Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 292 (as enacted) **PUBLIC ACT 221 of 2016**
Sponsor: Senator John Proos
Senate Committee: Appropriations
House Committee: Financial Liability Reform

Date Completed: 11-14-17

CONTENT

The bill amended the Management and Budget Act to require the Governor to include statements of annual required employer contributions toward total unfunded retiree health care and pension legacy costs for each department and for the legislative and judicial branches, at the time the budget is transmitted to the Legislature and the fiscal agencies.

Under the Act, the Governor is required to transmit to the Legislature budget bills containing itemized statements of estimated State spending to local units of government, individual line item amounts including full-time equated (FTE) positions, and any necessary bills for additional revenue to provide financing for proposed expenditures. Senate Bill 292 also requires the Governor to include statements of the annual required employer contributions for unfunded retiree health care and pension legacy costs.

In both the fiscal year (FY) 2014-15 and FY 2015-16 budget cycles, the Governor's recommended budget bills included a statement for each department that itemized total appropriations supporting legacy costs, and further split those amounts into the appropriations for pension-related legacy costs and retiree health care legacy costs. The bill makes this reporting of the statements of annual required contributions a statutory requirement.

(The appropriations supporting legacy costs can be thought of as annual "mortgage payments", where the sum of the unfunded accrued liabilities in a pension system is the mortgage. Three pension systems that would be reported on under this bill (State Employees' Retirement System, Legislative Retirement System, and Judicial Retirement System) have been closed to new employees or elected officials since March 31, 1997, and defined benefit plans have been replaced by defined contribution (e.g., 401k) plans.)

The bill took effect on March 29, 2017.

MCL 18.1367

FISCAL IMPACT

The bill should have little to no fiscal impact on the State because the Governor's budget for the past two years has included the required information; therefore, the processes and calculations necessary to comply with this bill are already in place.

Fiscal Analyst: Kathryn Summers