

To: CSR-MI Board
From: Todd Tennis
Date: September 29, 2023
RE: Legislative Update

The Michigan Legislature has returned from its summer recess and traditionally would be in session for the rest of the year. This year, however, there are rumors that the Legislature could adjourn for the year as early as November or even late October. The impetus for an early adjournment would be to start the 90 day clock on the effective date of legislation earlier than the usual late December adjournment. This could allow controversial items such as moving up the Presidential Primary to February and various tax reductions to take effect in January or February rather than the usual March or April.

Another reason they might adjourn early is the possibility that two members of the Michigan House could win local mayoral elections in November. Representative Lori Stone (D-Warren) and Representative Kevin Coleman (D-Westland) are both in close races running for mayor of their hometowns. If both of them win, there would be two vacancies in the Michigan House leading to a 54-54 partisan split. That split would last until a special election could be called which would take several months. It is not expected that the House will accomplish much during that period if both Rep. Stone and Rep. Coleman win their mayoral races.

State Pension Legislation Voted out of Senate Committee

A package of bills aimed at allowing certain state employees to opt into the Michigan State Police Retirement System were reported out of the Senate Labor Committee on September 19. Senate Bills 165-167, sponsored by Senators Cherry (D-Flint), McDonald-Rivet (D-Bay City) and Shink (D-Northfield Twp.) would create an option for certain state employees currently in the defined contribution system (Tier 2) to terminate their membership in that system and join the State Police Retirement System (SPRS). Employees who opt into the SPRS would start with zero credit for years of service, but they would be allowed to purchase years of service credit at an actuarially determined rate.

Per the Senate Fiscal Analysis of the bill, the individuals covered by these bills would include the following:

- Covered positions, which include corrections officers, resident unit officers, corrections medical aides, corrections shift supervisors, corrections security inspectors, corrections security representatives, deputy prison wardens, and departmental administrator-prison wardens.
- Certain positions (delineated by those hired on or after January 1, 1989) with the Center for Forensic Psychiatry.
- Corrections resident representatives, Corrections transportation officers, and special alternative incarceration officer.
- Conservation officers.
- State Police motor carrier troopers or State Police properties securities officers.

On a related note, CSR-MI is working to promote reopening defined benefit pension options for state and school workers. As the last few remaining members of the State Employees Retirement System prepare to retire over the next few years, that system is facing growing funding issues as a “dead plan.” When SERS was closed in 1997, it was over 100% funded. Twenty-six years later, it is less than 70% funded.

Closing that system actually increased costs to the state, while at the same time devastating the retirement security of state workers. This in turn has been a significant contributing factor in current staffing shortages, as more and more workers see state employment as a less attractive option due to limited retirement benefits. Making a defined benefit option available for state and public school workers again will help address the staffing shortage while providing a solid retirement plan for current and future employees.

Legislature Working on Crucial Labor Issues

Over the summer, work groups convened in Lansing regarding numerous issues important to workers. Draft reforms to Michigan’s Unemployment Insurance system and Workers Compensation system have been the focus of several AFL-CIO unions. Bills have been drafted that would undo much of the anti-worker changes that have been enacted over the last twenty years.

In 2012, the Michigan Legislature made drastic cuts to unemployment benefits for Michigan workers. Most importantly, they reduced the maximum length of benefits from 26 to 20 weeks. Moreover, weekly maximum benefits were slashed so that Michigan is now behind every other Midwest state in terms of unemployment benefits. The state also cut back on staffing in the Unemployment Agency and attempted to replace workers with automated systems. These changes were exposed during the pandemic as the system not only failed to keep up with unprecedented demand, but Michigan workers found themselves worse off than our neighbors in Ohio, Wisconsin and Indiana.

2012 also marked a sea-change in Michigan’s Workers Compensation system. Legislation was signed into law that severely curtailed the ability of injured workers to obtain benefits. Michigan’s Workers Compensation system was crafted in the early part of the 20th century as a solution to protect both employers and employees. The no-fault system ensures that employers cannot be sued by their workers injured on the job, but in exchange injured workers are ensured prompt benefits both for medical costs and lost wages. At least, that was the deal that worked well for nearly a century. In 2011, pro-business lobbyists altered that deal severely.

Legislation was signed into law that allows workers compensation insurers to reduce benefits for injured workers based on jobs that might not even exist. Known as the “phantom wage” problem, insurers can now assume that an injured worker could find another job that is within their ability to do even while recovering from an injury. They are then allowed to reduce weekly workers compensation benefits by the amount they predict that employee could earn *even if they are never offered another job*. This has led to untold suffering by injured workers who are trying to rehabilitate from a workplace injury and pay their bills after having their benefits reduced.

Legislation is being drafted that would undo these negative changes to both the unemployment and workers compensation system. There was hope that the Legislature could move these bills this fall. However, due to a limited session schedule and a lack of enthusiasm among some legislative leaders to

push these changes, it appears that workers might have to wait until next year to get the help they badly need from Michigan lawmakers.