

Final Minutes

Legislative Commission on Government Efficiency Meeting

10:00 a.m. • Monday, January 26, 2009

Room 426

4th Floor • State Capitol Building

100 N. Capitol Avenue • Lansing, Michigan

Members Present:

Kevin Prokop, Chair
James Curran, Co-Chair
Mitch Bean
Fern Griesbach

David Leonard
Charles Moore
Gary Olson
Michel Sussman

Members Absent:

Georgi-Ann Bargamian

I. Call to Order

The Chair called the meeting to order at 10:00 a.m. and asked the Clerk to take the roll. A quorum was present.

Commissioner Bean moved, supported by Commissioner Griesbach, that Commissioner Bargamian's absence be excused. There were no objections and the motion passed unanimously.

II. Approval of the December 8, 2008 Meeting Minutes

The minutes of the December 8, 2008 meeting were presented to the members. The Chair asked for a motion to approve the minutes. **Commissioner Moore moved, seconded by Commissioner Leonard, to approve the minutes of the December 8, 2008 Legislative Commission on Government Efficiency meeting. There was no further discussion and the minutes were unanimously approved.**

III. Report on Work Group Progress

Chairman Prokop called on the work group leaders to report the progress they have made since the last meeting.

Corrections

Chairman Prokop highlighted four areas of opportunities the Corrections work group has focused on including reducing the prison population, lowering salary and benefit expenses, reducing prisoner health care costs, and exploring other select opportunities such as privatization, transportation costs, and revenue generating opportunities.

Education K-12

Commissioner Bean then summarized the K-12 Education work group's list of preliminary efficiency/savings options. These options recommend 1) cap foundation allowance annual increases at 2.5% and freeze all categorical appropriations at FY 2008-09 levels, 2) offer retirement incentives for school employees already eligible to retire, 3) freeze categorical funding other than those that are mandated and review existing categoricals for cost effectiveness, 4) give monetary incentive to ISDs that consolidate non-instructional services, 5) eliminate Sec. 20j formula in the School Aid Act but allow local districts to levy a hold harmless millage to make up the lost State revenue, 6) expand the sales tax base and dedicate additional revenue to the SAF, 7) allow the State Superintendent the option of requiring consolidation of school districts, and 8) require all active school employees to be placed in a State-run health care plan.

Efficiencies within State Departments

Commissioner Sussman shared information regarding his work group's activities which include the distribution of a management survey questionnaire. He highlighted the three preliminary focus items they are reviewing—a consistent performance management system, a consistent continuous improvement process for all departments, and a consistent step change process for all departments that utilize proven event driven techniques.

Employee Benefit Work Group

Commissioner Olson presented the general recommendations discussed by the Employee Benefit work group. These include looking at the appropriate levels of the total cost of public health insurance born by state and local government and public education employees through premiums and co-pays, investigate charging new employees a different rate than existing employees, allowing all public sector employees to purchase health insurance off of the State of Michigan health plans, requiring locals to charge what state employees pay for health care if they want full revenue sharing payment, conducting a complete review of the structure of public health plans in Michigan, and considering ways to pre-fund retiree health benefits. Commissioner Leonard pointed out that the Kaiser Family Foundation study of 2008 health benefits shows the average paid by state employees across the country pay 22% of their health care costs while state employees in Michigan pay 10%. He also noted that other options could include accessing federal employee health care plans, addressing the feasibility of local units of government to self insure, and adding a condition that benefits would be no richer than those offered to State employees.

Higher Education

Commissioner Olson began by stating for the record that his group does not recommend cuts be made to higher ed, but since they have been charged with the responsibility of finding \$150 to \$200 million in cuts to higher ed, his group prefers the option of cutting the Michigan Promise Grant Program. He also acknowledged that conditions to modify the program short of total elimination could also be considered. A discussion of the State not being able to find the necessary cuts through efficiencies only followed.

Information Technology

Due to Commissioner Bargamian's excused absence from today's meeting, Commissioner Sussman presented a high level picture of what the IT work group has been looking at and directed the members' attention to the document Commissioner Bargamian submitted for more details.

Local Government and Revenue Sharing

Chairman Curran explained that the core recommendation his group is working on is that there needs to be a constitutional amendment that establishes a level of payment to local governments and counties that follows services and not the unit of government. He also reported that his group recommends the creation of an Intergovernmental Advisory Office, increase vertical integration of local unit services, and increase local unit tax authority.

Medicaid/Community Health

Commissioner Leonard commented that he did not have any changes to the document that was submitted at the last meeting except for formatting changes. He offered that the consistent thread throughout the document is trying to encourage a shift from curative and reactive care to preventative care. He also noted it was difficult to estimate projected savings when the option is aimed at improving the health of a certain population or impacting the wellness or healthy behavior of that population and cautioned against the simple cuts to optional populations who currently receive Medicaid benefits. He then briefly summarized each recommendation.

Personnel Practices

Commissioner Griesbach summarized the five recommendations her work group identified to come up with savings between \$100-\$200 million which are as follows: 1) conduct five-year workforce supply and demand forecasting, 2) utilize a consistent and credible methodology to streamline processes and reduce duplicated functions and overhead, 3) implement a voluntary separation program, 4) explore the adoption of a mutual gains bargaining approach, and 5) perform a market study of compensation levels. Commissioner Sussman added that there is a lot of overlap between the groups and he hopes to bring in a consultant to show how to achieve some of the efficiencies that have been discussed.

Purchasing/Strategic Sourcing

Commissioner Moore reported that his group has targeted three areas—involve better collaboration between governmental units to drive higher purchasing volumes to maximize pricing power, modify standard purchasing processes and procedures to reduce confusion in the bidding process, and improve the existing purchasing system.

IV. Other Business

Commissioner Bean noted that the State has a current revenue system that is antiquated and raised the possibility that the Commission consider looking at finding a more stable revenue system that grows when the State grows.

The Chair also noted that a letter from Dr. Fred Mathews of Southwestern Michigan College is in the meeting packet. Commissioner Olson explained his group will look at the issues raised and he will follow-up with Dr. Mathews.

A discussion of the Co-Chairs meeting with each of the work group leaders over the next four weeks to come to conclusions for potential recommendations followed. The Chair noted that the next meeting could be used to synthesize each of the working group recommendations into a set of potential recommendations for the overall commission that can then be discussed. The idea of the individual work groups conducting a public hearing or having a more global hearing with all of the issues was also presented and discussed. The timing of the release of the report was raised and the Chair offered that it may be released earlier than the statutory deadlines.

V. Public Comment

The Chair asked for public comment. There were no public comments.

VI. Next Meeting Date

The next Commission meeting is scheduled for Monday, March 2, 2009, at 2:00 p.m.

VII. Adjournment

Having no further business, **the Chair moved, supported by Commissioner Curran, to adjourn the meeting. There was no objection. The meeting was unanimously adjourned at 12:10 p.m.**