Facts Matter – More than ever, Michigan needs trusted, independent, and objective research to make sound public policy decisions

Making Democracy Work for 104 YEARS
“The right to criticize government is also an obligation to know what you are talking about.”

- Lent Upson, First Director of Citizens Research Council
IMPACTING PUBLIC POLICY DURING THESE CRITICAL TIMES

With the advent of the COVID-19 pandemic, the Research Council’s focus on public policy research is as important as ever. Prior to this public health and economic crisis, we focused on deepening the understanding of financial, organizational, and operational issues confronting Michigan’s state and local governments. We have since pivoted to questions about how the state can cope with new financial problems and changing operations.

Key 2019 Accomplishments

Articulating Road Funding Principles
Just before Governor Whitmer’s budget presentation, we published an exploration of potential sources for new road funding and laid out five principles to guide efforts to improve these investments. Using those principles, we analyzed the Governor’s budget proposal and proposed tax increase; testified before the legislature; answered media questions; and discussed road funding issues with business groups, citizens, and local government leaders throughout Michigan. These principles will remain relevant when road funding is a priority once again.

Documenting Causes of Teacher Shortages
Michigan increased funding for education, but those funds have not been reflected in the classrooms. Much of the increase has gone to the vitally important task of paying down the pension and legacy debt for retired teachers. One consequence is that few young adults are entering the teaching profession to replace retiring teachers, in part because of salaries that are lower than other professions. Without quality teachers, it will not matter what funds are dedicated to education.

Rethinking Regional Transit
In the world’s auto capital, investment in transit has been a perennial challenge. Our research suggested that we, as a state, would benefit from a paradigm shift that results in transit being treated as a vital utility important to the regional economies instead of a service for the mobility challenged and poor. Our exploration of funding methods in other major metropolitan areas suggests we should look at a bundle of tax sources with regional sales taxes as the focus. The COVID-19 pandemic will create discomfort with mass transit, but the vital role it must play in connecting workers to jobs has not changed. This in-depth analysis will help inform the changes in resources that will be necessitated by this new environment.

Informing the Legislature
When the legislature’s attention turned to reform of Michigan’s no-fault auto insurance, both the House and Senate committees started by asking us to recap our 2013 report. They knew we would bring fact-based, independent analysis of the issue that could be relied on as a basis for their discussions. It will take some time to know if the adopted reforms will make insurance affordable without eroding its quality, but it is encouraging to know that they started by asking for the facts.

Looking Forward...

These examples illustrate our ability to provide information on the most relevant topics, especially in the most challenging of times. Michigan’s state and local government leaders are beginning to tackle a mountain of issues as they adapt to new normals in a resource constrained environment. Your support for the Citizens Research Council of Michigan positions us to be a trusted resource for elected officials and concerned citizens working to keep Michigan sustainable and make it an attractive place to live and do business.

Aleksandra A. Miziolek, Board Chair
Eric W. Lupher, President
2019 IN A NUTSHELL

The Research Council continues to increase its fiscal stability through hard work on fund raising and careful management of expenses. During the fourth year of our five-year Capacity Campaign, we continued to reach out to potential new supporters as we work toward our goal of garnering $3.5 million in new support. Expenses remain well-controlled, with the largest expense being personnel.

PROGRAM AND RESEARCH SUPPORT
INVESTMENT INCOME
CAPACITY CAMPAIGN
SPONSORSHIPS

40%
37%
13%
10%

REVENUE
EXPENSES

PERSONNEL
CONSULTANTS
OTHER OPERATING EXPENSES
POLICY DINNER

66%
13%
18%
2%

COME AS YOU ARE...
Thursday evening, October 22, 2020

We are planning a first-for-us virtual event. Stay tuned to hear what will be discussed seven months after the pandemic hit Michigan and less than two weeks from the national elections. There will definitely be hot policy topics on the agenda!
The Citizens Research Council is nearing the end of a fundraising campaign to raise an additional $3.5 million over five years.

**OUR GOALS**
- Bring stability by balancing receipts and expenditures
- Help cultivate new contributors by improving communications and public relations abilities
- Expand our research capacity

*Join others* who believe that *Facts Matter* by adding your gift to the more than $2.2 million raised so far.

Donations may be made online at crcmich.org – or call us at 734-542-8001 to make a donation or a pledge.
MOST EFFECTIVE...

No one goes into this business to collect hardware for the trophy case, but when it happens, it’s still pretty great. The Citizens Research Council was honored at this year’s Governmental Research Association (a national group of our peer organizations) convention in Tampa, Florida, winning the 2019 award for Most Effective Education, for our analyses of the 2018 ballot issues. (That’s Tim Michling holding the award, with Jordon Newton on the right and Stephen Stuart from the Bureau of Governmental Research in New Orleans in the middle.)
ANNUAL PUBLIC POLICY DINNER
OCTOBER 2, 2019

Business leaders, elected officials, policymakers, journalists, and citizens gathered at the 2019 Public Policy Dinner in Lansing. Wayne State University President M. Roy Williams introduced Secretary of State Jocelyn Benson who spoke about the work of reforming the way Secretary of State services are provided and the effort to implement the constitutional changes brought about by Proposal 2 (Voters Not Politicians) and Proposal 3 (Promote the Vote) in 2018.

EUGENE A. GARGARO JR.
PUBLIC SERVICE AWARD-DOUG ROBERTS

Eugene A. Gargaro, Jr., recipient of the Research Council’s 2016 lifetime achievement award, presented the 2019 award named in his honor to former state treasurer Doug Roberts for his many contributions to our state.
The Research Council’s work facilitates a deeper understanding of key public policy issues within the broad areas of government efficiency and structure, public finance, and public policy. In 2019, we researched teacher salaries, teacher supply and demand, road funding options, special assessments, and regional transportation. We supplemented our 12 in-depth publications with weekly blogs and periodic podcasts.

The 12 in-depth publications are summarized on the following pages. To read the full reports, visit crcmich.org.

### 2019 Outline of the Michigan Tax System

The tax outline is a handy reference to the 64 taxes authorized for Michigan’s state and local governments.

### A Distinction without a Difference: Ad Valorem Special Assessments and Property Taxes

The general property tax is used by all types of local governments to fund general services. Ad valorem special assessments, designed to finance infrastructure improvements that benefit a limited number of properties, blur the lines between assessments and taxes and let some local units fund general government services with an “assessment” that is not subject to the same restrictions as general property taxes.

This is unfair to local governments that have to support the same general services through property taxes. It is unfair to taxpayers as their use circumvents tax limitations under state law and distorts the purpose of the special assessment.
Michigan’s Leaky Teacher Pipeline: Examining Trends in Teacher Supply and Demand

With fewer K-12 students, some decline in Michigan’s teacher ranks is normal and inevitable. However, shortages are evident in urban regions and charter schools.

Enrollment in teacher-preparation programs in Michigan’s colleges and universities has been falling for some time, by 66 percent over a recent seven-year period. This is compounded because the number of program completers and the number of individuals who obtain state certification in needed areas such as science, technology, engineering and math (STEM), special education, and English as a Second Language are down as well.

Action is needed to ensure a robust, well-prepared teacher workforce now and into the future. Michigan could invest in rapidly building the supply of qualified teachers in the fields and locations where they are most needed, while creating incentives for experienced, effective teachers to re-enter and remain in the classroom. Additionally, it is vitally important that Michigan invest in data, information, and analysis to diagnose workforce problems and guide the appropriate interventions.

Stagnant Teacher Salaries in Michigan: Recent Impact of Unfunded Retirement Obligations

Even as the average amount of per-pupil spending has increased 12 percent over the past five years, the new dollars are not finding their way into teachers’ paychecks. The statewide average teacher salary has remained at about $62,000.

Despite recent retirement system reforms, more and more school spending is going to meet unfunded retirement liabilities rather than increasing teacher pay. Unless changes can be made to ensure retirement obligations are met while providing adequate funding for other educational services, the outlook for Michigan’s teacher salaries remains gloomy.

Michigan Average Teacher Salaries: 2008-2018
Evaluating Michigan’s Options to Increase Road Funding

In 2015, Michigan enacted a funding package that will eventually generate $1.2 billion annually for state and local road projects. Even after it is fully implemented, the state will continue to be plagued with poor road conditions.

Resources to address our current road needs can come from three main sources: increasing dedicated taxes, diverting existing state revenues, and/or borrowing. This report presents the advantages and obstacles for each, as well as guidance for implementing road funding reform.

Road infrastructure becomes more expensive to fix as it degrades, and a significant portion of Michigan’s roads are close to falling into ‘poor’ condition. Making a decision on how to finance roads will not be easy, but is a decision that cannot be put off any longer.

Piecing Together the Road Funding Puzzle

In 2019, Governor Whitmer and the Republican majority in the House of Representatives both proposed increases in road funding through their respective budget recommendations. Both plans avoided the short-sighted approach of relying on borrowing to increase road investment. Yet at the same time, both plans raised a question of long-term sustainability: as fuel efficiency increases over time, the yield from the per-gallon fuel tax will struggle to keep up with funding demands.

The greater need to create balanced FY2020 and FY2021 budgets will drown out the need for road funding. This does not mean that road conditions will magically improve. The elements analyzed in this report will help when attention returns to highway funding.
Rethinking Regional Transportation in Michigan’s Urban Areas

Improving regional transportation in Michigan’s urban areas will require changing the way we view, govern, and fund public transportation and will involve policymakers at the state, regional, and local levels. Integrated regional transportation systems that truly connect people across large geographic regions often require years of work, strong political champions, and private sector support, as well as cooperation and buy-in from local officials.

Urban transportation systems will not grow, and will not be able to contribute to the growth of their urban regions, without regional governance and funding mechanisms to support them.

Seeking Property Tax Relief: Exploring Alternative Local Road Funding Options

Michigan’s road funding system, with the state primarily responsible for levying taxes and sharing the revenues with local governments, violates a core ethos of good government: that the misery of raising taxes should accompany the pleasure of spending the revenues.

The state has been slow to fulfill its revenue-raising responsibilities; local governments have filled the void by levying property taxes, the only option available to most of them, thus placing more strain on the already overburdened property tax.

The Research Council identified options beyond the local property tax to help counties and local governments meet road repair and maintenance needs. Most of these tax options would not provide enough revenue to meet all road funding demands. We recommend that any new local taxes be levied at the regional or county level.
GOVERNANCE

The Board of Directors sets policy and provides stewardship of Citizens Research Council’s assets and governance oversight. All directors are elected annually by the Board of Trustees, who serve as the membership of the Research Council. Directors and trustees held their joint Annual Meeting on October 2, 2019, to elect new board members and officers. The trustees elected directors and trustees to replace those whose terms were expiring in September of 2019, and the directors elected officers.

Officers elected were: Chair, Aleksandra A. Miziolek; Vice Chair, Michael P. McGee (Miller Canfield); Treasurer, Laura Appel (Michigan Health & Hospital Association); Secretary & Assistant Treasurer, Eric W. Lupher; and Assistant Secretary, Greta Reade.

Eugene A. Gargaro, Jr., was reelected as chair of the Board of Trustees.

Three new directors were elected for one-year terms ending in September 2020: Laura Bassett (Dickinson Wright), Carl Genberg (Wells Fargo Auto), and Michael Williams (The Kresge Foundation). They joined 26 reelected directors.
THANKS TO TWO STALWARTS... 

Terence Donnelly and Marybeth Howe both stepped back from their longtime roles as directors in 2019. Terry joined the Research Council’s board in 2001 and served as Chair from 2014-2017, among other roles. Marybeth joined the board in 2000 and served on the Executive Committee in recent years. Both have been wonderful advocates for us, and both remain on the board of trustees. Many Thanks!
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