



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL



ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5128 (Substitute S-1 as reported)
Sponsor: Representative Bruce R. Rendon
House Committee: Natural Resources
Senate Committee: Appropriations

CONTENT

The bill would amend the State Employees' Retirement Act to allow retirees to be hired by the Department of Natural Resources (DNR) for active wildland fire suppression, and to retain their pension allowance during the time of reemployment. Under current law, a retiree (except one meeting certain qualifications, described below) who is rehired by the State has his or her pension payments suspended during the time of reemployment, with the pension reinstated when the reemployment is completed.

The Act allows the following categories of individuals to be rehired after retirement, and collect both an active employee paycheck and a pension allowance: retirees hired by the Department of Corrections to provide health care services to individuals under the jurisdiction of the Department; a retired assistant attorney general appointed to the same post; and a person the Department of Attorney General contracts with as a witness, expert, or consultant for litigation involving the State.

The bill would add to the list of retirees exempt from the "double-dipping" prohibition retirees rehired by the DNR for wildland fire suppression, as long as the following conditions were met: the retiree was employed by the DNR for active wildland fire suppression for a limited term (working not more than 600 hours in a fiscal year); there was an immediate continual need for prequalified, skilled, and trained personnel to address wildfire suppression; no benefits were paid; the hourly compensation did not exceed 70% of the maximum paid to State Civil Service employees in the same position (which is \$27.13 per hour); and, the DNR reported to the State Budget Office and the Department of Technology, Management, and Budget the employment of a retiree under this provision within 30 days of employment and within 30 days of termination, with the name of the retiree, the capacity employed, the equivalent civil service position, the hourly wage paid, and the total hours of service provided.

Also, by March 1 of each year, the DNR would be required to submit a summary of all the reports required for individual retirees rehired for the preceding fiscal year, with the summary provided to the House and Senate DNR Appropriations Subcommittees, the State Budget Office, the House and Senate Fiscal Agencies, and the Department of Technology, Management, and Budget. The summary could be submitted electronically.

MCL 38.68c

FISCAL IMPACT

The DNR currently uses contracted employees to provide wildland fire suppression. The fiscal impact of the bill on the DNR, then, would depend upon how the compensation paid to retirees (up to 70% of the maximum that would otherwise be paid to State Civil Service employees in

the same position, which would be up to 70% of \$27.13 per hour, or up to \$18.99 per hour) compared to the compensation of the contracted employees (which averages \$13 per hour).

Regarding the State's retirement system, the bill could provide an incentive for some slight behavior changes, whereby active employees eligible for retirement could choose to retire earlier than otherwise planned, causing a slight increase in the potential for unfunded accrued liabilities. However, since the bill would require that the rehiring be limited in nature (not more than 600 hours in a fiscal year, which is roughly 30% of the 2,080 hours in a full-time equivalent position), it is likely that the potential for behavioral changes would be very small.

The bill would have no fiscal impact on local government.

Date Completed: 11-10-16

Fiscal Analyst: Kathryn Summers
Josh Sefton

Floor\hb5128

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.