



Cuts, Tax Increases Make Up Road Funding Deal, Paving Road For The Rest Of The Budget

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The Governor's office, House and Senate announced today a \$1.85 billion road funding agreement that includes a new wholesale tax on marijuana, directing all state taxes paid at the gas pump to road funding and defunding Michigan's grant program to corporations.

Michigan's public school funding would "remain whole" despite eliminating the sales tax on gasoline. A major economic development pot of money the Gov. [Gretchen WHITMER](#) administration has used to lure jobs to Michigan would be significantly, if not entirely, defunded. And the amount of tax increases called for in the deal would equal the amount of spending cuts.

House Speaker [Matt HALL \(R-Richland Township\)](#) said in a press conference after session that \$1.5 billion would be going to local roads. The \$1.85 million is less than the \$3.4 billion Hall and the Governor wanted at the beginning, but given that the Senate never made long-term road funding its top priority, the road lobby expressed gratitude for what it got.

"After decades of inaction, we finally have an agreement on a road funding deal that marks a historic step forward for Michigan," said Rob **COPPERSMITH**, executive vice president of the Michigan Infrastructure & Transportation Association (MITA). "This bipartisan agreement is not only a significant investment in repairing and rebuilding our roads and bridges, it is also an investment in saving good-paying jobs and strengthening Michigan's economy."

While the road plan removes a significant hurdle in passing a Fiscal Year (FY) 2026 spending plan by Sept. 30, it doesn't guarantee one. Legislative leaders and the Governor don't have budget target numbers as of Hall's evening press conference, although he sounded bullish that final numbers were imminent.

He said he had enough information to know that the FY 2026 budget would be smaller than last year.

In a statement, Gov. [Gretchen WHITMER](#) said the deal "puts us on a path" to pass a bipartisan budget by Oct. 1.

"What I told them in this deal is, we will make a deal that includes revenue (increases), but you have to agree to an equal amount of cuts. It's got to be one-to-one, right, we're not going to increase, unless you cut waste, fraud and abuse from government," Hall said.

The House passed three bills tonight to codify the road funding deal -- creating a wholesale tax on marijuana and adjusting how the One Big Beautiful Bill Act (OBBBA) would be implemented.

[HB 4968](#) asks the Center for Medicare and Medicaid Services (CMS) for a waiver that allows Michigan to continue collecting provider tax while the state works on implementation of the One Big Beautiful Bill (OBBBA). It passed 95-4.

Rep. [Mark TISDEL \(R-Rochester\)](#), who chairs the House Finance Committee, said non-compliance with OBBBA would cost the state \$2.4 billion a year.

“They're all intertwined with other implementation bills to build out the whole budget. It's kind of like playing Jenga, right? If you pull one out and throw it away, it can impact the whole tower,” Tisdell said.

Additionally, [HB 4961](#) “decouples” Michigan’s tax rules from federal regulations, specifically those changed under OBBBA. The state would be subject to the prior tax base, thus preventing a revenue loss of about \$540 million in Fiscal Year 2026, [according to the House Fiscal analysis](#). It passed 95-4. Hall said that would free up about \$500 million.

Michigan's National Federation of Independent Business (NFIB) director said the measure would cause some small businesses to lose tax savings on equipment and property they purchase. Earlier this year, the amount small businesses are able to deduct on their federal taxes doubled from \$1.25 million to \$2.5 million.

“While we know that this action is due to the unfortunate reality that the Governor and Senate Majority Leader are holding the state budget hostage in order to get additional revenue for roads, we are, nonetheless, dismayed that small businesses got caught in the middle,” said Amanda **FISHER**, NFIB Michigan State Director. “Unfortunately, the tax savings small businesses experience on their federal taxes will be wiped out when filing their state taxes, as well as making state taxes more confusing.”

Another measure to raise revenue by imposing a 24% excise tax on the wholesale price of marijuana also passed. Hall said Whitmer originally wanted a 32% wholesale tax on marijuana that he negotiated down to 24%. [A House Fiscal Analysis](#) of [HB 4951](#) says approximately \$420 million would be generated.

The switch was done primarily through [HB 4951](#), which passed, 78-21. The no votes were split between 10 Republicans and 11 Democrats. On the Republican side, Reps. [Gregory ALEXANDER \(R-Carsonville\)](#), [Timothy BESON \(R-Bay City\)](#), [Steve CARRA \(R-Three Rivers\)](#), [James DESANA \(R-Carleton\)](#), [Jaime GREENE \(R-Richmond\)](#), [Brad PAQUETTE \(R-](#)

[Niles](#)), [Bryan POSTHUMUS \(R-Rockford\)](#), [Angela RIGAS \(R-Caledonia\)](#), [Donni STEELE \(R-Lake Orion\)](#) and [Jamie THOMPSON \(R-Brownstown\)](#) were no votes.

On the Democratic side, no votes came from Reps. [Joey ANDREWS \(D-St. Joseph\)](#), [Noah ARBIT \(D-West Bloomfield\)](#), [Betsy COFFIA \(D-Traverse City\)](#), [Jennifer CONLIN \(D-Ann Arbor\)](#), [Emily DIEVENDORF \(D-Lansing\)](#), [Carol GLANVILLE \(D-Grand Rapids\)](#), [Mike MCFALL \(D-Hazel Park\)](#), [Donavan MCKINNEY \(D-Detroit\)](#), [Reggie MILLER \(D-Belleville\)](#), [Phil SKAGGS \(D-Grand Rapids\)](#) and [Mai XIONG \(D-Warren\)](#).

Eleven members of the Democratic caucus were absent as they attended the annual legislative Black Caucus conference in Washington D.C. No member of the state Senate was absent today.

Besides the roads piece, Hall said the agreement to pass a budget by the Oct. 1 deadline includes no tax on tips or Social Security, eliminating ghost employees, eliminating waste, fraud and abuse. Top-line, target numbers have not yet been confirmed, Hall said, but he had enough information to know that the FY 2026 budget would be smaller than last year. On per-pupil funding, Hall said the figure had not been settled, yet.

As for the Senate side of things, Senate Majority Leader [Winnie BRINKS \(D-Grand Rapids\)](#) did not speak with the media after session adjourned at 7:30 p.m. The Senate did set aside time to meet at 10 a.m. Monday.

“The people of Michigan deserve a budget that makes their daily lives better – a budget that boosts education, improves roads, and protects healthcare,” said Brinks in a press release with Hall and Gov. [Gretchen WHITMER](#), announcing an agreement to pass the School Aid budget, state budget and a long-term road funding deal before September officially ends. “While no budget will be a perfect product, I am confident that the final result we vote on next week will have features that benefit every resident.”

MIRS received the following insight from an anonymous source about how Senate Democrats are being advised in the caucus room on the final budget deal: “They were still vague with the caucus about details . . . just that pieces were coming together. Winnie is being very careful.”

54% Of Schools Leaving Positions Unfilled Until Budget Deal Signed

The Michigan Association of Superintendents and Administrators (MASA) today released survey results from more than 260 school districts across the state, that show 54% of districts have already left positions unfilled and 36% have paused student programming. Another 16% have increased class size and 11 percent have already instituted layoffs.

The survey was open to MASA members from September 17 to 19.

