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SFA



BILL ANALYSIS

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House Bill 4324 (as reported with amendment)
Sponsor: Representative Clark Harder
House Committee: Public Retirement
Senate Committee: Government Operations

Date Completed: 12-22-97

RATIONALE

Public Act 325 of 1978 provides for a suggestion awards program, and prescribes the procedures whereby State employees may be rewarded for submitting suggestions that save the State money. Since 1978 (through September 1997) there have been over 24,000 suggestions submitted; 2,285 suggestions have been adopted, which has resulted in savings to the State of over \$1.9 billion, according to the program's September 1997 cumulative statistical report. An award may consist of a cash award of up to 10% of the first-year savings, with a \$5,000 maximum; personal leave with pay; or a certificate, pin, button, or other appropriate emblem. Since 1978, the State has paid awards valued at over \$930,000. While anyone is free to offer suggestions to the State concerning how the State could save money, currently under the Act only State employees are allowed to receive awards for suggestions submitted. It has been suggested that the program could be improved by allowing retired State employees the chance to offer suggestions and receive awards for them.

CONTENT

The bill would amend Public Act 325 of 1978 to allow retired State employees to submit suggestions to the State suggestion awards board or the suggestion administrator, and receive an award for a suggestion. (The suggestion awards board consists of five State employees appointed by the Director of the Department of Management and Budget (DMB). The suggestion administrator is a DMB employee appointed by the Director.)

Currently, the suggestion awards board must perform the final review of an award that is greater than \$100, while the suggestion administrator must conduct the review for awards of \$100 or less. The

bill would require the board to review awards greater than \$500 and the administrator to review an award of \$500 or less.

Currently, each State department must have a three-member employee committee to review suggestions that pertain to the operation of that department. The bill would require each department's committee to consist of an uneven number of employees, from three to 11 members, based on need as determined by the head of the department.

The bill includes language that would transfer administration of the suggestion awards program from the Department of Civil Service to the Department of Management and Budget. This provision would conform to Executive Reorganization Order 1996-5, which transferred the program to the DMB on July 29, 1996.

MCL 38.1161 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Reportedly, a number of other states and some Fortune 500 companies give their retired employees the opportunity to participate in suggestion awards programs. Retired State employees in Michigan should be eligible to do so, too, since their experience working for the State likely gave them a good understanding of the ways that State departments and agencies run. Opening the suggestion awards program to retired State employees would make sense since these former employees could offer good tips on ways to save

the State money. Furthermore, some recent retirees 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 their own jobs. Allowing retirees to participate would only increase the savings the State has already enjoyed from this program.

Also, by raising the amount of awards that are decided by the suggestion administrator (rather than the suggestion awards board) from \$100 to \$500, the bill would allow the board to devote more time reviewing those suggestions that offered the greatest potential for savings. Finally, the bill would permit State department suggestion committees to vary in size, anywhere between three and 11 members, as long as there were an odd number of members. This provision would allow a department that tended to receive a greater number of suggestions, or complicated suggestions for saving money, to organize a larger committee that could spend more time reviewing them than a three-member committee could do.

Opposing Argument

While allowing retirees to participate in the program is an excellent idea, it may not be proper to do so at this time. The program is nearly 20 years old, and, some feel, in need of revision. A study of the program by a private consulting firm was recently completed and is now being used by

the DMB to explore the possibility of restructuring the program, perhaps to expand the program or reorganize it to produce greater participation and savings. Allowing retirees to participate in the program should not be done until the Department's efforts are completed, and retiree participation could be incorporated with other changes in the program.

Legislative Analyst: G. Towne

FISCAL IMPACT

According to the Department of Management and Budget, assuming that State residents and retirees participated in the program, the State could receive additional suggestions annually. The chart below indicates the number of suggestions received, the number of suggestions adopted, the amount of awards paid, as well as first-year savings for the current program. Currently, only State employees are allowed to submit suggestions to save the State money. Over the past six years, savings to the State have ranged from \$955,000 in fiscal year 1991-92 to \$320,857,384 in fiscal year 1995-96. In 1996, \$300,000,000 was due to one enacted suggestion. Because of this anomaly, first-year savings of this amount are not likely to occur annually. Because it is difficult to determine how many additional suggestions may be received and adopted, first-year savings to the State due to the expansion of the program are indeterminate.

	Suggestions Received	Number Adopted	Awards Paid (\$)	First Year Savings (\$)
FY 1991-92	1,226	133	102,172	955,178
FY 1992-93	1,201	117	91,230	1,983,504
FY 1993-94	1,143	84	48,400	2,393,940
FY 1994-95	959	102	45,505	1,255,444
FY 1995-96	909	111	54,190	320,857,384
FY 1996-97	826	118	73,990	8,465,775

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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.

Fiscal Analyst: E. Limbs