

# HOUSE BILL No. 5238

December 15, 2011, Introduced by Reps. Somerville, Heise, Cotter, McMillin, Cavanagh and Kowall and referred to the Committee on Local, Intergovernmental, and Regional Affairs.

A bill to prohibit certain terms in public employment contracts; to prohibit severance pay for voluntary termination of employment; to limit contract terms and payments for early termination of certain contracts; and to provide for civil fines.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1. This act shall be known and may be cited as the  
2 "public employee severance pay regulation act".

3           Sec. 2. As used in this act, "severance pay" means  
4 compensation that is payable or paid upon the termination of  
5 employment that is in addition to any wages earned or generally  
6 applicable retirement benefit.

7           Sec. 3. This state, a local unit of government, or any other  
8 public employer in this state shall not include a provision in an  
9 employment contract that provides for, and shall not pay, severance  
10 pay to a public employee who voluntarily terminates public

1 employment, except in the following situations:

2 (a) The employee meets the conditions to leave the employment  
3 under a reduction-in-force plan or early retirement agreement that  
4 includes a severance payment.

5 (b) The employee qualifies for the payment under a general  
6 policy adopted for employees in the state classified service or by  
7 a merit system of a local unit of government.

8 (c) The public employer initiates the not-for-cause  
9 termination.

10 Sec. 4. This state, a local unit of government, or any other  
11 public employer in this state shall not pay severance pay under a  
12 contract for services upon early termination of the contract, if  
13 the early termination is instigated by the contractor. A contract  
14 entered into on or after April 1, 2012 shall not provide for  
15 payment of severance pay in violation of this act. This subsection  
16 does not prohibit a contract term providing for or payment of a  
17 bonus for early completion of a contract for the production of a  
18 deliverable.

19 Sec. 5. A public employee or officer who authorizes a contract  
20 term or payment in violation of this act is responsible for a civil  
21 fine of not more than \$25,000.00. The attorney general or the  
22 attorney for the local unit of government may bring an action in  
23 the circuit court for a violation of this act. A civil fine  
24 collected under this section shall be submitted to the state  
25 treasurer for deposit in the general fund of this state.