



Miles Travelled Tax Would Hit The Road In House, Senate Budgets

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A pilot project would be launched to test how to assess vehicle fees based on miles traveled, under a provision added to the Senate and House's proposed transportation budgets this afternoon.

Instead of just studying the issue, the Department of Transportation (MDOT) would pull together a Road Usage Charge committee to test certain ways to collect revenue that don't include a fuel tax or registration fees, which are what the state currently uses.

The \$5 million pilot program would only use volunteers who would have any gas tax they pay during the study refunded back to them. MDOT also must ensure participants' driving information data won't be made available to the public.

House Subcommittee Chair Sen. Veronica A. **PAIZ** (D-Harper Woods) said the pilot program was constructed with the assistance of the County Road Association (CRA), which has been pushing for movement on different ways to collect road revenue amid falling fuel tax revenue.

No one method – be it tolls, an in-car tracker or an odometer reading -- is endorsed in the budget boilerplate.

Said Senate MDOT Appropriations Subcommittee Chair [Veronica KLINEFELT \(D-Eastpointe\)](#): “I am open to negotiating. I just want to make sure we do a pilot this year because we’re reaching a point where you can’t put it off any longer. We have to start moving toward a solution to the issue.”

The concept of a tax based on vehicle miles traveled has been brought up as a potential alternative to address electric vehicles and vehicles with increasing fuel efficiency, which both degrade the roads but don't require as much - if any - gas.

It's also something Gov. [Gretchen WHITMER](#) previously acknowledged as a possible replacement for the gas tax (See [“Whitmer, Highway Administrator Say Gas Tax Needs Replacing,”](#) 4/11/24).

The newly-added pilot program appropriation was part of a larger \$36.5 million General Fund appropriation for six new technology and mobility initiatives that the House presented today.

The Senate's \$6.8 billion spending plan for transportation, which today moved out of the Senate MDOT Appropriations Subcommittee, had a provision that MDOT rope in state housing officials before they evict any homeless people living under overpasses.

The provision has MDOT coordinating with the Michigan State Housing Development Authority's homelessness council or the Michigan Homeless Policy Council before they call in the police and clear the area.

"We're putting perimeters around it to make sure this is done properly," Klinefelt said. "We want to make sure these people are connected with help if they need help."

In terms of dollars, [SB 761](#) isn't too far off the Governor's recommendation. The Senate version agreed with the Governor to use \$95 million for a one-time federal match for federal dollars. However, the Governor wanted all \$95 M to come from the General Fund. The Senate version has \$75 million coming from the General Fund and \$20 M coming from restricted funds.

Also, the Senate budget sets aside an extra \$40 million for local bus operations, which raises the total spend on local buses to \$261.7 million. The Governor had raised this line item by \$5 million.

Over in the House, its MDOT budget put \$15 million for aerial mobility and drone infrastructure projects, including drone hubs, drone ports and last mile delivery; \$8 million for Michigan Mobility Fund platform and mobility public-private partnership and programming projects; \$1 million for a Michigan Mobility Fellows program; \$4.5 million for an inductive charging interoperability pilot project and \$2.95 million for a Michigan e-bike purchase incentive program.

The House budget recommendation in total is \$6.86 billion, nearly \$80 million more than Gov. [Gretchen WHITMER](#)'s executive recommendation of \$6.78 billion and \$235 million more than last year's recommendation of \$6.63 billion.

Other House changes included:

- A switch of \$95 million in General Fund dollars going towards local road agency bridge and culvert projects, which will now be pulled from the Make it in Michigan Competitiveness Fund.
- \$25 million in support for local bus operating costs, \$7.5 million of which comes from a shift in funding from Whitmer's proposed transit capital line item.
- The initial proposal by the Governor included a \$36.9 million increase, including \$22.4 million in additional federal aid through IIJA and \$14.5 million in Comprehensive Transportation Fund (CTF) dollars. While the House kept the \$22.4 million, the proposal dropped CTF funding down to \$7 million, shifting the other \$7.5 million to cover local bus operating funds costs.
- \$6 million General for a new airport grant program, with \$2 million going towards air service development and \$4 million towards capital development projects at general aviation airports in Michigan.

- \$2 million for decarbonizing the S.S. Badger, a coal-burning Lake Michigan car ferry service.
- \$5 million General Fund for a rail grade separation program, and \$2 million for rail grade crossing surface improvements.
- A \$2.5 million General Fund appropriation for a school zone automated speed enforcement pilot project.