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# CRC says road funding plan is complicated, may not address needs

The road funding plan passed by the Legislature earlier this year is unlikely to deliver on all its promises in addressing the state's infrastructure needs, the Citizens Research Council of Michigan said Thursday.

The CRC presented a report evaluating the effectiveness of the funding plan in the face of pushback from the marijuana industry on the legislatively passed 24% cannabis wholesale tax slated to go toward roads, saying the package would unlikely meet the intentions set by the Legislature.

The funding package is intended to provide \$1 billion in new road funding for the 2025-26 fiscal year and then increase to \$2 billion by the 2030 fiscal year, while also allocating money to a new Neighborhood Roads Fund.

If the funding holds up, the increase in funding would represent a 70% increase over the 2016 fiscal year low point for the state, making Michigan one of the top 15 best funded states, according to the report.

Although the report questioned the road funding amount and said it would create uncertainty with road projects, including for local roads, the package has received a slew of praise from various stakeholders. Labor unions, county leaders, the Michigan Infrastructure and Transportation Association and the County Road Association were among those who applauded the legislation as a game changer for the state's infrastructure system.

House [Speaker Matt Hall](#) disregarded the findings from the Citizens Research Council, saying in a statement to Gongwer News Service

that the council "has consistently pushed out flawed analysis of the deals" he and Gov. Gretchen Whitmer have made. Hall also said the organization is funded by left-wing groups.

"They just don't want to give us credit for getting big things done," Hall said.

While the road funding package's intention is to create a substantial increase, including an 80% increase in local agency funding compared to 2007, 70% of the new revenue is not guaranteed, the report said.

Eric Paul Dennis, research associate of transportation policy with CRC, said the uncertainty starts with the structure. It's not clear which funding is going into what pot of money, with the Michigan Transportation Fund now split into two, with other funding splits for local road agencies, grant funding and county road agencies.

The existing system is forcing county road agencies to handle multiple buckets of money with separate rules for how to get those funds to townships to start road projects, said Eric Lupher, president of Citizens Research Council.

Also, grant funding at the \$205 million level will only be around for five years and then decrease to \$15 million in the 2031 fiscal year.

"If these funds become important, a critical part of our road funding strategy, the Legislature has built in a \$200 million fiscal cliff that could become an issue," Dennis said.

Along with the marijuana tax up in the air in court, there is also a pending decision on delaying the collection of taxes which could delay funding from the Department of Treasury into the roads fund, creating "extreme uncertainty," according to Dennis.

Dennis also warned there are questions around how much of the anticipated corporate income tax revenue will be available due to needing a certain balance to hit the earmark funding level, and even if it was, it would not be distributed on the schedule that was first laid out.

The one certainty, Dennis said, is the fuel tax increase, which will provide \$716 million more toward roads.

The Neighborhood Roads Fund in general is contingent on what funding will be distributed, manifesting in an unpredictable

schedule, which Dennis said would throw projects into disarray.

"We just don't know how much or when, which is actually a big deal to road agencies," Dennis said. "Construction projects are planned years in advance. It's going to cause some headaches for a lot of people."

Overall, Dennis said, it will be a few years before they start to see real results from funding translated into system improvements.

Dennis said he was "disappointed the Legislature showed almost no interest in understanding how the current road program is working and which aspects of it is not working."

"Shoring up an inefficient, ineffective system with more funding is not good policy," Dennis said. "It's likely to make the system even less effective. Part of this was the focus on local road agencies, which was intentional, but I'm not sure how well thought out that was."

He said he thinks there should be a wider discussion to what extent local subdivision streets should be a statewide funding priority, and if so, how to distribute that funding in a way that is fair and accountable.

The council previously pointed to amending the old funding method as an answer to the infrastructure need, and Dennis stood by that recommendation, saying he assumed the Legislature had found that solution too complicated, choosing to "ignore that, pretend that everything's working, and do what they wanted to do with this new fund."

"Policymakers at the state level need to think harder about how road funding is being used, rather than simply how much of it there is," Dennis said.

– By Liz Nass

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