

Council Comments:

Citizens Research Council of Michigan

625 SHELBY STREET, SUITE 1B, DETROIT, MI 48226-3220

(313) 961-5377 • FAX (313) 961-0648

1502 MICHIGAN NATIONAL TOWER, LANSING, MI 48933-1738

(517) 485-9444 • FAX (517) 485-0423

CITIZENS RESEARCH COUNCIL OF MICHIGAN IS A 501(C)(3) TAX EXEMPT ORGANIZATION

No. 1007

July 1992

WAYNE COUNTY AND MACOMB COUNTY COMMUNITY COLLEGE DISTRICTS BALLOT ISSUES - AUGUST 4, 1992

One Mill Property Tax Proposal for Wayne County Community College

Operating Millage Request The Wayne County Community College (WCCC) District is again requesting voter approval for a one-mill (\$1.00 per \$1,000 of state equalized value) property tax for ten years for operations to replace the existing .25-mill levy and the special state aid grant that is being phased out.

The 515-square mile WCCC District includes all of Wayne County except the areas served by Henry Ford (Dearborn), Highland Park, and Schoolcraft (Northwestern Wayne County) community college districts. WCCC includes five campuses (Northwest, Downriver, Downtown, Western, and Eastern) with capacity for over 20,000 students; in 1991-92, the community college had 6,128 full-time equivalent (FTE) students.

Voters have never approved an operating millage for WCCC. In 1966 the voters approved creation of the district but rejected a proposed 1.25-mill property tax, with the result that the district was not organized. In 1967 the state Legislature created the WCCC district without local voter approval. In June 1968 the board of trustees was elected, but in November 1968 the voters rejected a proposed 2.5-mill property tax. In August 1970 the voters rejected a proposed one-mill property tax, and in 1971 the state Legislature voted to allocate .25 mill of the 15-mill limit in Wayne County to the community college district. In August 1990 the voters again rejected a requested one-mill tax. (The failure of millage requests for community colleges is not in itself unusual: Monroe Community College requested voter approval of an operating millage increase 13 times before it passed by two votes.)

Revenue Sources WCCC is the only one of the 29 community colleges in Michigan that does not have any voter approved millage for operating purposes. The state created the WCCC district and allocated .25 mills of the constitutionally limited local property tax to it. In 1971 the state began providing a special state grant equivalent to .75 mill to WCCC to compensate for the lack of voter approved millage and to guarantee revenues, in combination with the allocated millage, equal to a one-mill tax. In June 1992 the average operating millage rate for community colleges was 2.0041 mills: the highest rate is 3 mills, imposed by three community college districts, and the second lowest is 1 mill, imposed by two community college districts. The special state aid was in addition to general formula aid distributed to all community colleges. In 1991 the state Legislature determined to eliminate the special grant to WCCC over five years from 1992 to 1997. That grant declined from a high of \$10.4 million in 1990-91 to \$7.3 million for 1992-93.

BOARD OF DIRECTORS

DANIEL J. KELLY, President
ALFRED R. BLANCY, Vice President
GEORGE N. BASHARA, JR.
BEVERLY A. BELTAIRE
LOUIS BETANZOS
J. JAMES BROZZO
JOHN W. CLARK

MALCOLM G. DADE, JR.
GEORGE C. EADS
MICHAEL M. GLUSAC
ALICE GUSTAFSON
JOHN J. HOLTON
DAVID A. HOULE
HARRY KALAJIAN

SUSAN L. KELLY
DAVID B. KENNEDY
PATRICK J. LEDWIDGE
ROBERT F. MAGILL
PAUL H. MARTZOWKA
MICHAEL E. MASLYN
DAVID N. McCAMMON

DONALD R. PARFET
IRVING ROSE
WILL SCOTT
HOWARD F. SIMS
A. ROBERT STEVENSON
RICHARD WEBB

ROBERT L. QUELLER, Vice President-Executive Director

Community colleges are financed by a combination of property taxes, state aid, tuition and fees, and other revenues. Lack of voter approved millage and receipt of the compensating special state grant combine to make the WCCC general fund revenue mix atypical, but Wayne County Community College did have the fourth highest total revenues and the third highest total expenditures per full time equivalent (FTE) pupil in 1990-91.

The .25 mill allocated to WCCC generated \$625 per FTE pupil, while the average property tax of the 29 community colleges was \$1,256 per FTE pupil. State aid contributed \$3,676 per FTE pupil at WCCC, but only \$1,708 per FTE pupil on average. WCCC received \$109 less per pupil from tuition and fees than the average.

Tuition In 1991-92, 97% of total student credit hours at WCCC were provided to in-district pupils. This was the highest percentage of credit hours provided to in-district pupils by any of the 29 community colleges in the state. The state average was 70% of credit hours provided to in-district pupils and 30% of credit hours provided to out-district pupils.

WCCC raised in-district tuition from \$35 to \$37 per credit hour in 1991-92. The average in-district tuition rate for the 29 Michigan community colleges in 1991-92 was \$34.87 per credit hour; the lowest rate was \$22.00 and the highest was \$43.00. The rates of neighboring community colleges in 1991-92 range from \$34 to \$40 per credit hour for residents, and from \$53 to \$61 for non-residents. The proposed September 1992 tuition rate for WCCC of \$53.50 per credit hour would be among the highest in-district rates in the states but comparable to what WCCC residents would pay in non-resident tuition at other community colleges.

One Mill If the millage proposal is approved in August, the one mill could be levied in December 1992. The .25 mill allocated to WCCC from the 15-mill limit would be terminated and would be available for reallocation, probably to local school districts within the WCCC District (that .25 mill in property tax would also generate additional state aid for in-formula school districts). The special state grant, which is paid in nine equal payments, would be terminated in February. One mill in the WCCC District would generate about \$16 million, which would replace the \$4 million from the allocated .25 mill and the declining state grant which is currently budgeted at \$7.3 million for 1992-93. WCCC would benefit by a net increase in operating revenues of about \$4.7 million, or about 12% of the current year budget of \$40 million.

Macomb Community College Operating Millage Renewal and Bond Proposal

Macomb Community College (MCC) is requesting a renewal for four years of .33 mill (\$0.33 per \$1,000 of state equalized value) and authorization for a \$15.9 million bond proposal.

Operating Millage In the early 1980s Macomb Community College trustees recognized a need for an institution that granted bachelor degrees in Macomb County, and understood that the community college was not going to become a four-year institution. They developed a plan for a university partnership program that would make it economically feasible for Macomb County residents to obtain a bachelor degree without leaving the county, and eventually sold that plan to the voters. After two defeats at the polls in 1986, when requests were for .67-mill for 20 years, a community college request for .33 mill for four years was approved in 1988. Revenues were to be used to construct a new building, the University Center at the Center Campus in Clinton Township, plus associated site improvements and parking facilities, and to fund operations for the first four years. That building was designed to house a partnership program with four-year institutions whereby those universities would offer classes using Macomb Community College facilities. Wayne State University, Central Michigan University, University of Detroit, Walsh College, and Oakland University now make 15 bachelor degree programs available to individuals who have earned associate degrees. In the fall of 1991 headcount enrollment was 1,160; in the spring of 1992, headcount enrollment was 1,236. A survey found that 71% of those enrolled in the bachelor degree partnership program were former MCC students.

The requested renewal of .33-mill would raise \$4.2 million annually. This would provide a continued operating subsidy for the University Center of \$700,000 annually; expansion of the center campus library, at a cost of \$9.1 million, to double the square footage and increase the number of books from 50,000 to 120,000; and program development to increase the number of bachelor programs offered (the first priority is addition of an engineering degree program).

Bond Proposal Macomb Community College is also requesting approval to sell \$15.9 million of unlimited tax bonds to update and replace equipment and renovate and preserve facilities and sites at the three campuses. Voters of Macomb County approved the sale of \$19.2 million in unlimited tax bonds on November 8, 1988, for equipment replacement and facilities renovation “for renovation, repair, updating and replacement of equipment, buildings, and security lighting, most of which have had more than 20 years of use.” Those bonds have been sold in increments of \$4.8 million in 1989, 1990, and 1992. The term of each bond issue was four years. The remaining \$4.8 million of the 1988 bond authorization is unsold.

The requested \$15.9 million bond authorization would allow MCC to continue the renovation program: \$6.6 million for renovations; \$5.5 million for institutional equipment; \$1.8 for improvements to student service systems; and \$2 million for mandated environmental improvements and handicapped facilities. The capital program has been planned with the intent of keeping the debt service levy at or under .5 mill.

There is a question as to why MCC would choose to fund ongoing maintenance and improvement activities in such an expensive way. If the decision has been made to have a program that costs no more than .5 mill annually, MCC could request voter approval of a tax levy of up to .5 mill to fund that program. Frequent sales of small amounts of debt for short (four-year) terms results in MCC paying large fees for each sale, as well as paying interest on the debt, all of which could be

[4]

avoided if the community college obtained a tax levy for ongoing maintenance activities. Using actual interest costs and typical issuance costs of 2.34% of principal, Macomb County taxpayers will have paid an additional \$2.9 million in costs to fund \$14 million for major maintenance and upgrading of MCC physical plant.

Macomb Community College Capital Program

Year	Principal	Estimated Fees (incl. in Principal)	Available for Program	Interest Costs	Total Cost to Taxpayers
1989	\$ 4,800,000	\$ 112,320	\$ 4,687,680	\$ 836,583	\$ 5,636,583
1990	4,800,000	112,320	4,687,680	1,108,788	5,908,788
1992	<u>4,800,000</u>	<u>112,320</u>	<u>4,687,680</u>	<u>617,150</u>	<u>5,417,150</u>
	\$14,400,000	\$336,960	\$14,063,040	\$2,562,521	\$16,962,521

Serious consideration should be given to converting the bond funded capital program to one financed through a designated operating levy.