THE rapid

Interurban Transit Partnership

BOARD OF DIRECTORS MEETING AGENDA

Wednesday, May 28, 2025 – 4:00 p.m.

Rapid Central Station Conference Room (250 Cesar E Chavez, SW)

AGENDA

		PRESENTER	ACTION
1.	**PUBLIC COMMENT**		
2.	**MINUTES REVIEW – April 23, 2025**	Mayor Carey	Approval
3.	**INFORMATIONAL ITEMS**		
	a. Fiscal Brief Comprehensive Transportation Funding (CTF) 8/8/23	Deb Prato	Background
	b. McKelvey Merchant Update on Michigan's Road Funding 5/21/2025	Deb Prato	Information
	c. Fiscal Brief Motor Fuel Taxes, Sales Tax on Motor Fuels and Methods of Tax Collection Rev 2/24/25	Deb Prato	Information
	d. Legislative Analysis Road Funding Package – House Fiscal Agency	Deb Prato	Information
	e. House Bill No. 4210 Rep Jason Morgan (Co-Chair of Bipartisan Public Transit Caucus)	Deb Prato	Information
	f. Farebox Recovery	Nick Monoyios	Information
4.	**ACTION ITEMS**		
	a. 2025 Kent County Millage Levy Rate	Linda Medina	Approval
5.	**PERFORMANCE REPORTS**		
	a. Paratransit Route Ridership	Jason Prescott	Information
	1. April 2025		
	b. Fixed Route Ridership	Tim Roseboom	Information
	1. April 2025		
	c. Finance	Linda Medina	Information
	1. Operating Statement – March 2025		
	2. Professional Development and Travel Report		
	a. March 2025		
	3. Grant Statement		

6.	**CHAIR'S REPORT**	Mayor Carey	Information
7.	**CLOSED SESSION** In accordance with MCL Section 15.268 8(d)	Mayor Carey	Approval
8.	**ADJOURNMENT**		

Interurban Transit Partnership

BOARD OF DIRECTORS MEETING MINUTES

Wednesday, April 23, 2025 – 4:00 p.m.

Rapid Central Station Conference Room (250 Cesar E Chavez, SW)

ATTENDANCE:

Board Members Present:

Charis Austin, Rick Baker, Mayor Carey, Mayor Favale, Steven Gilbert, Andy Guy, Renee Hill, Jack Hoffman, Mayor Kepley, Mayor LaGrand, Mayor Maas, Terry Schweitzer, Paul Troost

Board Members Absent:

Tracie Coffman, Tim Mroz

Rapid Attendees:

Steve Clapp, Kris Heald, Deron Kippen, Steve Luther, Linda Medina, Nick Monoyios, James Nguyen, Deb Prato, Jason Prescott, Andy Prokopy, Tim Roseboom, Steve Schipper, Mike Wieringa

Public Attendees:

Clover Brown (GVMC), Chet Falkowski, Chris Swank (GVSU), Melvin Turnbo (ATU), Joshua Vissers (The Rapidian)

Mayor Carey called the meeting to order at 4:14 p.m.

1. PUBLIC COMMENT

Mr. Chet Falkowski raised important points regarding the costs and operations of the GO!Bus service and its comparison to other paratransit systems in Michigan.
He pointed out that the GO!Bus fare is significantly higher than the fixed route service and that it contrasts sharply with other Michigan counties where seniors ride for free or at a reduced fare.
He questioned the need for a Director of Paratransit ADA and Mobility Services, while contracting with a private company like Transdev, raises valid concerns about operational redundancy and cost-effectiveness. The Rapid should communicate how this structure enhances service quality and operational efficiency.
He noted The Rapid should provide data demonstrating whether the partnership has led to decreased operational costs or improved service quality for riders.
In closing, Mr. Falkowski suggests canceling the contract with Transdev, bringing the service in-house and integrating Ridelink with GO!Bus to streamline operations and possibly reduce costs.

2. MINUTES REVIEW – March 26, 2025

Chairman Carey entertained a motion to approve the meeting minutes from March 26, 2025. Mayor Favale motioned to approve, and Mr. Schweitzer supported it. The motion passed unanimously.

3. CEO'S REPORT

Ms. Prato opened by thanking Mr. Falkowski for his comments. She noted GO!Bus was a topic at the recent Finance Committee meeting.

The department budgets and Capital Plan are progressing, with projects being scored and aligned with available resources.

Ms. Prato expressed disappointment regarding Representative Outman's Road bill, which intends to bypass ACT51. She highlighted the contentious nature of current discussions and the potential for further conversations in the future.

Ms. Prato reported that DOGE is anticipating a 20% reduction in staff at the Federal Transit Administration (FTA), which may slow down the approval process despite a budget increase of approximately $4B.

She noted some good news; Ms. Coffman announced the final approval for the new Childcare Center at Rapid Central Station.

Mr. Hoffman noted the Detroit Regional Chamber's criticism of certain state bills. Mr. Baker from the Grand Rapids Chamber voiced support for some road funding proposals but expressed concerns about the formula for distributing transit funds.

Representative Outman's $100M in the budget would equate to approximately $40M for transit after distribution through the Comprehensive Transportation Fund (CTF). Mayor Kepley and Ms. Prato discussed the implications of this formula and how the remaining funding would go towards roads and rail.

Ms. Prato proposed a presentation for the May Board meeting to provide further updates and insights regarding Senate developments.

4. ACTION ITEMS

a. Contract with Traffic & Safety Control Systems, Inc., Mr. Mike Wieringa

Mr. Wieringa is requesting Board approval to enter into a contract with Traffic & Safety Control Systems, Inc. in the amount of $336,930 plus a 10% contingency of $33,693 for a total of $370,623 for the installation of parking access gates at Rapid Central Station, the Amtrak Station parking lot and Kentwood Station.

Chairman Mayor Carey entertained a motion to enter a contract with Traffic and Safety Control Systems, Inc.
Mayor Mass motioned to approve, and Mayor Favale supported it. The motion passed unanimously.

b. FY 25/26 Budget Formulation Guidelines, Ms. Linda Medina

Ms. Medina presented the FY 25/26 Budget Formulation Guidelines for Board approval.

Mr. Guy expressed appreciation for the budget process, highlighting its role in ensuring focused financial spending.
He noted that although the guidelines are similar to the previous year, a significant aspect is the new TMP. He suggested that there should be a specific guideline aimed at the implementation of the TMP objectives.

Ms. Prato emphasized that community feedback indicates a strong desire for increased service in the six cities, as well as the expansion of service. She pointed out the importance of this topic in relation to the operating budget and funding sources. The farebox currently covers approximately 12% of the cost recovery, prompting a review of the fare structure and an analysis moving forward. She added the necessity to incorporate Transit Oriented Development (TOD) into the capital plan as a scoring component.

Chairman Mayor Carey entertained a motion to approve the FY 25/26 Budget Formulation Guidelines. Mr. Guy motioned to approve, and Mayor Favale supported it. The motion passed unanimously.

5. PERFORMANCE REPORTS

a. Paratransit Route Ridership (March 2025), Mr. Jason Prescott

No questions

b. Fixed Route Ridership (March 2025), Mr. Tim Roseboom

No questions

c. Financial Reports (February 2025), Ms. Linda Medina

No questions

6. INFORMATIONAL ITEMS

a. Summer 2025 Service, Mr. Nick Monoyios

Mr. Monoyios referenced a handout (included in these minutes). He highlighted a couple things we are doing this summer.
The summer months will see reduced transit services due to GVSU off-campus shuttles will not operate, Grand Rapids Public Schools (GRPS) secondary services will be inactive, and Route 100 to Big Rapids is suspended during the summer.

Mr. Monoyios noted the route modifications on Route 33/34. Previously a large loop covering areas around Three Mile, Fruit Ridge, North Ridge, and Bristol. Now bifurcated into two bi-directional routes due to Fruit Ridge Bridge construction. New Route 33 will now take express on 131 to Alpine, extend to Three Mile, and further west into the North Commerce Industrial Park. Service frequency is hourly. Route 34 will cover the northern section of what was previously Route 33. Connects Bristol to North Ridge, looping around Fruit Ridge and Four Mile near the Amazon Distribution Center.

Route 1000 – Westside Millennium Park Route. Designed to enhance recreational access to Millennium Park. The route will operate on weekends from 11:00 a.m. to 7:00 p.m., starting May 5, 2025. The eastern alignment will mirror Route 12.

Mayor Carey inquired about customer outreach. Mr. Monoyios is collaborating with Ms. Prato and Mr. King on promotional efforts. Ms. Prato outlined plans to announce the service around the opening of the beach on May 31st. A creative campaign featuring catchy slogans (e.g., "go jump in the lake, "go take a hike") and eye-catching visuals of local landscapes will be launched.

Mr. Schweitzer expresses satisfaction with the developments, noting the significance and long-term anticipation of these service changes.

7. CHAIR'S REPORT

Yield his comments

8. COMMITTEE REPORTS

a. Finance Committee (January 22, 2025), Vice Chairman Mayor Kepley

Mayor Kepley shared the Finance Committee convened for a productive meeting where key topics regarding local transit systems were addressed. Mayor Kepley highlighted discussions surrounding Transdev and Paratransit, focusing on current performance metrics and exploring potential improvements to enhance service quality. Additionally, the committee examined the DASH service, acknowledging the challenges faced and how the City of Grand Rapids envisions optimizing the transit system to better serve the community.

For the Good of the Order:

Mr. Guy expressed his excitement regarding the recent updates on the Childcare Center, noting that all necessary approvals have been secured. He also took a moment to commend Mr. Dave Bulkowski for hosting a gathering to celebrate the 25th Anniversary of the initial transit millage, which was well attended by transit supporters and friends.

Mayor Kepley indicated the need for further clarification surrounding the allocation of the proposed $100M in transit funding, emphasizing the importance of understanding its implications and potential uses for enhancing transit infrastructure and services.

9. ADJOURNMENT

The meeting was adjourned at 4:50 p.m.
The next meeting is scheduled for May 28, 2025

Respectfully submitted,

Kris Heald, Board Secretary

FISCAL BRIEF

HOUSE FISCAL AGENCY

THE COMPREHENSIVE TRANSPORTATION FUND (CTF) AND STATE SUPPORT FOR LOCAL PUBLIC TRANSPORTATION

William E. Hamilton
August 8, 2023

FAST FACTS

- The Comprehensive Transportation Fund is a state restricted fund that is restricted for public transportation purposes.
- Estimated CTF revenue for FY 2022-23 totals $410.9 million.
- Approximately 2/3 of CTF revenue is appropriated for operating and capital assistance to 80 local public transit agencies in Michigan.

INTRODUCTION

The Comprehensive Transportation Fund (CTF) is a state restricted fund created in section 10b of 1951 PA 51 ("Act 51"). The CTF is restricted for public transportation purposes.[1]

CTF revenue is appropriated in annual state transportation budgets for various public transportation programs in accordance with section 10e of Act 51. CTF-funded programs include targeted or categorical transit programs such as municipal credit and specialized services. The CTF also supports intercity bus, rail passenger, and rail freight programs, as well as public transportation administrative and planning functions of the Michigan Department of Transportation (MDOT).

However, the largest share of CTF revenue is appropriated for operating and capital assistance to the state's 80 local public transit agencies.[2] Together, state operating and capital assistance to local transit agencies represent approximately two-thirds of FY 2022-23 CTF-funded appropriations. By itself, state operating assistance represents approximately half of FY 2022-23 CTF appropriations.

An 11-year history of CTF-funded line items in the transportation budget is shown as **Appendix 1 – Table A** at the end of this publication.

The balance of this publication will describe in additional detail sources of CTF revenue and the use of CTF revenue for operating and capital assistance to local public transit agencies.

CTF REVENUE

The CTF has two primary revenue sources: an earmark of Michigan Transportation Fund (MTF) revenue, and an earmark of certain revenue in the General Sales Tax Act (commonly described as the "auto-related sales tax").

Michigan Transportation Fund Earmark. The largest source of CTF revenue is an earmark of MTF revenue made in section 10 of Act 51. The MTF is the main collection and distribution fund for dedicated transportation revenue. Historically, MTF revenue was derived almost exclusively from constitutionally restricted motor fuel taxes and vehicle registration taxes.

[1] Section 10c(h) of Act 51 defines "public transportation" as the movement of people and goods by publicly or privately owned water vehicle, bus, railroad car, aircraft, rapid transit vehicle, taxicab, or other conveyance which provides general or special service to the public, but not including charter or sightseeing service or transportation that is exclusively for school purposes. The section declares public transportation to be transportation purposes within the meaning of section 9 of Article IX of the state constitution.
[2] See **Appendix 2 – Note A**, on the term "transit agencies."

Total MTF revenue for FY 2022-23 is estimated at $3.7 billion. Of that total, $3.0 billion is the estimated amount derived from motor fuel taxes and vehicle registration taxes.

Section 10 of Act 51 provides for the appropriation of MTF revenue. Specifically, section 10(1) directs the distribution of MTF revenue to subsidiary state transportation funds and targeted programs, to local road agencies, and to the CTF. Section 10(1)(h) directs 10% of MTF revenue to the CTF. However, because this earmark comes after a number of other earmarks—at least with respect to the organization of section 10(1) of Act 51—the actual CTF share of gross MTF revenue is less than 10%.

The estimated transfer from the MTF to the CTF for FY 2022-23 is **$270.5 million**. This figure is approximately 7.4% of total MTF revenue and approximately 9.0% of MTF revenue derived from motor fuel taxes and vehicle registration taxes.[3]

Auto-Related Sales Tax. Section 25 of the General Sales Tax Act directs that "not less than 27.9% of 25% of the collections of the general sales tax imposed at a rate of 4%" on the sales of motor fuels, motor vehicles, and automotive parts and accessories be deposited each year into the CTF. For development of the FY 2022-23 transportation budget, the auto-related sales tax earmark was estimated at **$103.4 million**.

Although the statutory language specifies "not less than," in practice, the amount of auto-related sales tax credited to the CTF has always been equal to or less than—never more than—the amount calculated at 27.9% of 25% of the auto-related sales tax collected at 4%.[4]

Other Revenue Sources. Interest on the CTF fund balance, other miscellaneous revenue sources, and the appropriation of the available CTF fund balance account for the balance of CTF revenue used in the FY 2022-23 transportation budget.

Estimated CTF revenue, as appropriated in the FY 2022-23 transportation budget, totals **$410.9 million.**

CTF Revenue Estimates – FY 2022-23	
MTF Transfer	$270,505,000
Auto-Related Sales Tax	103,400,000
Other	37,045,900
Appropriated CTF Total	**$410,950,900**

General Fund Contributions. Note that, in addition to the baseline CTF revenue sources described above, between FY 2012-13 and FY 2015-16, a total of **$59.4 million** in state general fund revenue was appropriated for public transportation programs—primarily to ensure sufficient funding to match federal grants for transit capital and rail infrastructure programs.

See **Appendix 2 – Table B,** for an 11-year history of CTF revenue.

See **Appendix 2 – Table C,** for a history of general fund appropriations for public transportation programs.

[3] For additional information on the MTF distribution, see the House Fiscal Agency publication Fiscal Brief: MTF Distribution Formula to Local Road Agencies - Update, February 20, 2023. For additional information on the history of the Act 51 earmark of MTF revenue for the CTF, and the constitutional provisions affecting this earmark, see **Appendix 2 – Notes B and C.**

[4] For additional information on the auto-related sales tax earmark for the CTF, including the related constitutional provisions affecting this earmark, see **Appendix 2 – Notes D and E.**

Local Bus Operating Assistance

State operating assistance to eligible transit agencies represents the largest annual appropriation of CTF revenue. Section 10e of Act 51 establishes the payment of operating grants to "eligible authorities and eligible governmental agencies" as the third CTF appropriation priority, after CTF-related debt service and payment of MDOT's costs of administering the CTF. Local bus operating assistance represents approximately half of FY 2022-23 CTF appropriations.[5]

For a number of years, funding for the Local Bus Operating line item was in a fairly narrow range. From FY 2006-07 through FY 2013-14, the baseline CTF appropriation was $166.6 million, and for both FY 2014-15 and FY 2015-16 it was $167.4 million.[6] Beginning in FY 2016-17, the appropriation increased incrementally. The FY 2022-23 Local Bus Operating appropriation is **$201.4 million**.

Local Bus Operating Distribution Formula

Local bus operating assistance is distributed among the 80 transit agencies based on provisions of section 10e of Act 51 as amended by 1997 PA 79. Those provisions direct that operating assistance reimburse up to 50% of eligible operating expenses for transit agencies that provide bus transit service in urbanized areas, defined as having a population greater than 100,000. Section 10e also provides for the reimbursement of up to 60% of eligible operating expenses for bus transit service provided by transit agencies to nonurbanized areas, i.e., service areas with a population of less than 100,000.

Act 51 establishes the 50% and 60% reimbursements as ceilings. Except for FY 1997-98, state operating assistance to transit agencies has not reached the 50% and 60% ceilings.

1997 PA 79 also established a funding floor for transit agencies; no agency could receive less than the amount it received in FY 1996-97. However, this funding floor is subject to another provision of section 10e that requires that "the ratio between CTF and local funds in the fiscal year ending September 30, 1989 shall be maintained for all fiscal years by the eligible authority or eligible governmental agency. Reductions in this ratio shall require a proportionate reduction in CTF provided for any fiscal year."

Based on budget estimates, three transit agencies—the city of Ionia, Berrien County, and Cass County—would be reimbursed at their FY 1996-97 funding floor in the FY 2022-23 distribution. However, this could change when the final distribution, based on audited eligible operating expense, is calculated. MDOT calculates a funding floor for the Regional Transit Authority (RTA) as a whole based on the collective eligible operating expenses of the agencies that make up the RTA.

In calculating the local bus operating distribution, MDOT does not recognize a funding floor for agencies that were established after the enactment of 1997 PA 79 or were otherwise not included in the FY 1996-97 local bus operating distribution. However, two such agencies, the Detroit Transportation Corporation, and the RTA (administrative costs), are combined with other RTA agencies in calculating a gross RTA funding floor.

The local bus operating appropriation also provides operating support for service provided by water vehicle (i.e., ferry service). 1997 PA 79 also directed that ferry service be reimbursed at 50% of eligible operating expense. For FY 2022-23, there are four systems that provide service by water vehicle and that will receive state operating assistance for that service

[5] From FY 2001-02 through FY 2011-12, local bus operating represented between 66% and 70% of CTF appropriations. Starting with FY 2012-13 and through FY 2022-23, the local bus operating share of CTF appropriations fell to an average of roughly 57% of CTF appropriations. The reduction in the local bus operating relative share of CTF appropriations did not reflect reductions in local bus operating appropriations, but was rather due to increased CTF appropriations for other programs, specifically rail passenger programs, as well as transit capital.

[6] In both FY 2012-13 and FY 2013-14, this baseline funding was supplemented through a $5.4 million Discretionary State Operating line item.

at 50% of eligible operating expenses: the Beaver Island Transportation Authority, the Charlevoix County Transportation Authority (Ironton Ferry), the City of Mackinac Island, and the Eastern Upper Peninsula Transportation Authority (EUPTA), which provides ferry service to three islands in the St. Mary's River south of Sault Ste. Marie, Michigan.

The current year (FY 2022-23) local bus operating appropriation of $201.7 million is not large enough to fund bus transit agencies at the 50% and 60% reimbursement levels for, respectively, urban and nonurban service. As a result, MDOT prorates the distribution. Using the department's proration methodology, FY 2022-23 state operating assistance would reimburse urban transit agencies at **29.2%** of eligible operating expenses and nonurban agencies at **35.0%** of eligible operating expenses. These figures are based on transit agency budgeted eligible operating expenses as submitted to MDOT in accordance with the department's Revenue and Expense Manual.[7]

See **Exhibit** (page 5), for a model of MDOT's distribution method.

MDOT makes monthly distributions during the fiscal year based on the above calculation, i.e., based on each agency's budgeted eligible operating expenses. This provisional distribution is adjusted twice. The first redistribution is based on reconciled transit agency expenditure reports filed shortly after the end of the fiscal year. The final distribution is made after audited financial statements are received from all agencies, typically a year or more after the close of the fiscal year.

After the final distribution is made, the entire Local Bus Operating appropriation will have been distributed to transit agencies. MDOT does not hold back or lapse any of the funds in this line item.

Over the last fifteen years, from FY 2008-09 to FY 2022-23, state funding for the Local Bus Operating line item increased from $166.6 million to $201.7 million. However, as transit agency budgets increased in the aggregate, the state percentage share of operating cost has declined. In FY 2000-01, state funding reimbursed 38.1 % and 45.7% of urban and nonurban agency eligible expenses, respectively. As noted above, the calculated reimbursement percentages for FY 2022-23 will be 29.2% for urban systems and 35.0% for nonurban systems—other than those agencies that provide ferry service and those agencies at their 1997 floor.

It is sometimes stated that the current state assistance formula, which reimburses based on eligible operating expenses, creates an incentive for transit agencies to expand budgets, and that the distribution formula does not provide an incentive for transit agencies to be efficient. It should be noted that state assistance only covers a portion of eligible operating expenses—29.2% for urban systems and 35.0% for nonurban systems per the FY 2022-23 calculation. The portion of transit agency expenses not reimbursed from state operating assistance must be recovered from other sources, generally farebox revenue, local contributions, or federal funds. [8]

It might be more accurate to say that the state operating assistance formula rewards local cost participation. Agencies that receive support though local transit millages, or that are able to access other sources of local funding, can expand service, e.g., expand hours of service or add new routes, and effectively use local funding to leverage additional state funding.

To some extent, measures of program effectiveness, such as expanded service, are in tension with measures of efficiency such as farebox recovery, cost per rider, or cost per mile.

[7] Note that, because agencies that provide ferry service are reimbursed at 50% of eligible operating expenses, and some agencies are at their 1997 funding floor, the actual distribution to other urban and nonurban transit agencies will be somewhat different from the 29.2% and 35.0% calculated in our example. Our calculated figures are simply used to illustrate MDOT's method of prorating operating assistance.

[8] Note that federal Formula Grants for Rural Areas may be used for transit system operating expenses. Federal Urbanized Area Formula Grants generally cannot be used for operating assistance in urbanized areas of 200,000 population or greater.

Exhibit – Computation of Local Bus Operating Distribution

When MDOT distributes state operating assistance, it computes the maximum possible state assistance based on the submitted budgets of all eligible transit agencies—50% for urban agencies and 60% for nonurban agencies. The department then adjusts the computed distribution amounts proportionally to reflect the actual appropriation. For example, the FY 2022-23 appropriation of $201.7 million is 58.4% of the $345.4 million needed for reimbursement at the 50% and 60% ceilings. As a result, the department computes the distribution to urban agencies at 58.4% of the 50% ceiling (29.2%), and the distribution to nonurban at 58.4.1% of the 60% ceiling (35.0%). See below.

FY 2022-23 Distribution of Local Bus Operating Assistance
Based on Budget Estimates

To Compute Maximum Reimbursement (per Act 51)	**Eligible Operating Expense**	**Act 51 % Ceilings**	**Maximum Reimbursement**
Urban Systems	$479,999,500	50.00%	$239,999,800
Non-Urban Systems	175,741,000	60.00%	105,444,600
Total	$655,740,500		$345,444,400

Appropriation as a Percent of Maximum Reimbursement	
Appropriation	$201,750,000
Maximum Reimbursement	345,444,400
Percentage of Maximum	58.4%

To Compute Actual Reimbursement Percentages *	**Act 51 % Ceilings**	**Percentage of Maximum**	**Computed Reimbursement Percentage**
Urban Systems	50.0%	58.4%	29.2%
Non-Urban Systems	60.0%	58.4%	35.0%

To Compute Actual Reimbursement *	**Eligible Operating Expense**	**Computed Reimbursement Percentage**	**Computed Reimbursement**
Urban Systems	$479,999,500	29.2%	$140,167,200
Non-Urban Systems	175,741,000	35.0%	61,582,800
Total	$655,740,500		$201,750,000

** The actual reimbursement percentage for most transit agencies will be lower than the computed percentage because some agencies receive floor funding based on FY 1996-97 distribution and water services are reimbursed at 50% of eligible operating expense. To the extent that some agencies receive more than the computed reimbursement percent, some agencies will receive less.*

TRANSIT CAPITAL

In addition to operating assistance to local transit agencies, the CTF also provides capital assistance through the Transit Capital line item.

The CTF revenue in the Transit Capital line item is used primarily to provide the non-federal match for federal-aid grants to local transit agencies. Federal transit grants are typically for capital improvements, including bus acquisition or technology upgrades. These federal grants typically require a 20% non-federal match.

Some federal-aid transit program funds, primarily the Formula Grants for Rural Areas program, are made to the state of Michigan, i.e., MDOT. The department in turn makes federal program funds available to eligible local transit agencies serving rural areas as defined in federal law. These state-administered federal transit grants are subject to state budgetary authority and are reflected in the annual state transportation budget. Federal-aid transit funds for service in urban areas (Urbanized Area Formula Grants) are apportioned directly by the federal government to local transit agencies serving urbanized areas. These urbanized area funds are not reflected in the state transportation budget. However, the CTF funds in the Transit Capital line item provide the non-federal matching funds for both Rural Area Formula Grants (in budget) and the Urbanized Area Formula Grants (off-budget).[9]

Section 10e(4) of Act 51 effectively requires that at least $8.0 million from the CTF be distributed each year for matching federal capital grants. Section 10b(3)(f) of Act 51 further requires that the state pay not less than two-thirds of the local match required for Federal Transit Administration capital grants to local transit agencies.

For a number of years, appropriations for the transit capital program provided more than these statutory minimums. In fact, for a number of years, state CTF appropriations provided 100% of the non-federal match for local federal-aid transit capital grants.

From FY 2004-05 through FY 2010-11, reductions in CTF revenue resulted in reduced appropriations for transit capital programs. During this period, MDOT used other sources to provide the non-federal match for local federal-aid transit grants. Those other sources included bond proceeds and toll credits, a type of "soft match" authorized in federal law.

Increases in transit capital appropriations starting in FY 2011-12, as well as the appropriation of general fund revenue for transit capital in FY 2012-13, FY 2014-15, and FY 2015-16, allowed MDOT to again provide 100% of the non-federal match required for local agency federal transit capital grants.

The FY 2022-23 transportation budget includes **$68.1 million** CTF for transit capital. It is anticipated that this will provide 100% of required non-federal funds to match available federal capital grants.

[9] In addition to the two major federal transit grant programs, Formula Grants for Rural Areas, and Federal Urbanized Area Formula Grants, there are a number of targeted or categorical transit grant programs. CTF funds in the Transit Capital line item are also used to provide the required non-federal match for these targeted or categorical program, including discretionary grant awards. The amounts provided to Michigan transit agencies, and required non-federal match, aren't known until grants are awarded.

APPENDIX 1 – TABLE A

Comprehensive Transportation Fund Appropriations
FY 2012-13 through FY 2022-23

Line Item	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Debt Service	$18,580,400	$19,318,500	$18,215,500	$18,202,200	$18,249,900	$18,244,500	$19,401,500	$10,896,000	$10,903,900	$10,899,800	$1,466,600
MDOT Public Transportation Planning and Administration	7,449,300	7,343,100	7,608,300	7,772,400	7,937,600	7,893,200	8,063,200	8,002,300	8,169,800	8,221,300	8,396,500
Direct Transit Programs											
Local bus operating	$172,020,600	$172,024,000	$167,400,000	$167,400,000	$186,250,000	$188,250,000	$190,750,000	$196,750,000	$193,750,000	$196,750,000	$201,750,000
Transit capital	33,642,900	25,895,300	25,895,300	24,610,800	37,357,100	42,853,500	50,062,600	53,070,700	41,070,700	41,070,700	68,076,100
Subtotal	$205,663,500	$197,919,300	$193,295,300	$192,010,800	$223,607,100	$231,103,500	$240,812,600	$249,820,700	$234,820,700	$237,820,700	$269,826,100
Other transit-related programs	12,215,800	11,783,700	13,596,200	10,948,700	10,663,100	11,698,100	12,538,100	16,038,000	16,879,000	19,753,300	20,453,300
Intercity passenger and freight	26,984,900	48,155,700	47,388,900	43,449,500	60,043,000	66,543,400	71,940,600	78,894,500	79,449,500	86,035,000	110,808,400
Total CTF Appropriations	$270,893,900	$284,520,300	$280,104,200	$272,383,600	$320,500,700	$335,482,700	$352,756,000	$363,651,500	$350,222,900	$362,730,100	$410,950,900
Direct Transit as a % of Total CTF											
Local bus operating	63.50%	60.46%	59.76%	61.46%	58.11%	56.11%	54.07%	54.10%	55.32%	54.24%	49.09%
Transit capital	12.42%	9.10%	9.24%	9.04%	11.66%	12.77%	14.19%	14.59%	11.73%	11.32%	16.57%
Percentage total of CTF	75.92%	69.56%	69.01%	70.49%	69.77%	68.89%	68.27%	68.70%	67.05%	65.56%	65.66%
Intercity as a % of total CTF											
Intercity passenger and freight	9.96%	16.93%	16.92%	15.95%	18.73%	19.84%	20.39%	21.70%	22.69%	23.72%	26.96%

KEY:

This table shows CTF appropriations by major program from FY 2012-13 through FY 2022-23. The table shows CTF funding only and excludes federal, local, or other fund sources. Additional data for FYs 2001-02 through 2011-12 is available from the House Fiscal Agency.

It should be noted that the appropriation is not same as the expenditure and for some line items not all spending authority is used. Spending authority lapses vary by line item and fiscal year. Lapses of CTF appropriations have generally been less than 2% each year, with the exception of FY 2019-20 when $25.5 million in spending authority lapsed. Of this, $17,987,100, was lapsed from the Rail Operations and Infrastructure line item within Intercity Passenger and Freight, approximately 26% of the total Rail Operations and Infrastructure appropriation. A more detailed breakdown of CTF appropriations, including CTF lapses, is available from the House Fiscal Agency.

Appendix 1 – Table B

Comprehensive Transportation Fund
Revenue History
FY 2012-13 through FY 2022-23

	FY 2012-13 *Actual*	FY 2013-14 *Actual*	FY 2014-15 *Actual*	FY 2015-16 *Actual*	FY 2016-17 *Actual*	FY 2017-18 *Actual*	FY 2018-19 *Actual*	FY 2019-20 *Actual*	FY 2020-21 *Actual*	FY 2021-22 *Actual*	FY 2022-23 *Estimated*
MTF Transfer (net)	$161,417,600	$165,492,400	$172,482,400	$176,938,400	$229,838,400	$248,735,200	$254,028,600	$240,423,700	$249,114,700	$256,853,000	$270,505,000
Auto-Related Sales Tax (net)	102,969,600	102,025,900	90,806,200	84,499,200	87,540,800	96,117,700	96,851,300	90,065,900	92,548,900	139,232,600	103,400,000
Interest and other Misc.	1,050,500	1,120,600	1,453,200	6,439,700	1,132,600	14,031,800	9,868,100	11,968,800	6,510,300	24,784,600	37,045,900
CTF Revenue Total	**$265,437,700**	**$268,638,900**	**$264,741,800**	**$267,877,300**	**$318,511,800**	**$358,884,700**	**$360,748,000**	**$342,458,400**	**$348,173,900**	**$420,870,200**	**$410,950,900**

KEY:

This table shows actual CTF revenue for FYs 2012-13 through 2021-22, and estimated revenue for FY 2022-23. Additional data for FYs 2001-02 through 2011-12 is available from the House Fiscal Agency.

The figures are net of the redirection, made in some years, of certain CTF earmarked funds to other purposes. Those redirections include the one-time redirection of a portion of the auto-related sales tax from the CTF to the state general fund. Additional detail on those redirections is available from the House Fiscal Agency.

APPENDIX 1 – TABLE C

General Fund Appropriations for Public Transportation Programs
FY 2012-13 through FY 2015-16

(Project or Program	*2012 PA 200* [(1)] *House Bill 5365* FY 2012-13	*2014 PA 34* [(2)] *Senate Bill 608* FY 2013-14	*2014 PA 252* [(3)] *House Bill 5313* FY 2014-15	*2015 PA 84* [(4)] *Senate Bill 133* FY 2015-16	Four-Year Total
Transit Capital	12,000,000	--	5,000,000	6,100,000	**23,100,000**
Rail Infrastructure	11,000,000	--	5,000,000	18,900,000	**34,900,000**
Beaver Island Ferry	--	300,000	--	--	**300,000**
RTA	--	--	1,100,000	--	**1,100,000**
Total	**$23,000,000**	**$300,000**	**$11,100,000**	**$25,000,000**	**$59,400,000**

Notes:

1. According to a boilerplate report dated September 20, 2013, the $12.0 million appropriation for Transit Capital was expended or encumbered for matching Federal Transit Administration capital grants to local public transit agencies and the $11.0 million appropriation for Rail Infrastructure was expended or encumbered for capital rail passenger improvements on the Dearborn-Kalamazoo rail corridor.

2. Funds were earmarked in this supplemental appropriation bill for a capital grant to the Beaver Island Transportation Authority.

3. The appropriation act included a $10.0 million line item, Transit Capital and Rail Infrastructure. According to a boilerplate report dated November 20, 2015, $5.0 million was expended or encumbered for matching a Federal Transit Administration capital grant for bus acquisition by the Detroit Department of Transportation and $5.0 million was expended or encumbered for capital rail passenger improvements on the Dearborn-Kalamazoo rail corridor. The act also included a $1.1 million line item for the RTA established under the Regional Transit Authority Act, 2012 PA 387. Section 1005 earmarked the funds for staff and other administrative costs associated with RTA startup.

4. The appropriation act included a $25.0 million line item, Transit Capital and Rail Infrastructure." According to a boilerplate report dated November 21, 2016, $6.1 million was expended or encumbered for matching a Federal Transit Administration capital grants: $5.0 million to the Interurban Transit Partnership (Grand Rapids) related to new Laker Line service, and $1.1 million for bus acquisition by the Suburban Mobility Authority for Regional Transportation (SMART). $18.9 million was expended or encumbered for various capital rail passenger improvements on the Detroit-Chicago rail corridor.

Appendix 2 – Notes

Note A: Transit Agencies Defined

Although this publication uses the term "transit agencies," Act 51 refers to "eligible authorities and eligible governmental agencies." These terms are defined in section 10c of Act 51 through reference to the various statutes under which transit agencies are organized. There are 80 transit agencies eligible for state operating assistance under provisions of section 10e of Act 51 and the related definitions of section 10c.

The state of Michigan does not own or operate any transit agencies in the state. All 80 transit agencies are local units of government in some sense; each is either a unit of county or city government or is an authority organized under one of several authorizing statutes.

Of the 80 eligible transit agencies, some provide scheduled, fixed-route service in metropolitan or urban areas. These urban systems include the Detroit Department of Transportation (DDOT), the Suburban Mobility Authority for Regional Transportation (SMART), the Ann Arbor Transportation Authority (AATA), the Detroit Transportation Corporation (DTC/People Mover), the Capital Area Transit Authority (CATA/Lansing), the Interurban Transit Partnership (The Rapid/Grand Rapids), the Flint Mass Transportation Authority, Kalamazoo Transit, Saginaw Transit, and the Muskegon Area Transit System.

Some eligible transit agencies are small city systems; others are countywide demand-response systems.

The service provided by a transit agency depends on the goals of the agency's governing body and the characteristics of the service population. While all agencies provide some form of general public service, many agencies also provide targeted service, including service targeted for people commuting to work, for college student populations, or for elderly and disabled populations.

A list of the 80 eligible Michigan transit agencies and related form of organization is shown in **Appendices 3a and 3b.**

Note B: On the CTF Share of MTF Revenue in Act 51

When the current framework for the distribution of MTF revenue was first established in section 10 of Act 51 by 1982 PA 438, the 10% CTF share came directly "off the top" before any other statutory earmarks. 1988 PA 348 amended section 10 to establish an MTF earmark, beginning in FY 1987-88, of up to $3.0 million for the rail grade crossing account. This earmark came prior in distribution order to the CTF's 10% share, as did a subsequent earmark, established through 1992 PA 223, which, beginning with FY 1992-93, earmarked at least $3.0 million for local/critical bridge fund debt service. Additional earmarks were added by 1997 PA 79, specifically: $43.0 million for State Trunkline Fund debt service; revenue equal to one cent of the gas tax for state bridge programs (subsequently amended to include local bridge programs); and revenue equal to three cents of the gasoline tax for distribution to state and local road agencies. These 1997 earmarks effectively channeled new revenue generated from the 1997 increase in the motor fuel tax on gasoline to state and local road agencies, bypassing the CTF and public transportation programs.

In addition, beginning in FY 2018-19, revenue from an earmark in the Income Tax Act was credited to the MTF. This income tax earmark, one of the elements of the November 2015 road funding package, was $264.0 million in FY 2018-19, $468.0 million in FY 2019-20, and $600.0 million in FY 2020-21 and each subsequent fiscal year. This income tax earmark was entirely directed in statute to state and local road and bridge programs. None of the revenue from the income tax earmark was credited to the CTF or available for public transportation programs.

In addition, beginning in FY 2020-21, revenue from an earmark of an excise tax on recreational marijuana was also credited to the MTF. As with the earmark of income tax revenue, revenue from the marijuana excise tax earmark was entirely directed in statute to state and local road and bridge programs. None of the revenue from the marijuana excise tax earmark was credited to the CTF or available for public transportation programs.

Note C: Constitutional Provisions Affecting the MTF-CTF Earmark

The two main sources of MTF revenue, motor fuel taxes and vehicle registration taxes, are constitutionally restricted for transportation. Section 9 of Article IX of the state constitution indicates that these two revenue sources, "after payment of necessary collection expenses [shall] be used exclusively for transportation purposes as set forth in this section." The section goes on to indicate that not less than 90% of revenue from motor fuel taxes and vehicle registration taxes shall be used for state and local roads, streets, and bridges. The section also provides that the balance, if any, of the revenue from motor fuel taxes and vehicle registration taxes, after the payment of necessary collection expenses, shall be used exclusively for comprehensive transportation purposes as defined by law.

The constitutional language cited above effectively sets a funding floor for state and local road programs of not less than 90% of motor fuel tax and vehicle registration tax revenue. There is no such funding floor for public transportation programs. The constitution effectively creates a funding ceiling for public transportation programs of not more than 10% of motor fuel tax and vehicle registration tax revenue. As a result, the revenue from motor fuel taxes and vehicle registration taxes is constitutionally restricted for transportation, but the designation of part of those taxes for public transportation purposes is a statutory restriction only, as provided in Act 51.

Note D: Constitutional Provisions Affecting the Auto-Related Sales Tax Earmark

In addition to restricting the use of motor fuel taxes and vehicle registration taxes, section 9 of Article IX of the state constitution provides for not more than 25% of auto-related sales taxes, after payment of necessary collection expenses, to be used for comprehensive transportation purposes. Again, this constitutional language creates an upper limit to the CTF portion of auto-related sales tax; there is no constitutional minimum. The current earmark of auto-related sales tax in the General Sales Tax Act is well below the 25% constitutional limit.

In November, 2005, the Michigan Supreme Court published an opinion for a case on appeal, County Road Association of Michigan v Governor of Michigan. Among other things, the case dealt with the constitution provisions related to the dedication of sales tax to the CTF. The opinion summary is as follows:

> This case involves the authority of the Governor, exercised in Executive Order No. 2001-9, to reduce the Legislature's allocation of general sales taxes to the Comprehensive Transportation Fund (CTF) by $12,750,000 for the fiscal year ending September 30, 2002, and to transfer those revenues to the state's general fund. Appellants claim that the general sales tax revenues allocated to the CTF are "constitutionally dedicated" funds within the meaning of Const. 1963, art. 9, § 9, and therefore immune to the Governor's power to balance the budget, Const. 1963, art. 5, § 20.
>
> The Court of Appeals concluded that art. 9, § 9, which it found to be ambiguous, does not dedicate any portion of the general sales tax revenues for comprehensive transportation purposes. 260 Mich. App. 299, 677 N.W.2d 340 (2004). We agree with the Court of Appeals that the revenues at issue are not constitutionally dedicated and that the Governor had the authority to reduce the Legislature's allocation of general sales tax revenues to the CTF in EO 2001-9. We disagree, however, that art. 9, § 9 is ambiguous. In affirming the Court of Appeals, we rely on the plain meaning of the constitutional provision.

https://case-law.vlex.com/vid/county-road-ass-n-886851452

NOTE E: AUTO-RELATED SALES TAX EARMARK TO THE CTF

As noted above, the "auto-related sales tax" is an earmark made in section 25 of the General Sales Tax Act that directs that "not less than 27.9% of 25% of the collections of the general sales tax imposed at a rate of 4%" on the sales of motor fuels, motor vehicles, and automotive parts and accessories be deposited each year into the CTF. Note that there is not a separate sales tax on motor fuels or auto-related sales. Sales of motor fuels, motor vehicles, and automotive parts are simply part of the base of sales transactions subject to the general Michigan sales tax. The Michigan Department of Treasury does not track sales tax revenue by product. In order to estimate sales tax attributable to the sales of motor fuels and other auto-related items, the Department of Treasury identifies sales tax collection by type of business using North American Industry Classification System (NAICS) codes, a standard national system of classifying types of business.[10] As a result, in calculating the auto-related sales tax, the Department of Treasury uses sales tax revenue as reported by auto dealers, auto parts suppliers, and service stations. The estimate does not include auto-related sales made at general retail stores (such as Walmart, Costco, Meijer, etc.) that also sell auto-related products. At the same time, the Department of Treasury's calculation would include sales made at service stations and auto parts stores that were not auto-related.

It should also be noted that the auto-related sales tax earmark only applies to the sales tax, including the sales tax attributable to the sales of automobiles. This CTF earmark does not apply to vehicle sales financed through lease agreements. Leases are subject to use tax, which is not included in the auto-related sales tax earmark.

Because the earmark of auto-related sales tax to the CTF is a statutory earmark only, and not a constitutional earmark, the legislature can redirect some or all of it for other purposes. Between FY 2003-04 and FY 2007-08, a total of $57.8 million in auto-related sales tax earmark was redirected from the CTF to the state general fund in response to state general fund budget shortfalls.

A portion of auto-related sales tax was also redirected from the CTF to other purposes as part of the FY 2020-21 budget agreement. Specifically, the amount of auto-related sales tax credited to the CTF was reduced by $18.0 million for the 2020-21 fiscal year only, and $18.0 million was redirected to the Transportation Administration Collection Fund (TACF), a state restricted fund created in section 810b of the Michigan Vehicle Code dedicated primarily to payment of expenses incurred by the Department of State in the administration and enforcement of the vehicle registration sections of the Michigan Vehicle Code. The change in the distribution of auto-related sales tax was made in Senate Bill 256, enacted as 2021 PA 38.

[10] https://www.census.gov/naics/

Appendix 3a

List of Eligible Local Transit Agencies and Form of Organization

Agency	Public Act (See Description Below)
Alger Transit Authority (ALTRAN)	Public Transportation Authority Act
Allegan County	Revenue Bond Act
Alma	Home Rule City Act
Ann Arbor Transportation Authority #	Mass Transportation System Authorities Act
Antrim County	Revenue Bond Act
Arenac Public Transit Authority	Public Transportation Authority Act
Barry County	Revenue Bond Act
Battle Creek	Home Rule City Act
Bay Area Transportation Authority (BATA) (Grand Traverse, Leelanau Counties)	Public Transportation Authority Act
Bay Metropolitan Transportation Authority (Bay County)	Public Transportation Authority Act
Beaver Island Transportation Authority *(ferry service only)*	Public Transportation Authority Act
Belding	Home Rule City Act
Benzie Transportation Authority	Public Transportation Authority Act
Berrien County	Revenue Bond Act
Big Rapids	Home Rule City Act
Blue Water Area Transportation (Port Huron)	Urban Cooperation Act
Branch Area Transit Authority	Public Transportation Authority Act
Buchanan	Home Rule City Act
Cadillac/Wexford Transit Authority	Urban Cooperation Act
Capital Area Transportation Authority (Lansing)	Mass Transportation System Authorities Act
Caro Transit Authority	Public Transportation Authority Act
Cass County Transportation Authority	Public Transportation Authority Act
Charlevoix County	Revenue Bond Act
Charlevoix County – Ironton Ferry *(ferry service only)*	Urban Cooperation Act
Cheboygan County	Revenue Bond Act
Clare County	Revenue Bond Act
Clinton Area Transit System	Public Transportation Authority Act
Crawford County Transportation Authority	Public Transportation Authority Act
Delta Area Transit Authority	Public Transportation Authority Act
Detroit Department of Transportation (DDOT) #	Home Rule City Act
Detroit Transportation Corporation (People Mover) #	Urban Cooperation Act
Dowagiac	Home Rule City Act
Eastern Upper Peninsula Transportation Authority (Chippewa County) *(both bus transit and ferry service)*	Urban Cooperation Act
Eaton County Transportation Authority	Urban Cooperation Act
Mass Transportation Authority (Flint)	Mass Transportation System Authorities Act
Gladwin County	Revenue Bond Act
Gogebic County Transit	Public Transportation Authority Act
Greater Lapeer Transportation Authority	Public Transportation Authority Act
Greenville	Home Rule City Act
Hancock	Home Rule City Act
Harbor Transit (Grand Haven)	Public Transportation Authority Act
Hillsdale (City)	Home Rule City Act
Houghton (City)	Home Rule City Act
Huron County	Revenue Bond Act
Interurban Transit Authority (Saugatuck)	Public Transportation Authority Act
Interurban Transit Partnership (Grand Rapids)	Public Transportation Authority Act
Ionia (City)	Home Rule City Act
Iosco County	Revenue Bond Act
Isabella County Transportation Commission	Urban Cooperation Act

Agency	Public Act (See Description Below)
Jackson Transportation Authority (City of Jackson)	Public Transportation Authority Act
Kalamazoo – Central County Transportation Authority	Public Transportation Authority Act
Kalkaska Public Transit Authority	Public Transportation Authority Act
Lenawee Public Transit Authority	Public Transportation Authority Act
Livingston County	Revenue Bond Act
Ludington Mass Transportation Authority	Public Transportation Authority Act
Macatawa Area Express Transportation Authority (Holland)	Public Transportation Authority Act
Mackinac Island (City of) *(ferry service only)*	Home Rule City Act
Manistee County	Revenue Bond Act
Marquette County Transit Authority	Urban Cooperation Act
Marshall	Home Rule City Act
Mecosta Osceola Transit Authority	Public Transportation Authority Act
Midland (City)	Home Rule City Act
Midland County	Revenue Bond Act
Muskegon County	Revenue Bond Act
Niles	Home Rule City Act
Ogemaw County	Revenue Bond Act
Ontonagon County	Revenue Bond Act
Otsego County	Revenue Bond Act
Roscommon County Transportation Authority	Public Transportation Authority Act
St. Joseph County Transit Authority	Public Transportation Authority Act
Saginaw Transit Authority Regional Services	Public Transportation Authority Act
Sanilac County	Revenue Bond Act
Sault Ste. Marie	Home Rule City Act
Schoolcraft County Transit Authority	Public Transportation Authority Act
Shiawassee Area Transportation Agency	Urban Cooperation Act
Suburban Mobility Authority for Regional Transportation (SMART) # (Wayne, Oakland, Macomb, Monroe Counties)	Metropolitan Transportation Authorities Act
Thunder Bay Transportation Authority (Alcona, Alpena, Montmorency Counties)	Public Transportation Authority Act
Twin Cities Area Transportation Authority (Benton Harbor)	Mass Transportation System Authorities Act
Van Buren County	Revenue Bond Act
Yates Township Transportation Authority	Public Transportation Authority Act

List provided June 2023 by the Michigan Department of Transportation, Office of Passenger Transportation

There are 80 transit agencies eligible to receive state operating and capital assistance under Act 51: 76 agencies that provide bus transit service only; three agencies that provide ferry service only; and one agency, EUPTA, that provides both bus transit and ferry service.

Four agencies, the Ann Arbor Area Transportation Authority, the Detroit Department of Transportation, the Detroit Transportation Corporation, and the Suburban Mobility Authority for Regional Transportation, are independent systems with different forms of organization. They receive planning support and funding through the Regional Transit Authority, created under the Regional Transit Authority Act, 2012 PA 387. The Regional Transit Authority became the designated recipient for state and federal grants for the region effective October 1, 2013. https://rtamichigan.org

APPENDIX 3b

Public Acts Governing Michigan Public Transit Agencies

Home Rule City Act, 1909 PA 279

Authorizes city transit systems.

Revenue Bond Act, 1933 PA 94

Authorizes public corporations to make public improvements, including transportation systems. Many county transportation systems are organized under this act.

Mass Transportation System Authorities Act, 1963 PA 55

Authorizes public transportation authorities in cities with a population of less than 300,000.

Metropolitan Transportation Authorities Act, 1967 PA 204

Authorizes regional transportation authorities formed by two or more counties in metropolitan areas; SMART is established under the act.

Urban Cooperation Act, 1967 (Ex Sess) PA 7

Authorizes authorities organized under interlocal agreements.

Public Transportation Authority Act, 1986 PA 196

Authorizes two or more political subdivisions (counties, cities, villages, townships) to form a public authority.

Regional Transit Authority Act, 2012 PA 387

Establishes a Regional Transit Authority for Wayne, Oakland, Macomb, and Washtenaw Counties, effective December 19, 2012.

McAlvey Merchant
& ASSOCIATES

MEMORANDUM

Date: May 21, 2025

To: Deb Prato, The Rapid

From: Bill Jackson, McAlvey Merchant and Associates

RE: Update on Michigan's Road Funding Legislation

The Michigan House of Representatives recently passed a significant road funding plan aimed at enhancing investment in transportation infrastructure without increasing the per-gallon fuel cost for consumers. The plan includes two primary components:

1. **Elimination of the Sales Tax on Motor Fuel and a Corresponding Increase in the Excise Tax**
2. **Redirection of Corporate Income Tax (CIT) Revenues to Road Infrastructure**

This memo provides a concise analysis of both components, with a focus on their impact on public transit funding.

1. Sales Tax Shift

Description:
The plan removes the 6% sales tax currently levied on motor fuel and replaces it with a matching increase in the gasoline excise tax. This adjustment is designed to maintain the current retail price per gallon, preventing a cost increase for consumers.

Fiscal Impact:

- Generates approximately **$1 billion annually** in new excise tax revenue, now directed to the **Michigan Transportation Fund (MTF)**.
- Funds are distributed according to **Public Act 51 (PA 51)**, which allocates a portion (**~$100 million**) to the **Comprehensive Transportation Fund (CTF)**.
- Through appropriations, a share of the CTF supports the **Local Bus Operating Fund (LBOF)**.

Net Effect on Transit:

Although $100 million is directed to the CTF, this represents only a **net increase of approximately $50 million**, due to the concurrent elimination of the sales tax that had previously supported the CTF. This amount is **insufficient to close the existing shortfall in the LBOF**, resulting in limited new support for public transit.

McAlvey Merchant
& ASSOCIATES

MEMORANDUM

2. Corporate Income Tax (CIT) Shift

Description:
The plan redirects approximately **$2.2 billion annually** in Corporate Income Tax revenue to transportation infrastructure.

Distribution Method:

- Unlike the fuel tax revenue, this funding **bypasses the PA 51 formula**.
- Instead, funds are distributed **directly to local units of government**, empowering them to prioritize and invest in **local road improvements**.

Transit Impact:

None of these funds are allocated to public transportation. The CIT shift represents a **substantial investment in roads** but provides **no benefit to transit systems**.

Summary Table

Component	Revenue Source	Amount	Distribution Method	Transit Inclusion	Net Impact on CTF
Sales Tax Shift	Fuel Sales Tax Gas Tax	$1 billion	PA 51 Formula	Partial (via CTF and LBOF)	~$50 million increase
CIT Shift	Corporate Income Tax	$2.2 billion	Direct to Municipalities	No	$0

Conclusion

The House plan represents a significant redirection of state revenues toward road and highway maintenance and construction. While it achieves the goal of enhancing road funding without increasing consumer fuel costs, it offers **minimal new investment in public transportation**. The limited net gain for transit is well short of that needed to address existing operational funding gaps in local transit systems.

FISCAL BRIEF

MOTOR FUEL TAXES, SALES TAX ON MOTOR FUELS, AND METHODS OF TAX COLLECTION

William E. Hamilton, Senior Fiscal Analyst
May 21, 2024 (As Edited February 24, 2025)

FAST FACTS

- Motor fuel taxes on gasoline and diesel fuels are specific taxes that are levied on a per-gallon basis and dedicated for transportation purposes under the state constitution.
- Motor fuel taxes will generate an estimated $1,578.3 million in FY 2024-25.
- Motor fuel is also subject to other taxes and fees, including the state sales tax, a state environmental protection regulatory fee, and federal motor fuel taxes and fees.
- In 2024, estimated sales tax revenue attributable to motor fuel sales was $924.9 million, representing 8.7% of total state sales tax collections. Sales tax revenue is constitutionally and statutorily earmarked, with the largest shares going to the School Aid Fund and local revenue sharing.

INTRODUCTION

Historically, state-generated revenue for Michigan transportation programs has come primarily from two "road taxes"—motor fuel taxes and vehicle registration taxes.[1] Both of these tax sources are restricted for transportation purposes under section 9 of Article IX of the Michigan Constitution of 1963.[2]

Revenue from state motor fuel and vehicle registration taxes is credited to the Michigan Transportation Fund (MTF), a state restricted transportation fund established under 1951 PA 51 ("Act 51"). The MTF is the main collection and distribution fund for state restricted transportation revenue. MTF revenue is distributed to other state transportation funds and programs and to local road agencies (county road commissions, cities, and villages) in accordance with the provisions of Act 51.[3]

From 1978, when the fund was created in Act 51, through 2018, MTF revenue was composed almost entirely of constitutionally restricted revenue from motor fuel and vehicle registration taxes.[4]

Between 1997 and 2006, motor fuel tax revenue represented approximately 55% of revenue credited to the MTF, with the balance coming primarily from vehicle registration taxes. After 2006, motor fuel taxes became a smaller share, and vehicle registration taxes a larger share, of total MTF revenue. Since 2007, motor fuel tax revenue has represented approximately 50% of MTF revenue from constitutionally restricted sources.[5]

For FY 2024-25, estimated motor fuel tax revenue totals $1,578.3 million, of which gasoline contributes $1,297.0 million; diesel, $279.0 million; and alternative fuels, $2.3 million.[6]

[1] This document focuses on motor fuel taxes used to propel motor vehicles on public roads and, except as otherwise noted, does not address fuel used for aircraft, watercraft, snowmobiles, or off-road vehicles (ORVs). It also does not, except as noted, address the taxation alternative fuels. As used throughout this document, "motor fuels" means gasoline and diesel fuel.

[2] See **Note A** regarding the history of this section of the 1963 Michigan Constitution.

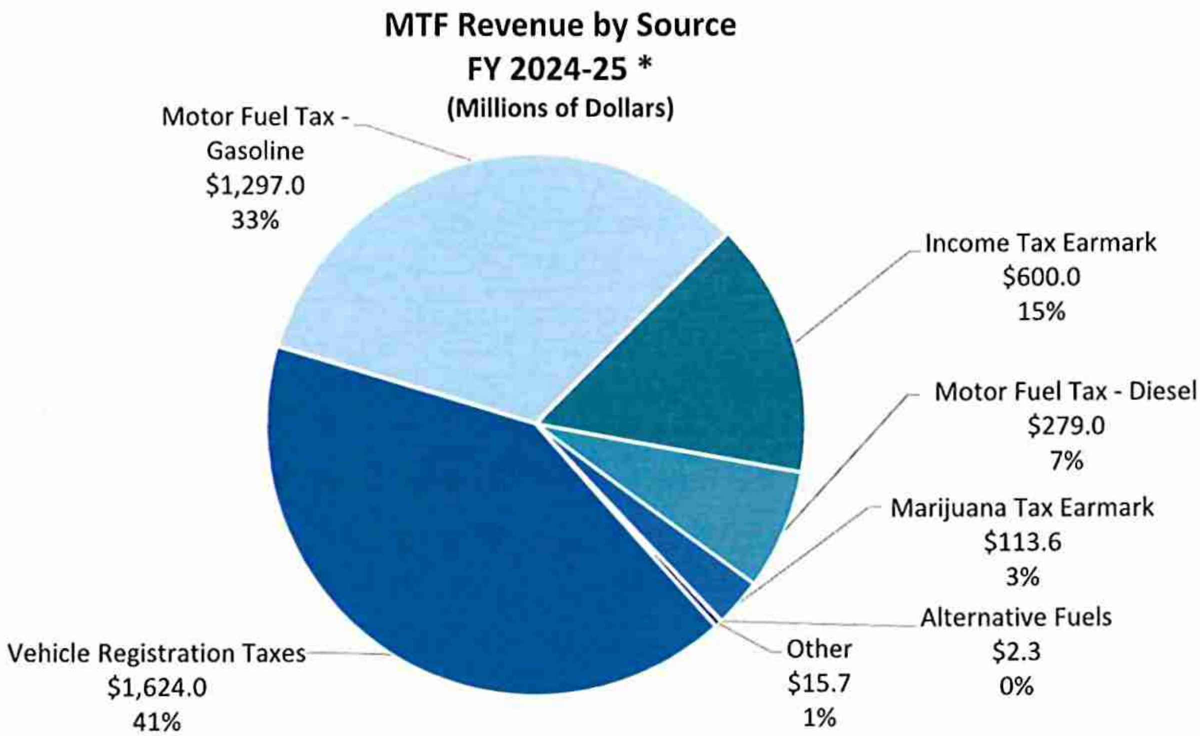
[3] For additional information on the distribution of MTF revenue, see the House Fiscal Agency publication **Fiscal Brief: MTF Distribution Formula to Local Road Agencies, February 21, 2025**.

[4] See **Note B** regarding revenue sources for credit to the MTF.

[5] See **Figure 1** for a graph showing MTF revenue history by revenue source.

[6] These figures are estimates developed by the Michigan Department of Treasury, Office of Revenue and Tax Analysis (ORTA) in February 2024 as part of the FY 2024-25 transportation budget development.

This publication will review the history of motor fuel taxes in Michigan, including the legal authorities for motor fuel taxes, the method of tax collection, and the distribution of motor fuel tax revenue. It will also describe other taxes and fees imposed on the sale of motor fuel in Michigan, including Michigan's general sales tax.



** February 7, 2024 ORTA estimate*

MICHIGAN MOTOR FUEL TAXES

Michigan's first motor fuel taxes were earmarked for state road programs. 1925 PA 2 imposed a two-cents-per-gallon tax on "all gasoline sold or used in this state" and provided for the distribution of revenue from the tax. Specifically, the act indicated that "[a]ll sums of money received and collected by the secretary of state under the provisions of this act shall be deposited in the state treasury to the credit of the state highway fund." The act's stated intent was "to impose a tax upon the owners of motor vehicles using a combustible type of engine upon the public roads and highways by requiring them to pay [the motor fuel tax] for the privilege thereof."

The description of the motor fuel tax as a "privilege tax" for the use of public roads or highways in Michigan is retained in the current Motor Fuel Tax Act, 2000 PA 403.[7]

1925 PA 2 also established a schedule of appropriations from the state highway fund. This earmarking was continued in the subsequent recodification of the motor fuel tax act, 1927 PA 150, which increased the motor fuel excise tax on gasoline to three cents per gallon and directed motor fuel excise tax revenue to the credit of the state highway fund "after the payment of the necessary expenses incurred in the enforcement of this act." Section 143 of the current Motor Fuel Tax Act retains the earmarking of revenue for transportation programs, specifically, to the MTF.

[7] Section 8(5) of the Motor Fuel Tax Act states that the intent of the act is to "require persons who operate a motor vehicle on the public roads or highways of this state to pay for the privilege of using those roads or highways." The act defines "public roads or highways" to mean "a road, street, or place maintained by this state or a political subdivision of this state and generally open to use by the public as a matter of right for the purpose of vehicular travel, notwithstanding that they may be temporarily closed or travel is restricted for the purpose of construction, maintenance, repair, or reconstruction."

1947 PA 319 established a separate, specific tax on diesel motor fuel. As a result, for several years there was a separate public act for the motor fuel tax on gasoline and a separate public act for the motor fuel tax on diesel. 1951 PA 54 repealed 1947 PA 319 and brought its provisions into 1927 PA 150.

1927 PA 150 remained Michigan's motor fuel tax act until it was repealed and replaced by the current Motor Fuel Tax Act, which took effect April 1, 2001. The Motor Fuel Tax Act establishes a specific tax on motor fuels (gasoline and diesel fuel) "imported into or sold, delivered, or used in this state."[8]

The statutory earmarking of specific motor fuel and vehicle registration tax revenue was reinforced by a 1938 amendment to the 1908 Michigan Constitution. The amendment provided that revenue from "[a]ll taxes imposed directly or indirectly upon gasoline and like fuels sold or used to propel motor vehicles upon the highways of this state, and on all motor vehicles registered in this state, shall, after the payment of the necessary expenses of collection thereof, be used exclusively for highway purposes, including the payment of public debts incurred therefor, and shall not be diverted nor appropriated to any other purpose."

The earmarking of motor fuel and vehicle registration tax revenue was carried over into the 1963 Michigan Constitution under section 9 of Article IX.

Motor Fuel Tax Rates

Motor fuel tax rates have been amended several times since they were originally established. The current rates reflect the provisions of 2015 PA 176, which amended the Motor Fuel Tax Act as part of a November 2015 Road funding package.[9] 2015 PA 176 established a uniform motor fuel tax rate for both gasoline and diesel motor fuels of 26.3 cents per gallon, effective January 1, 2017, as well as a method of indexing of the motor fuel tax rate.

2015 PA 176 directed the Michigan Department of Treasury ("Treasury"), beginning with the rate effective on January 1, 2022, and on January 1 of each following year, to determine a cents-per-gallon tax rate on motor fuel by multiplying the cents-per-gallon rate in effect during the previous calendar year by 1 plus the lesser of 0.05 or the inflation rate, rounded up to the nearest 1/10 of a cent. This has resulted in four adjustments. The January 1, 2025 adjustment established the current motor fuel tax rate, 31 cents per gallon, for both gasoline and diesel motor fuel, effective through December 31, 2025. See **Table 1** on page 5.

Michigan's Motor Fuel Tax on Gasoline

The motor fuel tax rate of 26.3 cents per gallon established under 2015 PA 176 (effective January 1, 2017) represented an increase of 7.3 cents per gallon from the previous 19-cents-per-gallon tax rate.[10] It was estimated that this rate increase would result in an increase in MTF revenue of approximately $310.5 million annually from the 2016 baseline.

According to February 2024 estimates from the Office of Revenue and Tax Analysis (ORTA), Michigan Department of Treasury, the motor fuel tax on gasoline will generate $1,297.0 million in FY 2024-25 for credit to the MTF. This represents approximately 40.3% of MTF revenue from constitutionally restricted sources. Each penny of the 31.0-

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[8] The Motor Fuel Tax Act also imposes a separate tax on alternative fuels, as defined in the act (see below). Note that "alternative fuel" is excluded from the definition of "motor fuel."

[9] For the legislative history and analysis of House Bill 4738, see http://legislature.mi.gov/doc.aspx?2015-HB-4738

[10] The 19-cents-per-gallon motor fuel tax rate on gasoline was first effective August 1, 1997, through the passage of 1997 PA 83, one of elements of a 1997 road funding package. The 19-cents-per-gallon rate represented a 4-cents-per-gallon increase from the prior 15-cents-per-gallon tax rate.

cents-per-gallon tax on gasoline currently generates approximately $42.0 million. [At peak consumption in FY 2001-02, each penny of the motor fuel tax on gasoline generated approximately $49.4 million.]

Michigan's Motor Fuel Tax on Diesel Fuel

In establishing a uniform motor fuel tax rate of 26.3 cents per gallon, effective January 1, 2017, 2015 PA 176 effectively increased the motor fuel tax on diesel fuel by 11.3 cents per gallon, from the previous 15-cents-per-gallon effective tax rate. Before the increase, the effective motor fuel tax rate on diesel motor fuel had been 15 cents per gallon for over 30 years—since January 1, 1984.[11] In making the per-gallon tax rate for diesel motor fuel the same as that for gasoline, 2015 PA 176 established what is described as "diesel parity."

According to February 2024 ORTA estimates, for FY 2024-25 the motor fuel tax on diesel motor fuel will generate $279.0 million for credit to the MTF. This represents approximately 8.7% of MTF revenue from constitutionally restricted sources.

Alternative Fuels

Most vehicles operating on public highways are propelled by gasoline or diesel motor fuel. As a result, most of the revenue from motor fuel taxes is generated from the taxes applied to those two fuels. However, some vehicles are propelled by motors using "alternative fuels."

Current provisions of the Motor Fuel Tax Act regarding alternative fuels were added by 2015 PA 176, which revised and expanded earlier provisions that addressed liquefied petroleum gas. Section 151 of the act defines alternative fuel to mean "a gas, liquid, or other fuel that, with or without adjustment or manipulation of pressure or temperature, is capable of being used for the generation of power to propel a motor vehicle, including but not limited to, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas, or hythane." The definition of "alternative fuel" excludes motor fuel, electricity, leaded racing fuel, or an excluded liquid as defined by 26 CFR 48.4081-1.

Section 152 of the Motor Fuel Tax Act imposes a tax on the use of alternative fuels used in the state equal to the motor fuel tax rate imposed under section 8 of the Motor Fuel Tax Act. Sections 152 through 155 establish the basis for measuring alternative fuels for taxation (per gallon or gallon equivalent), the method of collection, and exemptions from the tax.

Estimated revenue from the motor fuel tax assessed on alternative fuels for FY 2024-25 is $2.3 million, less than 1% of MTF revenue from constitutionally dedicated sources.

The motor fuel tax rates for gasoline, diesel, and alternative fuels from 1998 forward are shown in **Table 1** on page 5.

[11] As described further below, motor fuel taxes on motor carriers are imposed under the Motor Carrier Fuel Tax Act. Between 1996 and 2002 the per-gallon tax rate for diesel motor fuel under the Motor Carrier Fuel Tax Act was nominally 21 cents per gallon, with a 6-cents-per-gallon credit given for in-state diesel purchases. 2002 PA 668 repealed the 6-cent credit and made the motor carrier fuel tax rate 15 cents per gallon for all transactions subject to the tax.

Period	Gasoline	Diesel	Alternative Fuels*
Table 1: Motor Fuel and Alternative Fuel Tax Rates (per gallon or gallon equivalent)			
August 1, 1997 – December 31, 2016	19.0 cents	15.0 cents	15.0 cents
January 1, 2017 – December 31, 2021	26.3 cents	26.3 cents	26.3 cents
January 1, 2022 – December 31, 2022	27.2 cents	27.2 cents	27.2 cents
January 1, 2023 – December 31, 2023	28.6 cents	28.6 cents	28.6 cents
January 1, 2024 – December 31, 2024	30.0 cents	30.0 cents	30.0 cents
January 1, 2025 – December 31, 2025	31.0 cents	31.0 cents	31.0 cents

* = prior to the enactment of 2015 PA 176, "alternative fuels" were not specifically addressed in the Motor Fuel Tax Act, with the exception of "liquified petroleum gas" for which the tax was 15 cents per gallon.

https://www.michigan.gov/taxes/business-taxes/motor-fuel/current-tax-rates-for-motor-fuel-and-alternative-fuel

OTHER TAXES AND FEES IMPOSED ON MOTOR FUEL SALES

In addition to motor fuel taxes, described above, sales of motor fuel in Michigan are subject to several other taxes and fees. Specifically, Michigan imposes a sales tax on motor fuels sold in Michigan under the General Sales Tax Act, 1933 PA 167. In addition, petroleum products sold for resale or consumption in the state are subject to a one-cent-per-gallon environmental protection regulatory fee established in Michigan's Natural Resources and Environmental Protection Act (NREPA), 1994 PA 451.

In addition to state taxes and fees, the federal government imposes taxes and fees on motor fuels totaling 18.4 cents per gallon for gasoline, and 24.4 cents per gallon for diesel motor fuel.

Sales Tax on Sales of Motor Fuels

Michigan is one of a few states that impose a sales tax on motor fuel sales, in addition to specific motor fuel taxes. Sales of motor fuels are subject to the state's 6% general sales tax on retail sales under the General Sales Tax Act.[12]

Motor fuel sales have been subject to the state sales tax since the tax was first instituted in Michigan in 1933. Because the state sales tax is not specific to motor fuels, the amount of sales tax revenue generated from sales of gasoline and diesel motor fuel cannot be readily broken out from other sales tax revenue. Estimates of sales tax revenue attributable to gasoline and diesel motor fuel sales are made by calculating taxable gallons sold, multiplying taxable gallons sold by the average statewide price per gallon, and then multiplying that sum by the 6% sales tax rate. Estimated sales tax revenue attributable to motor fuel sales varies from year to year, depending on actual taxable gallons sold and actual motor fuel prices.

In 2024, an estimated 4.3 billion taxable gallons of gasoline were sold in Michigan. At this level of sales, and an average pump price of $3.355 per gallon, the sales tax revenue attributable to gasoline sales was estimated to be $746.4 million. The estimated sales tax attributable to sales of diesel motor fuel was $178.6 million. In total,

[12] Note that in some circumstances, motor fuel will be subject to use tax under Michigan's Use Tax Act, 1937 PA 94, instead of sales tax. Use tax revenue attributable to motor fuel is much smaller in total than sales tax revenue attributable to motor fuel.

estimated sales tax revenue attributable to motor fuel in 2024 was $924.9 million, or approximately 8.7% of total 2024 sales tax revenue. See **Table 2** for a history of sales tax attributable to motor fuel sales from 2000 to 2024.

As previously noted, motor fuel taxes are *specific* taxes, assessed on gallons of fuel sold or consumed in Michigan. In contrast, the sales tax, levied under the authority of the General Sales Tax Act, is an *ad valorem* tax—a tax based on the value of the applicable tax base. As a result, sales tax revenue attributable to motor fuel sales is not restricted for transportation purposes under the provisions of section 9 of Article IX of the 1963 Michigan Constitution. Instead, revenue from the sales tax attributable to motor fuel sales is subject to the constitutional and statutory restrictions that apply to sales tax revenue:

- One hundred percent of the tax collected at 2%, and sixty percent of the tax collected at 4% is dedicated to the School Aid Fund by section 11 of Article IX of the state constitution This equates to approximately 73% of the gross sales tax collected at 6%.
- Fifteen percent of the tax collected at 4% is dedicated for revenue sharing to townships, cities, and villages under section 10 of Article IX of the state constitution. This equates to approximately 10% of the gross sales tax collected at 6%.
- A portion of the sales tax attributable to motor fuel sales, as well as sales of other automotive products, is earmarked in section 25 of the General Sales Tax Act to the Comprehensive Transportation Fund (CTF), a state restricted transportation fund established in Act 51 for public transportation purposes. This statutory earmark is sometimes described as the "auto-related sales tax."[13]

The balance of sales tax revenue, i.e., the amount not otherwise constitutionally or statutorily earmarked, is credited to the state general fund.[14]

Presentations that include the sales tax component in cross-state comparisons of motor fuel taxes make Michigan appear to have a relatively high "gas tax." The sales tax component of state taxes on gasoline isn't constant—it changes daily with the price of the underlying product, the relatively volatile wholesale price of refined petroleum.[15]

Refined Petroleum Environmental Protection Regulatory Fee

Most states impose an environmental protection fee on the sale of petroleum products. As provided in section 21508 of NREPA, Michigan imposes an environmental protection regulatory fee of one cent per gallon on all petroleum products sold for resale or consumption.[16] This regulatory fee is imposed on all refined petroleum products, not just motor fuels. Revenue from this fee is earmarked in part for the Underground Storage Tank Regulatory Enforcement Fund and in part to the Refined Petroleum Fund for underground storage tank corrective action activities of the Department of Environment, Great Lakes, and Energy (EGLE). Refined Petroleum Fund revenue is also used to support the motor fuel consumer protection programs of the Michigan Department of Agriculture and Rural Development (MDARD), and certain regulatory activities of the Department of Licensing and Regulatory Affairs (LARA).

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[13] The actual statutory earmark, in section 25 of the General Sales Tax Act, is not less than 27.9% of 25% of the tax collected at 4% on motor vehicle-related sales as identified by the Michigan Department of Treasury.

[14] There are also some smaller statutory earmarks in the General Sales Tax Act, including earmarks to the Michigan Health Initiative Fund and the State Aeronautics Fund. These earmarks effectively reduce the amount credited to the general fund and can be ignored in the discussion of earmarks affecting the disposition of sales tax attributable to motor fuel sales.

[15] Comparing any single element of dedicated transportation taxes across states can be misleading. States use a mix of transportation taxes including motor fuel taxes, vehicle registration taxes, and tolls. In addition, some states allow for local option registration and motor fuel taxes; Michigan does not.

[16] http://legislature.mi.gov/doc.aspx?mcl-324-21508

The environmental protection regulatory fee was increased from 7/8 cents per gallon to one cent per gallon, and the distribution of fee revenue changed, effective March 29, 2017, as a result of amending legislation, Senate Bill 1053 enacted as 2016 PA 467. For additional information on the regulatory fee and fee revenue distribution, see the House Fiscal Agency analysis of Senate Bill 1053 of the 2015-2016 Legislative Session.[17]

Federal Motor Fuel Taxes

In addition to Michigan's motor fuel taxes, the federal government levies taxes and fees totaling 18.4 cents per gallon for gasoline, and 24.4 cents per gallon for diesel fuel. Of these totals, 18.3 cents per gallon for gasoline, and 24.3 cents per gallon for diesel, are excise taxes dedicated to the federal Highway Trust Fund. The federal Highway Trust Fund supports federal-aid surface transportation programs—programs that provide funds to states for certain eligible highway and public transportation program activities.[18]

The federal government also imposes a 0.1-cent-per-gallon fee on both gasoline and diesel fuel dedicated to the federal Leaking Underground Storage Tank Fund.[19]

How Motor Fuel Taxes are Collected

Although the retail price of fuel purchased "at the pump" includes federal and state motor fuel taxes, those taxes are not collected directly from the retailer (i.e., service station). The state motor fuel taxes are generally collected by Treasury from fuel *suppliers* as defined in the Motor Fuel Tax Act. The U.S. Department of Treasury also collects federal motor fuel taxes from fuel suppliers, and not from retailers.

Generally speaking, a fuel supplier is the last owner of motor fuel before it is transferred across the loading rack. In most instances, the point of taxation is the point at which fuel is transferred across a terminal loading rack to a fuel *wholesaler*. Although the tax is included in the price charged by the supplier to the wholesaler, the tax is due from and remitted by the *supplier.* Wholesalers may sell fuel to other wholesalers or to retailers such as service stations. Fuel trucks delivering fuel to service stations may represent wholesalers.

Moving the tax collection point to the fuel supplier was put into effect for the motor fuel tax on gasoline by 1992 PA 25, one of the bills in the "Build Michigan" transportation funding package. The change for the motor fuel tax on diesel was made in part by 1992 PA 25 and completed through 2002 PA 668. Moving the collection point to the fuel supplier or importer was intended to make the collection of motor fuel taxes more efficient, effective, and secure. It is relatively easy for Treasury to collect from and audit a relatively small number of large fuel suppliers.[20]

Section 14 of the Motor Fuel Tax Act allows suppliers to deduct 1.5% of the gasoline quantity from taxation "to allow for the cost of remitting the tax." This tax expenditure equates to approximately $18.6 million, based on FY 2022-23 figures provided by the Michigan Department of Treasury. (Before the enactment of 1997 PA 83, the act that increased the per-gallon motor fuel tax on gasoline from 15 cents to 19 cents, this deduction was 2% of gasoline quantity and was described in the Motor Fuel Tax Act as an "evaporation and loss allowance.") Section 14 also requires a wholesaler or supplier to pay or credit to the retailer one-third of the deduction on quantities of gasoline sold to the retailer.

[17] See Michigan Legislature website: http://legislature.mi.gov/doc.aspx?2016-SB-1053

[18] For additional information on federal aid for Michigan transportation programs, see House Fiscal Agency Fiscal Brief: https://www.house.mi.gov/hfa/PDF/Alpha/Fiscal_Brief_Federal_Aid_in_MI_Transportation_Budget_Mar2023.pdf

[19] https://www.eia.gov/tools/faqs/faq.php?id=10&t=5

[20] According to information provided by the Michigan Department of Treasury, there are 118 suppliers licensed under Michigan's Motor Fuel Tax Act.

How Motor Fuel Taxes on Motor Carriers are Collected

As noted above, the motor fuel tax was established as a "privilege tax" for use of public roads and highways. The tax is included in the pump price for gasoline and diesel motor fuel sold in Michigan. As a result, when operators of motor vehicles purchase fuel in Michigan, they indirectly pay motor fuel taxes. And those taxes capture, in some measure, the use of public roads and highways. However, as noted in the previous section, motor fuel taxes are generally collected "upstream" by Treasury from *fuel suppliers*, a defined term in the Motor Fuel Tax Act. This tax collection system is described in additional detail below.

Although the motor fuel tax is included in the pump price for gasoline and diesel fuel, it is possible for *motor carriers* operating *qualified commercial motor vehicles* in interstate or cross-border commerce to use Michigan roads without purchasing fuel in Michigan.[21] To capture the use of public roads by motor carriers, the Motor Carrier Fuel Tax Act, 1980 PA 119, establishes a "road tax" on motor carriers equal to the motor fuel tax rate established under the Motor Fuel Tax Act. The road tax is calculated through conversion of miles driven on Michigan public roads or highways to motor fuel or alternative fuel consumed in Michigan in qualified commercial motor vehicles.[22, 23]

As a result, motor carriers pay a Michigan "road tax," imposed under the authority of the Motor Carrier Fuel Tax Act, based on miles driven in Michigan whether or not they purchase fuel in Michigan. Motor carriers who do purchase fuel in Michigan are given credit for taxes effectively paid "at the pump"—they aren't penalized, or double-taxed, for purchasing fuel in Michigan. Note that diesel-powered passenger vehicles, and diesel-powered trucks, regardless of size, that never leave the state of Michigan, effectively pay all motor fuel taxes "at the pump" and aren't subject to the Motor Carrier Fuel Tax Act.

Other states and Canadian provinces have similar programs for taxing interstate and cross-border motor carriers based on miles driven within the respective state or province. These tax programs are coordinated through the International Fuel Tax Agreement (IFTA), an agreement of 48 contiguous U.S. states and 10 Canadian provinces. IFTA provides for the reciprocal collection of state and provincial motor fuel taxes imposed on interstate and cross-border motor carriers.[24]

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[21] "Qualified commercial motor vehicle" is a defined term in the Motor Carrier Fuel Tax Act and generally refers to a motor vehicle used, designed, or maintained for transportation of persons or property and has either 3 or more axles regardless of weight, or is a vehicle or combination of vehicles in excess of 26,000 pounds gross vehicle weight. Excluded from the definition are recreational vehicles, certain vehicles used in farming operations, school buses, buses licensed under the Motor Bus Transportation Act, and certain public transit buses. "Motor carrier" is also a defined term and generally refers to an operator of a qualified commercial motor vehicle in Michigan and one other state or Canadian province.

[22] When first enacted, the Motor Carrier Fuel Tax Act applied only to motor vehicles using diesel motor fuel; historically, larger commercial trucks have been almost exclusively propelled by diesel engines. In more recent years, some manufacturers have marketed trucks propelled by alternative fuels. Among other things, 2015 PA 178 included gasoline and alternative fuels within the scope of the Motor Carrier Fuel Tax Act. http://legislature.mi.gov/doc.aspx?2015-HB-4616

[23] A commercial motor carrier in a typical interstate configuration (a 3-axle pulling/power unit with dual 125-gallon fuel tanks pulling a two-axle semi-trailer up to 80,000 pounds gross vehicle weight) can travel 1,500 miles or more between fill-ups.

[24] On its website, IFTA, Inc., describes itself as "an Arizona not-for-profit corporation formed to manage and administer the International Fuel Tax Agreement." The IFTA Mission Statement is: "To foster trust and cooperation among the jurisdictions through efficient and effective planning and coordination and oversight of activities necessary to administer the International Fuel Tax Agreement for the betterment of the members and our partners." IFTA, Inc. International Fuel Tax Association (iftach.org) IFTA is governed by formal bylaws. The administration of IFTA motor fuel tax collection program is governed by a formal Articles of Agreement.

Section 2a of the Motor Carrier Fuel Tax Act authorizes Treasury to enter into reciprocal agreements, including with other states and Canadian provinces, for the imposition of motor fuel taxes on an apportionment or allocation basis. Section 2a expressly directs Treasury to enter into IFTA and provides that if provisions of IFTA differ from the Motor Carrier Fuel Tax Act, the provisions of IFTA are controlling. Michigan is a member of IFTA.

As a result, each month the Michigan Department of Treasury receives payment, through IFTA, for fuel tax attributable to motor carriers for miles driven in Michigan. And each month, the Michigan Department of Treasury remits tax money through IFTA for miles driven in other states by Michigan-based motor carriers.

HOW SALES TAX ON MOTOR FUEL IS COLLECTED

Under section 6 of the General Sales Tax Act, most retailers remit sales tax due each month based on the previous month's taxable sales. However, with respect to the sales tax imposed on the sales of gasoline, part of the tax is pre-paid; that is, part of the tax is remitted prior to the sale of gasoline at retail.

Section 6a of the General Sales Tax Act requires Treasury to determine and publish, on a monthly basis, a pre-paid gasoline cents-per-gallon sales tax rate based on 6% of the statewide average retail price of a gallon of self-serve unleaded regular gasoline rounded up to the nearest 1/10 of a cent. Treasury makes a similar calculation for diesel motor fuel. This tax is paid by the purchaser or receiver of fuel, at the Treasury-determined cents-per-gallon rate, at the time fuel is purchased from a refiner, pipeline terminal operator, or marine terminal operator. As a result, estimated (prepaid) sales tax is included in the price paid by the wholesaler and, in turn, by the retail service station.[25]

In remitting monthly sales tax, calculated on gross proceeds, the retailer may deduct the amount of prepaid sales tax assumed in the cost of fuel purchased. For example, if the retailer had effectively prepaid $10,000 in sales tax on gasoline sales, as included in the price charged by the wholesaler, and the retailer's actual total tax liability for the month was $11,000, the retailer would remit only the $1,000 balance to the Department of Treasury. Conversely, if the retailer's actual tax liability was less than the amount of pre-payment, the retailer would be entitled to a credit or refund.

In calculating the pre-paid sales tax rate for gasoline and diesel motor fuel, Treasury excludes the state's motor fuel tax, in accordance with R 205-128 of the Michigan Administrative Rules, which provides for the deduction of Michigan motor fuel taxes from gross proceeds.[26] As a result, the effective sales tax base for motor fuel represents the motor fuel "wholesale price," including federal taxes and the state environmental protection fee but excluding the state motor fuel tax. **Table 3** shows the calculated sales tax base for sales of gasoline at selected price points.

However, as noted above, the tax base for calculating a retailer's actual sales tax obligation is "gross proceeds" as defined in the General Sales Tax Act.

The pre-payment provisions of the General Sales Tax Act were first established by 1983 PA 244. According to the legislative analysis of the amending legislation, these provisions were intended to make it harder for unscrupulous gasoline retailers to undercut tax-compliant retailers by not charging sales tax.

[25] Revenue Administrative Bulletin 2023-11 (michigan.gov)

[26] Mich. Admin. Code R. 205.128 - Federal and state taxes | State Regulations | US Law | LII / Legal Information Institute (cornell.edu)

NOTES:

A. ***Note on Constitutional Language Governing Motor Fuel Taxes***: The original language of section 9 of Article IX of the 1963 Michigan Constitution stated that "all specific taxes, except general sales and use taxes and regulatory fees, imposed directly or indirectly on fuels sold or used to propel motor vehicles upon highways and on registered motor vehicles shall, after payment of necessary collection expenses, be used exclusively for highway purposes as defined by law." This section was amended in 1978 to broaden the dedication of motor fuel and vehicle registration taxes to "transportation purposes" rather than simply to "highway purposes."

B. ***Note on Other Revenue for Credit to the MTF***: As part of the November 2015 Road Funding Package, a portion of income tax revenue was earmarked to the MTF for distribution to the State Trunkline Fund (STF) and to local road agencies in accordance with the provisions of Act 51. This earmarking of income tax revenue was phased-in: for FY 2018-19, $264.0 million in income tax revenue was transferred to the MTF for distribution to the STF and local road agencies; in FY 2019-20, $468.0 million; and for FY 2020-21, and each succeeding fiscal year, $600.0 million.

In addition, beginning in FY 2020-21, a portion (35%) of the excise tax on recreational marijuana was earmarked for the MTF for distribution to the STF and local road agencies. That earmark generated $49.3 million in FY 2020-21, $69.4 million in FY 2021-22, $101.6 million in FY 2022-23, and $116.0 million in FY 2023-24. In February 2024, as part of FY 2024-25 transportation budget development, ORTA estimated revenue from this earmark at $113.6 million. In February 2025, ORTA revised this estimate upward to $118.0 million.

As a result, MTF revenue, which had been sourced almost entirely from constitutionally restricted motor fuel and vehicle registration taxes, is now significantly supported by general fund/restricted purpose revenue sources. For FY 2024-25, of total estimated MTF revenue of $3.9 billion, $713.6 million, or 18.1% will be derived from the redirection of income tax revenue and the earmark of recreational marijuana excise tax revenue.

C. Note on Dyed Diesel: In addition to its use as a fuel to propel motor vehicles, diesel fuel has other uses, including as a fuel for farm equipment and construction equipment. The Motor Fuel Tax Act provides for the untaxed use of diesel fuel for those uses. Untaxed diesel fuel is dyed so that it is readily distinguishable from taxable fuel used in motor vehicles. Section 122 of the Motor Fuel Tax Act provides penalties for the use of dyed (untaxed) diesel fuel in motor vehicles.

D. Note on the Recreation Improvement Account: The earmarking of motor fuel taxes for transportation purposes is explicitly tied to the use of those motor fuels to propel motor vehicles on the public roads or highways of Michigan. However, some portion of gasoline sales are for nonhighway uses—for watercraft, off-road vehicles (ORVs), and snowmobiles. Under section 71103 of NREPA, the legislature determined that 2% of gasoline sales were for watercraft, ORVs, and snowmobiles. As a result, Section 71106 of NREPA directs the Michigan Department of Treasury to credit the Recreation Improvement Account within the Conservation and Recreation Legacy Fund with 2% of gasoline tax revenue. In FY 2024-25, this earmark represents approximately $25.9 million.

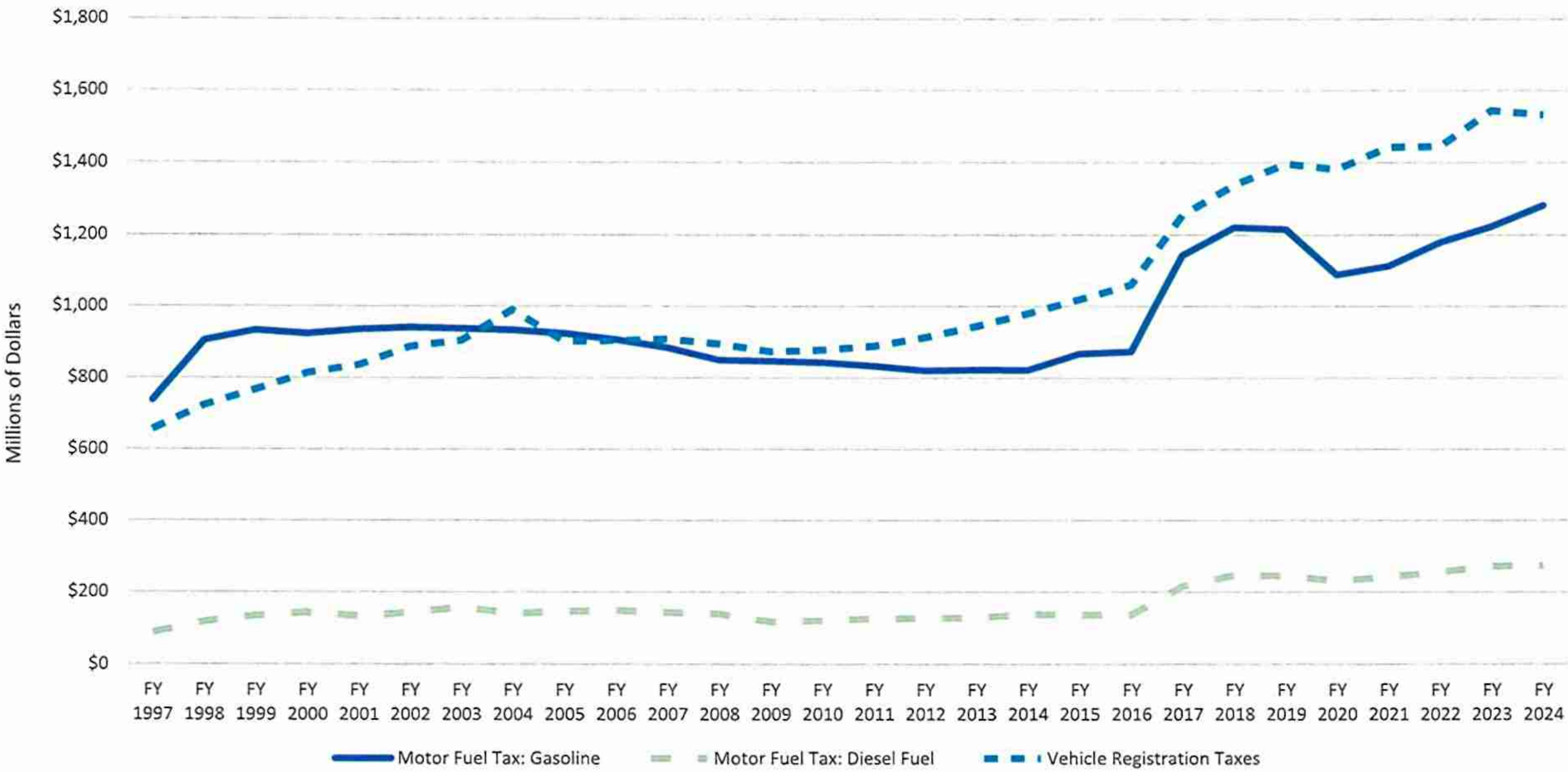
Table 2: Estimated Michigan Sales Tax Attributable to Gasoline and Diesel Fuel Sales
Calendar Years 2000 Through 2024

Year	Gas Tax Revenue (Millions)	Gallons Sold (Millions)	Statewide Average Gas Price	Estimated Sales Tax from Gas (Millions)	Diesel Tax Revenue (Millions)	Gallons Sold (Million)	Statewide Average Diesel Price	Estimated Sales Tax from Diesel (Millions)	Total Estimated Sales Tax from Gas/Diesel (Millions)	Total Sales Tax Collections (Millions)	Estimated Sales Tax from Gas/Diesel as % of Total Sales Tax
2000	$928.2	4,885.3	$1.57	$381.2	$76.1	507.4	$1.52	$40.0	$421.2	$6,273.6	6.7%
2001	$941.5	4,955.3	$1.50	$365.4	$84.9	566.2	$1.47	$42.5	$407.9	$6,479.3	6.3%
2002	$936.3	4,927.9	$1.38	$334.2	$110.7	737.8	$1.32	$49.0	$383.2	$6,392.7	6.0%
2003	$940.6	4,950.5	$1.58	$390.8	$112.6	750.9	$1.50	$56.9	$447.8	$6,417.2	7.0%
2004	$931.7	4,903.7	$1.86	$464.5	$120.3	802.2	$1.80	$75.5	$540.0	$6,478.0	8.3%
2005	$920.0	4,842.1	$2.27	$572.6	$117.1	780.4	$2.44	$102.2	$674.8	$6,559.9	10.3%
2006	$896.8	4,720.0	$2.55	$633.7	$114.5	763.5	$2.74	$112.1	$745.8	$6,619.9	11.3%
2007	$873.7	4,598.4	$2.87	$698.6	$112.7	751.4	$2.95	$119.8	$818.4	$6,674.7	12.3%
2008	$836.2	4,401.3	$3.28	$771.7	$102.9	686.2	$3.82	$143.6	$915.3	$6,560.5	14.0%
2009	$847.2	4,458.9	$2.36	$550.0	$97.6	651.0	$2.44	$85.1	$635.1	$6,070.7	10.5%
2010	$840.3	4,422.7	$2.80	$654.1	$104.8	698.7	$2.96	$111.5	$765.7	$6,306.1	12.1%
2011	$832.7	4,382.6	$3.58	$838.7	$106.4	709.4	$3.57	$140.0	$978.8	$6,779.7	14.4%
2012	$812.9	4,278.4	$3.69	$847.5	$104.9	699.6	$4.00	$152.5	$1,000.0	$7,035.7	14.2%
2013	$838.6	4,413.6	$3.59	$849.0	$111.2	741.5	$4.00	$161.7	$1,010.7	$7,167.7	14.1%
2014	$835.7	4,398.4	$3.418	$803.4	$113.9	759.5	$3.954	$163.3	$966.7	$7,363.5	13.1%
2015	$885.3	4,659.6	$2.385	$580.4	$119.0	793.1	$2.771	$117.5	$697.9	$7,233.5	9.6%
2016	$890.2	4,685.3	$2.148	$521.2	$122.8	818.5	$2.292	$99.7	$620.9	$7,362.3	8.4%
2017	$1,198.5	4,557.1	$2.444	$563.9	$210.0	798.3	$2.655	$108.8	$672.7	$7,855.9	8.6%
2018	$1,185.4	4,507.2	$2.745	$638.9	$212.9	809.3	$3.196	$134.9	$773.8	$8,022.5	9.6%
2019	$1,226.2	4,662.4	$2.594	$616.7	$226.6	861.5	$2.995	$133.3	$750.0	$8,346.8	9.0%
2020	$1,045.3	3,974.7	$2.080	$413.4	$218.7	831.6	$2.542	$107.0	$520.4	$8,214.8	6.3%
2021	$1,138.3	4,327.9	$2.982	$671.0	$236.5	899.1	$3.180	$148.8	$819.8	$9,810.5	8.4%
2022	$1,179.5	4,336.3	$3.998	$910.9	$249.8	918.6	$5.058	$248.3	$1,159.2	$10,898.9	10.6%
2023	$1,214.4	4,246.0	$3.468	$766.1	$256.0	895.3	$4.265	$200.9	$967.0	$10,643.7	9.1%
2024	$1,293.1	4,310.4	$3.355	$746.4	$269.0	896.8	$3.827	$178.6	$924.9	$10,580.5	8.7%

Table 3: Elements of the Motor Pump Price at Various Price Points Including State and Federal Taxes and Fees Michigan 2025										
Pump Price per Gallon	$2.00	$2.25	$2.50	$2.75	$3.00	$3.25	$3.50	$3.75	$4.00	$4.25
Retail Base Price (calculated)	1.400	1.646	1.881	2.117	2.353	2.589	2.825	3.061	3.297	3.533
Federal Taxes and Fees	0.184	0.184	0.184	0.184	0.184	0.184	0.184	0.184	0.184	0.184
State Environmental Fee	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Base for Michigan Sales Tax	**$1.594**	**$1.830**	**$2.065**	**$2.301**	**$2.537**	**$2.773**	**$3.009**	**$3.455**	**$3.481**	**$3.717**
Sales tax @ 6%	0.096	0.110	0.124	0.138	0.152	0.166	0.181	0.195	0.209	0.223
Michigan Motor Fuel Tax Rate (2024)	0.310	0.310	0.310	0.310	0.310	0.310	0.310	0.310	0.310	0.310
Pump Price	**$2.00**	**$2.25**	**$2.50**	**$2.75**	**$3.00**	**$3.25**	**$3.50**	**$3.75**	**$4.00**	**$4.25**
Sales Tax as % of Pump Price	4.78%	4.88%	4.96%	5.02%	5.07%	5.12%	5.16%	5.19%	5.22%	5.25%

Totals may not balance to detail due to rounding.

Figure 1: MTF Revenue History—Detail
Motor Fuel and Vehicle Registration Taxes



The increase in motor fuel tax and vehicle registration tax revenue beginning in FY 2016-17 reflect the implementation of the November 2015 Road Funding Package, effective January 1, 2017.

Legislative Analysis

HOUSE FI$CAL AGENCY

ROAD FUNDING PACKAGE

Phone: (517) 373-8080
http://www.house.mi.gov/hfa

Analysis available at
http://www.legislature.mi.gov

House Bill 4180 (H-1) as passed by the House
Sponsor: Rep. Donni Steele

House Bill 4181 (H-1) as passed by the House
Sponsor: Rep. Steve Frisbie

House Bill 4182 (H-1) as passed
Sponsor: Rep. Bradley Slagh

House Bill 4183 (H-2) as passed
Sponsor: Rep. Tom Kunse

House Bill 4184 (H-1) as passed
Sponsor: Rep. Jamie Thompson

House Bill 4185 (H-2) as passed
Sponsor: Rep. Rylee Linting

House Bill 4186 (H-1) as passed
Sponsor: Rep. Steve Carra

HBs 4187 (H-1) and 4230 (H-1) as passed
Sponsor: Rep. Pat Outman

Committee: Transportation and Infrastructure
Complete to 4-16-25

SUMMARY:

<u>**House Bill 4183**</u> would amend the Motor Fuel Tax Act to increase the taxes levied on motor fuel beginning October 1, 2025.

Currently, the taxes on gasoline and diesel fuel under the act are each $0.31 per gallon. This rate is adjusted annually for inflation effective January 1.[1]

The bill would increase the motor fuel tax rate to $0.51 per gallon effective October 1, 2025. This rate also would be adjusted for inflation on January 1, 2026, but the adjustment increment would be based on the average of the tax rates in effect during 2025.

The Department of Treasury would have to publish a notice of the increased rate established by the bill by September 1, 2025.

MCL 207.1008

<u>**House Bill 4180**</u> would amend the General Sales Tax Act to provide that, beginning October 1, 2025, the retail sale of any fuel subject to the tax levied under the Motor Fuel Tax Act is exempt from the sales tax.

In addition, beginning October 1, 2025, the retail sale of ***aviation fuel*** would be exempt from sales tax.

> ***Aviation fuel*** would mean any gasoline, distillate, benzine, naphtha, benzol, or other volatile and inflammable liquid produced, compounded, and used for propelling aircraft.

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[1] https://www.michigan.gov/taxes/business-taxes/motor-fuel/current-tax-rates-for-motor-fuel-and-alternative-fuel
The motor fuel tax rate is also applied to the per-gallon equivalent of alternative fuel as defined in the act.

The bill also would make complementary changes providing that various provisions relating the payment of sales tax on certain fuels exempted by the bill will sunset (expire) after September 30, 2025.

MCL 205.56a and 205.56c and proposed MCL 205.54gg and 205.54hh

House Bill 4182 would amend the Use Tax Act to exempt from the use tax the purchase or use of the same fuels that would be exempt from sales tax under House Bill 4180.

In addition, the act currently requires the Department of Treasury to distribute revenue based on the amount collected on the use, storage, or consumption of aviation fuel under the 2% of the use tax approved by voters in 1994 in specific proportions between the State Aeronautics Fund and the Qualified Airport Fund.[2] The department also must reconcile the amounts distributed under this requirement each fiscal year and make any necessary adjustments to the next distribution.

The bill would sunset these provisions beginning October 1, 2025, and would allow the department to transfer money between funds, delay and adjust a distribution currently required by the act, or take any other necessary action to reconcile the distributed amounts described above for the 2024-25 fiscal year.

MCL 205.96c and 205.111 and proposed MCL 205.94gg and 205.94hh

House Bill 4185 would amend the General Sales Tax Act to modify the distribution of revenue under the act.

Similarly to the Use Tax Act provisions described above, the act now requires the Department of Treasury to distribute revenue based on the amount collected on the sale of aviation fuel under the 2% of the sales tax approved by voters in 1994 in specific proportions between the State Aeronautics Fund and the Qualified Airport Fund. The department also must reconcile the amounts distributed under this requirement each fiscal year and make any necessary adjustments to the next distribution.

The bill would sunset these provisions beginning October 1, 2025, and would allow the department to transfer money between funds, delay and adjust a distribution currently required by the act, or take any other necessary action to reconcile the distributed amounts described above for the 2024-25 fiscal year.

The bill would also add that, in addition to other deposits into the School Aid Fund already required by the act, an additional $755.0 million must be deposited into the fund from the revenue collected under the 4% sales tax imposed by the act for each fiscal year beginning with the 2025-26 fiscal year.

Finally, the bill would require, for each fiscal year beginning with the 2025-26 fiscal year, that $95.0 million in revenue collected under the 4% tax imposed by the act be distributed to cities,

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[2] Section 8 of Article IX the state constitution allows the legislature to impose a sales and use tax of up to 4%. The constitution was amended in 1994, as part of Proposal A's reform of school funding, to allow an additional 2% sales and use tax. The additional 2% is constitutionally dedicated to the School Aid Fund.
See https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-Article-IX-8

villages, and townships pursuant to section 12 of the Glenn Steil State Revenue Sharing Act,[3] in addition to other distributions required by the General Sales Tax Act.

MCL 205.75

House Bill 4181 would amend the Streamlined Sales and Use Tax Revenue Equalization Act to eliminate, beginning October 1, 2025, the 6% specific tax levied on interstate motor carriers that use motor fuel or alternative fuel in Michigan. The bill also would eliminate the credits available against these taxes to offset any sales tax paid on fuel purchased in Michigan.[4]

MCL 205.173 and 205.175

House Bill 4184 would amend the Aeronautics Code to increase the tax imposed on aircraft fuel under the act and alter the distribution of money collected from that tax.

Currently, the act imposes a privilege tax of three cents per gallon on all fuel sold or used in producing or generating power for propelling aircraft using aeronautical facilities in Michigan (whether on land or water). All money collected from this tax and various other revenues are required to be deposited into the state treasury and credited to the State Aeronautics Fund.

Under the bill, the tax rate would increase to 10 cents per gallon, and the additional seven-cent tax added by the bill would be distributed as follows:

- 35% into the State Aeronautics Fund.
- 65% into the Qualified Airport Fund.

MCL 259.34 and 259.203

House Bill 4186 would amend the Michigan Business Tax Act to make various changes.

The Michigan business tax (MBT) under the act was eliminated in 2011 as part of the overhaul that created the current corporate income tax (CIT).[5] However, certain business that had outstanding approved or assigned credits (called "legacy credits") were allowed to continue filing until the credit is used up.

The bill would increase the tax rate for those businesses that still file under the act from 4.95% to 30% for all business activity occurring on or after January 1, 2025.

The bill would allow taxpayers that previously elected to continue filing under the act (to use a legacy credit) to elect, for any tax year beginning with the 2025 tax year, to file a return under the Income Tax Act and pay the CIT rather than the MBT. Any taxpayer that made this election would forgo the ability to claim any remaining legacy credits.

MCL 208.1201 and 208.1500

[3] https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-141-912

[4] The Streamlined Sales and Use Tax Agreement is an agreement by 24 states and other governmental bodies to simplify and make more uniform the sales and use tax collection and administration for retailers and states. The agreement's purpose is to reduce the burden of tax compliance on businesses operating in more than one state by creating uniformity in tax bases and definitions between states; simplifying exemptions, returns, and remittances; and requiring uniformity between state and local tax bases with collections being administered at the state level. Michigan joined the agreement in 2004.

[5] https://www.legislature.mi.gov/Bills/Bill?ObjectName=2011-HB-4361

House Bill 4187 would amend Part 2 of the Income Tax Act, which includes the CIT and various other business taxes, to modify the distribution of revenue under that part.

Currently, through the 2024-25 fiscal year, revenue under the part is distributed as follows. First, up to $1.2 billion must initially be deposited into the general fund. After this amount, deposits must be made in the following order:

- Up to $50.0 million to the Michigan Housing and Community Development Fund.
- Up to $50.0 million to the Revitalization and Placemaking Fund (see below).
- Up to $500.0 million to the Strategic Outreach and Attraction Reserve (SOAR) Fund.
- Any remaining balance to the general fund.

For each fiscal year beginning with the 2025-26 fiscal year, $50.0 million of the revenue collected under Part 2 must be deposited in the Michigan Housing and Community Development Fund, and the remaining revenue must be deposited in the general fund.

The bill would end the currently scheduled distributions, except for the $50.0 million directed to the Michigan Housing and Community Development Fund, with the 2023-24 fiscal year. Instead, beginning with the 2025-26 fiscal year through the 2029-30 fiscal year, after the initial $50.0 allocated for the housing fund, up to $2.2 billion in revenue collected under Part 2 would be distributed as follows:

- 90% to local road agencies as follows:
    - 18.94% to the Neighborhood Road Fund proposed by House Bill 4230.
    - 44.58% to the Michigan Department of Transportation (MDOT) for county road commissions, distributed in accordance with section 12 of 1951 PA 51.
    - 36.48% to MDOT for cities and villages, distributed in accordance with section 13 of 1951 PA 51.
- 10% to the State Trunkline Fund.

Beginning in the 2030-31 fiscal year, and in all subsequent fiscal years, after the initial $50.0 million allocated for the housing fund, up to $2.2 billion in revenue collected under Part 2 would be distributed as follows:

- 90% to local road agencies as follows:
    - 13.89% to the Neighborhood Road Fund.
    - 47.36% to the MDOT for county road commissions, distributed in accordance with section 12 of 1951 PA 51.
    - 38.75% to MDOT for cities and villages, distributed in accordance with section 13 of 1951 PA 51.
- 10% to the State Trunkline Fund.

For all fiscal years beginning with 2025-26, any revenue remaining after the $2.2 billion allocated by the bill would be deposited into the general fund. It also appears that, under the bill, all revenue under Part 2 for the current (2024-25) fiscal year would be deposited into the general fund.

MCL 206.623 and 206.695

House Bill 4230 would amend 1951 PA 51 to create the Neighborhood Road Fund. For fiscal years 2025-26 through 2029-30, $100.0 million of the money received in the fund each fiscal year under House Bill 4187 would have to be deposited and maintained in a separate account to be spent by the Local Bridge Advisory Board, upon appropriation, only for the repair of closed, restricted, and critical bridges as determined by the board.

After the above allocation, MDOT would distribute the remaining money, upon appropriation, to county road commissions and city and village road agencies, based on each group's proportional share of the total ***mileage*** of both groups.

Mileage would mean either of the following, as applicable:

- For a county road commission, the number of miles of *county urban local roads* under its jurisdiction, as determined under section 12b of the act.
- For a city or village road agency, the number of miles of *local roads* under its jurisdiction.

The money allocated to each group would be distributed to individual road agencies as follows:

- For county road commissions, as follows:
  - $100,000 to each county road commission.
  - The money remaining after the above distribution would be distributed to each county road commission based on the agency's proportional share of the total combined mileage of all county road commissions.
- For city and village road agencies, the money would be distributed to each road agency based on the agency's proportional share of the total combined mileage of all city and village road agencies.

Money distributed under the bill to a county road commission could be used only for the preservation, maintenance, routine maintenance, and preventative maintenance[6] of the county local road system, and a county road commission could not require matching funds from any township in using money from the fund.

In general, the state treasurer would have to deposit into the Neighborhood Road Fund money and other assets received from any source, direct the investment of the fund, and credit the fund with interest and earnings from those investments. Money in the fund at the close of a fiscal year would not lapse to the general fund. MDOT would be the administrator of the fund for audit purposes.

Proposed MCL 247.663c

None of the bills can take effect unless all of them are enacted.

BRIEF DISCUSSION:

According to committee testimony from supporters of the bill package, the state is facing a funding cliff for transportation funding when the last of the $3.5 billion in bonds authorized in 2020 is used up. Many argue that without a new funding source, Michigan's roads will continue to deteriorate and will cost even more to maintain, repair, or replace in the future, in addition to being a safety hazard for residents.

Supporters of the bills argue that by reprioritizing existing revenue, the bills would ensure that permanent funds are dedicated to road infrastructure without raising taxes. They argue that this

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6 As those terms are defined in section 10c: https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-247-660c

is the best path to guarantee road funding because it would not be appropriate to raise taxes when the necessary revenue already exists and many Michigan families are struggling with inflation and other economic hardships. Supporters also contend that the bills will achieve this guaranteed funding without cutting any critical programs elsewhere in state government.

In addition, supporters argue that the creation of the Neighborhood Road Fund would ensure a long-term funding source dedicated to local roads, which are often neglected in favor of larger projects.

Others raise doubts that the funds could be redirected without necessitating cuts to other state programs.

FISCAL IMPACT:

Generally, the bills would provide the following net fiscal impact. The bills would increase transportation revenue by approximately $3.2 billion beginning in fiscal year (FY) 2025-26. When compared to current law estimates, general fund revenues would increase $550.0 million in FY 2024-25 and decrease $3.2 billion in FY 2025-26, at least $2.6 billion in FY 2026-27, at least $2.8 billion in FY 2027-28 through FY 2030-31, and $3.2 billion in subsequent years. The School Aid Fund would realize increased revenues of approximately $55.0 million beginning in FY 2025-26 using calendar year (CY) 2024 estimates of motor fuel taxes. Using the same motor fuel tax estimates, constitutional revenue sharing would effectively be held harmless through the sales tax earmark. Both the School Aid Fund and constitutional revenue sharing estimates for a given year are subject to changes in motor fuel gallons sold and prices. Lastly, the combined distribution to the State Aeronautics Fund and Qualified Airport Fund would realize increased revenues of approximately $8.0 to $13.8 million depending on aviation fuel gallons sold. The fiscal impact of each bill in the package is explained in more detail below.

House Bills 4180 and 4182 would reduce sales and use tax revenue on motor fuels (gas and diesel) by approximately $925.0 million based on the most recent year of data (CY 2024). It should be noted that the impact from year to year will vary depending on fuel prices. The exemption of aviation fuel would reduce revenue by an additional $30.0 million to $35.0 million.

Approximately 73% of sales tax revenue is constitutionally earmarked to the School Aid Fund, 10% is constitutionally earmarked to revenue sharing, and the remainder is allocated to the general fund. With respect to use tax revenue, after accounting for the Local Community Stabilization Authority share for personal property tax reimbursements, approximately 57% is deposited in the general fund and approximately 43% is deposited in the School Aid Fund.

With respect to the sales and use tax on aviation, the bill would eliminate the requirement that an amount equal to two percentage points of the sales and use tax collections on aviation fuel be deposited in the State Aeronautics Fund (35% of collections at the 2% rate on aviation fuel) and Qualified Airport Fund (65% of collections at the 2% rate on aviation fuel).

House Bill 4183 would amend the Motor Fuel Tax Act to increase the motor fuel tax rate to $0.51 per gallon, effective October 1, 2025. This tax is imposed on motor fuel imported into or sold, delivered, or used in this state, including gasoline and diesel used as motor fuel.

Through reference, the tax rate is also applied to equivalent gallons of *alternative fuel*, as defined in the act.

The motor fuel tax rate is currently $0.31 per gallon. As a result, the bill would increase the motor fuel tax rate by $0.20 per gallon, a 64.5% increase. On an annualized basis, this increase would increase state restricted revenue by $1,051.2 million, $1,059.5 million including impacts from increases in vehicle registration surcharges described below.

In addition, the increase in the motor fuel tax rate would indirectly affect a vehicle registration surcharge assessed on plug-in hybrid and electric vehicles under the Michigan Vehicle Code—a surcharge linked to the motor fuel tax rate. Specifically, section 801(8) of the code requires the secretary of state to increase the "gas fee" registration surcharge if the tax on gasoline imposed under the Motor Fuel Tax Act is increased above 19 cents per gallon. The additional fees are as follows: for a plug-in hybrid electric vehicle, $2.50 per each 1 cent above 19 cents per gallon; for an electric vehicle, $5.00 per each 1 cent above 19 cents per gallon.

House Bill 4183 would increase the motor fuel tax on gasoline from 31 cents per gallon to 51 cents per gallon—32 cents per gallon more than the 19 cents per gallon index rate. This would cause the "gas fee" for plug-in hybrid electric vehicles to increase from $30 (the fee in effect in 2025) to $80, and for electric vehicles from $60 (the fee in effect in 2025) to $160. These fee increases would increase state restricted revenue by an estimated $8.3 million.[7]

The impact of all revenue impacts of House Bill 4183 is summarized in the table below:

House Bill 4183 Revenue Impacts

Motor Fuels	**FY 2025-26 estimate ***	**Impact of 20-cent per gallon fuel tax increase**
Gasoline	$1,341.0	$865.2
Diesel**	286.0	184.5
Alternative Fuels	2.4	1.5
Total	**$1,629.4**	**$1,051.2**
Vehicle Registration Impact		**$8.3**
Total Impact		**$1,059.5**

(amounts in millions)

* Estimate by Michigan Department of Treasury, Office of Revenue and Tax Analysis, 2/5/2025.
** The estimate for the motor fuel tax on diesel fuel includes fuel tax revenue collected from interstate and cross-border motor carriers under the authority of the Motor Carrier Fuel Tax Act. The per-gallon "road tax" under the Motor Carrier Fuel Tax Act is, by reference, identical to the motor fuel tax rate under the Motor Fuel Tax Act. As a result, no amendment to the Motor Carrier Fuel Tax Act is necessary to effect the increase in the road tax under that act.

[7] In addition to the "gas fee" surcharge, hybrid and electric vehicles also pay fixed registration surcharges: for hybrid vehicles 8,000 pounds and under, $30; if over 8,000 pounds, $100. For electric vehicles 8,000 pounds and under, $100; if over 8,000 pounds, $200. These fixed registration surcharges would not be affected by House Bill 4183.

The estimated impact of a 20-cent increase in the motor fuel tax rates as shown above is on an annualized basis. However, the new rate of 51 cents per gallon would only be in effect for three months, until December 31, 2025. Under the act, the motor fuel tax rate is adjusted annually for inflation, effective January 1 of each year. The amount of the annual increase is limited to 5% of the previous fuel tax rate base. As a result, the rate would be adjusted again, effective January 1, 2026. Under the bill, this adjustment increment would be based on an average of the rates in effect in 2025. Based on current inflation forecasts, it is assumed that the inflation adjustment will increase the motor fuel tax on January 1, 2026, to 51.9 cents.

Revenue from the motor fuel tax is constitutionally dedicated to transportation and directed by section 143 of the Motor Fuel Tax Act to the Michigan Transportation Fund (MTF), a state restricted transportation fund established in 1951 PA 51. As a result, except as noted below, additional revenue from the bill's increase in the motor fuel tax rate, including additional revenue from the increase in vehicle registration tax "gas fee" surcharge, would be credited to the MTF and distributed in accordance with the provisions of section 10 of 1951 PA 51.

Although revenue from the motor fuel tax is constitutionally dedicated to transportation, and directed by statute to the MTF, 2% of revenue from the motor fuel tax on gasoline is credited to the Recreation Improvement Account in the Michigan Conservation and Recreation Legacy Fund. There is a presumption in current law that 2% of revenue from the motor fuel tax on gasoline is used for watercraft, snowmobiles, and off-road vehicles. As a result, section 40 of Article IX of the state constitution dedicates 2% of all tax revenue derived from the sale of gasoline for consumption in internal combustion engines to the Recreation Improvement Account. This constitutional dedication is reflected in Part 711 of the Natural Resources and Environmental Protection Act. The revenue figures shown above for gasoline are gross figures, prior to the 2% earmark for the Recreation Improvement Account.

House Bill 4184 would increase the aviation fuel tax by seven cents, which would increase revenue from the aviation fuel tax by approximately \$18.0 to \$23.8 million on a full-fiscal year basis and is a function of gallons sold within a given year. From the amount collected from the seven-cent increase, 35% (approximately \$6.3 to \$8.3 million) would be deposited in the State Aeronautics Fund, and 65% (approximately \$11.7 to \$15.5 million) would be deposited in the Qualified Airport Fund.

House Bill 4185 would increase annual School Aid Fund revenues and correspondingly decrease annual general fund revenues by \$755.0 million beginning in FY 2025-26 by adding a specific School Aid Fund earmark to the sales tax. The bill would also increase annual revenue sharing revenues and correspondingly decrease annual general fund revenues by \$95.0 million annually beginning in FY 2025-26 by adding an earmark to the sales tax. The intent of both of these earmarks is to hold both the School Aid Fund and constitutional revenue sharing harmless from the removal of sales tax on motor fuels and aviation fuel.

House Bill 4186 would increase the Michigan business tax rate from 4.95% on the business income tax base to 30.0% beginning with business activity occurring on or after January 1, 2025. While individual taxpayer information is not known, it is assumed that many remaining taxpayers filing under the MBT to claim previously awarded certificated credits would transition to the corporate income tax, assuming that is the tax they would pay if not filing under the MBT.

Depending on the number of taxpayers that discontinue filing under the MBT due to the tax rate increase under the bill, it is estimated that general fund revenues from net business taxes could increase initially by up to $530.0 to $540.0 million in FY 2026-27 and by up to $350.0 to $390.0 million in FYs 2027-28 through 2030-31 based on the most recent MEGA and Other Certificated Credits Annual Report (2024). There is generally a lag between the year in which the business activity that qualifies for the credit will occur and the fiscal year in which the credits are filed and refunds are paid. The timing of decisions around tax filing and the claiming of credits could alter the estimates of fiscal year impacts on revenues.

House Bill 4187 would eliminate existing $550.0 million of corporate income tax earmarks for the current fiscal year, FY 2024-25, and redirect the $550.0 million to the general fund. The Strategic Outreach Attraction Reserve Fund earmark ($550.0 million) and Revitalization and Placemaking Fund earmark ($50.0 million) were set to expire after FY 2024-25, so the bill would remove one year of revenue to those funds.

For FY 2025-26 and through FY 2029-30, after the initial $50.0 million to the housing fund, the bill would earmark up to the first $2.2 billion of corporate income tax revenue as follows:

- 90% to local road agencies as follows:
  - 18.94% to the Neighborhood Road Fund proposed by House Bill 4230.
  - 44.58% to MDOT for county road commissions, distributed in accordance with section 12 of 1951 PA 51.
  - 36.48% to MDOT for cities and villages, distributed in accordance with section 13 of 1951 PA 51.
- 10% to the State Trunkline Fund.

Beginning in FY 2030-31, and in all subsequent fiscal years, after the initial $50.0 million to the housing fund, up to $2.2 billion in revenue collected under Part 2 would be distributed as follows:

- 90% to local road agencies as follows:
  - 13.89% to the Neighborhood Road Fund.
  - 47.36% to the MDOT for county road commissions, distributed in accordance with section 12 of 1951 PA 51.
  - 38.75% to MDOT for cities and villages, distributed in accordance with section 13 of 1951 PA 51.
- 10% to the State Trunkline Fund.

Beginning in FY 2025-26, any revenue in excess of $2.25 billion would be deposited into the general fund.

Based on January 2025 CREC (Consensus Revenue Estimating Conference) estimates, the bill would reduce general fund revenues by $2.2 billion in FY 2025-26 and FY 2026-27 as CIT estimates in both years slightly exceed the $2.2 billion level. The CIT estimates for FY 2025-26 and FY 2026-27 are $2,225.5 million and $2,284.7 million, respectively. It should be noted that the current estimate for FY 2025-26 would not result in the full $2.2 billion distribution for transportation. After the $50.0 million deposit in the housing fund, approximately $2,175.5 million would be left for transportation purposes.

The impact on general fund revenues in years beyond FY 2026-27 would depend on actual CIT collections. However, the impact would be capped at $2.2 billion, as the earmark for transportation-related purposes would remain at that amount. The impacts described above are summarized in the tables below. Note that while House Bill 4187 caps the earmark for transportation purposes at $2.2 billion, the descriptions of the distributions above and in the tables below assume the distribution of the entire $2.2 billion.

Distribution of CIT Revenue to Road Programs under HB 4187		
FYs 2026 to 2030		
Total Distribution	**$2,200,000,000**	
90% to Local Road Agencies		
Neighborhood Road Fund *	375,012,000	18.94%
County road commissions	882,684,000	44.58%
Cities/Villages	722,304,000	36.48%
Local subtotal	$ 1,980,000,000	
10% to State Trunkline Fund	$ 220,000,000	

** Of the $375.0 million earmarked for the Neighborhood Road Fund established in House Bill 4230, $100.0 million is earmarked for the Local Bridge Advisory Board under House Bill 4230.*

Distribution of CIT Revenue to Road Programs under HB 4187		
FY 2031 and each year going forward		
Total Distribution	**$2,200,000,000**	
90% to Local Road Agencies		
Neighborhood Road Fund *	275,022,000	13.89%
County road commissions	937,728,000	47.36%
Cities/Villages	767,250,000	38.75%
Local subtotal	$ 1,980,000,000	
10% to State Trunkline Fund	$ 220,000,000	

** See below for a description of the Neighborhood Road Fund established in House Bill 4230.*

House Bill 4230 would amend 1951 PA 51 to create the Neighborhood Road Fund. The bill would direct the state treasurer to deposit money and other assets received from any source into the fund. As noted above, House Bill 4187 would earmark up to $2.2 billion from Part 2 of the Income Tax Act, including specific earmarks to the Neighborhood Road Fund. The analysis below assumes that the entire $2.2 billion would be earmarked.

Specifically, for fiscal years 2025-26 through 2029-30, House Bill 4187 earmarks 18.94% of the $2.2 billion to the Neighborhood Road Fund. This equates to $375.0 million. Of this amount, House Bill 4230 directs that $100.0 million be deposited and maintained in a separate account to be spent by the Local Bridge Advisory Board,[8] upon appropriation, only for the repair of closed, restricted, and critical bridges as determined by the board. After the $100.0 million set-aside for local bridges, the amount remaining for distribution from the Neighborhood Road Fund would be $275.0 million.

For fiscal year 2030-31, and all subsequent fiscal years, House Bill 4187 earmarks 13.89% of the $2.2 billion to the Neighborhood Road Fund. This equates to $275.0 million. In effect, the amount for distribution to the Neighborhood Road Fund for fiscal year 2030-31, and all subsequent fiscal years, $275.0 million, reflects the sunset of the $100.0 million set-aside for local bridges.

The bill directs MDOT, upon appropriation, to distribute Neighborhood Road Fund money by formula. The initial allocation would be between two local road agency categories, county road commissions, and cities and villages, based on each category's proportional share of the total combined *mileage* of both groups. *Mileage* would mean, for a county road commission, the number of miles of *county urban local roads* under its jurisdiction, as determined under section 12b of the act. For a city or village road agency, mileage would mean the number of miles of *local roads* under its jurisdiction.

County urban local road mileage totals 11,498.60 (43.5% of total mileage as defined). As a result, the county road commission share of the annual $275.0 million Neighborhood Road Fund distribution would equate to $119.6 million.

City/village local road mileage totals 14,936.58 (56.5% of total mileage as defined). As a result, the city/village share of the annual $275.0 million Neighborhood Road Fund distribution would equate to $155.4 million.

The money would be distributed to individual road agencies as follows:

- For county road commissions, as follows:
  - $100,000 to each county road commission.
  - The money remaining after the above distribution would be distributed to each county road commission based on the agency's proportional share of the total combined mileage of all county road commissions.
- For city and village road agencies, the money would be distributed to each road agency based on the agency's proportional share of the total combined mileage of all city and village road agencies.

[8] Created in section 10(4) of 1951 PA 51: https://www.legislature.mi.gov/Laws/MCL?objectName=MCL-247-660

House Road Funding Package (As Passed the House)

Transportation-Related Revenue and Distribution Impacts Only (amounts in millions)

	Impact of these two bills shown together				
	House Bill 4187 Amends Income Tax Act - CIT Distribution #		**House Bill 4230** Amends 1951 PA 51 (Neighborhood Road Fund)	**House Bill 4183** Amends Motor Fuel Tax Act ##	**Total Transportation-Related Impacts**
HB 4187 (Gross to Road Programs)	**$ 2,200.00**				
As Distributed					
Local Bridge Advisory Council	100.0	→→→	100.0		100.0
Neighborhood Road Program	275.0				
Gross Michigan Transportation Fund (MTF)				**$ 1,059.6**	
As Distributed					
Recreation Improvement Account				17.3	17.3
MTF Balance for Distribution				**$ 1,042.3**	
Comprehensive Transportation Fund ###				104.2	104.2
County Road Commissions	882.7		119.6	366.8	1,369.1
Cities/Villages	722.3		155.4	204.5	1,082.2
State Trunkline Fund	220.0			366.8	586.8
Total	**$ 2,200.0**			**$ 1,059.6**	**$ 3,259.6**

= Although this table represents the distribution of CIT revenue under House Bill 4187 from fiscal years 2025-26 through 2029-30, it assumes the full distribution of $2.2 billion from the CIT, which is not fully implemented until FY 2026-27.

= The estimates represent the impact of a 20-cent per gallon increase in the motor fuel tax rate, effective October 1, 2025, on an annualized basis, as compared to a FY 2024-25 baseline.

= Although House Bill 4183 would increase CTF revenue by $104.2 million, House Bill 4180, by exempting motor fuels from the state sales tax, would decrease the CTF share of "auto-related" sales tax by an estimated $44.4 million. As a result, the impact of the two bills taken together is a net increase to CTF revenue of $59.8 million.

House Road Funding Package (As Passed the House)

Summary of Fiscal Impacts

ESTIMATES

Millions of Dollars

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Revenue Changes								
HB 4180 and HB 4182 - Exempts Motor Fuels from Sales/Use tax								
School Aid Fund	--	($700.0)	($700.0)	($700.0)	($700.0)	($700.0)	($700.0)	($700.0)
Constitutional Revenue Sharing	--	(95.5)	(95.5)	(95.5)	(95.5)	(95.5)	(95.5)	(95.5)
Michigan Transportation Fund	--	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)
State Aeronautics Fund	--	(3.8)	(3.9)	(3.9)	(4.0)	(4.1)	(4.2)	(4.2)
Qualified Airport Fund	--	(7.0)	(7.2)	(7.3)	(7.4)	(7.6)	(7.7)	(7.9)
General Fund	--	(104.3)	(104.1)	(103.9)	(103.7)	(103.4)	(103.2)	(103.0)
TOTAL	--	($955.0)	($955.0)	($955.0)	($955.0)	($955.0)	($955.0)	($955.0)
HB 4183 - Increases Motor Fuel Tax								
Michigan Transportation Fund	--	$1,051.2	$1,051.2	$1,051.2	$1,051.2	$1,051.2	$1,051.2	$1,051.2
TOTAL	--	$1,051.2	$1,051.2	$1,051.2	$1,051.2	$1,051.2	$1,051.2	$1,051.2
HB 4184 - Increases Aviation Fuel Tax by 7 cents								
State Aeronautics Fund	--	$7.0	$7.0	$7.0	$7.0	$7.0	$7.0	$7.0
Qualified Airport Fund	--	13.0	13.0	13.0	13.0	13.0	13.0	13.0
TOTAL	--	$20.0	$20.0	$20.0	$20.0	$20.0	$20.0	$20.0
HB 4185 - Income Tax Earmarks								
School Aid Fund	--	$755.0	$755.0	$755.0	$755.0	$755.0	$755.0	$755.0
Constitutional Revenue Sharing	--	95.0	95.0	95.0	95.0	95.0	95.0	95.0
General Fund	--	(850.0)	(850.0)	(850.0)	(850.0)	(850.0)	(850.0)	(850.0)
TOTAL	--	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0

House Road Funding Package (As Passed the House)

Summary of Fiscal Impacts

ESTIMATES

Millions of Dollars

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32
Revenue Changes								
HB 4186 - Michigan Business Tax Rate Changes								
General Fund*	--	--	≤ $540.0	≤ $360.0	≤ $365.0	≤ $370.0	≤ $390.0	≤ $3.0
TOTAL	--	--	≤ $540.0	≤ $360.0	≤ $365.0	≤ $370.0	≤ $390.0	≤ $3.0
HB 4187 - Corporate Income Tax Revenue Distribution Changes								
Revitalization and Placemaking Fund	($50.0)	--	--	--	--	--	--	--
Strategic Outreach and Attraction Reserve Fund	(500.0)	--	--	--	--	--	--	--
Transportation Purposes (see Table INSERT)*	--	2,175.5	2,200.0	2,200.0	2,200.0	2,200.0	2,200.0	2,200.0
General Fund	550.0	(2,175.5)	(2,200.0)	(2,200.0)	(2,200.0)	(2,200.0)	(2,200.0)	(2,200.0)
TOTAL	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Revenue Impact by Fund/Program:								
School Aid Fund	--	$55.0	$55.0	$55.0	$55.0	$55.0	$55.0	$55.0
General Fund**	550.0	(3,129.8)	≥ (2,614.3)	≥ (2,794.3)	≥ (2,789.3)	≥ (2,784.3)	≥ (2,764.3)	(3,153.0)
Constitutional Revenue Sharing	--	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
State Aeronautics Fund	--	3.2	3.2	3.1	3.0	2.9	2.8	2.8
Qualified Airport Fund	--	6.0	5.9	5.7	5.6	5.4	5.3	5.1
Revitalization and Placemaking Fund	(50.0)	--	--	--	--	--	--	--
Strategic Outreach and Attraction Reserve Fund	(500.0)	--	--	--	--	--	--	--
Net New Funding for Transportation Purposes	--	$3,182.3	$3,206.8	$3,206.8	$3,206.8	$3,206.8	$3,206.8	$3,206.8

*The inclusion of "≤" reflects uncertainty around impact of MBT changes

**The inclusion of "≥" indicates that the general fund impact could exceed the stated figure.

POSITIONS:

Representatives of the following entities testified in support of some or all of the bills:

- Amalgamated Transit Union (3-18-25)
- American Council of Engineering Companies (3-18-25)
- County Road Association (3-18-25)
- Michigan Association of Counties (3-18-25)
- Michigan Infrastructure and Transportation Association (3-11-25)
- Michigan Laborers District Council (3-18-25)
- Michigan Municipal League (3-18-25)
- Michigan Petroleum Association (3-11-25)
- Michigan Townships Association (3-18-25)
- National Federation of Independent Businesses (3-11-25)
- Rapid – City of Grand Rapids (support with amendments) (3-18-25)

The following entities indicated support for some or all of the bills:

- Asphalt Pavement Association of Michigan (3-18-25)
- Mackinac Center (3-18-25)
- Michigan Aggregates Association (3-11-25)
- Michigan Concrete Association (3-18-25)
- Michigan Paving and Materials (3-11-25)

The Grand Rapids Chamber indicated support for HB 4180 to 4183, 4185, and (if amended) 4187. (3-11-25)

The Detroit Regional Chamber indicated support for HBs 4180 to 4183 and 4185 and opposition to HB 4186. (3-18-25)

The Michigan Chamber of Commerce indicated support for HBs 4180 to 4183, 4185, and 4187 and opposition to HB 4186. (3-18-25)

The following entities indicated opposition to House Bill 4186 (3-18-25):

- Michigan Manufacturers Association
- Council of State Taxation

Representatives of the following testified with a neutral position on some or all of the bills:

- Detroit Regional Chamber (3-11-25)
- Michigan Public Transit Association (3-18-25)
- Transit Riders United (3-18-25)

Michigan Clinicians for Climate Action indicated no position on the bills. (3-18-25)

The Michigan Environmental Council indicated a neutral position on the bills. (3-18-25)

Legislative Analyst: Alex Stegbauer
Fiscal Analysts: Ben Gielczyk
William E. Hamilton

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

HOUSE BILL NO. 4210

rch 11, 2025, Introduced by Rep. Morgan and referred to Committee on Transportation and rastructure.

A bill to amend 1933 PA 167, entitled
"General sales tax act,"

by amending section 25 (MCL 205.75), as amended by 2023 PA 20.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

Sec. 25. (1) All money received and collected under this act must be deposited by the department in the state treasury to the credit of the general fund, except as otherwise provided in this section.

(2) Fifteen percent of the collections of the tax imposed at a rate of 4% must be distributed to cities, villages, and townships pursuant to the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921.

(3) Sixty percent of the collections of the tax imposed at a rate of 4% must be deposited in the state school aid fund and distributed as provided by law. In addition, all of the

collections of the tax imposed at the additional rate of 2% approved by the electors on March 15, 1994 must be deposited in the state school aid fund.

(4) Except as otherwise provided in this subsection, **through September 30, 2025,** not less than 27.9% of 25% of the collections of the general sales tax imposed at a rate of 4% directly or indirectly on fuels sold to propel motor vehicles upon highways, on the sale of motor vehicles, and on the sale of the parts and accessories of motor vehicles by new and used car businesses, used car businesses, accessory dealer businesses, and gasoline station businesses as classified by the department must be deposited each year into the comprehensive transportation fund. For the fiscal year ending September 30, 2021 only, the amount deposited into the comprehensive transportation fund under this subsection must be reduced by $18,000,000.00 and that $18,000,000.00 must be deposited into the transportation administration collection fund. **From October 1, 2025 through September 30, 2026, not less than 60% of 25% of the collections of the general sales tax imposed at a rate of 4% directly or indirectly on fuels sold to propel motor vehicles upon highways, on the sale of motor vehicles, and on the sale of the parts and accessories of motor vehicles by new and used car businesses, used car businesses, accessory dealer businesses, and gasoline station businesses as classified by the department must be deposited each year into the comprehensive transportation fund. Beginning October 1, 2026, 25% of the collections of the general sales tax imposed at a rate of 4% directly or indirectly on fuels sold to propel motor vehicles upon highways, on the sale of motor vehicles, and on the sale of the parts and accessories of motor vehicles by new and used car businesses, used car businesses, accessory dealer businesses, and gasoline station businesses as classified by the department must be deposited each year into the comprehensive transportation fund.**

(5) Beginning October 1, 2016 and the first day of each calendar quarter thereafter, an amount equal to the collections for the calendar quarter that is 2 calendar quarters immediately preceding the current calendar quarter of the tax imposed under this act at the additional rate of 2% approved by the electors on

March 15, 1994 from the sale at retail of aviation fuel must be distributed as follows:

(a) An amount equal to 35% of the collections of the tax imposed at a rate of 2% on the sale at retail of aviation fuel must be deposited in the state aeronautics fund and must be expended, on appropriation, only for those purposes authorized in the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.1 to 259.208.

(b) An amount equal to 65% of the collections of the tax imposed at a rate of 2% on the sale at retail of aviation fuel must be deposited in the qualified airport fund and must be expended, on appropriation, only for those purposes authorized under section 35 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.35.

(6) The department shall, on an annual basis, reconcile the amounts distributed under subsection (5) during each fiscal year with the amounts actually collected for a particular fiscal year and shall make any necessary adjustments, positive or negative, to the amounts to be distributed for the next successive calendar quarter that begins January 1. The state treasurer or the state treasurer's designee shall annually provide to the operator of each qualified airport a report of the reconciliation performed under this subsection. The reconciliation report is subject to the confidentiality restrictions and penalties provided in section 28(1)(f) of 1941 PA 122, MCL 205.28.

(7) An amount equal to the collections of the tax imposed at a rate of 4% under this act from the sale at retail of computer software must be deposited in the Michigan health initiative fund created in section 5911 of the public health code, 1978 PA 368, MCL 333.5911, and must be considered in addition to, and is not intended as a replacement for any other money appropriated to the department of health and human services. The funds deposited in the Michigan health initiative fund on an annual basis must not be less than $9,000,000.00 or more than $12,000,000.00.

(8) In addition to the money deposited in the state school aid fund under subsection (3), an amount equal to the sum of the following, as determined by the department, must be deposited into the state school aid fund:

(a) All revenue lost to the state school aid fund as a result of the exemption under section 4a(1)(u).

(b) All revenue lost to the state school aid fund as a result of the exemption under section 4ee. A person that claims an exemption under section 4ee shall report the sales price of the data center equipment as defined in section 4ee and any other information necessary to determine the amount of revenue lost to the state school aid fund as a result of the exemption under section 4ee annually on a form at the time and in a manner prescribed by the department. The report required under this subdivision must not include any remittance for tax, and does not constitute a return or otherwise alleviate any obligations under section 6.

(c) All revenue lost to the state school aid fund as a result of the exclusion under section 1(1)(d)(*xv*).

(9) The balance in the state general fund shall be disbursed only on an appropriation or appropriations by the legislature.

(10) As used in this section:

(a) "Aviation fuel" means fuel as that term is defined in section 4 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.4.

(b) "Comprehensive transportation fund" means the comprehensive transportation fund created in section 10b of 1951 PA 51, MCL 247.660b.

(c) "Qualified airport" means that term as defined in section 109 of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.109.

(d) "Qualified airport fund" means the qualified airport fund created in section 34(2) of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.34.

(e) "State aeronautics fund" means the state aeronautics fund created in section 34(1) of the aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.34.

(f) "State school aid fund" means the state school aid fund established in section 11 of article IX of the state constitution of 1963.

(g) "Transportation administration collection fund" means the transportation administration collection fund created in section 810b of the Michigan vehicle code, 1949 PA 300, MCL 257.810b.

Enacting section 1. This amendatory act does not take effect unless Senate Bill No. ____ (request no. S00783'25) or House Bill No. ____ (request no. H00783'25) of the 103rd Legislature is enacted into law.

Bill

MI HB4210

Sales tax: distribution; disposition of money to the comprehensive transportation fund; modify. Amends sec. 25 of 1933 PA 167 (MCL 205.75).

Views: In the last 7 WEEK 10 MONTH 17 TOTAL

SUMMARY BILL TEXT ACTIONS VOTES DOCUMENTS COMMITTEES

Chamber	Action	
H	Bill Electronically Reproduced 03/11/2025	03/12/2025
H	Referred To Committee On Transportation And Infrastructure	03/11/2025
H	Read A First Time	03/11/2025
H	Introduced By Representative Rep. Jason Morgan	03/11/2025

Showing 4 rows

Interurban Transit Partnership **3f**

Date: May 13, 2025

To: ITP Board

From: Nick Monoyios – Director of Planning

Subject: FAREBOX RECOVERY ANALYSIS FOR FARE POLICY RECOMMENDATIONS

BACKGROUND

Since the beginning of ITP, farebox recovery was calculated for fixed routes as a function of total monthly fare revenue divided by the product of total monthly revenue hours and the associated fiscal year's budgeted operating and maintenance cost per hour. This calculation can be applied to each fixed route separately or to the system as a whole (see formula below).

$$\frac{\text{Total Monthly Fare Revenue}}{\text{(Total Monthly Revenue Hours x FY Budgeted O\&M Cost Per Hour)}}$$

As staff currently evaluates alternatives to the existing Fare Policy for recommendation at the July 2025 Board Budget Workshop, examining the impact that the transfer structure has on potential farebox recovery percentages throughout the system is an essential element to include for understanding ideal fare policy considerations. Staff will evaluate an array of methodologies for understanding the fiscal impact of the current transfer structure along with proposed restructuring recommendations.

Below is a table that outlines only one (1) iteration for examining the implications of transfers related to farebox recovery using March 2025 data. The table below averages the transfer boarding percentages by route and applies a corresponding ratio into each respective route's farebox recovery percentages. This method provides insights into the ratio of transfers per route may relate to their respective farebox recovery percentages.

This is one of many iterations staff will examine to assess the impact of the current transfer structure related to farebox recovery, and collectively these iterations will discern a confident assessment of the impacts for any proposed fare policy restructuring recommendation.

Table 1 – transfer percentages by route factored into farebox recovery percentages by route

Route	Transfers To	Ridership	Farebox Recovery %	% Transfers	Avg. Transfer %	% of Transfers to Avg. Transfers	Adjusted Farebox Recovery % (factoring transfers)
1	7,831	24,199	11.17%	32.36%	34.90%	92.72%	10.36%
2	12,168	34,637	10.94%	35.13%	34.90%	100.66%	11.01%
3	3,854	11,986	11.95%	32.15%	34.90%	92.13%	11.01%
4	9,811	30,618	11.54%	32.04%	34.90%	91.81%	10.59%
5	5,415	14,347	9.28%	37.74%	34.90%	108.15%	10.03%
6	7,086	18,820	8.96%	37.65%	34.90%	107.88%	9.66%
7	4,141	11,841	8.52%	34.97%	34.90%	100.21%	8.54%
8	3,692	11,155	9.21%	33.10%	34.90%	94.83%	8.73%
9	11,357	33,264	13.10%	34.14%	34.90%	97.83%	12.81%
10	6,085	16,667	11.43%	36.51%	34.90%	104.61%	11.96%
11	7,398	21,394	10.97%	34.58%	34.90%	99.08%	10.87%
12	6,138	14,718	10.91%	41.70%	34.90%	119.50%	13.04%
13	3,518	10,927	8.53%	32.20%	34.90%	92.25%	7.87%
14	1,979	6,741	10.32%	29.36%	34.90%	84.12%	8.69%
15	5,968	18,044	13.71%	33.07%	34.90%	94.77%	12.99%
24	2,989	11,559	9.60%	25.86%	34.90%	74.09%	7.11%
27	1,240	3,189	8.19%	38.88%	34.90%	111.41%	9.12%
28	6,764	17,476	9.75%	38.70%	34.90%	110.90%	10.82%
33	496	1,202	2.93%	41.26%	34.90%	118.24%	3.47%
34	64	161	1.27%	39.75%	34.90%	113.90%	1.45%
44	7,541	21,069	9.38%	35.79%	34.90%	102.56%	9.62%
SL	11,550	37,455	10.56%	30.84%	34.90%	88.36%	9.33%

FAREBOX RECOVERY %

Farebox recovery percentage is calculated for all non-contracted fixed route service

$$\frac{\text{Total Monthly Fare Revenue}}{\text{(Total Monthly Revenue Hours x FY Budgeted O\&M Cost Per Hour)}}$$

Route 1 example (April 2025):

Fares Collected

$$\frac{\$20{,}695.28}{1{,}619.73 \times \$115.14}$$

Revenue Hours

FY25 Budgeted O&M Cost Per Hour

$$= 11.10\%$$

11.10% of the cost to operate Route 1 are recovered through fare payments

Michigan Department of Treasury
614 (3-97)

This form is issued under MCL Sections 211.24e, 211.34 and 211.34d. Filing is mandatory; Penalty applies.

ORIGINAL TO: County Clerk(s)
COPY TO: Equalization Dept.(s)
COPY TO: Each Twp or City Clerk

L-4029

2025 TAX RATE REQUEST
MILLAGE REQUEST REPORT TO COUNTY BOARD OF COMMISSIONERS

County: KENT	2025 Taxable Value (All)	17,293,174,117
	2025 Taxable minus RenZones	17,293,174,117
Local Government Unit: INTERURBAN TRANSIT PARTNERSHIP		

PLEASE READ THE ENCLOSED INSTRUCTIONS CAREFULLY.

You must complete this form for each unit of government for which a property tax is levied. Penalty for non-filing is provided under MCL Sec. 211.119.
The following tax rates have been authorized for levy on the 2025 tax roll.

(1) Source	(2) Purpose of Millage	(3) Date of Election	(4) Millage Authorized by Election, Charter, etc.	(5) 2024 Millage Rate Permanently Reduced by MCL 211.34d	(6) 2025 Current Year Millage Reduction Fraction	(7) 2025 Millage Rate Permanently Reduced by MCL 211.34d	(8) Sec. 211.34 Millage Rollback Fraction	(9) Maximum allowable Millage Rate*	(10) Millage Requested to be Levied July 1	(11) Millage Requested to be Levied Dec. 1	(12) Expiration Date of Millage Authorized
VOTED	INTERURBAN TRANSIT	11/7/2017	1.4700	1.3950	0.9905	1.3817	1.0000	1.3817	1.3817		12/31/2029
						Total Operating Allowed		1.3817			

Prepared by	Co-Sign - Prepared/Verified	Title	Co-Sign Title	CED-Date	Co-date
Megan VanHoose		Equalization Director		5/7/2025	

As the representatives for the local government unit named above, we certify that these requested tax levy rates have been reduced, if necessary, to comply with the state constitution (Article 9, Section 31), and that the requested levy rates have also been reduced, if necessary, to comply with MCL Sections 211.24e, 211.34, and for LOCAL school districts which levy a Supplemental (Hold Harmless) Millage, MCL 380.1211(3).

PLEASE ENTER REQUESTED MILLAGE IN COLUMN'S 10 AND/OR 11

	Signature	Type Name	Date
☐ Clerk ☐ Secretary			
☐ Chairperson ☐ President			

Under Truth in Taxation, MCL Section 211.24e, the governing body may decide to levy a rate which will not exceed the maximum authorized rate allowed in column 9. A public hearing and determination is required for an operating levy which is larger than the base tax rate but not larger than the rate in column 9.

** **IMPORTANT:** See instructions on the reverse side for the correct method of calculating the millage rate in column (5).

Property Tax Millage Rate

- Based on property tax value
- Levied on summer taxes
  - Receive majority of funds from July - November
- Millage rate includes a Headlee reduction
  - Adjusts millage rate to be in line with inflation
  - Proposed 2025 levy rate is 1.3817
  - Reduction of .0133 from 2024 levy rate of 1.3950
  - Reduction of .0883 from the original millage of 1.47

Property Tax Captures

- Each city applies their own tax capture percentage
- Captures could include:
  - DDA (Downtown Development Authority)
  - Brownfield
  - Land Bank
- Averages to an 8% reduction in revenue after Headlee reduction

Conclusion

- Property taxes is currently the largest revenue source
- Millage rate is reduced by the Headlee Amendment every year
- Tax captures reduce available revenue by 8%

Date: May 28, 2025

To: ITP Board

From: Linda Medina, Director of Finance

Subject: Certification of 2025 Public Transportation Millage Levy

ACTION REQUESTED

Approval of 2025 millage rate of 1.3817 including the Headlee rollback and authorization for the CEO to execute and file L-4029 tax request form with Kent County and appropriate entities.

BACKGROUND

Interurban Transit Partnership (ITP) is a public transportation authority formed under the Public Transportation Authority Act, 1986 PA 196. A millage rate of 1.47 mills was approved in ITP's district for twelve (12) years beginning in 2018.

Each year, Kent County issues a tax rate request (form L-4029) stating the new millage rate including a Headlee rollback. For the 2025 levy, the millage rate is 1.3817, a slight decrease from the 2024 Levy rate of 1.3950. The new rate will be used to calculate the tax revenue budget for FY 25/26.

Feel free to contact me if you have any questions. I can be reached at lmedina@ridetherapid.org or 774-1149.

INTERURBAN TRANSIT PARTNERSHIP BOARD OF DIRECTORS

RESOLUTION No. {# inserted later}

Fiscal Year: 2024-2025

Moved and supported to adopt the following resolution:

Approval to approve the millage levy rate of 1.3817 including Headlee.

BE IT RESOLVED that the ITP CEO is herby authorized to execute and file the L-4029 tax rate requested form with Kent County and other entities in accordance with the information presented to the ITP Board on May 28, 2025.

CERTIFICATE

The undersigned, duly qualified and acting secretary of the Interurban Transit Partnership Board, certifies that the foregoing is a true and correct copy of a resolution adopted at a legally convened meeting of the Interurban Transit Partnership Board.

____
Kris Heald, Board Secretary

____
Date

Interurban Transit Partnership

5A1

DATE: May 20, 2025

TO: ITP Board

FROM: Jason Prescott

SUBJECT: APRIL 2025 PARATRANSIT RIDERSHIP REPORT

Paratransit ridership information for April 2025, as compared to April 2024

	2025	2024	% Change
Total Paratransit Ridership	20,224	19,961	1.3%
ADA Ridership	17,070	16,457	3.7%
Non-Disabled Senior (NDS) Ridership	122	137	-10.9%
PASS Ridership	174	200	-13.0%
Network 180	2,290	2,473	-7.4%

Ridership averages, as compared to 2024

	2025	2024	% Change
Weekday Ridership	696	678	2.7%
Saturday Ridership	255	239	6.7%
Sunday Ridership	253	217	16.6%

Other Performance Measures

	2025	2024	% Change
On-Time Performance	90.00%	91.00%	-1.1%
On-Time Drop-Off	96.00%	95.60%	0.4%
Average Cost Per Trip	$44.75%	$42.27	5.9%

April 2025 Paratransit Ridership and Operating Statistics

ADA	2025	2024	Change	% Change
Clients	1,316	1,267	49	3.9%
Passenger Trips	17,070	16,457	613	3.7%
NDS				
Clients	16	12	4	33.3%
Passenger Trips	122	137	(15)	-10.9%
PASS				
Clients	7	11	(4)	-36.4%
Passenger Trips	174	200	(26)	-13.0%
CONTRACTED				
Clients	0	0	0	#DIV/0!
Passenger Trips	0	0	0	#DIV/0!
RIDELINK				
Clients	287	282	5	1.8%
Passenger Trips (Performed by The Rapid	568	694	(126)	-18.2%
TOTALS				
Clients	1,626	1,572	54	3.4%
Passenger Trips	17,934	17,488	446	2.6%
Average Weekday Ridership	696	678	18	2.7%
Average Saturday Ridership	255	239	16	6.7%
Average Sunday Ridership	253	217	36	16.6%
All Ambulatory Passengers	14,513	14,269	244	1.7%
All Wheelchair Passengers	3,421	3,219	202	6.3%
No - Shows	413	312	101	32.4%
Cancellations	381	431	(50)	-11.6%
Transdev				
Average Cost per Trip	$44.75	$42.27	$2.48	5.9%
Riders per Hour	1.9	1.9	0.0	0.0%
Accidents per Month	0.0	2.0	(2)	-100.0%
Trip Denials	0	0	0	#DIV/0!
NTD Travel Time (minutes)	32	32	0	0.0%
NETWORK 180				
Passenger Trips	2,290	2,473	(183)	-7.4%
Average Weekday Ridership	104	112	(8)	-7.1%
TOTAL PASSENGER TRIPS	**20,224**	**19,961**	**263**	1.3%

Paratransit Service Quality Statistics: network 180 Excluded

Complaints	2025	2024	% of Trips	% Change
Transdev Complaints	10	7	0.1%	42.9%
On-Time Performance				
On-Time Compliance - Pick-up	90.00%	91.00%	-1.0%	-1.1%
On-Time Compliance - Drop-off	96.00%	95.60%	0.4%	0.4%

THE rapid **Interurban Transit Partnership** **5b1**

Date: May 20, 2025

To: ITP Present Performance& Service Committee

From: Tim Roseboom – Senior Planner

Subject: FIXED ROUTE RIDERSHIP AND PRODUCTIVITY REPORT – April 2025

OVERVIEW: In April 2025, there was a 2.3% decrease in total monthly route ridership as compared to April 2024. Contract services decreased 3.4%, and regular fixed route services decreased 1.6%. Pre-pandemic ridership recovery is 59.8% compared to April 2019 and 62.3% year-do-date. Year-to-date ridership remains on pace to increase 3.9% for FY2025. The decreased ridership can be attributed to GVSU service operating one less and GRCC two less days in 2025 than 2024.

Finally, we are including farebox recovery for fixed routes in this month's report and going forward.

BACKGROUND INFORMATION

Monthly Ridership

	April 2025	April 2024	% Change
Regular Fixed Route Service *(Routes 1–44)*	362,581	368,545	-1.6%
Contracted Service *(GVSU, DASH, GRCC, and Ferris)*	199,315	206,399	-3.4%
Total Monthly Fixed Route Ridership	**561,896**	**574,944**	**-2.3%**

Daily Average Ridership

	April 2025	April 2024	% Change
Weekday Total	22,892	23,378	-2.1%
Weekday Evening	3,380	3,561	-5.1%
Saturday	9,703	10,029	-3.3%
Sunday	4,868	5,126	-5.0%

Productivity Summary

	April 2025	April 2024	% Change
Average passengers per hour per route	13.9	14.6	-5.0%
Average passengers per mile per route	0.97	1.08	-9.8%
Average farebox recovery percent per route	10.9%	10.8%	0.6%

Fiscal Year Ridership

	FY 2025	FY 2024	% Change
Regular Fixed Route Service *(Routes 1–44)*	2,555,861	2,550,425	0.2%

Contracted Service *(GVSU, DASH, GRCC, and Ferris)*	1,435,158	1,292,186	11.1%
Total Fixed Route Ridership YTD	**3,991,019**	**3,842,611**	**3.9%**

COMPARISON OF APRIL 2025 TO APRIL 2019

Monthly Ridership

	April 2025	April 2019	% Change
Regular Fixed Route Service *(Routes 1–44)*	362,581	647,402	-44.0%
Contracted Service *(GVSU, DASH, GRCC, and Ferris)*	199,315	292,623	-31.9%
Total Monthly Fixed Route Ridership	**561,896**	**940,025**	**-40.2%**

Daily Average Ridership

	April 2025	April 2019	% Change
Weekday Total	22,892	38,964	-41.2%
Weekday Evening	3,380	5,471	-38.2%
Saturday	9,703	14,396	-32.6%
Sunday	4,868	6,310	-22.8%

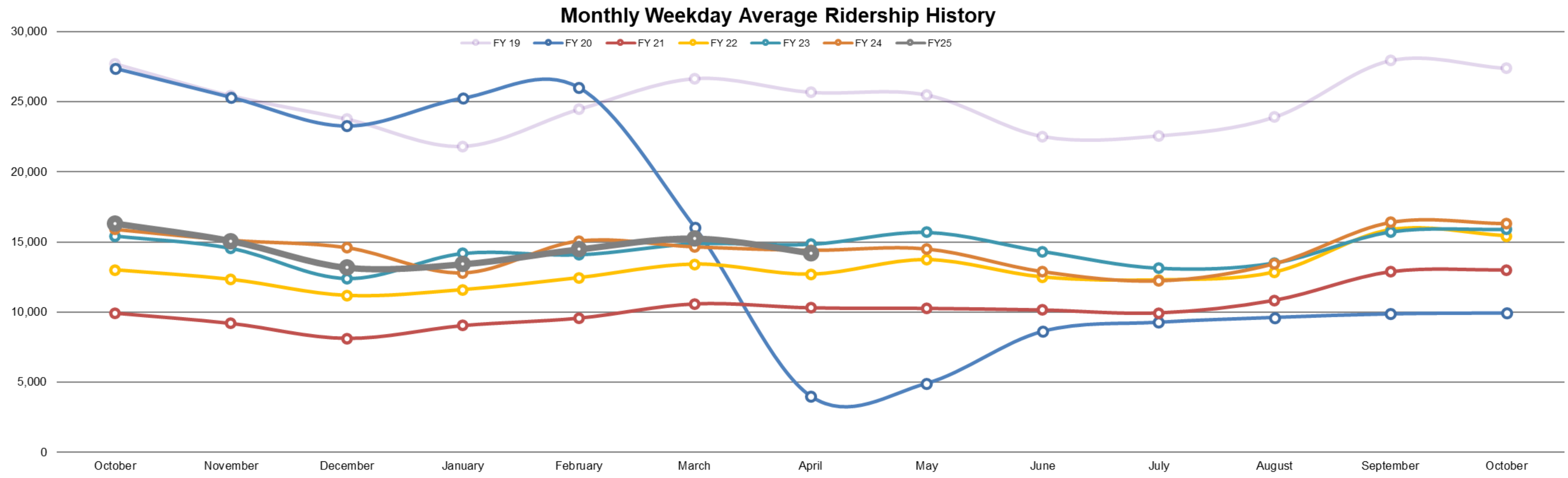
Productivity Summary

	April 2025	April 2019	% Change
Average passengers per hour per route	13.9	19.7	-29.5%
Average passengers per mile per route	0.97	1.56	-37.6%
Average farebox recovery percent per route	10.9%	24.6%	-55.7%

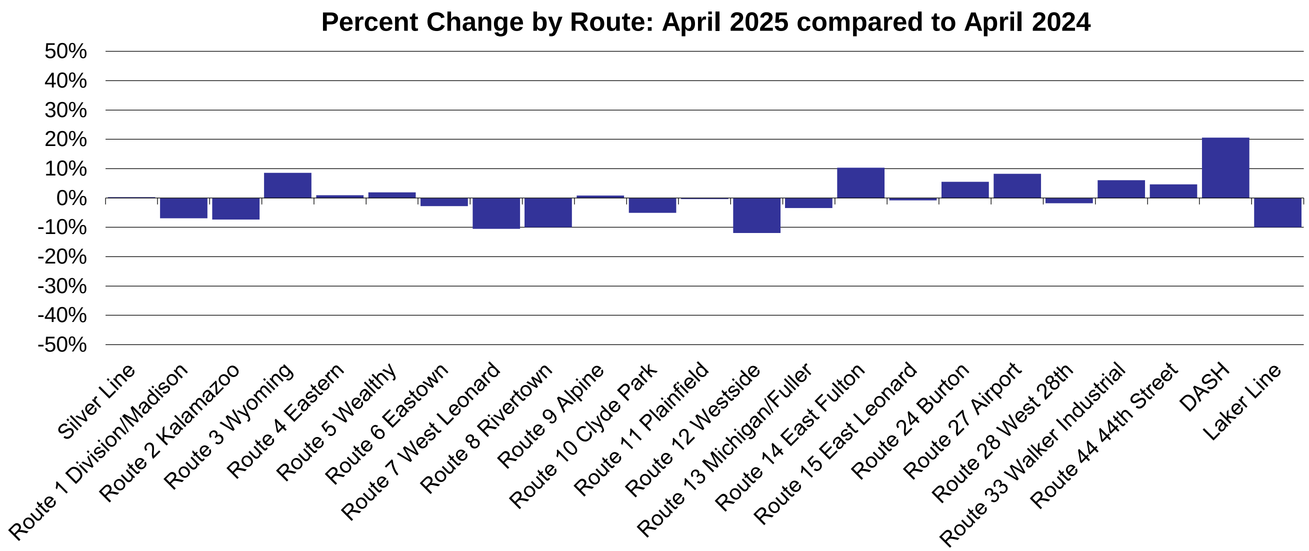
Fiscal Year Ridership

	FY 2025	FY 2019	% Change
Regular Fixed Route Service *(Routes 1–44)*	2,555,861	4,316,039	-40.8%
Contracted Service *(GVSU, DASH, GRCC, and Ferris)*	1,435,158	2,091,115	-31.4%
Total Fixed Route Ridership YTD	**3,991,019**	**6,407,154**	**-37.7%**

	Monthly Farebox Recovery	Weekday Farebox Recovery	Saturday Farebox Recovery	Sunday Farebox Recovery
Silver Line	11.79%	12.39%	14.76%	11.98%
Route 1 Division/Madison	11.10%	12.14%	10.62%	9.63%
Route 2 Kalamazoo	10.98%	11.85%	11.93%	9.28%
Route 3 Wyoming/Rivertown	12.67%	14.75%	11.17%	8.09%
Route 4 Eastern	11.67%	12.50%	10.12%	10.86%
Route 5 Wealthy	10.05%	10.42%	10.11%	n/a
Route 6 Eastown	9.97%	11.46%	9.06%	12.91%
Route 7 West Leonard	8.25%	8.94%	8.22%	8.27%
Route 8 Prairie/Rivertown	9.27%	10.63%	9.91%	6.04%
Route 9 Alpine	13.99%	14.71%	17.60%	20.43%
Route 10 Clyde Park	12.67%	13.37%	12.05%	11.13%
Route 11 Plainfield	11.74%	12.64%	12.02%	14.88%
Route 12 Westside	10.42%	11.12%	7.74%	n/a
Route 13 Michigan/Fuller	9.96%	10.42%	8.88%	n/a
Route 14 East Fulton	11.40%	12.85%	6.84%	n/a
Route 15 East Leonard	13.69%	15.40%	11.39%	14.37%
Route 24 Burton	9.73%	10.41%	7.37%	n/a
Route 27 Airport Industrial	8.22%	8.22%	n/a	n/a
Route 28 West 28th	10.71%	11.63%	10.60%	10.92%
Route 33 Walker Industrial	2.64%	2.64%	n/a	n/a
Route 34 Northridge	1.46%	1.46%	n/a	n/a
Route 44 44th Street	9.64%	10.57%	9.90%	5.78%
Route 71 Central 4A	34.49%	34.49%	n/a	n/a
Route 72 Central 10A	39.31%	39.31%	n/a	n/a
Route 73 Union 3A	66.02%	66.02%	n/a	n/a
Route 74 Union 7A	44.25%	44.25%	n/a	n/a
Route 75 Union 10B	38.60%	38.60%	n/a	n/a
Route 76 Union 12A	116.24%	116.24%	n/a	n/a



Monthly Weekday Average Ridership History
FY 19
FY 20
FY 21
FY 22
FY 23
FY 24
FY25
30,000
25,000
20,000
15,000
10,000
5,000
0
October
November
December
January
February
March
April
May
June
July
August
September
October



Percent Change by Route: April 2025 compared to April 2024
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
Silver Line
Route 1 Division/Madison
Route 2 Kalamazoo
Route 3 Wyoming
Route 4 Eastern
Route 5 Wealthy
Route 6 Eastown
Route 7 West Leonard
Route 8 Rivertown
Route 9 Alpine
Route 10 Clyde Park
Route 11 Plainfield
Route 12 Westside
Route 13 Michigan/Fuller
Route 14 East Fulton
Route 15 East Leonard
Route 24 Burton
Route 27 Airport
Route 28 West 28th
Route 33 Walker Industrial
Route 44 44th Street
DASH
Laker Line

Interurban Transit Partnership

Date: May 28, 2025

To: ITP Board of Directors

From: Linda Medina, Director of Finance

Subject: March 2025 Operating Statements and Professional Development and Travel Report

Attached are the financial reports through March 31, 2025, for both general operations and grants. Also included is the Professional Development and Travel report reflecting activity for the month of March.

FY 24/25 YTD Operating Statement Analysis

Total revenues are trending slightly under budget at 1.9% below budget expectations as Community Mental Health ridership continues to be lower than anticipated. Additionally State Operating Assistance has decreased, aligning with a reduction in overall expenses.

Total expenses are 14.9% below budget. This variance is largely attributable to lower fuel expenses (diesel, CNG, and propane) which are averaging below the forecasted cost per gallon. Salaries, wages and fringes are under budget due to ongoing vacant positions.

To date $1,175,627 in eligible capital operating expenses has been identified.

For any further inquiries regarding the attached financial reports, please don't hesitate to contact me directly at (616) 774-1149 or lmedina@ridetherapid.org.

The Rapid
General Operating Statement
Year to Date as of March 31, 2025

	YTD as of March 31, 2025		Variance		Last Year FY 23/24	% Variance to FY 23/24	Current Year FY 24/25
	Budget	Actual	$	%	YTD Actual	YTD Actual	Annual Budget
Revenues and Operating Assistance							
Passenger Fares	$ 2,360,020	$ 2,264,029	$ (95,991)	-4.1%	$ 2,362,581	-4%	$ 4,857,788
Sale of Transportation Services							
CMH Contribution	223,233	183,462	(39,771)	-17.8%	178,467	3%	452,010
Dash Contract	1,250,752	1,301,598	50,846	4.1%	998,559	30%	2,522,264
Grand Valley State University	2,130,820	2,316,332	185,512	8.7%	2,018,432	15%	3,743,876
Van Pool Transportation	-	-	-	0.0%	-	0%	-
Township Services	114,624	111,690	(2,934)	-2.6%	120,267	-7%	204,912
Other	165,588	191,599	26,011	15.7%	118,926	61%	282,557
Subtotal Sale of Transportation Services	3,885,017	4,104,681	219,664	5.7%	3,434,651	20%	7,205,619
State Operating	8,711,193	7,102,173	(1,609,020)	-18.5%	10,249,528	-31%	16,946,705
Property Taxes	10,625,418	10,795,602	170,184	1.6%	10,316,268	5%	21,250,831
Advertising & Miscellaneous	742,761	1,551,438	808,677	108.9%	1,329,318	17%	1,921,685
Subtotal Revenues and Operating Assistance	26,324,409	25,817,923	(506,486)	-1.9%	27,692,346	-7%	52,182,628
Grant Operating Revenue	-		-	0.0%	-	0%	
Unrestricted Net Reserves	-	-	-	0.0%	-		6,061,050
Total Revenues and Operating Assistance	**$ 26,324,409**	**$ 25,817,923**	**$ (506,486)**	**-1.9%**	**$ 27,692,346**	**-7%**	**$ 58,243,678**
Expenses							
Salaries and Wages							
Administrative	$ 3,914,864	$ 3,071,340	$ (843,524)	-21.5%	$ 2,992,998	3%	$ 7,826,769
Operators	8,586,844	7,171,587	(1,415,257)	-16.5%	6,389,047	12%	17,173,678
Maintenance	1,474,989	1,329,487	(145,502)	-9.9%	1,217,227	9%	2,949,964
Subtotal Salaries and Wages	13,976,697	11,572,414	(2,404,283)	-17.2%	10,599,272	9%	27,950,411
Benefits	5,253,715	3,957,668	(1,296,047)	-24.7%	4,312,846	-8%	10,629,553
Contractual Services	1,698,577	1,556,949	(141,628)	-8.3%	1,592,376	-2%	4,129,900
Materials and Supplies				0.0%			-
Fuel and Lubricants	1,377,508	898,507	(479,001)	-34.8%	1,124,746	-20%	3,029,048
Other	930,916	912,663	(18,253)	-2.0%	885,658	3%	2,145,030
Subtotal Materials and Supplies	2,308,424	1,811,170	(497,253)	-21.5%	2,010,403	-10%	5,174,078
Utilities, Insurance, and Miscellaneous	3,024,431	2,990,296	(34,135)	-1.1%	2,518,506	19%	5,609,698
Purchased Transportation	4,339,016	4,150,100	(188,916)	-4.4%	4,357,964	-5%	8,750,038
Expenses Before Capitalized Operating	30,600,860	26,038,596	(4,562,263)	-14.9%	25,391,369	3%	62,243,678
Capitalized Operating Expenses	(1,175,627)	(1,175,627)	0	0.0%	(530,052)	122%	(4,000,000)
Total Operating Expenses	**$ 29,425,233**	**$ 24,862,970**	**$ (4,562,263)**	**-15.5%**	**$ 24,861,316**	**0%**	**$ 58,243,678**
Net Surplus/(Deficit) without Net Reserves		**$ 954,953**			**$ 2,831,030**		
Net Surplus/(Deficit) with Net Reserves							

Interurban Transit Partnership
Grant Revenues & Expenditures
Month Ended 03/31/25

	Adopted Budget	Amended Budget	Month To Date	Year To Date	Balance	Percent Target 50%
Grant Revenue						
1. Federal Grant Assistance	19,310,779	19,310,779	647,187	2,582,307	16,728,472	13%
2. State Grant Assistance	4,827,695	4,827,695	161,797	645,577	4,182,118	13%
3. Transfer In - Operating Budget	0	0	0	0	0	100%
4. Use of Restricted Net Assets	0	0	0	0	0	100%
5. Other Local	0	0	0	0	0	100%
6. Total Grant Revenue	24,138,474	24,138,474	808,984	3,227,884	20,910,590	13%
Labor						
7. Administrative Salaries	40,000	40,000	329	3,763	36,237	9%
8. Driver Wages	0	0	0	0	0	100%
9. Temporary Wages	0	0	0	0	0	100%
10. Fringe Benefit Distribution	20,000	20,000	98	1,211	18,789	6%
11. Total Labor	60,000	60,000	427	4,974	55,026	8%
Material & Supplies						
12. Tires & Tubes	900,000	900,000	26,692	126,669	773,331	14%
13. Office Supplies	1,000	1,000	0	0	1,000	0%
14. Printing	1,000	3,000	0	2,898	102	97%
15. Total Material & Supplies	902,000	904,000	26,692	129,567	774,433	14%
Purchased Transportation						
16. Purchased Transportation	1,200,000	1,200,000	100,000	500,000	700,000	42%
17. Specialized Services	795,474	795,474	0	198,868	596,606	25%
18. Total Purchased Transportation	1,995,474	1,995,474	100,000	698,868	1,296,606	35%
Other Expenses						
19. Dues & Subscriptions	30,000	30,000	0	0	30,000	0%
20. Professional Development	30,000	28,000	0	0	28,000	0%
21. Miscellaneous	0	0	0	0	0	100%
22. Total Other Expenses	60,000	58,000	0	0	58,000	0%
Leases						
23. Office Lease	0	0	0	0	0	100%
24. Transit Center Lease	0	0	0	0	0	100%
25. Storage Space Lease	0	0	0	0	0	100%
26. Total Leases	0	0	0	0	0	100%
Capital						
27. Rolling Stock	10,463,411	10,463,411	0	50,400	10,413,011	0%
28. Facilities	1,208,000	1,208,000	82,626	362,881	845,119	30%
29. Equipment	938,843	938,843	35,910	100,948	837,895	11%
30. Other	4,053,116	4,053,116	119,663	669,816	3,383,300	17%
31. Total Capital	16,663,370	16,663,370	238,199	1,184,045	15,479,325	7%
32. Planning Services	457,630	457,630	27,305	34,803	422,827	8%
33. Capitalized Operating	4,000,000	4,000,000	416,361	1,175,627	2,824,373	29%
34. Total Expenditures	24,138,474	24,138,474	808,984	3,227,884	20,910,590	13%

Professional Development and Travel Report
All Employees
March 2025

AMOUNT	PURPOSE	EMPLOYEE (s)	LOCATION
1,780.12	Mobility Conference	S. Schipper	Austin, TX
1,450.00	Personnel Data Systems (PDS) Conference	S. Brophy and M. Morin	Myrtle Beach, SC
$ 3,230.12			