



County of Ottawa

Administrator's Office

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County Administrator's Weekly Digest February 19, 2010

2011 REVENUE SHARING

The Governor released her proposed budget figures on Friday. The budget included full funding if county revenue sharing. Ottawa County's budget for revenue sharing is approximately \$4.7 million. We anticipate using the last \$400,000 of the Revenue Sharing Reserve Fund, created as part of the Governor's 1994 approved proposal to advance the county general operations millage from a winter to a summer tax and place the excess funds into the Revenue Sharing Reserve Fund. Counties have been allowed to take their annual Revenue Sharing allotment from the fund, based on 2003 Revenue Sharing Funding levels including a CPI figure. Counties exhaust their local revenue sharing funds on different schedules. Tuscola County was the first to exhaust their fund and require new State funded Revenue Sharing payments and the final counties to exhaust their funds do so after 2020.

The actual dollar amount in the schedule released by the State is \$4,173,227. The State does not know exactly what we have in our fund and our interest estimates probably differ which accounts for the roughly 130,000 difference.

MEA CULPA - MLGMA CONFERENCE

The problem with making a list is that sometimes someone is left off. Bill Cargo, Grand Haven Township Manager and his colleague Patrick Waterman were also in attendance.

DHS LEASE AND SIGN

We were contacted by the director of the State Real Estate Division with the opportunity to assist the State with its budget issues and voluntarily reduce the lease that the State pays for the James Street facility by 10%. I responded with a letter denying the request and citing the economic hardships Ottawa County is facing, in no small part caused by State budget cuts with no corresponding unfunded mandate cuts.

Earlier this week, a white metal sign was placed over the FIA (Family Independence Agency) sign located in front of the Department of Human Services facility. The sign was never changed after Governor Granholm changed the name of the FIA to DHS (prior to FIA the agency was known as DSS – Department of Social Services). DHS was initially confusing for clients as it sounds similar so many other health agencies and DHS was waiting until the facility was filled with tenants. Apparently, Governor Granholm decided to require all DHS signs to be white metal signs with blue lettering throughout the state and said sign was attached over the FIA sign. At the very least, this is an interesting use of scarce resources in the final year of Granholm's term. I wonder if the new governor will name the agency something else?

OTTAWA COUNTY RECEIVES NATIONAL AND STATEWIDE ATTENTION

ABC News reported the rankings of the 2009 Gallup-Healthways Well-Being Index, released by the Gallup Group, earlier this week. Holland-Grand Haven ranked second in the nation ahead of Honolulu, HI, behind Boulder, CO at number 1.

The Robert Wood Johnson Foundation and the University of Wisconsin released the findings of their study of the health of each of the counties in the United States and Ottawa ranked 2nd in the state in health outcomes and third in the state in health factors.

See miottawa.org, "county in the news" for related media articles on both of these stories.

DR. DAN O'Keefe – GR REGIONAL ISSUES COUNCIL

Dan O'Keefe, Southwest Extension Educator with the Michigan Sea Grant program provided the program at the Grand Rapids Area Chamber of Commerce Regional Issues meeting yesterday morning. Dan spoke on invasive species in the Great Lakes and further focused on the Asian Carp threat in Lake Michigan. It would be an excellent presentation for the Board to hear in a workshop session sometime.

DISPOSAL OF MEDICATIONS (Dr. Heidel)

[Dr. Heidel passed this along for the Digest today. This is part of a letter that the Health Department is sending to local health care providers to inform them of the "Household Medication Waste Disposal" program for unwanted, unused or outdated medications.](#)

Proper disposal of unwanted, unused or outdated medications can present a problem for patients and as well as for the environment. To help solve the problem the Ottawa County Health Department has instituted a "Household Medications Waste Disposal" program which is available free of charge to area residents for non-controlled medications. (Please note that federal law does not allow the acceptance of controlled substances.)

Medications are accepted at all three of the Ottawa County Health Department offices in Holland, Grand Haven and Hudsonville. Location of sites and hours of operations can be accessed at www.miottawa.org/Health or by calling 616-393-5645.

FRESH THOUGHTS FOR MICHIGAN'S TRANSFORMATION

[Denny Swartout passed this on this week. He suggested that the Board, Department Heads and Elected Officials read "A Citizen's crib sheet to the State budget" and the nine pages from the House Fiscal Agency. Denny said that this is an excellent straight forward look at "Where We Are And How We Got There". He said that now that we see what has contributed to the problem – what we do about it is still the overriding question.](#)

SPECIAL REPORT: A citizens' quick guide to key state budget issues

By [John Bebow](#) - February 18, 2010

If you really want to be a committed Michigan citizen, fully prepared to quiz the politicians when they come knocking on your door for votes later this year, spend a half-hour glancing over the brand-new, easy-to-read state budget presentations of experts like [the Senate Fiscal Agency](#), or [House Fiscal Agency Director Mitch Bean](#).

Or, allow us to summarize for you.

A week after the governor's budget address, the dust is clearing and economists are weighing in on the impacts. A few quick highlights...

POSITIVE MOVES, BUT STILL NO SUSTAINABLE SOLUTION: As we applauded last week, Granholm's budget makes some tough cuts on state employee pay and benefits and begins to restructure the outmoded state tax system for the 21st Century. But it relies heavily on more than a billion dollars in one-time federal stimulus, one-time bumps in tax revenue from tax code changes, and savings from prison sentencing reforms that face a steep uphill battle in the Michigan Senate. "It

just pushes the problem after the next election," House Fiscal Agency Director Mitch Bean said at a state budget discussion in Lansing on Thursday. "It doesn't solve things."

DON'T EXPECT A SOLUTION THIS YEAR: The table is set. All four corners of the Michigan Legislature – both party caucuses in both chambers – have outlined many money-saving reform proposals and Granholm has taken the lead from Business Leaders for Michigan and the Anderson Economic Group to overhaul the tax system. But don't bet on it for this year. Granholm's recent speeches took whacks at "pundits" who doubt Lansing's ability to pass comprehensive budget and tax reform before the 2010 election silly season overtakes serious policy considerations. The Center for Michigan is certainly among those doubtful pundits. So are some of the state's leading economists. "I don't believe you can solve it in one year and I don't believe you can solve it this year," Mitch Bean said Thursday. "I don't believe the political will exists to accomplish it this year. But I do believe it can be solved. The longer we let it go, the tougher it gets." If Bean is right, it means another year of long-term uncertainty for schools and local governments dependent on the state budget and businesses whose future tax liabilities remain unclear.

NO MAGIC BULLETS TO AVOID ADDITIONAL TAXES: Granholm's shift to a sales tax on services results in a more than half-billion-dollar net increase in tax revenues this year. (Though the switch steadily becomes "revenue neutral" by about 2014 as business taxes are reduced.) Because of the tax increase, the gov's budget has already been declared dead on arrival by House Speaker Andy Dillon and Senate Majority Leader Mike Bishop who are maintaining a "cuts first" stance. Economists Bean and Charley Ballard contend you just can't get there with all cuts. "There is tremendous disconnect between the political discussion, public perception, and the budget reality," MSU's Ballard said Thursday. Even an all-cuts budget for 2010-11 would still result in a half-billion-dollar deficit in 2011-12 because the outdated manufacturing-based state tax system is failing to capture revenues from the 21st Century services-based economy, the economists said Thursday during their lunch panel in the House Office Building in Lansing.

"If someone offers you a silver bullet to this problem, the first thing you should do is shoot them with it," Bean said.

As we've written in this newsletter many times and as the economists highlighted Thursday, our state tax system includes more than \$30 million in tax breaks for everyone from workers who make less than \$20,000 per year to Hollywood film companies, to advanced battery manufacturers who will benefit from more than \$1 billion in tax breaks that come on line in the next couple years. Altogether, the state's inflation-adjusted economy has decreased by 3 percent in the past decade while the state's inflation-adjusted general fund budget revenues are down 43 percent over the same time period. "A three percent decline in the economy does not explain a 43 percent drop in revenue," Bean said. "Something else is going on and that something else is our state tax policy... We've done this to ourselves... Everybody loves to pass a tax cut... It's from both sides of the aisle. They are equal-opportunity offenders."

THE MONSTER MEDICAID BUDGET: There is no slowing the massive Medicaid system which now eats up more than one-fifth of the state general fund budget and accounts for more than 40 percent of the births and more than 70 percent of nursing home expenditures in the state. Part of the quandary is that the state gains nearly three bucks in federal money for every additional dollar in state Medicaid spending. "There is no tax structure that would keep up with this kind of spending increase," Bean says of the ever-ballooning Medicaid budget, which nearly doubled in the last decade. "This has crowded out a lot of things in the budget over the years. I don't know what we can do about it. This is a national problem."

WHO WOULD PAY THE SERVICES TAX? A quick summary of how the governor's services tax switch would work, as described by a Senate Fiscal Agency analysis released this week... By 2014, businesses get a billion-dollar cut in the Michigan Business Tax. Consumers get a half-billion-dollar cut in the general sales tax as the rate drops a half-point to 5.5 percent. Consumers and businesses would see a billion-and-a-half tax increase as the sales tax is extended to services. All in all, by

2014, it's a wash – the system is changed to better keep up with the 21st Century services economy, but overall tax revenues are neutral. So, who would pay the services taxes and how? Two-thirds of the total services taxes would be levied on four kinds of economic activity...

- About 25 percent from taxes on personal services like dry cleaning, haircuts and other "personal care," and funeral services.
- About 13.5 percent from taxes on sports and entertainment tickets and recreation like skiing, golf, bowling, and fitness centers.
- Another 13.5 percent from "administrative" services like waste hauling, landscaping, travel agents, and home and business security systems.
- Another 12 percent from taxes on information services like movies, and cable/satellite television.

A NEW TWIST ON EMPLOYEE HEALTH CARE? (Don Stypula)

There is an interesting development out of the Governor's office in Lansing that I want you to be aware of.

Yesterday, Governor Jennifer Granholm issued an executive directive that would allow county and local governments, school districts and public universities to join the state's new health care benefit plans. Under Executive Directive 2010-1, county and local governments, school districts and public universities could enroll in the state's new health insurance plan that it is offering to new hires, which the officials with the Michigan Department of Management and Budget (DMB) claim will reduce costs by up to 21.3 percent. The E.D. specifically asks the DMB director and the State Employer to "identify and remove any barriers" by June 30 that would prevent other government entities from getting in. Under the E.D., public entities are not required to join the state's plan.

"By offering other public employers and their employees the option of participating in this new state health care benefit plan, we are in essence allowing them to reduce their costs, too, which will benefit all Michigan taxpayers," Granholm said in a statement. All of the state's health care benefit plans would be open to participation, including the state's PPO plan, health maintenance organization plans, prescription drug coverage programs, dental care plans and vision care plans.

How many locals, schools and universities will take advantage of the opportunity? It's hard to say, said Samantha Harkins of the MML.

"What we're hearing from our members is that they already are cutting costs as much as they can," she said. "They already are pooling, asking employees to pay higher deductibles, asking for concessions at a local level."

But still, Harkins said it's a positive that the state is at least giving local communities the option to jump aboard as opposed to making it a mandate.

The key for local governments and school districts is that the E.D. gives locals an optional approach to mandated pooling of public employee health care, which is a key (and troubling) provision of the health care pooling program sponsored by House Speaker Andy Dillon (D-Redford Twp.).

Tom Hickson, chief lobbyist for the Michigan Association of Counties (MAC) said his members have been asking for an optional approach.

"It's good to see an option that is not a one-size-fits-all mandate," he said. "We think it's a favorable way to go."

William Mayes, executive director of the Michigan Association of School Administrators (MASA), told Lansing reporters that some of his members may take advantage of the opportunity, but he pointed out that some school districts have difficulty negotiating a more affordable, lesser insurance product with their employees.

When a teacher union's contract runs out, they can stretch out negotiations for months, all the while receiving benefits offered in the recently expired contract. Another issue that can crop up is statistics that show school employees tend to lead healthier lives than the average state employee. They do not work in prisons and are not state police officers, so the risks and the lifestyles are different.

"Our members often are dealing with unions who want a brand name insurance they're comfortable with, and getting them to agree to a lesser insurance is hard to do," Mayes said. "Some districts will be in a position to take advantage of this, and we encourage our superintendents to do so as we get more details on this plan."

At this stage, the DMB and Office of State Employer have myriad details to address before the program can be rolled-out to county and local governments, school districts and public universities.

I will continue monitoring the development of this program and report back to you as warranted.