

New Neighborhood Roads Fund Frequently Asked Questions

Oct. 28, 2025

1. Why is the estimated fuel tax revenue increase for Fiscal Year (FY) 2026 only two-thirds of the fiscal year?

The \$0.20 increase in fuel tax rate per gallon will begin on Jan. 1, 2026, therefore the revenues collected by the Department of Treasury won't be reported to MDOT until the February earnings month that will be provided in March. February to September earnings months (eight months out of 12 months) would be two-thirds of the fiscal year.

2. How will MDOT report the Neighborhood Road Fund (NRF) piece of the funding to local agencies?

Since the NRF is a separate fund from the Michigan Transportation Fund (MTF), it will likely be a separate distribution from the monthly MTF payments, as well as a separate line in our reporting. We will update as more information becomes available.

3. Will the new funding be paid monthly or a lump sum for the year?

We are currently waiting for further guidance on the timing of the distribution from the Department of Treasury. We will provide an update as more information becomes available.

4. Will these NRF funds impact our MTF monthly distributions?

The NRF is a separate funding source and will be distributed as another state restricted fund. Please note, however, that it is anticipated that local agencies will see a temporary decrease in monthly MTF distributions as a result of PA 24 of 2025, effective Sept. 30, 2025. PA 24 of 2025 repeals the \$600 million income tax redirection to the MTF (MCL 206.51d) that has been included on a monthly basis as a portion of local agency MTF distributions. This decrease will be resolved as the NRF funding is distributed from the Department of Treasury.

5. When can we expect the first distribution from the NRF?

We are currently waiting for further guidance on the timing of the distribution from the Department of Treasury. We will provide an update as more information becomes available.

6. Will the new marijuana tax be distributed monthly as opposed to the current tax that is distributed in January following the fiscal year end?

We are currently waiting for further guidance on the timing of the distribution from the

Department of Treasury. We will provide an update as more information becomes available.

7. What changes will be made to the Act 51 Report?

Our understanding is that this will be considered a separate fund source and distributed as another state fund, so it would be reported as “Other” state sources, but we’re exploring the possibility to add a new line on the Act 51 report to report this separately. We will provide an update as more information becomes available.

8. Are these funds restricted like MTF?

Yes. Revenues deposited into the street/road funds take on the restricted nature and should only be spent on street/road projects.

9. What can we use the money for?

The money must be used for Act 51-eligible activities on either a major/primary or local road on your certified map.

10. Has MDOT considered what it will do to make sure that we are following the new requirements that no local match is required for NRF funding?

Per subsection (7), the receiving local road agencies (county road agencies, city and village road agencies) are not required to make a local match to receive NRF funds. However, they may request matching funds from other sources, but other agencies are not required to contribute.

24 (7) Matching funds are not required from a local unit of
25 government or county road commission as a condition for expending
26 money distributed under subsection (5) or (6). However, any
27 governmental entity expending money distributed under subsection
28 (5) or (6) may request matching funds from other sources.

11. How will these funds affect the Section 10k requirement?

Since this fund is separate from MTF, it will not be subject to the section 10k requirement.

If you require assistance accessing this information or require it in an alternative format, contact the Michigan Department of Transportation’s (MDOT) Americans with Disabilities Act (ADA) coordinator at [Michigan.gov/MDOT-ADA](https://www.michigan.gov/MDOT-ADA).