Senate Fiscal Agency

State Notes

TOPICS OF LEGISLATIVE INTEREST

September/October 2003

Macomb County Water Quality Monitoring Project

by Jessica Runnels, Fiscal Analyst

Lake St. Clair is the final destination of the watersheds of the St. Clair River and the Clinton River. Storm water carrying urban, agricultural, and industrial run-off flows through drains and water courses and into the lake. Many industrial facilities dump their wastewater directly into the lake. The St. Clair and Clinton Rivers and their tributaries flow to Lake St. Clair, bringing pollution related directly or indirectly to human activity on inland lakes and in suburban areas. Illegal dumping, illicit connections, and sanitary and combined sewer overflows also have contributed to the diminished water quality of Lake St. Clair.

The frequency, volume, and severity of these conditions, the fast growth of the urban areas near the lake, and the potential economic impact on the area from both a commercial and recreational perspective have contributed to increasing alarm regarding the long-term condition of Lake St. Clair. In addition, the international border and the location of Lake St. Clair as a connecting body between two Great Lakes mean that its pollutants have the added potential of threatening a much greater area than just the lake.

As a result of the growing concern, in 1997, the Macomb County Board of Commissioners established the Blue Ribbon Commission on Lake St. Clair. The final Report and Recommendations of the Blue Ribbon Commission called for action in four areas: monitoring, education, volunteer efforts, and regulation and enforcement. Since the St. Clair and Clinton Rivers flow through multiple counties before reaching Lake St. Clair, the Commission recommended a watershed approach to addressing the environmental concerns, rather than taking action on a county-by-county basis. The report identified the watersheds of the Clinton and St. Clair Rivers as having a direct impact on Lake St. Clair. The four counties primarily affected are Macomb, Oakland, St. Clair, and Wayne.

To support the monitoring recommendations made by the Blue Ribbon Commission, the State appropriated $2,500,000 for a water quality monitoring grant in the Department of Environmental Quality (DEQ) fiscal year 2002-03 budget. The appropriation was designated for the establishment and operation of a comprehensive monitoring program to protect and manage the environmental quality of the St. Clair River, Lake St. Clair, and the Clinton River watershed. Funding was provided from the Cleanup and Redevelopment Fund, which is established in statute for cleanup activities pursuant to Part 201 (Environmental Remediation) of the Natural Resources and Environmental Protection Act, MCL 324.20101 to 324.20142. Use of this Fund is generally limited to State cleanup sites and other sites identified by the DEQ on a project priority list and listed in the annual appropriation act for the DEQ.

Awarding the Grant

In August 2003, the State Administrative Board approved a three year grant to the Macomb County Health Department (MCHD) for the entire appropriated amount of $2,500,000 for the comprehensive water quality monitoring program. Since the grant was approved, the appropriation will not lapse and expenditures will occur on a reimbursement basis with quarterly reports, according to the provisions of the grant agreement. The budget for the project

dedicates 75% of the funding to contractual services for sampling, testing, and data analysis. The balance of the funds will support MCHD staff, supplies, equipment, and travel expenses. The watershed approach recommended by the Blue Ribbon Commission is reflected in the contract in two ways. First, the work plan was developed and supported by local units of government in Macomb, Oakland, St. Clair, and Wayne Counties and, second, the sampling sites are located in all four counties.

To continue the involvement of many partners, the MCHD plans to establish Advisory and Executive Committees with appointees from local units of government and other interested parties in the watershed area. The Advisory Committee will assist and advise on technical aspects of the project, including the placement of sampling sites and the development of sampling and testing protocol. In addition to representatives from local public works and drain offices, the Advisory Committee will have individuals from State universities and the environmental community. The Executive Committee will be responsible for policy issues and will review all proposals and bids from potential contractors. Since the grant was awarded to the MCHD, it will serve as the fiduciary agent and will be the entity filing with the State for reimbursement of expenses.

All water quality monitoring for this project will be conducted during the three years of the grant and supported with the State funds. Using local funds, the county governments involved in this project currently conduct water testing at local beaches. The results of the locally supported beach testing will be incorporated with the data generated from the activities under this grant.

Monitoring and Sampling

The report of the Blue Ribbon Commission identified a number of features for the monitoring program, and the approved grant agreement includes many of them. The goal is to determine the biological, chemical, hydrological, and physical conditions of Lake St. Clair. The technical monitoring activities supported by the State funds include continuous, automatic, and grab sampling in dry and wet weather, sediment and vegetation sampling in depositional zones and inland lakes, flow and rainfall monitoring, bacterial source tracking, long-term toxic monitoring, and analysis of the results. Monitoring and sampling activities are planned from March through October for two years. Sampling will not occur during the winter months because the inland lakes, rivers, and much of Lake St. Clair are frozen during that time. The MCHD will contract for collection of the samples according to protocol established by the Advisory Committee and the contracted parties will be responsible for sending the samples for laboratory testing.

The sampling and monitoring sites are identified in Macomb, Oakland, St. Clair, and Wayne Counties. Grab sampling sites will be located along the St. Clair River near intersections with Mill Creek, the Black River, and the Belle River, and in Riley and Berlin Townships. Clinton River sampling sites will be located at connections to the Pine River, Stony Creek, and Paint Creek, and along the main, middle, and north branches of the Clinton River in Oakland and Clinton Townships. Sediment and biological testing will be conducted at inland lakes and Lake St. Clair. The inland lakes of Lake Angelus, Lake Orion, Sylvan Lake, and Lakeville Lake are identified in the project plan. Test sites are planned in Lake St. Clair at the Clinton River and its spillway, Milk Creek, Crapeau Creek, Hetchler Relief Drain, and Irwin Branch Relief Drain.

State Notes
TOPICS OF LEGISLATIVE INTEREST
September/October 2003

Senate Fiscal Agency

Background Information on Mental Health Issues
by Steve Angelotti, Fiscal Analyst

In recent months, a fair amount of attention has been paid to issues involving Michigan's mental health system. Three issues of particular interest are: 1) Community Mental Health (CMH) and other mental health-related program expenditures, 2) closures of State mental health facilities, and 3) CMH administrative costs.

Community Mental Health and Related Program Expenditures

One of the key questions asked by many interested parties is, "How much does the State spend on mental health services?" Table 1 provides a history of mental health expenditures since fiscal year (FY) 1989-90.

The most simplistic approach is to look at the amount spent on Community Mental Health services. These services are paid out of two line items in the Department of Community Health budget: the Medicaid Mental Health Services line item, which pays for CMH services to Medicaid-eligible clients, and the CMH non-Medicaid line, commonly known as "the Formula", which pays for mental health services to those not eligible for Medicaid. As some have noted in their testimony before Senate committees (and as Table 1 shows), Medicaid has increased from 25% of the CMH budget in FY 1989-90 to almost 80% of the CMH budget in FY 2003-04.

It also may appear from Table 1 that CMH expenditures have increased by a factor of four from FY 1989-90 to FY 2003-04. This is a highly misleading interpretation, however.

Ever since deinstitutionalization began in the 1960s, mental health responsibilities and funding have been transferred from State institutions and State-funded group homes to the CMH system. Thus, much of the increase in CMH expenditures over the years has not been an actual funding increase, but rather has been a shift in funding from State-run programs to locally run programs.

The fairest and most informative way to look at mental health expenditures is to examine combined mental health expenditures on locally run *and* State-run programs. This is the picture provided in Table 1.

State-run mental health services are funded in an unusual manner: Money is appropriated to the CMH boards (CMHs) for Purchase of State Services (POSS). The CMHs then spend that funding to pay for services for their clients in State facilities (institutional POSS) and State-run group homes (Community Residential Services or CRS POSS). Additionally, State facilities and group homes receive funding from Medicaid (mostly for services to the developmentally disabled), third-party collections (for those with insurance), and other sources.

Table 1 provides data on spending on CMH, spending on State institutions, and CMH boards', Medicaid, and third-party spending on State-paid Community Residential Services (CRS, commonly known as "group homes"). Much of the spending on State institutions has been transferred to CMHs as State facilities have closed and State facility population has decreased.

In fact, spending on facilities through POSS and other funding has declined from $315 million in FY 1989-90 to an appropriated $117 million in FY 2003-04. This reduction in funding actually has been a transfer of funding to the CMH system.

An even more dramatic reduction in State-directed programming has occurred with CRS. Spending on State-run group homes through POSS and other funding has declined from $350 million in FY 1989-90 to a mere $300,000 in FY 2003-04. Community Mental Health boards have taken over almost all of the formerly State-paid CRS group home leases and funding. There is about $3.8 million remaining in State CRS services and that funding will eventually be transferred to CMHs as State-paid leases expire.

There are also other, smaller line items aside from the Medicaid Mental Health Services and CMH non-Medicaid lines that provide funding to CMH; these smaller line items have been included in Table 1 as well. These lines include CMH Multicultural Services, the Federal Mental Health Block Grant, and CMH Respite Services, as well as other programs that have since been rolled up into the main CMH line items.

One other notable change occurred in FY 1998-99, upon the establishment of the managed care model for CMH services: The funding formerly spent in the physical health Medicaid unit on psychiatric hospitalization was transferred to the CMH Medicaid line. This funding, if included in the columns in Table 1 for years from FY 1998-99 onward, would make for an unfair comparison of funding between the years before FY 1998-99 and subsequent years, with funding available for mental health services being overstated. Thus, the expenditures and appropriations for FY 1998-99 and onward were adjusted in the table to remove the about $97 million that was transferred into the Medicaid Mental Health Services line.

Making all of these adjustments provides the basis for a reasonably fair comparison of mental health expenditures from FY 1989-90 to the present day.

Table 1 shows the results of this comparison. Adjusted expenditures on mental health services have grown from $1.05 billion in FY 1989-90 to an appropriated $1.77 billion in FY 2003-04, an annual growth rate of 3.8%, which is about 1% above the average annual growth in the Detroit Consumer Price Index (CPI), 2.7%.

What also stands out is that the rate of growth since FY 1998-99 has been far lower than the earlier growth. Once capitation rates were set in FY 1998-99, resulting in a significant increase in funding for CMH, there were no Medicaid rate increases until the “local match” program went into effect during FY 2002-03. The “local match” program provided a 2% increase in Medicaid rates, and a further rate increase of 1.6% is to be implemented in FY 2003-04. This 3.6% Medicaid increase has been the only rate increase over that five-year period.

One may notice a 2% annual growth rate since FY 1998-99 and wonder how 2% over five years equates to a one-time 3.6% rate increase. The simple answer is that it does not. More than just CMH Medicaid funding is being considered. Furthermore, the Medicaid caseload has grown, so some of that 2% average annual growth actually reflects the increase in the Medicaid caseload. The overall Medicaid caseload has grown nearly 20%. Fortunately for State finances,

almost all of that growth has been in the far less expensive eligibility groups, so the weighted cost increase due to caseload has been just over 5%, or around 1% per year.

The end result is that there was significant growth in mental health funding until the first year of managed care, in FY 1998-99 (4.8% average annual growth from FY 1989-90 to FY 1998-99 vs. a 2.8% average annual increase in the Detroit CPI). Since FY 1998-99, however, the increases in funding are almost half due to an increased Medicaid caseload and the real increase has been in the range of 1% per year, well below the change in the Detroit CPI or any other inflation measure.

Also included in Table 1 is a comparison of mental health expenditures as a percentage of State Adjusted Gross Appropriations for all budgets. Data for FY 1989-90 were not included due to the large increase in State Adjusted Gross Appropriations following the March 1994 passage of Proposal A (the school finance reform proposal). One can see that State spending on the mental health programs delineated in this table has fluctuated between 4.44% and 4.86% of overall State Adjusted Gross expenditures. The current percentage of 4.59% is below the high point of 4.86% seen in FY 1998-99, which is not unexpected given the failure to increase CMH funding at a level equivalent to inflation since FY 1998-99.

Table 1 provides a reasonably clear and fair picture of changes in funding for the mental health system. There were above-inflation increases in funding until the first year of the Medicaid Managed Care Program, but since FY 1998-99 funding increases have been under the inflation level and the CMHs have been feeling financial pressures.

Mental Health Facility Closures

In the mid-1960s in Michigan, there were over 17,000 individuals in State facilities for the mentally ill and over 12,000 in State facilities for the developmentally disabled. Due to deinstitutionalization and the resultant facility closures, the combined total is now under 1,000 for the five remaining State facilities for the mentally ill and developmentally disabled, a 97% decline from the number of people in State institutions nearly 40 years ago.

Due to concern over the quality of life in institutions, the development of psychotropic drugs, and the growth of the CMH system, the vast majority of clients who would have been institutionalized in the mid-1960s are believed to be able to live in more independent community settings. Most of the actual facility population downsizing took place between 1965 and 1980 (when the total census went from 29,000 to 9,000). That period of deinstitutionalization was not particularly contentious; there was a strong consensus that these clients would be better served in the community. Since 1980, facility downsizing and closures have been more controversial.

Table 2 shows the change in census at State facilities since FY 1979-80. As one may see from Table 2, the State operated 10 facilities for mentally ill adults in FY 1979-80, treating over 3,800 residents. At present, the State operates three institutions for mentally ill adults, housing a little over 600 clients. (See Figure 1 for a map of current and former State of Michigan facilities for mentally ill adults.)

The State has gone from operating six facilities for mentally ill children in FY 1979-80, treating over 400 residents, to one facility housing about 60 residents (Figure 2).

The State has gone from operating 12 facilities for the developmentally disabled in FY 1979-80, treating almost 4,400 residents, to one facility housing under 200 residents (Figure 3).

Finally, the State has closed its two more general mental health centers, the EPIC Center and the Lafayette Clinic, which in FY 1979-80 housed nearly 130 residents combined.

The decline in State facility census has occurred in several waves. The closures in the early 1980s and early 1990s appear to have been mostly budget-driven, as the State was in a budget crisis in both those periods and was seeking savings. The closure waves in the late 1980s and in FY 1997-98 appear to have been census-driven, as facilities had low populations and consolidation of facilities made economic sense.

Figure 4 shows the decline in State facility census for the three client groups, with the FY 1979-80 final census being equated to 100. As one can see, the most dramatic drop has been in the developmentally disabled institutional population, which has declined by over 95% since FY 1979-80. The decline in institutional population for the mentally ill adult and mentally ill children population also has been steep, well over 80% in each case.

These census declines reflect a shift from treatment for the more serious cases in a regional system of State-operated hospitals and centers to treatment in community-based settings. The most severe cases have continued to be treated in the remaining open State institutions.

It must be noted that nobody enters a State institution without going through the CMH system first. It is generally true that closures and consolidations have been made only when the census numbers dictated that there were sufficient vacant beds to make the closure of some facilities sensible from a budgetary perspective. Thus, the frequent focus on whether or not to close an institution often misses the point: Closure decisions are usually dictated by census numbers and the census numbers are dictated by case-by-case admissions decisions made by the local CMH boards.

Community Mental Health Administrative Costs

Each year, under Section 404 of the Department of Community Health (DCH) budget bill, the State's CMH boards must report data to the Department and the Legislature on their operations in the previous fiscal year.

One of the pieces of information reported by the CMHs is administrative expenditures. Table 3 shows the FY 2001-02 administrative expenditures by CMH board. Overall CMH administrative costs are 8.48% of total expenditures.

The table does snow some outlying CMH boards with much higher administrative costs. It should be noted that just about every one of those boards is in a small county and thus fixed costs and the lack of economies of scale are a concern. This concern about efficiency is one

reason that the new Federal mental health waiver (regarding the delivery of Medicaid speciality services) limited contracting to affiliations of CMHs with at least 20,000 covered Medicaid lives. This provision will result in reduced administrative costs.

In fact, looking at the FY 2001-02 data, if CMHs are grouped by their FY 2002-03 affiliations, there is only one affiliation with administrative costs over 15% and most affiliations have administrative costs under 10%. These numbers should decline in the future as affiliated CMHs merge their services and administrative functions.

One may quite correctly note that some CMHs contract out many of their services and the administrative costs reported do not include the administrative costs of subcontractors. To see the overall administrative cost of the mental health system, it is necessary to look at more than just the direct administrative costs.

There are no data on subcontractor administrative costs reported to the Legislature. Most CMH functions are run directly by CMHs, however, and the administrative cut for subcontractors, apart from various anecdotal situations, is relatively minor. It is highly unlikely that the combined administrative "take" for CMHs and their subcontractors is over 15%.

A figure around 15% would put CMHs in line with Michigan health maintenance organizations (HMOs), which cover physical health services through a managed care model. The HMOs' administrative costs generally range from 10% to 15% of total costs.

It should be expected, of course, that due to the affiliations and improvements in efficiency, CMH administrative expenses should decline as a percentage of total costs in the future.

Gary S. Olson, Director - Lansing, Michigan - (517) 373-2768 - TDD (517) 373-0543
www.senate.michigan.gov/sfa

Table 1

HISTORY OF COMMUNITY MENTAL HEALTH AND RELATED PROGRAM EXPENDITURES

	Appropriated FY 1989-90	Actual Expenditures FY 1994-95	Actual Expenditures FY 1996-97	Adjusted Expend. (1) FY 1998-99	Adjusted Expend. (1) FY 2000-01	Estimated Expend. (1) FY 2002-03	Adjusted Appropriations (1) FY 2003-04
Community Mental Health Expenditures	**$381,408,700**	**$740,471,281**	**$936,236,798**	**$1,379,662,400**	**$1,400,397,400**	**$1,538,242,900**	**$1,604,262,900**
CMH Medicaid client spending	93,655,849	433,738,424	572,549,708	1,079,567,600	1,091,254,200	1,228,242,900	1,275,868,800
CMH "Formula" (non-Medicaid) spending	287,752,851	306,732,857	363,687,090	300,094,800	309,143,200	310,000,000	328,394,100
Sum of "Other" CMH Lines (2)	4,500,000	43,808,414	16,610,699	9,536,800	16,556,700	19,299,800	19,981,200
Sum of Institutional POSS (3)	194,762,000	207,833,950	175,922,867	149,987,200	166,918,500	110,000,000	97,115,800
Sum of Institutional Other (4), (5)	120,000,000	78,696,011	67,751,595	56,998,500	69,765,100	58,168,800	48,025,200
Sum of CRS POSS	225,421,200	126,346,667	101,289,089	0	0	0	0
Sum of CRS Other Funding (4), (5)	125,000,000	104,375,313	93,047,961	6,720,900	300,000	300,000	300,000
Total of Other Related Expenditures	**$669,683,200**	**$561,060,355**	**$454,622,211**	**$223,243,400**	**$253,540,300**	**$187,768,600**	**$165,422,200**
Grand Total Expenditures	**$1,051,091,900**	**$1,301,531,636**	**$1,390,859,009**	**$1,602,905,800**	**$1,653,937,700**	**$1,726,011,500**	**$1,769,685,100**
Average Cumulative Annual Change since FY 1989-90		**4.4%**	**4.1%**	**4.8%**	**4.2%**	**3.9%**	**3.8%**
Average Cumulative Annual Change since FY 1998-99					**1.6%**	**1.9%**	**2.0%**
Average Cumulative % Change in Det. CPI since FY 1989-90		**3.1%**	**3.0%**	**2.8%**	**2.9%**	**2.8%**	**2.7%**
State Adjusted Gross Appropriations (all budgets)		**$27,351,901,100**	**$29,594,523,700**	**$32,968,977,300**	**$36,972,014,800**	**$38,868,573,300**	**$38,563,666,300**
Mental Health Expenditures as % of State Adjusted Gross		**4.76%**	**4.70%**	**4.86%**	**4.47%**	**4.44%**	**4.59%**

General Note: The greatest challenge in comparing CMH-related spending from year to year is accounting for transfers in funding from institutions and Community Residential Services (CRS) to CMH. The best approach is to take a global look at spending on CMH, institutions, and CRS (while adjusting for all transfers, such as Medicaid Psychiatric Hospitalization, that were not part of that universe). This approach guarantees an "apples to apples" comparison of expenditures and eliminates the need to debate the estimated value of each transfer from an institution or CRS into CMH.

(1) The CMH expenditure level was reduced by approximately $97 million in order to adjust out the transfer in of Medicaid Psychiatric Hospitalization and the Medicaid CMH Special Financing. The funding associated with these transfers was removed from the total CMH expenditure number as those transfers came from outside the universe of CMH, institutions, and CRS.

(2) These are other CMH-related lines that have appeared in past budgets, including Community Demand, Respite Services, Expanded CMH Services, Prior Year Settlements, CMH Multicultural, CMH Act 423, CMH Critical Needs Services, and the Federal Mental Health Block Grant.

(3) These are actual expenditures from Purchase of State Services (POSS) used to support the institutional line items.

(4) These rows represent the actual expenditures from fund sources other than POSS to support CRS and institutions for the mentally ill and developmentally disabled.

(5) Approximate values used for FY 1989-90 "other" funding as the budget structure was reflected differently then and only approximate values are available.

Sources: Mental Health/Community Health bill histories and MAIN

Table 2

STATE MENTAL HEALTH INSTITUTIONAL CENSUS: SELECTED YEARS 1980 - 2003

	9/30/80	9/30/83	9/30/86	9/30/89	9/30/92	9/30/95	9/30/98	9/30/01	8/31/03
TOTAL All Facilities	**8,779**	**6,610**	**5,675**	**4,532**	**2,743**	**1,805**	**1,247**	**1,198**	**864**
Adult									
Caro Regional	10	12	98	126	141	90	184	193	182
Clinton Valley Center	619	530	469	447	411	329	0	0	0
Coldwater	0	0	117	230	0	0	0	0	0
Detroit Psychiatric Institute	128	139	157	149	137	105	0	0	0
Kalamazoo Regional	736	617	561	478	313	181	135	125	183
Michigan Institute for Mental Health	61	0	0	0	0	0	0	0	0
Newberry Regional	156	79	68	82	0	0	0	0	0
Northville Regional	731	972	897	742	661	385	371	376	0
Walter Reuther	216	319	280	289	270	196	210	227	243
Traverse City Regional	360	189	132	0	0	0	0	0	0
Ypsilanti Regional	805	648	530	295	0	0	0	0	0
TOTAL Adult	**3,822**	**3,505**	**3,309**	**2,838**	**1,933**	**1,286**	**900**	**921**	**608**
Children									
Detroit Psychiatric Institute	10	11	13	12	10	13	0	0	0
Arnell Engstrom (Traverse City)	43	34	29	33	0	0	0	0	0
Fairlawn (Clinton Valley)	112	144	122	125	114	27	0	0	0
Hawthorn Center (Northville)	136	103	126	118	106	65	111	95	59
Mary Muff/Pheasant Ridge	44	44	34	43	22	12	0	0	0
York Woods	84	67	57	60	0	0	0	0	0
TOTAL Children	**429**	**403**	**381**	**391**	**252**	**117**	**111**	**95**	**59**
Developmentally Disabled									
Alpine Regional	133	0	0	0	0	0	0	0	0
Caro Regional	594	387	332	265	132	101	0	0	0
Coldwater Regional	588	427	113	17	0	0	0	0	0
Hillcrest Regional	331	0	0	0	0	0	0	0	0
Macomb-Oakland Regional	115	85	106	0	0	0	0	0	0
Mt. Pleasant	449	424	358	217	206	172	161	182	197
Muskegon	379	340	265	238	0	0	0	0	0
Newberry	233	149	98	55	0	0	0	0	0
Northville Residential	138	0	0	0	0	0	0	0	0
Oakdale Regional	819	534	427	210	0	0	0	0	0
Plymouth Center	468	93	0	0	0	0	0	0	0
Southgate Regional	152	161	168	174	184	129	75	0	0
TOTAL Developmentally Disabled	**4,399**	**2,600**	**1,867**	**1,176**	**522**	**402**	**236**	**182**	**197**
Other									
EPIC Center	14	0	0	0	0	0	0	0	0
Lafayette Clinic	115	102	118	127	36	0	0	0	0
TOTAL Other	**129**	**102**	**118**	**127**	**36**	**0**	**0**	**0**	**0**

Source: Department of Mental Health/Department of Community Health Census Reports

Gary S. Olson, Director - Lansing, Michigan - (517) 373-2768 - TDD (517) 373-0543
www.senate.michigan.gov/sfa

Table 3

FY 2001-02 COMMUNITY MENTAL HEALTH ADMINISTRATIVE EXPENDITURES

	CMH Administrative Expenditures	Total CMH Expenditures	Percent Administrative
Allegan	$1,555,600	$15,341,900	10.14%
Antrim/Kalkaska	970,400	10,044,300	9.66%
AuSable Valley	1,150,900	10,935,200	10.52%
Barry	738,800	4,138,600	17.85%
Bay/Arenac	5,831,000	29,389,000	19.84%
Berrien	5,100,600	26,882,000	18.97%
Central Michigan	4,130,200	56,123,600	7.36%
Clinton/Eaton/Ingham	5,027,200	59,605,400	8.43%
Copper Country	1,417,100	13,808,100	10.26%
Detroit/Wayne	26,801,300	524,213,800	5.11%
Genesee	8,881,900	91,986,800	9.66%
Gogebic	953,500	6,263,600	15.22%
Gratiot	113,500	7,734,500	1.47%
Great Lakes (G. Traverse/Leelanau)	1,510,700	18,260,100	8.27%
Hiawatha (Chip./Mack./Schoolcraft)	2,397,500	13,490,000	17.77%
Huron	1,186,600	7,330,400	16.19%
Ionia	1,554,200	9,413,700	16.51%
Kalamazoo	3,031,200	48,112,400	6.30%
Kent	4,017,400	78,568,700	5.11%
Lapeer	N/R	10,631,900	N/R
Lenawee	1,330,200	15,081,100	8.82%
Lifeways (Hillsdale/Jackson)	2,972,500	29,219,400	10.17%
Livingston	1,837,200	15,863,000	11.58%
Macomb	8,359,800	120,768,500	6.92%
Manistee/Benzie	2,000,200	13,969,000	14.32%
Monroe	2,209,900	24,472,600	9.03%
Montcalm	1,929,500	6,503,200	29.67%
Muskegon	3,975,800	35,093,100	11.33%
Newaygo	1,487,200	7,340,000	20.26%
North Central	1,234,800	15,633,200	7.90%
Northeast Michigan	1,238,300	18,289,500	6.77%
Northern Michigan	1,958,200	17,545,300	11.16%
Northpointe (Dickin./Iron/Menom.)	1,551,400	14,517,000	10.69%
Oakland	8,169,900	178,267,600	4.58%
Ottawa	2,909,300	24,547,000	11.85%
Pathways (Alger/Delta/Luce/Marq.)	5,685,000	30,160,300	18.85%
Pines (Branch)	555,700	8,415,400	6.60%
Saginaw	4,996,300	41,344,300	12.08%
Sanilac	1,847,400	15,148,900	12.19%
Shiawassee	2,807,500	12,706,600	22.09%
St. Clair	5,356,700	34,967,400	15.32%
St. Joseph	997,200	10,274,300	9.71%
Summit Pointe (Calhoun)	1,009,300	22,416,100	4.50%
Tuscola	2,890,700	12,464,600	23.19%
Van Buren	1,798,700	13,315,300	13.51%
Washtenaw	3,644,000	37,608,500	9.69%
West Michigan	2,920,300	13,245,600	22.05%
Woodlands (Cass)	991,800	8,386,800	11.83%
TOTAL	**$155,034,400**	**$1,829,205,700**	**8.48%**

Figure 1

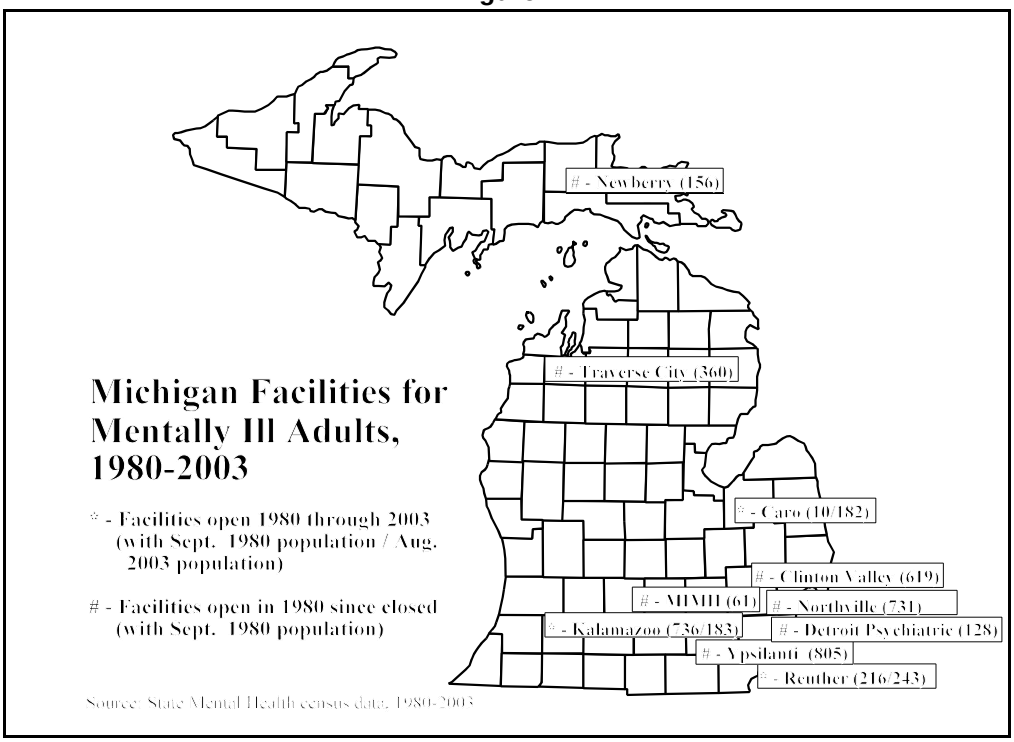


Figure 2

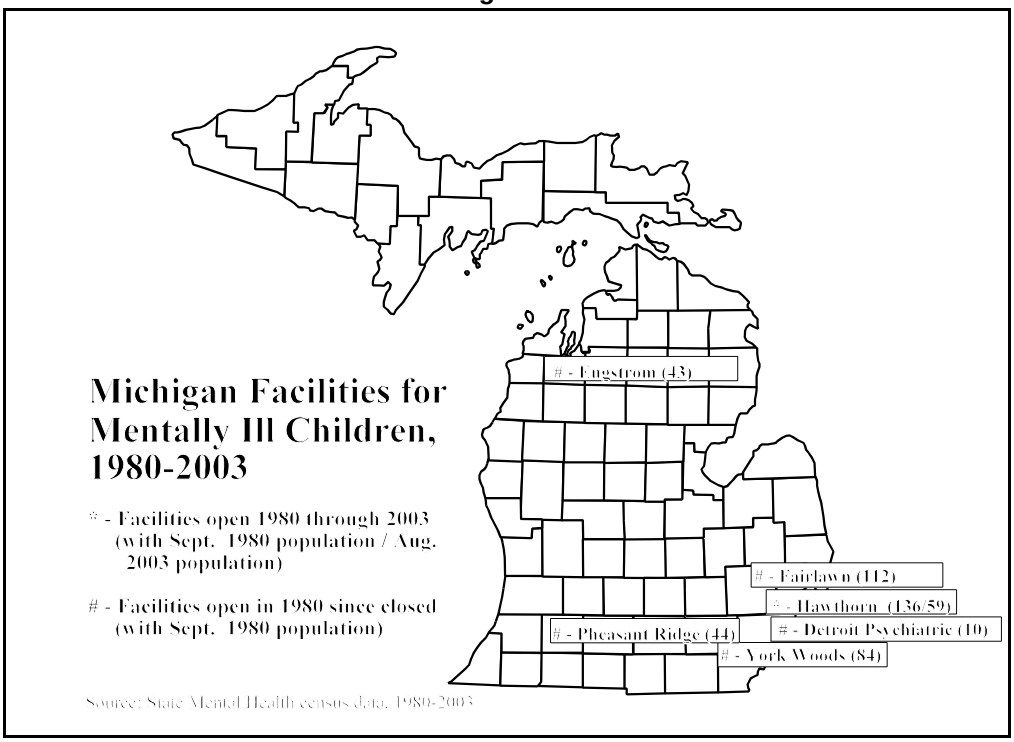


Figure 3

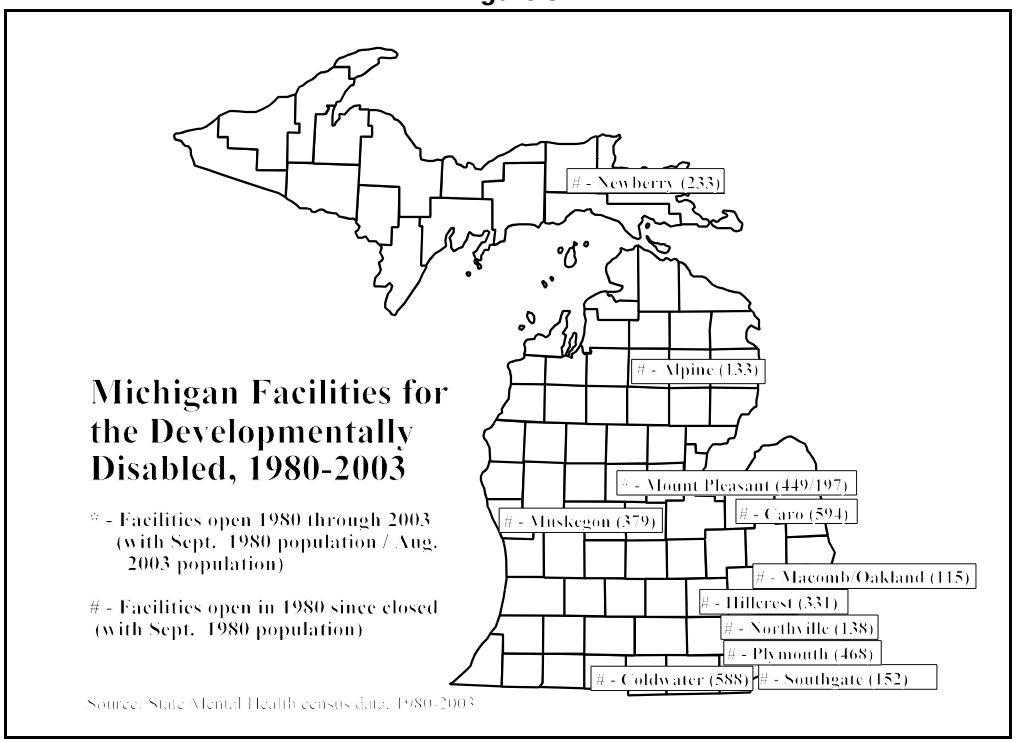
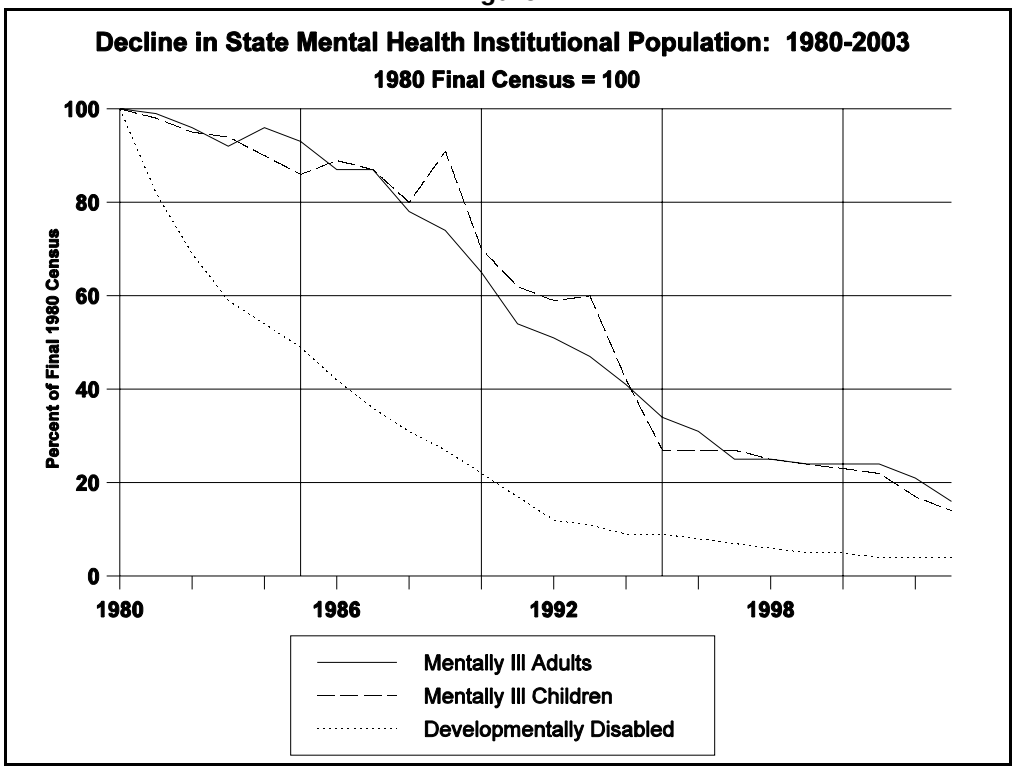


Figure 4



The sites identified on the lake border its northwest shore and the other sites are positioned on water courses that flow directly to that shoreline due to watershed drainage patterns.

In addition to technical monitoring activities, the funding will allow for the merger of data with other projects, posting of the data on a website, and intermittent presentation of data and analysis to the environmental community, governmental entities, and the public. The results of the monitoring will be incorporated into Geographic Information Systems. The availability and presentation of the data and analysis will be determined by the Advisory and Executive Committees. The approved work plan requires the creation of a website for posting data and the results must be accessible to the general public, as well as scientific and technical parties.

Conclusion

The comprehensive water quality monitoring project described in this article is a beginning step toward addressing the environmental concerns of Lake St. Clair and its feeder watersheds. The grant supports only monitoring activities. Analysis of the data is expected to reveal the steps necessary to improve the water quality of the studied area and prevent future deterioration. Once the analysis and results are completed, the local units of government and interested parties will begin the search for funding to implement the recommended remediation strategies.

Senate Fiscal Agency

State Notes

TOPICS OF LEGISLATIVE INTEREST

September/October 2003

State Employee Concessions

by Bill Bowerman, Chief Analyst

Introduction

Governor Granholm's fiscal year (FY) 2003-04 budget recommendation did not fund cost increases associated with employee wages and benefits. The Legislature concurred with this recommendation when the FY 2003-04 appropriation bills were enacted. The Administration stated that absorbing these costs within existing resources potentially could result in "thousands" of employee layoffs. Therefore, the Governor instructed the State Employer to negotiate concessions from employee unions to offset FY 2003-04 unfunded employee economic costs. This article provides an overview of the unfunded employee economic costs and the methods that the Administration is proposing to cover those costs.

Employee-Related Economic Costs

Economic costs in the FY 2003-04 budget total an estimated $259.8 million. Of that amount, a little over $3 million is related to workers' compensation, building occupancy adjustments, and rent. The Governor included funding for those costs in her FY 2003-04 budget recommendation. However, costs related to salaries and wages, insurance, and retirement, totaling $256.7 million, are not funded in the budget. Of the unfunded economic costs, the 3% Civil Service cost-of-living adjustment (COLA) accounts for $108.1 million. The balance of the costs relate to health insurance increases and retirement costs that will occur regardless of any salary adjustment. Table 1 outlines unfunded economic costs.

Table 1

FY 2003-04 UNFUNDED ECONOMIC ADJUSTMENTS
(Amounts in Millions)

	Gross	GF/GP
3% Civil Service COLA[1)]	$108.1	$60.4
Insurance	49.5	26.1
Retirement	99.1	53.5
TOTAL	**$256.7**	**$140.0**

[1)] Amounts include salaries and wages, retirement, FICA, Medicare, and insurance adjustments related to the 3% Civil Service COLA.

Source: State Budget Office

Employee Concessions

The Administration has stated that employee concessions will be based on an equitable contribution from all employees, regardless of the funding source for the individual full-time equated (FTE) positions. If agreement is not reached with certain bargaining groups, a comparable level of savings will be unilaterally achieved through reduced work schedules and

furlough days, which are authorized by current collective bargaining agreements. The method by which savings are achieved will vary due to the collective bargaining process. The actual amount of savings being sought by the Administration has been reduced from $256.7 million due to savings generated through the current Plan A Voluntary Work Schedule Reduction Program ($10 million), a reduction in State contracting costs ($15 million), and a freeze on travel reimbursement rates for FY 2003-04 ($1.5 million).

The programs described below were developed by the Office of the State Employer to offset partially the cost of FY 2003-04 unfunded economic costs.

BANKED LEAVE TIME

Under this program, full-time employees will continue to work 40 hours per week; however, the base pay for full-time employees will be reduced by two hours each week. The reduced hours will be credited to Banked Leave Time. The pay for part-time employees will be reduced by a pro rata number of hours. The maximum number of banked leave time hours under this program is 104. The above adjustment equates to a 5% pay reduction. The Banked Leave Time will not be counted against the employee's regular annual leave cap. The accumulated Banked Leave Time hours may be used as annual leave, or a State contribution will be made to the employee's 401k or 457 plan upon the employee's separation from the State. The value of the State contribution will be based on the number of accumulated Banked Leave Time hours and the employee's pay rate in effect at the time of the State contribution. The calculation of retirement service credit[1], longevity payments, step increases, holiday pay, sick and annual leave time accruals, benefit levels, and insurance premiums will not be affected by Banked Leave Time hours. The Banked Leave Time Program, if applied to all classified employees, would generate an estimated $150 million in savings for FY 2003-04.

FURLOUGH HOURS

The Furlough Program requires full-time employees to take 40 hours of unpaid furlough leave in FY 2003-04. This adjustment equates to a 1.9% pay reduction. All employees, except essential employees, will be furloughed without pay on January 2, 2004. The remaining 32 furlough hours will be scheduled pursuant to the same requirements as annual leave. Employees who work less than 40 hours per week will be required to take a pro rata share of 40 unpaid furlough hours. The Furlough Program also includes a paid furlough day on December 26, 2003. The calculation of retirement service credit[1], longevity payments, step increases, holiday pay, sick and annual leave time accruals, benefit levels, and insurance premiums will not be affected by the Furlough Program. The Furlough Program, if applied to all classified employees, would generate an estimated $56 million in savings for FY 2003-04.

---

[1]Requires amendments to the State Employees' Retirement Act.

PRESCRIPTION DRUG CO-PAY REVISION
The Civil Service Commission had previously approved an increase from $12 to $15 for brand name prescription drugs in FY 2003-04. Under the modification proposed by the State Employer, the mail and retail prescription drug program under the State Health Plan PPO will have a new co-pay of $30 for nonpreferred brand name drugs effective January 1, 2004. All nonpreferred brand name drugs will have a generic substitute available or a therapeutically or chemically equivalent preferred brand name drug available. Preferred brand name drugs will maintain the co-pay of $15. (Generic drugs are subject to a $7 co-pay.) The State Employer estimates $1.5 million in savings from the modification to the prescription drug program, if it is applied to all classified employees.

PERFORMANCE PAY
Pay for performance is authorized by Civil Service Commission Rule 5-3.4 (c)(2). Employees who are eligible for performance pay awards are not included in step increase schedules. There are currently 2,974 employees included in performance pay programs. Pay increases for employees in performance pay programs are based on performance evaluations. In FY 2001-02, the cost of performance pay awards totaled $5 million. As part of the employee concession package, the State Employer is recommending suspension of performance pay awards in FY 2003-04.

Status of Pay Concessions

The classified State workforce consists of 55,622 employees, with 40,725 (73.0%) exclusively represented by one of eight employee unions. Negotiations with the employee unions are ongoing. The Michigan State Employees Association recently approved negotiated concessions on a vote of 1,237 to 1,063. Tentative agreements have been reached with the Service Employees International Union Local 517, the United Auto Workers Local 6000, and the Michigan Corrections Organization. The total estimated savings from the above concession agreements are approximately $124 million. While the terms of negotiated and pending agreements will vary among unions, the State Employer plans to achieve equitable contributions from each bargaining unit. For example, the tentative agreement with UAW Local 6000 requires fewer furlough hours due to concessions regarding State contributions to union professional development funds. State employees represented by the Michigan Corrections Organization will not have furlough days due to concessions regarding overtime for pre-shift briefings. The agreements with the unions to date all have included a no-layoff guarantee. If layoffs occur, the Banked Leave Time Program and the Furlough Program will be suspended.

For 14,897 nonexclusively represented employees (NERE), the Civil Service Commission adopted most of the State Employer's recommendations at its October 9, 2003, Commission meeting. The amount of savings that will be generated from NERE concessions totals approximately $75 million. The Commission did not approve the recommendation to eliminate performance pay awards. However, the State Employer plans to continue discussions on this issue. While the Governor suspended performance pay awards in January 2003 and recently issued Executive Directive 2003-15, which prohibits performance pay awards in FY 2003-04,

the Department of Attorney General, Department of State, and Office of the Auditor General are not subject to the Executive Directive.

Conclusion

The State Employer's plan to offset FY 2003-04 employee-related economic costs partially through employee concessions is currently being negotiated with employee unions. To the extent that negotiations with individual unions are not successful, the State Employer will achieve savings through reduced work hour schedules, furloughs, or layoffs, all of which are authorized under the current collective bargaining agreements. The employee concessions will temporarily solve the issue of unfunded economic costs in the FY 2003-04 State budget. However, the use of these concessions will leave the base continuation budget for FY 2004-05 over $200 million short, in addition to the task of funding FY 2004-05 economic costs.

Sources: FY 2003-04 Governor's Budget Recommendation
October 2, 2003 State Employer Proposal to the Civil Service Commission
October 9, 2003 State Employer Presentation to the Civil Service Commission
Department of Civil Service Annual Workforce Report, FY 2002-03 Third Quarter Update