



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 5301 (Substitute H-4 as passed by the House)  
House Bill 5302 (Substitute H-4 as passed by the House)  
House Bill 5313 (Substitute H-4 as passed by the House)  
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

Date Completed: 11-27-12

**CONTENT**

**The bills would amend several statutes to do the following:**

- **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 a road agency to maintain a public website containing specific information.**

House Bill 5301 (H-4) would apply to a county road agency under Public Act (PA) 293 of 1966, which governs charter counties. House Bill 5302 (H-4) would apply to a local road agency under PA 51 of 1951, the MTF law. House Bill 5313 (H-4) would apply to a county road agency under PA 139 of 1973, which provides for an optional unified form of county government.

**Certification & Withholding**

Under the bills, beginning September 30, 2014, each county road agency or local road agency, as applicable, would have to certify annually to MDOT that the agency satisfied one of the following conditions with respect to transportation employees:

- The agency had developed and publicized a transportation employee compensation plan (described below) that it intended to implement with any new, modified, or extended contract or employee agreements for transportation employees not covered under contract or agreement.

- If the agency offered medical benefits to its transportation employees or elected public officials, it was in compliance with the Publicly Funded Health Insurance Contribution Act (described below, under **BACKGROUND**).
- The agency did not offer medical benefits.

(For purposes of the second and third certification options, dental and vision coverage would not be considered medical benefits.)

The Department would have to develop a certification process and method for road agencies to follow with respect to medical benefits.

If a county or local road agency did not make the required certification, MDOT could withhold all or part of the distributions to the agency from the MTF. The withholding would continue for the period of noncompliance.

All of the bills would define "transportation employee" as an employee paid in whole or in part through revenue distributed under Sections 12 to 13 of the MTF law, or an employee who is engaged primarily in work funded through that revenue. (Sections 12 and 13 provide for the return of MTF revenue to county road commissions, and cities and villages, respectively, and require the money to be allocated for specific road- and street-related purposes in a particular order of priority.)

House Bill 5301 (H-4) would define "county road agency" as a county road commission or a body that has the powers of a county road commission in a county that has adopted a charter. Under House Bill 5313 (H-4), the term would mean a county road commission in a county that has adopted an optional unified form of county government. Under both bills, the term also would include the board of commissioners of a county in which the board of county road commissioners was dissolved.

House Bill 5302 (H-4) would define "local road agency" as a county road commission or designated county road agency or city or village that is responsible for the construction or maintenance of public roads within the State under PA 51. "County road commission" would include the board of commissioners in a county in which the board of county road commissioners was dissolved.

#### Transportation Employee Compensation Plan

The transportation employee compensation plan that a road agency planned to achieve would have to be posted on a publicly accessible internet site and be submitted to MDOT. 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; however, if postemployment health care were not provided, the maximum multiplier would be 2.25%. For all employees who were not eligible for Social Security benefits, the maximum multiplier would be 2.25%, or 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 the final average compensation for an employee.

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:

- Fiscal year-to-date expenditures by category and appropriation unit.
- Fiscal year-to-date payments to a selected vendor, including the vendor's name and the payment date, amount, and description.
- The number of active transportation employees of the road agency, by job classification.
- Job specifications and wage rates.
- A financial performance dashboard.
- The names and contact information for the county road commissioners.
- A recognition of unfunded liabilities.
- 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 also could post the information on the website of the applicable county, city, or village.

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

### **BACKGROUND**

Under the Publicly Funded Health Insurance Contribution Act, except as otherwise provided, 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:

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

(The State Treasurer annually must adjust the maximum permitted payment for each coverage category based on the change in the medical care component of the U.S. consumer price index.)

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.

The Act prescribes procedures by which a local unit of government may exempt itself from the Act's requirements, and prescribes a penalty for a public employer that fails to comply with the Act.

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 counties 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.

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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.