Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 5301 (Substitute S-1 as reported)
House Bill 5302 (Substitute S-2 as reported)
House Bill 5313 (Substitute S-1 as reported)
Sponsor: Representative Amanda Price (H.B. 5301)
Representative Roy Schmidt (H.B. 5302)
Representative Bradford Jacobsen (H.B. 5313)
House Committee: Transportation
Senate Committee: Transportation

## CONTENT

The bills would amend several statutes to do the following:

-- Beginning September 30, 2014, require each county and local road agency to certify annually to the Michigan Department of Transportation (MDOT) that it intended to implement a transportation employee compensation plan, that it offered medical benefits to transportation employees and elected officials and was in compliance with the Publicly Funded Health Insurance Contribution Act, or that it did not offer medical benefits.
-- Require a transportation employee compensation plan to meet prescribed conditions regarding employer retirement contributions, defined benefit pension multipliers, and employee health care cost-sharing.
-- Allow MDOT to withhold from a road agency that did not make the required certification all or part of the distributions to that agency from the Michigan Transportation Fund (MTF).
-- Require each road agency and MDOT to maintain a public website containing specific information.

House Bill 5301 (S-1) would apply to a county road agency under Public Act (PA) 293 of 1966, which governs charter counties. House Bill 5302 (S-2) would apply to a local road agency under PA 51 of 1951, the MTF law. House Bill 5313 (S-1) would apply to a county road agency under PA 139 of 1973, which provides for an optional unified form of county government.

All of the bills would define "transportation employee" as an employee paid in whole or in part through revenue distributed to county road commissions, cities, and villages, under the MTF law, or an employee who is engaged primarily in work funded through that revenue.

(Under the Publicly Funded Health Insurance Contribution Act, a public employer that offers or contributes to a medical benefit plan for its employees or elected public officials must pay not more of the annual costs than the total of the following amounts, adjusted annually for inflation:

-- $5,500 per employee with single person coverage.
-- $11,000 per employee with individual and spouse coverage.
-- $15,000 per employee with family coverage.

Alternatively, by a majority vote of its governing body, a public employer may elect to pay a maximum of 80% of the total annual costs of all of the medical benefit plans it offers or contributes to for its employees and elected public officials. In this case, each elected public official who participates in a medical benefit plan offered by the employer must be required to pay at least 20% of the total annual costs of the plan.)

Employee Compensation Plan. A road agency's transportation employee compensation plan would have to be implemented with any new, modified, or extended contract or employee agreements for transportation employees not covered under contract or agreement. At a minimum, the plan would have to include all of the conditions described below.

Newly hired transportation employees who were eligible for retirement plans would have to be placed on retirement plans that capped annual employer contributions at 10% of base salary for those employees who were eligible for Social Security benefits. For employees who were not eligible for Social Security benefits, the annual employer contribution would have to be capped at 16.2% of base salary.

For defined benefit pension plans, the maximum multiplier would be 1.5% for all transportation employees who were eligible for Social Security benefits. For all employees who were not eligible for Social Security benefits, the maximum multiplier would be 2.25%. In either case, the maximum multiplier would be 3.0% if postemployment health care were not provided.

For defined benefit pension plans, final average compensation for all transportation employees would have to be calculated using a minimum of three years of compensation and could not include more than a total of 240 hours of paid leave. Overtime hours could not be used in computing final average compensation.

Health care premium costs for new hires would have to include a minimum transportation employee share of 20%; or, an employer's share of the local health care plan costs would have to be cost competitive with the new State preferred provider organization health plan, on a per-transportation-employee basis.

Website. Each bill would require a road agency to maintain a searchable website accessible by the public at no cost that included at least all of the following information:

-- Current fiscal year budget.
-- The number of active transportation employees of the road agency, by job classification and wage rate.
-- A financial performance dashboard that contained information on revenue, expenditures, and unfunded liabilities.
-- The names and contact information for the county road agency's governing body.
-- A copy of the certification required by the bill.

A road agency could develop and operate its own website, or refer to Michigan's central transparency website, to provide the required information. A road agency that did not have its own website could post the information on the website of the applicable county, city, or village, or the website of a statewide road association of which the agency was a member.

In addition, House Bill 5302 (S-2) would require MDOT to maintain a website including similar information for the Department.

Proposed MCL 45.514a (H.B. 5301)
Proposed MCL 247.668j (H.B. 5302)
Proposed MCL 45.554a (H.B. 5313)

Legislative Analyst: Julie Cassidy

## FISCAL IMPACT

The bills could create an indeterminate cost for county and local road agencies, as defined in the bills. County and local road agencies could face increased administrative costs to meet the requirements of annually certifying to the Michigan Department of Transportation that they had met the requirements of the bills regarding employee compensation plans, retirement plans, and health benefit plans. It is unknown how many road agencies are already in compliance with the proposed requirements, but for those not already in compliance, there could be additional, though minimal, costs associated with complying.

Failure to comply with the certification process could result in MDOT's withholding payment of funds from the Michigan Transportation Fund to the noncomplying county or local road agency. Currently, approximately $900.0 million in State funds is appropriated annually to all 83 counties and over 500 local cities, villages, and townships across the State for road and bridge construction programs. The amount of funding that could be withheld would depend on which of the county or local road agencies were found to be in noncompliance.

In addition, the bills would require certain information to be posted on the county or local road agencies' publicly accessible website or submitted to the State for posting on its public website. If a county or local road agency did not have a publicly accessible website and chose to create one for posting these annual data, there would be additional costs associated with creating and maintaining the website.

There also could be additional administrative costs to the State associated with the collection of data from county and local road agencies and the posting of the data on the State's public website. Costs could include the additional website development and maintenance that could become necessary, depending on the number of county and local road agencies that chose to submit their data to the State.

In addition to the administrative costs noted above, county and local road agencies would be required to comply with certain retirement plan provisions for new hires as prescribed in the bills. A fiscal impact would occur if a county or local road agency's existing retirement plan differs from the requirements specified in the bills. The bills would set limits on the amount of employer contributions toward a retirement plan for new hires, prescribe maximum pension multipliers, define components of final average compensation, and discuss post-retirement health benefits. If an existing plan were more costly to the employer than the plan prescribed by the bills for new hires, then there could be local savings from implementation of this legislation. However, the extent of the impact would depend upon how different each road agency's current retirement plan is from the plan prescribed under the legislation.

Date Completed: 11-28-12

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