eligible authority, and eligible governmental agency  
19 shall submit to the department its local transportation program  
20 for the next succeeding fiscal year. The format for each local  
21 transportation program shall be as prescribed by the federal  
22 transportation improvement program insofar as practical and shall  
23 include project descriptions, funding sources, and justification  
24 for each line item, and summary budgets based on distributions  
25 anticipated under subsection (4). The program shall contain at a  
26 minimum the contemplated routes, hours of service, estimated  
27 transit vehicle miles, costs of public transportation services,

1 and projected capital improvements or projects as exclusively  
2 determined by the eligible authority or eligible governmental  
3 agency. The costs of service and capital improvements or  
4 projects shall be in sufficient detail to permit the state  
5 transportation department to evaluate and approve the annual  
6 public transportation program. Determination of individual  
7 projects to be included in the local transportation programs  
8 other than those provided in this subsection shall be made by the  
9 governing body of the eligible authority or eligible governmental  
10 agency.

11 (8) On or before March 1 of each year, the department shall  
12 prepare and file for public inspection and review the department  
13 transportation program. The department transportation program  
14 shall be prepared on similar format to the local transportation  
15 programs, and shall include a summary description of projects,  
16 with funding sources and project justifications for each line  
17 item for the fiscal year immediately succeeding the fiscal year  
18 in which the program is submitted. In addition, the department  
19 transportation program shall include summary, nondetailed budget  
20 and project descriptions and justifications excluding projects  
21 contained in a local transportation program.

22 (9) On or before April 1 of each year, the department shall  
23 prepare and file with the commission the proposed state  
24 transportation program for the next succeeding fiscal year. The  
25 proposed state transportation program shall contain the local  
26 transportation programs of each intercity carrier, eligible  
27 authority and eligible governmental agency, the department



1 transportation program, and the programs for the expenditure of  
2 the state trunk line fund as they may have been supplemented,  
3 amended, or modified since their original filing. The state  
4 transportation program shall include the estimated amount of  
5 money in the funds described in this subsection by revenue  
6 source, project justifications, project descriptions funding  
7 sources, and budget summaries.

8 (10) On or before May 1 of each year, the state  
9 transportation commission shall act on the state transportation  
10 program for the fiscal year commencing on the following  
11 October 1. In considering approval of the proposed projects of  
12 each intercity carrier, eligible authority, or eligible  
13 governmental agency, other than projects which are to be funded  
14 pursuant to subsection (5), the state transportation commission  
15 shall consider whether the projects comply with state law, are  
16 within funds allocated in this section, whether they may be  
17 funded within the approved budgets, whether there are intercity  
18 carriers, eligible authorities, and eligible governmental  
19 agencies responsible to implement the projects, and the  
20 recommendations of the department on individual projects. Upon  
21 making those determinations, the state transportation commission  
22 shall approve the projects which best meet the criteria of this  
23 subsection.

24 (11) By October 1, the department and each intercity carrier,  
25 eligible authority, or eligible governmental agency shall enter  
26 into a contractual agreement or standardized grant memorandum of  
27 agreement, which may cover 1 or more projects to be made from

1 this section in the applicable fiscal year to the intercity  
2 carrier, eligible authority, or eligible governmental agency from  
3 the comprehensive transportation fund.

4 (12) After a multiyear public transportation program is  
5 approved by the state transportation commission, the state  
6 transportation department may enter into a grant-in-aid  
7 instrument with an eligible authority, intercity carrier, or  
8 eligible governmental agency obligating the state to a minimum  
9 level of funding for approved projects to be available over the  
10 multiyear period of the program. This obligation shall be  
11 binding upon the state transportation department as long as the  
12 provisions and conditions of the state transportation commission  
13 approved program are carried out as agreed.

14 (13) Contracts and grant memorandum agreements may be audited  
15 by the state transportation commission's office of commission  
16 audits using rules promulgated by the United States general  
17 accounting office and the terms and conditions of the respective  
18 contracts and agreements. Third party agreements are subject to  
19 the review and approval of the department.

20 (14) Funds distributed by the department may pay 100% of the  
21 portion of the cost not eligible for reimbursement by the federal  
22 government for eligible capital projects authorized by the state  
23 transportation commission using comprehensive transportation  
24 funds or the proceeds of notes and bonds issued under section  
25 18b. Priority for funding obligation shall be given to capital  
26 projects for which federal funds have been authorized.

27 (15) All approved local bus new services initiated by

1 eligible authorities and eligible governmental agencies not in  
2 their fourth year or beyond of funding on October 1, 1988, shall  
3 be funded from subsection (4)(c)(iii). Local bus new services  
4 shall be funded under subsection (4)(c)(iii) in the following  
5 percentages of eligible operating expenses as determined by the  
6 department:

7 (a) Startup 100%.

8 (b) First year 90%.

9 (c) Second year 80%.

10 (d) Third year 70%.

11 (e) Fourth year and each year thereafter, as determined by  
12 and from funds provided under subsection (4)(a). The balance of  
13 eligible operating expenses shall be met from local revenue  
14 sources including farebox. The department shall pay up to 100%  
15 of eligible capital expenses during the startup and first 3 years  
16 of service, after the third year, the department shall  
17 participate in eligible capital expenses in the same percentage  
18 as for other eligible authorities and eligible governmental  
19 agencies. For the purposes of this subsection, eligible  
20 operating and capital expenses means those expenses determined by  
21 the department as applicable to existing eligible authorities and  
22 eligible governmental agencies. The department shall prioritize  
23 annually all requests for comprehensive transportation funds to  
24 institute new services under this subsection. First priority  
25 shall be given to eligible authorities and eligible governmental  
26 agencies who have not completed their first 3 years of service by  
27 October 1, 1998. New services initiated by eligible authorities

1 and eligible governmental agencies under this subsection shall  
2 meet all of the requirements of section 10.

3 (16) The department shall pay up to 80% of the portion of the  
4 cost not eligible for reimbursement by the federal government for  
5 intercity passenger operating assistance projects authorized by  
6 the commission for the first 2 years of new services. For the  
7 third year, eligible costs shall be reimbursed at up to 60% of  
8 the portion of the cost not eligible for reimbursement by the  
9 federal government. After the third year, eligible costs shall  
10 be reimbursed at up to 50% of the portion of the cost not  
11 eligible for reimbursement by the federal government. Eligible  
12 costs of services provided as of September 30, 1981, shall be  
13 reimbursed at up to 50% of the portion of the cost not eligible  
14 for reimbursement by the federal government. However, the amount  
15 of funds from the comprehensive transportation fund when added to  
16 federal funds and local funds shall not exceed the total  
17 operating assistance project cost.

18 (17) A vehicle purchased, leased, or rented after  
19 November 15, 1976, by an eligible authority or eligible  
20 governmental agency with funds made available under this act,  
21 which funds were not already committed under a contract in  
22 existence on November 15, 1976, shall not be used to provide  
23 service on a fixed schedule and fixed route for which a passenger  
24 fee is charged unless the vehicle is accessible to a person using  
25 a wheelchair from a roadway level or curb level, and has  
26 accommodations in which 1 or more wheelchairs can be secured.

27 (18) A vehicle shall not be purchased, leased, or rented by

1 an eligible authority or eligible governmental agency after  
2 October 1, 1978, with funds made available under this act which  
3 vehicle is used to provide demand actuated service unless the  
4 eligible authority or eligible governmental agency has submitted  
5 a plan to the state transportation department describing the  
6 service to be provided by the demand actuated service to persons  
7 65 years of age or older and persons with disabilities within the  
8 applicable service area and that plan has been approved by the  
9 department. The department shall approve the plan as submitted  
10 or modified or shall reject the plan within 60 days after the  
11 plan is submitted. A plan which describes the service to be  
12 provided by the demand actuated service shall not be approved by  
13 the department unless that plan provides the following:

14 (a) That demand actuated service will be provided to persons  
15 65 years of age or older and persons with disabilities residing  
16 in the entire service area subject to the plan.

17 (b) That as a minimum, demand actuated service will be  
18 provided to persons 65 years of age or older and persons with  
19 disabilities during the same hours as service is provided to all  
20 other persons in the service area subject to the plan.

21 (c) That the average time period required for demand actuated  
22 service to persons 65 years of age or older and persons with  
23 disabilities from the initiation of a service request to arrival  
24 at the destination is equal to the average time period required  
25 for demand actuated service provided to all other persons in the  
26 service area subject to the plan.

27 (d) That the eligible authority or eligible governmental

1 agency submitting the plan has established a local advisory  
2 council with not less than 50% of its membership representing  
3 persons 65 years of age or older and persons with disabilities  
4 within the service area subject to the plan and that the local  
5 advisory council has had an opportunity to review and comment  
6 upon the plan before its submission to the department. Each  
7 eligible authority or eligible governmental agency jointly with  
8 the area agency on aging shall approve at least 1 or the  
9 equivalent of 12% of the membership of the local advisory  
10 council. Each advisory council comment shall be included in the  
11 plan when submitted to the department.

12 (19) Notwithstanding subsection (18), a plan required by  
13 subsection (18) which is not approved or rejected by the state  
14 transportation department within 60 days after submission shall  
15 be considered approved as submitted.

16 (20) Subsections (17), (18), and (19) shall not apply to  
17 vehicles or facilities used to transport persons by rail, air, or  
18 water or to vehicles of common carriers licensed by the state  
19 transportation department.

20 (21) After January 1, 1979, the department shall submit an  
21 annual report to the legislature detailing the service provided  
22 in the prior year for persons 65 years of age or older and  
23 persons with disabilities by fixed route service and demand  
24 actuated service. This report shall include a record of  
25 passenger usage and shall be submitted by April 1 of each year.

26 (22) Notwithstanding any other provision of this section, if  
27 the unreserved balance of the comprehensive transportation fund

1 as of September 30, 1997 is greater than \$50,000,000.00, then the  
2 entire unreserved balance minus \$50,000,000.00 shall be  
3 appropriated for the fiscal year ending September 30, 1998 only  
4 to local bus transit authorities for discretionary capital  
5 expenditures. These funds shall be distributed to individual  
6 authorities in the same proportion provided for in the provisions  
7 of section 10e(4)(a)(i) except that the costs of services  
8 provided by water vehicle shall not be eligible for  
9 reimbursement.

10       Sec. 10h. (1) By May 1 of each year, the state  
11 transportation commission shall report to each member of the  
12 legislature, the governor, and the auditor general its  
13 recommendations for a transportation program which the state  
14 transportation commission acts on under section 10e(10). The  
15 report shall specify the following:

16       (a) The estimated amount of money in the comprehensive  
17 transportation fund to be distributed in the following fiscal  
18 year and the amount of money in the comprehensive transportation  
19 fund to be distributed to each eligible authority, each intercity  
20 carrier, each eligible governmental agency, and the state  
21 transportation department; the estimated amount of money in the  
22 state trunk line fund to be distributed to the state  
23 transportation department for the preservation, as defined in  
24 section 10c, of state trunk line highways; and the estimated  
25 amount of money in the state trunk line fund to be distributed to  
26 the state transportation department for all other purposes in the  
27 following fiscal year. The report shall further subdivide the

1 money to be distributed to each eligible authority, each  
2 intercity carrier, each eligible governmental agency, the state  
3 transportation department from the comprehensive transportation  
4 fund, the state transportation department from the state trunk  
5 line fund for the preservation of state trunk line highways, and  
6 the state transportation department from the state trunk line  
7 fund for all other purposes specifying how much of that money is  
8 proposed to be expended for either capital acquisitions,  
9 including demonstration projects, or for operating expenses,  
10 including demonstration projects.

11 (b) An account of all expenditures of funds distributed from  
12 the state trunk line fund and the comprehensive transportation  
13 fund to the state transportation department, eligible  
14 authorities, intercity carriers, and eligible governmental  
15 agencies, and the progress made by the state transportation  
16 department, eligible authorities, intercity carriers, and  
17 eligible governmental agencies in carrying out the approved  
18 transportation programs in the preceding fiscal year through the  
19 use of those funds. The progress report shall be made based on  
20 information supplied to the state transportation department on  
21 forms authorized by the federal department of transportation.  
22 For those eligible authorities, intercity carriers, and eligible  
23 governmental agencies not receiving federal funds pursuant to the  
24 urban mass transportation act of 1964, Public Law 88-365, the  
25 progress report shall be made upon forms supplied by the state  
26 transportation department. The progress report shall also  
27 contain the whole amount of the expenses of the state



1 transportation department for the fiscal year.

2 (c) Each project certified to be eligible for a multiyear  
3 funding commitment.

4 (d) The status of all multiyear funding commitments.

5 (e) An account of the state transportation department's  
6 compliance in the preceding year with the requirements of section  
7 11(2) and (3). The report shall also specify the justification  
8 for a waiver of the requirement of section 11(3), if that  
9 requirement was waived.

10 (2) The financial transactions and accounts related to  
11 distributions made from the comprehensive transportation fund to  
12 an eligible authority ~~created under the metropolitan~~  
13 ~~transportation authorities act of 1967, 1967 PA 204, MCL 124.401~~  
14 ~~to 124.426,~~ shall be audited pursuant to ~~that act~~ **the**  
15 **metropolitan transportation authorities act of 1967, 1967 PA 204,**  
16 **MCL 124.401 to 124.426, or the Detroit area regional**  
17 **transportation authority act, whichever applies.** The cost of the  
18 audit shall be paid by the eligible authority. The financial  
19 transactions and accounts related to distributions made from the  
20 fund to an eligible governmental agency, other than a county,  
21 shall be audited in accordance with the uniform budgeting and  
22 accounting act, 1968 PA 2, MCL 141.421 to 141.440a. The  
23 financial transactions and accounts related to distributions made  
24 from the fund to a county which is an eligible governmental  
25 agency shall be audited in accordance with 1919 PA 71, MCL 21.41  
26 to 21.55. The financial transactions and accounts relative to  
27 distributions made to an intercity carrier shall be audited by an

1 independent certified public accountant in accordance with  
 2 instructions promulgated by the department of treasury. A copy  
 3 of the complete audit report and management letter shall be  
 4 submitted by the eligible authority, intercity carrier, or  
 5 eligible governmental agency to the state transportation  
 6 department. The department of treasury shall develop minimum  
 7 audit standards and requirements.

8 (3) There is hereby established a task force composed of the  
 9 Michigan public transit association, the Michigan motorbus  
 10 association, the Michigan rail users and supporters association,  
 11 the Michigan railroad association, a representative of a  
 12 state-owned or leased short line railroad, and the office of  
 13 auditor general or a certified public accountant appointed by the  
 14 auditor general, to assist the department in the development of  
 15 the progress report requirements outlined in subsection (1)(b).

16 Sec. 10/. (1) For each 12-month period beginning October 1,  
 17 1987, and each 12-month period thereafter, \$2,000,000.00 shall be  
 18 returned from the distribution under section 10e(4)(a) by each  
 19 ~~multicounty~~ **eligible** authority ~~created under the metropolitan~~  
 20 ~~transportation authorities act of 1967, Act No. 204 of the~~  
 21 ~~Public Acts of 1967, being sections 124.401 to 124.425 of the~~  
 22 ~~Michigan Compiled Laws,~~ **organized under the Detroit area**  
 23 **regional transportation authority act** in terms of a credit to  
 24 ~~those~~ cities, villages, and townships within ~~each~~  
 25 ~~transportation district of the authority, created under section~~  
 26 ~~16a of Act No. 204 of the Public Acts of 1967, being section~~  
 27 ~~124.416a of the Michigan Compiled Laws, which~~ **receiving or**

1 **eligible to receive credits as of October 1, 2001 that** apply to  
2 the authority for the credit in accordance with procedures and  
3 standards established by the authority, except as provided by  
4 subsections (2) and (3). The return of money in terms of a  
5 credit shall be based upon the population of each city, village,  
6 or township within the authority.

7 (2) For each 12-month period described in subsection (1), a  
8 city, village, or township described in subsection (1) may apply  
9 to the authority to use its credit for public transportation  
10 purposes within the authority's jurisdiction. However, the money  
11 returned in terms of a credit to any city, village, or township  
12 ~~which~~ **that** provides public transportation service for that  
13 city, village, or township shall be used exclusively toward  
14 reducing the operating deficit of that service. ~~Moreover, any~~  
15 **Any** service provided by the city, township, or village utilizing  
16 the credit received ~~pursuant to~~ **under** this section shall be  
17 operated by the authority returning the money in terms of a  
18 credit on a contractual basis with each city, village, or  
19 township or with a combination of cities, villages, and  
20 townships. If a city, township, or village has not applied to  
21 the authority to utilize its credit pursuant to this subsection  
22 by the last day of the 12-month period, that municipality's share  
23 of the money credited pursuant to subsection (1) shall be used by  
24 the authority for an expenditure within the county within which  
25 the city, village, or township lies.

26 (3) A city, village, or township ~~which~~ **that** has applied  
27 for and received approval from the authority for use of its

1 credit pursuant to subsection (2) shall have 1 year after the end  
2 of the period in which the application was made to actually  
3 expend that credit. A credit not actually expended by the city,  
4 village, or township by the last day of the year after the end of  
5 the period in which the application was made shall be used by the  
6 authority for an expenditure within the county within which the  
7 city, village, or township lies.

8 (4) Notwithstanding any other section of this or any other  
9 act, each authority authorized by this section to return money in  
10 terms of a credit shall have the final decision as to what  
11 constitutes a proper expenditure, a public transportation  
12 service, or a public transportation purpose under subsections (2)  
13 and (3).

14 (5) The expenditure of the amounts required to be expended  
15 under subsections (2) and (3) shall not be conditioned on an  
16 expenditure by a county in which the expenditure is required to  
17 be expended.

18 (6) ~~The~~ **An** authority shall retain ~~the~~ **its** ability to  
19 coordinate services between contracting cities, villages, and  
20 townships or groups of cities, villages, or townships.

21 (7) As used in this section, "operating deficit" means the  
22 operating cost of a public transportation service less the  
23 revenues generated by the service.

24 Sec. 10n. (1) Funds from the comprehensive transportation  
25 fund may be distributed to a trustee, or to the Michigan  
26 municipal bond authority as created under the shared credit  
27 rating act, 1985 PA 227, MCL 141.1051 to 141.1076, that is

1 authorized to receive the funds under a borrowing resolution  
2 adopted by an eligible authority. The issuance of the notes of  
3 an eligible authority in anticipation of payment of proceeds from  
4 the comprehensive transportation fund shall be authorized by a  
5 borrowing resolution of the eligible authority under the  
6 metropolitan transportation authorities act of 1967, 1967 PA 204,  
7 MCL 124.401 to 124.426, **or the Detroit area regional**  
8 **transportation authority act.** The issuance of the notes under  
9 this section is not subject to the revised municipal finance act,  
10 2001 PA 34, MCL 141.2101 to 141.2821, and shall be subject to the  
11 prior approval of the state transportation commission. Failure  
12 of the commission to take action within 35 days after receipt of  
13 notification from the eligible authority of intent to issue the  
14 notes, constitutes approval by the state transportation  
15 commission. The eligible authority may only issue the notes in  
16 anticipation of funds to be received during its current fiscal  
17 year at any time before the eligible authority's receipt of the  
18 funds from the comprehensive transportation fund. The principal  
19 amount of notes for which the funds to be received from the  
20 comprehensive transportation fund are pledged shall not exceed  
21 85% of the amount remaining to be received by the eligible  
22 authority from the comprehensive transportation fund in the  
23 current fiscal year. The pledge of 100% of the funds the  
24 eligible authority expects to receive from the comprehensive  
25 transportation fund shall be secured by a direct transfer of the  
26 pledge funds from the comprehensive transportation fund to the  
27 trustee or the Michigan municipal bond authority that is

1 authorized to receive the funds by the borrowing resolution  
2 adopted by the eligible authority. The notes of the eligible  
3 authority shall not be in any way a debt or a liability of the  
4 state and shall not create or constitute any indebtedness,  
5 liability, or obligations of the state or be or constitute a  
6 pledge of the full faith and credit of the state. Each note  
7 shall contain on its face a statement to the effect that the  
8 eligible authority is obligated to pay the principal of and the  
9 interest on the note only from funds of or due to the eligible  
10 authority and that this state is not obligated to pay that  
11 principal or interest and that neither the faith in credit nor  
12 the taxing power of this state is pledged to the payment of the  
13 principal of or the interest on the note. The notes shall mature  
14 not more than 13 months from the date of issuance, shall bear  
15 interest at a fixed or variable rate or rates of interest per  
16 annum, and, in addition to other security required by this  
17 section, may be secured by letter or line of credit issued by a  
18 financial institution or as provided in the borrowing  
19 resolution.

20 (2) The issuance of notes under this section is subject to  
21 the agency financing reporting act, **2002 PA 470, MCL 129.171 to**  
22 **129.177.**

23 Enacting section 1. This amendatory act takes effect June  
24 30, 2003.

25 Enacting section 2. This amendatory act does not take  
26 effect unless House Bill No. 4072 of the 92nd Legislature is  
27 enacted into law.