

## NON-HOMESTEAD and SINKING FUND RENEWALS MARCH 8, 2016, ELECTION

### NON-HOMESTEAD RENEWAL

- The non-homestead tax levy is the 18 mills levied against properties that are not “homestead exempt,” i.e., any property that is not a primary residence.
- The non-homestead taxes are collected locally; however, they are a portion of the state per-pupil foundation allowance.
- The non-homestead tax levy raises approximately \$1.3 million, or \$375 of the EGRPS \$7,628 per-pupil foundation allowance. The remainder (\$7,253) of the per-pupil foundation allowance is received from the state via the School Aid Fund.
- Currently the non-homestead tax levy has been Headlee reduced to 17.15 mills. Therefore, the district is losing 0.9 mills of non-homestead funding for the per-pupil foundation allowance. The state provides the remainder of the per-pupil foundation allowance from the School Aid Fund; however, they assume the district is levying the full 18 mills. The reduction of 0.9 mills is approximately \$55,000 in 2015-2016, or \$19 per pupil.
- The proposed renewal is for four years (2016-2019)
- There will be two ballots for the non-homestead renewal (legally required to separate renewal ballots):
  - The first will renew the current 17.15 mills being levied this tax year.
  - The second will request an additional two mills of authority to return the overall non-homestead levy to 18 mills. This is done to protect against further Headlee reductions to the current 17.15 mills. **At no point will more than 18 mills be levied on non-homestead properties.**
- A similar 3-year renewal was voter approved in 2012 for the 2013-2015 tax years.
- **If the non-homestead renewal is not voter approved, the district would lose \$1.3 million in funding for the general fund, which would require significant reductions to educational programs and services.**

### SINKING FUND RENEWAL

- The sinking fund is a 0.5 mill tax levy that provides a building and site sinking fund for capital repairs and improvements.
- **Funds raised by the sinking fund tax levy cannot be used towards employee salaries and benefits, school supplies, or textbooks.**
- The district current sinking fund has or is projected to fund the following projects:
  - New carpet throughout all school buildings
  - Contribution to the Joint Facilities (City of EGR and EGRPS) turf replacement fund
  - HVAC and plumbing repairs district-wide
  - Smaller capital improvements not included in the 2014 bond construction program
- Currently the sinking fund tax levy has been Headlee reduced to 0.48 mills. The renewal, if voter approved, would restore the levy to 0.5 mills.
- The proposed renewal is for 10 years (2016 to 2025)
- **If the renewal is not voter approved, the tax levy would discontinue, and the general fund would be impacted in order to support capital repairs, improvements, and contributions to the turf replacement fund. The use of financial resources from the general fund to support items currently supported by the sinking fund would have an impact on educational programs and services.**



# Operating Millage Renewal Proposal on Non-Homestead Properties

## Frequently Asked Questions

### Who pays the operating millage?

The operating millage is levied on properties that do not qualify for the Michigan homestead exemption. In our district this specifically represents commercial properties and second homes. Primary residences qualify for the homestead exemption and, therefore, do not pay this 18 mill tax.

### Is this a new tax?

**No.** This millage has been in place since 1994 with the passage of Proposal A. The voters last approved a levy for 18 mills on non-homestead property in November 2012. The current millage expires with the 2015 tax levy.

### What happens if the millage does not get voter approval?

Failure to renew the operating millage would decrease our state School Aid Foundation allowance from the current amount of \$7,628 per pupil to a much lower \$7,250 per pupil. The revenue generated from the 18 mills on non-homestead property totals approximately \$1.3 million annually. The State of Michigan will not replace the lost funding due to voters' non-approval, and the District will need to continue to make further reductions in programs and services to offset the reduction of revenue.

### What is the Headlee Amendment and how does it affect me?

The Headlee Amendment of 1978 changed the Michigan Constitution. At that time, real estate was increasing in value faster than the rate of inflation. So when taxing entities (cities, townships, state, etc.) calculated property taxes based on property value, they would collect more than the increase in inflation. The Headlee Amendment automatically "rolls back" the millage rate to equal the rate of inflation in order to keep taxes from increasing more than inflation.

### What is a Headlee Override?

A Headlee Override is a vote by the electors to return the millage to the amount originally authorized via charter, state statute, or a vote of the people and is necessary to counteract the effects of the Headlee rollback. In 2006 the community supported a 2 mill Headlee override on the 18 mill non-homestead operating millage. The non-homestead operating millage at that time had been Headlee reduced to 17.15 mills. On March 8, 2016, the Board of Education is proposing a 2 mill Headlee Override on the non-homestead operating millage because the millage has been Headlee reduced to 17.15 mills. The renewal of the 2 mill override will allow the district to levy the full 18 mills on non-homestead properties during the 2016 tax year. At no time is the district permitted to levy more than 18 mills on non-homestead properties.

### Why is the district asking for a 4-year renewal ?

The district has proposed 3-year or 4-year renewal cycles for the non-homestead operating millage since 2006. Historically the value of non-homestead properties in East Grand Rapids has increased at a rate greater than inflation, which causes the millage to be Headlee reduced. The non-homestead millage is an important portion of the state's per-pupil foundation allowance and must be collected locally. The state calculates the amount the district should receive based on the voters levying the full 18 mills. If the millage has been Headlee reduced, the district's State Aid Foundation allowance is reduced based on not levying the full 18 mills, and during the 2015-2016 school year that reduction amount impacted the district budget by \$55,000. Keeping a shorter renewal cycle allows the district to seek community support for the restoration of the millage to the full 18 mills in a timely manner when the millage is Headlee reduced.

## Cost to the Homeowner: \$0

This operating millage renewal will allow the district to levy 18 mills on non-homestead property. **If approved, homeowners will not see an increase in their property taxes.** This millage renewal will not change the taxes on your primary residence. **This is not a new tax.** It is a proposal to continue the existing 18 mill assessment on non-homestead properties which directly impacts the amount the district receives from the state School Aid Foundation allowance per-pupil.

### More Information

To have specific questions answered or to obtain more information, please contact:

**Kevin Philipps**  
Assistant Superintendent of Business

616-235-3535, ext. 4101

You may also visit our website at  
[www.egrps.org](http://www.egrps.org)

**EGRPS**  
EAST GRAND RAPIDS PUBLIC SCHOOLS

**Please VOTE Tuesday,**

**March 8**

**OFFICIAL BALLOT  
NO PARTY DECLARATION BALLOT  
Presidential Primary Election  
Tuesday, March 8, 2016  
Kent County, Michigan  
City of East Grand Rapids, Ward 1, Precinct 1**

**PROPOSAL SECTION**

**LOCAL SCHOOL DISTRICT**

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
OPERATING MILLAGE RENEWAL  
PROPOSAL I.**

This proposal will allow the school district to continue to levy the statutory rate of not to exceed 18 mills on all property, except principal residence and other property exempted by law, required for the school district to receive its revenue per pupil foundation allowance.

Shall the limitation on the amount of taxes which may be assessed against all property, except principal residence and other property exempted by law, in East Grand Rapids Public Schools, Kent County, Michigan, be increased by 17.1531 mills (\$17.1531 on each \$1,000 of taxable valuation) for a period of 4 years, 2016 to 2019, inclusive, to provide funds for operating purposes; the estimate of the revenue the school district will collect if the millage is approved and levied in 2016 is approximately \$1,316,158 (this is a renewal of millage that expired with the 2015 tax levy)?

YES

NO

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
OPERATING MILLAGE  
PROPOSAL II.**

This proposal will allow the school district to levy the statutory rate of not to exceed 18 mills on all property, except principal residence and other property exempted by law, required for the school district to receive its revenue per pupil foundation allowance.

Shall the limitation on the amount of taxes which may be assessed against all property, except principal residence and other property exempted by law, in East Grand Rapids Public Schools, Kent County, Michigan, be increased by 2 mills (\$2.00 on each \$1,000 of taxable valuation) for a period of 4 years, 2016 to 2019, inclusive, to provide funds for operating purposes; the estimate of the revenue the school district will collect if the millage is approved and levied in 2016 is approximately \$64,983 (this millage is to restore millage lost as a result of the reduction required by the Michigan Constitution of 1963 and will be levied only to the extent necessary to restore that reduction)?

YES

NO

**EAST GRAND RAPIDS PUBLIC SCHOOLS  
MILLAGE PROPOSAL, BUILDING AND SITE  
SINKING FUND TAX LEVY  
PROPOSAL III.**

This proposal renews building and site sinking fund millage that expired with the 2015 tax levy and restores millage lost as a result of the reduction required by the Michigan Constitution of 1963.

Shall the limitation on the amount of taxes which may be assessed against all property in East Grand Rapids Public Schools, Kent County, Michigan, be increased by and the board of education be authorized to levy not to exceed .5 mill (\$.50 on each \$1,000 of taxable valuation) for a period of 10 years, 2016 to 2025, inclusive, for sinking fund purposes to be used for the purchase of real estate for sites for, and the construction or repair of, school buildings and all other purposes authorized by law (.4801 mill of the above is a renewal of millage for building and site sinking fund purposes that expired with the 2015 tax levy and .0199 mill is to restore millage for the same purpose lost as a result of the reduction required by the Michigan Constitution of 1963); the estimate of the revenue the school district will collect if the millage is approved and levied in 2016 is approximately \$344,987?

YES

NO