



Operating and Headlee Override Millage Renewal Proposal F.A.Q.s

On May 7, 2013, Chelsea School District voters will have the opportunity to vote on a millage renewal proposal. On the ballot will be an Operating and Headlee Override Millage Renewal. Below find answers to frequently asked questions.

How does this fit into the overall School Funding Structure?

Michigan schools are funded under a structure created when Proposal A was approved statewide by Michigan electors in 1994. Under the plan, Michigan schools are funded with a total of 24 mills on non-homesteads. This is made up of a state-wide millage rate of 6 mills on all property and 18 mills on non-homestead property when approved by local voters. When proposal A passed in 1994, the school operating property tax rate on homesteads decreased by 84 percent, from 37.92 mills to 6 mills. The school operating rate on non-homesteads decreased by 37 percent, from 37.92 mills to 24 mills.

I thought schools no longer received funding through property taxes, so why are they talking about a millage renewal?

Funding for school districts changed significantly in 1993/94 when Proposal A was passed by the Michigan voters. Under Proposal A, the State pays the majority of the cost, but to receive full funding, schools must levy 18 mills on non-homestead property in their district.

What does "Non-Homestead" mean?

Non-homestead represents industrial, commercial and some agricultural property and "second homes." It does not include a family's primary residence.

What Does "Headlee Override" mean?

The Headlee amendment to the Michigan Constitution caps property tax increases at 5% or the rate of inflation, whichever is less. Since the rate of growth of property values sometimes exceeds the rate of inflation, the actual tax levy decreases when this occurs. This is called the Millage Reduction Fraction (MRF). In 1994, a 20 year 18 mill non-homestead millage was approved by our community, which expires this year. In June 2000, Chelsea voters approved a Headlee override millage of 3 mills. This originally gave a combined total approval of 21 mills, however, the maximum levy is 18 mills. The additional mills provide protection as the rates potentially "roll back."

What are the current rates for the millages and expirations?

Due to the "Roll-Back" as outlined in the Headlee amendment, the total authorized amount is currently 19.5126 mills (only 18 mills are actually levied). The current "Non-Homestead" millage is 16.7786 mills and expires in 2013, the remaining 2.8340 is Headlee Override and expires in 2014.

Is this a new tax?

No. This millage was approved by the voters in 1994. The district has voter approval to levy 18 mills on non-homestead property through December 2013.

How much will this cost my business?

This renewal will have little effect on your current taxes. For a business with a taxable value of property established at \$200,000 the tax cost would be \$3,600 ($\$200,000 \div 1,000 \times 18$ mills), similar to what you are paying today.

Will my residential school taxes increase too?

No. This tax is on non-homestead property and does not apply to your primary place of residence.

What if the millage is voted down?

The revenue generated from the 18 mills totals over \$3.5 million annually, or about 14% of the school district's budget. If this millage does not pass, the State will not replace the funding and Chelsea School District will be forced to reduce or cut programs to offset the loss.

Can the district use bond money or sinking fund money to cover the loss?

Although the district receives revenue from the 2009 bond funds and 2006 sinking funds; however, these funds are restricted by law to specific uses, which does not include general fund operating expenditures.

Where can I read the ballot language?

Please visit the Chelsea School District web page for additional ballot language information. www.chelsea.k12.mi.us