September 30, 2026

# Fiscal Year 2026 Boilerplate Report

Federal Impacts

**This report is submitted on behalf of all departments in fulfillment of the requirements pursuant to PA 22 of 2025 (section number varies by department):**

*The department must provide an annual report to the standard report recipients detailing federal policy changes that do, or are expected to do, any of the following: (a) Affect the operations of the department, including reductions in federal revenue. (b) Affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department. (c) Create a regulatory gap that could negatively impact the public*.

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**The Department of Attorney General (DAG), Department of Military and Veterans Affairs (DMVA), and Department of Technology, Management, and Budget have nothing to report under this boilerplate section.*

# Challenges in the Federal Landscape

Federal funding plays a critical role in the state budget. In FY27, Michigan anticipates receiving more than $26 billion in federal funds, making up 34% of the total budget. These federal funds support health care, food assistance, emergency response, workforce training, child care, lead pipe replacement, and hundreds of other programs critical to health and safety.

Recent actions by the federal government create significant uncertainty, put strain on the state budget, and raise costs for Michigan families.

## H.R. 1

In July 2025, Congress passed H.R. 1, the "One Big Beautiful Bill Act," which raised health care and grocery prices for Michiganders while shifting significant costs to states across the country. The legislation cuts funding for Medicaid and SNAP, which serve 2.5 million and 1.3 million Michiganders, respectively.

When H.R. 1 was signed into law, it caused an immediate $1 billion hole in the state budget and was expected to cost Michigan roughly $10 billion in general fund resources through FY32. The enacted FY26 state budget took steps to insulate important services from cuts by decoupling the state tax code from various federal corporate tax changes and adjusting Michigan's Insurance Provider Assessment to ensure compliance with new federal regulations. These actions protected $2.7 billion in annual Medicaid funding and allowed businesses to benefit from federal tax incentives while holding state programs harmless.

H.R. 1's impact on state budgets worsens over time, and the law is still expected to cost Michigan upwards of $4 billion in general fund through FY32.

## FY27

The FY27 enacted budget included necessary investments to meet new federal requirements and protect coverage for as many Michiganders as possible.

Beginning Oct. 1, 2026, H.R. 1 increases the state share of SNAP administrative costs from 50% to 75%, requiring an additional $94.3 million per year from the state's general fund. Additionally, new Medicaid requirements begin Jan. 1, 2027, including work requirements and twice-yearly eligibility redeterminations. Along with recently expanded SNAP work requirements, these changes require significant resources for implementation and compliance.

The FY27 budget also invested $92 million general fund across the departments of Health and Human Services (DHHS) and Labor and Economic Opportunity (LEO) for necessary

staffing, administration, information technology, workforce programs, and community health navigators, bringing the total cost of H.R. 1 to $186.3 million general fund for FY27.

DHHS has estimated that roughly 200,000 Michiganders will lose their health care and/or SNAP benefits once the impacts of Medicaid work requirements, more frequent redeterminations, and other eligibility changes are fully realized. State investment is critical to ensure eligibility reviews are accurate and Michigan families have the resources they need to avoid even greater coverage losses.

The FY27 budget development process was made more challenging because the Centers for Medicare & Medicaid Services (CMS) — the federal agency that sets the requirements and expectations for how state-run Medicaid programs — didn't issue final guidance on Medicaid work requirements until June 1, 2026, the latest allowable by statute. Implementation takes time, and delayed guidance has made it difficult for Michigan and other states across the country to plan effectively.

**FY28 and Beyond**

The cost of H.R. 1 for states will increase in FY28 and subsequent fiscal years. For the Medicaid program, changes to provider taxes and other financing mechanisms starting in FY28 will have serious consequences for the state budget and hospitals throughout the state.

Beginning on Oct. 1, 2027, states will also, for the first time, be required to pay for a portion of SNAP benefits costs based on their payment error rate (PER) from FY25 or FY26. The PER is not the same as a fraud rate — it largely reflects unintentional recipient errors and state agency errors. States with a PER below 6% are exempt from the cost-share.

Based on Michigan's current error rate, the state would be responsible for more than $300 million per year. DHHS has already made significant progress through training improvements, reducing the PER from 13% in FY22 to 9.89% in FY25, below the national error rate. Additionally, the FY26 state budget invested $30 million ($15 million general fund) to reduce Michigan's PER, and the FY27 budget's H.R. 1 implementation funding builds on these efforts.

At the same time, delayed H.R. 1 guidance and the federal shutdown at the start of FY26 created fiscal exposure that undermined SNAP program stability for states around the country. Bipartisan, national organizations representing state and local governments have asked for time-limited delays in the SNAP benefit cost-share due to these disruptions, but Congress has yet to act as of this report.

## Federal Funding Cuts

Since the beginning of 2025, the federal administration has regularly rescinded appropriated federal funding, leading to uncertainty and threatening critical services.

The impact on the state has been severe. While more than $3.4 billion has been preserved or reinstated for Michigan entities through legal action, there are still hundreds of millions of dollars in federal grant awards that have been canceled or remain in ongoing litigation across multiple state departments.

At the same time, federal funding for Michigan and states across the country has been frozen for many programs, making it challenging to plan and continue operations. For example, in January 2026, the federal government cut roughly $2 billion in substance abuse and mental health grants across the country before reinstating the funds less than 48 hours later.

On May 29, 2026, the Office of Management and Budget (OMB) proposed a rule that would make it easier for political appointees to cancel federal awards and codify much of this uncertainty (Regulation for Federal Financial Assistance, 91 Fed. Reg. 32,198). H.R. 6500 delayed implementation of this rule until Dec. 11, 2026, at the earliest, but if it were to take effect, the rule would cause challenges for the state budget and the Michigan residents it serves.

In other instances, Michigan has taken on new costs to support health and safety where federal funding has been cut. For example, the FY27 state budget includes $29 million for housing supports to backfill cuts to permanent housing programs made by the Department of Housing and Urban Development (HUD) in its Continuum of Care program.

### Tariffs

A chaotic national tariff strategy is raising the cost of housing, groceries, manufacturing and more, skyrocketing the cost of doing business and making it difficult for families to plan. Tariffs are affecting nearly all of Michigan's industries, including the food and agriculture sector, which contributes nearly $126 billion to the state's economy each year and supports more than 800,000 Michigan jobs.

### SNAP Delays During Federal Shutdown

The 43-day federal shutdown that began on Oct. 1, 2025, the longest in the nation's history, presented the state with significant financial challenges. In particular, the federal government froze the issuance of SNAP benefits for the month of November, leaving families struggling to put food on the table. Beyond the immediate impact, the shutdown could continue to cause harm for SNAP programs across the country due to anomalies in payment error rates, affecting the SNAP benefit cost-share beginning in FY28.

**Department of Civil Rights**

DATE: August 28, 2026

FROM: Michigan Department of Civil Rights

SUBJECT: Section 229 Report

**The department must provide an annual report to the standard report recipients detailing federal policy changes that do, or are expected to do, any of the following:**

**(a) Affect the operations of the department, including reductions in federal revenue.**
**(b) Affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department.**
**(c) Create a regulatory gap that could negatively impact the public.**

For the Michigan Department of Civil Rights, there are no federal policy changes that do, or are expected to:

(a) affect the operations of the department and did not reduce any federal funds that the department receives.

However, in (b), federal policy changes may have an impact on the protected basis of sex, specifically gender identity or expression. Currently, the U.S. Equal Employment Opportunity Commission (EEOC) is not accepting dually-filed complaints that include gender identity or expression; however, that is a protection under the Elliott-Larsen Civil Rights Act (ELCRA), therefore, MDCR investigates the matters but does not seek federal reimbursement. In addition, the U.S. Department of Housing and Urban Development (HUD) is not accepting complaints that include gender identity or expression; however, that is a protected basis under the Elliott-Larsen Civil Rights Act (ELCRA), therefore, MDCR investigates these matters but does not submit them for federal reimbursement.

Lastly, (c) there is no regulatory gap that may negatively impact the public because the state of Michigan has state civil rights laws that MDCR enforces that include multiple protected bases, including but not limited to, gender identity or expression.

# Summary of Federal Policy Changes

(FY 2026 Appropriation Act - Public Act 022 of 2025)

**September 30, 2026**

***Sec. 214. The department must provide an annual report to the standard report recipients detailing federal policy changes that do, or are expected to do, any of the following: (a) Affect the operations of the department, including reductions in federal revenue. (b) Affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department. (c) Create a regulatory gap that could negatively impact the public.***

MDHHS

Michigan Department of Health & Human Services

This report summarizes the federal policy changes identified by the Michigan Department of Health and Human Services (MDHHS) for the Fiscal Year 2026 per Section 214 in Public Act 022 of 2025 and may not be comprehensive of all federal policy changes made during the fiscal year.

**Department of Justice (DOJ)**

The Protecting Federal Funds from Human Trafficking and Smuggling Act (H.R. 1168, 2025) requires all nonprofit recipients of federal funds to certify compliance with human trafficking, smuggling, fraud, bribery laws. Failure to certify could result in loss of federal funds or tax-exempt status. The Comptroller General must annually report on noncompliance. This law may require MDHHS trafficking programs submit additional compliance documentation, adjust administrative processes, and maintain records for audits or U.S. Government Accountability Office reporting.

The Trafficking Survivors Relief Act (H.R. 4323) enables eligible trafficking survivors to vacate convictions and expunge arrest records for crimes committed as a direct consequence of being trafficked. MDHHS child welfare case workers and legal partners may need to support trauma-informed legal advocacy, policy awareness, and referrals for expungement assistance.

The Early Green Card Certification Rule for T-Visa Holders, a proposed rule from the U.S. DOJ introduces a formal certification process allowing trafficking survivors holding T-visas to apply for green cards earlier than the current three-year waiting period. This proposed rule is scheduled for public comment ending on August 17, 2026.

**Supplemental Nutrition Assistance Program**

Supplemental Nutrition Assistance Program (SNAP) changes in H.R. 1 make the following impact:

- Prohibit internet costs as a qualifying expense. This change will impact all food assistance program recipients and was effective in October 2025. This change means less Michigan residents could be eligible for SNAP benefits or a reduced benefit. It is estimated that the reduction of funds to the state of Michigan would be $2.1 million this year.
- Require many adults to show proof of work to receive benefits. Specifically, the United States Department of Agriculture now requires able-bodied adults who are between ages 18-64 and without dependents under age 14 will be required to meet the work requirement in order to receive SNAP for more than 3 months. This change began on March 1, 2026. Supplemental Nutrition Assistance Programs.
- Ended benefits for individuals who are not approved as a Lawful Permanent Resident (LPR). MDHHS estimates that 18,000 individuals who were previously eligible for food assistance benefits from the state of Michigan will no longer be eligible to receive food assistance benefits. The effective date for this change was July 1, 2026.
- Ended the National Education and Obesity Prevention (SNAP Ed): nutrition and physical fitness education program. This change will result in a funding reduction of $27.5 million per year. SNAP updates in H.R. 1 have changed how much administrative funding MDHHS will have to spend to administer the program. MDHHS estimates that it will cost $95 million more in state funding each year to administer SNAP in Michigan going forward.
- Results in MDHHS needing to start paying a share of the SNAP benefits that go to residents. The amount of money that MDHHS will need to pay will depend on the SNAP Error Rate calculation. Although the amount is based on the FY 2026 error rate, MDHHS will not have to pay its share until FY 2028. For FY 2028, it is estimated that MDHHS will

have to contribute over $320 million in state funding to cover SNAP benefits for eligible Michigan residents.
- Limited exemptions to the work requirements. It is estimated that this change, along with the other SNAP employment and training related changes, will be $71 million in costs to MDHHS.
- Low-Income Home Energy Assistance Program (LIHEAP) fuel assistance payments are no longer automatically qualifies a household for a higher Standard Utility Allowance (SUA) in the SNAP program unless the household includes an older adult or a person with a disability.

**Medicaid**
New federal changes per H.R. 1 affect how Michigan provides Medicaid coverage. Key changes include new work requirements, more frequent eligibility checks, and adjusted coverage rules beginning in late 2026 and early 2027. These changes are anticipated to cause more than 200,000 residents to be at risk of losing Medicaid and over $70 million in administrative costs to implement the new rules for Medicaid and SNAP.

H.R. 1 also includes provisions that significantly narrow or eliminate mechanisms states have historically relied on to support Medicaid financing. These changes include new limits on provider taxes and other financing arrangements that Michigan and many other states use to maintain reimbursement levels and stabilize the program. As a result, funding for hospitals and other Medicaid physicians will begin to decline in October 2028, with reductions increasing over the following years as the law's phase-in schedule progresses. These changes will place substantial pressure on Medicaid reimbursement rates, hospital and physician margins, and the State's ability to sustain current payment methodologies without identifying alternative financing strategies or making programmatic adjustments.

Recent CMS rules require immediate updates to prior authorization processes, medical loss ratio reporting, program integrity activities, and core managed care oversight. States must also begin expanded access-to-care monitoring and prepare for new minimum payment standards, even with delayed enforcement of some provisions. These rules tighten federal requirements and significantly limit the tools states have traditionally used to adjust Medicaid payments, making budget reductions more constrained, more complex, and harder to implement without creating compliance risks.

**Substance Abuse and Mental Health Services Administration**
The Substance Abuse and Mental Health Services Administration (SAMHSA) issued updated federal grant guidance on July 29, 2025, and April 24, 2026. This guidance shifts grant funds away from specific harm reduction practices, prohibiting support for safer-use items like test strips and syringes.

SAMHSA issued a notice in September 2025 that impacts the programming MDHHS is allowed to support, the data permitted to collect, and how to direct our efforts in the state. The letters have all been implemented with immediate effective dates. Currently no longer able to use health disparities to target services effectively, not able to purchase or distribute drug testing strips, no gender identity or sexual orientation considerations, and requirement that Medication Assisted Treatment services be evaluated at least annually for continued necessity as well as requiring counseling as part of the service.

**Office of Child Support Enforcement**
In February 2026, federal Homeland Security requested access to the Federal Parent Locator

Service (FPLS) from the federal Health and Human Services Secretary. The MI Office of Child Support provides identifying information, addresses, family makeup, employment and asset information about hundreds of thousands of Michigan residents to U.S. Department of Health and Human Services (HHS) pursuant to federal law. Title IV-D agencies were not formally notified. Restrictions outlined in the federal Social Security Act placed on the FPLS do not permit it to be used for federal immigration enforcement purposes.

U.S. Department of State announced through email that it will begin revoking passports for individuals who owe child support debt. Prior to this, the Department of State only prevented an individual from obtaining or renewing a passport. This was effective in May 2026.

**Grant Management & Office of Management and Budget**

HHS implemented revisions to its Grants Policy Statement, effective October 1, 2025, reducing the threshold for budget deviations requiring prior federal approval from 25 percent to 10 percent of the total approved budget for certain grant awards. This change increases federal oversight of budget revisions and requires enhanced monitoring to ensure continued compliance with federal grant requirements. This policy statement also included new federal award certifications and conditions tied to Title VI, Title IX and Executive Order 14168. Those requirements apply broadly to HHS discretionary awards, can flow down to subrecipients, and are identified as material conditions of payment.

On May 29, 2026, the Office of Management and Budget (OMB), in coordination with 41 federal agencies, published proposed revisions to the Uniform Guidance governing federal financial assistance (2 CFR Subtitle A, including Part 200). If finalized, the proposal would convert the Uniform Guidance from government-wide guidance to binding federal regulations and substantially revise requirements governing grant administration, procurement, internal controls, financial management, subrecipient monitoring, audit requirements, and financial reporting. The proposed rule remains under federal review, with implementation expected following publication of a final rule.

**Social Security Administration**

In March 2026, the Social Security Administration announced that medical Continuing Disability Reviews will transition from state Disability Determination Services agencies to federal processing. The change will affect MDHHS Disability Determination Services workload and operations by shifting continuing disability review work to SSA and allowing state DDS staff to focus primarily on initial disability claims and reconsiderations.

# Federal Policy Changes Report

This document provides the report required under Public Act 22 of 2025, article 7, part 2, Section 218:

*The department must provide an annual report to the standard report recipients detailing federal policy changes that do, or are expected to do, any of the following:*

*(a) Affect the operations of the department, including reductions in federal revenue.*

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*(c) Create a regulatory gap that could negatively impact the public.*

## I. Appropriations Bills

- **The Expiration of the Enhanced Premium Tax Credits (2025-2026 Appropriations):**
  - Consumer Impact: The enhanced premium tax credits that helped thousands of Michiganders afford high-quality, comprehensive Health Insurance Marketplace coverage were allowed to expire on Dec. 31, 2025. Following years of record enrollment, fewer Michiganders are enrolled in Marketplace insurance in 2026, though federal enrollment data does not capture the reasons consumers' coverage lapsed and policy changes outlined below may also contribute to this change. KFF reports that more than 130,000 fewer Michiganders enrolled in Marketplace insurance from 2025 to 2026, a 27% decrease. In addition, Michiganders reported seeing premium payments more than double, though the federal government has not provided current premium data for 2026.
  - Industry Impact: The expiration of the premium tax credits resulted in increased premiums and a reduction in the number of insurers in the Health Insurance Marketplace. According to industry reports, the loss of the enhanced premium tax credits will likely result in higher claims costs and increased premiums as fewer younger and healthier consumers remain insured. Additionally, some insurers exited some markets or withdrew plans for PY 2026.
  - Department Impact: Based on guidance from the Centers for Medicare & Medicaid Services (CMS), DIFS updated guidance to require insurers to submit two separate sets of rates for Plan Year 2026 and allowed limited refilings. This resulted in additional staff resources and actuarial reviews of insurer filings before Open Enrollment began Nov. 1, 2025.
- **Flood Insurance Program Extension (February 2026 Supplemental).**
  - Consumer Impact: Extends funding for the operations of the National Flood Insurance Program (NFIP) from February 2026 to September 2026. Through the NFIP, consumers can obtain flood insurance, which can be a requirement under the terms of a mortgage. Failure to

extend the deadline would have created significant disruption in the flood insurance market and for consumers.

- Industry Impact: Failure to extend the deadline would have created significant disruption in the flood insurance market. Insurance carriers participating in the NFIP's Write Your Own program would be unable to continue issuing and servicing standard flood insurance policies underwritten by the NFIP.
- Department Impact: Failure to extend the deadline would create significant disruption in the flood insurance market and would have an operational impact on DIFS.

- **The Qualifying Vehicle Loan Interest Rate (FY 25 Full-Year)**
  - Consumer Impact: The qualifying vehicle loan interest rate tax deduction allows taxpayers to claim car loan interest as a deduction on federal taxes. The deduction only applies to the purchase of a new vehicle, so consumers who lease or finance the purchase of used vehicles would not obtain the tax deduction.
  - Industry Impact: The tax deduction may incentivize consumers to purchase new vehicles, resulting in dealerships and auto lenders seeing an increase in sales.
- **Mortgage Loan Interest (FY 25 Full-Year)**
  - Consumer Impact: Removing the sunset provision for claiming a tax deduction for mortgage loan interest will likely have a minimal impact to Michigan consumers. Only those who itemize their taxes are able to claim the deduction and with more than 90% of Michigan taking the standard deduction, less than 1 in 10 Michigan taxpayers would be impacted.

## II. Federal Government Shutdowns

**(Includes the fall 2025 full government shutdown and spring 2026 partial shutdown)**

- Consumer Impact: The reauthorization deadline for the Federal Emergency Management Agency (FEMA) and the National Flood Insurance Program (NFIP) expired during the shutdowns. Afterward, FEMA paid existing NFIP claims for consumers who experienced a loss. However, in the interim, the sale and renewal of new NFIP policies were halted, impacting thousands of real estate and mortgage transactions.
  - Industry Impact: The missed reauthorization deadline created significant disruption to the flood insurance market. Insurance carriers participating in the NFIP's Write Your Own program stopped issuing and servicing standard flood insurance policies underwritten by the NFIP. In the health insurance market, insurers were likely impacted by delays in communication from CMS.
  - Department Impact: With the shutdowns occurring near or during the time insurers submit health insurance rate filings, DIFS and other regulators faced some delays in communication from CMS related to health insurance filing questions, leading to delays in policy rollout.

## III. Reconciliation (H.R. 1)

- Health Insurance Related Impact to Consumers: H.R. 1 implemented several changes that impact Health Insurance Marketplace eligibility and enrollment. These include shorter open

enrollment periods, the elimination of automatic reenrollment, more stringent eligibility verification requirements, the restriction of subsidies for those shopping for health insurance during a special enrollment period, and the removal of premium tax credit eligibility for many lawfully present non-citizens, such as DACA recipients, refugees and asylees. When combined with the expiration of the enhanced premium tax credits and other federal regulatory changes, the policies enacted under H.R.1. resulted in significant shifts in Michigan's 2026 marketplace enrollment. Michigan experienced a 27% decline in overall enrollment, the seventh steepest reduction nationally. The state now ranks sixth in the nation for total marketplace disenrollment, with 130,789 fewer enrollees compared to 2025.

- Health Insurance Related Impact to Industry: H.R.1 compounded the instability already caused by the expiration of the enhanced tax credits and increased health care costs[1]. Declines in enrollment due to H.R.1 eligibility changes and rising claim costs have created substantial financial pressures for the industry nationally[2]. Additionally, H.R.1 implemented new provisions aimed at combatting improper enrollments, including the elimination of automatic reenrollment in 2028.
- Health Insurance Related Impact to Department: H.R. 1, coupled with other federal changes and litigation, required additional staff resources and actuarial reviews of insurer filings before Open Enrollment began Nov. 1, 2025.

- **Other Impacts of H.R. 1**: H.R. 1 made permanent the 2017 Tax Cuts and Jobs Act's limit on the itemized tax deduction for home mortgage interest.
  - Consumer Impact: Taxpayers who itemize their tax deductions may deduct interest paid on the first $750,000 (or $375,000 for married individuals filing separately) of mortgage debt. For tax years prior to 2018, an itemized tax deduction was allowed for interest paid on the first $1 million of mortgage debt (or the first $500,000 for married individuals filing separately). The bill also allowed certain mortgage insurance premiums to be included in the itemized tax deduction for home mortgage interest. Most Michigan taxpayers will not be impacted, as only one in ten Michigan itemize their tax deductions.

**S.2**

- No effect to the operations of DIFS, groups regulated or served by department programs, or negative regulatory gap created.

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[1] Reindl, J. (2026, July 18). Michigan health insurers want another round of big rate hikes in 2027. *Detroit Free Press*. Retrieved from https://www.freep.com/story/news/health/2026/07/18/michigan-health-insurers-rate-hikes-2027/90960560007/

[2] McGough, M., Ortaliza, J., Ferguson, A., Telesford, I., Rakshit, S., Wager, E., Cotter, L., & Cox, C. (2026, July 8). How much and why ACA Marketplace premiums are going up in 2027. *Peterson-KFF Health System Tracker*. Retrieved from https://www.healthsystemtracker.org/brief/how-much-and-why-aca-marketplace-premiums-are-going-up-in-2027/

## IV. Federal Rulemaking

- ACA Nondiscrimination Protections (Section 1557): The administration issued executive actions rescinding Biden-era interpretations of Section 1557 of the Affordable Care Act, removing federal nondiscrimination protections based on gender identity in healthcare settings.
    - Consumers, Industry and DIFS: All face a fragmented legal landscape and complex conflicts between state and federal healthcare and discrimination laws
- The "Richardson Waiver" at HHS: The Department of Health and Human Services rescinded the Richardson waiver, ending a decades-old precedent that required the agency to seek formal public comments for major policy and grant decisions.
    - Consumers, Industry and DIFS: Removes structured opportunities to provide input on major policy adjustments related to grants and benefits.
- Short-Term Limited-Duration Insurance changes: As a result of litigation, the federal government indicated that the notice requirement applicable to fixed indemnity excepted benefits coverage under the 2024 Short-Term, Limited-Duration Insurance and Independent, Noncoordinated Excepted Benefits Coverage Rule would no longer be enforced. Additionally, on August 7, 2025, the federal government issued a statement that it will no longer be prioritizing enforcement of the Final Rule's requirements applicable to STLD insurance.
    - Consumer Impact: STLD insurance policies do not have to comply with certain Affordable Care Act protections, including prohibitions on annual or lifetime limits, benefit mandates, protections against rescissions, and cost-sharing limitations. This change on the federal level may result in more marketing of STLD plans to consumers, as the 2024 rule enhanced consumer protections around the marketing of these products.
    - Department Impact: Minimal impact as state law continues to apply to STLD plans.
- Marketplace Integrity and Affordability Rule (2025): The rule strengthened income verification for tax credits, increased oversight of agent and broker misconduct, adjusted 2026 user fees, and made changes to essential health benefit requirements set by states. It also added auto-enrollment penalties and stricter tax-reconciliation disqualification rules. Several of these provisions faced immediate legal challenges, and multiple sections were vacated by federal district courts in 2026[3].
    - Consumer Impact: The rule introduced new eligibility criteria that would have changed how consumers accessed marketplace coverage.
    - Industry Impact: Impacts to industry to be determined following the outcome of pending litigation.
    - Department Impact: Additional staff resources were required to review filings in light of federal actions and litigation.

[3] United States District Court for the District of Maryland. (2026, June 16). City of Columbus et al. v. Kennedy et al., Order on Motion to Clarify, No. 25-2114-BAH and United States District Court for the *Central District of California*. (2026, August 14). *State of California v. [Defendant(s)]*, Opinion.

- Expansion of the FFE Hardship Exemption Policy: Federal policy updates broadened hardship exemption criteria for PY 2026, allowing more moderate-income adults access to catastrophic health plans outside traditional age limits.
    - Consumer Impact: Catastrophic health plans are less comprehensive than traditional health plans and can lead to increases in medical debt.
    - Industry Impact: Prior to this change, catastrophic plans were available primarily to young and relatively healthy people. The expanded eligibility has the potential to increase insurers' costs in ways they had not initially priced for[4].
- NBPP 2027: Each year, the Notice of Benefits and Payment Parameters Final Rule sets standards and policies for the ACA Marketplaces. Policy changes in the 2027 NBPP included:
    - The proposed NBPP expanded catastrophic eligibility and provided flexibility for bronze plans by providing cost-sharing flexibilities for catastrophic and individual market bronze plans and allowing for the establishment of catastrophic plans with plan terms of up to 10 consecutive plan years.
    - A prohibition on issuers from including routine non-pediatric dental services as an EHB and requirements related to defrayal for the cost of any State-required benefits in addition to the EHB.
    - New administrative requirements for pre-enrollment verification.
    - The discontinuation of the full suite of standardized plan option policies and non-standardized plan option limits and exceptions beginning in 2027.
        - Consumer Impact: Many of the provisions that could negatively impact consumers were stayed in federal court. The final impacts to consumers are to be determined based on the outcome of pending litigation.
        - Industry Impact: Those insurers that took advantage of new provisions in the final rule may have faced operational strain in revising filings and plan design based on subsequent court decisions.
        - Department Impact: The Rule itself was finalized later than any NBPP in the ACA's history, shortening the timeframe for the department to meet federal deadlines. Subsequent court decisions required additional staff time and resources to review and provide guidance to industry.
- Credit Union Regulation Changes: The National Credit Union Administration (NCUA) began a "deregulation project" in 2026 to more efficiently "provide meaningful regulatory relief while preserving the safety, soundness, and resilience of the credit union system."

[4] Volk, J., Corlette, S., & Giovannelli, J. (2025, September 5). *New guidance expands pool of individuals eligible to purchase catastrophic plans*. State Health and Value Strategies. Retrieved from https://shvs.org/resources/new-guidance-expands-pool-of-individuals-eligible-to-purchase-catastrophic-plans/

- Consumer Impact: Consumer advocates warn that deregulation has the potential to erode consumer protections, and the department is closely monitoring.
- Industry Impact: At this time it is undetermined.
- Department Impact: These federal changes may result in modest administrative burden to DIFS depending on the final federal rules.

## V. Executive Orders

- EXECUTIVE ORDER 14397 - Further Continuance of the Federal Emergency Management Agency Review Council. The executive order extended the Council to Assess the Federal Emergency Management Agency for the purposes of releasing its Final Report: The President's Council to Assess the Federal Emergency Management Agency. The report provided recommendations to reform the FEMA National Flood Insurance Program (NFIP) that included engaging state insurance commissioners to facilitate the transfer of NFIP policies off the federal program and exploring the establishment of a centralized private flood insurance marketplace to serve as a clearinghouse for admitted insurers.
  - Consumer Impact: Should the recommendations from the report be enacted, it would create significant disruption in the flood insurance market. Policyholders may be required to transfer off the federal NFIP program onto a private flood insurance policy depending on changes to NFIP eligibility criteria.
  - Industry Impact: Should the recommendations from the report be enacted, it would create significant disruption in the flood insurance market. Carriers may face operational challenges establishing their own flood policy programs to offboard policies from the federal NFIP program.
  - Department Impact: Should the recommendations from the report be enacted, it would create a significant operational impact to DIFS.
- EXECUTIVE ORDER 14365 - Ensuring a National Policy Framework for Artificial Intelligence. This executive order purports to establish federal authority to regulate artificial intelligence and preempt any conflicting state laws.
  - Consumer Impact: The U.S. has a robust system of state-based regulation over insurance and financial services, allowing states to decide what is most appropriate for each state. Under this executive order, consumers have to rely on the federal government to determine policies regulating artificial intelligence and to provide consumer protection from artificial intelligence.
  - Industry Impact: Industry has to rely on the federal government to determine policy and regulations surrounding artificial intelligence.
  - Department Impact: DIFS and the State of Michigan are hampered from pursuing legislation, regulations, or other legal authority to regulate artificial intelligence at the state level as any proposed legislation would have to comply with the requirements found in the executive order.
- EXECUTIVE ORDER 14406 - Restoring Integrity to America's Financial System.

  - Consumer Impact: These new federal anti-fraud and money laundering rules could negatively impact undocumented and migrant consumers using traditional financial services.
  - Industry Impact: According to industry reports, any impact from the federal rules on covered banks, credit unions, and other financial services are expected to be minor.
  - Department impact: During state examinations, DIFS would monitor for compliance with new federal rules, in addition to existing standards. Any impact would be minor.
- EXECUTIVE ORDER 14405 - Integrating Financial Technology Innovation Into Regulatory Frameworks This executive order purports to streamline regulatory processes, reduce unnecessary barriers to entry, and encourage collaboration between fintech firms, federally regulated financial institutions, and federal financial regulators.
  - Impact to consumers, industry, and DIFS is currently unknown, pending federal rulemaking.
- EXECUTIVE ORDER 14393 - Promoting Access to Mortgage Credit
  - Consumer Impact: This executive order purports to reduce regulatory processes and unnecessary barriers that have impacted community banks' participation in the mortgage market. Depending on final implementation, some consumers could see modestly decreased lending costs, however, it could also reduce consumer protections.
  - Industry Impact: Smaller banks and credit unions may be positively impacted by decreased regulatory burdens.
  - Department Impact: During state examinations, DIFS would monitor for compliance with new federal rules, in addition to existing standards. Any impact would be minor.
- EXECUTIVE ORDER 14331 - Guaranteeing Fair Banking for All Americans
  - Consumer Impact: This executive order purports to improve access to financial services due to "politicized or unlawful debanking action." The impact on consumers is currently unknown.
  - Industry Impact: Financial institutions may face new types of consumers complaints, but the impact on industry is expected to be minimal. Financial institutions may be required to provide services to entities previously denied due to "politicized or unlawful debanking action."
  - Departmental Impact: DIFS may receive new types of consumer complaints, but minimal impact is expected.
- EXECUTIVE ORDER 14247 - Modernizing Payments to and From America's Bank Account
  - Consumer Impact: With the cessation of paper checks from federal agencies, this executive order could have significant impact on the unbanked, or under-banked consumers, receiving any federal cash assistance or tax returns via check. These consumers will need to navigate any new federal payment systems or become banked.
  - Industry Impact: Minor impact on banks and credit unions as most financial institutions already rely on electronic transfers of money. Banks and credit unions could see a modest increase in new customers and members from unbanked households, which make up an estimated 4 percent of Michigan's population.

## VI. Tariffs

- Impact on Insurance Consumers: Some insurers have included tariff impacts as part of their justification for rate increases.
- Insurance Industry Impact: Tariffs on automobile parts, construction supplies, medications, and other items have the potential to raise claims costs for insurance companies. In addition, economic volatility in general hurts insurance company investment portfolios.
- Department Impact: Staff resources are required to review insurer filings, including those that report tariff impacts, to ensure they are compliant with state law and are actuarially justified. During DIFS' reviews, the department has objected to tariff-related rate increases, saving consumers money.
- Financial Services Consumer Impact: Increased costs from tariffs may lead to less investment and savings from consumers.
- Financial Services Industry Impact: Increased costs may lead to less investment or challenges with loan repayments, which has the potential to have an impact on the financial services industry. As of yet, a minimal impact in Michigan has been reported.

## VII. Federal Funding Pauses and Cancelations

- Consumer Impact: The federal government reduced funding for the Affordable Care Act Navigator program. Navigators provide free help to Michigan consumers who wish to purchase health insurance on the Health Insurance Marketplace.

## VIII. Federal Grants

- Disaster Recovery: Presidential declarations of a disaster unlock federal funds, activate FEMA response coordination, and deploy specialized federal resources to assist overwhelmed state and local governments. Two presidential declarations were approved.
  - Michigan Severe Storms, Tornadoes, and Flooding (DR-4925-MI)
    - Incident Period: April 10, 2026 - April 21, 2026.
  - Michigan Severe Winter Storm (DR-4880-MI)
    - Incident Period: March 28, 2025 - March 30, 2025.
  - Consumer Impact: The Presidential declaration made available individual assistance and public assistance to consumers and businesses with their disaster recovery efforts, including uninsured or underinsured losses.
- On April 4, 2025, FEMA announced the closure of the Building Resilient Infrastructure and Communities Program (BRIC) and the Flood Mitigation Assistance (FMA), which halted approximately $20 million in planned Fiscal Year 2025 grants and suspended existing projects in Michigan. In December 2025, a federal judge ruled that FEMA could not eliminate BRIC and ordered the agency to reverse course. In March 2026, FEMA re-opened applications for BRIC. In addition, Michigan appealed FEMA's decision to deny statewide activation of the Hazard Mitigation Grant Program.

- Consumer Impact: Federal policy changes delayed funding and deferred projects aimed at mitigating losses from natural disasters. Higher losses from natural catastrophes have the potential to result in higher insurance premiums in the future.
- Industry Impact: A U.S. Chamber of Commerce 2024 Resiliency Report found each $1 invested in disaster preparation saves $13 in economic costs, damages, and cleanup. Federal policy changes delayed funding and deferred projects aimed at mitigating losses from natural disasters. Higher losses from natural catastrophes may result in insurers raising premium rates to cover losses.

## IX. Rescissions Act of 2025 (H.R. 4)

- No effect on the operations of DIFS, insurance or financial services consumers, or DIFS' regulated entities.

## X. Other Congressional/Federal Action

- In 2025, the federal Advisory Committee on Immunization Practices (ACIP) shifted away from universally recommending COVID-19 vaccinations to all populations and now recommends the vaccine based on individual-based or shared clinical decision-making for people ages 6 months and older.
  - Department, Industry and Consumer Impact: No impact regarding insurance coverage for COVID-19 vaccines in Michigan. DIFS issued Bulletin 2025-23-INS to reaffirm that health insurers in the individual and small group markets must continue to cover COVID-19 vaccination without cost-sharing in accordance with state law.
- The GENIUS Act, enacted July 18, 2025, established a regulatory framework for cryptocurrency and stablecoins.
  - Consumer Impact: Dependent on final rules, consumers could be negatively impacted if consumer protections are insufficient.
  - Industry Impact: Dependent on final rules, banks and credit unions could lose deposits as consumers invest in new digital assets and cryptocurrency, which negatively impacts local communities.
  - Department impact: Dependent on final rules, DIFS could be limited in its ability to regulate cryptocurrency and other digital assets. The state could also be preempted by federal rules on any existing state laws.
- The Consumer Financial Protection Bureau (CFPB) has been downsized, and regulations and enforcement actions have been rolled back under the current administration.
  - Consumer Impact: The CFPB serves in an important consumer protection role at the federal level. The disruptions to the CFPB could leave consumers vulnerable to predatory actors within financial services.
  - Industry Impact: The CFPB announced changes to its examination process, though no concerns have been reported by industry.

# Federal Policy Changes

# Fiscal Year 2026

Pursuant to Section 223 of PA 22 of 2025

# September 24, 2026

**Prepared by:**

## DNR Finance & Budget Division

GRETCHEN WHITMER
GOVERNOR

SCOTT BOWEN
DIRECTOR

## Executive Summary:

The *Federal Policy Changes Report* for 2026 satisfies reporting requirements which are prescribed by Section 223 of Public Act 22 of 2025.

Section 223 of Public Act 22 of 2025 requires the following:

> ***Sec. 223. The department must provide an annual report to the standard report recipients detailing federal policy changes that do, or are expected to do, any of the following:***
>
> ***(a) Affect the operations of the department, including reductions in federal revenue.***
> ***(b) Affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department.***
> ***(c) Create a regulatory gap that could negatively impact the public.***

This report has been prepared pursuant to these requirements.

# Proposed Changes to the Uniform Guidance (2 CFR 200)

**Federal Reforms to Grant and Assistance Regulation**

The Office of Management and Budget (OMB) released a proposed rule on May 29, 2026, titled Regulation for Federal Financial Assistance, that would significantly overhaul the federal grants and assistance process, with major implications for states. The government-wide initiative would revamp the rules governing federal grants, cooperative agreements, and other forms of assistance—commonly known as the "Uniform Guidance" (2 CFR 200). According to the OMB, the proposal aims to improve transparency, accountability, oversight and consistency across federal grant programs, while reducing unnecessary administrative burden on recipients. This proposed rule may impose significant implementation costs on states and limit their ability to manage state-administered programs and joint federal-state initiatives.

**Sections of Uniform Guidance with Proposed Changes of Concern**

## Pre-award Changes

**Citation: § 200.201 and § 200.333**, **Fixed Amount Subawards** - The proposed rule removes the option for fixed-amount subawards unless explicitly authorized by statute.

**Citation: § 200.205**, **Federal Agency Merit Review of Proposals Using Gold Standard Science** - New "pre-issuance review" by politically appointed administration staff to include alignment with law, federal agency priorities, national interest, and presidential priorities. Preference for discretionary awards will be prioritized for institutions with lower indirect rates.

**Citation: § 200.300, Statutory and National Policy Requirements** - Proposes to add limitations on authorized use of federal awards. This section outlines specific restrictions on how federal award funds may be used. It is intended to ensure that all expenditures align with statutory requirements, established program purposes, and applicable federal regulations.

## Post-award Changes

**Citation: § 200.303(a), Internal Controls** - Recipients and subrecipients should exercise the same level of reasonable discretion when implementing internal controls.

**Citation: § 200.331, Subrecipient and Contractor Determinations** - Pass-through entities must determine whether transfers of grant funds to related entities constitute a subaward or a contract and apply the appropriate controls accordingly.

**Citation: § 200.332, Requirements for Pass-Through Entities (PTEs) -** Report all subawards on SAM.gov no later than 30 days after the subaward is issued. Ensure that each subrecipient remains in compliance and avoids actions that could significantly damage the reputation of the pass-through entity, the federal awarding agency, or the federal government. This provision authorizes the federal agency to direct a pass-through entity to terminate a subaward if significant reputational harm occurs.

**Citation: § 200.340, Termination and Suspension** - Discretionary termination, similar to termination for convenience, may be invoked at any stage if the agency determines that continuing the award is inconsistent with program goals or current agency priorities.

**Citation: § 200.342, Opportunity to Object, Hearings, Appeals -** An agency is not required to provide an administrative appeal for discretionary terminations. However, an appeal is available when the agency terminates an award due to the recipient's noncompliance with the award's terms and conditions.

## Grant Terms and Conditions Changes

**Significant and Ongoing Terms and Conditions Changes Across a Variety of Federal Agencies**
Changes to federal grant terms and conditions can substantially affect the scope, compliance obligations, and long-term stability of natural resource funding. The proposed OMB revisions would broaden federal agency authority and oversight, potentially increasing uncertainty for conservation initiatives. Proactive compliance planning and early engagement with federal agencies will be essential to navigate these shifts effectively.

## Staffing Challenges at the Federal Level

**Substantial Turnover Across Federal Agencies**
The Michigan Department of Natural Resources' (DNR's) cognizant federal agency, the Department of the Interior (DOI), has experienced significant staff turnover, which has severely impacted its ability to review and approve the DNR indirect rate submissions in a timely manner. Although 2 CFR 200 requires prompt approval, DOI cited the need for more than a full year to complete their review from the date of the DNR submission. While the DOI went out of their way to collaborate with the DNR to implement a temporary workaround this year, the delays remain a concern for future indirect rate submissions.

## Potential Federal Government Shutdown – December 12, 2026

**Continuing Resolution to Extend Federal Government Funding Through December 11, 2026**
The funding provided under the "Continuing Appropriations and Extensions Act, 2027" is set to expire on December 11, 2026. The current continuing resolution (CR) was signed into law on September 2, 2026. A federal government shutdown would occur only if Congress does not pass either a full-year appropriations package or another CR before the December 11 deadline.

The impact of a potential federal government shutdown would depend on the length of the shutdown, as well as guidance from the Office of Management and Budget (OMB) and each of the federal agencies. In addition, there are many other variables that could influence the impact of a potential shutdown. Examples include:

- Impacts on state agencies or partners that rely on federal grants, pass-through funding, or technical assistance
- The availability of previously obligated funds for ongoing contracts and projects
- Whether issuing payments (e.g., grants, reimbursements) is permitted under agency-specific authorities

- Dependencies on federal data systems, permitting workflows, or reporting platforms that may go offline
- The operational status of federal field offices and regional support centers
- The level of coordination or contingency planning completed prior to the shutdown
- External economic conditions (e.g., supply chain constraints, contractor capacity) that could magnify impacts
- Required regulatory deadlines or statutory timelines that may be paused or delayed
- Public and stakeholder demand for services that could accumulate during closure
- The complexity of resuming operations once the shutdown ends (backlog size, staffing availability, etc.)

The continuation of funding through the Dingell-Johnson Sport Fish Restoration (SFR) Act and Sport Fish Restoration and Boating Trust Fund (Trust Fund) is also a significant concern. Several provisions of the SFR Act and Trust Fund were scheduled to expire September 30, 2026. The CR signed on September 2, 2026 included extensions of the SFR Act and Trust Fund through December 11, 2026, covering 72 days, or approximately 20% of Fiscal Year (FY) 2027. Without reauthorization prior to December 11, 2026, this critical source of federal funding will no longer be available to state agencies like the Michigan DNR to support recreational fishing and boating.

## Pending Litigation

**Massachusetts vs U.S. Department of Agriculture - Standardized Grant Terms & Conditions**
A coalition of 21 state Attorneys General—led by Massachusetts, California, Illinois, and Wisconsin—filed *Massachusetts et al. v. U.S. Department of Agriculture et al.*, No. 1:26-cv-11396, in the U.S. District Court for the District of Massachusetts on March 23, 2026. The lawsuit challenges provisions in USDA's newly standardized General Terms and Conditions (GT&Cs), adopted through Secretary Rollins's December 31, 2025 memorandum and implemented beginning February 14, 2026. The states argue they are faced with an unlawful choice of accepting conditions that are ambiguous and procedurally and substantially contrary to law or risk the loss of federal assistance.

**New Jersey vs. U.S. Office of Management and Budget – Administrative Procedure Act – Uniform Guidance Termination Clause**
New Jersey, joined by a coalition of 22 states, filed suit against the U.S. Office of Management and Budget (OMB), challenging the federal "Termination Clause" in 2 C.F.R. § 200.340. The clause had been used by the Trump Administration to cancel already awarded federal grants based on newly adopted agency priorities. The case, *State of New Jersey et al. v. U.S. Office of Management and Budget et al.*, No. 1:25-cv-11816, was filed in the U.S. District Court for the District of Massachusetts on July 17, 2026. The states argue that this practice violates the Administrative Procedure Act because federal agencies cannot retroactively change their priorities to justify terminating grants that Congress has already funded.

# Department of Environment, Great Lakes, and Energy

**Section 225 Boilerplate Report - Department of Environment, Great Lakes, and Energy Responses**

Responses are for the time period of January 1, 2025 - August 1, 2026.

| EGLE Division* | Question 1 | Have their been any Federal Policy Changes that affect the division's operations (e.g., funding, mandates, scope of work)? Only report finalized changes. Provide a brief summary of the change. | What is the estimated operational/revenue impact (dollar amount or % change)? | Provide the effective date of each federal change. | Federal change/action (i.e., Federal Rulemaking, Executive Order, Appropriation Bill) |
|---|---|---|---|---|---|
| AQD | 1 | The U.S. Environmental Protection Agency (USEPA) revised its interpretation of "begin actual construction" under the New Source Review (NSR) program and announced plans to pursue regulatory revisions, providing greater flexibility for project planning prior to permit issuance. | N/A | 9/9/2025 | Begin Actual Construction Guidance (NSR) |
| AQD | 2 | The USEPA updated its policy on reactivating previously shut down or idled emissions units under the NSR program. | N/A | 9/18/2025 | NSR Reactivation Policy |
| AQD | 3 | The USEPA reaffirmed that permitting authorities generally should not require resubmission or re-review of unchanged permit terms during renewals and should focus on new applicable requirements and substantive changes. | N/A | 4/16/2026 | Title V Permit Renewal Guidance |
| AQD | 4 | The USEPA clarified that public review may occur concurrently, encouraged expedited USEPA review, and promoted streamlined permitting processing to reduce unnecessary delays. | N/A | 5/11/2026 | Title V Operating Permit Review Streamlining Guidance |
| AQD | 5 | The USEPA clarified that Nonattainment NSR permits may be issued before required emission reduction credits (ERCs) are obtained if enforceable permit conditions are in place. Although the USEPA encourages greater flexibility in ERC implementation, Michigan has historically had limited reliance on ERC banking and trading, making the practical implications for the AQD implementation uncertain. | N/A | 7/1/2026 | Nonattainment NSR ERC Guidance |

## Department of Environment, Great Lakes, and Energy

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|---|---|---|---|---|---|
| AQD | 6 | This repeal eliminates the federal legal basis under the Clean Air Act for regulating greenhouse gas emissions. | N/A | 2/12/2026 | Endangerment Finding Repeal |
| GRMD | 7 | Removal of requirements to submit and seek U.S. Department of the Interior (USDOI) approval regarding the Endangered Species Act (ESA)/National Historical Preservation Act (NHPA) prior to initiating any Orphan Well Plugging operations funded by the Bipartisan Infrastructure Law (BIL). | Difficult to estimate. Actual cost to have the base assessments completed would have cost approximately $350,000, but this does not account for additional investigations and reporting if needed. Also, the BIL grants have expiration dates and the USDOI was not approving state projects, so the grants could have expired and would have been a loss of approximately $65,000,000. | July 2025 | The Federal ESA and NHPA approval requirements from the USDOI were removed in July 2025, allowing states to follow mature, established, state-specific ESA and NHPA requirements. |
| GRMD | 8 | Two federal shutdowns temporarily halted approval of wage rates. Approval processes resumed once shutdowns ended. | Same potential loss of up to $65,000,000. | 2025 and Spring 2026 | Suspension of federal operations due to government shutdowns. |
| MMD | 9 | The USEPA issued a termination of award notice and revised assistance agreement for MI Solar for All (MI SFA). All MI SFA work ceased, including execution of grant agreements with 13 pilot awardees. MI SFA staff were reassigned or left EGLE. EGLE continues to submit required reports while contesting the termination with the Department of Attorney General. | On 8/11/2026, the USEPA removed $144,560,283.65 from EGLE's MI SFA ASAP account (93.4% of account balance). EGLE's remaining $9,990,076.28 cannot be used due to program termination. | 8/7/2025 | MI Solar for All - Termination of Award from the USEPA and revised Assistance Amendment. |
| MMD | 10 | The U.S. Department of Energy (USDOE) issued two program notices for the 50121 HOMES and 50122 HEAR programs under the Home Energy Rebates program. These program guidance changes required Michigan to implement program changes 8/31/2026. The new program guidance changes the scope of work for both programs, the 50122 HEAR program saw major changes, now only electric to electric appliance updates are allowed. EGLE is revising program designs of both programs accordingly for USDOE approval prior to implementation. Some currently allowable projects will be disallowed under updated guidance, but demand is expected to remain sufficient to fully utilize funding. | None - scope of work changes but revenue remains unaffected. | 5/29/2026 | USDOE Home Energy Rebates Program Notice 26-1 for 50121 (HOMES/efficiency rebates) and Home Energy Rebates Program Notice 26-2 for 50122 (HEAR/electrification rebates). |

## Department of Environment, Great Lakes, and Energy

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|---|---|---|---|---|---|
| RRD | 11 | Defense-State Memorandum of Agreement (DSMOA) Cooperative Agreement (CA) - Section C. Termination: Termination of award in part or as a whole, unilaterally, for what appears to be any reason, if the federal government does not find the efforts, work, and use have been adequate or meet interests established. | Efforts to protect human health and the environment at federal sites within the DSMOA would be halted or changed in ways that would drastically change protections and involvement from the state. Up to a 70% change in where staff work time is funded for approximately 6 FTEs who spend a majority of their time on DSMOA projects. This is partially occurring now due to a suspension of DSMOA reimbursement activities. | 7/1/2026 for CA; 7/31/2026 for suspension | DSMOA CA 2026-2028 |

## Department of Environment, Great Lakes, and Energy

| EGLE Division* | Question 2 | Please describe any Federal Policy changes that affect any of EGLE's regulated entities. Only report finalized changes. Provide a brief summary of the change. | What is the estimated impact to EGLE's regulated entitles (industries, communities)? | Provide the effective date of each federal change. | Federal change/action (i.e., Federal Rulemaking, Executive Order, Appropriation Bill) |
|---|---|---|---|---|---|
| GRMD | 1 | Removal of requirements to submit and seek USDOI approval regarding the ESA/NHPA prior to initiating any Orphan Well Plugging operations funded by the BIL. | Michigan and more than 30 other states receiving BIL funds for plugging orphan wells and dismantling associated infrastructure in the fall of 2022 addressed tens of thousands of wells across the United States in 2023 to 2024. In early 2024 work came to a near standstill after the USDOI required ESA and NHPA approval prior to conducting any on-site work. Michigan plugged hundreds of wells during 2023-2024 but was able to plug only two wells in over a year while seeking USDOI approval. The July 2025 change allowed states to resume work. Thousands of leaking wells are now being plugged, contamination removed, and properties returned to beneficial use, improving environmental quality (air, soil, and water), property values, job creation, and tax revenue for the state. | July 2025 | Removal of ESA and NHPA approval requirements by the USDOI. |
| GRMD | 2 | Government Shutdowns | BII-funded orphan well projects must comply with Davis-Bacon prevailing wage requirements. Because well plugging was not historically classified as “construction,” counties did not have pre-approved wage rates, requiring Michigan to obtain rates from the U.S. Department of Labor (USDOL) before bidding or beginning projects. During federal shutdowns, USDOL operations ceased, preventing Michigan from obtaining required wage determinations. This halted bidding, awarding, and initiation of certain projects until wage-rate approvals resumed after the shutdowns ended. | 2025 and Spring 2026 | Suspension of federal operations due to government shutdowns. |

## Department of Environment, Great Lakes, and Energy

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|---|---|---|---|---|---|
| MMD | 3 | Executive Order 14300 - Reform of the U.S. Nuclear Regulatory Commission's (USNRC) Culture, Structure, and Regulations | The USNRC has been engaged in rulemaking and reform since Executive Order 14300 was issued. In essence, the USNRC is changing its underlying approach to the regulation of radioactive materials and standards for radiation protection. This will impact around 330 USNRC licensees in the state, including medical, academic, research, nuclear power, and general industrial users. The impact will be far-reaching across all radioactive materials users and is expected to accelerate the deployment of advanced nuclear technologies, including new nuclear reactors, some of which will be portable by rail and road. Numerous professional groups and organizations are currently working to assess the proposed changes and their impacts. | 5/23/2025 | Executive Order 14300 |

## Department of Environment, Great Lakes, and Energy

| | | | | | |
|---|---|---|---|---|---|
| RRD | 4 | Disownment of USEPA's Integrated Risk Information System (IRIS) that creates hazard and dope-response assessment for chemicals | This change introduces greater flexibility, but also uncertainty, into the Superfund risk assessment and cleanup process and EGLE's development of cleanup criteria under Part 201, Environmental Remediation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. Part 201 and Superfund have historically relied on IRIS values as a consistent, centralized source for establishing risk-based cleanup levels; under the new approach, USEPA program offices may have greater discretion to consider state, industry, international, and other scientific data when selecting toxicity values. This could allow the USEPA to use more current or site-specific information and potentially expedite some cleanups, but it may also increase the potential for differing toxicity values among sites, additional evaluation of competing studies, and greater opportunities for potentially responsible parties to challenge the data supporting cleanup levels. It will affect future risk assessments, particularly during the Remedial Investigation/Feasibility Study and development of cleanup levels, and what guidance the USEPA ultimately provides for selecting, evaluating, and documenting alternative toxicity information. It increases support of the agency's (EGLE's) burden during the CERCLA process. It also places extra scrutiny on the reliability of the Part 201 criteria and weakens EGLE's ability to defend these standards. | 4/27/2026 | Internal USEPA Memo from the Deputy Administrator based on Executive Order 14303, "Restoring Gold Standard Science," signed on May 23, 2025 |

## Department of Environment, Great Lakes, and Energy

| EGLE Division* | Question 3 | Are there any changes in Federal Policy that created a regulatory gap in your division that could negatively impact the public? Only report finalized changes. Provide a brief summary of the change. | What is the estimated impact to EGLE's regulated entitles (industries, communities)? | Provide the effective date of each federal change. | Federal change/action (i.e., Federal Rulemaking, Executive Order, Appropriation Bill) | Are there ongoing or planned mitigation steps or policy responses to address these changes or gaps? Please describe. |
|---|---|---|---|---|---|---|
| N/A | | N/A | N/A | N/A | N/A | N/A |

*EGLE Division:
AQD - Air Quality Division
GRMD - Geologic Resources Management Division
MMD - Materials Management Division
RRD - Remediation and Redevelopment Division

# Federal Policy Changes

## Fiscal Year 2026

Pursuant to Section 259 of PA 22 of 2025, Article 10

## August 28, 2026

**Prepared by:**

## Finance & Administrative Services

## In Coordination with LARA's Bureaus and Agencies

GRETCHEN WHITMER
GOVERNOR

MARLON I. BROWN, DPA
DIRECTOR

## Executive Summary:

The *Federal Policy Changes Report* for 2026 contains reporting requirements which are mandated pursuant to Section 259 of Public Act 22 of 2025, Article 10.

Section 259 of Public Act 22 of 2025, Article 10 requires the following:

> ***Sec. 259. The department must provide an annual report to the standard report recipients detailing federal policy changes that do, or are expected to do, any of the following:***
>
> ***(a) Affect the operations of the department, including reductions in federal revenue.***
> ***(b) Affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department.***
> ***(c) Create a regulatory gap that could negatively impact the public.***

Pursuant to these requirements, this report has been prepared and issued electronically to the standard report recipients, to meet the annual reporting requirements. In addition, this report is also posted online at www.michigan.gov/laralegreports, under *FY 2026 LARA Boilerplate Reports.*

## BUREAU OF SURVEY AND CERTIFICATION:

**Centers for Medicare and Medicaid Services (CMS) State Operations Manual Updates** (100-07 | CMS State Operations Manual) - Chapter 1 includes the following:

> **Section 1000 – Medicare and Medicaid - Background**
>
> "The Social Security Act (the Act) mandates the establishment of minimum health and safety and Clinical Laboratory Improvement Amendments standards that must be met by providers and suppliers participating in the Medicare and Medicaid programs. The Secretary of the Department of Health and Human Services (DHHS) has designated CMS to administer the standards compliance aspects of these programs."
>
> **Section 1004 – Title XVIII Agreements with States**
>
> "Agreements between the Secretary and the various States, territories, and the District of Columbia stipulate that State Agencies (SA) designated by the Governors are responsible for the performance of the certification functions created by §1864 of the Act, that the designated agencies will keep necessary and appropriate records to be furnished as required by delegates of the Secretary, and that they will employ management methods, personnel procedures, equal opportunity policies, and merit systems procedures in accordance with agreed upon or established practices. The Secretary agrees to provide funds for the reasonable and necessary costs to the States to perform the functions authorized by the agreements."

In FY25 the Secretary of the Department of Health and Human Services agreed to provide funds in the amount of $12,891,235 for the Bureau of Survey and Certification (BSC) to perform the functions authorized by the agreement. In FY26 the Secretary agreed to provide $12,451,690 in funds for BSC to perform the functions authorized by the agreement. The funds that are provided by the Secretary are appropriated in the State budget in the "HHS-Medicare certification of health care providers and sup" fund under the "Bureau of survey and certification" appropriation. The reduction in federal funds authorized has impacted the ability for BSC to maintain the same level of employees to perform these functions without additional state funding, in turn impacting the public.

Despite continuous insufficient funding for costs associated with baseline functions, Centers for Medicare and Medicaid Services continue to mandate states to perform additional survey and certification activities. Pursuant to CMS memo (QSO 18-12-Deemed Providers/Suppliers), effective May 25, 2026, accrediting organizations (AO) are now required to refer all complaints they've received and triaged as Immediate Jeopardy (IJ) to the SA for review. If the SA confirms the complaint rises to the level of IJ, the SA is now required to investigate the complaint rather than the AO. There is also additional administrative burden placed on the SAs to retain lower severity complaints received while a provider is under temporary jurisdiction of the SA and transfer them to the AO once deemed status has been restored.

Additionally, pursuant to revisions in chapter 5 of the CMS State Operations Manual, SAs are required to enter all facility-reported incidents into the CMS Internet Quality Improvement and Evaluation System (iQIES) database. Because CMS does not permit state databases to interface with the federal database, manual data entry is required. Previously, only facility reported incidents that required investigation by the SA were required to be entered into the iQIES database. The revised requirement has resulted in a 44% increase in data entry, placing further burden on staff to complete mandatory tasks within CMS timeframes. (Complaint and facility reported incident volume report for CY 24 and 25 was retrieved from the iQIES database on 06/10/26.)

The FY26 43-day shutdown further compromised survey and certification activities. On October 2nd, CMS issued guidance to SAs, including BSC, which outlined mandated survey and certification activities for the duration of the shutdown. The memo, QSO-26-01-ALL, restricted SAs to completing only those functions that are deemed essential and include credible complaint investigations that allege immediate jeopardy or harm to an individual and survey activities for facilities facing imminent termination. Once the shutdown was lifted, SAs were responsible for completing the backlog of work accumulated during the shutdown within CMS timeframes. BSC completed over 200 backlogged inspections and investigations in addition to the current workload. On 11/14/25, states received notice that Congress passed a continuing resolution through January 30, 2026. As a result, states received funding that covered the entirety of quarter 1 (October 1–December 31), plus an additional 30 days. CMS did not notify states of their total FY26 baseline award until the end of February 2026, which was $439,545 less than previously indicated for FY26. The reduction in baseline award further compromised the bureau's ability to complete an increasing workload.

## BUREAU OF PROFESSIONAL LICENSING:

**Federal Marijuana Rescheduling** (21 CFR Parts 1300, 1301, 1308, and 1312 and executive order) As of April 28, 2026, the federal government issued an executive order, rescheduling the Food and Drug Administration approved marijuana products and state-licensed medical marijuana from a Schedule I to a Schedule III drugs. Additionally, the Drug Enforcement Administration (DEA) is holding formal administrative hearings from June 29, 2026, to no later than July 15, 2026, to consider whether adult-use marijuana should be moved from Schedule I to a Schedule II drug. The above changes have the potential to move more marijuana products into the existing regulatory scheme and oversight that exists for drugs that are scheduled from schedules II-V. (Use this link for an explanation of drug schedules Drug Scheduling)

**Financial Aid Tied to Professional Degrees** (34 CFR Parts 674, 682, and 685) – Provisions contained in the federal One Big Beautiful Bill Act (OBBA) placed limits on the amount of

financial aid individuals can borrow towards completion of professional degrees. Professional degrees are associated with many of the professions that Bureau of Professional Licensing (BPL) licenses. Professional and trade organizations associated with many professions have shared their concerns with the Bureau that these borrowing limits will adversely impact these professions that require advanced training and education, exacerbating workforce shortages in critical fields. (Use this link to compare loan limits effective July 1, 2026. One Big Beautiful Bill Act – Important Definitions | Federal Student Aid)

**Americans with Disabilities Act Changes** (28 CFR Part 35) – The Department of Justice (DOJ) recently updated requirements associated with the Americans with Disabilities Act to require state governments to make digital content accessible by meeting the Web Content Accessibility Guidelines version 2.1 standards. BPL is currently in the process of updating public facing documents and media so that it is in compliance with the new standards, which are set to take effect on April 26, 2027. (Use this link to ADA.gov for first steps toward compliance, Changes to the ADA Title II Rule)

**DEA Telemedicine Flexibilities** (21 CFR Part 1307) – The fourth temporary extension of COVID-19 telemedicine flexibilities for controlled substance prescriptions is valid through December 31, 2026. The extension allows health licensees to prescribe schedule II-V controlled substances, including buprenorphine, via telehealth without an initial in-person visit. If another extension is not provided, it is possible that patients and practitioners may need to provide new accommodations for in-person care. (Use this link for the DEA press release, DEA Extends Telemedicine Flexibilities to Ensure Continued Access to Care)

**Veterans' Health Administration (VHA) Prescription Drug Monitoring Program (PDMP) Access Expansion** (38 CFR Part 1) – There is a proposed rule to largely redefine PDMP delegate users at the VHA and clarify federal statutory definitions, as well as mandating access to PDMPs.

- Note – the National Association of State Controlled Substances Authorities, Prescription Monitoring Committee, the National Association of Boards of Pharmacy, and the Prescription Monitoring Program InterConnect Federal Affairs subcommittee are working together to respond/comment on the Rule.

**Court Case on Contraceptives** (Supreme Court of the United States - Case No 26-30203) – In May of 2026, the U.S. Supreme Court issued an emergency order in *State of Louisiana v. U.S. Food and Drug Administration*, that placed an indefinite stay on a 5th Circuit Ruling, which would have banned mail-order and telehealth mifepristone access in Michigan. As the case moves

through the legal process, a future judgement may affirm the stay or require mifepristone to only be accessible through in-person appointments with physicians.

**Court Case on Conversion Therapy** – In December of 2025, the U.S. Sixth Circuit Court of Appeals ruled in *Catholic Charities of Jackson, Lenawee, and Hillsdale Counties v. Whitmer*, (Sixth Circuit Court of Appeals Ruling) that Michigan's ban on conversion therapy violates the First Amendment rights of Catholic counselors. Further, in March of 2026, the U.S. Supreme Court ruled against a conversion therapy ban in Colorado in *Chiles v. Salazar* (Supreme Court of the United States - Case No 24-539), finding that such therapy is protected by the First Amendment. Both cases have led to a pause in enforcement of Public Acts 117 and 118 of 2023.

## MICHIGAN PUBLIC SERVICE COMMISSION:

**Provisions Affecting the Electric Power Industry** (Analysis: Energy Provisions • Energy Innovation by Energy Innovation) - The One Big Beautiful Bill Act included a number of provisions that affected the electric power industry, including accelerating the phase-out of tax credits for wind and solar installations and repealing other credits for electric vehicles, rooftop solar projects, and home battery installations, among other changes. Taken together, these changes are projected to increase wholesale electricity prices by 25% by 2030 and 74% by 2035 and increase average residential electric rates by 9-18% by 2035, exacerbating challenges relating to the affordability of energy services.

**Tariffs and the Energy Sector** (Electric Supply Chain Study by Wood Mackenzie) - During the first year of the current administration, President Trump imposed a number of tariffs and other measures affecting our trading relationships with other countries. These measures, as well as the retaliatory actions taken by our trading partners, significantly impact the cost of a broad range of goods, including in the energy sector. The ultimate effect of these measures will largely depend on which tariff policies remain in effect, but projected tariff-related increases for common electrical equipment range from 8.4% increases for breakers to 14.7% increases in the cost of distribution transformers, and tariffs are also projected to add cost to electric generation projects, including 5.1-11.2% increases in cost for combined cycle gas plants, 4.2-12.8% increases in cost for wind and solar projects, and 4.9-22.7% increases in cost for battery storage projects, all of which will add additional upward pressure on electric rates and customer bills, and further exacerbate challenges relating to the affordability of energy services.

## Department of Labor and Economic Opportunity

| Federal policy change | Division responsible for administering or interpreting change | Impact on Department's services or operations. | Impact on Department's revenue | Impact on Stakeholders | Number of people impacted by the policy change | Regulatory Gaps | Other Notes / links |
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| Termination of the Digital Equity Capacity Grant Program. Terminated May 9, 2025 | Michigan High-Speed Internet Office (MIHI) | MIHI had designed and begun to implement Michigan's Inclusive Training, Technology, and Equity Network (MITTEN) program using the digital equity capacity grant funds and had made subgrants to local and regional entities to support digital navigators and regional capacity building. | Terminated $10.3M in funding from the Digital Equity Act (part of the Infrastructure Investment and Jobs Act (IIJA)) | Termination of funding impacted an estimated 97 jobs and canceled 53 projects throughout the state. Projects would have impacted education, workforce, healthcare, cybersecurity, and civic engagement. | An estimated 43,500 people would have been served by the projects that were terminated. | | |
| Broadband Equity, Access, and Deployment (BEAD) Revised Policy Notice (RPN). Release June 6, 2025. | Michigan High-Speed Internet Office | MIHI spent three years designing the subgrantee selection process for the BEAD program and conducted one grant round before the policy notice was released. Policy notice forced the state to change the program and operate a new grant application round. | MIHI incurred an estimated $3M in additional administrative funds to implement the RPN. | The RPN likely imposed tens of millions in costs on BEAD applicants including $1-$2 million in duplicative application, engineering, financial, legal, and administrative work, $20-$40 million in deferred provider cash flow and capital opportunity costs, and potentially tens of millions more in foregone project value. Taken together, a reasonable estimate is that the RPN imposed at least $20-$40 million in private-sector costs, with total impacts potentially exceeding $50 million. | Approximately 47,000 locations (homes and businesses) are still unserved/underserved by broadband infrastructure due to the revised policy notice and time delays in implementing the program due to its restructuring. | | Recent guidance from NTIA provided long-awaited direction on roughly $92M of Michigan's outstanding BEAD funding, but we are still awaiting guidance on nearly $400M in remaining non-deployment BEAD funding awarded to Michigan. The recent guidance states, "Other uses of BEAD funding will be addressed in subsequent guidance," but it gives no date on when that may be. LEO's MIHI office planned to use these funds to expand mobile broadband coverage in rural areas, connect community anchor institutions, address broadband adoption challenges, and several other uses in line with those stated in the Infrastructure Investment and Jobs Act. |
| Training and Employment Guidance Letter (TEGL) No. 23-19, Change (C) 3 | Workforce Development (WD)-Talent Development Division (TDD) | TEGL 23-19, C3 provides updated guidance for validating required performance data submitted by grant recipients of USDOL workforce programs. The primary concerns are the elimination of self-attestation as source documentation for date of birth (DOB) and low-income status at program entry. This will significantly impact the data validation process at the state and local level, as well as the ability of job seekers with the most barriers to receive services. | There is not an immediate impact to funding, but future funding could be impacted if number of individuals served and services to those most in need are limited. | LEO-WD has been and will continue to provide technical assistance on the changes in TEGL 23-19 C3, and this change has required significant time and effort by the Michigan Works! Agencies to understand the impact on local document collection and storage requirements. | This new requirement is primarily a concern for Wagner-Peyser (WP) Participants. In program year (PY) 2024, a total of 233,463 individuals participated in WP in Michigan. Michigan's management information system does not have electronic document storage. Collecting, storing, and maintaining source documentation for Wagner-Peyser participants in compliance with TEGL 23-19, Change 3, is conservatively estimated to require 77,821 hours, equating to 9,728 business days (20 minutes per participant x 233,463 participants) and cost a minimum of $3,190,661 at the local, Michigan Works! Agency (MWA), level. This figure is based on a survey of wage and benefit rates conducted in 2024. These estimates do not include costs associated with state and local monitoring data validation compliance.<br>The additional cost of ongoing file maintenance and storage, as required in TEGL 23-19, Change 3, is unknown. Since WP has no eligibility requirements, producing a DOB document for WP participants serves only the purpose of complying with TEGL 23-19, Change 3. | This guidance has created uncertainty and confusion at both the state and local level, as the source documentation for data validation does not consistently align with acceptable eligibility documentation. | |
| Workforce Pell (Expansion of traditional Pell to cover short term training programs provided under HR 1, OBBB Act) 91 FR 29254 | Employment & Training (E&T) Operations/ WD Targeted Services Division (WD-TSD) | Costs to develop policy, procedure, compliance, systems development, and communications strategies. | No federal funding provided to implement program. | Benefit to students pursuing short term training and employers looking for trained workers. Training providers may incur costs to modify or develop eligible programs. | Unknown. LEO and MILEAP are working closely with existing and potential training providers to educate them on this opportunity as well as develop eligible programs. | | |
| Medicaid Work Requirements effective 1-1-27. HR 1 One Big Beautiful Bill Act of 2025 (Public Law 11921) | WD-TSD | Will result in thousands of increased referrals of Medicaid beneficiaries subject to work requirement. These individuals will be served by Michigan Works! Agencies with case management services. | Significant increased costs to the state due to the minimally funded mandate resulting in increased number of E&T program referrals/participants to Michigan Works! Agencies. | Will result in hundreds of thousands of Medicaid beneficiaries subject to requirements. Many beneficiaries could lose benefits for lack of participation, if not otherwise exempt. | Between 300,000 and 700,000 Medicaid beneficiaries | None | Budget allocation received, planning and implementation phase has begun to enhance referral outreach, integrate systems, develop frontline resources for impacted beneficiaries referred to Michigan Works! Agencies. |
| Training and Employment Notice 09-25 Issued May 18, 2026 | WD-TSD | U.S. Employment and Training Administration (ETA) temporarily not enforcing a number of federal regulations that will impact services to temporary and seasonal agricultural workers and employers. | If states adopt the suspension, they may see cost savings in the immediate future. However, that will have an adverse impact for formula funding in future allocations. | ETA is temporarily suspending enforcement of the provision of employment services provided via the One-Stop system. | Up to 97,000 agricultural workers and over 300 agricultural employers. | Currently "temporary", agricultural workers will see little to no enforcement of services and worker protection standards. | Agricultural workers already face heat stress, chemical exposure, physical strain, low pay, isolation, fear, and poor housing. Suspending requirements, may worsen conditions for workers and employers alike. |

## Department of Labor and Economic Opportunity

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| U.S. Department of Labor (USDOL) Veterans' Employment and Training Service (VETS) Grant Officer (GO) MEMO 03-26: New Jobs for Veterans State Grants Eligible Populations: Surviving Spouses<br><br>"In addition to the previously mentioned populations, the Consolidated Appropriations Act, 2026, also includes the following two new groups: surviving spouses of individuals who died while serving as members of the Armed Forces, and surviving spouses of individuals who died as a result of a service-connected disability." | WD-TSD | Requires Jobs for Veterans State Grants (JVSG) staff to serve a new population and alleviates some screening for a pre-existing JVSG population as described. | Increased number of participants served with the same budget, will likely limit the case management capacity for existing staff, dependent on number of new customers to be served. | Both surviving spouse populations can now be served by LEO's Veterans' Employment Services ((VES) (JVSG program staff)). | Unknown, still researching the potential impact of serving this small but deserving population. | None identified at the moment. | GO Memo 03-26 Serving Surviving Spouses |
| Training and Employment Guidance Letter No. 1023: Change 3: Rescission of Training and Employment Guidance Letter No. 10-23, Change 2: *Work Authorization Verification in Grant Programs Administered by the Employment and Training Administration* | WD-TSD, TDD, and Industry Engagement | Change 3 pauses Change 2 resulting in streamlined intake, eligibility, data validation, and documentation for the Workforce Innovation and Opportunity Act (WIOA) and related grant programs. Enhances equitable and timely access to career services and training. | Retention of formula and competitive funding based on participant eligibility for employment services and career training. | Fully rescinds the work-authorization verification requirement established under Change 2.<br><br>Restores previous practices; grantees no longer need to charge participants for proof-of-eligibility processes. | Program participants regain broader access without stringent work-authorization verification. May include H-2A/B, CW-1 workers previously excluded.<br><br>State/local grantees gain flexibility in determining verification practices. | Temporary regulatory change creates uncertainty | State monitor advocate & Agricultural & Foreign Labor Services are ready for changes as they occur |
| Executive Order 14238 | Bureau of Employment Relations-Mediation Division | The scaling back of the federal mediators (FMCS) on March 25, 2025 was anticipated to create an increase in workload for MERC staff. | None | None | Unknown | None | |
| Full government shutdown in Fall 2025 | Office of Rural Prosperity (ORP) | Delayed implementation of U.S. Department of Agriculture's (USDA) Community Facilities Technical Assistance and Training grant. | | Delayed delivery of technical assistance services to Michigan's rural communities. | N/A | N/A | |
| H.R. 1 | Office of Rural Prosperity | Creates new grant-administration responsibilities for ORP related to approximately $15 million in new federal funding to be administered by ORP. | Provides approximately $15 million in new federal funding to be administered by ORP. | Inflicts severe financial strain on rural hospitals by enacting significant Medicaid and Affordable Care Act funding reductions. | N/A | N/A | https://www.michigan.gov/mdhhs/assistance-programs/medicaid/rural-health-transformation-program |
| Build America Buy America (BABA) | Office of Rural Prosperity | No direct operational impact for ORP. | No direct reduction in LEO revenue; the impact is primarily higher project costs and reduced purchasing power of existing federal funds. | Causes delays and higher costs for federally funded housing and infrastructure projects. | N/A | N/A | https://www.commerce.gov/oam/build-america-buy-america |
| Build America Buy America (Infrastructure Investment and Jobs Act, PL No. 117-58) | MSHDA administers several federal programs such as Community Development Block Grant (CDBG), HOME, and Housing Trust Fund (HTF) which requires BABA tracking and reporting for all project activities. These programs cover multiple divisions. | Increased data compilation and grant management system data entry by grantees to get reimbursed for expenditures.<br><br>Additional staff time to collect and review/verify data accuracy. Waiver process with HUD is time consuming, complex, and creates uncertainty for both MSHDA and stakeholders. | Cost to create and implement new process within electronic database. | Increased construction costs and time delays for contractors (re: sourcing and reporting) | Unknown<br>As an example, the CDBG portfolio consists of approximately 40 grants annually which assist low- and moderate-income households with housing needs. Other U.S. Department of Housing and Urban Development (HUD) programs like HOME and Housing Trust Fund are also impacted by this policy but more challenging to quantify. | Inconsistent interpretations between interested parties causes delays in policy development. New complex process creates uncertainty in projects and makes resources less effective. | |
| HUD grant issuance cycle: no longer consistently released in early fall, for the next year. Some grant programs don't issue agreements until months into the fiscal year. | MSHDA divisions making federal grants. | Makes budgeting and planning (for internal and external stakeholders) very unpredictable | Federal notice of funding opportunities (NOFOs) and agreements typically bring "administrative" revenue.<br>Unpredictable funding leads to further uncertainty. | Makes budgeting and planning very unpredictable and challenging. | It impacts the ability for state and local agencies to consistently build/retain staffing capacity due to the unpredictability of funding. | Internal and external partners can no longer predict when programs will begin. | |
| Federal Executive Orders (EOs) and contents of Federal grant agreements | All MSHDA divisions making federal grants. | To date, there have been 46 Federal Executive Orders issued. This introduces consistent uncertainty and inefficiency across MSHDA. | Difficult to determine given the constant amount of change. | Inconsistent federal instruction, complicated by lawsuits over the EO's and Grants, which disrupts housing programs | Unknown | Internal and external stakeholders receive inconsistent instruction. | Numerous lawsuits over EO's and the contents of grant terms (e.g., SAVE Act) bring unpredictability. |

## Department of Labor and Economic Opportunity

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| HUD Continuum of Care (CoC) FY26 NOFO | MSHDA - Homeless Solutions/Legal | N/A: MSHDA is a passthrough entity for the Balance of State CoC | N/A: MSHDA is a passthrough entity for the Balance of State CoC | Michigan receives over $100M in HUD CoC funding annually, primarily going directly to the CoC/homeless service agencies. Delays in the reissue of the NOFO and award of funds prolong timelines for funds to be distributed. This causes extreme uncertainty for Permanent Supportive Housing (PSH) projects that rely on service funding to support tenant populations. This uncertainty is also deterring Low-Income Housing Tax Credit (LIHTC) investors making new PSH projects infeasible or extremely difficult to finance. | TBD: up to 4,000 families could lose their housing assistance – thus re-entering homelessness. | Although previous NOFOs centered on restricting permanent supportive housing and emphasizing transitional housing, future NOFOs may rebuild around similar contentious provisions. CoCs and providers must prepare for sudden shifts in funding priorities, capacity thresholds, and submission criteria. | Under the current state budget signed by Governor Whitmer includes $4m to fill a potential gap in funding. |
| 21st Century ROAD to Housing Act | MSHDA - This comprehensive legislation was recently enacted with a wide range of implications spanning almost the entire Authority. | Reauthorizes the HOME program.<br><br>Streamlines the environmental review process<br><br>Simplifies manufactured housing requirements.<br><br>Creates a variety of Pilot programs (not currently funded by the HUD budget).<br><br>Prohibits large institutional investors from continuing to purchase large amounts of single-family homes | While many new pilot programs are viewed as positive, they are not presently in the HUD budget. Congress will need to appropriate funds going forward. This could have a positive impact as MSHDA would likely be involved in this new work. | This legislation has an impact on many stakeholders, developers, investors, financial institutions, local communities and states. | Unknown | Unknown | Full impact of the legislation is still unknown. There are a few portions that require HUD to issue additional guidance within 180 days of the bill's enactment. We are still awaiting additional guidance from HUD, |
| EO 14151 Ending Radical and Wasteful Government DEI Programs and Spending | Economic Transition Office | Delayed implementation of MI Supplier Conversion Grant Program. At the time, the Office was unclear if the program would return. DOE review took nearly one full year and the program lost an entire year for the period of performance. | Federal funding freeze, unable to draw down from the $22.6M award. | Manufacturers unable to apply for critical retooling funds. The program was ultimately reauthorized, but the EO resulted in some initial provisions from our application (like community benefits plans, metrics tracking for Justice40 communities, etc.) being stripped. The federal delay also resulted in our office not being able to obligate state matching funds awarded for the program through the Make It In Michigan Competitiveness Fund prior to the House cancelling those funds as a work project. This created a higher burden for vulnerable manufacturers to overcome to participate in the program. We know of several manufacturers who were interested in applying but ultimately chose not to due to the increased match obligations. | unknown | n/a | n/a |
| H.R. 6644 21st Century ROAD to Housing Act (became Public Law 119-101 on July 11, 2026) reformed the Community Development Block Grant-Disaster Recovery (CDBG-DR) program ensuring long-term disaster recovery resources to better address the needs of households and businesses following major disasters. | Michigan Economic Development Corporation (MEDC) Place Programs & Services, Federal Programs | The U.S. Department of Housing and Urban Development (HUD) must create formal CDBG-DR regulations within one year. Existing programs continue, but MEDC will need to align internal administrative processes with HUD's new standards. We expect shorter timelines will require faster coordination. | No new or guaranteed revenue; however, the Act establishes a dedicated CDBG-DR funding mechanism and increases the predictability of future disaster recovery funding. Currently, the authorization sunsets three years after enactment on July 11, 2029, but congress has the ability to support continued funding for presidential declared disasters. | We expect there will be a positive impact on stakeholders as beneficiaries have faster and more predictable access to disaster recovery resources. | Unknown – may vary based on eligible disasters. | Unknown - pending formal updates from HUD. | Prior to the ROAD Act, CDBG-DR was funded through disaster-specific supplemental appropriations. The ROAD Act changed that by creating a long-term disaster recovery fund within the Treasury. Legislators at both the State and Federal level continue to advocate and support federal appropriations to the State of Michigan for CDBG-DR program to assist those communities in the State impacted by past and future major disasters. |
| AmeriCorps grants cancellation | Economic Transition Office (hosted a MI Healthy Climate Corps fellow through EGLE program) | Initial grant termination impacted work led by our Climate Corps Fellow. | Limited impact. Program was covered by AmeriCorps excluding a modest host site fee. | Grant termination temporarily paused work on our office's community-facing efforts. | Directly impacted Climate Corps fellows. | n/a | |
| USDA NEPA Regulations (NEW) - eCFR :: 7 CFR Part 1b -- National Environment Policy Act | State Historic Preservation Office (SHPO) | These new regulations may reduce the amount of time SHPO has to review projects which would increase the administrative burden on staff. The early coordination requirements while good in theory will increase the workload at the staff level. | No fiscal impact. | This will reduce the amount of time Tribal Historic Preservation Offices (THPOs) have to review projects, adding to their already strained administrative burden. | Although SHPOs and THPOS staff numbers cannot be provided, there are 59 SHPOs and 235 THPOs across the US that would be impacted by this. | The U.S. Department of Agriculture's (USDA) engagement with SHPO will decrease through the use of Categorial Exclusions. The State, through the SHPO, will lose the opportunity to identify, evaluate and mitigate adverse effects on historic properties. | https://www.usda.gov/about-usda/news/press-releases/2026/04/07/usda-finalizes-historic-regulatory-reform-national-environmental-policy-act-final-rule |

## Department of Labor and Economic Opportunity

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| Hiring Freeze - Presidential Memoranda (1/20/25) | SHPO | Hiring freezes and staffing reductions in federal agencies have made it hard for SHPO to be timely in the work we do. The National Park Service (NPS) contacts we have had over the past 18 months have changed several times, making it hard to know who to contact. The decrease in institutional knowledge and professional staff that are training in cultural resource management have also complicated consultations with those federal agencies. | The hiring freezes over the past year have contributed to delays in grant awards from NPS. | These hiring freezes have had broad impacts on non-profits, local or state agencies who have applying for or using federal funding. | No accurate number can be provided, but this will impact all non-profits, local governments and state agencies who apply for or are using federal funding. | Impacts to project timelines and the delays in the work that SHPOs and other state agencies are doing with the federal government. | https://www.whitehouse.gov/presidential-actions/2025/01/hiring-freeze/ |
| Unleashing American Energy - EO 14154 | SHPO | Weakens Section 106 of the National Historic Preservation Act's (NHPA) reviews and compliance. Effectively the State of Michigan, through the SHPO will have no or limited ability to provide input on impacts to historic properties on federally funded or permitted projects. | No fiscal impact. | Changes to the NHPA's 36 CFR 800 implementing regulations as a result of this EO will significantly impact the Cultural Resource Management (CRM) sector of the workforce. If implemented the work that consulting firms do for federal agencies and grantees will significantly decrease. The revisions also remove the ability of the public and other stakeholders who may be impacted by federally funded projects from having a voice in the identification and evaluation of impacts to historic properties in their communities. | SHPOs and THPOs staff numbers cannot be provided, but there are 59 SHPOs and 235 THPOs across the US that would be impacted by this. | The State of Michigan, through the SHPO, will have no or limited ability to provide input on impacts to historic properties on federally funded or permitted projects. | https://www.whitehouse.gov/presidential-actions/2025/01/unleashing-american-energy/ |
| Declaring a National Energy Emergency – Presidential Action (1/20/25) | SHPO | Weakens Section 106 of the NHPA's reviews and compliance. Effectively the State of Michigan, through the SHPO will have no or limited ability to provide input on impacts to historic properties on federally funded or permitted projects. We have already seen some projects come to our office (Line 5 Pipeline) where this has been used. | No fiscal impact. | This will cut out public comment and consultation with THPOs. | SHPOs and THPOS staff numbers cannot be provided, but there are 59 SHPOs and 235 THPOs across the US that would be impacted by this. | N/A | https://www.whitehouse.gov/presidential-actions/2025/01/declaring-a-national-energy-emergency/ |
| Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs | SHPO | While this pause has since been lifted, in 2025 there was uncertainty regarding SHPO's annual Historic Preservation Fund (HPF) funding being awarded. There was a significant delay in receiving those funds, calling into question if we could continue to operate to the level we usually do. | There was and continues to be uncertainty around how federal grant funds are awarded. There are other policy and rule changes that are also adding to this uncertainty. SHPOs across the country depend on the annual HPF allocation to support the work that states are mandated to do under federal law. | These changes have had broad impacts on non-profit, local or state agencies who apply for or use federal funding. | Any non-profit, local or state agency who applies for or use federal funding. | Gaps in funding for critical programs for SHPOs and THPOs as well as non-profits, local and state agencies who apply for or use federal funding. | |
| Updating Permitting Technology for the 21st Century – Presidential Memoranda (4/15/25) | SHPO | The implementation of technology in facilitating project reviews is generally a good thing. However, each SHPO has its own process at the state level that accounts for the unique circumstances of each state. If SHPO was required to utilize a federal system, it could add to the administrative burden at the staff level. | With the implementation of new technologies, it may require staff training and resources to use these systems. SHPO is already working over capacity and is not sufficiently staffed to handle this type of change. | Similar impacts will be felt by THPO's and other local and state agencies as they try to learn and integrate into a new system(s). | Any non-profit, local or state agency who applies for or use federal funding. | The implementation of technology in facilitating project reviews is generally a good thing. However, parts of this initiative will include requesting access to SHPO databases which include highly sensitive information related to archaeological sites. This data is protected by state law and is restricted to prevent looting of these sites. | https://www.whitehouse.gov/presidential-actions/2025/04/updating-permitting-technology-for-the-21st-century/ |
| Extension of Hiring Freeze – Presidential Memoranda (4/17/25) | SHPO | Hiring freezes and staffing reductions in federal agencies has made it hard for SHPO to be timely in the work we do. The NPS contacts we have had over the past 18 months have changed several times, making it hard to know who to contact. The decrease in institutional knowledge and professional staff that are training in cultural resource management have also complicated consultations with those federal agencies. | The hiring freezes over the past year have contributed to delays in grant awards from NPS. | These hiring freezes have had broad impacts on non-profits, local or state agencies who have been applying for or using federal funding. | No accurate number can be provided, but this will impact all non-profits, local governments and state agencies who apply for or are using federal funding. | Impacts to project timelines and the delays in the work that SHPOs and other state agencies are doing with the federal government. | https://www.whitehouse.gov/presidential-actions/2025/04/extension-of-hiring-freeze/ |
| Department of the Interior Implements Emergency Permitting Procedures to Strengthen Domestic Energy Supply | SHPO | Will reduce the volume of Section 106 NHPA consultations on the Department of the Interior (DOI) funded projects as in an emergency they are only required to notify SHPOs and THPOs but do not need to consult as usual. | No impact. | This will cut out public comment and consultation with THPOs. | Numbers are not concrete, but it will impact 59 SHPOs and 235 THPOs across the US. | The State, through the SHPO, will lose the opportunity to identify, evaluate and mitigate adverse effects on historic properties. | https://www.doi.gov/pressreleases/department-interior-implements-emergency-permitting-procedures-strengthen-domestic |
| Improving Oversight of Federal Grantmaking -EO 14332 | SHPO | These changes have the potential to change how we apply for and manage federal grants we are awarded from the NPS. | The changes could impact how we apply for our annual HPF funding in the amount of $1.4 million which supports SHPO operations. It could impact SHPO on what grants we apply for to support the work we do. | These changes will have a broad impact on any non-profit, local or state agency who is applying for or using federal funding. | No accurate number can be provided, but this will impact all non-profits, local governments and state agencies who apply for or are using federal funding. | Could impact the amount of federal funding available to entities in Michigan. The changes also allow the federal agency to rescind grant awards for very broad and inconsistent reasons even after a grant agreement is executed. | https://www.whitehouse.gov/presidential-actions/2025/08/improving-oversight-of-federal-grantmaking/ |

## Department of Labor and Economic Opportunity

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| Removing Regulatory Barriers to Affordable Home Construction – EO 14394 | SHPO | These new regulations may reduce the amount of time SHPO has to review projects which would increase the administrative burden on staff. SHPO may not see as many projects as federal agencies may consider certain actions as not being applicable to the requirements of Section 106 of NHPA. | No fiscal impact. | This could reduce the amount of time THPOs have to review projects, adding to their already strained administrative burden. | Although SHPOs and THPOS staff numbers cannot be provided, there are 59 SHPOs and 235 THPOs across the US that would be impacted by this. | Federal agency engagement with SHPO will decrease through the use of Categorial Exclusions or determining that projects are not subject to the Section 106 regulations. The State, through the SHPO, may lose the opportunity to identify, evaluate and mitigate adverse effects to historic properties. | https://www.whitehouse.gov/presidential-actions/2026/03/removing-regulatory-barriers-to-affordable-home-construction/ |
| Department of Energy NEPA Procedures Revision | SHPO | These revised procedures for the National Environmental Policy Act (NEPA) in the U.S. Department of Energy (DOE) may reduce the amount of time SHPO has to review projects which would increase the administrative burden on staff. SHPO may not see as many projects as federal agencies may consider certain actions as not being applicable to the requirements of Section 106 of NHPA. | No fiscal impact. | This could reduce the amount of time THPOs have to review projects, adding to their already strained administrative burden. | Although SHPOs and THPOS staff numbers cannot be provided, there are 59 SHPOs and 235 THPOs across the US that would be impacted by this. | DOE engagement with SHPO could decrease through the use of Categorial Exclusions or determining that projects are not subject to the Section 106 regulations. The State, through the SHPO, may lose the opportunity to identify, evaluate and mitigate adverse effects to historic properties. | https://www.energy.gov/nepa/articles/doe-nepa-implementing-procedures-february-2026 |
| Proclamation 10895 & 10896 (February 10, 2025) – Section 232 Steel and Aluminum Tariffs (25%) | MEDC Market Growth and Attraction | Administrative functions were impacted by requiring staff to interpret the tariff and provide guidance to Michigan businesses. | No direct impact on revenue. | Steel and aluminum producers are supported while downstream industries face higher costs. | Nationwide impact across manufacturing sectors. | N/A | https://www.federalregister.gov/documents/2025/05/02/2025-07676/adoption-and-procedures-of-the-section-232-steel-and-aluminum-tariff-inclusions-process |
| Proclamation 10947 (June 3, 2025) – Section 232 Steel and Aluminum Tariffs (increased by 50%) | MEDC Market Growth and Attraction | Administrative functions were impacted by requiring staff to interpret the tariff and provide guidance to Michigan businesses. | No direct impact on revenue. | Steel and aluminum producers are supported while downstream industries face higher costs. (Note: the UK remains at 25%.) | Large portion of global steel and aluminum trade. | N/A | https://www.federalregister.gov/documents/2025/06/09/2025-10524/adjusting-imports-of-aluminum-and-steel-into-the-united-states |
| Proclamation 10908 (April 3, 2025) – Section 232 Tariffs on Cars and Parts | MEDC Market Growth and Attraction | Administrative functions were impacted by requiring staff to interpret the tariff and provide guidance to Michigan businesses. | No direct impact on revenue. | Cost increases for consumers and suppliers. | Millions of imported vehicles and associated components were impacted. | N/A | https://www.federalregister.gov/documents/2025/04/03/2025-05930/adjusting-imports-of-automobiles-and-automobile-parts-into-the-united-states |
| Proclamation 11032 (June 1, 2026) – Section 232 Tariff Regime on Steel, Aluminum, and Copper | MEDC Market Growth and Attraction | Administrative functions were impacted by requiring staff to interpret the tariff and provide guidance to Michigan businesses. | No direct impact on revenue. | Downstream sectors face increased costs. | Widespread industrial impact across manufacturing sectors. | N/A | https://www.federalregister.gov/documents/2026/06/04/2026-11314/further-adjusting-the-tariff-regimes-for-imports-of-aluminum-steel-and-copper-into-the-united-states |
| Small Business Administration (SBA) eligibility changes for 504 and 7(a) loan programs | MEDC Small Business Services | Administrative functions were impacted by requiring staff to interpret and provide guidance to Michigan businesses. | No direct impact on revenue | Small business owners applying for any SBA loan program must be U.S. citizens or U.S. nationals with their principal residence in the United States. | Widespread impacts on small businesses. | N/A | https://legacy.sba.gov/article/2026/03/09/sba-bans-foreign-nationals-accessing-sba-backed-loans |
| National Institutes of Health (NIH) policy on foreign subawards | MEDC Small Business Services | Administrative functions were impacted to update resource materials for Small Business Development Centers (SBDCs). | No direct impact on revenue. | Unknown | Policy rules apply to all new, renewal, and continuation awards | N/A | May 2025, the National Institutes of Health (NIH) announced that it would no longer be accepting new applications that request funds for foreign components using the traditional grant subaward/consortium structure. (See the May 8 memo on this topic.)<br><br>On September 12, the National Institutes of Health (NIH) issued a Notice on the New Application Structure for NIH-Funded International Collaborations (NOT-OD-25-155) to provide additional direction on how international collaborations will be structured in applications under the new foreign subawards policy announced in May 2025. |
| Modification of eligibility for the Advanced Manufacturing tax credit 45X removing wind energy components as eligible. (One Big Beautiful Bill Act or OBBBA) | MEDC Federal Programs | Expanded advisory role. | No direct impact on revenue | Manufacturers of these components can no longer take advantage of this credit which negatively affects their revenue. | Unknown | N/A | |

## Department of Labor and Economic Opportunity

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| Essentially ending the 48C qualifying advanced energy project credit (OBBBA) | MEDC Federal Programs | Expanded advisory role. | No direct impact on revenue | Clean-energy manufacturers and developers are impacted. Existing awardees face higher pressure to meet strict timelines, while companies that intend to apply in later rounds no longer have access to new funding opportunities. | Unknown | N/A | Pre-OBBBA, the pool of $10 billion of IRA funding would be increased by the amount of funds revoked from projects that initially received an allocation and certification but ultimately fail to meet certification requirements by not placing the project in service within two years of receiving certification. Under the OBBBA, however, any certification revocations would not increase the pool of available funding, eliminating the possibility of a third round of applications. |
| Termination of ARPA Equity Grant, UIPL 23-21, May 22, 2025 | UIA | Loss of grant funds for the purpose of increasing equity in access and, when eligible, benefit receipt. | Loss of $1,384,515.58 in grant funding | The plain-language forms were ultimately implemented over a year late as a direct result of the cancellation, delaying easier-to-understand access for claimants — particularly rural users, people with disabilities, older Michiganders, and those without a college degree. The loss of the data platform limits UIA's ability to inform policy makers and external stakeholders on the impact of policy changes going forward, i.e. tax rates and trust fund stability. | All existing and future claimants, employers, and policy makers. | N/A | |
| Termination of Tiger Team Grant, UIPL, 11-23, May 22, 2025 | UIA | Loss of grant funding for the purpose of improving systems and processes resulting in improved equity and accessibility, timeliness and addressing work backlogs, fraud prevention and detection, | Loss of $2,848,124.54 in grant funding | Claimants and employers lose the benefit of faster, more accurate intake, and UIA's ability to reduce backlogs and improper payments is constrained. | Michigan's UIA approved 307,648 claims paying out $1.024 billion in benefits and served 249,255 contributing employers in its most recent reporting year — roughly the population touching the intake systems this funding modernized | N/A | |
| Federal government shutdowns | UIA | The UIA was only able to maintain operations and even continue work on our new system project development during this period due to a quarter carryover of prior year administrative funding, as well as current year state appropriated P & I funding. The UIA is very diligent in preserving UI funding from one fiscal period to the next due to the cyclical nature of unemployment spikes when excess UI funding is needed up front to gear up for the workload. Instability in funding threatens the agency's ability to mitigate a shutdown shorter than one quarter, and the agency would not be able to mitigate shutdowns exceeding 3 months. | See departmental and operations impact. | 50k active claimants at any given time, new claims, and UI liable employers. | UIA processes nearly 500k claims paying out over $1B in benefits and served almost 250k contributing employers annually. | | |
| Delays in annual funding | UIA | The UIA was able to maintain operations and even continue work on our new system project development during this period due to a quarter carryover of prior year UI administrative funding, as well as the state appropriated P & I funding. The UIA is very diligent in preserving UI funding from one fiscal period to the next, to enable the agency to adequately respond to a sudden increase in unemployment.<br><br>The delays in the Federal Appropriations and the utilization of CR's makes it extremely difficult for the agency to adequately plan and budget our current year activities. If a reduction in funding were to occur mid-way through the year, it does not allow for adequate time for the agency to make program adjustments that would not be disruptive to our customers. The agency may require additional state funds to subsidize the program until less disruptive measures could be implemented. | See departmental and operations impact. | 50k active claimants at any given time, new claims, and UI liable employers. | UIA processes nearly 500k claims paying out over $1B in benefits and served almost 250k contributing employers annually. | | |

## Department of Labor and Economic Opportunity

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| Federal grants – Reduction to Above Base funding | UIA | Due to insufficient funding, DOL reduced the payout of funding for 'Above Base' activity. This reduction resulted in:<br><br>For FY 2025, a reduction of $ 5,864,730 in administrative funding<br><br>For FY 2026, A reduction to date of $117,314 in administrative funding | The reduction in funding required the agency to utilize various other funds available to us (Reed funds, CARES Admin funding, P & I funding). Although the agency is again diligently trying to preserve a carry in for FY 2027, these supplemental funding sources have now been depleted. | Decreased ability for agency to respond to economic shifts resulting in an increase of initial claims. | | | |
| Office of Refugee Resettlement (ORR) funding for Unaccompanied Minor representation termination | Office of Global Michigan (OGM) | None at the moment. In the future, OGM's unaccompanied refugee minors or special immigrant juveniles (SIJ) caseload may increase by ~100. | No direct impacts. However, should the SIJ caseload increase, departmental costs associated with managing those cases would increase. | This funding termination greatly impacted OGM's partners and their ability to maintain staff and existing services. Additionally the representation services the children received under this funding do not fall under the scope of other OGM federal funding programs/services. | | | |
| Multiple terminations of Temporary Protected Statuses (TPS) for several countries | OGM | The termination of TPS and work authorizations has increased the amount of technical assistance OGM provides to its partners. In addition it has led to an increase in the time and resources it takes OGM staff to review and interpret executive actions relating to TPS and work authorization terminations. | No direct costs. | These TPS terminations resulted in the termination of work authorization for ~21,400 authorized Michiganders. Some of these individuals will be authorized for work under different immigration statuses but that number will be limited. Additionally stakeholders have experienced uncertainty in how to interpret these executive actions and how to respond to their customers regarding the terminations. | About 21,400 authorized Michiganders lost their temporary status and therefore their work authorization. | | |
| Office of Management and Budget Proposed Regulation for Federal Financial Assistance | Office of Rural Prosperity | Increases LEO's technical assistance workload while making it harder for small rural communities to access federally funded programs. | N/A | Provisions would disproportionately burden rural communities, including measures to eliminate fixed-amount awards, expanded grant termination authority, restrictions on salary cost recovery for tribal leaders and council of government executives, and new compliance mandates that are unworkable for small organizations. | N/A | N/A | https://www.regulations.gov/docket/OMB-2026-0034 |
| HUD proposed rule: Guidance for Federal Financial Assistance (the "UGR"). | All MSHDA divisions making grants of federal funds. | If enacted, the Rule overhauls the Uniform Guidance that underpins all federal grants. It is unclear based on the uniform guidance language what the new process for state formula allocated HUD grant awards and the respective timing would look like. It also implies additional oversight and auditing parameters will be implemented. It also increases the potential for line item disallowances throughout the grant cycle (before/after) instead of just reviewing "closed" would result in a higher risk for the state. | Hard to predict: one of the proposed rules allows Fed agency heads to cancel individual grants otherwise authorized by Congress, or to disallow line-item costs, subjectively. | Federal grant making cycle rendered unpredictable; for example, the federal pre-audit audit guide may, under the new rule, be released after the due-date for the audit. | Unknown The impact would be statewide and potentially result in a smaller number of grant participants. | The proposed rule cuts many sections of the existing grant regs, replacing them with nothing. | Lawsuits against the feds over the UGR mean that portions may or may not roll out in inconsistent intervals, and different rules for different States. |
| Section 106 of the National Historic Preservation Act (NHPA) implementing regulations (36 CFR 800) changes | State Historic Preservation Office (SHPO) | This has the potential to significantly change how reviews under Section 106 of the NHPA of federally funded and permitted projects are conducted and the staffing we may need. Consultation with the State becomes discretionary, substantially weakening the State's voice in this process. | No impact. | Changes to the 36 CFR 800 regulations will significantly impact the Cultural Resource Management (CRM) sector of the workforce. If implemented the work that consulting firms do for federal agencies and grantees will significantly decrease. The revisions also remove the ability of the SHPO, Tribal Historic Preservation Offices (THPOs), public and other stakeholders who may be impacted by federally funded projects from having a voice in the identification and evaluation of impacts to historic properties in their communities. | SHPOs and THPOs staff numbers cannot be provided, but there are 59 SHPOs and 235 THPOs across the US that would be impacted by this. | Changes to the 36 CFR 800 regulations will significantly remove the ability of the public and other stakeholders who may be impacted by federally funded projects from having a voice in the identification and evaluation of impacts to historic properties in their communities. This is also inclusive of SHPO's ability to consult on these projects. | https://ncshpo.org/2026/07/20/the-end-of-section-106-as-we-know-it/ |
| Modernizing the Commission's National Environmental Policy Act Rules (Notice of Proposed Rulemaking (NPRM) (FCC 25-47) on August 7, 2025, under WTB Docket No. 25-217 | SHPO | May reduce the volume of Section 106 of the NHPA consultations on Federal Communications Commission (FCC) projects. | No fiscal impact. | This will cut out public comment and consultation with THPOs. | Unknown | The State, through the SHPO, will lose the opportunity to identify, evaluate and mitigate adverse effects on historic properties. | https://www.federalregister.gov/documents/2025/08/19/2025-15818/modernizing-the-commissions-national-environmental-policy-act-rules |
| 2 CFR Part 200 Update | SHPO | These changes have the potential to change how we apply for and manage federal grants we are awarded from the National Park Service (NPS). | The changes could impact how we apply for our annual Historic Preservation Fund (HPF) funding in the amount of $1.4 million which supports SHPO operations. It could impact SHPO on what grants we apply for to support the work we do. | These changes will have a broad impact on any non-profit, local or state agency who is applying for or using federal funding. | No accurate number can be provided, but this will impact all non-profits, local governments and state agencies who apply for or are using federal funding. | Could impact the amount of federal funding available to entities in Michigan. The changes also allow the federal agency to rescind grant awards for very broad and inconsistent reasons even after a grant agreement is executed. | https://www.federalregister.gov/documents/2026/05/29/2026-10817/regulation-for-federal-financial-assistance |

## Department of Labor and Economic Opportunity

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| Termination of ARPA Program Integrity Grant, UIPL 11-23, May 22, 2025 | UIA | None. Grant was terminated after costs were allocated. Grant provided funds to strengthen UI program integrity. Including ID Verification, Fraud Prevention and Detection, and Overpayment Recovery. | None, all costs were allocated prior to termination. | N/A | N/A | N/A | |
| AmeriCorps initial grant terminations | MCSC and others | In April of 2025, all AmeriCorps grants were terminated. | All terminated AmeriCorps funds were reinstated in July 2025. Programs did not lose any funds. | Due to the terminations, all AmeriCorps members had to stop serving communities. When funds were reinstated, 96% of members who had their service paused were unable to return to service. | Upon termination of AmeriCorps funds and member ceasing service, approximately 67,000 people lost access to services. AmeriCorps members typically provided services related to literacy and academic achievement, college access, access to health care, disaster preparedness, parks and trail cleanup, financial literacy and housing. | AmeriCorps programs experienced challenges in member recruitment after reinstatement due to the lack of trust that service would not have to stop again. | 11 of the 30 AmeriCorps programs operating in program year 2024-25 decided to end their AmeriCorps program and did not seek funding for the 2025-26 program year due to the uncertainty created by the grant terminations. In 2025-26 there were 20 programs funded. In 2026-2027 there are 22 programs funded. |
| Medicaid Work Requirements effective 1-1-27. HR 1 One Big Beautiful Bill Act of 2025 (Public Law 11921) | MCSC | Will result in thousands of increased referrals of Medicaid beneficiaries subject to work requirement. | MCSC will require additional funds to increase staff capacity to support this effort. | Some individuals will choose to meet requirements through community service. The MCSC is in conversation with DHHS to work in partnership to meet that need. | Unknown | | |
| Department of Energy changes to TSED grant | E&T | Removal of all Community Benefits services for providing utility vouchers | Removing the Community Benefits portion of the grant would result in a $4M reduction if DOE does not approve our modification request to repurpose these funds | The Michigan communities impacted by this grant are those connected to the Helix-Hiple project which includes construction of a new power transmission line to support electric vehicle charging network. The residents, employers and communities are in the following counties: Coldwater, Lee, Eckford, Butler, Girard, Clarence, Sheridan, Marengo, Clarendon, Tekonsha, Gilead, Bethel, Batavia, and Union City. | Estimated 2900 individuals | Unknown | E&T is in the process of submitting a modification request to the DOE. LEO requests DOE approval to reallocate $4M within the TSED award to expand industry-aligned training, paid pre-apprenticeships, and credential programs that strengthen Michigan's electricity sector talent pipeline. The modification updates SOPO objectives, removes outdated tasks, and increases participant access to employer-validated training pathways while preserving apprenticeship outcomes. |
| Delayed funding or significant policy changes that were eventually resolved/paused via litigation or congressional intervention. | E&T | Increased administrative burden of real-time navigation of rule/policy changes; lack of access to or clarity from FPOs/National Offices; delays in funding creates havoc and uncertainty for local level partners and stakeholders. | Un/underfunded rule, program, or policy changes creating fiscal burden for states; negatively impacts state level funding accessibility based on time of year changes occur. | Creates havoc for local level stakeholders; increased un/underfunded burden because of increased participant demand for services. | Estimated 500,000 people, businesses, or communities. | Lack of fundamental support for state stakeholder discussions including training, technical assistance or guidance, in advance of regulatory changes; essential for change management. | |
| USDA's Cooperative award cancellation | ORP | Abrupt termination of executed award limits ORP's ability to deliver capacity-building services to rural communities with constrained resources. | Eliminates the entire $200,000 in federal funding under the USDA cooperative agreement, reducing available resources for ORP's capacity-building initiatives. | Eliminates a source of technical assistance for rural communities seeking to pursue much-needed funding opportunities. | N/A | N/A | |
| Proposed rule changes to federal Uniform Guidance Federal Register :: Regulation for Federal Financial Assistance | LEO | Impacts all areas of LEO that administer federal grants | If enacted, will increase the likelihood that federal grants are terminated abruptly, which would result in the loss of funding and services provided; having political appointees make final grant funding decisions could also result in LEO missing out on grants that were previously decided by peer review panels | Less federal grant funding available in Michigan to provide programming and services; greater uncertainty for grantees | Unknown | N/A | |

**Department of Agriculture and Rural Development**

**H.R. 1**: Also known as the One Big Beautiful Bill, HR1 was signed into law in July 2025. It is a sprawling bill with many provisions that will likely impact Michigan food and agriculture. The bill reauthorized several important farm programs traditionally found in the Farm Bill, and increased funding for other well-known pillars of the farm support network. On the fiscal front, the bill doubled the funding for USDA trade promotion programs, increased annual funding for the Specialty Crop Block Grant program that is important to Michigan's specialty crop industry, and added funding for the National Animal Disease Preparedness and Response Program (NADPRP).[1] HR1 also supercharged crop insurance premium subsidies in a way that incentivizes higher risk regions to expand insured acreages, amplifying how Federal tax dollars disproportionately flow to states other than Michigan.[2]

HR1 also increased the estate tax exemption, extended the 45Z clean fuel production credit, expanded the Small Agri-Biodiesel Producer credit, and increased the Section 179 deduction for smaller businesses. These tax provisions have outsized impacts for agricultural producers and have been long sought by the farm business community.

Lastly, the bill increased restrictions on SNAP funding and SNAP recipients for an estimated cut of nearly $186 billion from SNAP through 2034, based on Congressional Budget Office (CBO) estimates, or about $18 billion annually.[3] Through Department calculations, it is estimated that the legislated cuts to SNAP through HR1 could result in approximately $120 million fewer dollars going to farm establishments each year in Michigan.

**Funding & Budget**: Federal funding flowing into Michigan was erratic and disrupted the last year and a half due to significant grant reductions and the federal shutdown in the fall of 2025. For example, the Local Food Purchasing Agreement (LFPA) and the Local Food for Schools and Child Care (LFSCC) programs, both of which announced new rounds of funding in late 2024, had their funding terminated in early 2025; Michigan had been projected to receive nearly $30 million from these two programs in FY2025.[4] These programs previously supported the purchase of local foods directly from Michigan farmers and processors for use in schools across the state. Similarly, USDA's Resilient Food Structures Infrastructure (RFSI) grant supported critical food processing and wastewater infrastructure in Michigan and across the United States in 2025 but was not continued in 2026. The federal shutdown disrupted SNAP benefits for more than 1.4 million Michiganders, compounding the instability faced by households and the local food system.

The federal administration introduced several new stipulations on federal funding, primarily through Executive Orders that updated the terms and conditions governing the use of federal funds in grants and contracts.[5] These new requirements obligated funding recipients to certify compliance with all applicable Federal anti-discrimination laws, regulations, and policies for the

[1] Congress.gov Bill Summary: H.R.1
[2] EWG: Farm Subsidy Database
[3] Congressional Budget Office: HR1 Estimated Budgetary Effects
[4] LFS, LFPA, & LFPA Plus Award Table
[5] Federal Register, Various Federal Executive Orders: 14168, 14218, 14398

duration of the Federal awards, including President Trump's new Executive Orders. This added complexity to the grants process, created confusion, and introduced legal uncertainty.

In addition to the revised terms and conditions, several grants also introduced new match funding requirements, including the Specialty Crop Block Grant (SCBG). New additional funding for the program was welcome news for specialty crop producers in Michigan and nationwide. However, embedded in the announcement was a new requirement: beginning in FY2027, all subawards will include a mandatory cost share. For the first time in the program's history, states will be required to come up with a 10% match, and subaward recipients must provide an additional 25% match.[6] This change will hit organizations conducting vital research and marketing support for Michigan farmers growing an array of specialty crops including Christmas trees, cherries, apples, asparagus, blueberries and more.

**Tariffs**: Michigan farmers have faced volatile export conditions in the short term and significant long-term market losses due to erratic federal trade policies.[7] When U.S. trade positions and tariff strategies shift unpredictably, key international buyers turn to more reliable suppliers, resulting in lost market share for Michigan agricultural products and overall reduced global competitiveness. Michigan's agricultural sector is experiencing the strain of high tariffs in multiple ways. For producers who rely heavily on exports as part of their business model, the impact has been particularly severe. At the same time, parts of the food and agriculture industry that depend on imported ingredients are facing rising costs.

Additionally, the Trump administration chose not to renew the United States-Mexico-Canada Agreement (USMCA), the trilateral trade agreement between North American partners that lowered tariffs and created one of the world's largest trade blocs and supported prosperity across the continent, including in agriculture. Canada and Mexico expressed their support to continue the pact along with 156 agricultural industry groups,[8] but the President preferred to allow the USMCA's lapse and to engage in yearly renegotiation as a way to leverage our closest trading partners. While short-term trade patterns may hold, experts warn that recurring renegotiations will keep tariff threats alive and create ongoing uncertainty harmful to all three countries' economic stability.[9]

**Input Costs**: Input costs have been steadily increasing in recent years, eroding farm profitability and driving up Michiganders' grocery bills. The Iran war, however, accelerated input cost and food cost growth. For Michigan producers, who operate on some of the narrowest margins in the Midwest due to climate, specialty crop mix, and transportation costs, these price spikes have had immediate and destabilizing consequences. Fertilizer prices, in particular, rose dramatically. Between February and March 2026, all eight of the major fertilizer types reflected considerable price increases after the war's start, and five of the eight major fertilizers experienced more than a 5% price increase from February 2026 to March 2026, right during the

[6] USDA AMS Specialty Crop Block Grant Program: Fiscal Year 2026 Notice of Funding Opportunity
[7] State of Michigan: MDARD Report 2025, MDARD Report 2026 and 2026 Addendum.
[8] Agriculture Coalition for USMCA: Agriculture Coalition for USMCA Letter to President Trump
[9] The Atlantic Council: The Five Stages of a USMCA Shakeup

critical spring planting period.[10]

Similarly, the Iran war has roiled petroleum markets. Approximately 83% of agricultural products and over 92% of dairy, fruits, vegetables, and nuts move by diesel trucks.[11] In the span of about one month (March 2026), diesel fuel sold in the Midwest rose from $3.89 a gallon to $5.10 a gallon – a 31% jump.[12] Taken together, higher fuel and fertilizer prices set up a two-sided squeeze for Michigan producers: higher input costs alongside declining export opportunities. Without stable federal policy or reliable trade conditions, the state's producers lacked clear signals for planning and investment heading into the 2026 planting season and will continue to face challenges without significant stabilization to federal policy.

**Immigration**: Michigan's agriculture sector employs approximately 16,000 workers through the federal H-2A visa program[13] along with thousands of undocumented foreign workers.[14] Michigan agriculture relies on this labor to manage crops, maintain farms, and harvest specialty crops that require intensive, hands-on work. Without a stable and reliable workforce, many growers would face significant challenges that jeopardize both crop quality and the economic viability of farms across the state. The federal government significantly targeted undocumented immigrants in 2025 and altered several legal pathways to immigration, including changing the required wage of H-2A workers. This wage adjustment relieved costs pressures on agricultural employers using the H-2A system but reduced the incentive for workers to come to the United States through the program.

**Reduction in Federal Employees**: Measures including Executive Order 13957 as amended, the Deferred Resignation Program, forced relocations outside of Washington DC, and other reductions in force have resulted in the loss of many experienced federal employees, including approximately 24,000 USDA staff.[15] These reductions have had disproportionate impacts on Michigan and on USDA's field-based workforce nationwide. This loss of capacity limits support for state-level bio-surveillance systems, increasing the risk of disease outbreaks in crops, livestock, and food. It also slows or halts already constrained research efforts that are essential for maintaining Michigan's competitiveness in agriculture and for developing climate-adaptive practices. Producer access to USDA programs has been reduced in many areas of Michigan as county Farm Service Agency staffing has been reduced because of the Deferred Resignation Program, leading to part-time office hours. Reduced federal partnership makes Michigan farmers more vulnerable to severe weather events, economic disruptions, animal disease outbreaks such as New World Screwworm, and it further complicates efforts to preserve farmland for future generations.[16]

[10] Progressive Farmer: DTN Retail Fertilizer Trends
[11] USDA Agricultural Marketing Service: Impact of Rising Diesel Prices on Food Transportation (Summary)
[12] U.S. Energy Information Administration: Weekly Retail Gasoline and Diesel Prices
[13] U.S. Department of Labor Employment and Training Administration Fact Sheet.
[14] MSU Extension: An Overview of Farm Labor in Michigan.
[15] GAO Report: Federal Agency Workforce Changes
[16] National Sustainable Agriculture Coalition: USDA Staffing Crisis

**Department of Education**

STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

GRETCHEN WHITMER
GOVERNOR

GLENN M. MALEYKO, Ph.D.
STATE SUPERINTENDENT

# MEMORANDUM

**DATE:** September 4, 2026

**TO:** Senate and House Committees on Appropriations
Senate and House Subcommittees on Appropriations
Senate and House Fiscal Agencies
Joint Committee on Administrative Rules

**FROM:** Dr. Diane Golzynski, Deputy Superintendent
Division of Business, Health, and Library Services

**SUBJECT:** PA 22 of 2025, Section 227

In Section 227 of the Michigan Department of Education budget (Public Act 22 of 2025), this report is submitted to fulfill the requirement to identify any policy changes implemented in response to public acts that became effective during the preceding calendar year. Although several revisions related to federal funding and policy were considered during this period, none were adopted or enacted. Currently, the Department has no policy changes to report. Pending lawsuits and other monitoring activities are outlined on the attached.

For additional questions, please contact:

Olivia Ponte
Legislative Liaison
Michigan Department of Education
PonteO1@Michigan.gov
517-927-2845

cc: Glenn M. Maleyko, Ph.D., State Superintendent

**MDE is directly involved in eight lawsuits challenging recent federal actions.**

The eight cases are:

1. **Birthright Citizenship** (*State of New Jersey, et al., v. Donald J. Trump, et al.* - Case 1:25-cv-10139)
   - On January 21, Attorney General Nessel, as part of a coalition of 18 attorneys general, filed this lawsuit to challenge President Trump's executive order that would exclude certain newborns from birthright citizenship. This lawsuit is based on a violation of the Fourteenth Amendment to the U.S. Constitution. If this executive order is allowed to stand, an estimated 150,000 newborns per year—all born in America—would no longer count as Americans. Withholding citizenship from them would reduce the amount of money that the state of Michigan receives from the federal government to fund healthcare, education, and child welfare. Michigan's hospitals and schools would receive less money too.
   - **STATUS:** enforcement is prohibited in the states party to this lawsuit, due to an injunction, and nationwide due to a ruling in a related suit filed in the US District Court of Massachusetts that determined that it was impossible to limit enforcement in some, but not all states.

2. **Pause in Federal Funding** *(State of New York, et al., v. Donald J. Trump, et al.* - C.A. No. 25-cv-39-JJM-PAS)
   - On January 28, AG Nessel as part of a coalition of 21 attorneys general, filed a lawsuit challenging a Trump administration policy that paused disbursements of almost all federal funding to the states (the "OMB Directive"). This lawsuit is based on multiple violations of the U.S. Constitution and federal laws. If this policy were allowed to stand, Michigan and other states could have withheld billions of dollars in funds promised by Congress to pay for Medicaid, healthcare, childcare, law enforcement, roads, support for public schools, resources to combat hate crimes and violence against women, disaster relief, and more.
   - **STATUS:** On August 20th, the District Court set a schedule for motion practice to resolve the case, running through November 2026.

3. **Dismantling of the U.S. Department of Education** (*State of New York et al., v Linda McMahon, et al.* - Case 1:25-cv-10601-MJJ)
   - On March 13, AG Nessel, as part of a coalition of 21 attorneys general, filed suit to challenge the attempts taken to dismantle the U.S. Department of Education, including layoffs of more than half of the department's staff members.
   - **STATUS:** The States filed an amended complaint on January 9th. Discovery period was open until June 19th. The Court granted motion for additional discovery on April 1st; discovery extended to October 30th.

4. **Elimination of Institute for Museum and Library Services** (*State of Rhode Island, et al., v. Donald J. Trump, et al.* - C.A. No. 1:25-cv-128-JJM-LDA)
   - On April 4, AG Nessel, as part of a coalition of 19 attorneys general. filed this lawsuit to challenge the Trump administration's dismantling of the Institute of Museum and Library Services, the Minority Business Development Agency and the Federal Mediation and Conciliation

Service. If allowed to stand, Michigan could lose $4.778 million in federal library funding that supports primarily public libraries throughout the state.

- **STATUS:** On 11/21/25, the Court granted the Plaintiff States' motion for summary judgement and fully vacated and permanently enjoined the effort to shutter IMLS and the other three agencies at issue. This order is the final order from the district court and closes the case. The preliminary injunction remains on appeal before the First Circuit Court of Appeals and is scheduled for oral argument on 12/4/25. An appeal of the 11/21/25 order is anticipated.
- The government appealed the summary judgment order on January 19th. On April 3rd, IMLS voluntarily dismissed its appeal, meaning the IMLS injunction will remain in place.

5. **ESSER Late Liquidation** (*State of New York, et al. v. U.S. Department of Education, et al.* - Case No. 25-cv-2990)
   - On April 10, AG Nessel, as part of a coalition of 15 attorneys general, filed suit against the U.S. Department of Education and Secretary of Education Linda McMahon for unlawfully rescinding an extended deadline that allowed states and local school districts to use pandemic relief education funds appropriate by Congress through March 2026.
   - **STATUS:** On June 20, the Second Circuit Court of Appeals denied US ED's request for a stay of the preliminary injunction. The preliminary injunction will remain in place for the duration of the case (until/unless it is appealed to the US Supreme Court).

6. **Title VI Verification Letter/Compliance** (*State of New York, et al., v. U.S. Department of Education, et al.* - No. 25-cv-11116)
   - On April 25, AG Nessel, as part of a coalition of 19 attorneys general, filed a lawsuit challenging the U.S. Department of Education's threat to withhold federal funding from state and local agencies that refuse to abandon lawful programs and policies and accept the Trump Administration's new interpretation of Title VI of the Civil Rights Act of 1964 with respect to diversity, equity, and inclusion efforts.
   - **STATUS:** On August 18, a federal judge in Maryland ruled in a separate case brought by the AFT and its Maryland affiliate, that the department's efforts to limit diversity, equity, and inclusion practices in schools through its February 14 letter threatening to withhold funds from schools using race-conscious practices (and a related follow up memo) were unconstitutionally vague.

7. **K-12 Mental Health Funding Cuts (MiELSiS)** (*State of Washington, et al., v. U.S. Department of Education, et al. Case 2.25 cv-01228*)
   - On June 30, 2025, AG Nessel, as part of a coalition of 16 attorneys general filed suit in the U.S. District Court for the Western District of Washington against the U.S. Department of Education for illegally cutting congressionally approved funding for mental health programs in K-12 schools.
   - **STATUS:** On December 19, 2025, the court granted the plaintiffs' motion for summary judgement and the associated judgement. The court vacated the discontinuation notices and reconsideration denials, declared that USED

must determine whether each grantee met the requirements for a continuation award, and enjoined USED from considering new priorities that were not previously listed when determining whether a grant within plaintiff states had met the requirements for consideration.
- USED filed a notice of appeal for the summary judgment decision on January 23rd. On February 24th, the Ninth Circuit denied USED's motion to stay the judgment pending appeal and remanded to the District Court to issue a deadline for USED to issue continuation decisions. As a result of the Court action, USED issued continuation awards to grantees (including Michigan's three grantees). On June 10th, USED moved to "clarify" the judgment, seeking permission to terminate the grants; hearing held July 24th; motion denied July 28th.

8. **Title Funds Impoundment** *(State of California, et al., v. Linda McMahon, et al. Case 1.25-cv-00329*)
   - On July 14, 2025, AG Nessel, as part of a coalition of 22 states filed suit against the Trump Administration for its decision to freeze funding of six longstanding programs administered by the U.S. Department of Education. The complaint included a motion for preliminary injunction.
     - More than $5.4 million in Title I-C (migrant education)
     - More than $12.8 million in Title III funds (English learners)
     - More than $63.7 million in Title II funds (staff professional development)
     - More than $36.7 million in Title IV-B funds (before-and after-school programming)
     - More than $38.3 million in Title IV-A funds (academic enrichment)
     - Funding for adult education programming administered through LEO
   - As part of a stipulated agreement in which the U.S. Department of Education agreed to release the remaining FY25-26 funds on or about October 1 (no later than October 3), the parties in the case submitted a joint motion to dismiss the complaint on August 25.

In addition, MDE has been directly monitoring such efforts as:
- Proposed rule making:
  - Office of Management and Budget's proposals for the Uniform Grants Guidance
    - Proposals include (but are not limited to):
      - Elimination of fixed award amounts
      - Termination provisions if "the interest of federal agency or pass-through, including 'does not effectuate program goals, agency priorities, national interest as they exist at the time of the termination."
      - Limits on DEI, Gender Ideology, and Discrimination.
      - Authorizes federal agency to add specific conditions to federal award when awarded and add/remove specific conditions throughout the grant period of performance.
      - Would allow federal agency, at its discretion, to cooperate with individual or organizations to take private causes of civil action if recipient or subrecipient does not comply with US Constitution, federal law, regulations, or terms and conditions of the federal award itself.

- Requires recipients and subrecipients to utilize Department of Homeland Security E-Verify system to confirm eligibility of all employees and contractors hired or performing work in the US under a federal award. Recipient and Subrecipient must provide federal agency or pass-through agency the Final Non-Confirmation (FNC) notice case verification number and confirm actions taken consistent with E-Verify system.
- Removes language that allows use of federal funds to be used for membership in any civic or community organization. Also requires written permission from federal agency to cover costs of membership in any professional, technical, civic, or business organizations.

- Education Department General Administrative Regulations (EDGAR), which govern competitive and formula grant programs
  - Proposals are similar to the proposed UGG provisions listed above.
- Department of Education proposes to stop publishing grant application notices in the Federal register and instead rely on Grants.gov
  - Limits the awareness of grant application notices.
- Department of Education proposes to stop publishing annual grant priorities in the Federal Register and instead include priorities in the application notices
  - Limits the awareness of annual grant priorities
- Department of Education proposes to amend the selection criteria and factors it uses in the peer review process to score applications for discretionary grants
  - Allows for personal preferences and allegiance to certain officials in power to control the awarding of discretionary grants.
- Department of Education proposes to give the Secretary more discretion over grant terminations
  - Allows for personal preferences and allegiance to certain officials in power to control the termination of grants.
- Department of Education proposes to require grantees (both discretionary and state-administered programs) to:
  - Ensure that hiring, admissions, promotions, and compensation practices under the grant are based on "merit and high standards" (Part 75) or "merit and qualification" (Part 76), without regard to race, color, religion, sex, national origin, or proxies thereof unless an appropriate exception applies, such as a religious organization or an organization engaged in remedial action.
  - Ensure that employment practices do not compel statements of belief in support or opposition to any political views as a condition of employment, admission, or project participation, unless an appropriate exception applies.
  - Ensure that, where applicable, the grantee has policies protecting freedom of speech, inquiry, and press, association, research as specified and required by § 75.500(a)-(e). (§§75.500 and 76.500)

    - Department of Education proposes to add Executive Orders to the list of requirements State Education Agencies and subgrantees must comply with.
        - Executive Orders are not law but this change would force agencies to comply in order to receive funding needed to serve children.
    - The Federal Communications Commission's proposed changes to E-Rate funding should the rule become final.
        - These changes would reduce or eliminate the access to broadband internet.
    - DOJ's general counsel legal interpretation memo that states that every state agency, including education agencies, are required to report people known to be unlawfully present in the U.S..
    - Treasury and IRS' proposal to remove tax-exempt status from private schools with race-conscious policies should the rule become final.
- Federal communications:
    - Department of Education released two documents related to the Family Educational Rights and Privacy Act (FERPA) and the Protection of Pupil Rights Amendment (PPRA).
        - Recommendations would limit the use of student surveys to gather relevant data for schools to better serve students.
    - United States Department of Agriculture (USDA) Early Action Nutrition Pledge
        - Recommendations are not fully in line with nutritional science.
    - Various Grant Award Notifications and Terms and Conditions pointing to unenforceable federal requirements.
        - Including but not limited to the requirement to follow executive orders which are not law.
- Delayed federal action:
    - USDA continues to withhold block grant funds until the last possible minute, including after MDE has exhausted all funding for meal reimbursement claims.
        - Results in delayed reimbursement to schools and child nutrition sponsors.
    - Impact of HR1, especially for lower numbers of SNAP and Medicaid recipients leading to lower qualifications for federal meal funding with a potential increase in state meal funding needed to cover the difference.

Michigan Department of Corrections

Section 229 – Impact of Federal Policy Changes

The US Department of Justice issued the attached memo in December of 2025 indicating that National Prison Rape Elimination Act (PREA) Standards may be changed to comply with Federal Executive Order 14168. While changes to these standards are pending at the federal level, the Department of Justice has indicated states and other entities subject to PREA will not be held responsible for compliance with past federal guidance on these standards during required audits. The Michigan Department of Corrections has not changed its policies related to PREA because of this memo but may need to do so if federal PREA standards are changed.

**U.S. Department of Justice**

Office of Justice Programs

*Bureau of Justice Assistance*

*Washington, D.C. 20531*

**MEMORANDUM**

**TO:** All DOJ-certified PREA Auditors

**FROM**: Tammie M. Gregg
Principal Deputy Director
Bureau of Justice Assistance

**SUBJECT:** National PREA Standards Alignment with Executive Order 14168

**DATE:** December 2, 2025

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On January 20, 2025, President Trump signed Executive Order 14168, "Defending Women from Gender Ideology Extremism and Restoring Biological Truth to the Federal Government." ("E.O. 14168"). Section 2 of E.O. 14168 states that, "[i]t is the policy of the United States to recognize two sexes, male and female. These sexes are not changeable and are grounded in fundamental and incontrovertible reality. Under my direction, the Executive Branch will enforce all sex-protective laws to promote this reality…" Section 3 provides that "[e]ach agency and all Federal employees shall enforce laws governing sex-based rights, protections, opportunities, and accommodations to protect men and women as biologically distinct sexes."

Portions of the PREA Standards are in conflict with the requirements in E.O. 14168, in particular, subsections that address the manner in which:

1) transgender, intersex, and gender nonconforming inmates are to be screened for risk of victimization and how that screening information is to be used (Standards 115.41, 115.42, 115.241, 115.242, 115.341, and 115.342),

2) transgender and intersex inmates are to be searched (Standards 115.15, 115.115, 115.215, and 115.315),

3) transgender, intersex, or gender nonconforming inmates are to be communicated with (Standards 115.31, 115.231, and 115.331), and

4) sexual abuse incident reviews should consider whether a sexual abuse incident was motivated by an inmate's gender identity or transgender or intersex identification or status (Standard 115.86, 115.186, 115.286, and 115.386).

The Department of Justice is currently updating the PREA Standards to align with the requirements of E.O. 14168. Until these updates are finalized, and further guidance is provided, effective immediately, applicable federal and non-federal correctional facilities shall not be held to subsections of the PREA Standards that may conflict with E.O. 14168.

Accordingly, **all PREA auditors are instructed to immediately pause from making compliance determinations for the following subsections of the PREA Standards, until further notice:**

- 115.15(e) and (f)
- 115.115(d) and (e)
- 115.186(d)(2)
- 115.215(e) and (f)
- 115.231(a)(9)
- 115.241(d)(7)
- 115.242(c) through (f)
- 115.286(d)(2)
- 115.31(a)(9)
- 115.315(e) and (f)
- 115.331(a)(9)
- 115.341(c)(2)
- 115.342(c) through (g)
- 115.386(d)(2)
- 115.41(d)(7)
- 115.42(c) through (g)
- 115.86(d)(2)

Please see the guidance below detailing the impact of this pause on future and in-progress audits:

PREA Online Audit System (OAS)

The PMO is working to implement changes to the OAS and the Audit Instrument to reflect the immediate pause on compliance determinations for the provisions and subsections of the PREA Standards identified above. The OAS will be unavailable from approximately 3:00pm to 5:00pm EST today, December 2, 2025, and the **PMO requests that auditors refrain from using the**

**OAS until after 12:00 noon on Wednesday, December 3, 2025** to allow for all necessary adjustments. If this creates delays in any in-progress audits that go beyond the time requirements defined in the PREA Auditor Handbook, the PMO will waive these requirements.

Each impacted provision and subsection listed above will be removed from the OAS and replaced by a statement that it is no longer relevant to the auditor's compliance determination. The OAS will also be updated to include a "Not applicable" option for every impacted provision and subsection with a reminder to the auditor that they must select this option. Final reports that are automatically generated by the OAS will indicate that the auditor did not make compliance determinations for these provisions.

Please note there are standards in which some—but not all—provisions, or subsections within a provision, are subject to DOJ's directive. For example, auditors must pause making a compliance determination for Standard 115.41(d)(7) and select "Not applicable" for this provision in the OAS. However, auditors are required to continue to audit compliance with all other provisions in Standard 115.41, and subsections under Standard 115.41, which include:

- (a) through (c).
- (d)(1) through (d)(6) and (d)(8) through (d)(10).
- (e) through (i).

Pre-Audit Questionnaire (PAQ)

Auditors should advise confinement facility and agency representatives to disregard the impacted provisions, or measures, listed above and ask them to refrain from uploading documentation that is no longer relevant to audits.

In addition, the question under the Facility Information section of the PAQ that focuses on whether the audited facility houses transgender, intersex, and nonbinary inmates/residents/detainees is being removed. Please note the OAS previously included the facility's response to this question in all final audit reports that are automatically generated. With the removal of this question from the PAQ, responses to it will no longer appear in final reports moving forward.

Auditor Compliance Tool (ACT)

The ACT defines the documentation and evidence auditors must use to make a compliance determination for every provision in the PREA Standards. Effective immediately, auditors should disregard the requirements in the ACT related to auditing compliance with the impacted provisions and subsections listed above.

Corrective Action and Interim Reports

For all in-progress audits in which corrective action is occurring that focuses on one or more of the impacted provisions listed above, auditors must immediately pause this corrective action and select the "Not applicable" option in the OAS for the relevant provisions or subsections, as described above.

It is not possible in the OAS to revise existing interim reports that identify non-compliance with one or more of the impacted provisions or subsections listed above. However, interim reports are intended to be working documents that describe agreed-upon corrective action steps to comply with specific PREA Standards. As such, they are not made publicly available. Effective immediately, interim reports developed by auditors will no longer reference the impacted provisions or subsections listed above.

**Questions**

If you have any questions, please contact the OAS Technical Support Team at techsupport@preaaudit.org.

Michigan Department of State

FY 26 Boilerplate responses Sec. 229.

The Michigan Department of State (MDOS) engages with several federal agencies in the normal course of our business, including but not limited to the following: Department of Homeland Security, due to the Enhanced Driver's Licenses and State Identification Cards that Michigan offers; various sub-entities of the Department of Justice, including the Federal Bureau of Investigation as they investigation multi-state jurisdictions criminal cases and the Civil Rights Division in their responsibility to enforce federal civil rights and voting rights laws; the Environmental Protection Agency to ensure they have information regarding vehicle emissions; the Department of Transportation including Highway Traffic Safety Administration and the Federal Motor Carrier Safety Administration (FMCSA) as they regulate Commercial Driver's Licenses and Learner's Permits; the Social Security Administration as they assist us in validating persons who apply for a driver's license or state identification card and ensure that our statewide voter registration list is updated.

**A. Affect the operations of the department, including reductions in federal revenue.**

FMCSA changes in federal rules.

The Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) submitted a survey for Michigan to complete its annual self-certification, pursuant to the Code of Federal Regulations 49 CFR § 384.307. However, unlike in years past, FMCSA asked for more specific, detailed information about non-domiciled drivers including their personally identifiable information contained in our electronic system called CARS. This likely goes beyond the standard of what is required in the federal rules. 49 CFR §384.307 requires that "if the State does not meet one or more of the minimum standards for substantial compliance under subpart B of this part, the State will be informed accordingly," and the state has 30 days to respond to the federal government's preliminary determination.

On September 29, 2025, the FMCSA issued an Interim Final Rule requiring states to immediately stop issuing non-domiciled CDLs and CLPs until states can comply with the new rule.[1,2] Due to the threat of removal of funds, the Department complied with the emergency rule and stopped processing CDLs or CLPs to non-domiciled residents on

[1] Non-domiciled residents are legally present in the United States, but are not citizens of Canada or Mexico. The change limits the non-domiciled CDLs to people who have one of three types of work visas.
[2] The U.S. Court of Appeals for the D.C. Circuit enjoined this rule. The FMCSA subsequently reintroduced the rule under normal processes, and implemented it in February 2026

October 1, 2025. Prior to this change in policy, Michigan had approximately 2,000 non-domiciled CDL holders. Post rule change, the number will eventually decrease to zero.

On December 11, 2025, FMCSA submitted a preliminary determination of non-compliance with issuing non-domiciled CDLs and CLPs. This was related to five non-domiciled CDLs issued by the Department. Currently[3], the Department has satisfied the FMCSA's additional requirements and questions; no final finding of non-compliance was issued.

Department of Homeland Security Grant Requirements and Inquiries

The Department of Homeland Security added requirements to their FY 25 and FY 26 grant certification related to their HSA grant and their FEMA grants. In the HSA grants, 3% of the money must be allocated for election security. In the certification, it required state or local entities to agree to run voter information in the Systematic Alien Verification for Entitlements (SAVE) program and to verify that election poll workers were U.S. Citizens through the SAVE program. In July 2026, the Secretary of Homeland Security released a grant program for FY 26 funds that would allow for both the 3% allocation listed in the FY 25 requirement and a 20% withholding of grant funds for non-compliant states.[4]

On August, 20, 2025, DHS contacted the Department about enhancements to their Systemic Alien Verification for Entitlements (SAVE) program, and inquired if Michigan wanted to be a part of a pilot program This new enhancement will allow state voter verification agencies to submit SAVE verification cases using only the following data points: First Name, Last Name, Date of Birth, and the SSN Last-4. No data was requested or submitted at that time. The Department declined the offer to participate in the pilot program.

President Issued Executive Order 14399

The President issued Executive Order No. 14399, entitled *Ensuring Citizenship Verification and Integrity in Federal Elections* ("2026 EO"), attempting to modify several aspects of election administration. It required, 1) the Department of Homeland Security to create a State Citizenship List of people who are "confirmed to be United States citizens" above 18 for the upcoming general election and 2) the United States Postal Service (USPS) to draft new regulations about mail in voting.[5] In April 2026, the State

[3] As of the date of this report.
[4] From the grant review booklet "… FEMA will withhold from drawdown an amount equal to 20% of the recipient's total HSGP award (SHSP, UASI, and OPSG) until the recipient *submits proof of compliance* with the FY 2026 Election Security NPA requirements and the Department verifies/confirms that proof. Meeting the 3% allocation does not, by itself, release the 20% holdback, and the holdback applies to funds beyond the 3% set-aside."
[5] It also emphasized criminal penalties for elections officials who do not comply. See Executive Order 14399, *Ensuring Citizenship Verification and Integrity in Federal Elections, available at,* https://www.whitehouse.gov/presidential-actions/2026/03/ensuring-citizenship-verification-and-integrity-in-federal-elections/ last accessed July 27, 2026.

sued, along with 19 other states, to prevent the full implementation of this executive order. The U.S. District Court for Massachusetts granted our injunction in this case, preventing the implementation in Michigan of section 2 (DHS creation of a Certified Citizen List for voting purposes), section 3 (USPS mail-in balloting rulemaking), and Sect. 5 (criminal penalties for non-compliance), including any changes to mail-in voting by the United States Postal Service. The injunction is limited to the August and November 2026 elections.

Department of Justice's lawsuit to obtain unredacted voter list

The U.S. Department of Justice (DOJ) sued the Secretary of State on September 25, 2025, for failing to provide unredacted copies of the Michigan's voter registration list, known as the Qualified Voter File. Prior to this, on July 21, 2025, DOJ requested a copy of the QVF with all fields, unredacted, and answers to several questions. After several correspondences back and forth with the DOJ, Michigan provided a publicly available version of the QVF. Soon after receiving the list, the DOJ filed their suit.

**B. Affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department.**

Each issue outlined above has impacted industry and communities across the state.

The FMCSA's rule change regarding non-domiciled CDL drivers impacted both individuals and the businesses. Drivers were instantly placed into a countdown before their credentials would expire and could not be renewed. The rules impacted both new as well as existing CDL holders. For people who had a CDL, their only option, once it expires or needs any type of change, was to downgrade to a chauffer's license, which would allow them to drive non-commercial vehicles or commercial vehicles that do not require a CDL. This has a big impact on the agricultural industry.

The Executive Order caused and continues to cause widespread confusion over election administration in Michigan and across the country. Many voters have been concerned on their ability to vote by mail, whether the ballot will count, and what other options that they may need to take for their voice to be heard in the August Primary and November General Elections. The Department, along with many others have repeatedly corrected the record to ensure that Michiganders understand their rights to all methods of voting-including voting by mail.

There was also great concern that the federal government would have unfettered access to their personal data through the State Citizenship list curated by the DHS or through the DOJ's request. Due to on-going litigation and favorable court rulings, Michiganders have not been subjected to either intrusion at this time.

(c) Create a regulatory gap that could negatively impact the public.

MDOS has not noted changes that would create a regulatory gap.

# Federal Policy Changes Affecting MDOT

Annual Report to the Michigan State Legislature

*Prepared Pursuant to 2025 PA 22, Sec. 232*

| | |
|---|---|
| Reporting period | Fiscal Year (FY) 2026 |
| Statutory basis | 2025 PA 22, Sec. 232(a)-(c) |
| Prepared by | Office of Policy and Government Relations |
| Date | September 2026 |

## I. Purpose and Statutory Basis

Section 232 of 2025 PA 22 requires MDOT (the Department) to provide an annual report to the Michigan State Legislature detailing federal policy changes that do, or are expected to, (a) affect the operations of the Department, including reductions in federal revenue; (b) affect an industry, community, population, or other group regulated or served by, or that otherwise engages with, the Department; or (c) create a regulatory gap that could negatively impact the public. This report identifies the federal policy developments occurring during the reporting period that the Department has determined meet one or more of these criteria.

The items below are organized by policy area. Each entry identifies the relevant statutory basis, summarizes the change, and describes its actual or anticipated effect on the Department, on parties the Department serves or regulates, or on the public. Quantified figures are drawn from the third-party and federal sources cited in brackets and listed in Section V.

## II. Summary of Findings

During this reporting period, the Department identified developments in six areas of federal transportation policy meeting one or more criteria under Sec. 232(a)-(c): the status of surface transportation program authority and Division J advance appropriations under the continuing resolution enacted September 2, 2026; funding rescissions affecting the National Electric Vehicle Infrastructure (NEVI) formula program; domestic-sourcing requirements under Build America, Buy America (BABA); tariffs affecting steel, aluminum, and semiconductor components; revisions to the federal Disadvantaged Business Enterprise (DBE) certification program; and FHWA staffing reductions that have resulted in NEPA project-approval bottlenecks. Each is detailed in Section III.

## III. Federal Policy Changes

### 1. Surface Transportation Program Authority and Division J Advance Appropriations

**Sec. 232 basis:** *232(a) — operations and federal revenue; reductions in federal revenue*

The IIJA's five-year surface transportation authorization was set to expire September 30, 2026. Congress avoided that lapse through a continuing resolution (passed by the Senate 90-6 on August 8, 2026, then passed by the House, and signed into law September 2, 2026) that extends federal government funding, and surface transportation program authority, through December 11, 2026. [2, 3, 5]

That extension, however, carries forward only the divisions of the IIJA funded through Highway Trust Fund contract authority. It does not extend Division J, the division that provided advance appropriations for highway, transit, rail, aviation, and a range of discretionary grant programs. [1]

Discontinuing Division J means $31.2 billion in FY 2026 surface transportation grant funding will not carry into FY 2027 absent further congressional action: $9.494 billion for FHWA programs, $4.25 billion for FTA, $13.2 billion for FRA, $3.8 billion for programs administered through the Office of the Secretary, $450 million for MARAD's Port Infrastructure Development Program, $322 million for NHTSA, and $135 million for FMCSA. [1]

- Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grants: reduced from $1.645 billion (FY2026) to $145 million. [1]
- Federal-State Partnership for Intercity Passenger Rail: retains its $25 million annual appropriation but loses $7.2 billion in Division J funding. [1]
- Consolidated Rail Infrastructure and Safety Improvements (CRISI) grants: reduced from $1.007 billion to $7 million. [1]
- MEGA, Safe Streets and Roads for All (SS4A), and the Railroad Crossing Elimination program: all zeroed out (a reduction of $2.6 billion), as each was funded solely through Division J. [1]

A coalition led by the American Public Transportation Association, including the Associated General Contractors of America, American Road & Transportation Builders Association, American Council of Engineering Companies, American Society of Civil Engineers, and American Association of State Highway and Transportation Officials, estimates the loss of Division J would reduce public transit investment by 20 percent and passenger-rail investment by 83 percent during the extension period. The American Road and Transportation Builders Association has called the discontinuation “the largest reduction in federal surface transportation investment since the creation of the Interstate Highway System in 1956”; the National Association of Counties has described it as a “funding cliff.” [1, 4, 6]

## Michigan-specific exposure

The Eno Center for Transportation developed a state-by-state breakdown of Division J highway formula funding that shows Michigan losing access to $145.08 million in FY 2026 formula funding: $121.63 million through the Bridge Formula Program and $23.44 million through NEVI formula funding. [1]

This figure captures highway formula programs only and understates the Department's total exposure. It does not include: (1) Michigan's share of discretionary and competitive Division J grants (MEGA, RAISE, CRISI, Bridge Investment Program, Federal-State Partnership, SS4A); (2) reductions in rail and transit funding: Division J's $13.2 billion FRA allocation and $4.25 billion FTA allocation (covering, among other things, Capital Investment Grants, state-of-good-repair grants, low- and no-emission bus grants, and Amtrak grants); or (3) reductions in aviation funding: Division J included $5 billion nationally for FAA

airport infrastructure grants, the Airport Terminal Program, and Facilities and Equipment, which have also lapsed without an extension of Division J. [1]

### Status of a long-term reauthorization

Congress has not enacted a successor to the IIJA. The House Committee on Transportation and Infrastructure advanced out of committee the Building Unrivaled Infrastructure and Long-Term Development for America's 250th Act (BUILD America 250 Act, H.R. 8870) in May 2026, but it has not passed the full House or been considered by the Senate. The extension until December 11, 2026 is a short-term continuing resolution, not a multi-year authorization. [1, 2]

Effect on the Department: continued uncertainty in federal formula and discretionary funding used for project programming, letting schedules, and local match commitments, pending congressional action on both Division J restoration and long-term reauthorization by or after the December 11, 2026 deadline.

## 2. National Electric Vehicle Infrastructure (NEVI) Program Rescissions

**Sec. 232 basis:** *232(a) — reductions in federal revenue; 232(b) — effect on EV charging industry and communities served*

The Consolidated Appropriations Act, 2026 (P.L. 119-75), enacted in February 2026, transferred $503,756,000 of unobligated NEVI formula funds, $300 million of unobligated NEVI competitive grant funds, and $75 million designated for the Joint Office of Energy and Transportation to other highway programs and activities. The formula-fund transfer was applied in proportion to each state's unobligated balance as of January 31, 2026, meaning states that had obligated funds more quickly experienced comparatively smaller reductions. [7, 8]

Michigan's total NEVI apportionment is approximately $106 million through FY2026. FHWA approved Michigan's FY2026 Electric Vehicle Infrastructure Deployment Plan and the Department's “fully built out” certification in April 2026, authorizing continued use of the state's remaining approximately $51 million in discretionary NEVI formula funds. [9]

The Administration’s FY 2027 budget request released on April 3, 2026 proposed cancellation of any remaining unobligated NEVI and Charging and Fueling Infrastructure (CFI) program funds nationwide. If enacted, this would affect any Michigan NEVI funds not yet obligated at the time of enactment. [7]

Effect on the Department and the public: a reduction in federal EV charging infrastructure revenue, and continued uncertainty for the Department's EV charging buildout program, the communities and travel corridors that program serves, and private-sector partners (e.g., charging network operators and site hosts) that had planned around anticipated NEVI funding rounds.

## 3. Buy America / Build America, Buy America (BABA) Domestic-Sourcing Requirements

**Sec. 232 basis:** *232(b) — effect on industry and suppliers the Department engages with; 232(c) — potential regulatory/supply gap*

Existing Build America, Buy America Act domestic-content requirements continue to affect sourcing for certain manufactured products used in federally funded projects, including traffic signal controllers, cabinets, and related signalization equipment, where domestic manufacturing capacity has affected

product availability, lead times, and cost on the Department and local-agency projects. AASHTO has identified the expiration of BABA's general applicability waiver for manufactured products as a particular point of concern heading into the 2026 construction season, citing industry readiness for the resulting increase in domestic-sourcing requirements. [13]

The Department estimated in February 2026 that it would need between $100-150 million in additional state funds to avoid canceling projects for which required American-made materials cannot be sourced; because the Department is unable to meet federal BABA requirements in these instances, affected projects are being shifted from federal to state funding. Roughly $7.8 million in FY 2026 projects were switched to 100 percent state funding on this basis, with additional shifts anticipated in the future.

The Department has also identified the BABA waiver process itself as a source of delay: MDOT has been told that a waiver request would take approximately three years to complete, which the Department believes is too long to wait to address near-term sourcing constraints. This gap between the availability of a waiver in principle and its practical usefulness within a given construction season is a regulatory constraint impairing the Department's ability to complete necessary transportation improvements.

In February 2026, FHWA proposed a 100 percent domestic-sourcing requirement for manufactured components used in federally funded EV charging infrastructure. If finalized, this requirement would apply to the NEVI-funded charging buildout discussed above. [7]

Effect on the Department: potential project delays and additional cost effects where domestic supply for compliant signalization or charging equipment is limited or unavailable, and where the BABA waiver process cannot be completed on a useful timeline.

### 4. Tariffs on Steel, Aluminum, and Semiconductor Components

**Sec. 232 basis:** *232(a) — effect on Department project costs; 232(b) — effect on contractors, suppliers, and manufacturers*

Tariffs imposed in 2025 on imported steel, aluminum, and semiconductors apply to materials and manufactured components used in Department projects, including structural steel, guardrail and sign materials, and electronic components used in signal and EV charging equipment. [7]

Effect on the Department and industry: potential upward pressure on construction bid prices and equipment costs, and increased cost exposure for contractors and manufacturers supplying Department and local-agency projects, particularly where tariff exposure and BABA domestic-sourcing requirements (Item 3, above) apply to the same product.

### 5. Revisions to the Federal Disadvantaged Business Enterprise (DBE) Program

**Sec. 232 basis:** *232(b) — effect on DBE firms and the certification community; 232(c) — regulatory gap during reevaluation*

On October 3, 2025, USDOT published an Interim Final Rule (IFR), effective immediately, revising the DBE program regulations at 49 C.F.R. Part 26 and the Airport Concessions DBE (ACDBE) regulations at 49 C.F.R. Part 23 (90 Fed. Reg. 47969). The IFR removes the race- and sex-based presumption of social and economic disadvantage that had been the basis for DBE certification since the program's creation in

1983, and instead requires each applicant firm to submit individualized evidence of social and economic disadvantage. [10, 11, 12]

The IFR requires every currently certified DBE and ACDBE firm to be reevaluated and recertified under the new standard, with the burden of proof on the applicant firm. Until a firm's reevaluation is complete, federal funding recipients, including the Department, may not set DBE contract goals or count that firm's participation toward existing goals. USDOT accepted public comment on the IFR through November 3, 2025; the rule remains in effect while comments are considered. [10, 11]

Effect on the Department and the DBE community: an increase in administrative workload for the Department's civil-rights certification function to reevaluate the existing DBE roster; a period during which the Department cannot set or count enforceable DBE contract goals; and direct effects on certified DBE firms, which face recertification requirements, potential loss of certification, and interim uncertainty affecting bidding, teaming, and cash flow on Department and other federally funded work.

### 6. FHWA Staffing Reductions and NEPA Review Bottlenecks

**Sec. 232 basis:** *232(a) — effect on Department project-approval operations; 232(c) — regulatory gap in NEPA assignment liability framework*

Reductions in force at FHWA have produced significant bottlenecks in the NEPA project approval process, slowing environmental review and project delivery.

In response, the Department has been exploring NEPA assignment status, under which a state assumes FHWA's environmental review responsibilities. MDOT believes that the required waiver of sovereign immunity would be a significant concern and barrier for the state legislature. The Department has communicated to the Michigan Congressional Delegation the preference for a pathway involving shared federal liability that would speed project approval without additional litigation exposure to the state.

Effect on the Department: continued project delivery delays tied to federal staffing capacity at FHWA, and a policy gap (i.e., the absence of a shared-liability NEPA assignment framework) that constrains the Department's ability to pursue state assumption of NEPA review without accepting litigation risk the legislature may be reluctant to accept.

## IV. Department Assessment

Several of the developments above remain pending, and their ultimate fiscal or operational effect on the Department cannot yet be quantified with precision — most notably whether Congress restores Division J advance appropriations or enacts a long-term reauthorization before or after the December 11, 2026 extension deadline, and whether the proposed FY2027 cancellation of remaining NEVI funds is enacted. The Department will continue to monitor these items and will report material developments, including any that occur after the close of this reporting period, in next year's report or through other appropriate channels as warranted.

## V. References

All figures and characterizations above are attributed to the following sources as of the dates indicated. Where a figure originates with a third-party organization rather than a federal document, that is noted in the citing text.

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**[5]** Rail Passengers Association, “Capitol Hill Passenger Rail News Roundup: Labor Day 2026 Edition,” railpassengers.substack.com.

**[6]** National Association of Counties, “Senate funding proposal would create transportation funding cliff for counties,” Aug. 2026, naco.org.

**[7]** Congressional Research Service, Implementation of Electric Vehicle Charging Infrastructure Programs: CFI and NEVI, R48996 (updated June 16, 2026), congress.gov/crs-product/R48996.

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**[9]** Michigan Department of Transportation, “MDOT advancing Michigan’s EV charging network through remaining $51 million NEVI investment,” press release, Apr. 6, 2026, michigan.gov/mdot.

**[10]** International Bridge, Tunnel and Turnpike Association (IBTTA), “USDOT Advances Changes to Disadvantaged Business Enterprise (DBE) Programs,” ibtta.org.

**[11]** American Council of Engineering Companies (ACEC), “U.S. DOT Changes to the Disadvantaged Business Enterprise (DBE) Program,” Oct. 21, 2025, acec.org.

**[12]** Congressional Research Service, The U.S. DOT Disadvantaged Business Enterprise Program, IF12055 (updated July 24, 2026), congress.gov/crs-product/IF12055.

**[13]** American Association of State Highway and Transportation Officials (AASHTO), 2026 AASHTO Policy Action Agenda: State DOTs' Legislative Priorities for Congress and Regulatory Priorities for the Trump Administration, transportation.org.

# FY 2026 Annual Report on Federal Policy Changes - MiLEAP

## Summary

Federal actions during FY 2026 produced substantial administrative, cash-flow, compliance, and planning consequences for MiLEAP, even where enacted national appropriations did not eliminate a MiLEAP program. The most concrete department-level effects were a census-driven decrease in Michigan's IDEA Part C allocation as reported by the program, insufficient growth in Section 619 funding relative to costs, shutdown-related delays in Office of Special Education Programs (OSEP) work and interagency approvals, new federal grant review and drawdown controls, and changes to child care and postsecondary aid rules.

### Key Considerations

1. **Operations and revenue** – Early On and Section 619 reported that federal funding did not keep pace with salary, benefit, supply, and cost-of-living pressures. The Part C award decreased because of census-based formula data.
2. **Shutdown effects –** The October-November 2025 lapse delayed State Performance Plan and Annual Performance Report (SPP/APR) work, collaboration with Wayne State University, OSEP feedback, and interagency approvals. One grant was conditionally approved. The Child Development and Care Scholarship program maintained service without interruption by using prior year federal funds and state general funds while tracking its cash runway.
3. **Child care rulemaking –** A July 13, 2026 Child Care and Development Fund (CCDF) final rule rescinded four payment and delivery mandates from the 2024 rule, restoring state discretion. It did not remove federal health, safety, licensing, monitoring, or background-check requirements, so no direct child care licensing gap was identified. In early 2026, the federal Office of Child Care implemented controls that were described as “Defend the Spend.” States were required to attest to specified conditions and give a rationale for CCDF drawdowns. Michigan increased drawdown frequency and created standardized rationale language to reduce the risk that federal cash requests would be delayed or returned.
4. **Head Start regulatory gap risk –** An August 2026 proposed Head Start rule would materially streamline federal performance standards. If finalized, removed federal requirements could create gaps in program-quality oversight or service expectations. State child care licensing is not necessarily a substitute for Head Start's broader program standards, so a deeper gap analysis is needed.
5. **Higher education –** Public Law 119-21 and implementing rules created Workforce Pell, changed federal loan availability and repayment, and require new state and institutional coordination

beginning July 1, 2026. Medicaid and SNAP provisions may also increase student basic needs pressure for some students and families.

6. **Grant administration –** Executive Order 14332 and related federal implementation shifted competitive priorities, increased political and programmatic review, authorized more restrictive award terms, and supported pre-drawdown verifications and written rationales. MiLEAP reported delayed spend-plan approvals, constrained carryover and no-cost extensions, narrower award purposes, and more frequent CCDF drawdowns.
7. **Tariffs –** No MiLEAP program reported a quantified tariff cost or a service interruption.

# Appropriations, continuing resolutions, and shutdowns

## Early On and IDEA Section 619

MiLEAP reports that Part C funding levels made it difficult to cover core salaries, benefits, and supplies. The Michigan appropriation decreased when census-based data declined. The increase in Section 619 funding did not keep pace with rising costs. These are direct Section 229(a) operational and federal revenue effects and Section 229(b) risks for infants and toddlers with disabilities, preschool children with disabilities, their families, and local service partners.

The federal formula supports the reported mechanism: IDEA Part C allocations are based principally on each state's share of children from birth through age two, while Section 619 allocations use population and poverty factors subject to statutory rules.

The October/November 2025 shutdown delayed State Performance Plan/Annual Performance Report measurement table work and slowed collaboration with Wayne State University. It also limited access to OSEP staff regarding state determinations and delayed approval of interagency agreements, including the Medicaid agreement. These delays contributed to timely submission for final approval of the grant.

## Child Development and Care Scholarship continuity

During the fall 2025 shutdown, the CDC Scholarship program established a spending tracker and a cash on hand runway timeline estimating when available prior year federal and state general funds would be exhausted. The program used those resources to maintain spending without interrupting services. This mitigated the immediate public impact but required additional fiscal monitoring and exposed the program to risk if a lapse had continued beyond the available runway.

# Budget reconciliation

## Postsecondary aid and workforce programs

H.R. 1 was enacted on July 4, 2025 as Public Law 119-21. The law made extensive changes to federal student aid, with major provisions taking effect July 1, 2026. Implementing actions created a Workforce Pell pathway for eligible short-term programs, changed federal graduate and professional borrowing,

ended new Graduate PLUS lending, authorized institution-level loan limits in specified circumstances, and simplified repayment into a new structure.

For MiLEAP, the direct operational implications are guidance, outreach, and coordination. Without additional funding for Workforce Pell implementation, this caused workload constraints while utilizing existing FTEs.

### Basic needs effects on served populations

While MiLEAP does not administer Medicaid or SNAP, changes to these programs can affect populations it serves. Increased food, health, or administrative burdens may reduce the resources families can devote to child care and may worsen basic needs insecurity or persistence challenges for parenting students particularly. These are indirect effects and will require coordination with MDHHS and higher education partners.

## Federal rulemaking and programmatic changes

### CCDF final rule: restored state payment flexibility

The 2024 CCDF final rule, published at 89 FR 15366, imposed four payment and delivery requirements. HHS published "Restoring Flexibility in the Child Care and Development Fund," 91 FR 25796, rescinding those four requirements effective July 13, 2026.

| 2024 requirement removed | Effect of 2026 rule | Primary affected group |
|---|---|---|
| Family copayments capped at 7% of income | The federal ceiling was rescinded; states retain duties to use a sliding fee scale and avoid copayments that are barriers to access. | Families; affordability and state policy design |
| Prospective provider payment | The mandate was rescinded; states retain timely payment obligations and may choose prospective or prompt reimbursement approaches. | Providers; cash flow and administrative systems |
| Payment based on enrollment rather than attendance | The mandate was rescinded; states regain discretion over payment methodology. | Providers; revenue stability and supply |
| Use of grants or contracts for certain direct services | The mandate was rescinded; states may choose the mix of certificates, grants, and contracts consistent with remaining law. | Providers, families, and underserved areas |

Michigan had waivers covering three of the four requirements, and those waivers expired August 1, 2026. MiLEAP received notice on August 17, the federal Office of Child Care provided written notice that Michigan was fully compliant regarding those three provisions after the rescissions. This removed an immediate compliance risk associated with waiver expiration.

The 2026 amendments did not remove core CCDF health, safety, licensing, monitoring, or background-check requirements. Accordingly, no direct child care licensing regulatory gap was identified from this final rule. However, the changes to scholarship provider payment methods can affect provider cash flow, family affordability, and child care supply.

## Head Start proposed rule: potential regulatory gap

HHS proposed to replace and streamline much of the Head Start Program Performance Standards (HSPPS). The proposal would preserve statutory requirements and core safeguards while removing or reducing prescriptive federal requirements and increasing local flexibility. It also proposes significant operational changes, including a lower administrative-cost limit. Comments are due October 6, 2026.

This action is proposed, not final. Currently, there is not a confirmed present gap. While this does not directly impact child care licensing, the change to the HSPPS may create a regulatory gap that licensing may need to fill. If federal performance requirements are removed, Head Start grantees and families could experience variation in program-quality, service, data, or oversight expectations.

## Head Start Collaboration Office grant transition

The Office of Head Start changed the Head Start Collaboration Office (HSCO) annual grant cycle from September 1 – August 31 to March 1 – February 28 beginning in March 2027.

Michigan submitted a low-cost extension application for September 1, 2026 – February 28, 2027 and was awaiting a Notice of Award when the program information was compiled. The change affects budget timing, work planning, and grant administration but is not expected to interrupt activities if the extension is approved. The final filing should update the award status. Once approved, our current grant and budget year that would have ended on August 31, 2026, will be extended through February 28, 2027.

**Michigan State Police**
**Public Act 2 of 2025, Article 14, Section 218**
**Boilerplate Report**

**August 2026**

Per Public Act 2 of 2025, Article 14, Section 218, this report outlines federal policy changes that are, or are expected to, affect Michigan State Police (MSP) operations.

Edward Byrne Memorial Justice Assistance Grant Program – Terms and Conditions

The Edward Byrne Memorial Justice Assistance Grant Program (Byrne JAG) is a formula grant through the Bureau of Justice Assistance (BJA) and the U.S. Department of Justice (DOJ). The Byrne JAG in Michigan provides grant awards to units of government for criminal justice, including community relations, indigent defense, multijurisdictional drug task forces, priority population drug courts, and victim/social services. The MSP is the state administering agency for State Byrne JAG funding in Michigan and administers the program through the Grants and Community Services Division (GCSD).

For Fiscal Year (FY) 2025 Byrne JAG awards, DOJ and BJA included immigration-enforcement conditions. On August 21, 2026, Michigan joined a coalition of 22 attorneys general and the Commonwealth of Pennsylvania in filing a lawsuit arguing that these conditions violate the Administrative Procedure Act and the U.S. Constitution's Spending Clause.

Until the lawsuit is resolved, GCSD cannot accept the FY 2025 Byrne JAG grant award totaling approximately $6 million. Without this funding, 39 subrecipients throughout the state will be forced to halt operations on October 1, 2026. Additionally, without the FY 2025 Byrne JAG grant awarded to subrecipients, the GCSD subrecipient application process for the FY 2026 Byrne JAG grant scheduled for August 4, 2026, has been delayed.

Homeland Security Grant Program – Terms and Conditions

The Homeland Security Grant Program (HSGP) is a formula grant through the Federal Emergency Management Administration (FEMA) and the U.S. Department of Homeland Security (DHS). The HSGP provides funding to prevent, prepare for, and respond to acts of terrorism. MSP administers Michigan's HSGP funding through the Emergency Management and Homeland Security Division (EMHSD).

For FY 2026 HSGP funding, DHS and FEMA established terms and conditions that would require states to assist DHS in enforcing federal immigration law, allow 20% of each state's funding to be withheld if states do not change state election law, and allow FEMA to terminate any program for any reason jeopardizing program planning and effectiveness. In a lawsuit filed July 23, 2026, Michigan joined a coalition of 26 other states arguing that these terms and conditions violate the Administrative Procedure Act and the U.S. Constitution's Spending Clause.

Until the lawsuit is resolved, Michigan cannot accept the FY 2026 HSGP award totaling approximately $15 million. Without this funding, MSP reimbursements to counties must be paused and local counterterrorism operations supported by this funding must be halted.

**Michigan State Police**

Motor Carrier Safety Assistance Program – Funding Formula

The Motor Carrier Safety Assistance Program (MCSAP) is a formula grant through the Federal Motor Carrier Safety Administration (FMCSA) within the U.S. Department of Transportation. The MCSAP provides funding to increase commercial motor vehicle (CMV)-related enforcement and safety activities nationwide. MSP serves as Michigan's lead agency and administers MCSAP through the Commercial Vehicle Enforcement Division (CVED).

FY 2026 MCSAP grants were awarded to states then increased through an $80 million supplemental via the Infrastructure Investment and Jobs Act (IIJA) which expires September 30, 2026. For FY 2027, the FMCSA announced that awards would be based on the FY 2026 base amounts and supplemental increases would be excluded from the formula resulting in reductions. Under the proposed BUILD America 250 Act, Michigan's FY 2027 award would be $12.4 million (a 13.9% reduction from FY 2026). If a continuing resolution is implemented, Michigan's FY 2027 award would be $12.1 million (a 15.9% reduction from FY 2026). A reduced grant award in FY 2027 will require CVED to redirect allowable activities to other federal funding to maintain their current level of services.

**Department of Treasury**

| For each item, please provide detail about how the federal policy change does, *or is expected to do*, any of the following (a, b, or c). Consider federal changes in each item/category from the beginning of 2025 through August 2026. | | |
|---|---|---|
| | (a) | Affects the operations of the department, including reductions in federal revenue. |
| | (b) | Affects an industry, community, population, or other group regulated or served by, or that otherwise engages with, the department, and |
| | (c) | Creates a regulatory gap that could negatively impact the public. |
| Reconciliation Legislation | | |
| H.R. 1 aka the "One Big Beautiful Bill"<br>**ABLE Act**:<br>The ABLE Act was expanded to increase the age of disability onset from age 26 to age 46, including older veterans, and the contribution limit was increased from $10,000 to $20,000. | (a) | The expansion of age eligibility has essentially doubled the number of qualifying individuals in Michigan, which has so far resulted in a roughly 50% increase in the monthly average of new accounts administered by Treasury. This has required the unit to expand outreach efforts, increase their presence in disability advocacy, and update marketing materials. |
| | (b) | More individuals with disabilities and their families are now eligible to save funds for Qualified Disability Expenses that support health, independence, and quality of life without jeopardizing eligibility for necessary federal benefits. |
| H.R. 1 - **529 Plans:**<br>The 529 Plan was expanded to increase tax-free withdrawals of $20,000 per qualified beneficiary. The plan funds now cover curriculum (e.g., workbooks, educational software), books, tutoring, special needs therapies, standardized tests, credentialing, and can now be applied to trade programs. | (a) | Treasury's operations have not been impacted; the MET program is specifically for higher education, and the federal changes do not fall into that category. |
| | (b) | More Michiganders can now choose to benefit from Michigan's 529 plan, the Michigan Education Savings Plan (MESP), and the annual benefit will increase for participants of the program. |
| H.R. 1 - **"No tax on tips" and "No tax on overtime":**<br>Qualified tips and qualified overtime compensation are deductible from federal income tax for taxable years 2025 – 2028, subject to limitations. | (b) | Michigan's population of taxpayers who work in occupations that customarily receive tips or who earn qualified overtime compensation will experience slightly lower federal tax liabilities for four years. Because those deductions do not impact adjusted gross income, the state income tax liabilities of that population are not affected; however, under 2025 PA 24, Michigan taxpayers may deduct the same income, subject to the same federal limitations, on their Michigan returns for tax years 2026-2028.<br><br>Employers of eligible individuals are subject to new reporting requirements. |

| | | |
|---|---|---|
| H.R. 1 - **"No tax on car loan interest":** Effective for federal income tax for 2025 through 2028, individuals may deduct up to $10,000 of interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets other eligibility criteria. Lease payments do not qualify, and the final assembly must have been in the U.S. Income limitations apply. | (b) | Michigan's population of taxpayers who purchase eligible vehicles and meet other eligibility criteria will experience lower federal tax liabilities for four years. Because those deductions did not impact adjusted gross income, the state income tax liabilities of that population are not affected. |
| H.R. 1 - **Deduction for Seniors:** Effective for federal income tax for 2025 through 2028, individuals who are age 65 and older may claim an additional deduction on their federal return of $6,000. Income limitations apply. | (b) | Michigan's population of taxpayers aged 65 and older may experience slightly lower federal tax liabilities for four years. Because the deduction does not impact adjusted gross income, the state income tax liabilities of that population are not affected. |
| H.R. 1 - **Various modifications to business expense provisions:** The legislation sped up the deductibility of certain business expenses, such as bonus depreciation (IRC 168(k) and (n)), immediate expensing election (IRC 179), research and experimental expenses (174; 174A), and business interest expenses (163(j)). | (b) | The federal changes impact the federal income tax liabilities of business and individual taxpayers, lowering liability in the short term but balancing out over time. As a result of the federal legislation, Michigan passed PA 2025 PA 24, decoupling individual and corporate income taxes from these changes. Because the State has decoupled from those changes, special decoupling adjustments will need to be reported by state taxpayers. |
| Executive Orders Resources: www.whitehouse.gov/presidential-actions/executive-orders/ or visit a private sector website for summaries: (law & lobbying firm, Akin.com) | | |
| **Executive Order 14168, "Defending Women From Gender Ideology Extremism and Restoring Biological Truth to the Federal Government," signed on January 20, 2025**: An earlier EO required claimants of the home heating credit, funded by federal LIHEAP, to report the filer's, spouse's, and household members' genders, along with various other demographic information. Required *gender* categories were Self-Identified Male, Self-Identified Female, Other, or Unknown. For 2026 | (b) | Claimants, spouses, and household members who are in the LGBTQ+ community may be negatively impacted; it's possible that the changes could inhibit potential claimants and their household members from filing home heating credit claims. |

| | | |
|---|---|---|
| claims, EO 14168 changed the required reporting category from “gender” to “biological sex,” and removed “self-identified” from the options. | | |
| Tariffs | | |
| See enclosed memo also available: Executive Directive 2026-2 Treasury Response.pdf | | |

STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

**DATE:** May 1, 2026

**TO:** Governor Gretchen Whitmer

**FROM:** Rachael Eubanks
State Treasurer

**SUBJECT:** Response to Executive Directive No. 2026-2

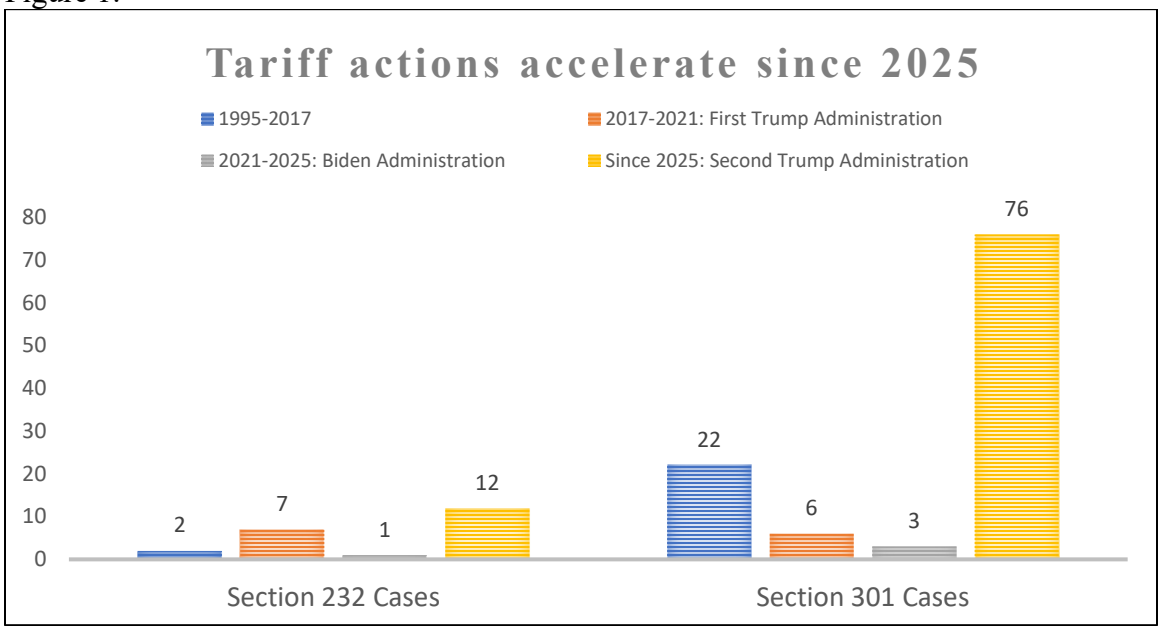
Over the last year, Michigan's economy has navigated a significant shift in U.S. trade policy. This response to the Executive Directive is a summary of how the tariff environment has affected Michigan industries and consumers, focusing on automotive manufacturing, suppliers, retailers, and household budgets.

**Dramatic Policy Shifts Create Uncertainty in Michigan**

Since President Trump's second inauguration in January 2025, tariffs have become a major focus of U.S. economic policy. Michigan's key trading partners, Canada and Mexico, have been affected as tariff policies continue to shift, including interactions with prior trade agreements and overlapping tariff actions. Within the first month, the administration imposed new fees on many imports, including a 25 percent tariff on select goods from Canada and Mexico and an additional 25 percent on steel and aluminum. In the second month, tariffs on Canada and Mexico rose another 25 percent. On April 2, 2025—declared "Liberation Day"—the administration announced broad tariffs under the International Emergency Economic Powers Act, triggering rapid global trade negotiations and policy shifts.

Overall, these shifts in trade policy are unprecedented. The federal government has relied on several tools to impose trade restrictions. Section 232 tariffs, authorized under the Trade Expansion Act of 1962, allow restrictions on imports deemed to threaten national security, but only after a Commerce Department investigation. As Figure 1 shows, the last 18 months have had more Section 232 cases than the prior 30 years combined. The use of Section 301 tariffs, imposed under the Trade Act of 1974 to combat unfair trade practices, have been used 76 times under the current administration.

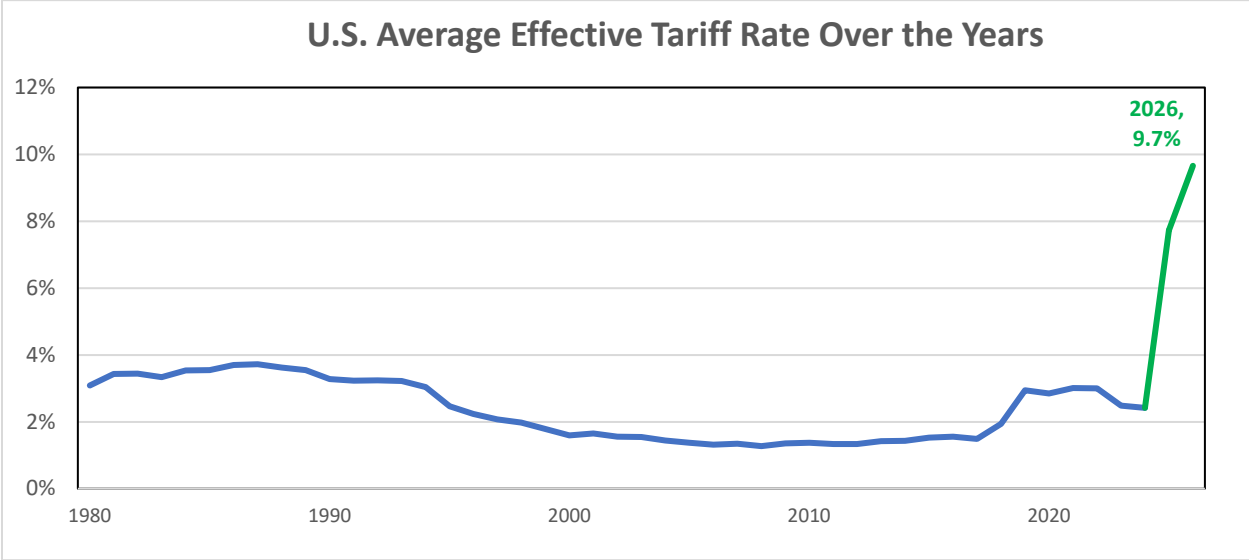
Figure 1:




More recently, the Supreme Court ended the "Liberation Day" tariffs imposed under IEEPA, *Learning Resources Inc v Trump*, 607 US ___ (2026), which will generate some retroactive refunds to businesses. However, the U.S. government introduced a new tariff under Section 122 of the Trade Act of 1974, marking the first use of that authority. These tariffs took effect on February 24, 2026, and will remain in place for 150 days, through July 24, 2026.

In total, the resulting actions have increased tariff levels to levels not seen in over 50 years.

Figure 2:



## Impact on the U.S. and Michigan Economy

Economic conditions in Michigan from March 2025 to April 2026 were shaped largely by uncertainty surrounding evolving tariff policies. Manufacturing firms—especially in autos, metals, and machinery—focused on managing procurement and inventory risks. This led to restrained hiring and capital investment rather than significant changes in overall activity. Agricultural producers experienced reduced export volumes due to retaliatory tariffs.

Overall, the macroeconomic and fiscal impacts were modest, as a result of subsequent USMCA exemptions and support for the auto industry. Inflation rose only slightly, and the broader economy absorbed the shock without major disruptions to growth. The most notable consequences were structural and distributional, as tariff revenue increased sharply, trade flows from China fell, and consumer losses were partially offset by gains to domestic producers and the federal government. Following the Supreme Court decision on IEEPA, some firms will receive refunds, which will temporarily lift corporate profits.

## Impact on Michigan Consumers

Consumers have closely followed trade actions over the past year. Academic studies indicate that the tariffs implemented during this period raised U.S. prices only slightly—and far less than early estimates suggested—largely because effective tariff rates were reduced through exemptions and shifts in sourcing.

Beginning in early 2025, the University of Michigan's Survey of Consumers reported that tariff policy had become a prominent concern. The survey noted that tariffs remained highly salient to consumers and influenced their economic expectations. By mid-2025, 65% of respondents offered unprompted comments about tariffs, up from 28% in January 2025.

## Impact on Michigan Businesses

While tariffs contributed to some input cost pressures, the primary challenge for firms was the unpredictability of future policy changes. Business spending remained subdued, as companies delayed capital commitments and expanded their use of tools such as Foreign Trade Zones to manage tariff exposure. Inventory fluctuations were most evident in the auto sector and reflected efforts to prepare for possible shifts in policy.

The extraordinary pace and scale of policy changes have had noticeable effects on Michigan's economy. In December 2025, the Detroit Regional Chamber of Commerce reported that the largest U.S. tariff increases in nearly a century had significantly weakened cross-border economic activity between Michigan and Canada, affecting both goods flows and tourism.

Approximately 65–70% of Michigan's imports from Canada are tied to motor vehicles and parts. Michigan's auto industry has acutely felt the uncertainty surrounding tariffs. Following the Supreme Court's rejection of the IEEPA tariffs, MichAuto noted: "While we recognize that other avenues exist for the Administration to again impose these tariffs, we continue to stress that Michigan's businesses are disproportionately negatively impacted by tariffs, especially in our automotive, manufacturing, and agriculture sectors."

## Impacts to Key Sectors:

### *Manufacturing*

Tariffs had a steady but uneven impact on manufacturing, particularly for automotive suppliers, fabricated metals producers, and machinery manufacturers. Automotive related firms, which make up an important share of Michigan's manufacturing base, reported repeated planning difficulties as shifting tariff policies affected procurement and input cost expectations, and some metals and fabricated metals contacts warned that tariff sensitive materials like nickel could experience price spikes.

For Michigan, these shifting policy dynamics were relevant. Vehicle inventories rose and fell sharply around tariff deadlines, and manufacturers in the state shared concerns about potential shortages of imported components. Manufacturers have delayed or paused capital investment decisions due to the uncertainty.

### *Tourism*

The tensions in trade policy have led to a decline in Michigan tourism, especially due to tensions with Canada. In 2025, Michigan saw passenger vehicle visits from Canada drop to about 8.3 million from nearly 10 million in 2024, a nearly 16% decline.

## Outlook: Upcoming USMCA Impact Could Alter Economic Trajectory

Much of the tariff impact on Michigan has been softened by exemptions for goods that qualify under the United States-Mexico-Canada Agreement (USMCA). In this context, the USMCA enters a critical review phase in 2026. By July 1, the three countries must decide whether to extend the agreement for an additional sixteen years or allow it to move into annual reviews. This summer's date serves as a decision point regarding renewal, rather than a deadline for concluding negotiations. Potential negotiations are expected to continue into the upcoming year.

The United States enters the review seeking to tighten rules of origin, increase labor value–content requirements, and limit Chinese participation in North American supply chains. For Michigan's automotive sector, these goals are broadly aligned with existing production patterns. Emergency tariffs imposed in 2025 on noncompliant goods have already accelerated a shift toward USMCA compliant sourcing, with compliance rates in Mexico and Canada rising to roughly 75 and 80 percent, respectively, up from about 50 percent. While this trend benefits Michigan firms integrated into regional supply chains, it also increases the risk of disruptions and higher input costs if rules become more stringent in 2026.

For Michigan businesses, the combination of an extended USMCA negotiation timeline, evolving tariff actions, and the potential tightening of compliance requirements creates substantial planning and investment uncertainty.