

Good morning. My name is Steve Delie, and I am the director of labor policy at the Mackinac Center for Public Policy. We are a 501(c)(3) nonprofit research and educational institute that advances the principles of free markets and limited government. Through our programs, we challenge government overreach and advance free-market approaches to public policy that frees people to realize their potential and dreams.

I am writing to oppose House Bill 4044.

If adopted, HB 4044 would undue reforms enacted by PA 54 of 2011. These reforms eliminated automatic increases in pay and benefits for workers operating under an expired union contract, thereby incentivizing more efficient contract negotiations. Undoing these reforms would place undue strain on already struggling municipalities and be a step back from efficient bargaining.

Municipalities that already struggle would be put at risk by these additional costs. Excluding one outlier,¹ Michigan's average municipal pension is underfunded by 15%. Similarly, Michigan municipalities other post-employment benefits (typically retiree health care) are only 53% funded.² Cities like Mt. Clemens, which has funded only 5% of its OPEB liabilities, Battle Creek, which has only 40% of its pension funded, or Trenton, which has a pension system that is underfunded by 56%, will face only greater challenges if HB 4044 is adopted.³

Repealing the changes Public Act 54 made to PERA would only increase pressure on already-stretched municipal budgets, while rewarding less-effective union practices. Currently, unions are highly motivated to negotiate following the expiration of a collective bargaining agreement, largely due to the financial incentives Public Act 54 created. Without these incentives, a major motivating drive behind timely contract negotiations would disappear.

Municipal officials who spoke about PA 54 of 2011 underscore the importance of preserving these reforms. Oakland County's former Deputy County Executive Robert Daddow blamed the lack of incentive to negotiate as causing Oakland County to struggle to budget its expenses and benefits.⁴ A former Royal Oak Superintendent, Thomas Moline, echoed these remarks, noting that that before PA 54, the Royal Oak School District had to pay an extra \$3.7 million in salary and benefits during contract negotiations, while unions had little incentive to bargain.⁵

In conclusion, HB 4044 would be severely detrimental to Michigan's municipalities and the public at large. I respectfully request that you vote no on HB 4044.

¹ According to reports to the Department of Treasury, the City of Gladstone's pension is 58919.8% funded. Such an extreme outlier (assuming it is not an error) would have presented a misleading picture of the average municipality's funding status.

² The City of Kentwood represents an extreme outlier, with the City's OPEB benefits reported to be 13,263.2% funded. Again, assuming this is not an error, inclusion of this single entry would have significantly hampered the ability to communicate a typical municipality's funding status.

³ Data available here: <https://www.michigan.gov/treasury/local/cefd/retirement>.

⁴ <https://www.michigancapitolconfidential.com/20403>.

⁵ <https://www.michigancapitolconfidential.com/court-upholds-law-banning-automatic-pay-increases-for-public-employees>