Legislative Analysis

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SUPPLEMENTAL REVISIONS TO THE ECONOMIC VITALITY INCENTIVE PROGRAM

House Bill 5189 (S-3)
Sponsor: Rep. Amanda Price
Committee: Appropriations

Complete to 4-26-12

FLOOR SUMMARY OF FY 2011-12 HOUSE SUPPLEMENTAL APPROPRIATIONS BILL 5189 (S-3) AS PASSED THE SENATE

House Bill 5189, an FY 2011-12 supplemental appropriations bill, unappropriates and reappropriates $215.0 million ($15.0 million considered one-time) associated with the FY 2011-12 Economic Vitality Incentive Program in order to revise provisions associated with the program. There is no net change in FY 2011-12 Economic Vitality Incentive Program funding available to cities, villages, townships.

House Bill 5189 would amend category 2 of the FY 2011-12 Economic Vitality Incentive Program to require an eligible city, village, or township to certify by March 1, 2012 that it is compliance with the requirements in category 2. Current FY 2011-12 Economic Vitality Incentive Program language requires that an eligible city, village, or township certify by January 1, 2012 that it is in compliance with the requirements of category 2. Category 2 requires an eligible city, village, or township to develop a plan to increase its existing level of consolidation, cooperation, and collaboration. A listing of cities, villages, and townships affected by this change is not currently available.

Additionally, House Bill 5189 would amend the provisions of the FY 2011-12 Economic Vitality Incentive Program, created in 2011 PA 63 and amended by section 402 of 2011 PA 278, to require that, in order to receive a potential payment under category 3 (employee compensation), a city, village, or township eligible meet one of the following requirements:

- Certify by June 1, 2012, that it has developed an employee compensation plan that it intends to implement with any new employee or new employment contract. The employee compensation plan shall include the requirements outlined in the current FY 2011-12 Economic Vitality Incentive Program category 3 (see below for specific requirements).
- Certify by June 1, 2012, that it is in compliance with the requirements of the Publicly Funded Health Insurance Contribution Act, 2011 PA 152, MCL 15.561 to MCL 15.569. If the eligible city, village, or township does not offer medical benefits, the eligible city, village, or township would be required to certify with the Department of Treasury by June 1, 2012 that it does not offer medical benefits to its employees.

For a an eligible city, village, or township to comply with 2011 PA 152, the city, village or township is required to comply with one of the following:

(1) The public employer can pay no more for medical plan benefits than $5,500 per employee with single person coverage, $11,000 per employee with individual and spouse coverage, and $15,000 per employee with family coverage.

(2) The public employer can pay no more than 80 percent of the total annual costs of all the medical benefit plans it offers or contributes to for its employees.

A local unit of government can exempt itself from the requirements of the act for the next succeeding year by a two-thirds vote of its governing body.

Current FY 2011-12 Economic Vitality Incentive Program category 3 requirements would be repealed. These include:

(1) New hires eligible for retirement plans must be placed in retirement plans that cap annual employer contributions at 10% of base salary for those employees eligible for Social Security benefits and 16.2% for those not eligible for Social Security payments.

(2) Public employers providing defined benefit pension plans are required to limit pension multipliers to certain levels depending on whether the employee was eligible for Social Security benefits and postemployment health care benefits.

(3) Public employers providing defined benefit pension plans are required to use a minimum of three years when computing final average compensation and cannot use more than 240 hours of paid leave. Overtime hours cannot be used in computing final average compensation.

(4) Health care premium costs for new hires are required to include a minimum employee share of 20%; alternatively, an employer's share of health care plan costs is required to be cost competitive with the new state preferred provider organization health plan on a per-employee basis.

FISCAL IMPACT:

The bill would have no net fiscal impact on state government. Any funds foregone under current Economic Vitality Incentive Program provisions would instead be expended under the Competitive Assistance Grant Program.

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