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BILL ANALYSIS

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House Bill 4770 (as reported without amendment)
House Bill 4771 (Substitute H-2 as reported without amendment)
Sponsor: Representative Dave Agema
House Committee: Oversight, Reform, and Ethics
Senate Committee: Reforms, Restructuring and Reinventing

CONTENT

House Bill 4770 would create the "Public Employee Domestic Partner Benefit Restriction Act" to prohibit a public employer from providing medical benefits or other fringe benefits for an individual currently residing in the same residence as an employee of the public employer, if the individual were not one or more of the following:

- Married to the employee.
- A dependent of the employee, as defined in the Internal Revenue Code.
- Otherwise eligible to inherit from the employee under the laws of intestate succession in this State.

A provision in a contract entered into after the bill's effective date that conflicted with this prohibition would be void.

If a collective bargaining agreement or other contract that was inconsistent with the prohibition were in effect for an employee of a public employer on the bill's effective date, the prohibition would not apply to that group of employees until the agreement or contract expired or was amended, extended, or renewed.

The prohibition would apply to all public employers to the greatest extent consistent with constitutionally allocated powers.

"Public employer" would mean this State; a city, village, township, county, or other political subdivision of the State; any intergovernmental, metropolitan, or local department, agency, or authority, or other local political subdivision; a school district, a public school academy, or an intermediate school district; a community college or junior college; or an institution of higher education described in the State Constitution.

"Medical benefits" would mean medical, optical, or dental benefits, including hospital and physician services, prescription drugs, and related benefits.

House Bill 4771 (H-2) would amend the public employment relations Act to make the provision of benefits in conflict with the proposed Act a prohibited subject of collective bargaining. The bill is tie-barred to House Bill 4770.

MCL 423.215 (H.B. 4771)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bills would result in an indeterminate amount of savings for the State and local units of government, depending on the number of public employees' domestic partners who would not be eligible for medical or other benefits under the bills, and the cost of the benefits that would not be offered.

Based on recent data from the Civil Service Commission, 138 employees enrolled their domestic partners and/or their partners' dependents in the State's Health Care benefits plan. According to the Commission, the additional cost to the State for these benefits for FY 2011-12 is \$893,000.

The prohibition against health care benefits for domestic partners would save the current \$893,000; however, there are potential additional savings if more employees would enroll in the future absent the prohibition. The savings that would result for local units of government are indeterminate as the data are not available. The number of additional classified employees who actually would enroll unrelated adults and their dependents in the State Health Plan also is indeterminate. However, based on the estimated average annual cost of the State Health Plan, the following determinations and assumptions can be made.

As of October 1, 2011, the average annual premium of the State PPO plan for health care for a single classified employee with no dependents was an estimated \$7,200. If the employee was hired before April 1, 2010, the State pays 90% or \$6,500 of that premium. If the employee was hired on or after April 1, 2010, the State pays 80% or \$5,800 of that premium.

As of October 1, 2011, the average annual premium of the State PPO plan for health care for a married classified employee with dependents was an estimated \$19,800. If the employee was hired before April 1, 2010, the State pays 90% or \$17,800 of that premium. If the employee was hired on or after April 1, 2010, the State pays 80% or \$15,800 of that premium.

According to the estimated number of State employees affected, approximately 32,000 employees could qualify to add unrelated adults and their dependents to the State Health Plan. Based on the figures noted above, the difference in the State's cost for the most expensive plan for married couples with dependents (\$17,800) and the cost for singles with no dependents (\$6,500) is \$11,300. Thus, for each 1.0% (320 employees) of the eligible employees who enrolled in the plan, the maximum potential estimated cost to the State would be \$3.6 million annually gross, and an estimated \$1.9 million GF/GP.

The prohibition against collectively bargaining domestic partner benefits also could potentially result in the savings discussed above.

Date Completed: 10-19-11

Fiscal Analyst: Joe Carrasco

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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.