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Road-funding package passes House, setting stage for further negotiations

By David Eggert, 3/19/25

LANSING — The Republican-led House on Wednesday passed a $3.1 billion plan to boost road funding by earmarking existing tax revenue to the transportation budget and ensuring that taxes paid at the pump go to roads and bridges.

The move set the stage for future talks with Senate Democrats and Democratic Gov. Gretchen Whitmer. She has floated a proposal to increase business taxes and cut spending to bolster roads ahead of a funding "cliff" coinciding with the end of a bonding program.

Components of the House legislation — a bid to end $500 million in annual tax credits for the Detroit Three automakers and other companies and a maneuver to stop deposits into Michigan's marquee business-attraction incentives fund — are opposed by business groups.

The eight-bill package is targeted at improving local roads and bridges. Some measures garnered backing from all 58 Republicans and seven of 52 Democrats, while others had slightly less support from members of both parties. The legislation is supported by local governments and construction trade organizations.

"This is going to be one step closer to fixing our local roads all across our cities and counties, all across our state," House Speaker Matt Hall said.

While Whitmer is encouraged to see legislators make roads a priority, the House legislation "does not achieve the goal," said spokesperson Stacey LaRouche.

"The governor is open to suggestions from Republicans and Democrats, but inaction is not an option," LaRouche said, saying Whitmer hopes to get House and Senate members together for negotiations after the legislative spring break.

Transportation revenue would rise by just under $3.2 billion in the next fiscal year under the bills, up from around $5.5 billion — about a 57% increase, according to a Crain's calculation. Cities would see their funding more than double, Hall said.

Some $2.2 billion in corporate income tax revenue would be dedicated to transportation funding. Republicans have said that is doable for now by cutting more than $1 billion in what they call "corporate handouts," eliminating $500 million in annual budget earmarks and using $600 million in projected surplus funds they expect to continue in future years

The 6% sales tax on motor fuels would be replaced with an equivalent increase in per-gallon gasoline and diesel taxes, a concept that Whitmer has embraced. That would free up $1 billion because most sales tax revenue goes to schools and municipalities.

The legislation would protect against drops in school funding and state revenue-sharing payments to municipalities, diverting $850 million from the general fund.

"We're going to make a lot of cuts in this budget," Hall said.

Rep. Matt Longjohn, D-Portage, opposed the bills.

"We all want better roads in Michigan and for Michiganders. But the way this package has been put together is impulsive and irresponsible," Longjohn said. "Passing these bills today puts too many other things important to Michiganders at risk. None of us know how many billions in cuts we'll be confronted with when the federal budget is realized. In that context, the risk is too great that this package will perpetuate defunding of vital areas in housing and schools and health care."

Rep. Jamie Thompson, R-Brownstown Township, said local road agencies do not have sufficient resources to fix the infrastructure. Wayne County, she said, would get $121 million more under the plan.

"We're not raising people's taxes guys and we're not saddling our future generations with additional debt," Thompson said. "This is a funding shift with money that we already actually have that's actually going to address a long-time problem without raising taxes on Michigan citizens."

The plan would stop scheduled $550 million in deposits into two economic development funds and let them expire in future years: $500 million to the Strategic Outreach and Attraction Reserve Fund and $50 million to the Revitalization and Placemaking Fund. The House backed off discontinuing $50 million a year for the Housing and Community Development Fund.

The plan also would increase an old business tax six-fold to keep roughly 12 companies from continuing to claim credits that are worth more than $500 million a year currently. The proposed tax hike is designed to move those businesses over to paying the corporate income tax.

The Detroit Regional Chamber criticized the attempt to eliminate the credits, saying it "undermines trust in the state’s commitments, sending a disturbing signal to businesses that Michigan does not honor its contractual obligations."

Thompson, though, said "it's time to take the money away from the corporates and give it back to the people and the roads we drive on every day — to work, to school, to doctor's appointments."

Build it Strong, a coalition of union, construction and business groups including the Michigan Chamber of Commerce, welcomed the votes.

"Any legislative movement toward an eventual negotiated solution, like this one, is progress to be celebrated because that means progress toward smoother roads, job creation and a growing economy," spokesperson John Sellek said.