Legislative Commission on Government Efficiency
Summary of Activities to Address Statutory Obligations

The Legislative Commission on Government Efficiency has reviewed detailed information, including an updated written report from the Department of Management & Budget, and received extensive testimony in response to the directives in Public Act 96 of 2007, Sec 12. Four of the Commission's first five meetings were devoted to data gathering, which included receiving testimony from the Directors of the Department of Management, Information Technology, Civil Service and other state agencies, plus the Office of the Secretary of State. The Directors of the Senate and House Fiscal Agencies provided information regarding the state budget process, budget summaries, and directed us to House and Senate Fiscal Agencies' sites that provided departmental budgets by program and FTEs. We reviewed and discussed the House Fiscal Agency's document "The Reports Required by Boilerplate".

The Commission also received outside views on the State's fiscal projections from The Citizen's Research Council and Michigan Fiscal Responsibility Project besides those of the House and Senate Fiscal Agencies. In addition, we have received testimony from Michigan State AFL-CIO, Michigan AFT, Council 25 on AFSCME plus Michigan SEIU and a representative of SEIU Local 517M.

While the Commission has spent considerable effort to fulfill its obligations under the statute, the eleven areas of State government operations to be studied by the Commission amounted to only 1.6% of the State's estimated total expenditures in FY 2008. In light of the relatively small percentage of the State budget this represents and the progress the Department of Management and Budget has made in the areas to be reviewed pursuant to Section 12, the Commission has focused much of our attention on larger structural issues and will begin conducting public hearings around the State before finalizing recommendations to the Michigan Legislature and the Governor.

More specifically, with regard to Sec. 12:

(a) The State Budget Director, Office of the State Budget, and state departments have been forced to address budget challenges and resolve growing budget deficits since 2001, when Michigan's recession began. Cost-saving measures have been and continue to be implemented in all areas of state government operations. Cash savings and cost avoidance have been and will continue to be obtained through efficiencies, programmatic changes, and consolidation of services.

(b) The Commission collected information necessary to evaluate functions and services provided by state agencies, in particular, those functions and services listed in Sec. 12 (b). Since 2003, the Department of Management and Budget (DMB) has identified over $2.7 billion in cost reductions or future cost avoidance through very specific actions. Below are examples of activities and savings amounts generated:

- $762.1 million in savings from implementing purchasing controls, such as reviewing contracts; re-opening contracts for price concessions; re-bidding contracts; prohibiting certain contracts; requiring justification for memberships, dues, and subscriptions; mandating the use of online resources; and restricting and/or eliminating procurement card usage.
- $1.5 billion in retirement savings derived from actuarial assumption changes adjusting investments to current market value; taking advantage of the Medicare Advantage plan for public school and state employees; encouraging the use of mail order prescription services; making retiree health plan adjustments; implementing Medicare Part D; and re-bidding pharmaceutical contracts for state and public school retirees.
- $116.3 million in savings from refinancing existing State Building Authority bonds and taking advantage of declining interest rates wherever possible.
- $146.2 million in savings from lease/rent reductions, such as consolidating state office space; approaching all rental property owners for voluntary rent concessions; canceling leases; taking advantage of public/private partnerships; moving tenants into downtowns; and co-locating complementary functions and operations.
- $73.7 million in savings from the sale of surplus property, eliminating maintenance expenses for property sold, and continuing to review property holdings for property that is no longer needed.
- $72.7 million in savings from implementing aggressive energy reduction efforts, such as requesting "power down"; installing software that integrates building heating, ventilation, and air conditioning; installing daylight harvesting ballasts; instituting energy audits; installing energy-saving technology; implementing other conservation measures; consolidating electric bills for multiple buildings in order to take advantage of non-peak rates; and entering into an energy-purchasing consortium that enables the State to buy energy at a reduced rate.
- $2.2 million in savings from reducing building maintenance and janitorial services, such as reducing the levels of frequency for janitorial, trash hauling, and other operational services in State-owned and leased buildings.

- $2.9 million in savings from reducing building security costs by using technology and automating building access controls in order to reduce guard usage.
- $.5 million in savings from reducing printing services, and, in some cases, eliminating the use of color copiers.
- $28.6 million in savings for redesigning mail services, such as purchasing advanced presort equipment to increase presort savings on outbound mail; eliminating non-critical mailings; receiving additional postage discounts due to technology and improved read rates; and improving mail design.
- $5.2 million in savings in the area of transportation services achieved by canceling parking leases, eliminating shuttle bus services from remote parking lots, and using state employees to transport interdepartmental mail and packages between state facilities instead of the U.S. Postal Service.
- $.8 million in savings from reducing, and, in some cases, eliminating cell phone usage.
- $18.7 million in savings from reductions in vehicle fleet services, such as consolidating fleet management operation in DMB; negotiating a new fleet management contract; reducing the size of the fleet; reviewing vehicle assignments; implementing strict usage guidelines; eliminating personal usage of vehicles; eliminating on-site car washes; enhancing fuel card controls; improving fleet maintenance; creating additional motor pools in out-state areas for multi-departmental use; implementing a contract with a rental vendor for occasional vehicle use in areas where a motor pool is not practical; and encouraging employees to utilize personal vehicles when it is in the economic best interest of the State.

In addition, human resources duties and responsibilities, payroll services, and internal auditing services have been consolidated.

(c), (d), (e), and (f)
There are numerous documents provided by both the House and Senate Fiscal Agencies, via hard copy and the Internet, which provide the information required by subsections (c), (d), (e), and (f). In particular, line item summary documents and program description documents are provided by the fiscal agencies and state departments. These documents give details on programs/services funded by the state, sources of funding for programs/services, FTE positions associated with programs/services, and the legal basis for programs/services.

(h) and (j)
The House Fiscal Agency annually provides, via hard copy and the Internet, a report which lists all reporting requirements contained in boilerplate in each of the budget bills. With regard to the costs associated with reporting requirements, the Legislature has put forth a concerted effort over the past 10 years to eliminate requirements for reports which cost state departments money to produce. Also, reports are now required to be posted on the Internet in order to save on printing, mailing, and other distribution-related costs.

(g) and (i)
With regard to funded and unfunded mandates imposed on state agencies, the Legislature has taken action to require that funding be provided for new mandates when implemented.