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Senate Concurrent Resolution 9 (Substitute S-2 as reported)
Sponsor: Senator Mark C. Jansen
Committee: Reforms, Restructuring, and Reinventing Government

CONTENT

Senate Concurrent Resolution 9 (S-2) would reject the proposed increase in rates of compensation recommended by the Civil Service Commission and contained in the Executive Budget for fiscal year 2011-12 relative to the extension of health benefits to adults and their dependents living with but not related to a State classified employee.

On December 28, 2010, the Civil Service Commission approved letters of understanding for four bargaining units of represented State classified employees: the Scientific and Engineering Unit, the Human Services Support Unit, the Technical Unit, and the Administrative Support and Human Services Unit. The letters of understanding amend the State Health Plan to allow employees who do not have a spouse eligible for enrollment in the State Health Plan to enroll one other eligible adult individual and his or her dependents provided the individual meets the following criteria:

- Is at least 18 years of age.
- Is not a member of the employee's immediate family (as defined).
- Has jointly shared the same regular and permanent residence for at least 12 continuous months, and continues to share a common residence with the employee other than as a tenant, boarder, renter, or employee.

Article XI, Section 5 of the Michigan Constitution of 1963 provides that increases in the rates of compensation authorized by the Civil Service Commission require prior notice to the Governor, who then transmits the increases to the Legislature as part of the budget. Within 60 calendar days following such transmission, the Legislature, by a two-thirds vote of the members elected to and serving in each house, may reject or reduce increases in rates of compensation authorized by the Civil Service Commission. Reductions made by the Legislature must apply uniformly to all classes of employees and cannot adjust pay differentials already established by the Commission. Rates of compensation also cannot be reduced below those in effect at the time of the transmission of the increases to the Legislature.

On February 16, 2011, the Chief Deputy Attorney General opined that the term "compensation" in Article XI, Section 5 of the Michigan Constitution, includes fringe benefits, such as health care benefits. The Chief Deputy Attorney General also opined that the Civil Service Commission's decision to allow classified employees to enroll additional adults and their dependents in the State Health Plan constitutes an increase in the rate of compensation. Thus, according to the Chief Deputy Attorney General's opinion, this increase in the rate of compensation may be rejected or reduced by the Legislature as outlined in Article XI, Section 5.

The proposed resolution would ask the Legislature, pursuant to Article XI, Section 5 of the Michigan Constitution, to reject the Civil Service Commission's decision allowing classified employees who do not have an eligible spouse to enroll one unrelated adult and that adult's dependents in the State Health Plan.

FISCAL IMPACT

The number of classified employees who would actually enroll unrelated adults and their dependents in the State Health Plan is indeterminate at this time. However, based on the estimated average annual cost of the State Health Plan, the following determinations can be made.

As of October 1, 2010, the average annual premium of the State PPO plan for health care for a married classified employee with no dependents was an estimated \$14,300. If the employee was hired before April 1, 2010, the State pays 90% or \$12,900 of that premium. If the employee was hired on or after April 1, 2010, the State pays 80% or \$11,400 of that premium.

As of October 1, 2010, the average annual premium of the State PPO plan for health care for a married classified employee with dependents was an estimated \$19,700. If the employee was hired before April 1, 2010, the State pays 90% or \$17,700 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 employees in the four affected bargaining units, there are approximately 32,000 employees who could qualify to add unrelated adults and their dependents to the State Health Plan. Assuming the most costly scenario from the assumptions made above (\$17,700), for each 1.0% (320 employees) of the eligible employees who enrolled in the plan, the estimated cost would be \$5.66 million annually. If the least expensive option applied to 1.0% of the eligible employees, the cost would drop to \$4.13 million.

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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.