

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1590

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 section 10e (MCL 247.660e), as amended by 1998 PA 87.

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

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

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

11           (3) After making or setting aside payments required by  
12 subsection (2), the second priority of the comprehensive  
13 transportation fund is the payment of the department's cost in  
14 administering the comprehensive transportation fund. The amount to  
15 be expended pursuant to this subsection shall not exceed the costs

1 appropriated for the administration of the fund in the fiscal year  
2 ending September 30, 1987, as adjusted annually on October 1, by  
3 the change for the preceding 12 months in the Detroit consumer  
4 price index for urban wage earners and shall be appropriated  
5 annually by the legislature.

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

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

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

22 (ii) For the fiscal year ending September 30, 1998, and each  
23 fiscal year thereafter, each eligible authority and eligible  
24 governmental agency which provides public transportation services  
25 in urbanized areas with a Michigan population less than or equal to  
26 100,000 and nonurbanized areas under ~~Public Law 103-272, 49 U.S.C.~~  
27 **USC** 5311, shall receive a grant of up to 60% of their eligible

1 operating expenses as defined by the state transportation  
2 department. For purposes of receiving a grant under this  
3 subparagraph in nonurbanized areas, eligible costs of services  
4 provided by water vehicle shall be reimbursed at not less than 50%  
5 of the portion of the costs not eligible for reimbursement by the  
6 federal government.

7 (iii) Funds shall not be distributed to an eligible authority or  
8 eligible governmental agency under this act unless the eligible  
9 authority or eligible governmental agency provides or agrees to  
10 provide preferential fares for public transportation services to  
11 persons 65 years of age or over or persons with disabilities riding  
12 in off peak periods of service. As used in this section, "person  
13 with disabilities" means an individual with a disability as that  
14 term is defined in 61 ~~F.R.P.~~ **FRP** 56424 (November 1, 1996) and 49  
15 ~~C.F.R.~~ **CFR** part 27. The preferential fares shall not be higher than  
16 50% of the regular 1-way single fare.

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

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

1 thereafter, each eligible authority and eligible governmental  
2 agency shall receive a distribution from the comprehensive  
3 transportation fund for eligible operating expenses not less than  
4 the distribution received for the fiscal year ending September 30,  
5 1997. As it relates to this subsection the ratio between  
6 comprehensive transportation funds and local funds in the fiscal  
7 year ending September 30, 1989 shall be maintained for all fiscal  
8 years by the eligible authority and eligible governmental agency.  
9 Reductions in this ratio shall require a proportionate reduction in  
10 the comprehensive transportation funds provided for any fiscal  
11 year.

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

21 (vii) The department shall periodically adjust or redistribute  
22 comprehensive transportation funds previously distributed under  
23 this subdivision.

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

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

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

20 (A) Proposals for coordinated specialized services assistance  
21 funding shall be developed jointly between existing eligible  
22 authorities or eligible governmental agencies that provide public  
23 transportation services and the area agencies on aging or any other  
24 organization representing specialized services interests, as  
25 defined in this subdivision. Plans shall be reviewed and approved  
26 by the bureau of urban and public transportation of the department.  
27 Upon approval, the department shall release the funds to the

1 eligible authority or eligible governmental agency which shall then  
2 allocate the funds to the area agency on aging or any other  
3 organization representing specialized services interests, as  
4 defined in this subdivision for the purchase of services as  
5 approved in the plan by the department.

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

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

20 (ii) Local bus capital. For the fiscal year ending September  
21 30, 1998 and each fiscal year thereafter, not less than  
22 \$8,000,000.00 will be distributed for either matching federal funds  
23 for local bus capital or 100% capital projects for eligible  
24 authorities and eligible governmental agencies that are not  
25 eligible to receive federal capital formula funds under section  
26 5307 of the federal intermodal surface transportation efficiency  
27 act, Public Law 102-240, or any successor act.

1 (iii) Local bus new services.

2 (iv) Not less than \$2,000,000.00 in each fiscal year for the  
3 credit program established under section 10/.

4 (v) Public transportation development.

5 (vi) Other public transportation programs approved by the  
6 commission.

7 (d) The unappropriated and unencumbered balance of the  
8 comprehensive transportation fund lapses at the end of each fiscal  
9 year and reverts to the comprehensive transportation fund for  
10 appropriation in the following fiscal year.

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

25 (6) The department, in carrying out the policy of the state  
26 transportation commission, shall annually prepare and distribute by  
27 December 1, instructions to eligible governmental agencies,

1 eligible authorities, and intercity carriers to enable the  
2 preparation of a local transportation program. Eligible  
3 governmental agencies, eligible authorities, and intercity carriers  
4 shall give public notice of their intent to apply for money in the  
5 comprehensive transportation fund to the residents of the counties,  
6 townships, villages, and cities affected by the local  
7 transportation program and shall make their application available  
8 for a period of 30 days. All comments received by the eligible  
9 governmental agency, eligible authority, or intercity carrier shall  
10 be transmitted to the department.

11 (7) On or before March 1 of each year, each intercity carrier,  
12 eligible authority, and eligible governmental agency shall submit  
13 to the department its local transportation program for the next  
14 succeeding fiscal year. The format for each local transportation  
15 program shall be as prescribed by the federal transportation  
16 improvement program insofar as practical and shall include project  
17 descriptions, funding sources, and justification for each line  
18 item, and summary budgets based on distributions anticipated under  
19 subsection (4). The program shall contain at a minimum the  
20 contemplated routes, hours of service, estimated transit vehicle  
21 miles, costs of public transportation services, and projected  
22 capital improvements or projects as exclusively determined by the  
23 eligible authority or eligible governmental agency. The costs of  
24 service and capital improvements or projects shall be in sufficient  
25 detail to permit the state transportation department to evaluate  
26 and approve the annual public transportation program. Determination  
27 of individual projects to be included in the local transportation

1 programs other than those provided in this subsection shall be made  
2 by the governing body of the eligible authority or eligible  
3 governmental agency.

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

15 (9) On or before April 1 of each year, the department shall  
16 prepare and file with the commission the proposed state  
17 transportation program for the next succeeding fiscal year. The  
18 proposed state transportation program shall contain the local  
19 transportation programs of each intercity carrier, eligible  
20 authority and eligible governmental agency, the department  
21 transportation program, and the programs for the expenditure of the  
22 state trunk line fund as they may have been supplemented, amended,  
23 or modified since their original filing. The state transportation  
24 program shall include the estimated amount of money in the funds  
25 described in this subsection by revenue source, project  
26 justifications, project descriptions funding sources, and budget  
27 summaries.

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

16           (11) By October 1, the department and each intercity carrier,  
17 eligible authority, or eligible governmental agency shall enter  
18 into a contractual agreement or standardized grant memorandum of  
19 agreement, which may cover 1 or more projects to be made from this  
20 section in the applicable fiscal year to the intercity carrier,  
21 eligible authority, or eligible governmental agency from the  
22 comprehensive transportation fund.

23           (12) After a multiyear public transportation program is  
24 approved by the state transportation commission, the state  
25 transportation department may enter into a grant-in-aid instrument  
26 with an eligible authority, intercity carrier, or eligible  
27 governmental agency obligating the state to a minimum level of

1 funding for approved projects to be available over the multiyear  
2 period of the program. This obligation shall be binding upon the  
3 state transportation department as long as the provisions and  
4 conditions of the state transportation commission approved program  
5 are carried out as agreed.

6 (13) Contracts and grant memorandum agreements may be audited  
7 by the state transportation commission's office of commission  
8 audits using rules promulgated by the United States general  
9 accounting office and the terms and conditions of the respective  
10 contracts and agreements. Third party agreements are subject to the  
11 review and approval of the department.

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

19 (15) All approved local bus new services initiated by eligible  
20 authorities and eligible governmental agencies not in their fourth  
21 year or beyond of funding on October 1, 1988, shall be funded from  
22 subsection (4)(c)(iii). Local bus new services shall be funded under  
23 subsection (4)(c)(iii) in the following percentages of eligible  
24 operating expenses as determined by the department:

- 25 (a) Startup 100%.  
26 (b) First year 90%.  
27 (c) Second year 80%.

1 (d) Third year 70%.

2 (e) Fourth year and each year thereafter, as determined by and  
3 from funds provided under subsection (4) (a). The balance of  
4 eligible operating expenses shall be met from local revenue sources  
5 including farebox. The department shall pay up to 100% of eligible  
6 capital expenses during the startup and first 3 years of service,  
7 after the third year, the department shall participate in eligible  
8 capital expenses in the same percentage as for other eligible  
9 authorities and eligible governmental agencies. For the purposes of  
10 this subsection, eligible operating and capital expenses means  
11 those expenses determined by the department as applicable to  
12 existing eligible authorities and eligible governmental agencies.  
13 The department shall prioritize annually all requests for  
14 comprehensive transportation funds to institute new services under  
15 this subsection. First priority shall be given to eligible  
16 authorities and eligible governmental agencies who have not  
17 completed their first 3 years of service by October 1, 1998. New  
18 services initiated by eligible authorities and eligible  
19 governmental agencies under this subsection shall meet all of the  
20 requirements of section 10.

21 (16) The department shall pay up to 80% of the portion of the  
22 cost not eligible for reimbursement by the federal government for  
23 intercity passenger operating assistance projects authorized by the  
24 commission for the first 2 years of new services. For the third  
25 year, eligible costs shall be reimbursed at up to 60% of the  
26 portion of the cost not eligible for reimbursement by the federal  
27 government. After the third year, eligible costs shall be

1 reimbursed at up to 50% of the portion of the cost not eligible for  
2 reimbursement by the federal government. Eligible costs of services  
3 provided as of September 30, 1981, shall be reimbursed at up to 50%  
4 of the portion of the cost not eligible for reimbursement by the  
5 federal government. However, the amount of funds from the  
6 comprehensive transportation fund when added to federal funds and  
7 local funds shall not exceed the total operating assistance project  
8 cost.

9 (17) A vehicle purchased, leased, or rented after November 15,  
10 1976, by an eligible authority or eligible governmental agency with  
11 funds made available under this act, which funds were not already  
12 committed under a contract in existence on November 15, 1976, shall  
13 not be used to provide service on a fixed schedule and fixed route  
14 for which a passenger fee is charged unless the vehicle is  
15 accessible to a person using a wheelchair from a roadway level or  
16 curb level, and has accommodations in which 1 or more wheelchairs  
17 can be secured.

18 (18) A vehicle shall not be purchased, leased, or rented by an  
19 eligible authority or eligible governmental agency after October 1,  
20 1978, with funds made available under this act which vehicle is  
21 used to provide demand actuated service unless the eligible  
22 authority or eligible governmental agency has submitted a plan to  
23 the state transportation department describing the service to be  
24 provided by the demand actuated service to persons 65 years of age  
25 or older and persons with disabilities within the applicable  
26 service area and that plan has been approved by the department. The  
27 department shall approve the plan as submitted or modified or shall

1 reject the plan within 60 days after the plan is submitted. A plan  
2 which describes the service to be provided by the demand actuated  
3 service shall not be approved by the department unless that plan  
4 provides the following:

5 (a) That demand actuated service will be provided to persons  
6 65 years of age or older and persons with disabilities residing in  
7 the entire service area subject to the plan.

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

12 (c) That the average time period required for demand actuated  
13 service to persons 65 years of age or older and persons with  
14 disabilities from the initiation of a service request to arrival at  
15 the destination is equal to the average time period required for  
16 demand actuated service provided to all other persons in the  
17 service area subject to the plan.

18 (d) That the eligible authority or eligible governmental  
19 agency submitting the plan has established a local advisory council  
20 with not less than 50% of its membership representing persons 65  
21 years of age or older and persons with disabilities within the  
22 service area subject to the plan and that the local advisory  
23 council has had an opportunity to review and comment upon the plan  
24 before its submission to the department. Each eligible authority or  
25 eligible governmental agency jointly with the area agency on aging  
26 shall approve at least 1 or the equivalent of 12% of the membership  
27 of the local advisory council. Each advisory council comment shall

1 be included in the plan when submitted to the department.

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

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

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

16 ~~(22) Notwithstanding any other provision of this section, if~~  
17 ~~the unreserved balance of the comprehensive transportation fund as~~  
18 ~~of September 30, 1997 is greater than \$50,000,000.00, then the~~  
19 ~~entire unreserved balance minus \$50,000,000.00 shall be~~  
20 ~~appropriated for the fiscal year ending September 30, 1998 only to~~  
21 ~~local bus transit authorities for discretionary capital~~  
22 ~~expenditures. These funds shall be distributed to individual~~  
23 ~~authorities in the same proportion provided for in the provisions~~  
24 ~~of section 10c(4)(a)(i) except that the costs of services provided~~  
25 ~~by water vehicle shall not be eligible for reimbursement.~~

26 **NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, FOR EACH**  
27 **FISCAL YEAR THAT BEGINS AFTER SEPTEMBER 30, 2009, THE GOVERNOR AND**

1 THE STATE BUDGET DIRECTOR SHALL INCLUDE IN THE ANNUAL BUDGET  
2 SUBMITTED TO THE LEGISLATURE FOR THE ENSUING FISCAL PERIOD UNDER  
3 SECTION 18 OF ARTICLE V OF THE STATE CONSTITUTION OF 1963 AN  
4 APPROPRIATION FROM A FUND OR FUNDS OTHER THAN THE COMPREHENSIVE  
5 TRANSPORTATION FUND TO A STREET RAILWAY ORGANIZED UNDER THE  
6 NONPROFIT STREET RAILWAY ACT, 1867 PA 35, MCL 472.1 TO 472.27, OF A  
7 SUM EQUAL TO THE DIFFERENCE BETWEEN THE ANNUAL OPERATING EXPENSES  
8 OF THE STREET RAILWAY AND REVENUE RECEIVED BY THE STREET RAILWAY  
9 DURING THE SAME ANNUAL PERIOD, INCLUDING, BUT NOT LIMITED TO, TAX  
10 INCREMENT REVENUES RECEIVED BY THE STREET RAILWAY UNDER SECTION 23  
11 OF THE NONPROFIT STREET RAILWAY ACT, 1867 PA 35, MCL 472.23. THE  
12 APPROPRIATION SUBMITTED IN THE BUDGET UNDER THIS SECTION SHALL NOT  
13 EXCEED 8% OF THE TOTAL PRIVATE INVESTMENT IN THE STREET RAILWAY AS  
14 DETERMINED BY THE DEPARTMENT. A STREET RAILWAY IS NOT AN ELIGIBLE  
15 AUTHORITY OR ELIGIBLE GOVERNMENTAL AGENCY FOR PURPOSES OF  
16 SUBDIVISION (4) (A).

17 Enacting section 1. This amendatory act does not take effect  
18 unless all of the following bills of the 94th Legislature are  
19 enacted into law:

- 20 (a) House Bill No. 6542.
- 21 (b) House Bill No. 6543.
- 22 (c) House Bill No. 6546.
- 23 (d) House Bill No. 6625.