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Michigan Supreme Court Delivers Consequential Rulings for Business, Energy, and Criminal Justice

The Michigan Supreme Court closed out July with a series of rulings that will keep regulators, energy developers, and the business community occupied well into the fall session.

The highest-profile decision came Friday, July 31, when the Court vacated a key state permit for Enbridge's Line 5 pipeline tunnel under the Straits of Mackinac. The justices found the Michigan Public Service Commission's 2023 review too narrow, faulting regulators for not adequately weighing the tunnel's environmental impact or the project's implications for the Great Lakes public trust doctrine. The ruling sends the permit back to the MPSC for a fresh review, adding new delay to a project first pitched in 2018 as a four-year build. Tribal nations and environmental groups hailed the decision; Enbridge called it a setback. With a federal permit from the Army Corps of Engineers still pending, expect this fight to remain a live issue for Lansing and Washington alike.

Days earlier, in a 4-3 decision in *Attorney General v. Eli Lilly and Co.*, the Court reopened Attorney General Dana Nessel's investigation into insulin pricing by overturning two prior rulings that had narrowly shielded regulated businesses from certain state investigations.

The Court of Appeals must now revisit the case under the Supreme Court's new reading of the Michigan Consumer Protection Act. Business groups, including the Michigan Alliance for Legal Reform, are already pressing lawmakers to pass a regulatory-compliance exemption — arguing the ruling could expose a much broader set of regulated Michigan businesses to state consumer-protection claims. Watch for this to potentially surface as legislation this fall.

Rounding out the week, the Court narrowed life-without-parole sentencing in *People v. Langston*, ruling that mandatory life sentences for pre-1980 felony-murder convictions can violate constitutional protections against cruel or unusual punishment where a defendant's intent was never proven at trial — the latest in a line of decisions chipping away at Michigan's felony-murder rule.

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The Court also revisited the boundary between insanity and criminal intent, ruling 6-1 in *People v. Madison* to revive the "diminished capacity" defense — evidence that a defendant's mental illness or intellectual disability undercut the specific intent required for a crime, distinct from a full legal-insanity defense. The decision overturns the Court's 2001 ruling in *People v. Carpenter*, which had barred such evidence and required defendants to meet an all-or-nothing legal-insanity standard to raise mental health at trial. Writing for the majority, Justice Bernstein concluded that Carpenter had misread the state's insanity statute by turning a narrow affirmative defense into a blanket rule against relevant evidence; Justice Zahra dissented, arguing the prior rule should stand. The ruling sends Madison's case back to Ottawa County's circuit court and is likely to reopen mental-health evidence questions in pending and future criminal trials statewide.

Taken together, the week underscores a Court willing to check both regulatory and prosecutorial authority — a dynamic worth watching as legislative responses take shape.

Washington's Cuts Are Now Lansing's Problem — and City Hall's

Three federal funding streams that touch nearly every Michigan agency and local government — Medicaid, Housing and Urban Development housing assistance, and federal crime-victim funding — are all contracting at once, and the state budget can only absorb so much of the difference.

The biggest number belongs to Medicaid. The 2025 federal reconciliation law (the One Big Beautiful Bill Act) cuts federal Medicaid spending by roughly $911 billion nationally over ten years, and Michigan — where Medicaid covers more than 2.5 million residents — is projected to lose $2 to $4 billion a year once the law is fully phased in, with more than 200,000 residents at risk of losing coverage. Some effects are already landing: the law bars states from creating or raising the provider taxes Michigan has long used to help fund its Medicaid match, tightening the state's options right as it faces a roughly $1 billion budget shortfall. Hospitals are bracing for the rest: the Michigan Health and Hospital Association estimates the law will cost Michigan hospitals more than $6 billion in Medicaid funding over a decade, with rural hospitals — already thin on margin — flagged as most exposed. New work requirements and twice-yearly eligibility checks phase in starting late 2026, meaning county health departments and human-services agencies will absorb both the enrollment losses and the added administrative load of verifying them.

Housing assistance is contracting on a similar timeline. HUD's Emergency Housing Voucher program, created in 2021 to house people fleeing violence and homelessness, is expected to run out of money by mid-2026, years ahead of schedule; roughly 900 Michigan households currently rely on it, and the state housing authority has already stopped adding names to the waitlist. HUD's new FY26 Continuum of Care funding notice compounds the problem, shifting money away from permanent supportive housing and toward short-term stays, and making more renewal funding competitive rather than guaranteed, a change already facing a legal challenge. Local continuums of care and the nonprofits they fund will be left managing longer shelter stays with less permanent-housing money to move people out.

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Victim services face the same math from a different program. Michigan's federal Victims of Crime Act award has fallen from over $100 million in 2018 to under $23 million in 2024, with providers bracing for roughly another 40% cut this year. The state's FY26 budget added $30 million recurring plus a one-time $5 million — real money, but well short of the estimated $75 million gap advocates say federal cuts have opened.

The common thread for Lansing and local governments alike: each of these cuts phases in on its own federal clock, but they're converging on state and local budgets in the same one-to-two-year window, right as Michigan builds its FY27 budget with less room to backfill all three.

What's Ahead in Lansing This Fall

With the state budget complete and the November election approaching, Michigan lawmakers return to Lansing facing a familiar challenge: finding common ground in a divided Legislature. Depending on the outcome of the November election there may not even be a lame duck this year.

The Republican-led House and Democratic-led Senate remain far apart on many of the state's biggest policy questions. While both parties are eager to show voters they are addressing the issues that matter most, the compressed legislative calendar means only a handful of major initiatives are likely to reach the governor's desk.

Here's where we expect lawmakers to focus their attention.

Affordability Takes Center Stage
Affordability will be the dominant theme if there is a fall session. House Republicans have prioritized broad property tax relief, lower utility costs and housing affordability, while Senate Democrats continue to emphasize targeted tax relief, health care affordability and protections for working families.

Although sweeping tax reform is unlikely to become law this year, narrower proposals addressing property taxes, homeowner relief and consumer costs could gain bipartisan support.

Energy and Health Care
Energy policy will remain a significant topic as lawmakers debate rising utility bills, electric grid reliability and implementation of Michigan's clean energy laws. Large disagreements remain over the state's long-term energy strategy, making targeted consumer protection and reliability measures more likely than comprehensive reform.

Health care also presents opportunities for bipartisan action. Hospital pricing transparency, medical debt, prescription drug costs and consumer protections all remain active issues that could advance before year's end.

Education and Workforce
Although the school aid budget has already been approved, lawmakers are expected to continue discussions around literacy, student achievement, workforce development and educator shortages.

Broad changes to Michigan's school funding system are unlikely this year, but more focused legislation involving reading proficiency, career and technical education, teacher recruitment and workforce development could continue moving through the legislative process.

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Transparency and Election Administration
Government transparency remains a priority for Senate Democrats, particularly efforts to expand the Freedom of Information Act to cover the Legislature and governor's office. While comprehensive FOIA reform still faces significant political hurdles, narrower ethics and transparency measures could gain traction.

Election administration is another area to watch. A bipartisan proposal to move Michigan's primary election from August to May has support from many election officials and stands a better chance than broader election policy debates.

Housing and Economic Development
Housing affordability continues to drive conversations around zoning, development incentives and first-time homeownership. At the same time, lawmakers are expected to continue debating Michigan's economic development strategy, including business incentives, regulatory reform and workforce competitiveness.

While large new incentive programs appear unlikely, targeted licensing reforms and regulatory updates often become some of the session's most successful bipartisan accomplishments.

What Is Most Likely to Pass?
The biggest political debates will not necessarily produce the biggest legislative accomplishments.

Major overhauls involving property taxes, school finance, energy policy and government transparency still face significant partisan obstacles. Instead, the measures most likely to become law are practical, bipartisan bills that solve specific problems, enjoy broad stakeholder support and carry limited fiscal impacts.

For organizations working in and around state government, the message is clear: broad policy conversations will dominate the headlines, but progress is most likely to come through targeted legislation with clear bipartisan appeal.