

Non-Homestead Property Tax Renewal Vote Set for May 5

As discussed in the March edition of the *Eagle Flyer*, the Fowler Public Schools Board of Education approved a resolution at their February meeting calling for an election on a proposal to renew the non-homestead property tax rate to the maximum permitted assessment of 18 mills. This election would renew, or continue, the rate last approved by voters in 1998. That election approved the 18 mill non-homestead property tax for 10 years which expired this past December. This proposal will enable the school district to receive the entire per pupil foundation allowance provided under the state's funding formula.

The following is an explanation of the operating millage proposal in a "Question and Answer" format. School funding in general is a complex issue, and the same is true for the non-homestead property tax portion of it. I have tried to organize the Q & A section in a way so that the simpler and more direct questions related to the May ballot proposal are near the beginning, with more complex funding issues addressed later on. I hope that this clarifies any questions voters may have on the proposal, but please know that I would be happy to meet with any community member or group to provide any additional clarification or information regarding the May ballot issue. Please feel free to contact me at 593-2250, or our business office at 593-2296, with any questions or to set up a time to meet.

Questions and Answers on the Non-Homestead Property Tax Election

1. What exactly is the ballot language on which we will be voting?

The exact language as it appears on the ballot is as follows:

This proposal will allow the school district to levy the statutory rate of 18 mills on all property, except principal residence and other property exempted by law, required for the 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 Fowler Public School District, Clinton County, Michigan, be increased by 18 mills (\$18.00 on each \$1,000 of taxable valuation) for a period of 4 years, 2009 to 2012, inclusive, to provide funds for operating purposes (17.8993 mills of the above is a renewal of millage which expired with the 2008 tax levy and .1007 mill is a restoration of millage 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 2009 is approximately \$124,900?

2. Why is this referred to as a "Non-Homestead" ballot issue?

This millage would be assessed only on non-homestead property. Non-Homestead refers to "property, except principal residence and other property exempted by law" as mentioned above. Non-homestead property includes industrial/commercial property, apartment buildings, rental homes, vacation property, and some vacant land. It does not include a family's primary residence.

3. How will this affect my property taxes?

If you do not own any non-homestead property, there will be absolutely no increase in your property tax related to this millage. If you do own non-homestead property, you will pay an additional \$10.00 for every \$100,000 in taxable non-homestead property that you own over what you have paid previously. This small increase is due to the fact that this renewal will move the non-homestead rate from its current 17.89 mills to the full 18.0 mills allowed by law.

4. How much revenue will this provide the school district?

If this proposal passes, Fowler Public Schools will continue to receive approximately \$125,000 to use for operations that will not be provided under the state aide formula if the millage is not in place.

5. How will our educational program be effected if the proposal in not approved?

If the proposal is not approved, the district will receive \$125,000 less than we have been receiving under the current state funding formula. As we prepare for the 2009-2010 school year, the district already faces a budget deficit of approximately \$130,000 due to a freeze in state funding and declining enrollment. Combined, the district would face a budget deficit of over \$250,000 which would certainly lead to reductions in the educational programs and services our community has come to expect from our schools.

6. Is this a new tax?

No. This millage was last approved by the voters in 1998. The district had voter approval to levy 18 mills on non-homestead property through December 2008. Passage of this proposal will allow the district to continue to collect approximately \$125,000 for educational operations. Failure of the proposal will lead to a \$125,000 loss of revenue compared to what the district had received in previous years.

7. Didn't we just vote on a non-homestead property tax issue last August?

Yes we did. The August ballot issue which was approved by voters moved the non-homestead property tax rate from 17.2 mills to 17.9 mills. This was part of the two step process required to renew our non-homestead property tax levy to the full 18.0 mills. The August election accomplished two significant things related to district funding. First, it provided an additional \$4,500 for the 2008-2009 school year by restoring the millage to nearly 18 mills. Secondly, it restored it to a level that is at least 17.5 mills. This was necessary because any renewal proposition can increase the pre-existing rate by no more than 0.5 mills. This allows the district to seek the renewal millage of 18.0 mills as it appears on the May 5th ballot.

8. Why is the term of the levy 4 years?

Non-homestead property taxes are subject to being "rolled back" because of the Headlee Amendment to the Michigan Constitution. This roll back occurs when properties are sold and the assessed value is increased. Passing a levy with a term of four years, as opposed to the 10 years of the previous levy, makes it less likely that the district would need to ask for a restoration millage during that time to avoid a loss of educational funding.

9. I thought the state guarantees a certain minimum amount of funding per student?

The State School Aid Fund guarantees a foundation allowance of \$7,425 (2009) for Fowler Public Schools, but that assumes that the district levies and collects the total available property tax millages, including the full 18 mill non-homestead property tax that must be approved by voters. The state makes up the difference between the local revenues that the district has the opportunity to collect, and the minimum foundation allowance. If the district does not collect all of the allowable tax at the full 18 mill rate, the state does not make up the difference.

10. Speaking of Proposal A, I thought that took property taxes out of the school funding equation and would end millage elections for operational funds. Isn't that the case?

Proposal A changed the way Michigan public schools are financed. It dramatically shifted the burden from property taxes to the sales tax, but it did not eliminate property taxes a source of funding. When the Legislature adopted the foundation approach to funding education in December 1993, four important changes came about.

- 1) Property taxes for school purposes were substantially reduced.
- 2) Rather than millage rates being applied uniformly on all property, different rates were applied to homestead and non-homestead property. Owner-occupied primary residences were classified as "homestead" property and taxed at six mills. Non-homestead property generally

includes, industrial, commercial, and second homes, and is taxed at 24 mills (six mills base plus 18 mills, which requires voter approval).

- 3) The maximum non-homestead property tax levy is 18 mills. However, to avoid the added cost and paperwork, districts may request Headlee overrides above the 18 mill limit and levy only 18 mills until the override expires.
- 4) The State levies a uniform rate of six mills on all property—both homestead and non-homestead. The proceeds are deposited in the State School Aid Fund and used as a part of State aid under the new foundation approach. Local districts are required to levy 18 mills, *with voter approval*, on all non-homestead property. These proceeds constitute the local district's contribution under the foundation approach.

Again, if you have additional questions or need any further clarification of this potentially confusing issue, please contact me. Superintendent Neil Hufnagel at 593-2250 or 593-2296 and I would be happy assist you.