

**SUBSTITUTE FOR
HOUSE BILL NO. 5054**

A bill to make, supplement, and adjust appropriations for various state departments and agencies for the fiscal year ending September 30, 2022; to provide for certain conditions on appropriations; and to provide for the expenditure of the appropriations.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

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PART 1

LINE-ITEM APPROPRIATIONS

Sec. 101. There is appropriated for various state departments and agencies to supplement appropriations for the fiscal year ending September 30, 2022, from the following funds:

APPROPRIATION SUMMARY

GROSS APPROPRIATION	\$ 1,500,000,000
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1	Interdepartmental grant revenues:	
2	Total interdepartmental grants and	
3	intradepartmental transfers	0
4	ADJUSTED GROSS APPROPRIATION	\$ 1,500,000,000
5	Federal revenues:	
6	Total federal revenues	0
7	Special revenue funds:	
8	Total local revenues	0
9	Total private revenues	0
10	Total other state restricted revenues	0
11	State general fund/general purpose	\$ 1,500,000,000
12	Sec. 102. DEPARTMENT OF TREASURY	
13	(1) APPROPRIATION SUMMARY	
14	GROSS APPROPRIATION	\$ 1,500,000,000
15	Interdepartmental grant revenues:	
16	Total interdepartmental grants and	
17	intradepartmental transfers	0
18	ADJUSTED GROSS APPROPRIATION	\$ 1,500,000,000
19	Federal revenues:	
20	Total federal revenues	0
21	Special revenue funds:	
22	Total local revenues	0
23	Total private revenues	0
24	Total other state restricted revenues	0
25	State general fund/general purpose	\$ 1,500,000,000
26	(2) ONE-TIME APPROPRIATIONS	
27	Local unit municipal pension principal payment	
28	grant	\$ 900,000,000



1	Pension best practices and debt reduction grant	
2	program	250,000,000
3	State police retirement system deposit	350,000,000
4	GROSS APPROPRIATION	\$ 1,500,000,000
5	Appropriated from:	
6	State general fund/general purpose	\$ 1,500,000,000

PART 2

PROVISIONS CONCERNING APPROPRIATIONS

GENERAL SECTIONS

11 Sec. 201. Pursuant to section 30 of article IX of the state
12 constitution of 1963, total state spending from state sources under
13 part 1 for the fiscal year ending September 30, 2022 is
14 \$1,500,000,000.00 and total state spending from state sources to be
15 paid to local units of government is \$1,150,000,000.00.

16 Sec. 202. The appropriations made and expenditures authorized
17 under this part and part 1 and the departments, commissions,
18 boards, offices, and programs for which appropriations are made
19 under this part and part 1 are subject to the management and budget
20 act, 1984 PA 431, MCL 18.1101 to 18.1594.

DEPARTMENT OF TREASURY

23 Sec. 301. (1) From the funds appropriated in part 1 for local
24 unit municipal pension principal payment grant, the department of
25 treasury shall establish and operate a grant program that would
26 provide grant awards to qualified units for deposit into the
27 qualified unit's qualified retirement system. The grant award
28 payment into the qualified retirement system must be in addition to
29 the qualified unit's actuarially determined contribution and must



1 not be used by the qualified unit to meet its actuarially
2 determined contribution for the qualified retirement system.

3 (2) To qualify for a grant award under this section, a
4 qualified unit must certify and attest via an affidavit that it
5 shall implement all of the following practices upon the receipt of
6 a grant award:

7 (a) The qualified unit shall make, in full, all actuarially
8 determined contributions. If a qualified unit's actual contribution
9 is less than the actuarially determined contribution, the qualified
10 unit shall remit an amount equal to the difference to the qualified
11 retirement system within 12 months. If the qualified unit fails to
12 remit this payment within 12 months, the department of treasury may
13 intercept the qualified unit's revenue sharing payment.

14 (b) The qualified unit shall not provide contractual benefit
15 enhancements for the 10-year period immediately following receipt
16 of the grant award in subsection (1). To authorize a contractual
17 benefit enhancement after the 10-year period, the qualified unit
18 must certify that its qualified retirement system has a funded
19 ratio of at least 80% and that the contractual benefit enhancement
20 is 100% prefunded. Failure to meet the conditions of this
21 subdivision requires repayment of the grant award that was received
22 by the qualified unit.

23 (c) The discount rate and the assumed rate of return for the
24 qualified retirement system shall be capped at current levels. The
25 discount rate and assumed rate of return may be approved for
26 adjustment to a lower level.

27 (d) The qualified retirement system shall adopt the most
28 recent mortality tables recommended by the Society of Actuaries.

29 (e) The qualified unit shall be subject to corrective action



1 plan monitoring by the municipal stability board for 5 years
2 following receipt of any grant award.

3 (f) The qualified unit shall comply with the uniform actuarial
4 assumptions of retirement systems published by the state treasurer
5 annually under the protecting local government retirement and
6 benefits act, 2017 PA 202, MCL 38.2801 to 38.2812, for the
7 qualified retirement system.

8 (3) Grant awards under this section must be capped at
9 \$100,000,000.00 for any qualified unit's qualified retirement
10 system.

11 (4) The department of treasury shall develop, and publish on
12 the department website, program guidelines, an application process,
13 and the associated application materials no later than April 15,
14 2022. The department of treasury must accept applications from
15 qualified units beginning April 15, 2022 and ending on May 31,
16 2022. Grant awards must be dispersed no later than August 30, 2022.

17 (5) Any funds not awarded by August 30, 2022 must be
18 reallocated and redistributed in a manner that results in the
19 greatest average funded ratio among qualified retirement systems
20 that received a grant award.

21 (6) If the amount appropriated is insufficient to meet all
22 grant award requests, the department of treasury must distribute
23 funds in a manner that results in the greatest average funded ratio
24 among qualified retirement systems that receive a grant award.

25 (7) As used in this section:

26 (a) "Qualified retirement system" means a retirement system,
27 as that term is defined in section 3 of the protecting local
28 government retirement and benefits act, 2017 PA 202, MCL 38.2803,
29 of a qualified unit, with a funded ratio at or below 60% as of



1 December 31, 2021.

2 (b) "Qualified unit" means a city, county, township, village,
3 or road commission that operates a qualified retirement system.

4 (8) The unexpended funds appropriated in part 1 for local unit
5 municipal pension principal payment grant are designated as a work
6 project appropriation, and any unencumbered or unallotted funds
7 shall not lapse at the end of the fiscal year and shall be
8 available for expenditures for projects under this section until
9 the projects have been completed. The following is in compliance
10 with section 451a(1) of the management and budget act, 1984 PA 431,
11 MCL 18.1451a:

12 (a) The purpose of the project is to provide grant awards to
13 be used for deposit into a qualified unit's qualified retirement
14 system.

15 (b) The project will be accomplished by grants to qualified
16 units approved by the department of treasury.

17 (c) The estimated cost of this project is \$900,000,000.00.

18 (d) The tentative completion date for the work project is
19 September 30, 2026.

20 Sec. 302. (1) From the funds appropriated in part 1 for
21 pension best practices and debt reduction grant program, the
22 department of treasury shall establish and operate a grant program
23 that provides grant awards to qualified units that certify and
24 attest to establishing pension best practices as provided in
25 subsection (2) for their qualified retirement system.

26 (2) To qualify for a grant award under this section, a
27 qualified unit must certify and attest via an affidavit that it
28 shall implement all of the following practices upon the receipt of
29 a grant award:



1 (a) Retiree health care, if offered, shall be prefunded.

2 (b) The qualified unit shall make, in full, all actuarially
3 determined contributions. If a qualified unit's actual contribution
4 is less than the actuarially determined contribution, the qualified
5 unit shall remit an amount equal to the difference to the qualified
6 retirement system within 12 months. If the qualified unit fails to
7 remit this payment within 12 months, the department of treasury may
8 intercept the qualified unit's revenue sharing payment.

9 (c) The discount rate and the assumed rate of return for the
10 qualified retirement system shall be capped at current levels. The
11 discount rate and assumed rate of return may be approved for
12 adjustment to a lower level.

13 (d) The qualified retirement system shall adopt the most
14 recent mortality tables recommended by the Society of Actuaries.

15 (e) The qualified unit shall comply with the uniform actuarial
16 assumptions of retirement systems published by the state treasurer
17 annually under the protecting local government retirement and
18 benefits act, 2017 PA 202, MCL 38.2801 to 38.2812, for the
19 qualified retirement system.

20 (3) Grant awards distributed under this section must meet all
21 of the following conditions:

22 (a) Grant awards to a qualified unit are capped at 5% of the
23 amount of funds available for grant awards. This cap does not apply
24 if subsequent rounds of applications are established under
25 subdivision (b).

26 (b) Any funds not awarded by September 30, 2022 must be used
27 for additional rounds of applications until all funds are
28 dispersed.

29 (c) A qualified unit receiving a grant award under this



1 section shall be subject to the following uses in the following
2 order of priority:

3 (i) The grant award must be deposited into the qualified
4 retirement system and must be in addition to the qualified unit's
5 actuarially determined contribution and must not be used by the
6 qualified unit to meet its actuarially determined contribution for
7 the qualified retirement system. The amount deposited into the
8 qualified retirement system must establish a funded ratio of at
9 least 100% before the qualified unit can use funds under
10 subparagraph (ii).

11 (ii) The qualified unit may use any funds available after
12 satisfying subparagraph (i) to make principal payments on any
13 outstanding debt obligations as of December 31, 2021. A qualified
14 unit is allowed to create a debt sinking fund to prefund any debt
15 repayments that are not eligible for early repayment. The qualified
16 unit must have no remaining debt obligations before the qualified
17 unit can use funds under subparagraph (iii).

18 (iii) The qualified unit may use any funds available after
19 satisfying subparagraphs (i) and (ii) to satisfy any matching fund
20 requirements for infrastructure investments.

21 (4) The department of treasury shall develop, and publish on
22 the department website, program guidelines, an application process,
23 and the associated application materials no later than July 1,
24 2022. The department of treasury must accept applications from
25 qualified units beginning July 1, 2022 and ending on July 31, 2022.
26 Grant awards must be dispersed no later than September 30, 2022.

27 (5) As used in this section:

28 (a) "Qualified retirement system" means a retirement system,
29 as that term is defined in section 3 of the protecting local



1 government retirement and benefits act, 2017 PA 202, MCL 38.2803,
2 of a qualified unit, with a funded ratio greater than or equal to
3 60% as of December 31, 2021.

4 (b) "Qualified unit" means a city, county, township, village,
5 or road commission that operates a qualified retirement system or
6 has closed a qualified retirement system and offers a defined
7 contribution retirement plan.

8 (6) The unexpended funds appropriated in part 1 for pension
9 best practices and debt reduction grant program are designated as a
10 work project appropriation, and any unencumbered or unallotted
11 funds shall not lapse at the end of the fiscal year and shall be
12 available for expenditures for projects under this section until
13 the projects have been completed. The following is in compliance
14 with section 451a(1) of the management and budget act, 1984 PA 431,
15 MCL 18.1451a:

16 (a) The purpose of the project is to promote pension best
17 practices and debt reduction measures among qualified units.

18 (b) The project will be accomplished by grants to qualified
19 units approved by the department of treasury.

20 (c) The estimated cost of this project is \$250,000,000.00.

21 (d) The tentative completion date for the work project is
22 September 30, 2026.

23 Sec. 303. The funds appropriated in part 1 for state police
24 retirement system deposit must be used solely for a deposit into
25 the state police retirement system. The deposit into the state
26 police retirement system must be in addition to the actuarially
27 determined contribution and must not be used to meet the
28 actuarially determined contribution for the state police retirement
29 system.

