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Senate Bill 792 (as introduced 2-18-14)  
Sponsor: Senator John Proos  
Committee: Appropriations

Date Completed: 9-16-14

## **CONTENT**

The bill would amend the Management and Budget Act to require budget bills submitted by the Governor to contain unfunded accrued liabilities (UAL) of the State, including unfunded legacy costs of health care and pensions for each department and the legislative and judicial branches, in addition to the other items required.

Under current law, 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 FTE positions, and any necessary bills for additional revenue to provide financing for proposed expenditures. This bill also would require the Governor to include unfunded accrued liabilities of the State, including unfunded legacy costs of retiree health care and pensions associated with each department, the Legislature, and the judicial branch.

In the most recent budget cycle, the Governor's budget bills proposed for fiscal year 2014-15 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. Under the bill, the Governor's budgets would need to include a statement, by department, including the Legislature and Judiciary, of the UAL and the total legacy costs for retiree health and pension, not just the annual amounts appropriated to make payments against those costs.

(The appropriations supporting legacy costs can be thought of as annual "mortgage payments", where the UAL 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 (LRS), and Judicial Retirement System (JRS)) have been closed to new employees or elected officials since March 31, 1997, and replaced defined benefit plans with defined contribution (e.g., 401k or similar) plans.)

MCL 18.1367

## **FISCAL IMPACT**

The bill should have little to no fiscal impact on the State because it is likely that the statements of UAL by department would be calculated using the most recently available valuation or annual financial report, with each department assigned a proportionate share of the UAL. The LRS and JRS are separate pension systems and each publishes valuations and annual financial reports from which the required information easily could be gleaned and added to the Governor's budget recommendations.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.