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BILL



ANALYSIS

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House Bill 5190 (Substitute H-1 as passed by the House)
Sponsor: Representative Philip J. LaJoy
House Committee: Employment Relations, Training and Safety
Senate Committee: Local, Urban and State Affairs

Date Completed: 3-10-04

CONTENT

The bill would create the "Consolidated Human Resource Operations Act"; create within the Department of Civil Service a new "Office of Human Resource Operations" with the responsibility for leading efforts to consolidate and reorganize all State human resource operations within the executive branch; and provide that, upon completion of the consolidation and reorganization, all human resource operations authority, duties, functions, personnel, equipment, and budgeting resources in the executive branch, including payroll and benefit administration, would have to be conducted in the Office.

Under the bill, "executive branch" would be defined as the executive branch of the State government, excluding the Department of the Attorney General and the Department of State.

Within 120 days after the bill's effective date, the State Personnel Director would have to hire an executive director of the proposed Office with expertise in human resource operations, who would serve under the Personnel Director. The executive director would have to create, develop, and implement a business plan and otherwise assist the Office in consolidating and reorganizing all human resource operations in the executive branch into the Office by September 30, 2004. The business plan would have to outline and describe the duties, responsibilities, authority, powers, functions, personnel, equipment, and budgetary resources involved in the human resource operation of the executive branch as they would be consolidated and reorganized into the Office, and specifically describe how redundancies would be eliminated and how efficiencies would be increased. The business plan also would have to include a timetable for the consolidation and reorganization as well as an organizational chart of the human resource operations in the executive branch as consolidated and reorganized into the Office.

By September 30, 2004, the Office of Human Resource Operations would have to do all of the following:

- Develop standard operating procedures and policies that all executive branch human resource employees would have to follow as they conducted their human resource activities.

- Develop service-level agreements within the executive branch to ensure quality human resource services.
- Determine the true costs of providing human resource services before the consolidation and reorganization.
- Determine the true costs of human resource services after the consolidation and reorganization.

All executive branch departments and State agencies would have to cooperate with the Office in completing its mission of providing quality human resource services.

The executive director of the Office would have to provide the House Employment Relations, Training and Safety Committee and the Senate Government Operations Committee with a report as to the progress of consolidating and reorganizing human resource operations in the Office every three months beginning three months after the bill's effective date until the completion of the consolidation and reorganization. Following the completion, every six months for 18 months, the executive director would have to give the same Committees a report on the total savings achieved; the reduction in State employees, if any, due to the consolidation and reorganization; and the current status of human resource services in the Office.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The Governor's FY 2004-05 budget recommendation includes a Human Resources Optimization proposal that would use the Human Resources Management Network (HRMN)¹⁾ to consolidate and standardize the processing of certain routine transactions and services for State employees.²⁾ The centralized Human Resource Service Center would be housed in the Department of Civil Service and technical maintenance provided by the Department of Information Technology. The Governor's budget proposal includes a net reduction of \$2 million and 70 FTE positions related to the Optimization Project. First-year savings before start-up costs resulting from the initial consolidation would be approximately \$5.1 million. The Department of Civil Service appropriation for the Human Resources Optimization Center would total 30.0 FTEs/\$2 million, and the appropriation for the Department of Information Technology would be 4.0 FTEs/\$1,070,900. The consolidation effort also envisions the centralization of other human resource functions, such as classification and pay adjustments, that would result in the elimination through attrition over five years of an additional 70.0 FTEs, resulting in additional savings of \$4 million annually.

House Bill 5190 (H-1) would require the consolidation and reorganization of all human resource operations in the executive branch, with the exception of the Department of Attorney General and the Department of State, into the proposed Office of Human Resource Operations. The extent to which this requirement could achieve savings beyond the level being pursued by the current administration is not determinable. Certain functions, while consolidated under one office, might still have to be housed in individual departments. Pursuant to Section 504 of Public Act 161 of 2003 (FY 2003-04 General Government appropriation bill), the Department of Civil Service compiled a report regarding human resource offices for all executive branch departments. According to the report, human resource office appropriations in FY 2002-03 included 541.0 FTE positions and \$39.0 million.

¹⁾HRMN is the Statewide integrated payroll, personnel, and benefits system.

²⁾Budgets excluded from this proposal include the Department of Attorney General, the Department of State, the Legislature, and the Judiciary.

Fiscal Analyst: Bill Bowerman

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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.