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Citizens Research Council of Michigan

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WAYNE COUNTY AND DETROIT SCHOOL MILLAGE PROPOSALS

On November 4, the voters of Wayne County will be asked to approve four proposals to increase property tax rates. In addition, Detroit voters will be asked to approve a 3.5-mill increase for school operations. The five proposals are:

- Proposal J To establish separate tax limits for Wayne County, school districts, and townships therein and to increase the tax limit from 15 mills to a maximum of 18 mills for an indefinite period or until altered by the voters.
- Proposal K To authorize one-half mill (fifty cents per \$1,000 SEV) for five years (1981-1985) for operation of Wayne County General Hospital.
- Proposal L To authorize one-half mill (fifty cents per \$1,000 SEV) for five years (1981-1985) for mental health care services to Wayne County citizens.
- Proposal II To authorize one-half mill (fifty cents per \$1,000 SEV) for five years (1981-1985) for operating costs of the county offices of Sheriff and Prosecuting Attorney.
- Proposal Y To authorize an increase of 3.50 mills (\$3.50 per \$1,000 SEV) for ten years (July 1, 1980 through June 30, 1990) for operations of the Detroit School District.

WAYNE COUNTY - PROPOSAL J A Separate and Fixed Tax Limit of 18 Mills

Proposal J was placed on the ballot by action of the Wayne County Tax Allocation Board. The voters are asked to approve a separate and fixed limit for the county, the townships, and the school districts and at the same time increase the present limit from 15 to 18 mills. The Michigan constitution provides for a 15-mill property tax limit to be allocated annually among the county, townships, and school districts, but it also permits the voters to approve separate and fixed tax rate limitations for each of these units up to a maximum total of 18 mills. It should be noted that most millage in Wayne County falls outside of the 15-mill limit because charter units of government (cities, charter townships, charter authorities) and taxes needed for voter-approved debt service are excluded, and the units covered by the 15-mill limit may levy up to 35 additional mills with voter approval.

Separate and fixed millages have been adopted by 60 of the 83 counties in Michigan. Although the 15-mill tax limit may be increased to a maximum of 18 mills with the change to fixed millage, only three counties have adopted the full 18-mill limit. One county has a 17-mill limit and six other counties have limits in the 16-mill range. Forty counties switched to fixed allocation but retained the 15-mill limit, and nine others ap-

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proved 15 mills plus a fraction thereof. One county set the limit below 15 mills – 13.06 mills.

Approval of Proposal J would:

1. authorize a 3-mill increase in the amount of allocated millage and this higher level would remain in effect for an indefinite period or until altered by the voters;
2. under legislation recently enacted by the legislature, the additional 3 mills could be levied by the various units in the 1980 tax year;
3. establish a separate and fixed amount of mills within the 18-mill limit for Wayne County, unchartered townships, local school districts, the Wayne County Intermediate School District and the Wayne County Community College; and,
4. abolish the Wayne County Tax Allocation Board.

What Is The Split Between Governmental Units? If Proposal J is approved, a fixed amount of millage within the 18-mill limit would be established for each type of local government and this amount would remain in effect until changed by the voters. Except for the Wayne County Community College and two townships, all the other units would have increased taxing power as shown in the table below.

| Type of Government Receiving Allocation | Present 15-Mill Allocation | | Proposed 18-Mill Allocation | | 3-Mill Increase | |
|--|-------------------------------|------------------------------|--------------------------------|------------------------------|-----------------|-------------------|
| | School Areas | School ¹ Areas | School Areas | School ¹ Areas | City Areas | Township Areas |
| | Within Cities | Within Twp | Within Cities | Within Twp | | |
| Wayne County | 6.07 | 6.07 | 7.27 | 7.27 | 1.20 | 1.2b |
| School Districts ² | 8.65 | 7.65 | 10.35 | 9.25 | 1.70 | 1.60 |
| Townships ³ (Unchartered) | -0- | 1.00 | -0- | 1.10 | -0- | 0.10 |
| WC Intermediate School District | 0.03 | 0.03 | 0.13 | 0.13 | 0.10 | 0.10 |
| WC Community College ⁴ | <u>0.25</u> | <u>0.25</u> | <u>0.25</u> | <u>0.25</u> | <u>-0-</u> | <u>-0-</u> |
| Total Mills Allocated | 15.00 | 15.00 | 18.00 | 18.00 | 3.00 | 3.00 |

¹ For areas in school districts which are located in unchartered townships, the allocated millage for the schools is reduced by one mill (or 1.10 mill as proposed) for allocation to the respective townships.

² The Detroit Public Library currently receives 0.64 mill passed through the Detroit Public Schools and counted for school aid purposes. Under the proposed fixed 18-mill limit no separate millage for the Detroit Public Library is provided.

³ Two townships currently are allocated more than 1 mill -- Redford 2.00 and Grosse Ile 1.774 mills -- with reduced allocations to the school districts in those townships.

⁴ For school districts lying outside the Wayne County Community College District the 0.25 mills is allocated to the local school district. School districts outside WCCC District are Dearborn, Garden City, Highland Park, Livonia, Northville and Plymouth.

How Much Money Is Involved? The proposed 3-mill increase (\$3 per \$1,000 SEV) levied against Wayne County's \$16.6 billion SEV in 1980 would raise about \$50 million annually in additional property tax revenues. The increase would be generally split as follows: \$20 million for Wayne County, \$8 million for

Detroit School District, \$21 million for the other 35 local school districts, \$1.6 million for the intermediate school district, and unchartered townships as a group would lose a net total of about \$500,000 in property taxing power. This increase in property tax rates would generate increased revenue from other sources, the most significant of which is state school aid.

Issues Involved in Proposal J

There are a number of issues involved in the 3-mill increase in property taxes called for in Proposal J which the voters may wish to consider.

Fiscal Impact on Local Units. While it is difficult to be specific about the fiscal impact of Proposal J on each of the 46 local units of government in Wayne County that would be affected, the following general observations might be considered:

The Wayne County increase of 1.2 mills would yield about \$20 million annually, which is about the amount of the current Wayne County deficit. However, the county is also asking for three separate one-half-mill increases (Proposals K, L and M) which would yield a combined total of \$24 million. If all four proposals were approved, Wayne County property taxes would increase by \$44 million or about a 36% increase.

The 36 school districts in the county would receive an additional 1.6-1.7 mills under Proposal J, which would represent an increase of about 5% in the average school millage rate for operating purposes. The two-thirds of the Wayne County school district that receive general membership aid from the state face the possibility of reduced state aid in 1980-81 as a result of state financial problems and declining enrollments. If the in-formula districts levied the additional millage, it would generate additional state aid. The one-third of the districts that are out-of-formula and do not receive state aid would be able to increase their local property tax revenues.

However, with 36 school districts in the county, voters in each district might prefer to make a separate judgment in a local school millage election on the needs of their individual school district for additional millage rather than voting to increase the millage authorization for all school districts in the county. The Detroit schools have on the ballot (Proposal Y) a 3.5-mill increase in school property taxes for operating purposes.

The seven unchartered townships would be impacted in different ways. Five would receive a 0.0-mill increase, while two (Redford and Grosse Ile) would have their millages reduced by 0.90 and 0.674 mills respectively. Because of these two townships, unchartered townships would face a net loss of about \$500,000 in property taxing power.

The intermediate school district would receive an additional one-tenth mill or \$1.6 million, while the Wayne County Community College would retain its present 0.25 mill.

Impact on 50-Mill Limit. The constitution imposes a ceiling of 50 mills on the aggregate amount of taxes that can be levied for operations by the units of local government subject to the constitutional millage limitations. At least one local unit in Wayne County (Redford Township/Redford Union School District) appears to be at or very close to the 50-mill limit. If the proposed increase in allocated taxes is approved, and is levied by the local units, taxes on property in that area would exceed the 50-mill limit. Furthermore, Wayne County's request for extra-voted millage (1.50 mills in total) would also be in excess of the 50-mill limit. This raises the question as to which unit (township, school or county) would be required to reduce its tax rate to stay within the overall 50-mill limit.

Impact on Wayne County Charter. A Wayne County Charter Commission will be drafting a charter in 1981 for submission to the voters. Transition to the charter form of county government would be facilitated by the establishment of separate and fixed tax limits. Under the Charter County Act, the charter must include a total property tax limit of not-to-exceed 10 mills but the actual tax rate cannot exceed the rate imposed in the year prior to the adoption of a charter unless separately approved by the voters. The constitution exempts charter counties from the constitutional millage limitation. Thus, unless the county has adopted fixed and separate millage limits at the time a charter is adopted, the county share of allocated millage (6.07 mills) might be reallocated by the tax allocation board to the other units of government that share in the limit providing them with a windfall of property taxing power. The legislature in Act No. 24, 1980, tried to address this problem by providing that the county's share of the 15-mill allocation is to be reserved as a tax levy for the charter county with the remaining amount to be allocated in the usual manner by the county tax allocation board. However, if a county charter is adopted, it is likely that questions will arise relating to the constitutionality of Act No. 24. A fixed allocation to the county could not be reallocated to the other units without voter approval.

Impact On Taxpayers. The authorization for up to a \$50 million increase in local property taxes in Wayne County would increase the total property taxes levied by all units of government in the county by about 5% (the 1979 levy was over one billion dollars). While total property tax rates vary widely among the numerous taxing jurisdictions within the county, the countywide average rate was 67.62 mills in 1979. The proposed 3-mill increase could raise this average to over 70 mills. And, the three proposed half-mill increases for the county and the 3.5 mills for the Detroit schools could increase this even further.

Local units in Wayne County already have the highest average tax rate among the 83 counties in Michigan. Only ten other counties are over 60 mills. The present 67.62-mill average rate in Wayne County is 26% higher than the statewide average rate of 53.64 mills.

WAYNE COUNTY - PROPOSALS K, L, AND M Extra-Voted Millage

Proposals K, L, and M were placed on the ballot by action of the Wayne County Board of Commissioners. The voters are asked to approve three proposals calling for one-half-mill increases for the following county services: Wayne County General Hospital (Proposal K), mental health services (Proposal L), and, the operation of the Sheriff and Prosecuting Attorney offices (Proposal M). Each half-mill would produce about \$8 million, or \$24 million in total amount if the voters approve all three Proposals. The county board did not specify whether or not the intent is to use the additional revenues to raise existing levels of expenditure for those particular services, or to replace \$24 million in current tax revenues used to finance those services thus freeing up that amount for financing other county purposes.

Wayne County's mental health program includes both community mental health and payment for a portion of the cost of care of Wayne County patients in state institutions. The community mental health program is presently financed by \$33 million in state-local revenues. State grants finance about 90% of the state-approved program, and the county is required to finance 10%, or about \$3.3 million. In addition, the county is required to pay 9.9% of maximum net matchable cost for Wayne County's mental patients in state institutions, a county cost of about \$3.6 million annually. Thus, the total current cost to the county of mental health programs is about \$7 million.

Wayne County General Hospital, a 421-bed hospital with outpatient and emergency room services, costs about \$60 million per year to operate currently. About \$12 million is financed by tax revenues with the

remaining cost reimbursed through charges for services, third-party payments, and funding for the medically indigent. The Wayne County Efficiency Task Force, noting problems and inefficiencies in the hospital operations, recently recommended that "serious consideration be given to some other entity to operate the hospital other than the county." The county board has engaged the Greater Detroit Area Hospital Council to prepare a report on the establishment of the hospital as a public benefit corporation separate from, the county. The report is expected to be completed this fall.

The Sheriff and Prosecuting Attorney operations are primarily supported out of county tax revenues and currently cost about \$27 million and \$5 million respectively. The Sheriff, the county's chief law enforcement officer, is responsible for the operation of the jail, custody of prisoners, patrolling county roads, law enforcement in unincorporated areas, and investigation of crime. The Prosecuting Attorney is responsible for prosecuting violators of the state criminal laws and related functions.

DETROIT - PROPOSAL Y 3.5 Mills Extra-Voted For The Detroit Schools

The Detroit School District is asking the voters again this November to approve a 3.5-mill increase for school operating purposes for a period of 10 years beginning in the current 1980-81 year. In November 1978, Detroit voters approved a two-step increase in school operating millage (1.58 mills in 1979-80 and 0.73 mills in 1980-81) totaling 2.25 mills, raising it to its present level of 28.40 mills.

Proposal Y would increase total school operating millage from 28.40 to 31.90. The additional 3.5 mills would increase local property taxes by \$18 million and, since state aid is based on the number of mills levied for operating purposes, state aid would increase by an estimated \$17 million, or a total increase in school revenue of about \$35 million annually.

After the 3.5-mill proposal was defeated in August, school officials prepared to lay off about 700 teachers as a means to manage the revenue-expenditure gap of about \$37 million in the general fund-general purpose budget of \$442.6 million adopted July 1, 1980. In addition, school officials estimate an accumulated deficit of about \$10 million from prior years' operations which will require financing out of current revenues.

It should also be noted that if Proposal J to increase the countywide tax limit from 15 to 18 mills is approved, Detroit schools would receive an additional 1.70 mills in allocated taxes, which would yield about \$15 million in local property tax and state school aid revenues. Thus, if both Proposal J and Proposal Y were approved, the increase would total 5.2 mills and yield about \$50 million in local property taxes and state membership aid.

The present Detroit School District operating millage of 28.40 mills (which includes 0.64 mill for the Detroit library) is below the statewide average rate for all school districts (29.37 mills) and is the fourth lowest among the 36 school districts in Wayne County. The median rate for school operating purposes in Wayne County is about 34 mills. In 1978-79, the latest year for which figures are available, the total current operating expenditure in the Detroit School District was \$1,993 per pupil. This was higher than the statewide average of \$1,782 and about at the median of the 36 school districts in Wayne County.