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# ANNUAL REPORT



**CRC**

**Citizens Research Council  
of Michigan**

## Letter from the Chair & President

At the end of the year it is customary for journalists to come up with lists of the most important news stories of the preceding twelve months. A casual survey of those lists for 2003 will reveal that the top story in Michigan, rivaled only by the August blackout, was the continuing saga of the state budget. Even as the economy and the stock market showed strong signs of recovery, state policy makers repeatedly were forced to visit the budget in order to bring it back into balance.

At the center of the debate on this major story was the Citizens Research Council of Michigan.

In early 2001, CRC had warned of a large and growing gap between Michigan general fund revenues and expenditures. Most important, CRC explained that this gap was a structural deficit, one that would not disappear as the economy recovered. CRC was the first organization, public or private, to correctly identify the nature and dimensions of the budget problem faced by the State of Michigan. CRC analyses in the following two and a half years have gone far toward shaping the public debate on the budget.

CRC received wide media coverage on its budget analyses and staff had made nearly 150 presentations on the problem to groups of various sizes by the end of 2003. Several of those presentations were made to units of local government which were concerned about the future of state revenue sharing or school aid. We have received many expressions of gratitude from local officials who found that CRC's projections gave them valuable lead-time in developing responses to revenue constraints.

One of the tributes came in the form of the 2003 Regional Ambassador Award from the Southeast Michigan Council of Governments, whose members appreciated the guidance afforded them by the budget data

from CRC. We were told that it was the first time the award had been given to an organization for "spreading bad news."

Our recent state budget research exemplifies certain important characteristics of the work of CRC:

- *It deals with important issues.* Whether it is state budget problems, state health care policy, education funding, ballot issues, or local finances, CRC analyses zero in on the most significant issues of the day for state-local government in Michigan.
- *It is timely.* Even the best information is of little value if it is too late. CRC analyses provide the best information available at or before the time it is needed.
- *It is understandable.* Although CRC reports often deal with complex issues, they are as free as possible from technical jargon, making them accessible to the widest audience.
- *It is reliable.* CRC makes every effort to assure the accuracy, objectivity, and independence of its work. These efforts pay off in analyses that citizens, policy makers, and the media can trust.
- *It is relevant to policy decisions.* While CRC does not lobby, policy makers at all levels value CRC reports for their usefulness in coming to decisions on the direction their units should take.

The year 2004 will be CRC's 88<sup>th</sup>. With each passing year, the Research Council does a little more to solidify its place as Michigan's premier independent, nonpartisan public affairs research organization. With this *2003 Annual Report*, we provide a one-year glimpse of the breadth and depth of CRC research and why it should be supported.

W. Frank Fountain  
Chair

Earl M. Ryan  
President

# About the Citizens Research Council

The Citizens Research Council is a privately funded, not-for-profit public affairs research organization. The objective of CRC is to provide factual, unbiased, independent information on significant issues concerning state and local government organization and finance. The Research Council believes that the use of this information will lead to sound, rational public policy formation in Michigan.

Over the years, the Citizens Research Council has adhered to three principles - accuracy, objectivity, and independence - and has earned a high degree of credibility with public officials and citizens.

The hallmark of the Citizens Research Council is timely, reliable information researched in an independent, nonpartisan manner. The Research Council does not lobby, support or oppose candidates for public office, or take positions on ballot issues. As a result of the objectivity of CRC, it is often the only organization that can address controversial issues in a credible fashion.

## CRC Core Values

The single most distinguishing attribute of the work of the Citizens Research Council is credibility. Credibility is achieved and maintained over time by adherence to three principles: accuracy, objectivity, and independence.

**Accuracy** CRC staff strive to assure that every fact and every statement in a Research Council report is accurate and reliable in every respect. It is recognized that one small error in an otherwise well-

researched report can cast doubt on the entire report and that a succession of such errors can destroy the credibility of the organization.

**Objectivity** Although many issues considered by the Citizens Research Council have political undertones, CRC analyses are noted for their balanced, unbiased approach to such issues. The Citizens Research Council attempts to analyze and reflect as many responsible points-of-view as possible in the conduct and presentation of its research results.

**Independence** The Citizens Research Council attempts to define and represent the broader public interest in any given issue. The Research Council was not established to represent any special interest. Its value is derived in large measure from its independent stance on issues of public importance.

Over the years, the Citizens Research Council has adhered to these three principles and has maintained a high degree of credibility with public officials and citizens and has become the most respected voice on state and local government organization and finance in Michigan.

# Research Highlights

In 2003, the Research Council focused on some of the most critical issues confronting Michigan. Research topics ranged from the chronic state budget problem to issues affecting the Michigan's Medicaid system. In addition, CRC published a major study of the organization of Michigan's education functions and released an updated analysis of the financial status of the state's hospitals. In 2003, CRC continued to build on its reputation of providing policy makers and opinion leaders with independent, nonpartisan information necessary to affect sound government decision making.

## CRC Memorandums

**Series on Medicaid and the Michigan Budget**  
*Medicaid – What It Is and How It Works* One of the most difficult budgetary problems facing the new Governor and Legislature is providing health coverage for low income people in the face of a large gap between general fund revenues and expenditures. Medicaid services are provided to over 1.2 million Michigan residents and the program received appropriations of \$7.2 billion in FY03. This Memorandum provided an overview of the Medicaid program

### **Research Council Continues to Monitor Chronic Budget Problem**

*Michigan's state budget situation has deteriorated steadily since 2000. In 2001, CRC began monitoring and reporting on the long-term budget outlook pointing out that a recovering economy would not provide sufficient growth to close the very large structural deficit confronting the state.*

*In 2003, CRC intensified activities in this area by publishing reports providing projections extending beyond 2003 (summarized below) and giving presentations on the budget outlook to a broad array of organizations with a stake in the state's fiscal affairs (see panel, page 7). Numerous presentations were made to local school boards, service clubs, school business officials and appearances on television and radio helped convey the message of the state's budget crisis. CRC was called on regularly by the print and electronic media both in the state and nationally to provide objective assessments of the state's budget condition.*

*The state's financial outlook for 2005 and beyond remains grim, even with an expanding economy. The commitment to monitoring and analysis remains an important priority for CRC in 2004 and beyond.*

**The Problematic Fiscal Year 2003-04 State Budget** The presentation of the Governor's FY2003-04 Executive Budget signaled the beginning of a period of intense debate over the future shape of Michigan's budget. In particular, the General Fund and School Aid Fund, which together constitute over half of the total state budget, have been under significant pressure since FY00, the last year of relatively strong economic and revenue performance in Michigan. This CRC Memorandum stated that although balancing the General Fund and School Aid Fund budgets was difficult, the FY05 budget will also be extremely tight. Looking beyond FY05, the state is likely to face continuing structural problems with the budget that only structural changes in the programs and/or the revenue base will solve.

**A Recap of the FY04 Budget and a Look Ahead to FY05 and Beyond** The forecast of lower-than-anticipated General Fund and School Aid Fund revenues portends increased fiscal pressure on the budget for fiscal year 2004-05. This State Budget Note pointed to growth in Medicaid and in corrections as the basic problems in the General Fund. Growth in these programs has begun to crowd out other state programs such as higher education and revenue sharing. School aid, which has been protected to a higher degree than other programs, will be under great pressure in FY05. The analysis concluded that Michigan will likely experience structural pressures for many years. Without structural changes in the budget, the inescapable alternative involves continued significant reductions in state-funded programs.

and was the first in a CRC series of analyses of the Michigan Medicaid program.

*Medicaid Health Care Services* This second paper in the series brought greater understanding of the Michigan Medicaid program by describing the range of services provided and the allocation of funding to those services and helped to clarify the options available to Michigan policy makers.

*Medicaid Eligibility* The last report of the series described the factors that determine eligibility for Medicaid services. The Memorandum described the many eligibility categories used in Michigan and the eligibility tests applied to each. It concluded that in the 1990s the major portion of persons eligible for Medicaid shifted from those receiving cash assistance to children and pregnant women.

### Other Memorandums

*Michigan Hospital Finances: Fiscal Years 1998-2002* During the five years 1998 to 2002, Michigan hospitals in total experienced a steady decline in financial status resulting from growing contractual allowances and discounts, operating expenses which grew faster than net patient revenues, and the effects of a weakened economy on investment and contributory income. This memorandum built on the three 2002 papers that looked at Michigan hospital finances and the factors affecting their financial situation.

### CRC Reports

*Organization of State of Michigan Education Functions* This CRC Report took an in-depth look at the State of Michigan education functions, in particular those functions previously housed in the Department of Education that were transferred out of the Department in the 1990s. Some of these functions, such as Disability Determination Services, have little discernible relationship to educational policy and had found more appropriate organizational locations.

## 2003 Publication List

### CRC Memorandums

- 1075 Michigan Hospital Finances: Fiscal Years 1998-2002
- 1074 Medicaid Eligibility
- 1073 The Problematic Fiscal Year 2003-04 State Budget
- 1072 Medicaid Health Care Services
- 1071 Medicaid – What It Is and How It Works
- 1070 Organization of State of Michigan Education Functions

### CRC Reports

- 335 Organization of State of Michigan Education Functions

### CRC State Budget Note

- 03-10 A Recap of the FY04 Budget and Look Ahead to FY05 and Beyond

### CRC Notes

- 2003-01 Local Ballot Issues in the 2002 General Election

### Presentations

- 03-03 State Budget Overview: Prospects for FY2004 and Beyond
- 03-02 Michigan's FY2004 Executive Budget
- 03-01 Michigan Budget Crisis

### Miscellaneous

- Community Education in Michigan
- Protecting the Elephant

Others, such as the Michigan Educational Assessment Program (MEAP), have a direct relationship to educational policy but had been transferred to departments whose basic missions did not include education.

The approach adopted in the CRC analysis was to recommend placement of activities related to pre-school and elementary-education policy in the Department of Education and to recommend creation of an Office of Standards, Assessment, and Accreditation Services to carry out an enhanced quality assurance and oversight function.

# Board of Directors

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# Research Highlights, Cont.

## *Staff Presentations on Chronic Budget Problem*

Research Council staff not only compile research publications, they also are available to present CRC research findings to interested audiences. An example during 2003 was CRC's response to requests for presentation on the state budget crisis. Staff made 68 presentations to a variety of groups concerned about the state financial situation and traveled from Detroit to Grand Rapids, from Temperance to Traverse City – with many stops along the way. A sample of the organizations that heard CRC budget presentations is as follows:

- American Society for Public Administration
- Art Serve Michigan
- Booth Newspapers
- Council of Michigan Foundations
- Detroit Regional Chamber of Commerce
- Grand Valley Metro Council
- Kalamazoo Arts Community
- Lansing State Journal
- Michigan Association of Community Corrections Boards
- Michigan Association of School Boards
- Michigan Association of Secondary School Principals
- Michigan Association of School Administrators
- Michigan Health and Hospital Association
- Michigan Municipal League
- Michigan Non-Profit Day
- Michigan Society of Association Executives
- SEMCOG Executive Committee
- State Board of Education

The principal organizational changes that would occur under the proposed structure included transfer of Career and Technical Preparation and Adult Education from the Department of Career Development to the Department of Education and transfer of the Center for Educational Performance and Information from the Department of Management and Budget to the Department of Education. Transfer of MEAP from the Department of Treasury to the Department of Education took effect in October 2003. Other changes were proposed as well. A summary of this report was published as a CRC Memorandum. This report was made possible by a grant from the C.S. Mott Foundation.

## CRC Notes

### *Local Ballot Issues in the 2002 General Election*

Using a list of local ballot issues compiled by the Michigan Department of State and Publius.org, CRC analyzed the 412 ballot issues – 45 county, 84 city, 269 township, and 14 special authority – to determine the kinds of issues voted on in the November 2002 general election and the outcomes of the votes.

## Miscellaneous

*Community Education in Michigan* Proposed cuts to the adult education will lead to a decrease in community education opportunities in Michigan. While FY04 reductions limited the scope of community education programs offered in the state, future prospects for restoring adult education programs will be shaped by how adequately accountability and responsiveness can be combined to meet the needs of learners in Michigan. This report was made possible by a grant from the C.S. Mott Foundation.

*“Protecting the Elephant”* Funding the war on terrorism continues to be debated and one aspect of the debate revolves around the appropriate allocation of the funding burden between the federal government and states and localities. CRC President Earl M. Ryan addressed the costs of homeland security and their allocation in a presentation to the 2003 Annual Conference of the Governmental Research Association in Chicago.

## Get CRC Reports Instantly

Most CRC reports are now published only online, although hard copies will be supplied on request. You can access them immediately on the CRC website if you sign up for CRC's E-Mail Update Service. To do this, go the CRC website, [www.crcmich.org](http://www.crcmich.org), click on the “E-Mail Update Service” tab and follow the directions. Or call us at (734) 542-8001. We will then send you e-mail notification of new CRC publications as soon as they are posted on the website.



### 2004 Research Agenda

CRC will continue to monitor the state's financial situation by publishing reports and giving presentations to interested parties. In particular, CRC will take a close look at the causes of the chronic budget problem to help policy makers come to decisions on avoiding continual structural problems. A report on State of Michigan Civil Service employment trends and another addressing tax options for financing regional services in Southeast Michigan will be released in the first half of 2004. Other research topics include an analysis of water and sewer rates, exploring issues related to hospital certificate of need policy, and developing an on-line voter resource guide.

### Eighty-seventh Annual Meeting

On October 10, 2003, the Citizens Research Council of Michigan held its eighty-seventh Annual Meeting at the Troy Marriott. The meeting featured a panel discussion *The Future of Higher Edu-*

*cation in Michigan.* A distinguished panel including Mary Sue Coleman, President, University of Michigan; Glenda D. Price, President, Marygrove College; and Michael Rao, President, Central Michigan University presented their views on the challenges facing higher education. Former Senator John Schwarz moderated the panel discussion.

The meeting concluded with a performance by the Capitol Steps, a troupe of current and former Congressional staffers who provided a humorous, satirical take on current events and personalities on Capitol Hill, in the Oval Office and in other centers of power.

### "Thank You" to Annual Meeting Sponsors

CRC's Annual Meeting was underwritten by the following sponsors: Blue Cross-Blue Shield of Michigan; Comerica Incorporated; DTE Energy; DaimlerChrysler Corporation; Deloitte.; Ernst & Young LLP; General Motors Corporation; Henry Ford Health System; Masco Corporation; Miller,



Participants of the higher education panel at the 87th Annual Meeting of the Citizens Research Council. Pictured from left to right are CRC President, Earl M. Ryan; Mary Sue Coleman, President, University of Michigan; Glenda D. Price, President, Marygrove College; John Schwarz; Michael Rao, President, Central Michigan University; and CRC Chair, W. Frank Fountain

## News & Events, Cont.

Canfield, Paddock and Stone PLC; National City Bank of Michigan/Illinois; PVS Chemicals; and Standard Federal Bank. A special “thanks” is noted to DaimlerChrysler Corporation for underwriting the Capitol Steps.

### Independence Campaign Update

The CRC Independence Campaign continues to grow. As of December 31, 2003, CRC has received over \$4.5 million in gifts and formal commitments. The Independence Campaign is an effort to ensure the Citizens Research Council’s financial future, preserve its independence, and provide CRC with additional research capacity to monitor the critical areas of education, health care and infrastructure.

### CRC Receives Regional Ambassador Award

At the General Assembly of the Southeast Michigan Council of Governments (SEMCOG), the Research Council received a Regional Ambassador Award for its work on the chronic state budget problem. SEMCOG honors organizations and individuals for their dedicated leadership and service to the South-



CRC President, Earl Ryan, receives SEMCOG’s Regional Ambassador Award from Chairman, LaMar Frederick

east Michigan Region. CRC’s publications and presentations on the state budget problem were identified as important information that was critical for local governments to understand the magnitude and severity of the state’s fiscal problem and timely as it alerted local units to start planning for the local fiscal impacts.

### *Independence Campaign Participants*

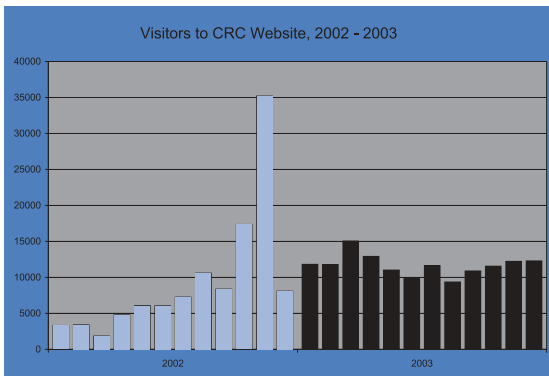
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## CRC Recognized by GRA

At the Annual Conference of the Governmental Research Association in Chicago on July 31, 2003, the Citizens Research Council received a Certificate of Merit for Distinguished Research for its series of reports *Public Policy Issues in the Financing of Michigan Hospitals*. GRA, established in 1914, is a national organization of individuals professionally engaged in government research. The award marks the fourth consecutive year that CRC has been recognized by its peers at GRA for its outstanding research.

## Visitors to CRC Website on the Increase

The number of visitors to the CRC website, [www.crcmich.org](http://www.crcmich.org), increased 24 percent in 2003 over totals reported for 2002 – the previous high-water mark of website utilization. Average monthly visits in 2003 were 11,707 compared to 9,353 in 2002. Furthermore, 10 months in 2003 posted over 10,000 visits. Prior to 2003, the 10,000 visitor-level had been surpassed only three times in the history of the website and two occurred during the extraordinary traffic reported in October and November 2002 – the “election season” – when CRC ballot analyses were in high demand. It is evident that CRC’s strategy of increased reliance on its website to distribute the results of its research has been successful.



CRC directors and trustees gather at the 87th Annual Meeting. From left to right - Director, Amanda Van Dusen; Chair, Board of Trustees, Daniel J. Kelly; Director, Jeffrey D. Bergeron; and Director, William M. Brodhead

## New Officers and Directors Elected

New directors and officers were elected in October at the eighty-seventh Annual Meeting. **W. Frank Fountain**, DaimlerChrysler Corporation, was elected to a second term as Chair. **Kent J. Vana**, Varnum, Riddering, Schmidt & Howlett LLP, and **Jeffrey K. Willemain**, Deloitte., were re-elected as Vice Chair and Treasurer, respectively.

Three new directors were elected at the Annual Meeting. Joining the Research Council board of directors were **Beth Chappell**, Detroit Economic Club; **Frank M. Hennessey**, Hennessey Capital; and **Michael H. Michalak**, Comerica Incorporated.

## New Trustees

Also elected at the October Annual Meeting were several members to the Board of Trustees. New Trustees include: **Judith I. Bailey**, Western Michigan University; **David Eisler**, Ferris State University; **William Hartman**, Citizens Banking Corporation; **Samuel Kirkpatrick**, Eastern Michigan University; **Kenneth Matzick**, William Beaumont Hospital; and **Betty J. Youngblood**, Lake Superior State University.

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