

2010

ANNUAL REPORT



CRC

CITIZENS RESEARCH COUNCIL
OF MICHIGAN



BECAUSE TRUTH IS NONPARTISAN

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Letter From the Chair & President

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

The end of 2010 brought with it an anticipation of change: term limits led to high turnover among Michigan's elected officials, and the state started 2011 with a new Governor, Lieutenant Governor, Secretary of State, Attorney General, and 90 new state legislators.

The new policymakers face dramatic budget shortfalls. Federal stimulus programs and other one-time resources that helped to balance the 2010 and 2011 budgets are not available for the 2012 budget. Property taxes continue to fall, putting ever-increasing pressure on local governments.

At the same time they are tasked with balancing budgets, state and local policymakers are concerned with finding ways to improve Michigan's economic performance to help to restore some of the 800,000 jobs lost in the prior decade.

As citizens and policymakers face these problems, they are asking fundamental questions:

- What level and kinds of taxes should Michigan businesses and residents pay?
- How should limited public dollars be allocated across competing needs?
- What is the proper level of compensation for public sector workers?
- Can government services be provided in a more efficient manner?
- What is the best way to manage legacy costs such as public employee retirement benefits, aging infrastructure, and public debt?

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- What makes a state competitive from an economic development standpoint?
- How do you balance investing in the state's future with short-term budget balancing needs?

These questions frame CRC's research agenda for 2011 and 2012.

These are not easy questions, and there is no single right answer to Michigan's problems. Decision making is made more difficult by the abundance of conflicting information put forward by the many interest groups advocating for one policy path over another. Legislators, local government officials, and citizens need information that they can trust.

With its proven history of providing high quality, independent, nonpartisan analyses, CRC provides the research needed to make informed decisions. CRC has been providing this information for 95 years, and will continue to point the way toward solutions while ensuring that its research is independent, relevant, and timely.

In 2010, CRC's board and staff undertook a strategic planning exercise to focus CRC's efforts over the next several years. The plan identified a number of goals for CRC. Among these were making Michigan citizenry more informed and engaged in policy discussions; ensuring CRC is widely recognized as the premier provider of timely, relevant, and unbiased policy research; and ensuring long-term sustainability for the organization.

In the coming year, we will look for ways to extend the reach of our research both in terms of the audiences we reach and the accessibility

of the research we publish. We invite your feedback as we work to implement this important part of our strategic plan.

As you read this year's annual report, we hope you will share our view that CRC is an invaluable asset to our state and is worthy of your support.



Eugene A. Gargaro, Jr., Chairman
CRC Board of Directors



Jeffrey P. Guilfoyle
CRC President

In Memoriam

Patrick J. Ledwidge
Director & Trustee 1991-2010

Pat Ledwidge passed away on May 19, 2010, at the age of 82. He was on CRC's Board of Directors from 1991 through 2001, and then served on CRC's Board of Trustees, first as Vice Chair and then as Chair, until his death. He was an enthusiastic and gracious supporter of CRC. We will miss him.

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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.

Because of the impeccable reputation that CRC has developed and maintained for more than 90 years, its endorsement of a policy position carries significant weight in the public debate.

CRC Guiding Principles

Nonpartisanship / Objectivity These closely related concepts are the fundamental basis of CRC's strength as a respected source of information for all citizens and organizations in Michigan. CRC does not advocate for a particular political party, interest group, or philosophical perspective. Instead, CRC seeks to educate citizens, government representatives, and various organizations so that they can choose the policies that best fit their values.

CRC does not select facts to reach a predetermined conclusion. Rather, CRC carefully analyzes all of the available facts to see if they point to a conclusion. CRC will not arrive at a conclusion if the facts do not support it. As a result of this objectivity, CRC is often the only organization that can address controversial issues in a credible fashion.

Quality Research The citizens and policymakers of Michigan can only rely on CRC's research in making policy decisions if they have confidence that the research question was thoroughly investigated, the facts fully gathered, and the conclusions carefully thought out. CRC always works to make sure its research is of the highest quality.

Independence CRC works to maintain both the independence of its research and the appearance of independence. CRC insists on controlling its research from the selection of topics through the conduct of the research, including any conclusions made or not made.

Relevance CRC strives to ensure that all of its research is directly applicable to the most pressing questions facing Michigan citizens and policymakers. Therefore, CRC's research is directly focused on improving public policy in Michigan.

Timely For public policy research to be useful, it must be available in time to be used in decision making. Therefore, CRC works to ensure that its research is completed in time to inform policymakers when decisions need to be made on important policy matters.

"...just showing up isn't enough. We also need to know something about what's going on. One of the best sources is the Citizens Research Council of Michigan, (crcmich.org) a solid, fact-based, unbiased source of information on Michigan state and local government."

- Paul Rozycki
Flint Journal 6/12/2010

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2010 Research Highlights

In 2010, CRC tackled several major issues: education, the state's constitution, and fiscal issues at the state and local level. The state's ongoing economic woes and structural deficit are bringing challenges to all levels of government in Michigan.

CRC Reports

Public Education Governance in Michigan

In January, CRC published the first report in a series on public education. Michigan's system of education governance leads to overlapping authority and policies affecting elementary and secondary education, but also creates checks and balances.

Nearly 1.7 million students are served each year by Michigan's public education system. Programs are delivered by 551 local school districts, 57 intermediate school districts, and 232 public school academies. A wide variety of federal, state, and local government entities have some level of input on education policy and governance. Education policy is also influenced by a wide set of external actors including parents, public employee unions, and various interest groups. This paper discusses the roles of each of these groups and the implications of this complex system on the governance of Michigan's schools.

State and Local Revenues for Public Education in Michigan Financial support for Michigan public elementary and secondary education continues to be a major public policy issue even though significant resources are dedicated to serving nearly 1.7 million children each year. Although public education has been a budget priority, there are concerns that spending pressures will outpace the resources available each year in the future.

2010 Publications

CRC Reports

- 359 Public Education Governance in Michigan
- 360- Special Report on Michigan Constitutional Issues. *Papers in the series:*
 - 01 General Revision of the Michigan Constitution
 - 02 A Brief Michigan Constitutional History
 - 03 Amending the Michigan Constitution: Trends and Issues
 - 04 Article I — Declaration of Rights
 - 05 Article II — Elections
 - 06 Article III — General Government
 - 07 Article IV — Legislative Branch
 - 08 Article V — Executive Branch
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- 1098 The Fiscal Condition of the City of Detroit
- 1099 Financial Emergencies in Michigan Local Governments
- 1100 State and Local Revenues for Public Education in Michigan
- 1101 Statewide Issues on the November General Election Ballot: Proposal 2010-02
- 1102 Nontraditional K-12 Schools in Michigan

CRC State Budget Notes

- 2010-01 The FY2011 Executive Budget: "Déjà Vu All Over Again"
- 2010-02 The FY2011 School Aid Fund Budget: A Day Late and A Few Hundred Million Dollars Short
- 2010-03 Nonrecurring Resources and the FY2011 General Fund Budget

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Research Highlights, cont.

This paper discusses the structure and performance of the revenue system used to finance K-12 education since 1994. It looks at the economic factors that have influenced revenue performance, revenue projections going forward, and potential reforms that could be made to the current funding system.

Nontraditional K-12 Schools in Michigan

This report examines some of the alternatives to traditional K-12 education, including private schools, home schooling, and charter schools, known as public school academies (PSAs) in Michigan. The paper focuses on PSAs: how PSAs are implemented in Michigan, what we know about the relative success of PSAs compared to traditional school districts, and the effect of PSAs on traditional school districts.

Special Report Series on Michigan Constitutional Issues

In anticipation of the ballot question asking voters whether Michigan should convene a constitutional convention, CRC published this series of reports examining state constitutional issues. The series was designed not only to help voters decide this important ballot question, but also to be a useful reference on the state's constitution for years to come.

The series provides background information, including a look at the provisions in place for revising the current constitution, a brief history of Michigan's constitution, and trends in past revisions of the state's constitution. The series also includes short papers discussing each article of the state's constitution.

The Fiscal Condition of the City of Detroit

The City of Detroit faces unprecedented economic and fiscal challenges. This report looks at a number of economic factors, including population, demographics, education rate, and employment; discusses how Detroit compares to similar cities; and examines trends over time.

The report also discusses what is currently known about the city's fiscal situation, including tax burden, legacy costs, revenue and budget trends, and recent attempts to resolve its ongoing deficit. The report concludes that the current situation is alarming and that there is an urgent need for significant structural reforms.

Financial Emergencies in Michigan Local Governments

Michigan's ongoing economic downturn, sharp declines in property tax revenues, and growing legacy costs have created unprecedented challenges for Michigan's local governments. As the fiscal pressures have increased, there has been significant interest in the potential options available for dealing with local government financial emergencies.

**CRC Wins National Award for
Most Distinguished Research
Third Year in a Row!**

Reforming the Process for Identifying and Funding Section 29 Mandates on Local Government (2009) received the national Governmental Research Association's 2010 award for **Most Distinguished Research.**

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This report describes the options available to fiscally distressed municipalities, including an in-depth description of Michigan's Local Government Fiscal Responsibility Act and Chapter 9 of the Federal Bankruptcy Code. The report also discusses the models that have been used in other states to deal with large cities facing financial emergencies.

Benchmarking the City of Manistee CRC benchmarked Manistee against nine peer cities to compare the demographics and finances of the cities as well as a number of service areas in human relations, finance, fire protection, police protection, public works, water/wastewater, refuse collection, and strategic planning.

CRC Memorandum

Statewide Issues on the November General Election Ballot Proposal 2010-02 Proposal 2010-02 was a legislatively proposed constitutional amendment to prohibit certain felons convicted of breaching the public trust from holding certain types of public employment or public office. This paper contains a discussion of the issues, both positive and negative, involved with the adoption of this amendment.

CRC State Budget Notes

The FY2011 Executive Budget: "Déjà Vu All Over Again" This budget note examined the Governor's FY2011 executive budget (February 2010), with special attention paid to those aspects intended to address the long-term structural imbalance plaguing the General and School Aid Fund budgets.

The FY2011 School Aid Budget: A Day Late and a Few Hundred Million Dollars Short This budget note examined the FY2011 School Aid Budget supporting local school

operations. The legislature broke with recent past practice and adopted a education budget on July 1, the start of the schools' fiscal years. Early budget adoption was aided by an increase in the School Aid Fund revenue estimate and the fact that decisions to address a projected \$1.4 billion General Fund budget deficit were

Snyder should listen to what the Citizens Research Council of Michigan says about the state's structural deficit, rather than rely on an approach developed by outside consultants.

- former State Senator Shirley Johnson
The Detroit News, 9/24/2010

postponed. Despite the early adoption, a \$165 per-pupil cut originally included in the FY2010 budget, was retained. In addition, this paper suggests that observers should be cautious about placing too much importance on these legislative actions, as a number of major budgetary issues, both for this year and next, remain to be resolved.

Nonrecurring Resources and the FY2011 General Fund Budget This note examined the FY2011 General Fund budget adopted in September 2010. While technically "balanced" in the short term, the methods used to achieve balance contributed to fiscal imbalance in FY2012 because the budget was premised on nearly \$1 billion in one-time resources, including state debt refinancing and accelerated tax collections. Furthermore, the new budget did not address the structural budget challenges that have faced the state for years.

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2010 Strategic Planning

During 2010, CRC 's Board of Directors led CRC through a strategic planning process. The goal was to focus CRC's actions over the next several years and was prompted by several factors. First, in late 2009, a new president began at CRC, making this a logical transition point. Second, the dramatic recent changes to Michigan's economy are creating profound policy challenges for Michigan. A new strategic plan will help CRC focus on the ways it can most effectively provide assistance to the people of Michigan in meeting these challenges. Finally, the strategic plan will allow CRC to focus on strategies that will ensure the long-term sustainability of the organization in the face of the significant changes in Michigan's economic landscape.

In addition to the mission statement (see page 2), five goals were developed to guide the organization's efforts over the next five years in achieving its mission:

1. CRC is widely recognized as the premier provider of timely, relevant, and unbiased research promoting informed public policy decision making.
2. Michigan citizenry is more informed about public policy issues, alternatives, and implications, and is more engaged in public policy discussions.
3. CRC is a financially stable organization.
4. CRC has the organizational capacity to advance its mission.
5. CRC ensures constant quality improvement in all facets of its operations.

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Left to Right: Craig Thiel, Brittany Galisdorfer, Jeff Guilfoyle, Bettie Buss, Jennifer Bright, Greta Reade, Cristina Thibodeau, Eric Lupher

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CRC Outreach

CRC remains a trusted source of accurate, unbiased information on state and local public policy issues. In 2010, CRC added live webinars as a new way to reach many interested citizens across the state. Each webinar featured a live presentation by a CRC researcher followed by a question and answer period.

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 72 presentations and 4 webinars. Over 2,000 people have viewed the first 4 webinars.

Internet CRC's website is a rich resource for its audience, providing links to all current (and many older) CRC publications, as well as to other websites that may be useful to CRC's website visitors.

CRC's website has been praised as "the gold standard," and website hits grew from 2.5 million in 2004 to nearly 7.4 million in 2010. Additionally, the number of CRC publications downloaded has increased 129,000 in 2003 to just over 200,000 downloads in 2010.

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.

Radio & TV CRC receives regular exposure through electronic media. Staff have appeared on numerous radio and TV shows, including WDIV TV 4, WILX TV 10, WNEM TV 5, and WSNX radio.

Selected 2010 Presentations & Webinars

Ballot Issues

League of Women Voters	Lansing
SEMCOG General Assembly	Dearborn
State Ballot Issues	webinar

Education / Education Finances

Great Lakes Bay Region	University
Leadership Institute	Center
Michigan PTA Convention	Troy
State & Local Operating Support for Michigan Schools	webinar
Alternatives to Traditional K-12	webinar

Local Government Collaboration/Cooperation

Manistee City Council	Manistee
Michigan House of Representatives, Labor Committee	Lansing
Michigan Municipal Treasurers Advanced Institute	Mt. Pleasant

Michigan's Budget/Structural Deficit

Grand Haven Rotary	Grand Haven
Kalamazoo Rotary	Kalamazoo
West Michigan Policy Forum	Grand Rapids

Other

Business Leaders for Michigan & Center for Michigan: Reform Summit	Lansing
Council of Michigan Foundations	Traverse City
Detroit Charter Commission	Detroit
Mackinac Policy Conference	Mackinac Island
Michigan Future Board	Detroit
Financial Emergencies in Michigan's Local Governments	webinar

Transitions

At the end of 2010, **Ella Brownlee**, CRC's Office Manager, retired after 17 years with CRC. The warmth of her voice answering the phone, her laughter, and her knowledge of all things CRC are missed. We wish her well as she pursues her passion and works on a second specialty cookbook.

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CRC Successes Over the Years

- 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. CRC began working on this issue in 2001.
- 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.
- 2001 CRC uncovered a vast structural deficit in the State of Michigan's general fund. CRC has been speaking out on the issue ever since.
- 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.
- 1990 CRC research contributed to the Local Government Fiscal Responsibility Act, which defines the relationship of the state to fiscally troubled local units.
- 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.
- 1969 CRC research prompted a complete restructuring of the way Michigan funds education.
- 1962 CRC received a resolution of tribute from the Michigan Constitutional Convention for its invaluable independent analysis of constitutional issues.

2011 Research Agenda

Extreme budget challenges are raising fundamental questions regarding the role of government, and these questions will drive CRC's research agenda in 2011 and beyond.

CRC will explore opportunities to increase government efficiency by looking at collaboration and consolidation, public sector compensation, and the distribution of responsibilities between state and local governments. We will assess new policies designed to address local governments facing a fiscal emergency.

CRC will examine the state's tax structure with an eye towards both revenue generation and the impact on the state's economy. CRC will investigate what is known about the factors that make a state competitive from an economic development standpoint, and finally, we will continue to monitor the state's progress in dealing with its structural budget deficit.

Michigan's Structural Deficit CRC has been analyzing Michigan's struggles with its ongoing structural budget deficit since 2000. CRC will continue to analyze important budget issues as the state works its way through the 2012 budget process.

Tax Outline CRC will publish a revision to its popular overview of Michigan's state and local taxes.

Education CRC will complete its series on K-12 education in Michigan. CRC will publish papers on early childhood education, Michigan's school funding formula, governance reforms, school district collaboration and consolidation, and teachers and teaching.

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Public Sector Compensation CRC will look at a number of important topics relating to the compensation of public workers, including how the compensation of these workers in Michigan compares to other states, issues surrounding legacy costs, and a discussion of collective bargaining in the public sector.

Local Government and School District Accountability Act CRC will look at Public Act 4 of 2011 which defines new methods and procedures for dealing with fiscally distressed local governments and school districts.

Redistricting The results of the 2010 decennial census will be used in 2011 to redraw the boundary lines of the state's legislative and congressional districts. CRC will look at the process used to redraw these lines and discuss potential issues and best practices for redistricting.

Distribution of Responsibilities Between State and Local Governments CRC will look at which services are provided by which levels of government in Michigan. CRC will explore services currently provided by local governments that are or should be optional, and will discuss how Michigan compares to other states.

Local Government Collaboration CRC has worked on the issue of local government collaboration for several years. CRC will continue this work in 2011 including an analysis of the potential combination of Onekema Village and Onekema Township.

Revenue Sharing CRC will examine various state-to-local revenue sharing programs, the stated policy objectives, how these programs

complement and contradict one another, and will discuss the distributional effects of these programs, including their impacts over time.

Competitiveness CRC will look at state competitiveness and attempt to answer the question: what characteristics make a state likely to succeed from an economic development standpoint?

Infrastructure CRC will look at the state's infrastructure needs and discuss the current condition of Michigan's infrastructure, how it compares to other states, and whether it is adequate to support economic development. CRC will also discuss the relative merits of investing in new infrastructure versus repairing existing infrastructure.

Help Us Help Michigan

You can help CRC continue its work by giving and advocating on our behalf. Make a personal gift. Suggest that your company or organizations with which you are involved also give to CRC. Become a sponsor of CRC's 95th Annual Meeting. "Talk up" our work to friends and colleagues. 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.

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CITIZENS RESEARCH COUNCIL OF MICHIGAN

Providing Independent, Nonpartisan Public Policy Research Since 1916

CRC Annual Meeting

Ninety-Fourth Annual Meeting

The 2010 Annual Meeting of the Citizens Research Council of Michigan was held on September 10, 2010, at the Detroit Athletic Club in Detroit, Michigan.

The meeting began with a panel discussion on School Reforms and Budget Challenges by three school superintendents (Daniel Behm, Forest Hills; Michael Rice, Kalamazoo; and Michael Shibley, Rockford). The moderator was Dave Martell, Executive Director of the Michigan School Business Officials. After lunch, Robert Bobb, Emergency Financial Manager of the Detroit Public Schools, gave the keynote address.

Officers, Directors & Trustees Elected

During the business segment of the 2010 Annual Meeting, the trustees elected officers, directors and trustees to replace those whose terms expired on September 30, 2010.

Officers elected for the Board of Directors were: Chair, Eugene A. Gargaro, Jr., Manoogian Foundation; Vice Chair, Jeffrey D. Bergeron, Ernst & Young LLP; Treasurer, Nick A. Khouri, DTE Energy Company; President & Secretary, Jeffrey P. Guilfoyle; Assistant Secretary, Bettie B. Buss; and Assistant Treasurer, Ella P. Brownlee. In addition, the CRC Board welcomed four new directors: Michael G. Bickers, PNC Financial services Group; Laura Fournier, Compuware; John J. Gasparovic, BorgWarner, Inc.; and Sarah L. McClelland, JPMorgan Chase & Co.

New additions to the CRC Board of Trustees are: Mary Kramer, Crain Communications, and George E. Ross, Central Michigan University.

Thanks to Annual Meeting Sponsors

Sponsors are crucial to the success of our Annual Meeting. Our Presenting Sponsor was PVS Chemicals, Inc., and the Keynote Sponsor was Kelly Services, Inc. Our Gold Sponsors for the 2010 Annual Meeting were Blue Cross Blue Shield of Michigan, Dykema, Meijer, Inc., and Miller, Canfield, Paddock and Stone PLC. Silver Sponsors were Dickinson Wright PLLC and Plante & Moran PLLC. Bronze Sponsors were Bronson Healthcare Group, Hennessey Capital LLC, Public Sector Consultants Inc.; and Varnum LLP. Sponsoring at the Friends level were Beth Chappell and Wells Fargo Bank.



At CRC's December Board Meeting, Kevin Prokop, Rockbridge Growth Equity LLC, was appointed as a Director.

Mark Your Calendar...

95th Annual Meeting
September 16, 2011

**Fiscal Health of
Local Governments**

Keynote Speaker

Dan Gilmartin

Executive Director & CEO
Michigan Municipal League

For Ticket or Sponsorship Information,
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