



Budget Grows In 'Sustainable' Way; Road Funding Proposal On Blocks

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Budget Director [Jen FLOOD](#) rolled out today an \$83.5 billion budget proposal for next year that spends nearly all the \$770.4 million projected to be left over with this year's budget and the \$910.2 million in extra revenue projected for Fiscal Year (FY) 2026.

The plan boosts the General Fund to \$15.3 billion and the School Aid Fund to \$21.2 billion, but doesn't come with a long-term road funding plan, broad tax relief or a flagship new spending proposal. According to *Crain's Detroit*, the road funding proposal is coming by Friday at the earliest.

With few notable programming cuts and only a handful of boutique tax/fee increases (see related story), Gov. [Gretchen WHITMER](#)'s budget presentation lacked the punch of prior offerings. Whitmer, herself, was at a Michigan Reconnect event in Grand Rapids during this morning's legislative briefing and not in front of a joint session of the House and Senate appropriations Committees with Flood and Deputy Budget Director Kyle **GUERRANT**.

Overall, the Governor's FY '26 budget was a 2.7 percent increase from last year.

The Mackinac Center's James **HOHMAN** applauded the Governor for proposing a spending plan that was less than their sustainable budget target. And while Democrats predictably agreed with where Whitmer wants to put the state's money, Republicans grumbled that the administration is blowing an opportunity to pave roads and give tax breaks.

"We're proposing key investments to lower costs for families, create jobs, support heroes on the front lines and seniors across our state," Flood said.

The Governor proposed around \$211 million more for road improvements, but that's a far cry from the \$3.9 billion the Michigan Infrastructure and Transportation Association (MITA) says Michigan needs. It begs the question of how the Governor is proposing to fix the damn roads, and with only \$29 million left from the \$1.68 billion in additional revenue projected for the current fiscal year and FY '26 (See "[CREC: Gov Sees Positive Economy, GOP Wants More Road \\$\\$ & Tax Cuts](#)," 1/10/25).

"I don't want to get ahead of the Governor's proposal," Flood said. "She's long been a champion for fixing the damn roads, and we're going to see a proposal next week on a long-term funding plan. I know that's a priority for her."

House Speaker [Matt HALL \(R-Richland Township\)](#) noted that since Whitmer took office in 2017, the state budget spending has risen 43%, and this growth of government needs to stop. His caucus wants a Public Safety Trust Fund, more road funding and an income tax cut to 4.05 percent from 4.25 percent.

So what did the Governor spend this \$1.68 billion on?

The lion's share is in the Department of Health and Human Services (DHHS). Around \$63 million from the General Fund is supporting programs designed to keep kids with their families as opposed to being referred to a much-more-expensive youth home.

Another \$96.4 million will make sure more disabled and elderly people qualify for Medicaid reimbursements. Elderly or disabled residents with an income more than 100 percent of the federal poverty level currently have to spend nearly all of their money until they literally fall into poverty. This change allows Medicaid to pick up more of the costs.

The state's new 264-bed psychiatric facility in Northville is getting \$15.2 million more to replace two outdated facilities in the state's system. Overall, 54 new beds and numerous new staff will be added.

Dominick **PALLONE** of the Michigan Association of Health Plans said double-digit increases in the cost of providing care to millions of Michiganders through the Medicaid program is coming, and the Governor's proposal tackles these "skyrocketing programmatic costs."

Where else did the money go?

- \$50 million is going into the "Rainy Day Fund" and \$50 million more for the School Aid Fund rainy day fund. Another \$155 million is going into a school district infrastructure reserve fund.

- State employees got a raise, so that's \$240.9 million more (see related story).

- Training and hiring 120 new Michigan State Police troopers.

- Increasing corrections officers' pay by a combined \$32.4 million. Recruiting more officers is coming out of that money, as well.

- Local governments will be seeing a 3.6% statutory revenue sharing increase under the proposal, moving from \$624.66 million to \$647.01 million. The constitutional revenue sharing piece is up \$25.7 million more for a combined \$1.1 billion. However, there's no Revenue Sharing Trust Fund, which the locals want.

- Cities, villages and townships with crime problems can take advantage of a \$75 million pot of money called the Public Safety and Violence Prevention Trust Fund.

- The city of Detroit would get \$25 million to support hazardous wiring removal of more than 1,300 miles of obsolete power lines that once powered the city's streetlights.

- Modernizing the state's legacy IT systems is costing \$42.6 million.

- Selfridge Air National Guard Base is getting \$26 million more for infrastructure upgrades, which Sen. [Kevin HERTEL \(D-St. Clair Shores\)](#) was excited to see.

- The judiciary's long-recommended case management system is getting \$7.2 million. Chief Justice [Elizabeth CLEMENT](#) applauded that.

- Sprucing up the infrastructure at nearly 800 building complexes with more than 5,000 buildings is costing \$25 million more.

- DTMB wants to self-insure its buildings, which they argue will save the state money over time. They want to start with a \$10 million in this State Property Self-Insurance Fund.

- The Governor is proposing a new tax on vaping and non-tobacco nicotine products that'll bring in \$42.8 million. She's also bringing back her "opt-out" passport fee to raise more money for parks. An increase in the state's "tipping fee" for garbage is on the table, as are hunting/fishing license hikes.

- The Michigan Rehabilitation Services and the Bureau of Services for Blind Persons is getting \$40 million to expand job-seeking services for those with disabilities. Most of this is federal money, but the General Fund covers nearly \$8.4 million.

- The Employer Assisted Housing program within MSHDA gets \$25 million.

- The Registered Apprenticeship program would get \$19 million from the state. Three appropriations of \$10 million each would cover a slew of talent programs for employers, small business resources and a "Growing the Population" fund that would be used to "support population growth trends" in the state.

- Artificial intelligence tools the Treasury would like to use to crack down on tax fraud is being budgeted for \$1.13 million.

- The Attorney General may see the biggest change with \$950,000 more to help Meijer, Sam's Club, Home Depot and other stores crack down on organized retail crime.

- An Attorney General review of the Nov. 2021 shooting at Oxford High school is getting \$1 million in the current fiscal year.

- On the environmental front, the Governor is proposing \$80 million (\$30 million ongoing, \$50 million one-time) in grants and low-interest loans to help replace lead water lines and update storm drains.

- Sen. [Stephanie CHANG \(D-Detroit\)](#) and Rep. [Donavan MCKINNEY \(D-Detroit\)](#) were excited to see more than \$6 million in the budget for a water affordability grant program.

- The Governor wants \$7 million for a septic system database to help prevent contamination into lakes and streams, \$15 million to spruce up dams and \$35.8 million for an apprenticeship program for people who would specialize in weatherization and other ways the poor can save money on their electric bills.

- The Governor also wants \$10 million to build electric vehicle charging stations.

- Overall, the Michigan League of Conservation Voters applauded the Governor for pushing clean energy technology while paying to make water more accessible and septic systems less susceptible to leakage.

- Department of Agriculture Director [Tim BORING](#) that proactive measures to protect animals are getting funded at \$5.5 million. Another \$2 million is going to rural development grants and \$1.6 million will test soil and plant diseases.