

**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 or systems. The grant
28 award payment into the qualified retirement system must be in
29 addition to the qualified unit's actuarially determined



1 contribution and must not be used by the qualified unit to meet its
2 actuarially determined contribution for the qualified retirement
3 system or systems.

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

8 (a) The qualified unit shall make, in full, all actuarially
9 determined contributions. If a qualified unit's actual contribution
10 is less than the actuarially determined contribution, the qualified
11 unit shall remit an amount equal to the difference to the qualified
12 retirement system within 12 months. If the qualified unit fails to
13 remit this payment within 12 months, the department of treasury may
14 intercept the qualified unit's revenue sharing payment. For a
15 qualified unit that is a road commission, the department of
16 transportation, in cooperation with the department of treasury, may
17 intercept an available state revenue distribution.

18 (b) The qualified unit shall not provide contractual benefit
19 enhancements unless the contractual benefit enhancement is 100%
20 prefunded. Failure to meet the conditions of this subdivision
21 requires repayment of the grant award that was received by the
22 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 which may subsequently be adjusted based on an experience study of



1 the qualified retirement system.

2 (e) The qualified unit shall be subject to corrective action
3 plan monitoring by the municipal stability board for 5 years
4 following receipt of any grant award.

5 (f) Before completing correction action plan monitoring in a
6 5-year period, the qualified unit shall comply with the uniform
7 actuarial assumptions of retirement systems published as of
8 December 31, 2021 by the state treasurer under the protecting local
9 government retirement and benefits act, 2017 PA 202, MCL 38.2801 to
10 38.2812, for the qualified retirement system. A qualified unit with
11 a population of between 80,000 and 85,000 located in a county with
12 a population of between 400,000 and 410,000 according to the most
13 recent federal decennial census is not subject to the uniform
14 actuarial assumptions of retirement systems' assumption on
15 amortization and may maintain its current amortization schedule.

16 (3) Grant awards under this section must be capped at
17 \$100,000,000.00 for any qualified unit's qualified retirement
18 system.

19 (4) The department of treasury shall develop, and publish on
20 the department website, program guidelines, an application process,
21 and the associated application materials no later than April 15,
22 2022. The department of treasury must accept applications from
23 qualified units beginning April 15, 2022 and ending on May 31,
24 2022. Grant awards must be dispersed no later than August 30, 2022.

25 (5) Any funds not awarded by August 30, 2022 must be
26 reallocated and redistributed in a manner that results in the
27 greatest average funded ratio among qualified retirement systems
28 that received a grant award. The cap on grant awards in subsection
29 (3) does not apply if funds are reallocated and redistributed under



1 this subsection.

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

6 (7) As used in this section:

7 (a) "Contractual benefit enhancement" means any change to the
8 current benefit policy for active members in a qualified retirement
9 system that increases the actuarially determined contribution rate
10 or decreases the funded ratio of the system. This does not include
11 wage and salary increases.

12 (b) "Qualified retirement system" means a retirement pension
13 benefit within a retirement system, as defined in section 3 of the
14 protecting local government retirement and benefits act, 2017 PA
15 202, MCL 38.2803, of a qualified unit, with a funded ratio below
16 60% as of the most recent fiscal year ending on or before December
17 31, 2021.

18 (c) "Qualified unit" means a city, county, township, village,
19 or road commission that operates a qualified retirement system.

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

28 (a) The purpose of the project is to provide grant awards to
29 be used for deposit into a qualified unit's qualified retirement



1 system.

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

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

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

7 Sec. 302. (1) From the funds appropriated in part 1 for
8 pension best practices and debt reduction grant program, the
9 department of treasury shall establish and operate a grant program
10 that provides grant awards to qualified units that certify and
11 attest to establishing pension best practices as provided in
12 subsection (2) for their qualified retirement system.

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

17 (a) Retiree health care, if offered, shall be prefunded. As
18 used in this subdivision, "prefunded" means qualified units must
19 amortize the unfunded actuarial accrued liability of the retiree
20 health care system over a maximum closed period as determined by
21 the uniform actuarial assumptions of retirement systems published
22 as of December 31, 2021 by the state treasurer under the protecting
23 local government retirement and benefits act, 2017 PA 202, MCL
24 38.2801 to 38.2812. The grant award deposited into a qualified
25 retirement system, as provided in subsection (3)(c)(i), may be used
26 by the qualified unit to prefund health care.

27 (b) The qualified unit shall make, in full, all actuarially
28 determined contributions. If a qualified unit's actual contribution
29 is less than the actuarially determined contribution, the qualified



1 unit shall remit an amount equal to the difference to the qualified
2 retirement system within 12 months. If the qualified unit fails to
3 remit this payment within 12 months, the department of treasury may
4 intercept the qualified unit's revenue sharing payment. For a
5 qualified unit that is a road commission, the department of
6 transportation, in cooperation with the department of treasury, may
7 intercept an available state revenue distribution.

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

12 (d) The qualified retirement system shall adopt the most
13 recent mortality tables recommended by the Society of Actuaries,
14 which may subsequently be adjusted based on an experience study of
15 the qualified retirement system.

16 (e) Within 5 years, the qualified unit shall comply with the
17 uniform actuarial assumptions of retirement systems published as of
18 December 31, 2021 by the state treasurer under the protecting local
19 government retirement and benefits act, 2017 PA 202, MCL 38.2801 to
20 38.2812, for the qualified retirement system.

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

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

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



1 (c) A qualified unit receiving a grant award under this
 2 section shall be subject to the following uses in the following
 3 order of priority:

4 (i) The grant award must be deposited into the qualified
 5 retirement system and must be in addition to the qualified unit's
 6 actuarially determined contribution and must not be used by the
 7 qualified unit to meet its actuarially determined contribution for
 8 the qualified retirement system. The amount deposited into the
 9 qualified retirement system must establish a funded ratio of at
 10 least 100% before the qualified unit can use funds under
 11 subparagraph (ii). Grant awards may also be deposited for a
 12 retirement health benefit of a retirement system, as defined in
 13 section 3 of the protecting local government retirement and
 14 benefits act, 2017 PA 202, MCL 38.2803, of a qualified unit that is
 15 transitioning from pay-as-you-go to prefunding.

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

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

26 (4) The department of treasury shall develop, and publish on
 27 the department website, program guidelines, an application process,
 28 and the associated application materials no later than July 1,
 29 2022. The department of treasury must accept applications from



1 qualified units beginning July 1, 2022 and ending on July 31, 2022.
2 Grant awards must be dispersed no later than September 30, 2022.

3 (5) As used in this section:

4 (a) "Qualified retirement system" means a retirement pension
5 benefit within a retirement system, as defined in section 3 of the
6 protecting local government retirement and benefits act, 2017 PA
7 202, MCL 38.2803, of a qualified unit, with a funded ratio greater
8 than or equal to 60% as of December 31, 2021.

9 (b) "Qualified unit" means a city, county, township, village,
10 or road commission that operates a qualified retirement system or
11 has closed a qualified retirement system and offers a defined
12 contribution retirement plan.

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

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

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

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

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

28 Sec. 303. The funds appropriated in part 1 for state police
29 retirement system deposit must be used solely for a deposit into



1 the state police retirement system. The deposit into the state
2 police retirement system must be in addition to the actuarially
3 determined contribution and must not be used to meet the
4 actuarially determined contribution for the state police retirement
5 system.

