SFA BILL ANALYSIS
Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 152 (as enrolled)(Public Act 238 of 1987)
Senate Bill 154 (as enrolled)(Public Act 235 of 1987)
Senate Bill 156 (as enrolled)(Public Act 236 of 1987)
Senate Bill 157 (as enrolled)(Public Act 237 of 1987)
Senate Bill 321 (as enrolled)(Public Act 234 of 1987)
Senate Bill 495 (as enrolled)(Public Act 233 of 1987)
Sponsor: Senator Richard D. Fessler (Senate Bills 154, 157, and 321)
Senator Connie Binsfeld (Senate Bills 152, 156, and 495)
Senate Committee: State Affairs, Tourism, and Transportation
House Committee: Transportation (Senate Bills 152 and 495)
Taxation (Senate Bills 154, 156 and 157)
Appropriations (Senate Bill 321)

Date Completed: 3-10-88

SUMMARY OF SENATE BILLS 152, 154, 165, 157, 321 and 495 (as enrolled):

Senate Bill 152 would amend the Vehicle Code to raise the amounts collected by the State for motor vehicle registrations and transfers, and truck registrations. The bill also would provide for an additional $5 registration fee to be deposited in the Michigan Transportation Fund (MTF).

Senate Bill 154 would amend the Motor Carrier Fuel Tax Act to change the fee structure for a motor carrier license by raising the fee from $12 to $25 for each out-of-state commercial vehicle.

Senate Bill 156 would amend the General Sales Tax to redistribute 25% of the auto-related sales tax in specific percentages to the Comprehensive Transportation Fund (CTF), for the fiscal year ending September 30, 1988, and each year thereafter.

Senate Bill 157 would create the "Local Road Improvements and Operations Revenue Act" to authorize a county, if approved by the local electorate, to impose a local vehicle registration fee of up to $25 for road improvements, operations, and comprehensive transportation purposes. The Act would be repealed December 31, 1992.

Senate Bill 321 would amend Public Act 51 of 1951 to provide that beginning October 31, 1987, and for the fiscal year ending on September 30, 1988, 8% of the MTF would have to be allocated to the CTF, $43.5 million to the Transportation Economic Development Authority (which House Bill 4735 would create), and $55 million to the Authority for each fiscal year thereafter through the fiscal year ending September 30, 1993. The bill also would make changes pertaining to the distribution of the CTF; the creation of a Needs Study Committee and a Citizens Advisory Committee; the snow fund; and bonding.

Senate Bill 495 would create a new act to require the State Transportation Commission to fund transportation projects for development within qualified rural counties with revenue from the Transportation Economic Development Fund, and to allow the funding of rural primary road improvement projects with the Fund balance. The bill also provides for the creation of regional rural primary task forces that would represent each county and would make recommendations for projects within their regions.

A more detailed explanation of the bills follows.

Senate Bill 152

The bill would amend the Michigan Vehicle Code to:

- Raise the registration fee for trucks to between $386 (up from $316) for a truck with a gross weight of up to 24,000 pounds, and $2,388 (up from $2,072) for trucks over 160,000 pounds, and require $5 per registration to be deposited in a truck driver education fund.
- Increase the registration fee for motor vehicles not otherwise subject to a different registration fee, and for pickup trucks and vans that weigh 5,000 pounds or less and are owned by an individual, to between $29 (up from $23) for up to 3,000 pounds, and $95 (from $85) for vehicles weighing 9,501-10,000 pounds, and 90 cents (from 85 cents) per 100 pounds over 10,000.
- Increase from $5 to $10 the registration fee for certain vehicles owned by nonprofit organizations or nonpublic schools, and civil air patrol, emergency support, and volunteer fire department vehicles; and raise from $2 to $10 the fee to transfer the registration of such vehicles.
- Raise from $14 to $23 the registration fee for motorcycles.
- Raise the registration fee for pickups and vans not over 5,000 pounds and not owned by an individual, from $34 to $39 (for up to 4,000 pounds), $39 to $44 (4,001-4,500 pounds), and $44 to $49 (4,501-5,000 pounds).
- Increase from $2 to $8 the transfer fee for motor vehicles and pickups and vans not over 5,000 pounds and owned by an individual.
- Raise to $10, from $2, the fee collected for an application to transfer registration from one moped to another; for application or duplication of a vehicle certificate of title; or for the service charge for special registration of farm vehicles or vehicles weighing 24,000 pounds or more.
- Add a $5 fee to vehicle registration fees for trucks over 10,000 pounds, trailers, farm vehicles, wood harvester vehicles, hearses, ambulances, governmental vehicles,

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trucks owned by a charitable corporation, trucks weighing up to 8,000 pounds and not used for towing, trucks used to tow recreational vehicles, commercial vehicles used to transport passengers for hire, moving vans, and motor vehicles made after 1983 and not previously subject to the registration fee. The $5 increase would have to be credited to the Michigan Transportation fund to defray the costs of processing vehicle registrations.

- Raise to $15 from $5 the penalty fee for a late transfer and the registration fee for historic vehicle plates or tabs.
- Raise to 76 cents from 54 cents the per-pound fee for trailer registration.
- Raise registration fees by weight for each pole trailer, semitrailer or trailer in the following way: 0-500 pounds, from $8 to $17; 501-1500 pounds, $14 to $24; and over 1501 pounds, $27 to $39.
- Raise to $10 from $5, and to $5 from $4, the fee collected for a certificate of title for a salvage vehicle or junk vehicle, respectively.
- Raise to $5 from $2.50 and from $1 the fee collected for a duplicate or replacement plate for dealer's plates and all other plates, respectively.
- Raise to $10 from $2 the fee collected for an application for a special engine identifying number.

With the exception of the registration fee increases, the fees, charges, or taxes levied under the bill would take effect April 5, 1988. The registration fee increases would take effect beginning with vehicle registrations that expire on or after April 5, 1988, and that are issued on or after February 16, 1988. At least 30 days before the bill's increases took effect, the Secretary of State would be required to display signs in each branch office giving notice of the costs and fees for operators' licenses and renewals and title transfers, and the administration fee. Branch offices also would have to make available lists of other transaction costs. The Secretary of State would have to give the Legislature detailed information on future increases in transaction costs.

MCL 257.217 et al.

Senate Bill 154

The bill would amend the Motor Carrier Fuel Tax Act to change the fee structure for a motor carrier license by raising the fee from $12 to $25 for each commercial motor vehicle that is not required to be registered under the Act (i.e., out-of-state vehicles). The current $92 fee for in-State commercial vehicles would be retained. The license fee imposed in 1988 would have to be reduced by one-twelfth of the fee imposed in 1987, rounded off to the nearest dollar.

Senate Bill 156

The bill would amend the General Sales Tax Act to establish, for the fiscal year ending September 30, 1988, and each year thereafter, a disbursement formula for funds equaling 25% of the general sales tax imposed upon the sale of motor vehicle fuel, motor vehicles, and motor vehicle parts and accessories, by new and used car dealers, used car dealers, accessory dealers, and gas stations, after distributions to local units under the State Revenue Sharing Act and to the State School Aid Fund under the State Constitution. That money would be distributed as follows:

- 27.9% to the Comprehensive Transportation Fund.
- The balance to the State General Fund.

The bill would take effect December 1, 1987.

MCL 207.215

Senate Bill 156

The bill would amend the General Sales Tax Act to establish, for the fiscal year ending September 30, 1988, and each year thereafter, a disbursement formula for funds equaling 25% of the general sales tax imposed upon the sale of motor vehicle fuel, motor vehicles, and motor vehicle parts and accessories, by new and used car dealers, used car dealers, accessory dealers, and gas stations, after distributions to local units under the State Revenue Sharing Act and to the State School Aid Fund under the State Constitution. That money would be distributed as follows:

- 27.9% to the Comprehensive Transportation Fund.
- The balance to the State General Fund.

The bill would take effect December 1, 1987.

MCL 207.215

Senate Bill 157

The bill would create the "Local Road Improvements and Operations Revenue Act" to authorize a county to impose a registration fee of up to $25 on a motor vehicle owned by a person residing in the county, upon the approval of a majority of the county electorate. The revenue from the fee would be specifically earmarked for road improvements, operations, or comprehensive transportation purposes as defined by law.

The election on the fee could be called by resolution of the governing body of the county, whose recording officer would have to file a copy of the resolution with the clerk of each affected city, village, or township at least 60 days before the election. Not more than one such election could be held in a county in a calendar year. If approved, the fee would apply to registrations that expired not less than 180 days following certification of the election and that were issued not less than 135 days after certification, or at an earlier date determined by the Secretary of State.

After deducting costs of collection, the Secretary of State would be required to return the revenue from the fee to the designated county road agency, city, and village recipients of Michigan Transportation Fund revenue in a percentage amount equal to the same percentage amount received by the agency, and each city and village within that county from the total MTF revenue received by the designated agency, and each city and village recipient in that county under Public Act 51 of 1951 (which would be amended by Senate Bill 321). "County road agency" would mean the board of county road commissioners, or if a board does not exist in a county, the agency designated by the county charter.

The proposed Act would be repealed December 31, 1992. A registration fee imposed by a county and approved by the electors before that date would be valid for the duration of the time specified on the ballot or until removed by the electors.

Senate Bill 321

The bill would amend Public Act 51 of 1951 to provide that beginning October 31, 1987, and for the fiscal year ending on September 30, 1988, 8% of the MTF would have to be allocated to the CTF, $43.5 million to the Transportation Economic Development Authority (which House Bill 4735 would create), and $55 million to the Authority for each fiscal year thereafter through the fiscal year ending September 30, 1993. The bill also would:

- Revise the process by which money in the CTF is distributed to eligible bus operating authorities.

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- Require annual appropriations from the MTF for the rail grade crossing account, and for the Transportation Economic Development Fund.
- Establish a Needs Study Committee and Citizens Advisory Committee.
- Provide for a deduction from the State and county distribution formulas for projects vital to the economy or to public safety.
- Revise the snow fund formula.
- Add bonding provisions to enable eligible authorities to borrow on a cash anticipation basis.

<u>Michigan Transportation Fund</u>

Beginning October 31, 1987, and for the fiscal years ending September 30, 1988, through September 30, 1993, the MTF would have to apportioned in the following way:

- Not more than $3 million as appropriated annually to the State Trunk Line Fund for subsequent deposit in the rail grade crossing account.
- 10% to the Comprehensive Transportation Fund for purposes described in the Act.
- $21,550,000 to the State Trunk Line Fund for deposit in the Transportation Economic Development Fund, or allocation to debt service on bonds issued to fund Transportation Economic Development Fund projects for the fiscal year ending September 30, 1988, and $36,775,000 for each subsequent fiscal year through the fiscal year ending September 30, 1993.

Of the balance, 39.1% would be allocated to the State Trunk Line Fund, 39.1% to county road commissions, and 21.8% to cities and villages.

If a distribution formula were not enacted for any time period beginning after September 30, 1993, an amount sufficient to pay the principal and interest due on bonds and notes would be apportioned and appropriated from the MTF for the following:

- Comprehensive Transportation Fund.
- State Trunk Line Fund.
- County road commissions.
- Cities and villages.

The bill would require that 30% of the funds appropriated to this State from the Federal government, commonly known as 85% minimum floor funds, be allocated to the Transportation Economic Development Fund, if such an allocation were consistent with Federal law. The funds would have to be divided equally between development projects for rural counties and for capacity improvement in urban counties. ("85% Federal minimum floor funds" refers to the 85% of gas tax revenue that must be returned to the State by the Federal government, out of the total gas tax revenue the Federal government collects from the State.)

The balance would revert to the MTF until a distribution formula was enacted.

<u>Comprehensive Transportation Fund/Bus Authorities</u>

Under the Act, the Comprehensive Transportation Fund must first be spent to pay principal and interest on bonds issued for CTF purposes and to pay the cost of administering the Fund. Of the balance, 65% must be distributed as operating grants to eligible transportation authorities and eligible governmental agencies. The balance is allocated to new small bus services and specialized services (5% of the CTF), intercity passenger transportation purposes (8%), intercity freight transportation services (5%), and the transportation development account (17%).

<u>Operating Grants</u>. Under the bill, for the fiscal year ending September 30, 1989, and for subsequent fiscal years, the percentage of the CTF allocated as operating grants would increase to 70%. Notwithstanding any other provision, for the fiscal years ending September 30, 1989, 1990, and 1991, each eligible authority and eligible governmental agency would have to receive a distribution from the CTF not less than the distribution received for eligible operating expenses for the fiscal year ending September 30, 1987. Beginning with the fiscal year ending September 30, 1992, and thereafter, each eligible authority and agency would receive a distribution not less than that received for the fiscal year ending September 30, 1989. Further, the bill would prohibit operating grants from increasing from fiscal year to fiscal year at a rate greater than the percentage change between CTF revenues appropriated in the preceding fiscal year and the estimated increase in the fiscal year for which the grants would be authorized. In the fiscal year ending September 30, 1989, however, the fiscal year ending September 30, 1987, would have to be used (for comparison).

Each eligible authority and eligible governmental agency receiving Comprehensive Transportation Funds would be required to prepare and submit a quarterly report of the progress made in carrying out its local transportation program within 40 days after the end of each fiscal year quarter.

The Department could periodically adjust or redistribute Comprehensive Transportation Funds previously distributed.

<u>Public Transportation Services</u>. For the fiscal year ending September 30, 1988, 35% of the CTF would have to be distributed for public transportation services. Funds would have to be spent pursuant to specific line item appropriation for, but not limited to, the following: not less than $850,000 in each fiscal year in grants for specialized services; grants for new small bus service; intercity passenger and freight transportation purposes; bus capital expenditure matching funds; supplemental operating assistance to eligible authorities and governmental agencies; not more than $1.0 million in each fiscal year to a city, village, or township that used a municipal credit program; and public transportation development. Unspent funds would revert to the CTF.

For the fiscal year ending September 30, 1989, and each subsequent fiscal year, not less than 10% of the CTF would have to be distributed for intercity passenger and intercity freight transportation purposes, and 20% for public transportation services, including the following:

- Not less than $1 million each for the local share and effective bonus assistance programs.
- Not less than $2 million for the specialized services assistance program. Proposals for coordinated specialized services assistance funding would have to be developed jointly between existing eligible authorities or agencies that provide public transportation services and the Area Agencies on Aging or any other organization representing specialized services interests. If an eligible authority or agency did not exist to provide public transportation service in a county, coordinated proposals for specialized services assistance funding could be submitted by the Area Agency on Aging or other organization.
- Local bus capital.
- Local bus new services.
- Not more than $1 million in each fiscal year for the credit program established under the Act.

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- Public transportation development.
- Other public transportation programs approved by the Commission.

"Specialized services" would mean public transportation primarily designed for persons who are handicappers or who are 65 years of age or older. The Commission would be required to request a formal opinion from the Attorney General regarding the question of whether reducing the age from 65 to 60 years would constitute a State-mandated cost to local units. If the Attorney General concluded that reducing the age would not constitute a State mandated cost, the Legislature would be required to make that reduction within two years after the effective date of this provision.

New Services. The bill provides that funds distributed for intercity passenger and freight transportation purposes could be used to initiate new services by eligible authorities and eligible governmental agencies not receiving operating grants as of October 1, 1988. Eligible projects would have to be funded in the following percentages of eligible operating expenses: 100% startup; 90% first year; 80% second year; 70% third year; and, in subsequent years, as outlined in the bill for the distribution of operating grants to other eligible authorities and agencies. The balance of eligible operating expenses would have to be met from local revenue sources, including farebox. Annually, the Department would have to prioritize all requests for Comprehensive Transportation Funds to institute new services. First priority would have to be given to eligible authorities and agencies that had not completed their first three years of service by October 1, 1988.

Trunk Line Fund

The bill provides that money deposited in the State Trunk Line Fund could be used for the following purposes:

- The transfer of funds appropriated under the bill ($21,550,000 for the fiscal year ending September 30, 1988, and $36,775,000 annually through the fiscal year ending September 30, 1993) to the Trunk Line Fund for subsequent deposit in the Transportation Economic Development Fund. This transfer would have to be reduced each fiscal year by the amount of debt service to be paid in that year from the Trunk Line Fund for bonds, notes, or other obligations issued to fund projects of the Transportation Economic Development Fund.
- The transfer of funds appropriated under the bill (not more than $3 million annually) to the railroad grade crossing account in the Trunk Line Fund to meet all or part of the cost of providing for the improvement, installation, and retirement of new or existing safety devices at rail grade crossings on public roads and streets. These funds could be spent, however, only after all Federal funds from the grade crossing improvement program or other comparable programs had been exhausted or committed. Further, these funds could be spent only if the affected railroad paid 25% and the local road authority paid 10% of the costs for which this appropriation had been made.

Needs Study Committee

The Act requires the State Transportation Commission to maintain a continuing study of the transportation needs of the State. Under the bill, by December 1, 1987, and every four years thereafter, the Governor would be required to appoint not more than five persons to serve as a Needs Study Committee. The members would be appointed to a four-year term and appointments would be subject to Senate approval. The Committee would have to include at least one representative of each of the following: manufacturing, commerce, agriculture, tourism, and labor.

The Needs Study Committee, by a majority vote, would be required to report to the Legislature, the Governor, and the State Transportation Commission on the following subjects:

- Capital and maintenance needs.
- Transportation investment and maintenance priorities.
- Relative use of transportation systems.
- Responsibilities for the identified needs, including economic development needs.
- Transportation funding options.
- Historical transportation financing patterns as they relate to total statewide fiscal resources.
- Strategies for maximizing the returns on transportation investments.

All studies and reports that related to highways would have to be reported according to functional and legal classification. The Committee would be required to publish a preliminary report of the data and findings by January 1, 1989. After holding appropriate public hearings, the Committee would have to recommend, if it considered necessary, changes in the formulas for transportation funding and changes to the distributions of transportation responsibilities before January 1, 1990, and by January 1 every fourth year.

Citizens Advisory Committee .

The bill would create a Citizens Advisory Committee to receive and comment upon all reports, studies and recommendations prepared by various designated technical subcommittees prior to the submission of such material to the Needs Study Committee. The members of the Citizens Advisory Committee would have to be given sufficient time and opportunity to give the Needs Study Committee their majority, minority, or individual views on the reports. The Governor would be required to appoint not more than 23 persons to four-year terms, including at least one representative of each of the following organizations:

- Michigan Farm Bureau
- Michigan Trucking Association
- Michigan Association of Counties
- Michigan Townships Association
- Michigan State Chamber of Commerce
- Michigan Tourist Association
- County Road Association of Michigan
- Michigan Public Transit Association
- Michigan Association of Railroads
- Michigan Municipal League
- Michigan Motor Bus Association
- Area Agency for Aging
- Michigan Association of Railroad Passengers
- Nonmotorized Advisory Commission
- Michigan Association of Airport Executives
- American Association of Aviation Businesses
- American Association of Retired Persons
- Michigan Council for Independent Living

Snow Fund

The Act provides for an amount to be withheld from counties' November monthly distribution and then returned to county road commissions for snow removal. That amount is distributed among the counties on the basis of measured snowfall in excess of 80 inches during the prior fiscal year, divided proportionately among the counties based upon inches of snow. The bill provides, instead, that the amount

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would be distributed to counties on the basis of "each respective county's average percentage share of the total amount returned annually to all counties in the state in each of the 14 calendar years before 1986".

Bonding

The bill provides that funds from the CTF could be distributed to a trustee, or to the Michigan Municipal Bond Authority, authorized to receive the funds pursuant to a borrowing resolution adopted by an eligible authority. The issuance of notes of the authority would have to be authorized by a borrowing resolution of the authority in anticipation of payment of proceeds from the CTF pursuant to the authority's ability to bond under the Metropolitan Transportation Authorities Act. The issuance of notes would be subject to Section 11, Chapter III of the Municipal Finance Act (which provides for the issuance of obligations without the approval of the Department of Treasury if certain conditions are met) and would have to be subject to the prior approval of the State Transportation Commission. Failure of the Commission to take action within 35 days after receipt of notification from an eligible authority of intent to issue the notes, would constitute approval by the Commission. An eligible authority could only issue notes in anticipation of funds to be received during its current fiscal year at any time before it received funds from the CTF. The principal amount of notes for which funds to be received from the CTF were pledged could not exceed 85% of the amount that remained to be received by the eligible authority from the CTF in that fiscal year. The pledge of 100% of the funds the eligible authority expected to receive from the CTF would have to be secured by a direct transfer of the pledge funds from the CTF to the trustee or the Michigan Municipal Bond Authority that was authorized to receive the funds by the borrowing resolution adopted by the authority. The notes of the eligible authority would not be in any way a debt or liability of the State and would not create or constitute any indebtedness, liability, or obligations of the State or be or constitute a pledge of the full faith and credit of the State. Each note would be required to state on its face that the eligible authority was obligated to pay the principal and interest on the note only from funds of or due to the eligible authority and that the State was not obligated pay that principal or interest, and that neither the faith in credit nor the taxing power of the State was pledged to the payment of the principal or the interest on the note. The notes could not mature more than 13 months from the date of issuance, would have to bear interest at a fixed or variable rate or rates of interest per annum, and, in addition to other security, could be secured by letter or line of credit issued by a financial institution or as provided in the borrowing resolution.

Other Provisions

The Act requires that 90% of a county's revenue from the MTF be spent on road maintenance and debt service, after certain amounts are deducted. The bill would add a deduction for amounts spent for projects vital to the economy of the local area or the safety of the public in the local area. Before those amounts could be deducted, the county road commission or the governing body over the county road commission, as applicable, would have to pass a resolution approving the projects. The resolution would have to state which projects would be funded and the cost of each. A copy of the resolution would have to be forwarded immediately to the Department.

The Act requires eligible authorities and eligible governmental agencies to post operating times on each passenger shelter operated or used by the authority or agency. The bill would require, instead, that the schedules be "made available, at no cost".

The bill would delete the requirement that the Department use solar energy systems, integrated with conventional systems, to heat hot water at a highway rest area or travel information center facility that is constructed or extensively remodeled or modernized.

The bill would repeal Section 11a (MCL 247.661a) and Section 18j (MCL 247.668j) of Public Act 51 of 1951. Section 11a specifies highway construction projects to be funded by the STF in the event additional money exists as a result of an increase in the motor fuel tax. Section 18j allows a city or village to pledge for annual debt service requirements, not more than 45% of the average annual revenues received for the five years next preceding borrowing from the MTF.

MCL 247.660 et al.

Senate Bill 495

The bill would create a new act to require the State Transportation Commission to fund transportation projects for development within qualified rural counties, and to allow the Commission to fund projects for the improvement of rural primary roads with the balance of the Fund.

The first $5 million of the Fund would have to be distributed each fiscal year to each qualified county in a percentage equal to the proportion of acreage of commercial forest, national park, and national lakeshore land in each qualified county to the total of such acreage in all qualified counties in the State. ("Qualified county" would mean a county in which a national lakeshore or a national park is located, or in which 34% or more of all land is commercial forest land.)

The next $2.5 million of the Fund would have to be distributed each fiscal year for county roads and city and village street improvements on the Federal aid to urban system in rural counties. This distribution would have to be determined by the State Transportation Commission. Funds could not be committed to any project, however, and no project could be authorized for any funds under this provision, until the Commission notified the Senate and House Appropriations subcommittees on transportation. Hearings could be conducted to afford interested parties the opportunity to address the selection process, the final project list, proposed funding, and related issues. If hearings were not conducted by the subcommittees within 60 days after project notification by the Commission, the Commission could proceed with project authorization for funding.

The Commission also could fund projects for development within rural counties using not less than 25% of the balance of the Transportation Economic Development Fund revenue after deducting the amounts distributed as required above, and not less than 15% of any 85% Federal minimum floor funds available in any year. This revenue would have to be distributed for the improvement of rural primary roads in rural counties and major streets in cities and villages with a population of 5,000 or less. Projects would have to be limited to upgrading rural primary roads and major streets to create an all-season road network. Funds would have to be allocated to each county on the basis of rural primary mileage in counties under 400,000 population. Matching funds of at least 25% of the total eligible costs of a project would have to be required for these projects, although the Commission could set aside this requirement

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in the case of extreme economic hardship in the local unit in which the project was located.

Regional rural primary task forces that represented each county would be required to recommend to the Commission funding projects within their respective regions. If a county failed to submit sufficient qualified projects to obligate its allocation after three consecutive years, those funds would have to be reallocated to the remaining counties in the same regional rural primary task force area. The regional task force areas would have to coincide with the boundaries of the 14 State planning and development regions. In a task force area composed of five or more counties, subtask forces of two or more counties could be formed with the approval of the primary task force.

A regional rural primary task force would have to be composed of a representative of each county road commission within the regional area plus an equal number of representatives from incorporated cities and villages with a population of 5,000 or less within the regional area, and a representative selected by the Commission. The task force would have to select the projects for submission to the Commission for funding as follows:

- Projects would have to be on the Federal aid secondary system unless otherwise waived by the regional rural primary task force.
- Projects would have to be on existing hard surface roads unless otherwise waived by the primary task force.
- Construction would have to be to all-season standards.
- These funds could be used for physical construction only and could not include costs of right-of-way acquisition and engineering.

The Commission, through the Department of Transportation, would be required to administer the programs and rural development projects in the same manner as the current local Federal aid secondary program. The Commission would be the contracting agent for all projects to be funded under the proposed act.

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