HOUSE FISCAL AGENCY

Budget Briefing: Transportation

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February 2026

Briefing Topics

- Transportation Revenue Sources (Budget Level)
- Transportation Appropriation Areas (Budget Level)
- Transportation Funding – Sources, Distribution, and History
  - October 2025 Transportation Funding Package

Michigan's Transportation Budget

Michigan's Transportation budget supports:

- State and local road and bridge programs
  - Construction and preservation of the state trunkline highway system
  - Funding for local road agencies (83 county road commissions, 531 cities and villages)
- Public transportation programs
  - Capital and operating assistance to 80 public transit agencies
  - Capital and operating assistance for rail passenger service in Michigan
- Aeronautics programs
  - Capital assistance to public use airports
- Administration of the Michigan Department of Transportation (MDOT)

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2025-26 is October 1, 2025, through September 30, 2026.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

Funding Sources

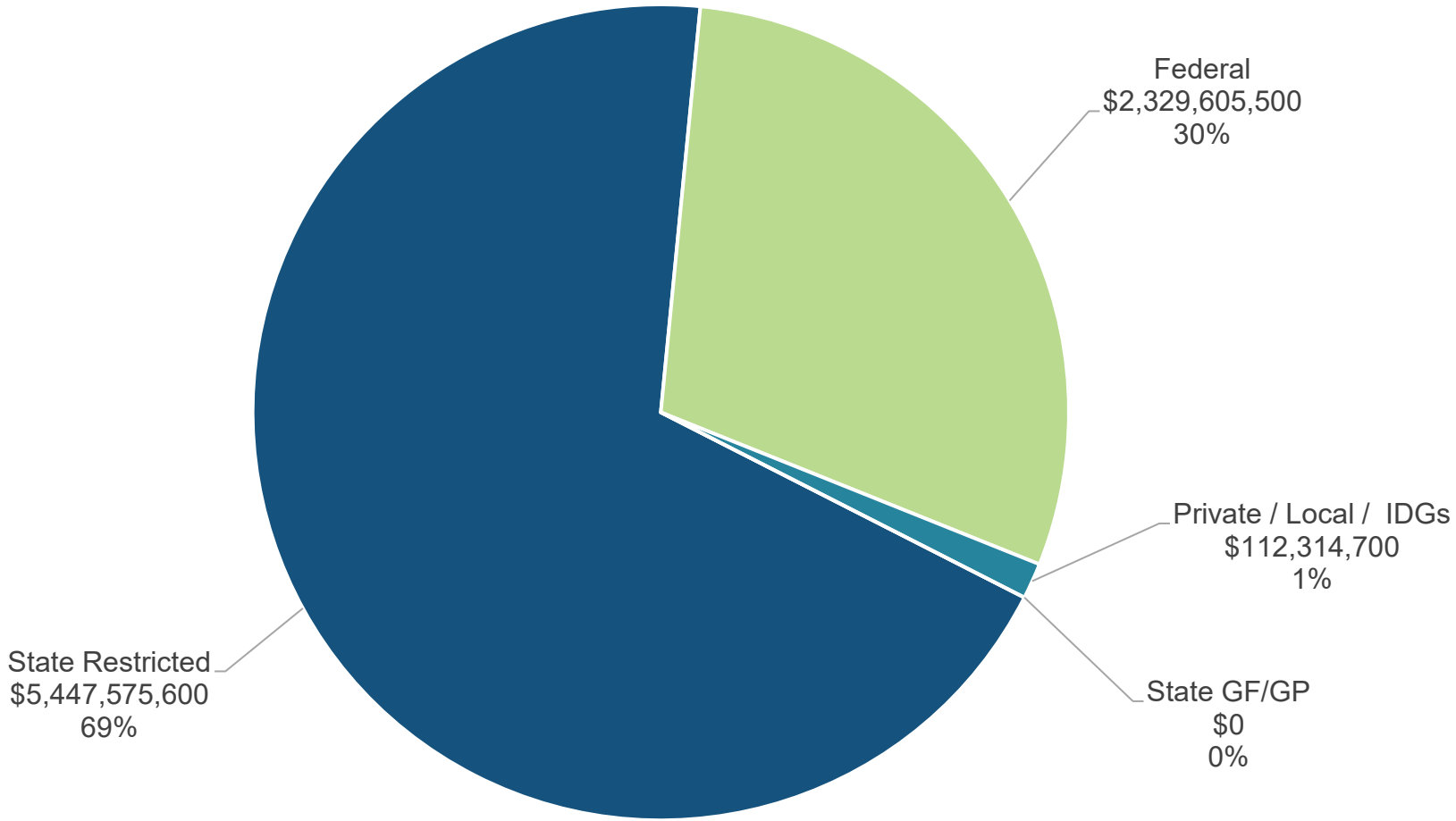
FY 2025-26 Transportation Budget

Fund Source	Funding	Description
Gross Appropriations	$7,889,495,800	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	4,366,200	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$7,885,129,600	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	2,329,605,500	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	87,448,500	Revenue received from local units of government for state services
Private Revenue	20,500,000	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	5,447,575,600	State revenue restricted by the State Constitution, state statute, or other restriction which limits use for specific purposes.
State General Fund/General Purpose (GF/GP) Revenue	$0	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes as determined by the legislature

Note: This table and other figures used in this presentation reflect the FY 2025-26 budget as enacted in Article 15, 2025 PA 22 (House Bill 4706).

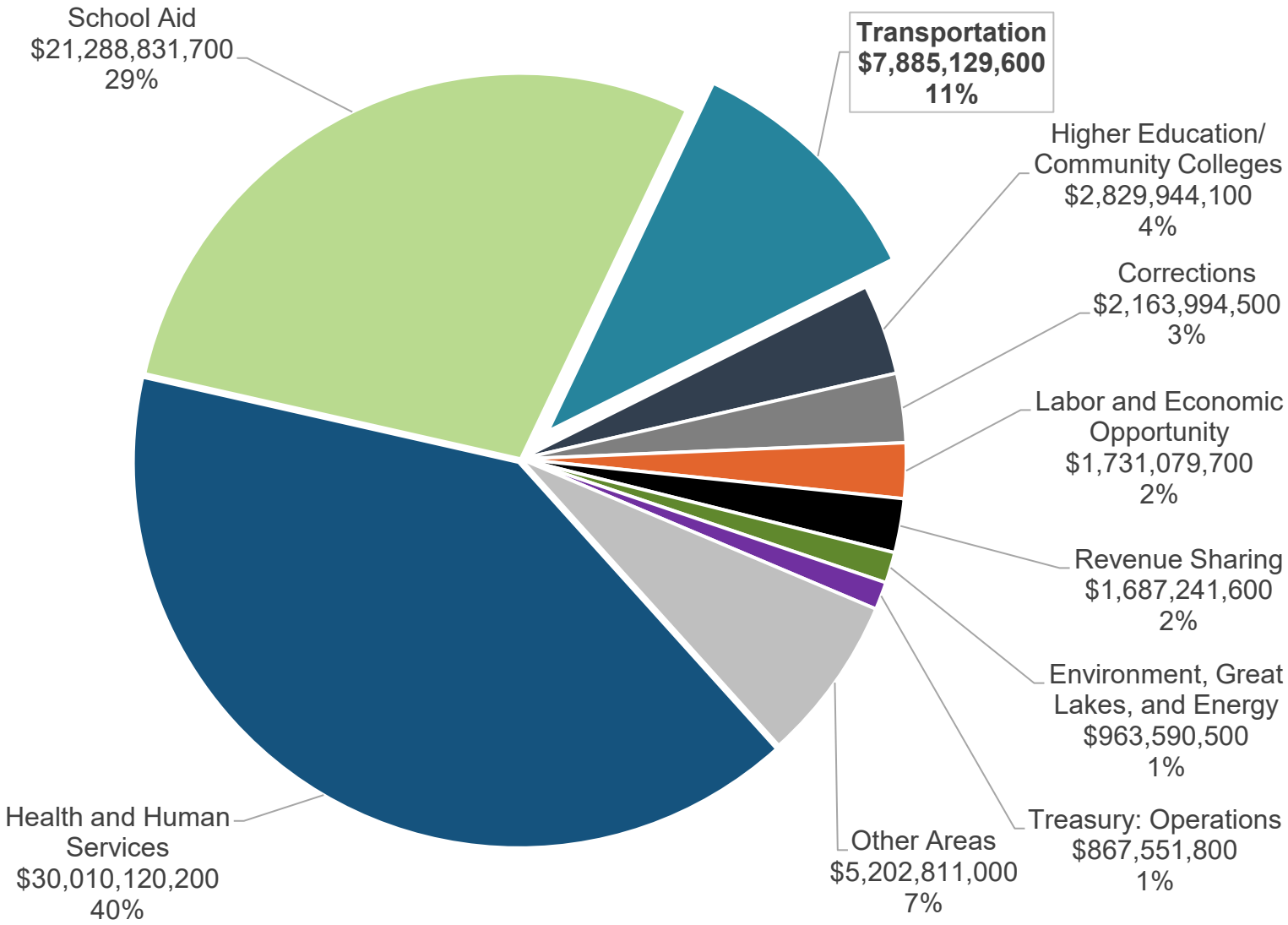
FY 2025-26 Fund Sources

Michigan's transportation budget totals **$7.9 billion**. State restricted revenue is the largest fund source. Federal revenue is second largest.



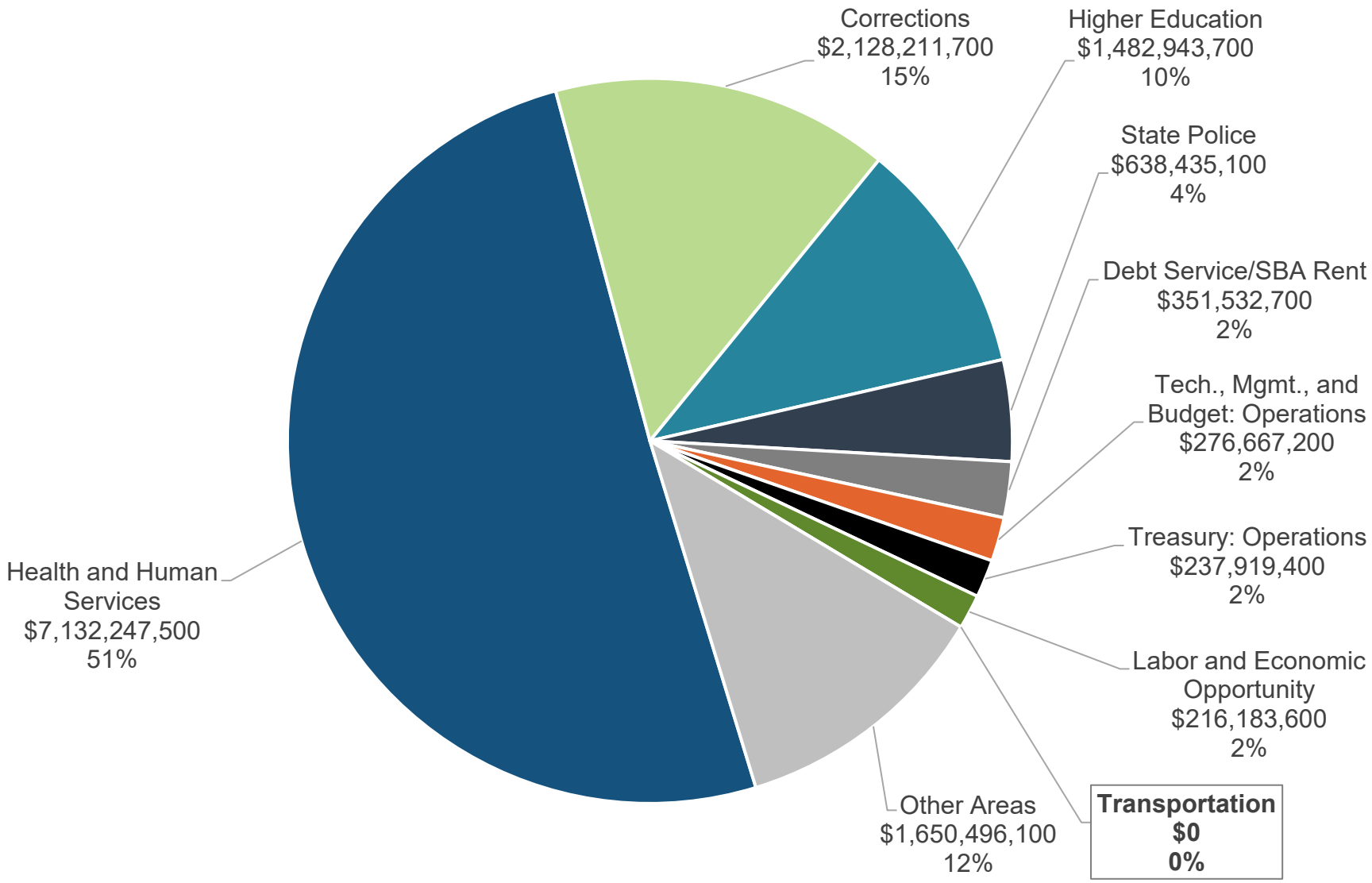
Transportation Share of Total State Budget

The Transportation budget represents **11%** of Michigan's **$74.6 billion** total state budget (adjusted gross) for FY 2025-26.



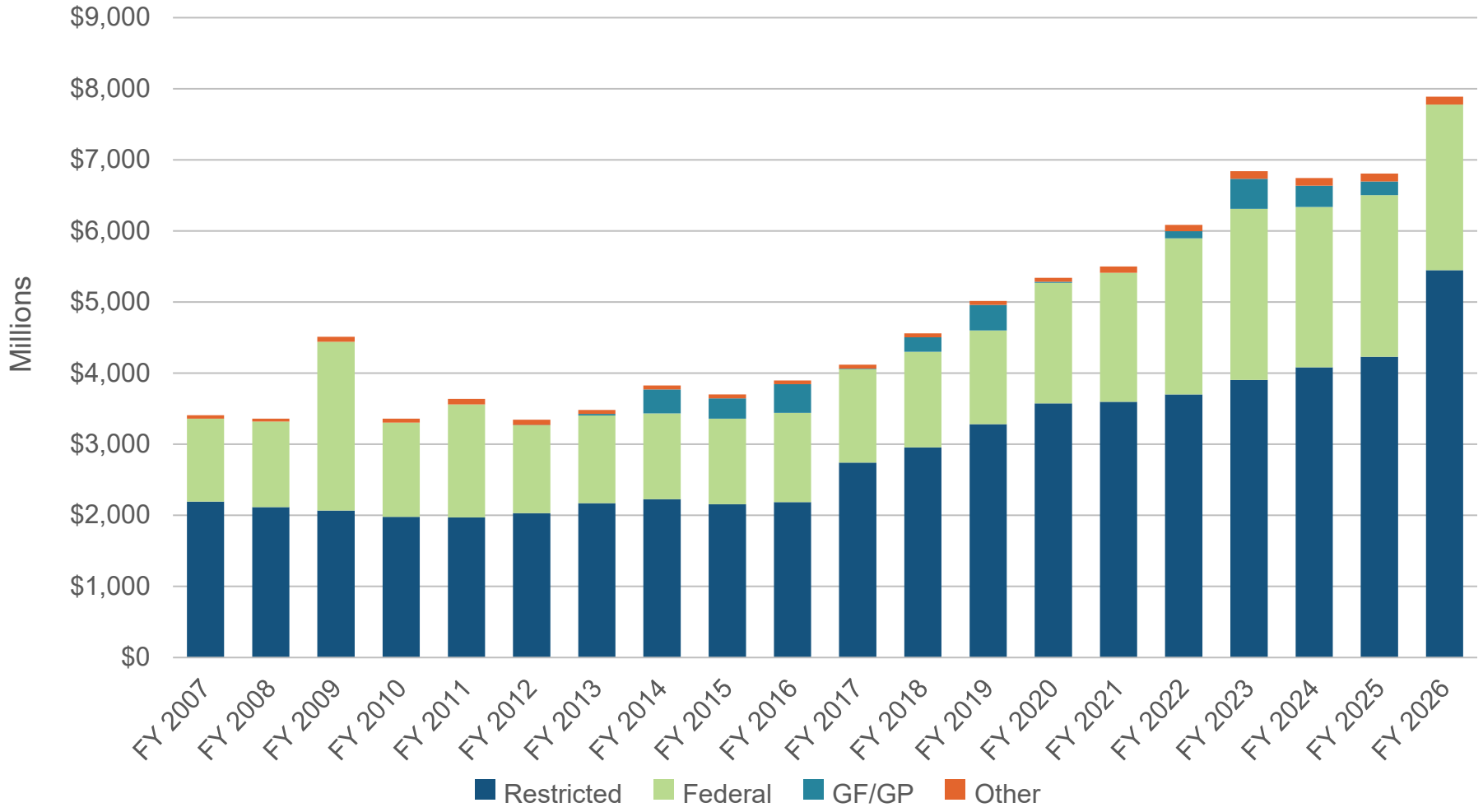
Transportation Share of Total GF/GP Budget

Michigan's FY 2025-26 Transportation budget includes **no GF/GP**; total state GF/GP appropriations are **$14.1 billion**.



Transportation Appropriations

Federal increase in FY 2009 reflects federal “Stimulus” funds. Increases beginning in FY 2017 reflect the impact of November 2015 Road Funding Package, as well as additional federal aid from COVID relief and IIJA. FY 2026 reflects impact of October 2025 Transportation Funding Package.



Transportation Gross Appropriations
(30-Year Time Horizon)

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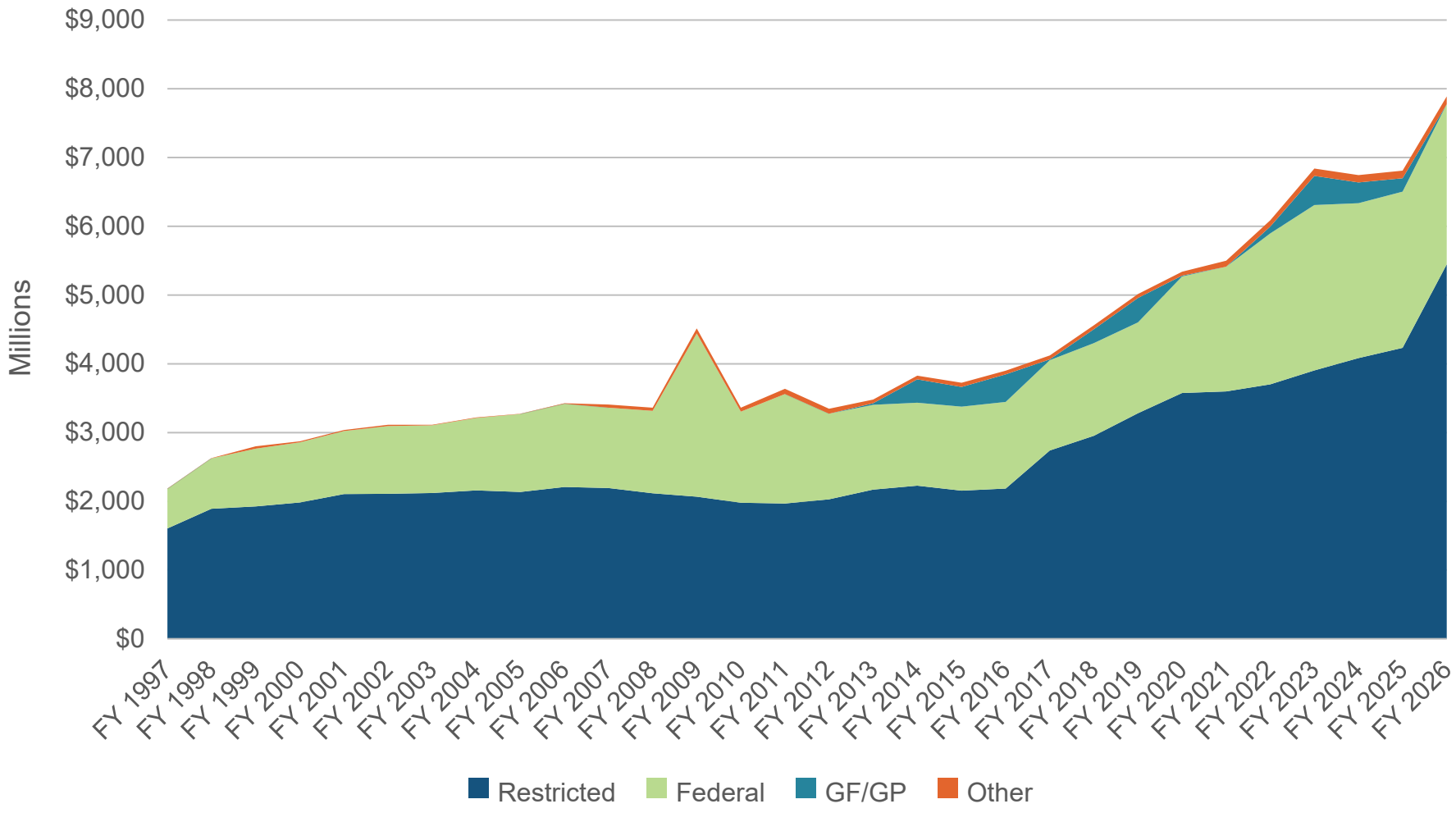


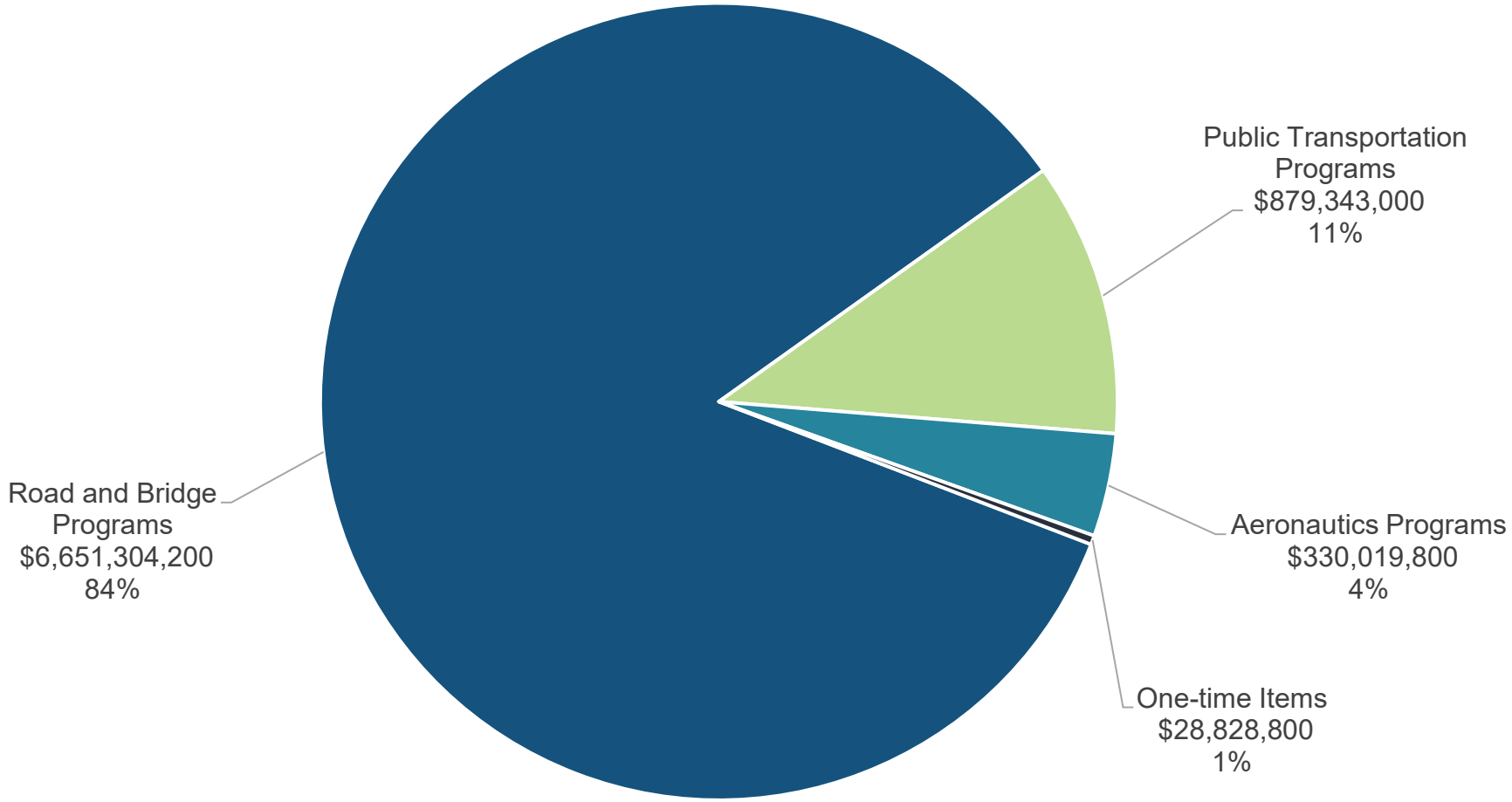
Appropriation Areas

Transportation Appropriation Areas

- State and local road and bridge programs
- Public transportation programs
- Aeronautics programs

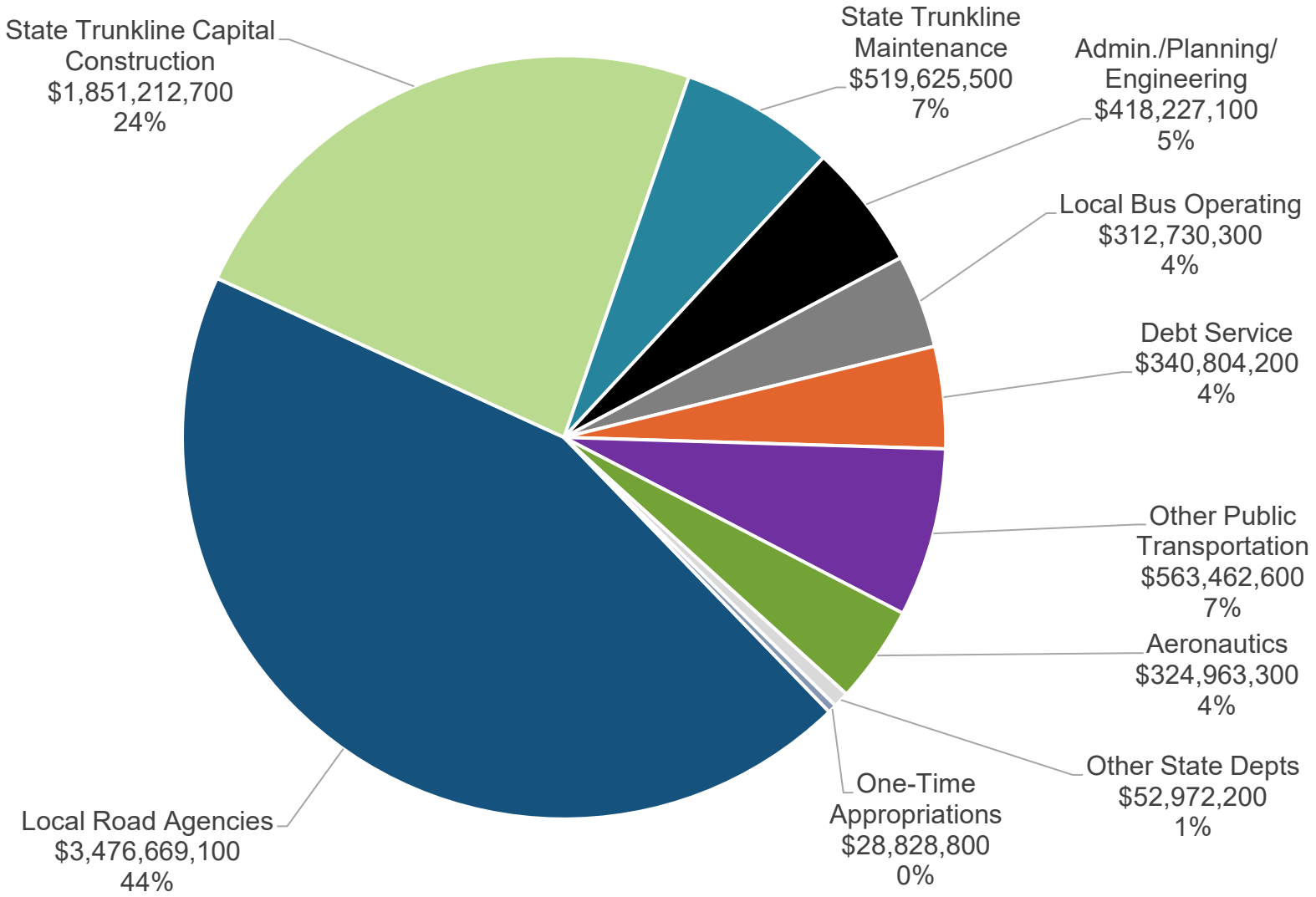
FY 2025-26 Gross Appropriations

Three major programs in the **$7.9 billion** Transportation budget are: Road and bridge programs (including distributions to local road agencies), **84%**; public transportation programs, **11%**; and aeronautics programs, **4%**. (One-time items total $28.8 million, less than 1%)



FY 2025-26 Appropriation Detail

Over 44% of the Transportation budget is distributed or made available to local road agencies. State trunkline construction and maintenance are the next largest program areas in the budget. One-time appropriations are broken out separately in this slide.

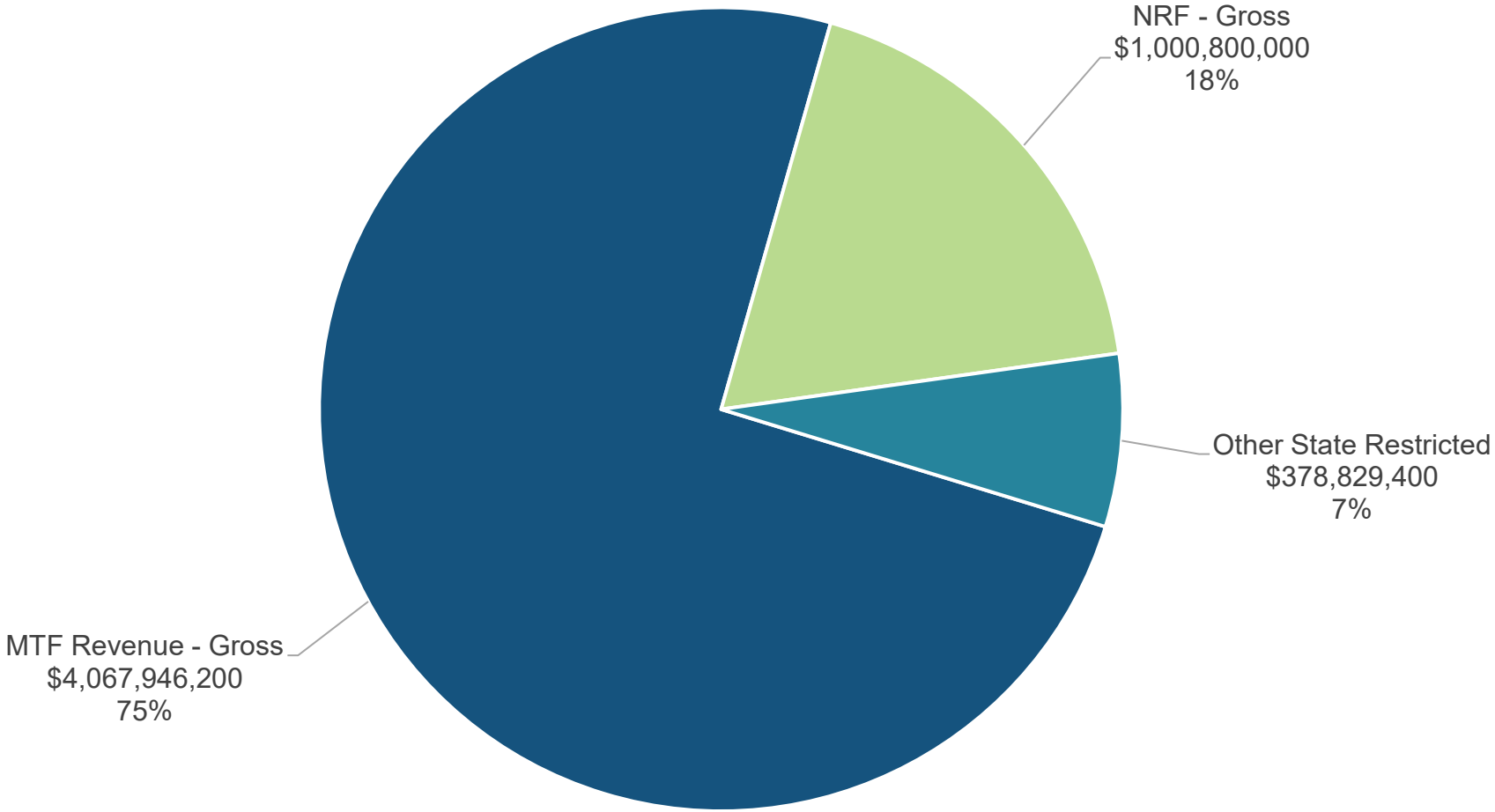


Major Budget Topics

Transportation Revenue

FY 2025-26 State Restricted Revenue

Michigan's **$7.9 billion** transportation budget includes **$5.4 billion** from state restricted revenue sources. The two major restricted revenue funds are the **Michigan Transportation Fund (MTF)** and the **Neighborhood Roads Fund (NRF)**.



Transportation - State Restricted Revenue Michigan Transportation Fund

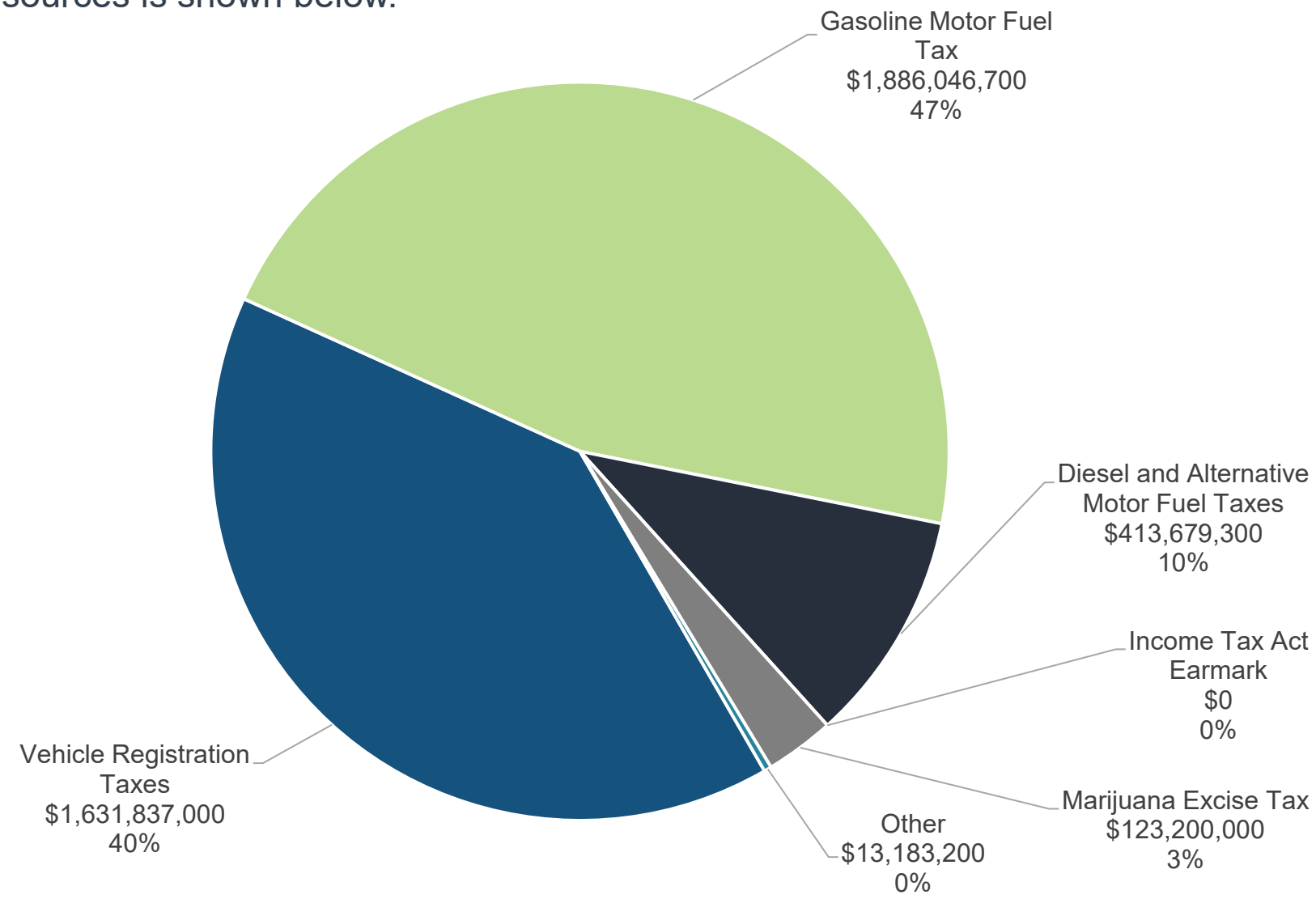
- Revenue from motor fuel taxes, vehicle registration taxes, and an earmarks of marijuana excise tax revenue, are credited to the Michigan Transportation Fund (MTF).
- MTF revenue is *distributed* in accordance with Public Act 51 of 1951 ("Act 51").
- The MTF is the primary collection and distribution fund for state restricted transportation revenue. FY 2024-25 actual MTF revenue totaled **$4.0 billion.**
- The October 2025 Transportation Funding Package increased the motor fuel tax rate, effective January 1, 2026. This will increase MTF revenue by $1.1 billion on an annualized basis; $704.1 million in FY 2025-26.
- This MTF increase is partially offset by the elimination of the $600.0 million in Income Tax Revenue to the MTF, starting in FY 2025-26.
- The net impact of the October 2025 Transportation Funding Package on MTF revenue is $350.5 million increase on 12-month basis, $104.1 million for FY 2025-26.

Transportation - State Restricted Revenue Michigan Transportation Fund

- **Motor Fuel Taxes**
  - The Motor Fuel Tax Act establishes a per-gallon tax on gasoline and diesel motor fuel, and per-gallon equivalent for alternative fuels. Since January 1, 2022, the rate has been inflation-adjusted annually.
  - The rate effective **January 1, 2026, 52.4 cents per gallon,** reflects both the October 2025 Transportation Funding Package 20-cent per gallon increase, and a 1.4 cent per gallon inflation adjustment.
- **Vehicle Registration Taxes**
  - Various taxes on car, truck, and trailer registrations established in the Michigan Vehicle Code
- **Marijuana Retail Excise Tax**
  - Earmark of excise tax on retail recreational marijuana sales, estimated at **$123.2 million** for FY 2026 budget. (Revised downward to $109.0 million in February 2026)
- **Note: The October 2025 Transportation Funding Package eliminated, beginning with FY 2025-26, a $600.0 million earmark of income tax revenue that had been credited to the MTF since FY 2020-21.**

FY 2025-26 State Restricted Revenue #1 MTF Revenue Sources

Estimated FY 2025-26 MTF revenue totals **$4.1 billion.** The breakout of restricted revenue sources is shown below.



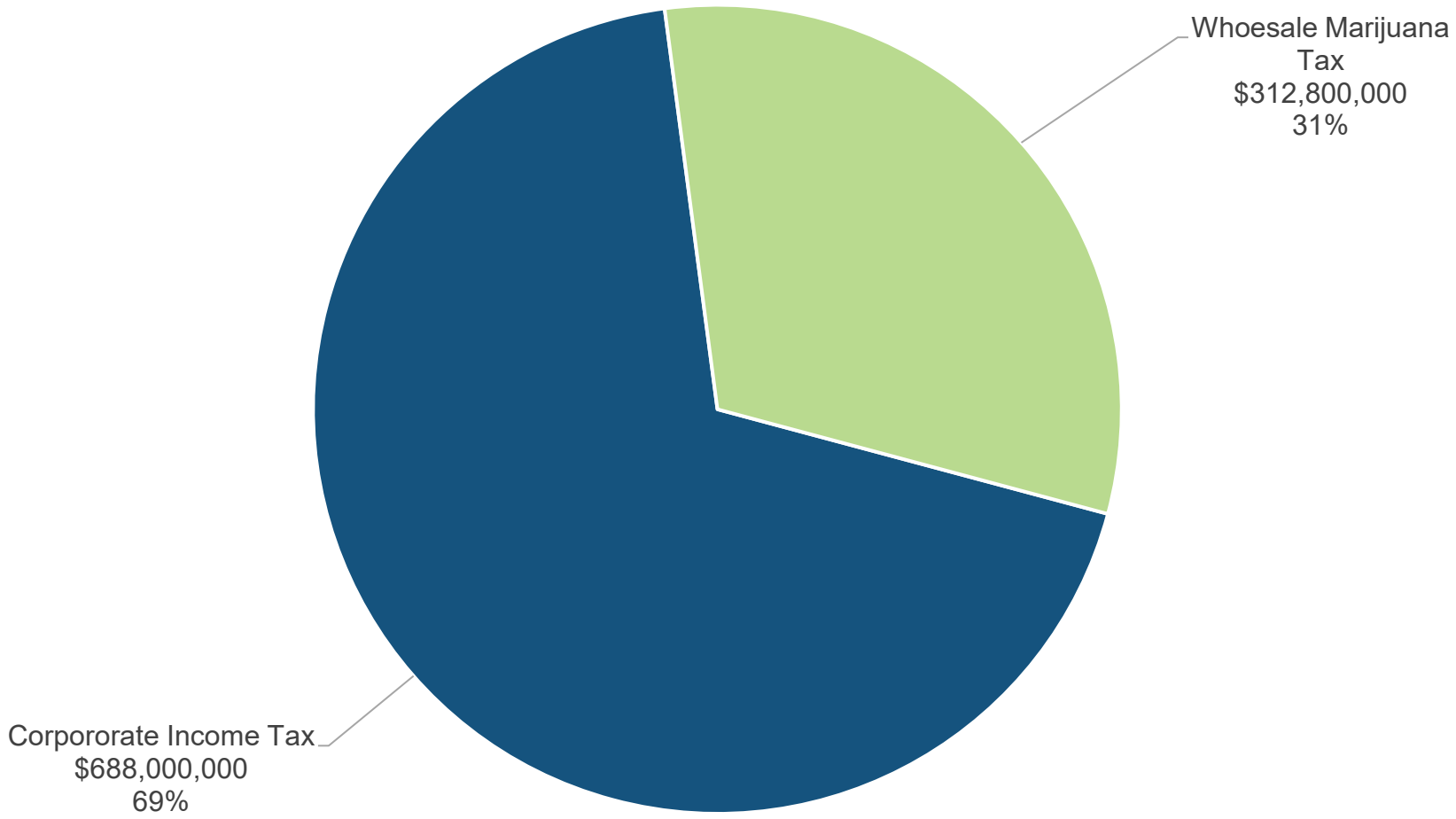
October 2025 Transportation Funding Package – Motor Fuel Tax Rates

Motor Fuel and Alternative Fuel Tax Rates (per gallon or gallon equivalent)			
Period	**Gasoline**	**Diesel**	**Alternative Fuels***
August 1, 1997 – December 31, 2016	19.0 cents	15.0 cents	15.0 cents
January 1, 2017 – December 31, 2021	26.3 cents	26.3 cents	26.3 cents
January 1, 2022 – December 31, 2022	27.2 cents	27.2 cents	27.2 cents
January 1, 2023 – December 31, 2023	28.6 cents	28.6 cents	28.6 cents
January 1, 2024 – December 31, 2024	30.0 cents	30.0 cents	30.0 cents
January 1, 2025 – December 31, 2025	31.0 cents	31.0 cents	31.0 cents
January 1, 2026 – December 31, 2026	52.4 cents	52.4 cents	52.4 cents

* = prior to the enactment of 2015 PA 176, “alternative fuels” were not specifically addressed in the Motor Fuel Tax Act, with the exception of “liquified petroleum gas” for which the tax was 15 cents per gallon.

FY 2025-26 State Restricted Revenue #2 Neighborhood Roads Fund (NRF) Revenue Sources

Gross NRF revenue as reflected in the FY 2026 budget totals **$1.0 billion.** The specific revenue sources are shown below.



October 2025 Transportation Funding Package – NRF Revenue

- **Corporate Income Tax Impacts**
  - Earmarks $688.0 million in Corporate Income Tax to the NRF in FY 2025-26.
  - Earmark comes after a $1.2 billion earmark to state GF/GP and $50.0 million to Michigan Housing and Community Development Fund. Corporate Income Tax revenue must be $1.9 billion for NRF to receive full $688.0 million in FY 2025-26.
  - CIT earmark to NRF increases each year by $88.0 million until the total reaches $1.040 billion in FY 2029-30.
- **24% Wholesale Marihuana Excise Tax**
  - Net estimated 12-month revenue impact to the NRF is $417.0 million

    ($420.0 million gross impact less $3.0 million for administration)
  - Partial-year impact in FY 2025-26 is $312.8 million (75.0% of 12-month impact)

October 2025 Transportation Funding Package – NRF Distribution

- For the 2025-26 through 2029-30 state fiscal years, money in the fund each fiscal year would be distributed as follows:
  - **$100.0 million** to **Local Bridge Advisory Board** for the repair of closed, restricted, and critical bridges as determined by the board.
  - **$40.0 million** to **Local Grade Separation Fund** for rail grade separations.
  - After the above distributions, $100.0 million as follows:
    - **$35.0 million** to the **Comprehensive Transportation Fund** (CTF) for use for eligible authorities and eligible governmental agencies that provide public transportation services.
    - **$65.0 million** to the **Infrastructure Projects Authority Fund**.
  - Money remaining in the fund after the above distributions as follows:
    - 52% to county road commissions, to be allocated in the same way as MTF revenue returned to counties under section 12 of the act.
    - 28% to city and village road agencies, allocated in the same way as MTF revenue returned to cities and villages under section 13 of the act.
    - 20% to State Trunkline Fund (STF) for use under section 11 of the act.

Transportation - Federal Revenue

- Michigan's state transportation budget recognizes federal funds made available to the state through federal-aid transportation programs.
- Federal funds as reflected in Michigan's FY 2025-26 state transportation budget total **$2.3 billion,** or 30% of the total state transportation budget.
- Federal funds are generally ***made available*** to states for qualified programs and projects. In this way, federal-aid transportation programs are different from programs funded with state restricted revenue which generally follow a ***distribution model***.

Transportation - Federal Revenue

- Federal-aid transportation programs are established in federal statue (23 US Code and 49 US Code) and funded through multi-year federal authorizing acts
- Federal-aid surface transportation programs were reauthorized as part of the Infrastructure Investment and Jobs Act (IIJA). IIJA was enacted November 2020 and provides funding for federal-aid transportation programs through **September 30, 2026**
  - Federal surface transportation programs are funded primarily from the Federal Highway Trust Fund which is supported by federal transportation taxes, including an **18.3** cent per gallon federal gasoline tax, commercial truck excise taxes, and through transfers of federal General Fund revenue
  - Federal-aid highway funds made available to Michigan are effectively suballocated between state trunkline and local road agency programs
  - Federal-aid surface transportation funds provide capital grants for local public transit agencies and for rail passenger programs
  - The state transportation budget also recognizes federal Airport Improvement Program funds in support capital improvements at eligible public airports

Transportation - GF/GP Revenue

- Prior to FY 2011-12, GF/GP had rarely been used in Michigan's state transportation budget.
- Starting in FY 2011-12, GF/GP has been routinely included in transportation appropriations.
- Between FY 2011-12 and FY 2024-25, Michigan transportation budgets have included a total of **$2.9 billion** in revenue from general tax sources: **$2.6 billion** in direct GF/GP appropriations, and an additional **$230.0 million** from general revenue sources shown in the budget as state restricted.
- These figures are in addition to revenue earmarked for the MTF in the Income Tax Act (staring in FY 2018-19) from the excise tax on recreational marijuana (starting in FY 2020-21).
- Of the **$2.9 billion** in GF/GP appropriations, **$1.5 billion** was distributed for general or baseline state and local road and bridge programs, with the balance for transit, rail, or aeronautics capital projects or for one-time designated projects.
- The FY 2024-25 Transportation budget included **$193.0 million** GF/GP, including **$76.0 million** to MDOT to match federal-aid highway funds.

Transportation Program Areas

Road and Bridge Programs

- **$6.7 billion** (**84.3%**) of the FY 2025-26 Transportation budget is appropriated for state and local road and bridge programs:
  - **$3.2 billion** for state trunkline programs administered by MDOT
    - MDOT has jurisdiction over state trunkline highways, including interstate highways. State trunklines are generally the busiest roads and have a statewide or regional function
    - State trunkline programs include $1.85 billion for state trunkline capital construction program and $519.6 million for state trunkline maintenance
  - **$3.5 billion** for local road agencies
    - County road commissions have jurisdiction over county roads; cities and villages have jurisdiction over municipal streets
- Program funds come primarily from state restricted sources and federal aid.
- With the exception of one-time budget earmarks, most road and bridge program funds are distributed or allocated according to Public Act 51 of 1951 (Act 51)

Miles by Jurisdiction
(Mileage and VMT figures are from calendar year 2023)

	Route Miles		Vehicle Miles Traveled	
	Miles	% of Total	Annual	% of Total
State Trunklines	9,654	8.0%	51.60 billion	52.5%
County Roads	89,590	74.4%	31.41 billion	32.0%
City/Village Streets	21,252	17.6%	15.22 billion	15.5%
TOTAL	**120,497**	**100.0%**	**98.23 billion**	**100.0%**

Source: MDOT, Bureau of Transportation Planning, 2023 Michigan Roadway Statewide Statistics

Michigan Bridges by Jurisdiction (2026)

	Structures		Deck Area*		Average Daily Traffic **	
State Trunklines	4,503	40.0%	49.1	73.2%	87.8M	84.4%
County Roads	5,870	52.1%	13.0	19.5%	11.5M	11.0%
City and Village	887	7.9%	4.9	7.3%	4.8M	4.6%
TOTAL	**11,260**	**100.0%**	**67.0**	**100.0%**	**104.1**	**100.0%**

* Deck area is in million square feet.
** ADT is in million vehicles per day (1/1/2024-12/31/2024)

Source: MDOT Bureau of Bridges and Structures (1/8/2026)

Public Transportation Programs

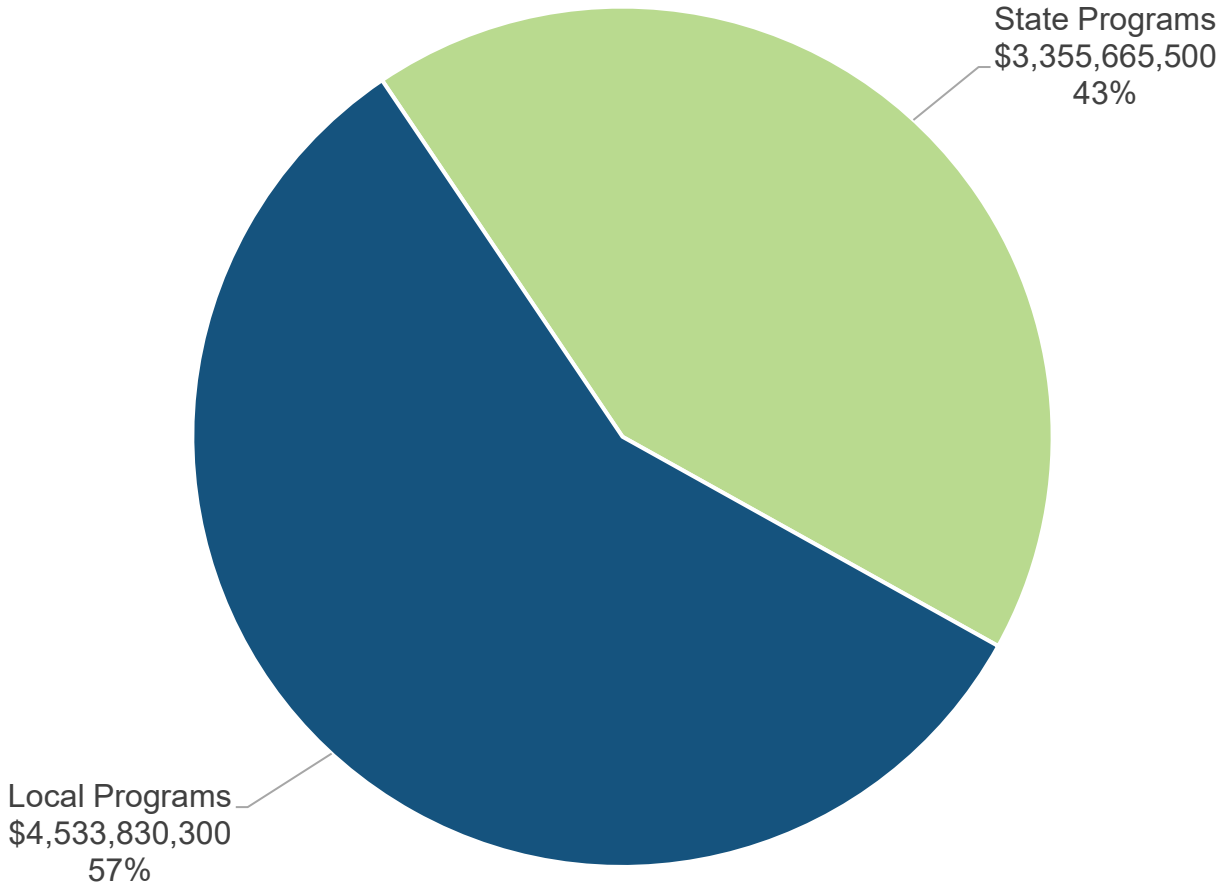
- **$879.3 million** (**11.8%**) of Michigan's FY 2025-26 Transportation budget is appropriated for public transportation programs including:
  - Capital and operating assistance to 80 local public transit agencies
  - Capital and operating assistance for rail passenger service in Michigan
  - Other targeted public transportation programs (Detroit/Wayne County Port Authority, rail freight, transportation to work, specialized services for elderly and persons with disabilities)
- Program funds are primarily from state restricted (CTF) sources and federal aid.
- With the exception of one-time budget earmarks, appropriations for public transportation programs are largely governed by Public Act 51 of 1951.

Aeronautics Programs

- **$330.0 million** (**4.2%**) of the FY 2025-26 Transportation budget is appropriated for aeronautics programs.
  - The largest share of aeronautics program funding is for capital improvement grants to 95 eligible publicly owned/ public use airports.
  - The state transportation budget provides no operating assistance for airports.
  - The FY 2025-26 budget recognizes **$270.0 million** in federal capital improvement funding under the Airport Improvement Program as well as federal IIJA Infrastructure grants. The budget also recognizes related state, local, and private matching funds.
  - Of the publicly owned/public use airports in Michigan, three are owned by MDOT with the balance owned by local units of governments.
  - Of the publicly owned/ public use airports in Michigan, 15 are commercial service primary airports (regularly scheduled commercial air service)
  - With the exception of one-time budget earmarks, appropriations for Aeronautics programs are governed by the State Aeronautics Code.

FY 2025-26 State/Local Programs

Over half of Michigan's **$7.9 billion FY 2025-26** Transportation budget is appropriated for local agency programs, i.e. funds distributed or made available to local road agencies, local public transit agencies, or locally owned public airports.



From Budget to Actual

- The previous slides have described Michigan's transportation budget – specifically, the enacted FY 2026 budget as well prior years' budget history.
- The balance of this presentation will review actual revenue and distribution of transportation funds. And more specifically, actual MTF revenue and distribution.
- **The distribution of MTF revenue is authorized in the budget. But actual distributions are based on *actual* revenue as distributed through the Act 51 formula.**

Michigan Transportation Fund (MTF) Revenue/Distribution

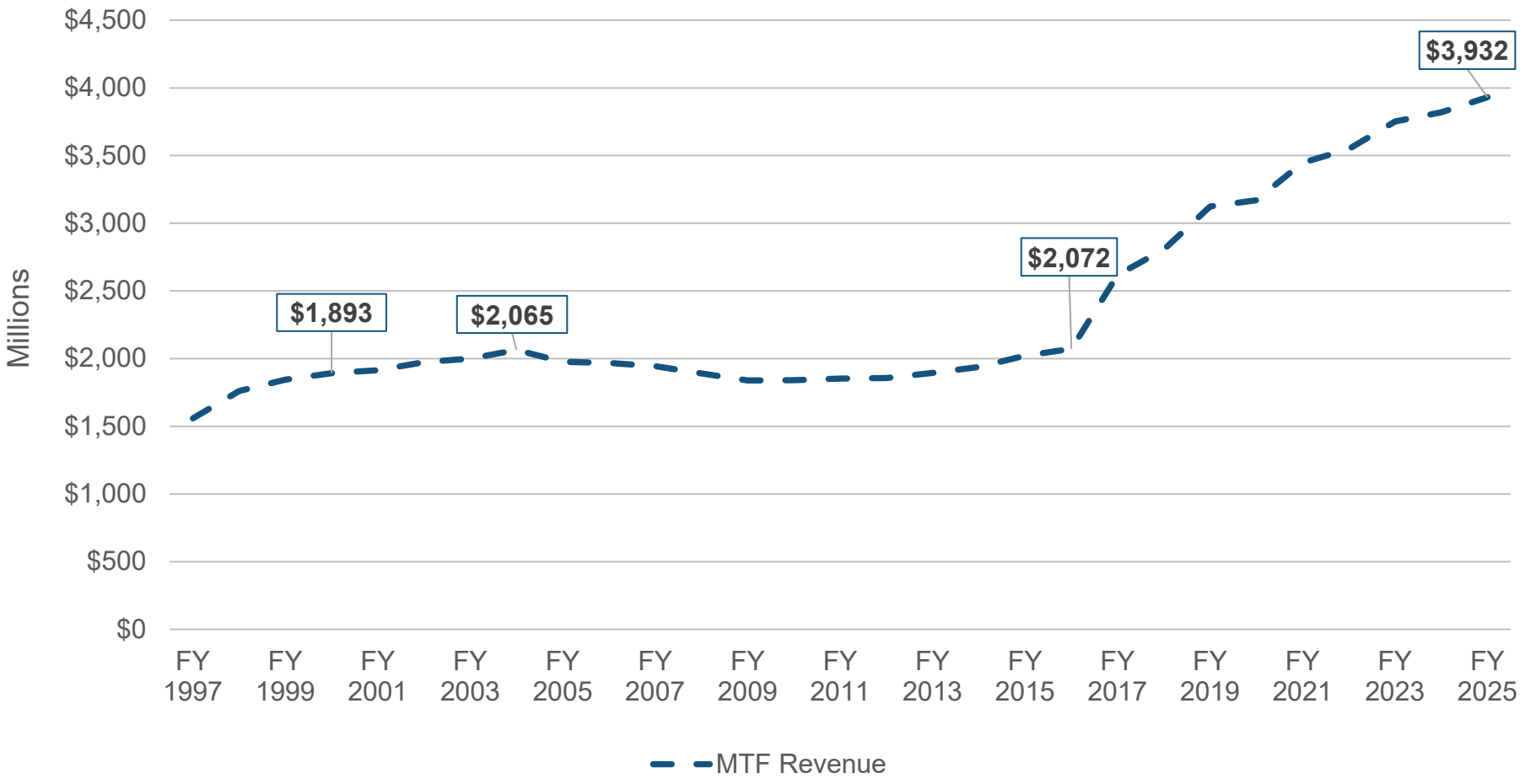
- As noted in previous slides, state restricted revenue is the largest fund source supporting Michigan's state transportation budget. The largest share of state restricted revenue is credited to, and distributed from, the MTF.

Michigan Transportation Fund (MTF) Revenue/Distribution

- MTF revenue available for highway and public transportation programs was generally flat from FY 1998 through FY 2016
- Prior to passage of the November 2015 Road Funding Package, the last time there had been a significant increase in dedicated state transportation revenue was August 1997 after the legislature passed increases in the state motor fuel tax on gasoline and in commercial truck registration taxes
- Prior to implementation of the November 2015 Road Funding Package, MTF revenue peaked in FY 2004.
- MTF revenue and distribution in FY 2013 was almost identical to MTF revenue and distribution in FY 2000 on a nominal basis
- MTF revenue began to increase in FY 2017 after the implementation of the November 2015 Road Funding Package beginning in January 2017

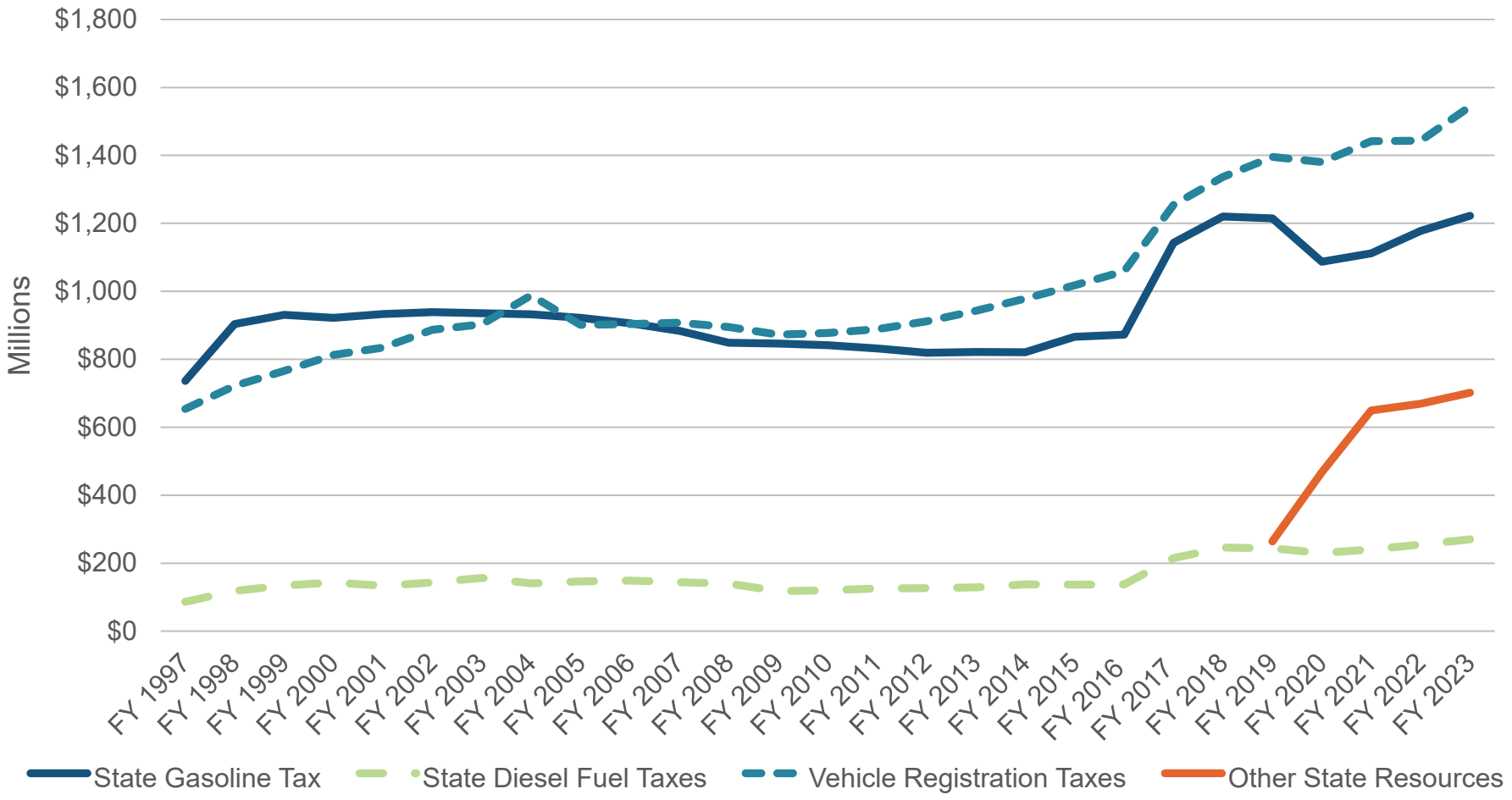
MTF Revenue History

Except for a one-time spike in FY 2004, MTF revenue was relatively flat from FY 1998 through FY 2016. The increase beginning in FY 2017 reflects the impact of the November 2015 Road Funding Package, effective January 1, 2017.



MTF Revenue Fund History by Source

Vehicle registration taxes are the largest source of MTF revenue, followed by the motor fuel tax on gasoline. The increases beginning in FY 2016-17 reflect the impact of the November 2015 Road Funding Package, effective January 1, 2017.



MTF Revenue Fund History by Source

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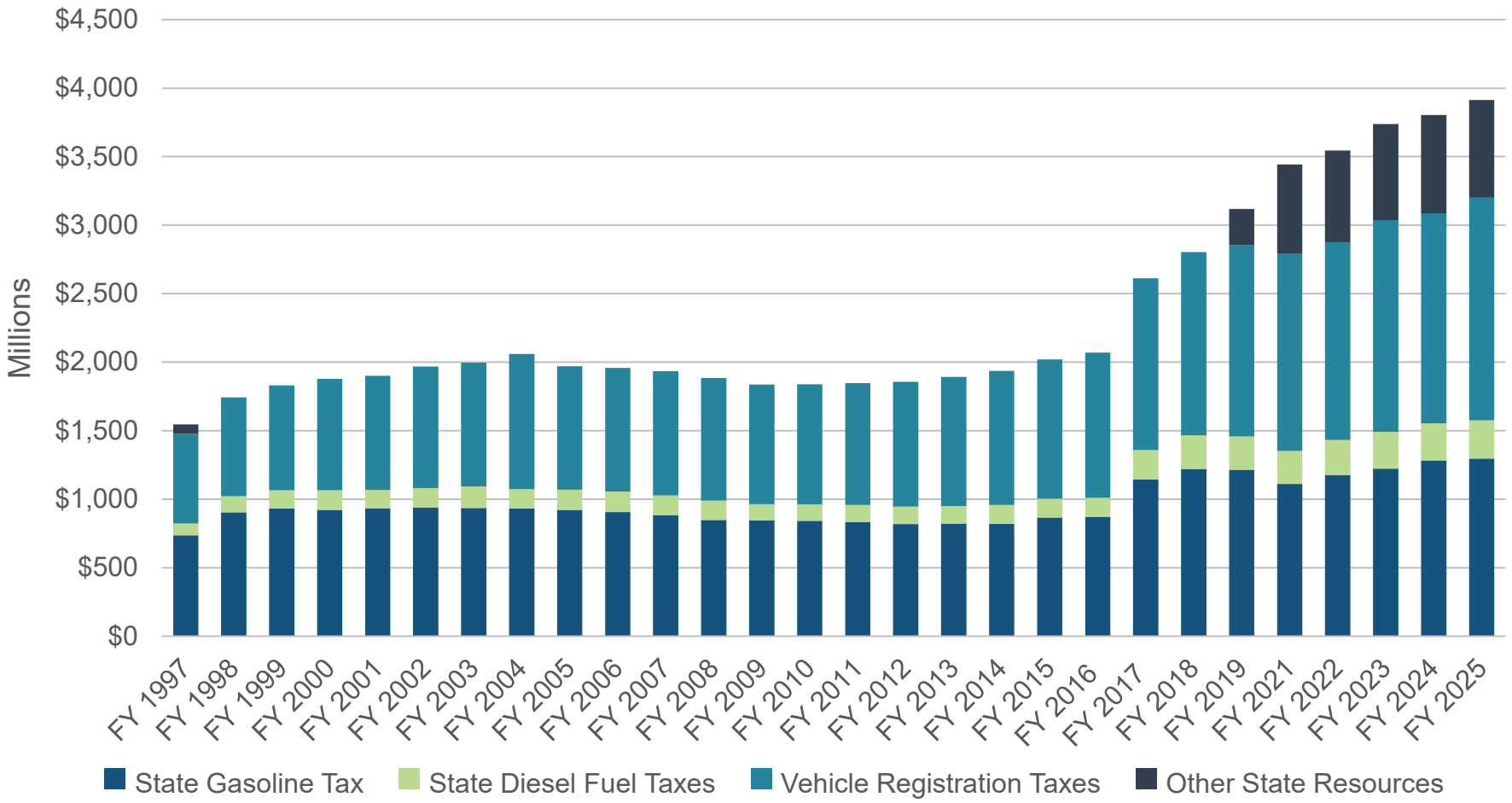
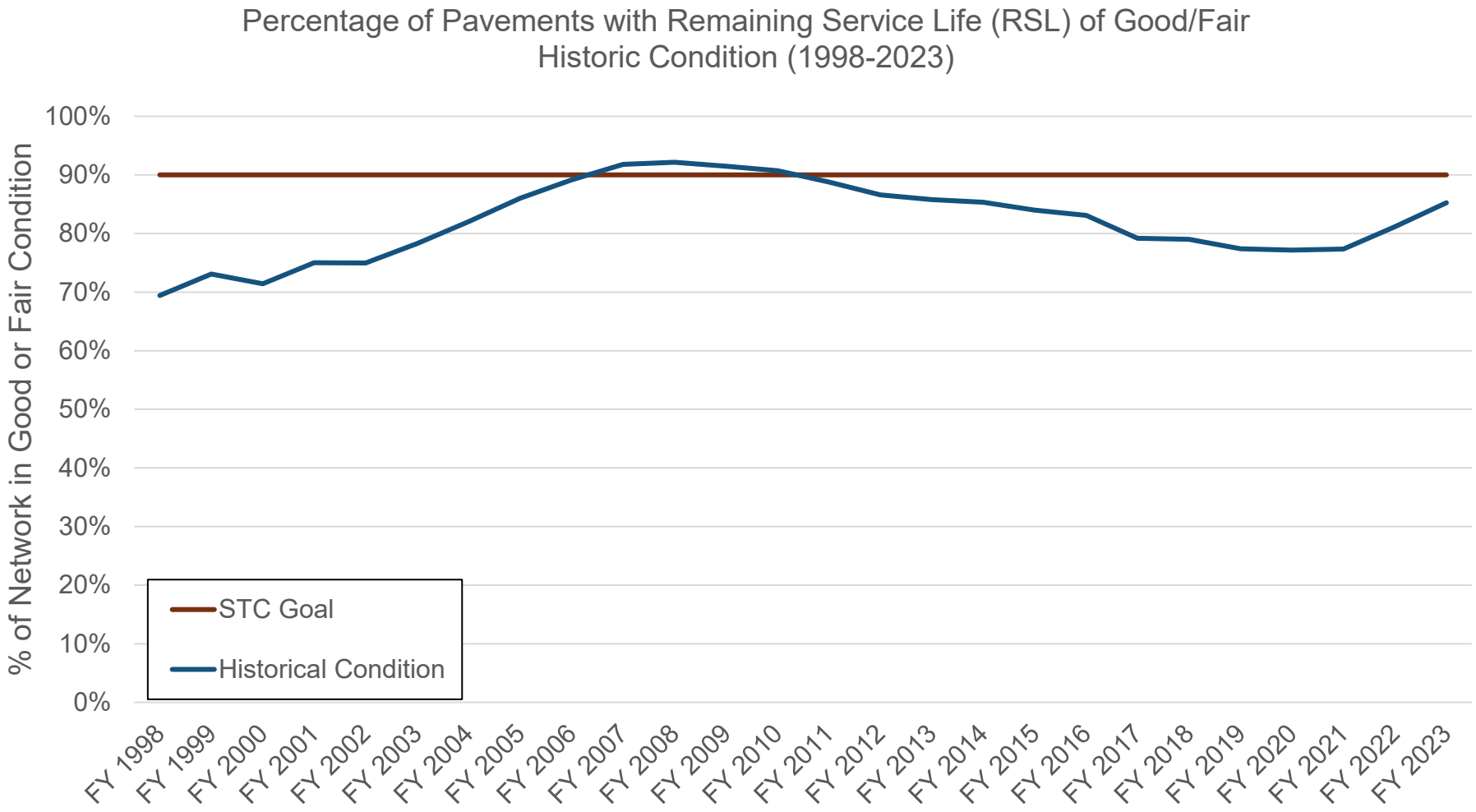


Pavement Condition / Revenue State Trunkline System

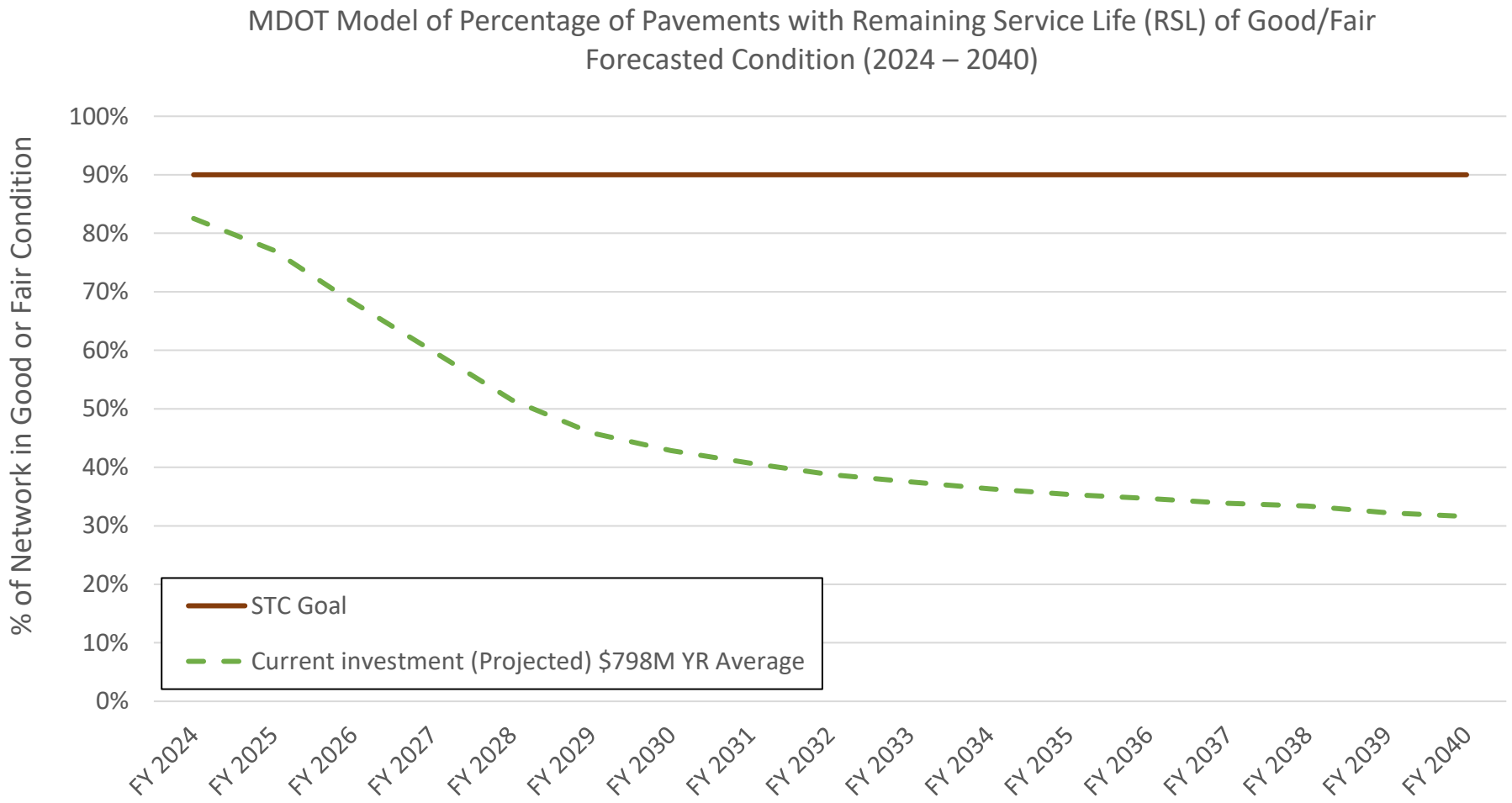
- In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway payment in “good” or “fair” condition by 2007 using a Remaining Service Life (RSL) model (Sometimes condensed to “90% good/fair”)
- In 1998, the State Transportation Commission established similar performance goals for state trunkline bridges, with a goal target of 2008.
- MDOT met pavement performance goals in 2007, and bridge performance goals in 2008, but did not have sufficient revenue to sustain the performance goals
- MDOT estimates that it will need an additional $2.5 billion annually (2026-2035) to attain and sustain trunkline pavement performance goals, and an additional $25.0 million annually (2026-2035) to sustain trunkline bridge performance goals.
- Pavement Condition RSL is one measure or one element of Michigan’s transportation system.

State Trunkline Combined Freeway/Non-Freeway Historic RSL Pavement Condition



Source: Bureau of Transportation Planning (Updated 1/15/2026)

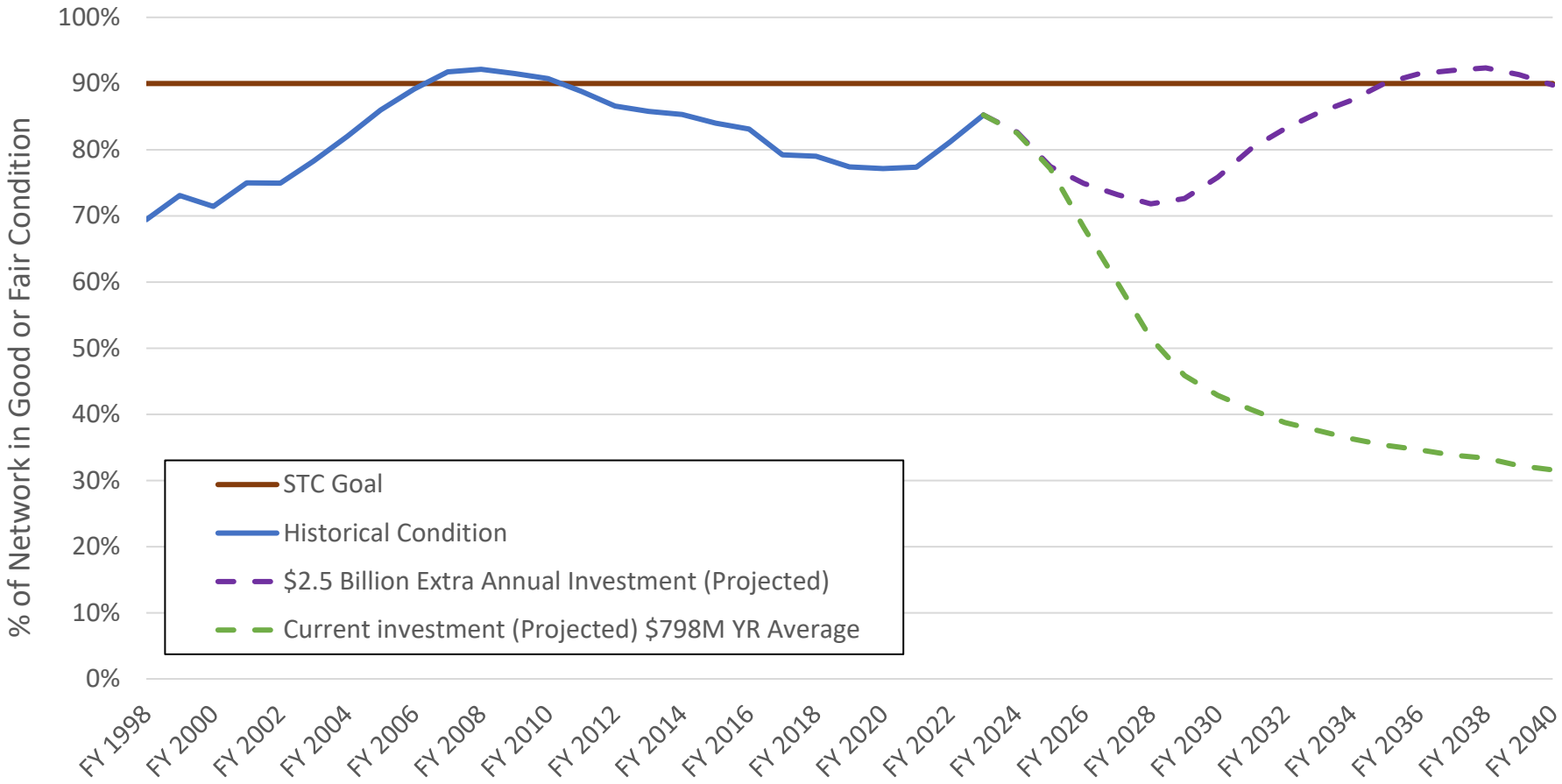
State Trunkline Combined Freeway/Non-Freeway Projected RSL Pavement Condition



Source: Bureau of Transportation Planning (Updated 12/15/2023)

State Trunkline Combined Freeway/Non-Freeway Historic and Projected RSL Pavement Condition

Historic state trunkline combined freeway/non-freeway pavement condition is shown through FY 2023. MDOT projected state trunkline pavement condition (FY 2024-2040) is shown at current investment levels, and with additional annual investment of $2.5 billion. Pavement condition measures are shown in relation to 90% good/fair goal.



Source: Bureau of Transportation Planning (Updated 12/12/2024)

Postscript: Transportation Revenue Sources Not in Budget

- **Three Major Revenue Sources not shown in the budget:**
  - **Federal Funds Distributed Directly to Urban Transit Agencies**
    - Transit agencies serving urbanized areas have direct access to some federal transit grants
  - **Bond Proceeds**
    - MDOT has legal authority to sell revenue bonds by pledging constitutionally restricted transportation revenue. Proceeds are not appropriated, although debt service is.
  - **Local Revenue**
    - As noted in the presentation, **local revenue** is shown in the state transportation budget to reflect cost-participation by cities in certain state trunkline projects, or matching funds required for certain federal-aid grants.
    - Local units of government also raise revenue for local transportation programs – revenue not reflected in the state transportation budget.
    - Local revenue sources include county or township road millages, city street millages, transit millages, transit farebox revenue, local government general fund support for road and bridge or public transportation programs, revenue raised locally for airport operations.

For more information about the Transportation budget:

HFA Resources

http://www.house.mi.gov/hfa/Transportation.asp

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