



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 395 (Substitute S-1 as reported)
Senate Bill 396 (Substitute S-1 as reported)
Senate Bill 397 (as reported without amendment)
Senate Bill 398 (Substitute S-1 as reported)
Sponsor: Senator Jud Gilbert, II (S.B. 395)
 Senator Roger Kahn, M.D. (S.B. 396)
 Senator Randy Richardville (S.B. 397)
 Senator Bruce Patterson (S.B. 398)
Committee: Government Operations and Reform

(as passed by the Senate)

Date Completed: 7-24-07

RATIONALE

In recent years, Michigan's economic troubles and budget shortfalls have generated an interest in examining both the cost of State mandates imposed on local units of government and measures to improve the efficiency of State government. Some people believe that commissions, consisting mostly of people representing the private sector, should be established to conduct a comprehensive review and analysis of State administrative functions and mandates imposed upon local units. The commissions then could recommend potential cost-saving reforms to the Legislature.

CONTENT

Senate Bills 396 (S-1) and 397 would add Chapter 7a to the Legislative Council Act to do the following:

- Create the Commission on Government Efficiency.
- Require the Commission to review and investigate ways to make State government more efficient, and review, investigate, and collect information necessary to evaluate each State agency's functions and services.
- Require the Commission, by June 1, 2009, to report specific determinations to the Legislature and report on how to consolidate,

streamline, and make more efficient State agencies' functions and services.

- Require the Commission to give to the Legislature interim reports on the status of its determinations.

Senate Bills 395 (S-1) and 398 (S-1) would add Chapter 7b to the Legislative Council Act to:

- Create the Commission on Statutory Mandates.
- Require the Commission to review and investigate all mandates and reporting requirements in State law, and determine the cost of each.
- Require the Commission, by June 1, 2009, to report specific determinations to the Legislature and report on how to consolidate, streamline, or eliminate mandates and reporting requirements.
- Require the Commission to give to the Legislature interim reports on the status of its determinations.

Both proposed Commissions could request the Legislative Council to issue subpoenas and compel the appearance of witnesses and the production of documents.

Chapters 7a and 7b would be repealed on September 30, 2010. Under both chapters,

"State agency" would mean a department, commission, authority, or board in the Executive branch.

Senate Bill 396 (S-1)

The Commission on Government Efficiency would be established in the Legislative Council. It would consist of the following nine members:

- One member appointed by the Speaker of the House of Representatives.
- One member appointed by the Minority Leader of the House.
- The head of the House Fiscal Agency.
- One member appointed by the Senator Majority Leader.
- One member appointed by the Minority Leader of the Senate.
- The head of the Senate Fiscal Agency.
- Three members of the public jointly selected by the Speaker of the House and the Senator Majority Leader.

Except for the heads of the House and Senate Fiscal Agencies, public employees would not be eligible to be Commission members. Members would have to be individuals who had knowledge of, education in, or experience with the best practices in organizational efficiency, government operations, or public finance.

The members first appointed would have to be appointed within 60 days after the bill's effective date. Members would serve for a three-year term. If a vacancy occurred, the person who appointed that member would have to make an appointment for the unexpired term.

The Senate Majority Leader would have to call the first meeting of the Commission. The member appointed by the Majority Leader and the member appointed by the Speaker of the House would be co-chairpersons. The chairperson position would rotate each month between the two appointees. At the first meeting, the Commission would have to elect other officers it considered necessary or appropriate. After the first meeting, the Commission would have to meet at least monthly, or more frequently at the call of the chairperson or the request of three or more members. The Commission would be subject to the Open Meetings Act and the Freedom of Information Act.

A majority of the members would constitute a quorum for the transaction of business at a Commission meeting. A majority of the members present and serving would be required for official Commission action.

Commission members would have to serve without compensation but could be reimbursed for reasonable and necessary expenses incurred in the performance of their official duties as members of the Commission.

By October 1, 2008, the Commission would have to do the following:

- Determine the complete cost of each function or service performed by a State agency.
- Determine the total number of FTEs for each function or service performed by a State agency.
- Determine how each function or service was funded in each State agency.
- Determine the total and complete cost of all functions and services combined.

Also, by October 1, 2008, the Commission would have to review and investigate ways to make State government more efficient, and review, investigate, and collect information necessary to evaluate all functions and services provided by each State agency, including the following:

- Human resource duties and responsibilities.
- Payroll services.
- Internal auditing, accounting, and financial services.
- Purchasing programs.
- Printing services.
- Mail services.
- Maintenance services.
- Janitor or cleaning services.
- Motor vehicle fleet operations.
- Transportation services.

By June 1, 2009, the Commission would have to make specific determinations of those items and report the determinations to each house of the Legislature. The Commission also would have to make interim reports to the Senate and House on the status of its determinations by December 31, 2008, and March 31, 2009.

Upon request, the Commission would have to be given access to all information,

records, and documents in the possession of a State agency that the Commission considered necessary in its duties. The Commission could hold hearings and request that any person appear before the Commission, or at a hearing, and give testimony or produce documentary or other evidence the Commission considered relevant to its duties.

In connection with its duties, the Commission could request the Legislative Council to issue subpoenas, direct the service of a subpoena by any police officer, and compel the attendance and testimony of witnesses; administer oaths and examine any person as necessary; and compel the production of books, accounts, papers, documents, and records. The Legislative Council's orders and subpoenas could be enforced upon application to any circuit court as provided by law.

Senate Bill 397

The bill would require the Commission on Government Efficiency to report to each house of the Legislature recommendations on how to consolidate, streamline, and make more efficient the functions and services conducted by State agencies. This would be in addition to the report required under Section 752 (which Senate Bill 396 (S-1) would enact).

Senate Bill 398 (S-1)

The bill would create the Commission on Statutory Mandates within the Legislative Council. The Commission would consist of the following five members:

- One member appointed by the Speaker of the House.
- One member appointed by the Minority Leader of the House.
- One member appointed by the Senate Majority Leader.
- One member appointed by the Minority Leader of the Senate.
- One member of the public appointed jointly by the Speaker of the House and the Senate Majority Leader, who was an attorney licensed to practice in this State.

Provisions regarding appointments, terms, meetings, officers, and compensation would be the same as proposed in Senate Bill 396 (S-1) for the Commission on Government

Efficiency, except that Senate Bill 398 (S-1) provides that Legislators and other State employees, rather than public employees, would not be eligible to serve on the Commission. The Commission on Statutory Mandates also would be subject to the Open Meetings Act and the Freedom of Information Act.

By October 1, 2008, the Commission would have to do the following:

- Review and investigate all funded and unfunded mandates imposed on local units of government in State law.
- Review and investigate all reporting requirements imposed on local units in State law.
- Determine the complete cost of each funded and unfunded mandate imposed on a local unit of government in State law.
- Determine the complete cost of each reporting requirement imposed on a local unit in State law.

By June 1, 2009, the Commission would have to make specific determinations of those items and report the determinations to each house of the Legislature. Additionally, the Commission would have to give the Senate and House interim reports on the status of its determinations by December 31, 2008, and March 31, 2009.

Provisions regarding subpoenas and orders would be the same as described above for the Commission on Government Efficiency.

Senate Bill 395

The bill would require the Commission on Statutory Mandates to report to each house of the Legislature recommendations on how to consolidate, streamline, or eliminate funded and unfunded mandates and reporting requirements of imposed on local units of government in State law. This would be in addition to the report required under Section 782 (which Senate Bill 398 (S-1) would enact).

- Proposed MCL 4.1783 (S.B. 395)
- Proposed MCL 4.1751 & 4.1752 (S.B. 396)
- Proposed MCL 4.1753 (S.B. 397)
- Proposed MCL 4.1781 & 4.1782 (S.B. 398)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Reportedly, each Michigan taxpayer pays an average of \$2,324 in State taxes every year. The State has a responsibility to use this money wisely, particularly in light of its current budget problems. The proposed Commission on Government Efficiency would use the expertise of those in the private sector, as well as the Directors of the Senate and House Fiscal Agencies, to help identify redundancies between various government systems and evaluate whether certain State employees operate efficiently. The proposed Commission on Statutory Mandates would determine whether State mandates and reporting requirements impose an undue burden on local units of government. Using this information, the Commissions would formulate recommendations to use taxpayer dollars in more cost-effective ways.

Opposing Argument

Although attempting to identify and eliminate inefficiencies and excessive regulation is a worthwhile goal, many of the duties of the two proposed commissions already are performed by the Auditor General, and legislative committees may examine the issues of efficiency and regulation in their oversight role. Additionally, the Legislature has the power to subpoena individuals and documents, if necessary, to obtain the information specified in the bills. The creation of two new commissions with similar powers and duties could increase, rather than reduce, State government bureaucracy and inefficiency.

Response: While the Auditor General is charged with monitoring whether tax dollars are used appropriately and State agencies are fulfilling their statutory duties, the commissions could be helpful because they would consist mostly of people from outside of government who could identify ways to apply their successful business practices to State and local operations. Those in the private sector, who must adapt to remain competitive and thrive, would bring a different perspective to the budgeting process. The members of the two commissions would mitigate the influence of politics on funding decisions and regulation

imposed on local units, and bring their experience from the private sector to identify creative solutions to the State's budget problems. Furthermore, the bills would set specific deadlines for the commissions to conduct their investigations and make recommendations, which could spur reform in a more timely fashion.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

There could be an indeterminate cost for reimbursing Commission members; however, the cost should be minimal. No costs would be associated with the requirements that the Commissions report to the Legislature.

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.