



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

## BILL ANALYSIS



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

House Bill 6357 (as discharged)  
Sponsor: Representative Thomas Albert  
House Committee: Appropriations  
Senate Committee: Appropriations (discharged)

Date Completed: 9-28-22

**CONTENT**

**The bill would amend the Public School Employees Retirement Act to do the following:**

- **Suspend mandatory floors related to university payments toward unfunded accrued liabilities (UAL) for one year.**
- **Require the Office of Retirement Services (ORS) to reduce the payments universities must remit toward UAL, based on the deposit of an additional \$300.0 million into the Michigan Public School Employees' Retirement System (MPSERS) that occurred in fiscal year (FY) 2021-22 under Public Act (PA) 144 of 2022.**
- **Accelerate the reduction in payroll growth assumption (i.e., accelerate the move to level dollar amortization payments applied to UAL).**

The FY 2021-22 education budget (PA 144 of 2022) included an additional \$300.0 million in payments to MPSERS to reduce the UAL tied to the seven universities that were part of MPSERS; the appropriation was designed to reduce the universities' annual payments reflective of that additional payment. In addition, \$1.0 billion was appropriated to reduce the overall UAL in MPSERS tied to school districts and community colleges, and \$140.4 million was appropriated to accelerate the reduction in assumed payroll growth used by the State's actuary when calculating the payments schools and colleges must make on an annual basis.

The bill is a budget implementation bill that would require the ORS and the State's actuary to recognize the \$300.0 million in additional funding to reduce by roughly 50% the UAL that is related to universities. The bill would require that universities' payments toward the UAL in FY 2022-23 be the "'actuarially determined' contribution", rather than at least as much in FY 2021-22 (the floor). In this manner, payments by universities are expected to be roughly \$36.0 million lower than in FY 2021-22. The seven universities that would see lower costs because of this provision are Central Michigan University, Eastern Michigan University, Ferris State University, Lake Superior State University, Michigan Technological University, Northern Michigan University, and Western Michigan University.

The bill also would require the ORS and the actuary to accelerate the reduction in payroll growth assumption rates. Under current law, the rate of assumed payroll growth for FY 2022-23 would be 2.5%; under the bill (and funded with the appropriation under PA 144 of 2022), the rate would be 1.75%. For future years, the rate will decline between 25 and 50 basis points until reaching 0%. At that point, amortization payments toward the UAL would be 'level dollar' rather than 'level percent of payroll'.

MCL 38.1341

## **FISCAL IMPACT**

The bill is a budget implementation bill. The FY 2021-22 and FY 2022-23 budgets included appropriations to pay for the changes proposed by the bill. Under the bill, university contributions toward UAL would have to reflect the appropriations under Section 236 of the State School Aid Act. That section saw an additional \$300.0 million added under PA 144 of 2022, and the bill would require that university contributions be reduced commensurate with and reflective of that appropriation. The anticipated FY 2022-23 savings to the seven affected universities is estimated at \$36.3 million.

Public Act 144 of 2022 also included three years of funding to pay for the acceleration of the reduction in payroll growth assumptions. Accelerating that reduction means that the cost to districts would go up (by an estimated \$140.4 million), and the budget included funding to ensure districts would not be adversely affected by that change in assumptions.

<b>University</b>	<b>Estimated University UAL Cost under the Bill</b>	<b>Estimated University UAL Cost under Current Law</b>	<b>Estimated FY 2022-23 Savings</b>
Central Michigan Univ.	\$5,717,410	\$14,731,088	\$9,013,678
Eastern Michigan Univ.	2,853,809	7,352,930	4,499,121
Michigan Technological Univ.	2,598,201	6,694,349	4,096,147
Northern Michigan Univ.	2,157,467	5,558,782	3,401,315
Western Michigan Univ.	5,252,196	13,532,450	8,280,254
Ferris State Univ.	3,759,248	9,685,821	5,926,573
Lake Superior State Univ.	705,522	1,817,800	1,112,278
	<b>\$23,043,853</b>	<b>\$59,373,219</b>	<b>\$36,329,366</b>

Source: State Budget Office

Fiscal Analyst: Kathryn Summers

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