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**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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Interdepartmental grant revenues:	
Total interdepartmental grants and intradepartmental transfers	0
ADJUSTED GROSS APPROPRIATION	\$ 1,500,000,000
Federal revenues:	
Total federal revenues	0
Special revenue funds:	
Total local revenues	0
Total private revenues	0
Total other state restricted revenues	0
State general fund/general purpose	\$ 1,500,000,000
Sec. 102. DEPARTMENT OF TREASURY	
(1) APPROPRIATION SUMMARY	
GROSS APPROPRIATION	\$ 1,500,000,000
Interdepartmental grant revenues:	
Total interdepartmental grants and intradepartmental transfers	0
ADJUSTED GROSS APPROPRIATION	\$ 1,500,000,000
Federal revenues:	
Total federal revenues	0
Special revenue funds:	
Total local revenues	0
Total private revenues	0
Total other state restricted revenues	0
State general fund/general purpose	\$ 1,500,000,000
(2) ONE-TIME APPROPRIATIONS	

Local unit municipal pension principal payment grant	\$ 900,000,000
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Pension best practices and debt reduction grant program	250,000,000
State police retirement system deposit	350,000,000
GROSS APPROPRIATION	\$ 1,500,000,000
Appropriated from:	

State general fund/general purpose**\$1,500,000,000****PART 2****PROVISIONS CONCERNING APPROPRIATIONS****GENERAL SECTIONS**

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

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

DEPARTMENT OF TREASURY

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

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

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

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

(b) The qualified unit shall not provide contractual benefit enhancements unless the contractual benefit enhancement is 100% prefunded. Failure to meet the conditions of this subdivision requires repayment of the grant award that was received by the qualified unit.

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

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

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the qualified retirement system.

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

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

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

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

(5) Any funds not awarded by August 30, 2022 must be reallocated and redistributed in a manner that results in the greatest average funded ratio among qualified retirement systems that received a grant award. The cap on grant awards in subsection

(3) does not apply if funds are reallocated and redistributed
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this subsection.

(6) If the amount appropriated is insufficient to meet all
grant award requests, the department of treasury must distribute
funds in a manner that results in the greatest average funded

ratio among qualified retirement systems that receive a grant award.

(7) As used in this section:

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

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

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

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

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

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system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

dispersed.

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

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

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

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

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

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

(5) As used in this section:

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

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

(6) The unexpended funds appropriated in part 1 for pension best practices and debt reduction grant program are designated as

a work project appropriation, and any unencumbered or unallotted funds shall not lapse at the end of the fiscal year and shall be available for expenditures for projects under this section until the projects have been completed. The following is in compliance with section 451a(1) of the management and budget act, 1984 PA 431, MCL 18.1451a:

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

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

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

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

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

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