

Testimony for House Labor Committee
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I am the President and founder of The Center for Michigan, a 501(c)3 nonprofit organization designed to cure our unhealthy political culture and revitalize our broken policy apparatus. Through our Michigan's Defining Moment public engagement campaign, over the past two and a half years we have held 585 community conversations throughout Michigan that have attracted more than 10,000 participants. The findings from this campaign are contained in our recently published report, "10,000 Voices to Transform Our State".

In addition, we held a day-long Action Group meeting local government issues in March. Two important conclusions emerged from discussion between experts and citizens:

1)89% agreed that Michigan should intensify government consolidation and service sharing at all levels of government.

2)77% agreed that Michigan should incentivize local government collaboration or consolidation.

A theme relevant to today's hearing is that people want substantial reform in the structure, workings and cost of government at all levels. In particular, they want local governments to collaborate and share services at the local and regional level in order to increase efficient delivery of crucial services and, at the same time, save considerable money.

One of the factors in this effort is PA 312, now four decades old, which prevents police and firefighters from going on strike by requiring unresolved labor disputes to go to binding, third-party arbitration. These costs are significant to local governments, to as much as half of an average city government's costs. Economic studies suggest that binding arbitration drives up local government costs by 3-5%. Local government administrators also say that PA 312 works against cost-saving consolidation of neighboring police and fire departments. Awards granted by arbitrators can result in expensive back pay awards and can drive up pension costs to the point where, in some cases, retirement incomes are greater than wages while public safety officers are still on the job. Published estimates suggest removing binding arbitration could, over time, result in 30-5% reduction in local government expenditures; local governments in Michigan spent \$2 billion on public safety in 2006, so a 4% reduction in costs would amount to annual savings of \$80 million.

Perversely, arbitration awards granted under PA 312 can actually reduce the number of public safety personnel serving community residents by increasing the cost per office, resulting in layoffs. There is some evidence this has been happening. The Michigan Municipal League says that Michigan public safety professionals have been reduced by 2,000 police officers and 2,400 firefighters since 2000. According to research conducted by Michigan State University Extension Service, Michigan has 6.9 firefighters per 10,000 residents, compared to a national average of 10.9 per 10,000.

This hearing concerns SB 1072. Based on responses from our community conversations, we find this bill does not go nearly far enough to reform the problems caused by PA 312. In fact, SB appears to expand those covered by PA 312 to include dispatch workers.

The bill requires Employment Relations Commission to develop training standards, although it does not specify the specific training required. It also tightens timelines for arbitration awards to six months. This provision does not, however, adequately define a local government's ability to pay, resulting in the possibility there may not be enough time for a community to present ability to pay evidence to an arbitrator.

SB 1072 is being marketed as a step towards "structural reform" in the costs and workings of local governments. As written, it falls far short of this objective.

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