

POLITICS

Whitmer's budget plan leaves unanswered questions on Michigan roads, economic development

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Lansing — An \$83.5 billion state budget proposed by Gov. Gretchen Whitmer this week left future funding uncertainty looming for two of her top policy priorities: improving Michigan's roadways and investing in economic development.

During a speech in January, the Democratic governor labeled the expiration of a bonding program that spurred billions of dollars in road projects and of a law that reserved \$500 million annually for incentives aimed at attracting businesses "big obstacles" for Michigan.

"Losing both without better, more comprehensive replacements will throw us off track," Whitmer said at the Detroit Auto Show on Jan. 15. "It'll harm both our state and national economy."

However, her budget proposal for the state's 2026 fiscal year, which begins Oct. 1, didn't provide clues about how she plans to address the problems she's highlighted and indicated potential solutions will be identified later.

On roads, Whitmer is expected to announce a long-term funding plan next week. She has previously said she's seeking a "compromise" with lawmakers that would include some cuts and some new revenue. Her proposed budget for next year would leave about \$11 million on the state's balance sheets in the general fund.

The current budget's funding total for the Michigan Department of Transportation is \$6.8 billion, roughly the same total she proposed on Wednesday for next year and for the fiscal year 2027, providing no sign of an influx of new cash for roads in the immediate future.

Lance Binoniemi, vice president of government affairs for the Michigan Infrastructure and Transportation Association, which advocates on behalf of road builders, described the

governor's proposal as "pretty flat."

"We were hoping that there would be more money in the budget," Binoniemi said. "But we are excited to hear what the governor has to say next week on her long-term road funding plan."

On economic development, Whitmer has previously championed a program she launched during her first term called the Strategic Outreach and Attraction Reserve (SOAR) Fund to provide dollars to pay for cash incentives for businesses bringing jobs to Michigan and to prepare large sites for development.

A wide-ranging tax law Whitmer signed in 2023 provided \$500 million in annual funding for SOAR over three years. This current year is the final one in which the funding is reserved, meaning it's unclear where it will come from in the future.

The new budget proposal from the governor showed \$0 in new revenue for SOAR in Fiscal Year 2026 with the program relying on the \$500 million for the prior year and officials expecting to spend the \$500 million. Then the state would start Fiscal Year 2027, which begins Oct. 1, 2026, with a balance of \$0 before getting \$500 million in new revenue allocated from somewhere in 2027.

Continue the conversation

The SOAR situation points to future uncertainty facing the state's economic development strategy, with Republicans taking control of the Michigan House at the start of the year.

In January, Whitmer said Michigan needs a new taxpayer-funded job-creation fund "to help us close deals and move faster as we compete with other states and nations to land big factories and engineering and tech centers."

"Ten other states already do this," the governor said. "This is critical to design, engineer and build the next generation of vehicles."

Previously, Whitmer's administration has used SOAR to win large projects planned by companies like Michigan automakers General Motors Co. and Ford Motor Co. as well as Gotion Inc., the American subsidiary of a Chinese battery maker.

When asked about the lack of new SOAR funding in the 2026 budget proposal, State Budget Director Jen Flood argued Wednesday the Michigan Economic Development Corp. already

had about \$500 million in corporate income tax from the current fiscal year to use in the next fiscal year.

She declined to comment on future funding sources for the program.

“We’re excited to continue the conversation with the Legislature,” Flood said. “I know we all care about economic development and growing our economy.”

But House Speaker Matt Hall, R-Richland Township, told reporters on Thursday that the lack of new funding for SOAR in next year's budget proposal might indicate the governor is open to prioritizing “roads over corporations.”

“Maybe she’s embracing our idea next week, when she releases her plan, that we take the SOAR funding and dedicate it to roads,” Hall said. “... If Whitmer’s telegraphing that with her SOAR (funding) zeroed out, that’s fantastic and I’m excited to partner with her on that.”

Hall’s most recent road funding proposal would generate an estimated \$3.1 billion in new funding for roads by shifting dollars from other areas of the budget, including money that currently flows to schools from the gasoline tax and the \$500 million from the corporate income tax that's previously been going to SOAR.

What's next on roads?

In 2020, the Whitmer administration issued \$3.5 billion in bonds for road construction projects, under a program labeled "Rebuilding Michigan," to take place from 2020 through 2024. The bonding program was limited to fixing state-owned roads like highways, including the widening of Interstate 96 in western Oakland County, rebuilding I-696 in Oakland County and rebuilding 24 miles of I-275 in western Wayne County.

More: Here’s when motorists can expect I-96 ‘flex lanes’ to open in Oakland Co.

But now, with that program coming to an end, the state is facing continued payments toward the debt — \$340 million this year — and questions about how to pay for additional improvements. Over the life of the bonds, Michigan will pay \$2.5 billion in interest on top of the \$3.5 billion borrowed, according to the Michigan Department of Transportation.

In January, Whitmer, who ran for governor in 2018 with a slogan of "fix the damn roads," described the situation as a "major funding cliff." The governor's population commission pegged Michigan's annual road funding shortfall at \$3.9 billion.

"If we don't find a solution, our roads will get worse and more dangerous," Whitmer said last month. "That means more expensive car repairs and delays on your drive home.

Whitmer's spokesman, Bobby Leddy, touted the governor's past efforts on economic development and roads in a statement Thursday.

"Before Gov. Whitmer took office, Michigan didn't have a plan to bring jobs to the state or fix the damn roads. So she set out to turn that around," Leddy said. "That's why she implemented her Rebuilding Michigan Plan and jobs fund to make Michigan competitive again.

"This strategy has worked, securing tens of thousands of jobs and fixing 23,000 lane miles and 1,600 bridges. If we are going to continue to fix roads and bring jobs to Michigan, we need the resources to keep getting the work done."

But House Appropriations Chairwoman Ann Bollin, R-Brighton, noted there were no new "strong investments" in roads in the governor's budget proposal for 2026.

"Can we expect some sort of an increase with the roads plan rollout?" Bollin asked Flood during a meeting Wednesday.

The budget director said the governor looked forward to negotiating a long-term road funding plan with the politically divided Legislature.

"We had really productive conversations late last year on what a comprehensive, bipartisan plan could look like, and we look forward to continuing those in the weeks and months ahead," Flood said.

Any road funding plan that immediately addresses the looming shortfall, without cuts, would need to rely on new sources of revenue. Flood, when asked about that prospect, wouldn't elaborate on the administration's plans.

"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 road funding plan."

"Residents expect leaders in Lansing to find a solution to this problem, and we look forward to getting it done," Whitmer's budget director added.

In recent months, Whitmer has been touting her efforts to cut costs for Michigan residents. So it's unclear how and whether she'll seek new revenue to boost transportation funding.

The new budget proposal featured a \$50 million appropriation for the state's rainy day fund. Also, it included \$7.8 million to conduct a study and pilot of potential road usage charge revenue options to "provide a stable future base of support for Michigan's transportation network," according to a briefing document provided by the governor's office.

During a press conference on Thursday, Hall said he would be open to raising the 6% corporate income tax rate if it's needed to continue funding corporate incentives moving forward, arguing that big businesses — not the everyday taxpayer — should be bankrolling the incentives program.

The House speaker suggested the increase while discussing his road funding plan's diversion of roughly \$500 million in corporate income tax revenue away from SOAR and to roads instead.

"As part of the solution to fund incentives for the corporations, I would say, if they want more incentives, they should pay for them," Hall said.

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