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**SFA****BILL ANALYSIS**

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House Bill 4324 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Representative Clark Harder

House Committee: Public Retirement

Senate Committee: Government Operations

## **CONTENT**

The bill would amend Public Act 325 of 1978, which provides for the State's suggestion awards program, to replace the suggestions board with a recognition board; replace the current awards with types of recognition; and allow retired (as well as current) State employees to recommend improvements and receive recognition for them. The bill would take effect July 1, 1998.

Currently, the Department of Management and Budget (DMB) may establish a suggestion awards board within the Department. The bill would require the DMB to establish a "recognition board" and promulgate rules to phase out equitably the present suggestion system. Currently, 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. The bill provides, instead, that the types of recognition would have to be developed in guidelines by the recognition board. Recognition would have to be distributed equitably to all State employees and retirees who were involved in recommending, initiating, and implementing a "process improvement" (a recommended improvement that identified a problem, situation, or opportunity for improvement, together with a recommendation for a remedy, and that was implemented and brought about measurable organizational success for the State) and who demonstrated "value added behavior" (a positive contribution that advanced the implementation of a process improvement or otherwise assisted in the advancement of overall organizational success). The tangible value of recognition for any single process improvement could not exceed \$5,000.

Currently, the suggestion awards board must perform the final review of an award that is greater than \$100, while the DMB's suggestion administrator must review awards of \$100 or less. The bill would require the recognition board to review awards over \$500 and the recognition administrator to review an award of \$500 or less.

MCL 38.1161 et al

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

According to the DMB, assuming that retirees participated in the program, the State could receive additional suggestions annually. From FY 1991-92 through FY 1996-97, the average number of suggestions received each year from State employees was 1,044, and the average number adopted was 111. Over the past six years, savings to the State have ranged from \$955,000 in FY 1991-92 to \$320,857,384 in FY 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.

Date Completed: 4-21-98

Fiscal Analyst: E. Limbs

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