

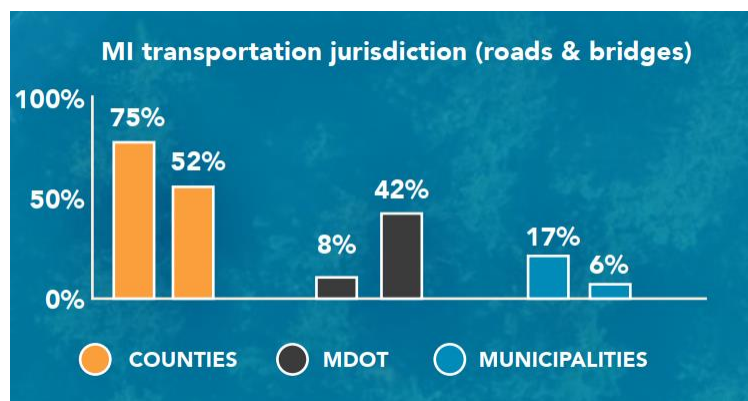
Q&A: Michigan Road Funding 101

What's the deal with road funding in Michigan? How are roads funded and where does the money come from? This document provides the answers to these questions and more to help you better understand Michigan's transportation needs.

Q: Who is responsible for Michigan roads?

A: In Michigan, nearly all roads fall into one of three categories of jurisdiction:

1. **State highways:** MI Department of Transportation (MDOT) – 8% of all roads in state
2. **County roads:** County road agencies – 75%
3. **City or village streets:** Cities and villages – 17%.



Q: Why are so many Michigan roads in bad shape?

A: To understand where Michigan is today in terms of road funding, we need to know where we've been in the past. Since at least 1964, roads have been Michigan's "forgotten priority." Michigan has continuously ranked in the bottom nine states per capita and local expenditures on roads – once sales tax (which doesn't go to roads) is removed. Compounding this is the fact many of the states that have for years ranked higher than Michigan in per capita road spending don't have the freeze/thaw cycles that Michigan experiences each spring and fall. These take a tremendous toll on road surfaces. Nor do road agencies in many of these states spend millions of dollars on snowplowing and salting.

Q: Where does the money come from to maintain Michigan's roads?

A: The two largest sources are the state-collected gas tax and the vehicle registration fee. Traditionally, the gas tax was Michigan's largest single source of road funding. However, vehicle-registration fees surpassed the gas tax recently as gas consumption declined statewide and vehicle fuel economy has continued to improve.

In addition to the gas tax and vehicle registration fee, other state-collected revenues support Michigan roads, including the diesel carrier tax and diesel dealer license fee, income tax, some marijuana tax and other miscellaneous revenue.

Q: What about Michigan’s sales tax? Isn’t that applied to gas and diesel sales?

A: Yes, but *none* of the revenue from that sales tax paid at the pump goes to roads.

Q: How are state-collected road funds distributed?

A: To address the question of how state-collected transportation funds are distributed, the State Legislature established a single “pot” for state-collected road funds known as the **Michigan Transportation Fund (MTF)** and then created a distribution formula that divides funds among the state (39%), county road agencies (39%) and cities and villages (22%).

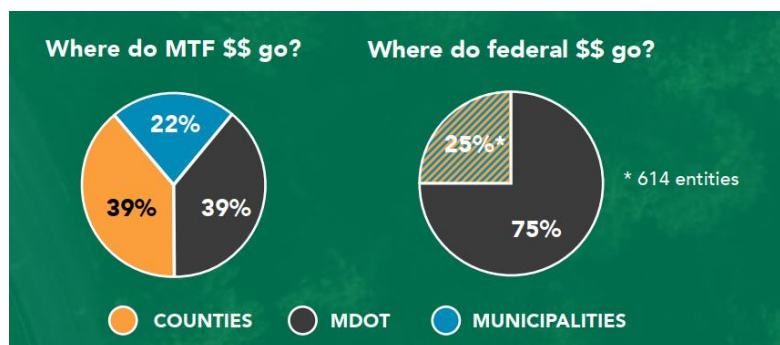
Q: Even with this distribution formula, Michigan roads continue to deteriorate. What’s wrong?

A: The MTF is underfunded due to increased fuel efficiency of cars and lack of additional state-authorized increases over the years. County road agencies simply cannot keep up with the deteriorating road network and escalating costs. To reach *county* transportation improvement and maintenance goals, 2021 research found the MTF will need an increase of \$1.8 billion annually. That is why the County Road Association of Michigan is calling on the State Legislature to fund the MTF Act to keep Michigan’s transportation goals on track.

Q: Michiganders pay an 18.4¢ per gallon federal gas tax. Doesn’t that help pay for the roads?

A: Most road agencies in Michigan receive federal road funding for primary road improvements. But federal funds can only be spent on federal-aid-eligible roads, which represent about one-third of all county roads in Michigan.

While federal funds coming to Michigan increased slightly due to the federal infrastructure package enacted by Congress and the President in 2021 (known as the Infrastructure Investment and Jobs Act or IIJA), the increase is minimal for most county road agencies.



Q: Tell me more about the taxes I pay at the pump. What is the total amount of taxes per gallon of gasoline in Michigan? And where does the money go?

A: There are three fuel taxes we currently pay at the pump for a total of 68¢ per gallon: the Michigan Gas Tax (28.6¢); Federal Gas Tax (18.4¢); and the Michigan Sales Tax (21¢). Of that total, 41.5¢ goes directly to the roads. (See *infographic for breakdown.*)