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Michigan should rip up road-funding formula, start with blank slate, report says

By David Eggert, 3/25/25

LANSING — Michigan, which ranks 30th-lowest among states in road funding and 40th-worst in road conditions, should replace its "obsolete" formula for distributing revenue, which could go much further in fixing sub-par roads than throwing more money into them, according to a new analysis.

The Citizens Research Council of Michigan released a comprehensive assessment of the state's road program Tuesday at a time the state Legislature and Gov. Gretchen Whitmer are debating ways to pump an additional $3 billion into the system annually.

The report says boosting overall funding is likely appropriate because fuel tax revenues are forecast to slowly decline in future years, but legislators should also evaluate policy options to improve performance — the ability to translate funding into quality infrastructure.

"Road funding levels appear to be only one factor in determining road system conditions," the study says. "Other factors such as funding distribution and project selection appear more influential."

The analysis calls for, among other things, the repeal and replacement of Public Act 51 of 1951, which determines how funding is distributed and allocated to 615 road agencies.

It was envisioned as a 15-year construction program but remains in place after more than 300 amendments, the product of "historical inertia, " the assessment contends. The law, it says, "is a primary source of Michigan's roads program underperformance ... Increasing Michigan's road funding without fundamental reform to how it is spent would be a disservice to citizens of the State."

The report urges lawmakers to start with a blank canvas and consider how a "rational" system should work, adopting a needs-based approach despite likely opposition because every road agency fears being a loser under any new formula. That could be addressed by ensuring that no agency sees a drop in its existing funding should there be an overall boost in funds, the study says.

Legislators should consider redistributing road ownership to better reflect their use and agencies' capability to maintain them; better distinguishing road types based on their importance; and making sure agencies with high volumes of commercial traffic are fairly compensated because pavement damage is related almost entirely to heavy trucks, according to the analysis.

It also recommends updating the formula to:

- account for bridge costs
- stop assuming that labor and materials costs are uniform across Michigan
- factor in geology to help slower-draining regions with higher construction and maintenance costs
- better account for things like traffic volume and pavement area
- recognize that the southern half of the state is subject to more damaging freeze-thaw cycles than the northern half, and
- factor in population but with less emphasis than in Act 51.

In metro Detroit, the law's critics have long contended that the area's "donor" motorists pay more in fuel taxes and vehicle registration fees than they get back in road repairs and maintenance compared with rural drivers.

A $3.1 billion plan recently approved by the Republican-controlled House would pull most new funding from elsewhere in the budget and earmark it for local roads. It is a response to how Whitmer's administration in recent years has used bonding to update state highways following legislative resistance to proposed higher taxes. The proposal, pending in the Democratic-led Senate, also would create a new Neighborhood Road Fund.

A lot of the extra money would still flow through the Act 51 formula for disbursement to local agencies. For counties, the most governing allocation factor is the number of registered vehicles in the county, according to the CRC. For cities and villages, it is population.

"The measure of needs should incorporate metrics that better reflect the role of each road and the relative cost of constructing and maintaining the roads and bridges," the CRC says in the assessment.

Eric Dennis, the group's infrastructure research associate, said agencies know the law is broken but do not want to fight over slices of a shrinking pie.

"They'd rather increase the pie for everyone and so the entire state infrastructure industrial complex has coalesced around this message that more money is needed," he told Crain's.

"They don't want to fight with each other even though they know that there are some agencies that are better off than others under this formula. There's just some holes in the formula. Like, we have some really well-populated townships now, incorporated townships, that didn't really exist in Act 51 and they are dependent on their counties to maintain the roads. So some townships will even have millages for their roads, but they send that money to the county that manages their roads. That just seems kind of unfair to them and possibly an inefficiency."

The report also urges the Legislature to:

- direct an independent road user cost allocation study, including of big trucks
- consider giving municipalities more freedom to levy taxes to fund local roads
- order an independent assessment of the efficacy of pavement management programs
- index new funding to road construction cost inflation, and
- pursue legislation to strengthen the state's role in encouraging and directing collaborative infrastructure projects among multiple agencies.

The study compares Michigan nationally and with 10 peer states, which were selected based on a dozen factors such as population, road miles, urban land percentage, truck traffic and climate.

The state's road-funding level is slightly below average nationwide and among the peers — Ohio, Indiana, Virginia, Georgia, Illinois, Missouri, Pennsylvania, Wisconsin, North Carolina and Tennessee.

Six peer states are higher in funding; four are lower. Only Illinois, however, has a road system in poorer overall condition than Michigan among the peers, according to the review.

On average, Michigan is underperforming compared to a typical state and has declined between 2004 and 2024.

The analysis added, though, that a review of national data shows "practically zero correlation" between a state's funding and system conditions.

CRC President Eric Lupher said the nonpartisan organization started the research about a year-and-a-half ago, before the House and Whitmer presented proposals.

"We really wanted to dig into the idea that it's a broken system and just patching it over, to use an industry pun, isn't the long-term solution — that we need to do better at how we spend the money that we come up with," Lupher said in an interview.

Some findings in the assessment include:

- State and federal transportation funding specifically allocated to road and bridge work was relatively flat, rising from $2.6 billion in 2004 to $2.8 billion in 2016. Following a 2015 road-funding law and Whitmer's Rebuilding Michigan borrowing program, funding more than doubled to $6.1 billion in 2024.
- Although nominal funding doubled, construction cost inflation reduced the gain in purchasing power by almost half. When such cost inflation is considered, the purchasing power of the road program was about 18% greater in 2024 compared to 2004, 6% higher if the bonding program is not included.
- Michigan's road funding in 2024 was at a historical high, dating back to at least 2004.
- The percentage of pavement eligible for federal aid — typically roads used for anything other than short-distance local travel — in poor condition increased from 12% in 2004 to 33% in 2023. Pavement in fair condition declined from 64% to 41%. The portion of pavement in good condition remained relatively flat over that period.
- The state's bridge infrastructure generally improved between 2004 and 2024.