MEMORANDUM

HOUSE FISCAL AGENCY

DATE: February 24, 2026

TO: House Appropriations Subcommittee on State and Local Transportation

FROM: William E. Hamilton, Senior Fiscal Analyst

RE: Transportation Economic Development Fund (TEDF)

The Transportation Economic Development Fund (TEDF) was created by Public Act 231 of 1987 (MCL 247.901) to help fund highway, road, and street improvements related to either a specific type of economic activity or a specific type of road system. The stated purpose of the TEDF is "*enhancing this state's ability to compete in an international economy, serving as a catalyst of the economic growth of this state, and to improve the quality of life in the rural and urban areas of this state*." There are currently five categorical programs within the TEDF as established under Public Act 231, each with defined program objectives and eligible recipients.

Revenue Sources and Budget

The TEDF receives most of its funding from the Michigan Transportation Fund (MTF). Public Act 51 of 1951 earmarks a total of $40.3 million from the MTF to the TEDF each year – an unrestricted earmark of $36.8 million plus an additional $3.5 million specifically for the TEDF *Target industries* ("Category A") program. These two earmarks have been unchanged since 1997.

In addition to MTF support, the TEDF receives a statutory earmark of certain drivers' license fees, estimated at $10.2 million for FY 2025-26, plus interest earnings on the TEDF fund balance. The earmark of a portion of drivers' license fee revenue to the TEDF, made in Section 819 of the Michigan Vehicle Code, was first established in 1987 (through Public Act 232 of 1987) at the same time the TEDF was established.

TEDF revenue from all sources, as appropriated in the FY 2025-26 state transportation budget, totals $53.9 million. See **Exhibit**, below.

Other Sources of TEDF Revenue

In addition to the state restricted revenue described above, Act 51 also earmarks certain federal-aid highway funds to two TEDF categorical programs. Specifically, Sec.10 (3) of 1951 PA 51 earmarks 31.5% of the federal categorical program "Minimum Guarantee" funds to two TEDF programs: 15% to Category C, and 16.5% to Category D. The Minimum Guarantee program was subsequently renamed "Equity Bonus" with the 2005 reauthorization of the federal-aid highway program (SAFETEA-LU). A subsequent reauthorization of the federal-aid highway program in 2012 (MAP-21), eliminated Equity Bonus as a separate federal program.

Although the specific federal-aid program cited in Act 51 no longer exists, the Michigan Department of Transportation has continued to earmark a portion of federal aid made available to Michigan, specifically, from the Surface Transportation Block Grant (STBG) funds, based on the Act 51 formula distribution to Categories C and D. Local road agencies receiving these federal funds can use them for any eligible federal aid project – they are not restricted to TEDF projects.

TEDF Program Categories
There are currently five TEDF categorical programs established under 1987 PA 231:

Forest Roads (Category E) intended to facilitate the safe and efficient transport of forest products. This program receives $5.0 million each year from TEDF, an amount fixed by PA 231. Program funds are distributed by formula to 47 northern Michigan county road commissions.

Category E funding is limited to county road commissions of counties in which a national lakeshore or national park is located or in which 34 percent or more is commercial forest land. Projects must be directly related to the collection and transport of forest raw products .

Cities in Rural Counties (Category F) intended to provide for road improvements in cities over 5,000 within 78 rural counties. This program receives $2.5 million each year from the TEDF, an amount fixed by PA 231.

Urban Congestion Relief (Category C) distributed by formula to the state's 5 urban counties – Wayne, Oakland, Macomb, Genesee, and Kent. This category receives 25% of the TEDF balance after deduction of administration, debt service, and the category E and F amounts. Funds may be used for road or transit projects related to congestion relief or advanced traffic management systems.

The population thresholds that determine the internal distribution among the five urban counties was amended in 2024 by 2024 PA 203: House Bill 5922 of 2024 (Public Act 203 of 2024) - Michigan Legislature

Rural County Primary (Category D) intended to establish a local all-season road system to link communities with the state trunkline system. Funds are distributed by formula among the state's 78 rural counties for eligible projects. This program receives 25% of the TEDF balance after deduction of administration, debt service, and the category E and F amounts

Target Industries (Category A) receives 50% of the net TEDF balance after deduction of administrative costs, debt service, and category E and F amounts, plus a separate $3.5 million Act 51 earmark. Category A is intended for road projects related to economic development projects which create or retain permanent jobs, and which are related to eight specific industries:

Agriculture and Food Processing
Tourism
Forestry
High Technology Research
Mining
Manufacturing
Office Centers of not less than 50,000 square feet.
Medical research or medical tourism facilities of not less than 50,000 square feet

Medical research or medical tourism facilities were added to the list of eligible Target Industries by 2016 amendment to 1987 PA 231: Senate Bill 25 of 2015 (Public Act 500 of 2016) - Michigan Legislature

Category A is a competitive grant-application program. Grants may be awarded to any Act 51 road agency: the department, county road commissions, cities, and villages.

Public Act 231 of 1987 gave authority over the award of Category A grants to State Transportation Commission. That authority was transferred by Executive Order 1999-2 to the Director of the Michigan Department of Transportation and to the President of the Michigan Strategic Fund, jointly.

Note on Transit Oriented Facilities

Public Act 231 of 1987 defines “project" as “a transportation road construction or improvement” and also states that “project also includes a transit-oriented facility.” "Transit-oriented facility" is defined as “a facility that houses a transit station in a manner that promotes transit ridership or passenger rail use and other infrastructure improvements that facilitate transit ridership or passenger rail use.” No TEDF funds have been awarded for a transit-oriented facility project.

Note on Community Service Infrastructure Fund (Category B)

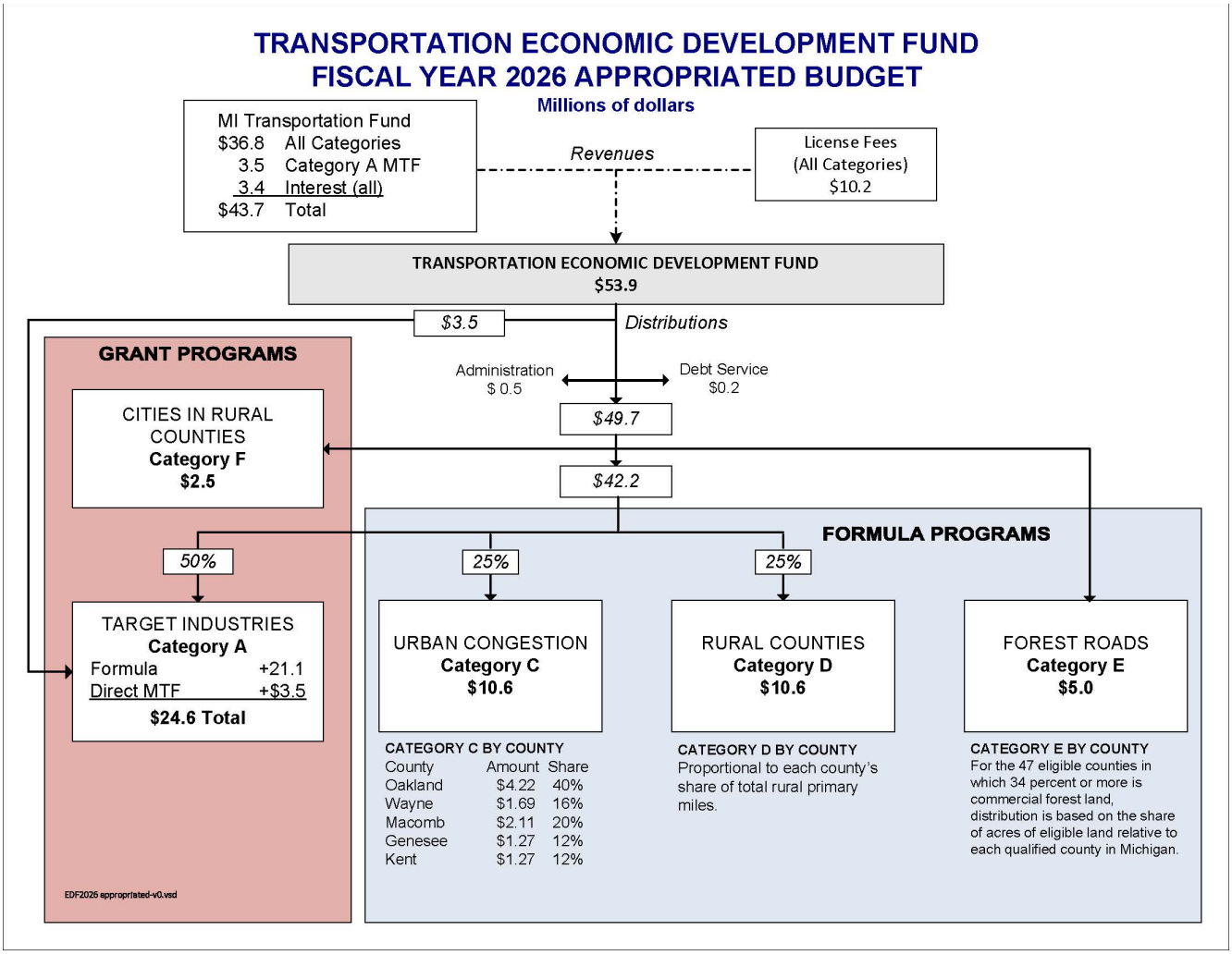
The FY 2018-19 transportation budget included $3.0 million from the TEDF for a new TEDF subsidiary fund and program. The program, the Community Service Infrastructure Fund (“Category B”), was initially established in appropriations boilerplate. The program was subsequently established in statute through legislation amending 1987 PA 231: Senate Bill 1116 of 2018 (Public Act 473 of 2018) - Michigan Legislature

The program was a competitive grant application program targeted for street construction or preservation projects in cities and villages with a population of 10,000 or less. Eligible projects included projects for reconstruction, replacement, rehabilitation, and capital prevention maintenance.

The Category B grant program was funded through an annual $3.0 million TEDF appropriation, with a corresponding reduction in funding for the TEDF Category A program, for five fiscal years, FY 2018-19 through FY 2022-23.

Although the statutory program sunset with the 2022-23 fiscal year, and program funding no longer appears in the state transportation budget, an FY 2022-23 supplemental appropriation act, 2023 PA 1, included a $25.0 million GF/GP appropriation for the program. Spending authority for this $25.0 million carried forward from FY 2022-23 and has funded, or will fund, Category B projects in FYs 2024 through 2026.

Exhibit: FY 2025-26 TEDF Revenue and Appropriations



Source: Michigan Department of Transportation, Office of Economic Development, 2/17/2026