



## Michigan's Business Community Speaks with One Voice for Structural Reform

Leaders of Business Organizations Statewide Call for Action in Lansing

September 9, 2009

LANSING – Leaders of multiple statewide business organizations today spoke with one voice in calling on Governor Jennifer Granholm and State Legislators to significantly structurally reform state government prior to the beginning of the October 1 fiscal year.

“Passing a budget that once again patches things together and kicks the can down the road another year or two would be considered a complete failure of state government,” said Jim Holcomb, Vice-President of Business Advocacy and Associate General Counsel of the Michigan Chamber of Commerce. “Michigan’s business leaders expect that Michigan’s elected leaders will go beyond their minimum constitutional duty and set Michigan on a path to reform and revitalization.”

“The business community knows that the time for single house or single branch solutions is over and real structural reform must be enacted prior to the start of the October 1 fiscal year,” said Sarah Hubbard, Senior Vice-President of Government Affairs for the Detroit Regional Chamber.

“The business community is cognizant of the fact that reform is never easy,” said Jared Rodriguez, Senior Vice-President of Government Affairs for the Grand Rapids Area Chamber of Commerce. “We stand committed in supporting those Legislators that will provide the leadership to properly solve this on-going budget crisis by enacting long-term reform to revitalize Michigan government.”

“Business organizations from around the state are ready to assist Legislators and the Governor in rallying support for significant structural reform,” added Kristin Beltzer Senior Vice-President, Government Relations and Public Affairs for the Lansing Regional Chamber. “To help guide the discussion, we’ve provided each legislative office with a list of reforms that should be part of the discussion.”

To be clear, individually, our organizations see various degrees of merit in the individual reform proposals. Without question though, we agree that the worst option is to do nothing.

The major business and trade organizations joining the call for reform include the Michigan Association of Realtors, the Small Business Association of Michigan, the National Federation of Independent Businesses, Detroit Renaissance, the Michigan Manufacturers Association, the Michigan Association of Home Builders, the Associated Builders and Contractors of Michigan, the Michigan Bankers Association, the Michigan Chamber of Commerce, the Detroit Regional Chamber, the Grand Rapids Area Chamber of Commerce, the Lansing Regional Chamber and the Kalamazoo Regional Chamber.

The list of suggested reforms for consideration include:

- Pool all health care plans for public employees
- Establish an Office of Medicaid Inspector General to specifically investigate Medicaid fraud
- Reform Public Act 312 to change arbitration standards for police and fire
- Reform Urban Cooperation Act and two other similar acts to eliminate requirement that when a service merger occurs, the higher wage and benefits must be paid
- Require all new teachers hired by a date certain in the future to have defined contribution, rather than defined benefit, retirement plans
- Move all administrative functions of local schools to the ISD, leaving local school boards with only academic and athletic functions
- Privatize food service, mental health services, and transportation in prisons
- Increase minimum retirement/years of service for all public employees to be eligible for retirement benefits
- Increase state employee and retiree health care premium co-pays
- Exempt government construction from prevailing wage statutes
- Eliminate road patrol function of Michigan State Police and let county sheriffs take over that function
- Require that school districts competitively bid all non-core functions, including transportation, food service, and custodial work.
- Reduce the number of school districts
- Reduce mandatory minimum sentences and increase parole rates for all crimes
- Make Michigan Promise scholarships a forgivable loan, rather than a scholarship, requiring participants to work in Michigan for two years following completion of their degree.



To: Governor Jennifer Granholm and Members of the Michigan Legislature

From: Michigan's Business Leaders (list organizations)

Date: September 8, 2009

RE: One Voice for Reform

Now more than ever, Michigan's Business Community is united in our call for serious, significant, structural reform of state government to pull Michigan out of its chronic fiscal crisis. With twenty-two days left in Michigan's fiscal year, the time has passed for single house and single branch solutions. Michigan's business organizations representing employers and employees large and small across the state are speaking with one voice to demand that this moment of crisis be turned into an opportunity to reform and revitalize Michigan. Simply passing another budget that patches together what is left of Michigan's finances for a year or two is failure. Michigan's business leaders insist that Michigan's elected leaders go beyond the bare minimum of their constitutional responsibilities.

For this year's budget process to be considered anything other than a failure, state leaders must enact structural reform that revolutionizes the way the state performs its core functions. The Federal stimulus money in 2010 should not be an excuse to not fix Michigan's underlying chronic structural deficit. We realize that none of these decisions are easy, but they have been put off for far too long and only exacerbates the size of the state's spending to revenue gap for 2011 and beyond when there will be no federal stimulus money. In an effort to jump start the conversation, the business community has compiled a list of twenty reforms that should be considered to help insure that state government runs as efficiently as possible. None of these reforms will independently solve the current budget crisis, in fact many are long-term reforms that may take several

years to produce significant savings, but the failure to enact these reforms after the tax increases of 2007 has contributed directly to the current fiscal crisis.

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- School Employees Pay 25% of Health Insurance Costs (\$650m – Mackinac Center)
- Reduce State Worker Benefits to Nat'l Average (\$269m – Public Sector 2008)
- Cap School Superintendent Pay (\$6.1 million – The Center for Michigan)
- Require program efficiency studies in all government programs to eliminate waste
- Eliminate undocumented and potentially fraudulent child care payments (\$231 million – Auditor General Report 2008)

Clearly, this is not an exhaustive list of proposed reforms to state government, but we feel it is a good starting point. We cannot stress strongly enough that we expect significant structural reform to be part of the final budget solution. We stand ready to support all

leaders who take seriously the task of reforming and revitalizing Michigan. We also stand equally ready to hold those who would stand in the way accountable.

Should you have any questions, comments, or concerns please feel free to contact any of the above organizations.