Tax limitation's impact unclear, officials told

By MICHAEL MATUSZEWSKI

Confusion over implementation of the Headlee tax limitation amendment is so great that local government officials are uncertain how their operations and taxing power will be affected. Only the courts may be able to clear all the confusion surrounding the amendment to the state constitution approved by voters last Nov. 7.

That was the consensus at the Michigan Municipal League's annual regional meeting last week.

MANY THOUGHT the Headlee amendment was a simple matter: It limited the state government's share of the total economic pie, tied increases in government spending to the inflation rate, said the legislature would have to foot the bill for any future state-mandated programs and prohibited future local tax increases without voter approval.

The amendment is in place, but implementing it will be up to a special governor-appointed 17-member commission and the state legislature.

The 200 city administrators attending the conference in Inkster discovered that the amendment's relatively simple and concise phrases provide no clear-cut answers.

The term "state-mandated activity or service," for example, could be interpreted any number of ways, said Gary Buckbury of the State Office of Intergovernmental Relations.

"THIS IS NOT the simple, clear picture we had been hoping for," said Livonia Mayor Edward H. McNamara, echoing the concerns of his fellow mayors and administrators.

"It was a very simple, clear-cut amendment. It's too bad it's being complicated by the bureaucrats," he said.

There are three areas of confusion-1) state-mandated costs and a reimbursement policy, 2) the amendment's property tax rollback provision and 3) local bonding authority.

Because of an increasing number of new local programs ordered by the legislature, Headlee's provision calling for total reimbursement for state-mandated programs became a source of strong support from local government officials.

Buckbury, however, said the state legislature could choose to interpret "state-mandated programs" very broadly, which could make the state general fund responsible for paying state-arbitration awards and some state court decisions. Then again, it could interpret the amendment's language very narrowly.

Southgate Finance Director James Marling said, "The legislation that clears the state legislature is going to be in the state's interest. And we have learned over the years that their purposes and ours are not the same."

Even though the legislature has its choice of interpretations, most people agree that the flow of state mandates will slow in the future.

"Because of the limits on state revenue," Buckbury said, "the pie can only get so big. It means no more free spending."

THE CONFUSION surrounding local property tax rollbacks is no easier to clear.

According to the Headlee amendment, if a property's state equalized valuation increases more than rate of inflation, property tax rates must be rolled back. This is to hold revenues in line with the increase in the consumer price index. Thus, growth of spending is tied to the inflation rate.

However, no one is certain which tax rate should be rolled back—the maximum rate allowed under the city or township charter, the maximum rate that was approved by the voters, or both.

Moreover, according to officials from the state Office of Management and Budget, no one knows if local taxes can be restored to their former levels without an election.

Also, there are questions over tax breaks offered to encourage new and expanded business and industry. Because the Headlee amendment ties increases in property tax revenues to the inflation rate, industries coming onto the tax rolls after years of tax breaks are likely to boost property tax revenues beyond the inflation rate. That would mean new tax rollbacks.

ANSWERING THE questions raised by city administrators and the state office of management and budget, it is agreed, will be a weary, time-consuming process. That means that the true effects of the Headlee amendment will not be known for years to come.

"The ultimate test is going to come in the courts, especially the (state) supreme court," said Southgate's Marling.

"There will probably be a number of tests. At least, I would hope there would be," he said.

Developers' suit seeks OCC acreage

A legal battle is holding up the sale of 24 acres of Oakland Community College (OCC) property in Madison Heights.

Two land developers are asking Oakland Circuit Judge Hilda Gage to reverse a 1978 land deal between OCC and William Kemp.

Developers, Levon Derderian of Metamora and Jeffery Tappero of Troy, are also asking $20,000 damages. They want to use the property near the intersection of John R and 13 Mile for an industrial park.

The developers said W.H. Nikkel, OCC's vice president for business and finance, and the seven-member board of trustees ignored their final bid and accepted a smaller offer.

According to briefs filed with Mrs. Gage, Derderian and Tappero said they increased their offer from $17,500 per acre to $21,000. The board of trustees, however, decided to sell the parcel to Kemp, who offered about $20,000.

Derderian's final offer totaled $504,000 and Kemp's was $495,000.

Moreover, Derderian and Tappero contend they told Nikkel of their $21,000-an-acre offer but that he did not inform the trustees of the higher bid. Had the board of trustees known of the offer, they said, it would have decided in their favor.

Attorneys for OCC last week asked Mrs. Gage to dismiss the case because the "college board of trustees is under no legal obligation to accept their (Derderian and Tappero's) offer."

Mrs. Gage has scheduled a hearing for Jan. 31.