

**Summary: Executive Budget Recommendation
for Fiscal Year 2025-26
DEPARTMENT of TRANSPORTATION**



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	FY 2024-25	FY 2025-26	Difference: FY 2025-26 vs. FY 2024-25	
	Year-to-Date as of 2/5/25	Executive	Amount	%
IDG/IDT	\$4,316,700	\$4,366,200	\$49,500	1.1
Federal	2,273,675,100	2,329,605,500	55,930,400	2.5
Local	87,448,500	87,448,500	0	--
Private	18,800,000	18,800,000	0	--
Restricted	4,230,660,000	4,288,705,600	58,045,600	1.4
GF/GP	193,000,000	112,183,900	(80,816,100)	(41.9)
Gross	\$6,807,900,300	\$6,841,109,700	\$33,209,400	0.5
FTEs	3,228.3	3,235.3	7.0	0.2

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Historically, approximately two-thirds of the revenue in this budget has come from state restricted revenue, with approximately one-third from federal sources. State-restricted revenue in this budget includes revenue from motor fuel taxes, vehicle registration taxes, as well as from a \$600.0 million earmark of Income Tax Act revenue, and an earmark of revenue from the state excise tax on recreational marijuana. For FY 2025-26, approximately \$4.0 billion in state restricted revenue will be credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 ("Act 51") to other state transportation funds and programs, including the State Trunkline Fund (STF), the Comprehensive Transportation Fund (CTF), and local road agencies (county road commissions and cities/villages). Revenue from aviation fuel and registration taxes, as well as a portion of Airport Parking Tax revenue, is credited to the State Aeronautics Fund for aeronautics programs. Federal funds for transportation programs are authorized under the federal Infrastructure Investment and Jobs Act (IIJA).

Major Budget Changes from FY 2024-25 Year-to-Date (YTD) Appropriations		FY 2024-25 YTD (as of 2/5/25)	Executive Change from YTD
1. Debt Service	Gross	\$340,703,700	\$100,500
Debt service would total \$340.8 million, \$100,500 more than current year. The debt service appropriation is primarily based on debt service schedules for previously issued and outstanding bonds, including STF Rebuilding Michigan bonds issued in 2020, 2021, and 2023. Debt service also includes estimated debt service on remaining Rebuilding Michigan bonds the department anticipates issuing in late 2025.	Restricted	340,703,700	100,500
	GF/GP	\$0	\$0
2. Design and Engineering Services	FTE	1,682.3	0.0
Increases by \$1.0 million MTF for "Signal Maintenance and Energy Programs."	Gross	\$258,071,200	\$1,000,000
	Federal	13,529,800	0
	Restricted	244,541,400	1,000,000
	GF/GP	\$0	\$0
3. State Trunkline Maintenance	FTE	909.7	0.0
Increases by \$15.4 million STF to reflect increased costs of service contracts, concrete, aggregate, and other maintenance materials.	Gross	\$486,654,800	\$15,446,900
	Restricted	486,654,800	15,446,900
	GF/GP	\$0	\$0

Major Budget Changes from FY 2024-25 Year-to-Date (YTD) Appropriations	FY 2024-25 YTD (as of 2/5/25)	Executive Change from YTD
4. State Trunkline Road and Bridge Capital Program	Gross \$1,617,892,700	\$53,602,300
Includes net increase of \$53.6 million for the capital State Trunkline Road and Bridge Construction line item. The increase is almost entirely from a \$53.5 million increase in estimated federal funds available under IIJA. State restricted STF revenue for the capital program would decrease by \$13.6 million while support from the restricted Blue Water Bridge Fund (BWBF) would decline by \$13.7 million.	Federal 1,261,773,700	53,492,700
	Local 30,003,500	0
	Private 10,000,000	0
	Restricted 316,115,500	109,600
	GF/GP \$0	\$0
5. Local Federal Aid and Road and Bridge	Gross \$411,168,800	\$17,831,000
Includes \$429.0 million, an increase of \$17.8 million, for the line item representing federal-aid highway funds available for local road agency federal-aid projects. The increase reflects estimated federal funds made available to Michigan under IIJA as allocated to local road agencies in accordance with Act 51.	Federal 411,168,800	17,831,000
	GF/GP \$0	\$0
6. MTF Distribution to Local Road Agencies	Gross \$2,050,679,300	\$27,268,300
The MTF distribution to local road agencies would total \$2,077.9 million, an increase of \$27.3 million. This reflects a marginal increase in estimated MTF revenue, as allocated in accordance with Act 51 formula. The estimated distribution to county road commissions would total \$1,334.1 million, with an estimated \$743.8 million to cities and villages.	Restricted 2,050,679,300	27,268,300
	GF/GP \$0	\$0
7. Local Bridge Fund/Program	Gross \$26,914,700	(\$497,600)
The Local Bridge Fund/Program receives two statutory earmarks of MTF revenue: a fixed amount of \$5.0 million, and revenue equal to one-half cent of motor fuel tax revenue. Decrease of \$497,600 MTF reflects lower per-penny yield of the motor fuel tax on gasoline.	Restricted 26,914,700	(497,600)
	GF/GP \$0	\$0
8. Transportation Economic Development Fund (TEDF)	Gross \$52,726,300	\$464,200
Includes \$53.2 million restricted TEDF support, an increase of \$464,200, reflecting estimated available TEDF revenue. The TEDF program is a targeted transportation program established and governed by statute, 1987 PA 231.	Restricted 52,726,300	464,200
	GF/GP \$0	\$0
9a. Local Bus Operating – Baseline CTF Funding	Gross \$226,750,000	\$0
CTF support for local bus operating assistance would remain unchanged at \$226.7 million. As described in Item 9b below, the budget would delete \$20.0 million in one-time federal ARP funding for bus operating assistance.	Restricted 226,750,000	0
	GF/GP \$0	\$0
9b. Local Bus Operating – Federal ARP Funds (One-Time)	Gross \$20,000,000	(\$20,000,000)
Deletes \$20.0 million in one-time federal ARP funding appropriated in FY 2024-25 for local bus operating assistance.	Federal 20,000,000	(20,000,000)
	GF/GP \$0	\$0
10. Transit Programs – Non-Urban Operating/Capital	Gross \$40,626,500	\$496,500
Recognizes \$41.1 million for non-urbanized area formula grant program established under 49 USC 5311 (\$39.1 million federal funds and \$2.0 million local funds). The \$496,500 increase in federal funds reflects estimated federal grants available to Michigan under IIJA.	Federal 38,626,500	496,500
	Local 2,000,000	0
	GF/GP \$0	\$0
11. Transit Capital	Gross \$254,601,300	(\$3,877,100)
Includes \$3.9 million net decrease: increase of \$2.9 million in estimated federal aid under IIJA would be offset by baseline decrease of \$6.8 million in state restricted support reflecting estimated available CTF revenue.	Federal 144,067,200	2,874,400
	Local 31,000,000	0
	Private 2,000,000	0
	Restricted 77,534,100	(6,751,500)
	GF/GP \$0	\$0

Major Budget Changes from FY 2024-25 Year-to-Date (YTD) Appropriations		FY 2024-25 YTD (as of 2/5/25)	Executive Change from YTD
12. Rail Operations and Infrastructure	Gross	\$152,189,200	(\$4,500,700)
Includes \$4.5 million decrease in baseline CTF support reflecting estimated available CTF revenue.	Federal	30,000,000	0
	Local	100,000	0
	Private	2,000,000	0
	Restricted	120,089,200	(4,500,700)
	GF/GP	\$0	\$0
13a. Capital Outlay - Airport Improvement Program (AIP)	Gross	\$182,242,300	\$4,991,600
Recognizes \$5.0 million increase in state restricted State Aeronautics Fund revenue for program of capital assistance to eligible local public airports in the state. This increase represents increase in estimated baseline restricted revenue, as well as funds from a proposed increase in the state aircraft registration fee. (Part of this increase was built into the FY 2024-25 budget figure.) This program is shown in the budget under the line item, Airport Safety, Protection, and Improvement (ASAP).	Federal	155,000,000	0
	Local	17,500,000	0
	Private	2,000,000	0
	Restricted	7,742,300	4,991,600
	GF/GP	\$0	\$0
13b. IJJA Airport Infrastructure Grants	Gross	\$115,000,000	\$0
Retains \$115.0 million federal spending authority for a program of federal aid to public airports established under Division J of IJJA.	Federal	115,000,000	0
	GF/GP	\$0	\$0
14. Detroit Metropolitan Wayne County Airport	Gross	\$6,760,000	\$260,000
Recognizes \$260,000 increase in estimated Qualified Airport Fund revenue. As provided through 2015 amendments to the State Aeronautics Code, Qualified Airport Fund revenue is appropriated to the Detroit Metropolitan Wayne County Airport.	Restricted	6,760,000	260,000
	GF/GP	\$0	\$0
15. Removal of FY 2024-25 One-Time Appropriations	Gross	\$117,990,000	(\$117,990,000)
Removes \$118.0 million (\$117.0 million GF/GP) in one-time items:	Restricted	990,000	(990,000)
	GF/GP	\$117,000,000	(\$117,000,000)
<ul style="list-style-type: none"> Critical infrastructure projects, (\$74.5 million GF/GP) New technology and mobility, (\$24.0 million GF/GP) Air service/airport revitalization, (\$6.0 million GF/GP) MI Contracting Opportunity, (\$5.0 million GF/GP) School zone automated speed enforcement, (\$2.5 million GF/GP) Local rail grade crossing improvements, (\$2.0 million GF/GP) Lake Michigan car ferry, (\$2.0 million GF/GP) Local road and material research program, (\$1.0 million GF/GP) Supplier risk and information subscription, (\$50,000 GF/GP) Blue Water Bridge equipment and facilities (\$990,000 BWBF) 			
An additional one-time GF/GP item, \$76.0 million for Federal aid match, is described in Item # 16a below.			
An additional one-time item, \$20.0 million from federal ARP funds for local bus operating assistance, is described in Item # 9b above.			
16. Federal Aid Match (One Time)	Gross	\$76,000,000	\$36,183,900
Includes \$112.2 million GF/GP (one-time appropriation) to ensure sufficient state funds are provided for MDOT to match all federal-aid highway funds available to Michigan through IJJA. This is \$36.2 million more than the current year \$76.0 million GF/GP appropriated for this purpose.	GF/GP	\$76,000,000	\$36,183,900
17. Road Usage Charge Study and Pilot (One-Time and Ongoing)	FTE	0.0	1.0
Includes \$7.8 million MTF (\$7.7 million one-time and \$171,900 ongoing) and 1.0 FTE authorization to support a study and pilot of potential road usage charge revenue options. It is anticipated that this will be a 3-year project. The ongoing funding and FTE are included in Finance, contracts, and support services.	Gross	\$0	\$7,821,900
	Restricted	0	7,821,900
	GF/GP	\$0	\$0

<u>Major Budget Changes from FY 2024-25 Year-to-Date (YTD) Appropriations</u>	<u>FY 2024-25 YTD (as of 2/5/25)</u>	<u>Executive Change from YTD</u>	
18. Economic Adjustments	Gross	NA	\$10,907,200
Reflects increased costs of \$10.9 million Gross (\$0 GF/GP) for negotiated salary and wage increases (3.0% on October 1, 2025), actuarially required retirement contributions, worker's compensation, building occupancy charges, rent, and other economic adjustments.	IDG/IDT	NA	49,500
	Federal	NA	1,100
	Restricted	N/A	10,856,600
	GF/GP	NA	\$0

Major Boilerplate Changes from FY 2024-25

Sec. 206. Communication with the Legislature – DELETED

Deletes section that prohibits department from taking disciplinary action against an employee for communicating with the Legislature. The Governor had indicated this section was unenforceable.

Sec. 212. Restricted Fund Report – DELETED

Deletes section that requires the department to work with the State Budget Office to provide a report on restricted fund revenues, expenditures, and fund balances. [This report is currently included in the annual budget presentation.]

Sec. 218. Record Retention Policy – DELETED

Deletes section that prescribes the department's record retention policy.

Sec. 221. Work Project Expenditures – DELETED

Deletes section that requires that work project balances be exhausted before expenditure from part 1 appropriations. The governor had indicated this section was unenforceable.

Sec. 223. Fiscal Recovery Funds – DELETED

Deletes section that prescribes use of federal fiscal recovery funds.

Sec. 250. Report on Grant Sponsors and Grant Recipients – DELETED

Deletes section that establishes detailed reporting requirements for grants made to single recipients or local units of government.

Sec. 305. Practice and Policies Regarding Homelessness – DELETED

Deletes section on practices and policies regarding homelessness.

Sec. 311. Bridge Bundling Report – DELETED

Deletes reporting requirement related to bridge bundling initiatives.

Sec. 314. MI Contracting Opportunity Loan Fund – NEW

New section establishes an MI Contracting Opportunity Loan Fund as a revolving loan fund; initially funded from appropriations made in FY 2024-25 transportation budget.

Sec. 383. Report on State Airfleet – DELETED

Deletes reporting requirement regarding use of state airfleet.

Sec. 389. Long-Term Obligations – DELETED

Deletes reporting requirement related to long-term agreements that obligate the department to make future payments of over \$5.0 million for five or more years.

Sec. 393. Public Transportation Best Practices – DELETED

Deletes section that directs the department to promote best practices for public transportation and included reporting requirement.

Sec. 399. Capital Preventive Maintenance – DELETED

Deletes section that directs the department to prioritize capital preventive maintenance and set \$100.0 million minimum.

Sec. 612. Incentive/Disincentive Contracts – DELETED

Deletes section that provides a reporting requirement related to incentive/disincentive contracts and payments.

Sec. 613. Magnetic Roadway Sweepers – DELETED

Deletes section that earmarked \$350,000 (STF) for purchase of magnetic roadway sweepers.

Major Boilerplate Changes from FY 2024-25

Sec. 660. Alternative Materials – DELETED

Deletes section that encouraged the department to examine the use of alternative road surface materials. Subsection 2, which directed the department to establish a transportation innovation council, was deemed unenforceable in the governor's signing statement.

Sec. 707. Rail Strategic Plan – DELETED

Deletes section that required the department to report on a five-year rail strategic plan and that also earmarked \$20.0 million for rail-related economic and rail freight system preservation projects.

Various Sections One-Time Appropriations – DELETED

Deletes all 12 sections that directed use of, and established reporting requirement for, one-time appropriations made in the FY 2024-25 enacted budget.

Supplemental Recommendations for FY 2024-25 Appropriations

**FY 2024-25
Recommendation**

1. FTE Authorization for Aeronautics Grants

Requests authorization for 2.0 FTE positions to support the administration of one-time aeronautics programs included in the FY 2023-24 and FY 2024-25 enacted budgets. There is no associated funding increase included in this request.

FTE	2.0
Gross	\$0
GF/GP	\$0