

2011

ANNUAL REPORT



CITIZENS RESEARCH COUNCIL
OF MICHIGAN

CITIZENS RESEARCH COUNCIL OF MICHIGAN

Providing Independent, Nonpartisan Public Policy Research Since 1916

About the Citizens Research Council

The Citizens Research Council is a privately funded, not-for-profit public policy research organization. CRC's mission is to promote the development of informed public policy at all levels of Michigan government through the delivery of factual and unbiased analysis of the most critical issues pertinent to state and local government.

Why Our Work Is Important

Democracy depends on truth. It is the lifeblood of the democratic process, essential to sound decision making and indispensable to enlightened voting. But truth in public policy can be dangerously elusive. Traditional media sources are downsizing and the partisan slant of many outlets is increasing. Special interests are selective in the facts they use, and voters are often presented with little more than talking points and marketing materials.

Democracy is premised on the belief that enlightened voters will make the right decision more often than not. However, this only works if voters and policymakers have the facts. As Gerald Ford succinctly put it:

"Truth is the glue that holds government together."

CRC works to provide that truth. We work to ensure that everyone - citizens, legislators, business people, the media - has access to the truth.

CRC is unique in its ability to speak objectively. Government organizations are often stymied by political pressures, especially on sensitive issues. Private organizations and individuals often lack the funding, expertise, or credibility to make a difference. But with its reputation for accuracy and a rare combination of expertise and independence, CRC speaks with a singular authority on the important issues of the day. CRC researches the issues that matter most to the people of Michigan, analyzes the data, then shares the results with policymakers, the media and the general public. We do not pick sides: we simply provide the straight story on the choices, tradeoffs, and implications of the issue at hand.

Good government is essential to keeping Michigan a great place to live, work, and do business. CRC is dedicated to improving government in Michigan.

CRC Guiding Principles

- ◆ Nonpartisanship / Objectivity
- ◆ Quality Research
- ◆ Independence
- ◆ Relevance
- ◆ Timeliness

CRC has been providing clear, accurate, unbiased research on matters of critical public importance to Michigan since 1916.

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Letter From the Chair & President

2011 saw the most significant policy changes in Michigan since the state overhauled school finances in 1994. Significant cuts and reforms at the state level dramatically improved the state's balance sheet and fiscal stability, but many of these same actions also increased the pressure on the finances of Michigan's school districts, local governments, and universities.

The state enacted reforms aimed at improving the state's economic climate by reducing and reforming state business taxes and by increasing and reforming the state's individual income tax. Statutory revenue sharing to local governments was eliminated and replaced with a smaller program called the Economic Vitality and Incentive Program (EVIP). To qualify for EVIP funding, local governments had to enact a number of reforms aimed at increasing transparency, expanding collaboration, and lowering public employee costs. Similarly, school districts were required to enact a number of "best practice" reforms to qualify for some state funding.

Finally, the state enacted a controversial new emergency manager law intended to increase the ability of the state to deal with local governments facing a financial emergency.

CRC helped to keep policymakers and citizens abreast of these dramatic changes and other important policy matters by providing timely analyses of the key issues. In 2011, CRC published reports on the state budget, emergency managers, performance dashboards, redistricting, school finance and many other topics.

Looking forward, CRC will be investigating Medicaid, special education financing, Michigan's tax burden, state competitiveness issues, and any questions that appear on the 2012 statewide ballot. CRC will also continue to rapidly respond to emerging issues to ensure that citizens have access to high quality nonpartisan information in a timely fashion.

As you read this annual report, we hope that you will agree that an experienced, thoughtful, nonpartisan voice is essential to Michigan, and that CRC is worthy of your support.



Jeffrey D. Bergeron, Chair
CRC Board of Directors



Jeffrey P. Guilfoyle
CRC President

"CRC is one of
Michigan's crown jewels."

- Phil Power
Bridge Magazine 9/27/2011

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2011 Research Highlights

2011 Publications

CRC Reports

- Outline of the Michigan Tax System
- 366 Early Childhood Education
- 367 Child Care and the State
- 368 Local Government and School District Fiscal Accountability Act
- 369 Reform of K-12 School District Governance and Management in Michigan
- 370 Congressional and Legislative Redistricting Reform
- 371 Distribution of State Aid to Michigan Schools
- 372 The Costs, Benefits, and Alternatives for Consolidating the Onkama Governments
- 373 Legacy Costs and Indebtedness of the City of Detroit

CRC Memorandums

- 1103 Local-Option City Income Taxation in Michigan
- 1104 Early Childhood Education
- 1105 Child Care and the State
- 1106 Local Government and School District Fiscal Accountability Act
- 1107 Distribution of State Aid to Michigan Schools
- 1108 Local Government Performance Dashboards and Citizens' Guides
- 1109 The Costs, Benefits, and Alternatives for Consolidating the Onkama Governments
- 1110 The Proposed Detroit City Charter

CRC State Budget Notes

- 2011-01 Now the Real Work Can Start on the FY2012 State Budget
- 2011-02 The State of Michigan's New Fiscal Plan

CRC Notes

- 2011-01 The Health Care Obligations of Michigan Counties
- 2011-02 What if Michigan Had Enacted a Percentage Tax on Gasoline in 1997?

In 2011, CRC's research projects covered a range of topics with a particular focus on education, the state's budget, and local government finances.

CRC Reports

Early Childhood Education High quality early childhood education and preschool programs that implement best practices have been shown to improve school success and graduation rates for disadvantaged children. This report describes programs that invest in the "front end" of formal education: kindergarten, Head Start, and Michigan's Great Start Readiness Program. It also describes research on brain development that helps to explain why investing in early education may be a more effective strategy than other strategies that are being pursued.

Child Care and the State The tens of thousands of individuals and organizations that provide child care in Michigan vary drastically in quality. State government has a defined role in regulating, licensing, organizing, and in some cases funding, the multitude of child care providers. The report looks at these factors as well as at the state's enforcement efforts. It describes child care options and reports what is known about the effects of various child care arrangements on children's development. The report also identifies the organizations and programs that have been developed in an effort to ensure the availability and quality of child care.

Reform of K-12 School District Governance and Management in Michigan. Both the federal government and Michigan's state government have been encouraging or mandating governance reforms for public

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schools. The governance reform models reviewed in this paper include the dependent school district, the diverse provider model, the private manager model, decentralized decision making, and integrated school systems. While there are virtues to all of the proposed reform models, none of them is a panacea. In particular, the diversity of Michigan's school districts means that it is likely that reform models well suited for some districts will prove inappropriate for others.

Distribution of State Aid to Michigan Schools Proposal A of 1994 and the related school finance reforms met many of their initial goals, most notably, greater equalization of per-pupil funding across Michigan districts. While the wide variance in revenues per pupil was a public policy problem that plagued the state for many years prior to Proposal A, the solution to this problem has created new issues. This paper identifies a number of important issues that policymakers should consider when contemplating changes to Michigan's school funding model.

"Today, the inflation-adjusted amount of the foundation grant in many school districts is below where it was in FY1995, but there is much more equity across districts." – CRC Report 371, *Distribution of State Aid to Michigan Schools*.

The major topics covered in this CRC report include: the impact of moving school funding decisions from local districts to the state; changes in district revenues since Proposal A; evidence on the effect of increases in school spending on student performance; effects of enrollment changes and school choice on district finances; and funding for "at-risk" pupils.

The Local Government and School District Fiscal Accountability Act Following the enactment of Michigan's new emergency manager law, CRC took a close look at it. This report provides a concise overview of this important new law, which was enacted to forcefully address local fiscal crises. The report also notes that while the expanded powers provided to emergency managers would allow crises to be more rapidly addressed, these expanded powers come at the expense of collective bargaining rights and local democracy.

"PA 4 contains a number of tradeoffs. It allows for financial emergencies to be dealt with more rapidly and aggressively, but does so at the expense of local democracy and collective bargaining rights." – CRC Report 368, *Local Government and School District Fiscal Accountability Act*.

Congressional and Legislative Redistricting Reform CRC studied Michigan's current process for redistricting congressional and legislative seats following the Decennial Census, identified a number of shortcomings in Michigan's current process, and recommended a number of changes that should be made to the state's Constitution. CRC presented these findings to the Senate Redistricting Committee.

"Given how critical redistricting is to representative democracy, Michigan legislators should use this redistricting cycle to do more than redraw boundaries. Legislators should draft a constitutional amendment to reform the process and provide clear guidelines for future redistricting." – CRC Report 370, *Congressional and Legislative Redistricting Reform*.

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CRC's Mission

The mission of the CRC is to promote the development of informed public policy at all levels of Michigan government through the delivery of factual and unbiased analysis of the most critical issues pertinent to state and local government.

CRC works to promote the development of superior public policy through work in five areas:

1. Monitoring trends in state and local finances
2. Analyzing the structure and organization of government
3. Conducting in-depth studies of major public policy issues
4. Identifying options to address policy concerns
5. Informing and educating public officials and concerned citizens to promote efficiency, effectiveness, and accountability in governmental operations

Research Highlights, cont.

The Costs, Benefits, and Alternatives for Consolidating the Onekama Governments

CRC explains the merger options and analyzes the costs and benefits of consolidating the Village of Onekama and the Township of Onekama in Manistee County. CRC also worked with citizens and community leaders to inform them about the possibilities and implications of consolidating the two governments. As a result of this effort, Onekama voters will decide this summer whether or not to dissolve the village.

Legacy Costs and Indebtedness of the City of Detroit

CRC analyzed the city's current obligations to bond holders, retirees, and others. The city had in excess of \$14.1 billion of such liabilities outstanding as of June 30, 2010. This analysis explains the source of payment for the various liabilities, the effect of payments on general city services, and the penalties that may be associated with not meeting those obligations.

CRC Memorandum

Local-Option City Income Taxation in Michigan

Michigan law has authorized local-option income taxes since the 1960s. In this memo, CRC explains how city income taxes work, analyzes the history of the cities levying this tax, and investigates the incentives and disincentives for municipal policymakers to consider.

Local Government Performance Dashboards and Citizens Guides

CRC examined the local government dashboard concept championed by Governor Snyder. This report discusses the types of information that make the most sense to report in a dashboard,

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and notes that the template provided to local governments by the state to report financial information did a good job in concisely conveying financial information. However, CRC found that the performance dashboard template provided by the state had significant shortcomings. CRC provides recommendations as to the types of information that should be included in performance dashboards.

“We believe the performance dashboard template falls short in providing measures that local governments can adopt to create useful, meaningful reports.” – CRC Memorandum 1108, *Local Government Performance Dashboards and Citizens Guides*.

The Proposed Detroit City Charter Prior to the November 2011 election when Detroit voters adopted a new charter, CRC looked at the proposed charter and identified new provisions, modified provisions, and provisions that hadn't changed.

CRC Notes

The Health Care Obligations of Michigan Counties This note describes the impact of growing health care costs on Michigan county governments. A CRC survey documented that the total actuarial accrued liability of other post-employment benefits for just 50 of Michigan's 83 counties is nearly \$4 billion, more than \$3 billion of which is unfunded. While some counties are taking aggressive steps to address their liabilities, others have yet to respond.

What if Michigan Had Enacted a Percentage Tax on Gasoline in 1997? The Governor proposed replacing the state's current 19-cent per gallon tax on gasoline with a tax based on a percentage of the wholesale price.

If the state had enacted this change in 1997, CRC found that it would have raised over \$12 billion more in gasoline tax revenues in the intervening years.

CRC State Budget Notes

Now the Real Work Can Start on the FY2012 State Budget After the Executive Budget was issued in February, this State Budget Note looked at the House and Senate proposals offered in response to the Governor's budget and examined the key differences that had to be reconciled before final budget action could occur.

CRC noted the precedent-setting plan to use the School Aid Fund to finance post-secondary education appropriations. Equally important, and a key component of the revenue assumptions for the budget, was the tax restructuring plan proposed by Governor Snyder and the Legislature's response to the suggested changes in business and individual income taxation.

The State of Michigan's New Fiscal Plan CRC examined the major components of the state's approved FY2012 budget, including changes in state tax law and spending policy. CRC's analysis suggests that major progress has been made towards addressing the state's chronic structural deficits affecting the General and School Aid Fund budgets. At the same time, the budget took steps to improve the underlying condition of state finances, both in the near- and long-term.

“Perhaps the most notable difference between this budget and prior years is the precedent-setting plan to use the School Aid Fund to finance post-secondary education appropriations.” – State Budget Note 2011-01, *Now the Real Work Can Start on the FY2012 State Budget*.

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CRC Successes Over the Years

- 2011 CRC's work led to an August 2012 referendum on dissolving Onekama Village.
- 2009 CRC's report on corrections (2008) prompted the Governor and Legislature to reduce spending on corrections and address part of the state's structural budget deficit.
- 2008 CRC released *Michigan's Fiscal Future* which quantified the long-term costs of Michigan's structural deficit that CRC uncovered in 2001. CRC continues to monitor this issue.
- 2004 CRC identified the large unfunded liability in Michigan's retired teacher health care benefits.
- 2003 CRC received SEMCOG's highest honor, the Regional Ambassador Award, in recognition of the information CRC provides to Michigan's decision-makers.
- 1996 CRC research prompted a more equitable allocation of community mental health funds.
- 1995 CRC reports helped define how state and local governments work with casinos.
- 1982 CRC research helped resolve the funding crisis in unemployment compensation.
- 1981 A CRC study proved critical to the adoption of the Wayne County Charter.
- 1978 CRC research led to the Uniform Local Government Budgeting Act.
- 1962 CRC received a resolution of tribute from the Michigan Constitutional Convention for its invaluable independent analysis of constitutional issues.

As We Go To Press...

At its March 2012 meeting, CRC's Board of Directors appointed **Brian Peters**, Michigan Health and Hospital Association, to the board.

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CRC Annual Meeting

Ninety-Fifth Annual Meeting

The 2011 Annual Meeting of the Citizens Research Council of Michigan was held on September 16, 2011, at the Detroit Athletic Club in Detroit, Michigan. The meeting began with a panel discussion on *Local Fiscal Issues* by George Heartwell, Mayor of Grand Rapids; Joyce Parker, Emergency Manager for the City of Ecorse; and Mark Docherty, President of the Michigan Professional Fire Fighters Union. The moderator was Paul Tait, Executive Director of SEMCOG. After lunch, Dan Gilmartin, Executive Director and CEO of the Michigan Municipal League, gave the keynote address titled: "The Economics of Place: The Value of Building Communities Around People."

Help Us Help Michigan

- ◆ Make a personal gift.
- ◆ Suggest that your company contribute.
- ◆ Sponsor CRC's 96th Annual Meeting.
- ◆ Talk about our work with friends and colleagues.
- ◆ Ask CRC to present to your organization.
- ◆ "Friend" CRC on Facebook.
- ◆ Follow CRC on Twitter.
- ◆ Refer people to our website for CRC analyses of important issues.

For more information on supporting CRC, see our website www.crcmich.org or call the office at (734) 542-8001.

Officers, Directors & Trustees Elected

During the business segment of the 2011 Annual Meeting, the trustees elected officers, directors and trustees to replace those whose terms expired on September 30, 2011. Officers elected for the Board of Directors were: Chair, Jeffrey D. Bergeron, Ernst & Young LLP; Vice Chair, Terence M. Donnelly, Dickinson Wright PLLC; Treasurer, Aleksandra A. Miziolek, Dykema; President, Secretary & Assistant Treasurer, Jeffrey P. Guilfoyle; and Assistant Secretary, Bettie B. Buss.

CRC's Board welcomed four new directors: Mark Davidoff, Deloitte LLP; Michael McGee, Miller, Canfield, Paddock and Stone PLC; Jim Murray, AT&T Michigan; and Theodore J. Vogel, CMS Energy Corporation. New additions to CRC's Board of Trustees are: Gordon Krater, Plante Moran PLLC, and Milt Rohwer.

Thanks to Annual Meeting Sponsors

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Panel Sponsors: Altria Client Services; Masco Corporation Foundation; and Miller, Canfield, Paddock and Stone PLC.

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Friends: Mary Kramer and Michigan Suburbs Alliance.

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CRC Outreach

CRC joined the world of bloggers in August 2011 with a posting titled “July’s Employment Report Was Puzzling.” CRC researchers posted 20 blogs in 2011 on topics ranging from state employment trends to local-option motor vehicle taxes. You can find CRC blog posts by clicking on “CRC Column” on our homepage, and you can receive notices of new blogs by “friending” CRC on Facebook or following us on Twitter.

Staff Presentations CRC researchers participate in a wide variety of forums, giving presentations to various public and private audiences covering the full scope of CRC’s research. This year, CRC researchers gave over 50 presentations. In addition, over 1,000 people viewed the five webinars held in 2011.

Internet CRC’s website is a rich resource, providing links to all current (and many older) CRC publications. The website also provides links to CRC’s webinars and copies of many of the presentations given by CRC researchers. CRC’s website has been praised as “the gold standard,” and website hits grew from 2.5 million in 2004 to nearly 5 million in 2011. Additionally, the number of CRC publications downloaded annually has increased from 129,000 in 2003 to more than 373,000 downloads in 2011.

Newspapers Evidence of CRC’s status as a primary source of information for the media can be found in the large number of newspapers that cite CRC’s work. In an era of cutbacks at newspapers, CRC publications and staff prove to be a rich resource for journalists, and CRC is frequently cited in newspapers across the state.

Selected 2011 Presentations & Webinars

Education/Education Finances

Financing K-12 Education in Michigan	Mancelona & Elk Rapids
The Distribution of State Aid to Michigan Schools	Midland webinar
Early Childhood Education	webinar
Distribution of State Aid to Michigan Schools	webinar

Local Government Collaboration/Cooperation

Opportunities for Collaboration in the Kalamazoo Communities	Kalamazoo
Consolidating Onekema Village & Township	Manistee
Consolidating Government Services	Saugatuck
Ongoing Financial Troubles of Michigan’s Local Governments	Traverse City
The Local Government and School District Fiscal Accountability Act	webinar
Local Government Structure and Governance	Macomb County
Local Government Dashboards	webinar

Michigan’s Budget & Taxes

Michigan’s New Normal	Marquette
Governor Snyder’s FY2012 Budget and Tax Proposal	Saginaw
Governor Snyder’s FY2012 Budget Proposal	webinar
Business Taxation in Michigan	Lansing
Recent Michigan Tax Changes	Wayne

Other

Redistricting	Lansing
Detroit’s Proposed Charter	Detroit
Corrections	Lansing

Radio & TV CRC receives regular exposure through electronic media. Staff have appeared on numerous radio and TV shows, including WJBK Fox2 TV, WILX TV 10, Wood TV8; and Michigan Radio, WJR, WDET, WXYT, and WILS radio.

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Left to Right: Bettie Buss, Jeff Guilfoyle, Nicole Bradshaw, Craig Thiel, Greta Reade, Eric Lupher, Michael King, Beth Seegert. Missing: Jennifer Bright.

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2012 Research Agenda

CRC research covers a wide range of issues dealing with state and local government organization and finance. CRC's efforts to improve the effectiveness of government in Michigan have a direct impact on the quality of life of Michigan residents. CRC's research agenda focuses on the most important questions facing our state. Upcoming research includes the following important topics.

Government Service Collaboration CRC will continue its work assisting local governments to provide services more efficiently. CRC has been a leader in studying joint service provision by local governments. In addition to publishing research reports on this topic, CRC has been directly working with local governments to aid them in their efforts. CRC's work on local government services is an ongoing project.

State Budget CRC expects to publish at least three notes on the FY2013 state budget as it goes through the annual budget process. Probable publication times are: after the presentation of the Governor's budget in February; after the first draft is passed by the legislature; and when the budget is enacted. The budget notes will discuss whether the budget is structurally balanced, which priorities are financed, and other relevant issues.

2012 Ballot Proposals CRC analyzes all statewide ballot proposals. Since 2012 is an election year, there will likely be several statewide ballot issues. Important local measures may also be considered.

Outline of the Michigan Tax System CRC will update its popular Tax Outline to incorporate 2011 tax changes.

State Competitiveness CRC will look at the factors that make a state competitive and what characteristics make a state likely to succeed from an economic standpoint.

Local Government Competitiveness Similar to its analysis of competitiveness at the state level, CRC will examine the factors that make local communities successful in attracting businesses, residents, and employment.

Medicaid Finance CRC will examine the state's Medicaid program from a financial standpoint. Rapid increases in the state's Medicaid population, increasing healthcare costs, and the state's poor economic performance have made it increasingly difficult to sustain the Medicaid program, and spending on Medicaid has been crowding out other budget priorities.

Special Education Finance CRC is taking a comprehensive look at special education finance in Michigan by examining its origins, statutory bases, and mechanics to uncover the challenges faced by local and intermediate school districts in the delivery of these services.

Detroit's Fiscal Situation CRC will publish a series of reports on Detroit city government's organizational structure, revenues, expenditures, budgets and budgeting process, debt and credit rating, potential alternative service delivery systems, and other issues that are pertinent to the financial condition and restructuring of Detroit municipal government. These reports will explain how the crisis developed and the options that could be considered for addressing the imbalance between revenues and expenses.

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Measuring Success...

Measuring success in efforts to improve public policy is inherently difficult. We can sometimes draw a direct line between CRC's work and policy change, but sometimes the connection is less clear. This is best illustrated through some recent examples:

Corrections Policy - CRC demonstrated that Michigan was spending a much higher portion of its state budget on corrections than most other states. CRC identified one of the causes of Michigan's higher spending as a relatively high incarceration rate driven in part by changes the state had made to its parole system. This research spurred changes in the state's parole policy and led to a reduction in the number of prisoners in Michigan.

Governmental Efficiency - CRC frequently works with local governments to aid them in finding opportunities for efficiencies. CRC recently worked with leaders and residents Onekema Village and Onekema Township in Manistee County on this topic. CRC educated them on the issues associated with two potential approaches to government restructuring through a research report and presentations at numerous public meetings. As a result, residents of Onekema will be voting on the potential dissolution of the village in August 2012.

School Retirement Reforms - In 2004, CRC published *Financing Michigan Retired Teacher Benefit and Healthcare Costs*. The report documented the dramatic increases in retirement costs facing the state and contained a number of recommendations to change the system. Many of these recommendations were subsequently enacted. While CRC's recommendations were enacted, we have no way to determine the extent to which our report influenced the policy debate.



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