

**HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 1116**

A bill to amend 1987 PA 231, entitled

"An act to create a transportation economic development fund in the state treasury; to prescribe the uses of and distributions from this fund; to create the office of economic development and to prescribe its powers and duties; to prescribe the powers and duties of the state transportation department, state transportation commission, and certain other bodies; and to permit the issuance of certain bonds,"

by amending sections 3, 9, 10, 11, and 13 (MCL 247.903, 247.909, 247.910, 247.911, and 247.913), sections 3, 11, and 13 as amended by 2016 PA 501, section 9 as amended by 2016 PA 500, and section 10 as amended by 1993 PA 149.

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

**1**       Sec. 3. (1) Money from the fund shall be allocated for  
**2** projects to be funded under section 11(3)(a) in accordance with the  
**3** adopted policies of the commission. No funds shall be committed to  
**4** any project, nor shall any project be authorized for any funds

1 under this act, until the commission notifies the senate committee  
2 on transportation and the house committee on transportation and the  
3 subcommittees on transportation of the senate and house  
4 appropriations committees of the proposed projects ~~in the manner~~ **AS**  
5 provided in section 18k of 1951 PA 51, MCL 247.668k. Hearings may  
6 be conducted to afford interested parties the opportunity to  
7 address aspects of the selection process, the final project list,  
8 proposed funding, and related issues. If ~~such~~ hearings are not  
9 conducted by the senate committee on transportation and the house  
10 committee on transportation and the subcommittees on transportation  
11 of the senate and house appropriations committees within 30 days,  
12 if both the senate and house are in session, or 60 days, if either  
13 the senate or the house or both are not in session of project  
14 notification by the commission, the department may proceed with  
15 project authorization for funding.

16 (2) The commission shall not commit funds to any project in a  
17 new category for funding under section 7(3) or section 9(1)(a)  
18 before the commission notifies the legislative committees of the  
19 criteria for approval of projects under these categories in the  
20 same manner described in this section.

21 (3) Projects in section 11(3)(a) shall be coordinated with  
22 projects in section 11(3)(c) through the designated representatives  
23 on the urban task forces and regional rural task forces.

24 (4) The department may be the contracting agent for all  
25 projects to be funded by this act. Contracts shall be awarded  
26 consistent with the policies of the commission.

27 (5) The administrator or the person acting in that capacity

1 shall assist the commission in reviewing recommendations for  
2 funding projects under this act.

3 (6) Of the money appropriated to the fund, not more than 1% as  
4 annually appropriated by the legislature shall be appropriated for  
5 administration of the fund. **NOT MORE THAN \$100,000.00 OF THE MONEY**  
6 **ALLOCATED UNDER SECTION 11(3)(A) FOR PROJECTS DESCRIBED IN SECTION**  
7 **9(1)(B) MAY BE EXPENDED FOR ADMINISTRATION OF THOSE PROJECTS.**

8 (7) The commission shall do the following:

9 (a) Establish criteria for the awarding of projects.

10 (b) Exercise oversight ~~as it may consider appropriate to~~  
11 facilitate its development of policy for administration of the  
12 fund.

13 (c) Review all projects recommended for funding to assure that  
14 they satisfy commission policies and criteria. Funds shall not be  
15 allocated to projects unless they are in accord with commission  
16 policy and criteria.

17 (8) The office of economic development shall review each  
18 project application and recommend the award of funding to selected  
19 projects in accordance with the adopted policies of the commission.

20 Sec. 9. (1) A project shall relate to 1 or more of the  
21 following categories:

22 (a) Economic development road projects in any of the following  
23 targeted industries:

24 (i) Agriculture or food processing.

25 (ii) Tourism.

26 (iii) Forestry.

27 (iv) High technology research.

1 (v) Manufacturing.

2 (vi) Mining.

3 (vii) Office centers of not less than 50,000 square feet.

4 (viii) Medical research or medical tourism facilities of not  
5 less than 50,000 square feet.

6 **(B) PROJECTS FOR CONSTRUCTION OR PRESERVATION OF STREETS IN**  
7 **CITIES AND VILLAGES WITH A POPULATION OF 10,000 OR LESS, INCLUDING,**  
8 **BUT NOT LIMITED TO, RECONSTRUCTION, REPLACEMENT, REHABILITATION,**  
9 **AND CAPITAL PREVENTIVE MAINTENANCE.**

10 (C) ~~(b)~~—Projects for reducing congestion on county primary and  
11 city major streets within urban counties including advanced traffic  
12 management systems.

13 (D) ~~(e)~~—Projects for improvements within rural counties on  
14 rural primary roads and major streets in cities and villages with a  
15 population of 5,000 or less.

16 (E) ~~(d)~~—Projects for improvements within rural counties on  
17 county rural primary roads or major streets within incorporated  
18 villages and cities with a population of more than 5,000.

19 (2) The minimum requirements specified in section 7 for  
20 projects identified in subsection (1)(a) shall ensure that those  
21 projects satisfy the following requirements:

22 (a) Meet a particular transportation need that is shown to  
23 exist.

24 (b) Have an immediate positive impact on local employment and  
25 the economy.

26 (c) Exclude speculative projects with little or no return on  
27 investment. Projects that contribute to the economic development

1 and redevelopment of areas having experienced or having significant  
2 potential to experience job loss that meet the criteria for funding  
3 under section 7(3)(b)(ii) are not speculative for the purposes of  
4 this subdivision.

5 (d) Provide cooperation and support between developers and  
6 state and local government.

7 (e) Were evaluated on the basis of impact on the local  
8 community.

9 (3) A project that is within 1 or more of the categories in  
10 subsection (1) shall meet the criteria developed for each category.

11 Sec. 10. (1) The costs of a project that are eligible to be  
12 funded under section 11(3)(a) and (c) shall be developed by the  
13 administrator in accordance with the adopted policies of the  
14 commission and shall include at a minimum those costs normally  
15 associated with highway construction projects such as project  
16 planning, design, right-of-way acquisition, and construction, but  
17 excluding routine maintenance.

18 (2) The costs of a project that are eligible to be funded  
19 under section 11(3)(d) shall be developed by the administrator in  
20 accordance with the adopted policies of the commission and shall  
21 exclude right-of-way acquisition, design, engineering, and routine  
22 maintenance.

23 (3) Matching funds of not less than 20% of the total eligible  
24 costs of a project shall be required for those projects described  
25 in section 9(1)(a), ~~(c), and (d)~~, **AND (E)**. This requirement may be  
26 set aside in the case of extreme economic hardship for projects  
27 described in section 9(1)(a) ~~, (c), and (d)~~ in the local unit in

1 which the project is located. Evaluation criteria for projects  
2 described in section 9(1)(a) shall include whether there is a  
3 contribution of more than the required 20% matching funds as part  
4 of the determination of which projects are to be funded.

5 **(4) AN INDIVIDUAL GRANT FOR A PROJECT DESCRIBED IN SECTION**  
6 **9(1)(B) SHALL NOT EXCEED \$250,000.00, AND MATCHING FUNDS OF NOT**  
7 **LESS THAN 50% OF THE TOTAL ELIGIBLE COSTS OF THE PROJECT SHALL BE**  
8 **REQUIRED.**

9 Sec. 11. (1) Bonds may be issued as authorized by the  
10 commission for the purpose of funding projects under this act in  
11 the manner provided in sections 18b and 18k of 1951 PA 51, MCL  
12 247.668b and 247.668k, and in accordance with the adopted policies  
13 of the commission. Bonds shall not be committed for any project  
14 under this act until the requirements under section 3(1) have been  
15 satisfied.

16 (2) After the payment of interest and principal on bonds  
17 issued under this act and the appropriation for costs of  
18 administration of the fund as provided under this act, fund revenue  
19 shall be annually appropriated as follows:

20 (a) The first \$5,000,000.00 for a forest roads program. Forest  
21 roads program funds shall be distributed each fiscal year to each  
22 qualified county in a percentage amount equal to the same  
23 percentage amount that the number of acres of commercial forest,  
24 national park, and national lakeshore land in each qualified county  
25 bears to the total number of acres of commercial forest, national  
26 park, and national lakeshore land in all qualified counties in this  
27 state. Revenue distributed under this subdivision shall be used for

1 the construction or reconstruction of roads.

2 (b) The next \$2,500,000.00 of the fund shall be distributed  
3 each fiscal year for improvements within rural counties to roads  
4 and streets that are eligible for federal aid and are located  
5 inside the boundaries of an urban area or an urbanized area as  
6 determined by the most recent federal decennial census and as  
7 adjusted by the department.

8 (3) Of the balance remaining after funding projects under  
9 subsection (2), projects shall be funded in the categories  
10 described in section 9 based on the following percentages:

11 (a) 50% for economic development road projects in any of the  
12 targeted industries. For the fiscal ~~year~~**YEARS** ending September 30,  
13 ~~2017-2019~~ **THROUGH SEPTEMBER 30, 2023** only, the allocation made  
14 under this subdivision shall be reduced by

15 ~~\$9,423,700.00~~**\$3,000,000.00 AND ALLOCATED TO PROJECTS DESCRIBED IN**  
16 **SECTION 9(1) (B). THE OFFICE OF ECONOMIC DEVELOPMENT SHALL USE**  
17 **GEOGRAPHIC DISTRIBUTION AS A GRANT SELECTION CRITERION FOR PROJECTS**  
18 **DESCRIBED IN SECTION 9(1) (B). AN ELIGIBLE CITY OR VILLAGE MAY APPLY**  
19 **FOR A GRANT FOR A PROJECT DESCRIBED IN SECTION 9(1) (B) IN**  
20 **CONSECUTIVE FISCAL YEARS.**

21 (b) 25% for projects to reduce congestion on county primary  
22 and city major streets within urban counties including advanced  
23 traffic management systems. The funds shall be distributed to  
24 counties with populations in excess of 400,000 in accordance with  
25 the following formula:

26	Population	Percentage of Funds
27	1,750,000 or more	16%

1	1,000,000 to 1,749,999	40%
2	650,001 to 999,999	20%
3	400,000 to 650,000	24%

4           When 2 or more counties occupy the same category, the funds  
5 shall be divided equally.

6           Projects funded under this category shall be used for the  
7 widening of county primary roads or city major streets or for  
8 advanced traffic management systems in eligible counties.

9           (c) 25% for projects within rural counties. These revenues  
10 shall be distributed for the improvement of rural primary roads in  
11 rural counties and major streets in cities and villages with a  
12 population of 5,000 or less that are located outside the boundaries  
13 of an urban area or an urbanized area as determined by the most  
14 recent federal decennial census and as adjusted by the department.  
15 Funds distributed under this subdivision shall be allocated by the  
16 commission to the regional rural task force areas ~~defined~~**DESCRIBED**  
17 in section 12a in the same proportion that the rural primary  
18 mileage of the regional rural task force area bears to the total  
19 rural primary mileage of all counties. Each rural county shall be  
20 credited with an allocation in the proportion that the county's  
21 rural primary mileage is to the total rural primary mileage of  
22 those rural counties within the same regional rural task force  
23 area. Projects funded under this subdivision shall be limited to  
24 upgrading rural primary roads and major streets to create an all-  
25 season road network. ~~For the fiscal year ending September 30, 2016~~  
26 ~~only, the allocation made under this subdivision shall be reduced~~  
27 ~~by \$2,000,000.00, and \$2,000,000.00 shall be allocated to the~~



1 ~~appropriated project as described in section 901 of article XX of~~  
2 ~~2016 PA 268.~~

3 ~~—— (4) Beginning October 1, 2015, for the fiscal year ending~~  
4 ~~September 30, 2016 only, the following amounts are appropriated~~  
5 ~~from the fund and the distribution to targeted industries under~~  
6 ~~subsection (3) (a) shall be reduced accordingly:~~

7 ~~—— (a) \$2,000,000.00 for credit to the state trunk line fund~~  
8 ~~established in section 11 of 1951 PA 51, MCL 247.661, for the~~  
9 ~~purposes of matching available federal-aid highway funds.~~

10 ~~—— (b) \$2,000,000.00 for credit to the state aeronautics fund~~  
11 ~~established in section 34 of the aeronautics code of the state of~~  
12 ~~Michigan, 1945 PA 327, MCL 259.34, for the purpose of a 1-time~~  
13 ~~airport safety appropriation.~~

14 ~~—— (5) Beginning October 1, 2016, for the fiscal year ending~~  
15 ~~September 30, 2017 only, \$10,400,000.00 is appropriated from the~~  
16 ~~fund for credit to the state trunk line fund established in section~~  
17 ~~11 of 1951 PA 51, MCL 247.661, for the purpose of road and bridge~~  
18 ~~construction, and the distribution to targeted industries under~~  
19 ~~subsection (3) (a) shall be reduced accordingly.~~

20       Sec. 13. By December 31 each year the commission shall report  
21 to the governor, the house and senate appropriations committees,  
22 and the house and senate fiscal agencies the following information  
23 regarding this act:

24       (a) The projects funded during the previous fiscal year.

25       (b) The status of projects funded in the immediately preceding  
26 fiscal year.

27       (c) The number of jobs created and retained and any other

1 economic benefits of the projects funded and listed under section  
2 ~~11(3)(a)~~. **9(1)(A)** .

3 **(D) FOR EACH PROJECT DESCRIBED IN SECTION 9(1)(B) THAT**  
4 **RECEIVED FUNDS UNDER THIS ACT, BOTH OF THE FOLLOWING:**

5 **(i) A GENERAL DESCRIPTION OF THE PROJECT.**

6 **(ii) THE ESTIMATED TOTAL COST OF THE PROJECT.**

7 **(E) ~~(d)~~**—The degree to which the projects funded have achieved  
8 the objectives of this act.

9 **(F) ~~(e)~~**—Any other information considered necessary by the  
10 commission for the legislature to evaluate the effectiveness of  
11 this act.

12 Enacting section 1. This amendatory act takes effect 90 days  
13 after the date it is enacted into law.