

SENATE REPUBLICAN

“2010 - Year of the Reform”

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| 1. Public Employee Healthcare Reforms | \$615M |
| 2. Local Police & Fire Reforms | \$70 - 118M |
| 3. K-12 School Spending Reforms | \$363 - 663M |
| 4. Medicaid Spending Reforms | \$160 - 500M |
| 5. Government Efficiency Reforms | Indeterminate |
| 6. Compensation Reform for
Public Employees | \$1.2B |

Total Savings: \$2.24 - 2.6 B

EMBARGO UNTIL 3 P.M.

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Senate Republicans announce landmark reform package

Bishop calls 2010 the 'Year of the Reform'

LANSING – A series of 10 reforms to restructure and downsize state government was unveiled Tuesday by Senate Majority Leader Mike Bishop that could result in a potential savings of more than \$2 billion.

“Senate Republicans will make 2010 the ‘Year of the Reform.’ Now is the time for bold action to put Michigan back on the right track,” said Bishop, R-Rochester. “We are facing a \$1.8 billion deficit next year. Raising taxes when Michigan families and job providers are struggling is wrong and irresponsible. The people want a more efficient government that spends less money yet still provides essential services. That is the goal of these reforms.”

The 10 Senate Republican initiatives cover six key reform areas for an estimate total savings of \$2.24-2.6 billion:

- Public employee health care (\$615 million in savings);
- Local police and fire (\$70-118 million);
- K-12 school spending (\$363-663 million);
- Medicaid spending (\$160-500 million);
- Government efficiency (indeterminate); and
- Public employee compensation (\$1.2 billion).

“These landmark reforms will reduce state and local spending now and for years to come. This is a holistic approach that will help us bridge next year’s shortfall and help prevent future deficits,” said Bishop. “Two fair, common sense proposals will significantly reduce costs. One will reduce health care benefits for newly retired lawmakers and another will require all public employees, including those in the Legislature, to pay a similar percentage of their insurance premium as private workers already do.”

Additional highlights of the Senate reform package include:

- Reducing the number of state departments to 11;
- Combining all permitting and licensing into one department;
- Expediting the arbitration process for police and fire;
- Reducing school administrative costs to direct more resources into the classroom; and
- Competitively bid K-12 non-instructional services, including transportation, custodial and food.

“Our plan recognizes that it isn’t just the state that is struggling with budgets. Schools and locals are also trying to make ends meet during these tough times,” Bishop said. “We have included in this round of reform additional measures to help locals and schools save money and improve efficiency.”

(MORE)

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Bishop also announced the formation of a special committee to expedite the approval process of reforms. The Senate Reforms and Restructuring Committee will be chaired by Bishop and intends to convene in the coming weeks to begin work on the proposals.

“The Senate action will build upon legislation we passed last year, including the education reforms that were signed earlier this month,” Bishop said. “This is just the latest round of reforms. We will be announcing additional proposals, once they are ready to be introduced. Until then, we will be focusing on enacting these landmark initiatives so that we can start realizing savings now.”

More information on the Senate Republican reforms will be available on the caucus Web site at www.senate.michigan.gov/gop/reforms.

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Public Employee Healthcare Reforms – (Savings \$615 Million)

Public Employee Healthcare Reforms

Require public employees to pay 20 percent of their health care premiums unless they establish a Health Savings Account and/or participate in wellness programs, which would reduce their health care premium to 15 percent. Public employees include all levels of government, schools, universities and elected officials.

Estimated Savings –\$610 million for all public employees, including \$68.8 million from state employees.

*Benefit Elimination for Newly Retired Lawmaker Health Plans

Eliminate health care benefits for legislators who have not vested before Jan. 1, 2010.

Estimated Savings – Less than \$5 million

Local Police & Fire Reforms – (Savings \$70 - \$118 Million)

Encourage Cooperation of Local Police and Fire Services

This reform amends the Urban Cooperation Act and the Intergovernmental Transfer of Functions Act. The legislation would specify that nothing in either act requires job providers to pay employees the highest wages and benefits previously paid to any employees or their pre-existing bargaining units who are either 1) transferred from one political subdivision to another or 2) employed under an inter-local agreement.

Estimated Savings – Indeterminate. These changes, however, will remove roadblocks to consolidation of local services, including police, fire, sewer and other services to save money.

Expedited Arbitration Process for Police and Fire – PA 312 Reform

The legislation amends Public Act 312 to strengthen the training and quality of arbitrators, reduce timelines, and change the last best offer process to promote good faith negotiating. These changes will significantly improve the process leading to more efficient and timely decisions.

Estimated Savings – Indeterminate. The current arbitration system raises costs from 3 to 5 percent, or \$70 - \$118 million. Local governments units accrue savings.

K-12 School Spending Reforms – (Savings \$363 - \$663 Million)

Reduce Administrative Costs to Direct Resources to Classrooms

Limit the amount that can be spent on administration in local school districts to 28 percent of the budget. The money saved could then be directed to classrooms and for student education.

Estimated Savings – \$163 million statewide; equates to \$100 per pupil.

(more)

Competitively Bid K-12 Non-Instructional Services

Require public schools to obtain competitive bids for non-instructional school services – from for-profit or nonprofit firms, as well as existing union employees – to provide custodial, transportation, and food support services.

Estimated Savings – \$200 - \$500 million statewide; equates to \$125 - \$313 per pupil.

Various sources indicate a savings of at least \$150 per pupil when all three services are bid out. Troy Community Schools did this and expect a savings of \$310 per pupil.

Medicaid Spending Reforms – (Savings \$160 - \$500 Million)

Eliminate Some Optional Medicaid Services

To preserve basic, essential medical services for Michigan's Medicaid population we must reduce funding for some optional services. Medicaid has grown substantially over the past five years, now including nearly one in six Michigan residents. The Senate Fiscal Agency estimates that an additional \$202 million must be appropriated in the coming fiscal year to just keep up with expanding caseloads.

Estimated Savings – \$160 - \$500 million

Government Efficiency Reforms – (Savings – Indeterminate)

Reduce the Number of State Departments to 11

Our proposal to reduce the number of state departments goes beyond simply rearranging the deck chairs. The plan calls for benchmarking of significant state programs and posting state expenditures. This comprehensive reform also includes requirements to improve Michigan's business competitiveness – state regulations could not be more stringent than federal rules.

Estimated Savings – Indeterminate; savings accrue over two- four years

Combine All Licensing & Permitting Within One Department

Included with legislation to reduce the number of state departments to 11 is establishing a department called the Michigan Department of Business Assistance. Combining all business licensing and permitting within one department will significantly improve Michigan's business climate for existing and potential job providers.

Estimated Savings – Indeterminate; savings accrue over two- four years

Compensation Reform for Public Employees – (Savings \$1.2 Billion)

Reduce Government Compensation Costs

Reduce 5 percent pay reduction for all public servants (including all government, schools, universities and elected officials), and freeze it at that level for three years. Employee costs make-up 75 – 80 percent of government costs. Credit will be given for those who've implemented a wage reduction.

Estimated Savings – \$1.2 billion