

**House Bill 4324 as enrolled
Public Act 119 of 1998
Third Analysis (8-13-98)**

**Sponsor: Rep. Clark Harder
House Committee: Public Retirement
Senate Committee: Government Operations**

THE APPARENT PROBLEM:

Public Act 325 of 1978 established an awards program under which state employees may receive cash or paid vacation time for making suggestions that save at least \$10,000 in taxpayer money. Since its creation, the program has elicited approximately 23,600 suggestions, about 2,200 of which have been adopted and awarded. According to the Department of Management and Budget, adopted suggestions have saved the state approximately \$1.8 billion in a variety of ways. Most notable was one suggestion last year that saved the state \$320 million in the first year. Some people believe the program could be enhanced by allowing retired state employees the chance to offer such suggestions, especially as their experience working for the state gives them a good understanding of the ways that state agencies and departments operate. As a number of other states and some Fortune 500 companies reportedly give their retired employees the opportunity to participate in suggestion award programs, some feel retired state employees in Michigan should be eligible to do so, too.

Further, program administrators have been at work planning to revamp the structure of the program. In light of the governor's 1996 executive directive calling for making a permanent commitment to quality and customer satisfaction at all levels of state government, it has been noted that the suggestion awards program could be expanded to incorporate these goals, rewarding not only those who suggest cost-saving measures, but those who suggest, implement, and advocate for improvements in quality service and customer satisfaction throughout state government.

THE CONTENT OF THE BILL:

The bill would amend Public Act 325 of 1978, the act establishing the suggestion awards program for state employees, to expand and rename the program as the suggestion awards program and quality recognition

system. Current and retired state employees would be eligible to participate, and recognition actions (awards) could be granted for "process improvements" (recommended improvements that are implemented and that result in measurable organizational success for the state), and for "value added behavior" (a positive contribution by a person that advances the implementation of a process improvement or otherwise assists in the advancement of overall organizational success).

Under current law, the suggestions award board is the final reviewer of any award greater than \$100 (up to \$1,000 or 15 days vacation time), while the suggestion administrator (a Department of Management and Budget employee appointed by the department director) makes final review of awards for \$100 or less.

Under the bill, the suggestion awards board would be renamed as the recognition board. One member of the board could be a retired state employee. The board would be charged with developing the guiding principles for employee, retired state employee, and department and agency recognition. Awards over \$500 would be reviewed by the board and those of \$500 or less would be reviewed by the administrator (who would be called the recognition administrator). (Note: The Suggestion Awards Program was transferred by executive order from the Department of Civil Service to the Department of Management and Budget in 1996. The bill would amend the statute to reflect this transfer.)

Recognition awards would have to be distributed in an equitable fashion to all state employees and retirees who were involved in recommending, initiating, and implementing a quality improvement and to those who demonstrated value added behaviors. The total amount of an award for a single process improvement

could not exceed \$5,000. The bill would also delete language allowing for the payment of awards by personal leave, or by a merit certificate, pin, or the like.

Further, the bill would allow (rather than require) the department to promulgate rules to implement the act, and to equitably phase out the current suggestion program. Operational guidelines would have to be established and implemented by approval of the recognition board.

The bill specifies that a retired state employee who was the recipient of a recognition award under the act would be treated as self-employed for tax purposes, and such an award would not affect or result in a recalculation of the person's retirement benefit.

Finally, the bill would specify that each state department's suggestion committee would have an uneven number of members, between three and 11. (Such committees now must have three members.)

The bill would take effect July 1, 1998.

MCL 38.1161 et al.

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

Opening up the suggestion awards program to retired state employees makes sense since these former employees usually have spent a long time in state government, and could offer good tips on ways to save the state money or improve services. Furthermore, some of these individuals may have been uncomfortable making suggestions about possible money saving improvements while they were still working as state employees, since their ideas might have affected their coworkers or even resulted in elimination of their own jobs.

More importantly, the bill would revamp the program so that it will focus not just on cost-savings, but on quality improvement. It has been pointed out that a suggestion that would save money may actually have a deleterious effect on the quality of service provided to Michigan citizens, the "customers", if you will, of state government. In keeping with the governor's executive directive to improve the quality of service provided by state government, the program will reward

those that suggest ideas to continuously improve services, and perhaps even more importantly, to those who actually make such changes happen -- those who implement ideas, encourage creativity, remove barriers, and otherwise make a genuine difference in the workplace environment.

Analyst: D. Martens

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.