

**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:

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**APPROPRIATION SUMMARY**

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<b>GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
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1	Interdepartmental grant revenues:	
2	Total interdepartmental grants and	
3	intradepartmental transfers	0
4	<b>ADJUSTED GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
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	<b>State general fund/general purpose</b>	<b>\$ 1,500,000,000</b>
12	<b>Sec. 102. DEPARTMENT OF TREASURY</b>	
13	<b>(1) APPROPRIATION SUMMARY</b>	
14	<b>GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
15	Interdepartmental grant revenues:	
16	Total interdepartmental grants and	
17	intradepartmental transfers	0
18	<b>ADJUSTED GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
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	<b>State general fund/general purpose</b>	<b>\$ 1,500,000,000</b>
26	<b>(2) ONE-TIME APPROPRIATIONS</b>	
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	<b>GROSS APPROPRIATION</b>	<b>\$ 1,500,000,000</b>
5	Appropriated from:	
6	<b>State general fund/general purpose</b>	<b>\$ 1,500,000,000</b>

## 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.

