

Headlee says Oakland victory eases tax pressure

By Pat Murphy
staff writer

Homeowners can't expect property taxes to go down as a result of the victory Oakland County won last week in the lawsuit that will force the State of Michigan to give an additional \$400 million to local schools and governments annually, beginning in 1992.

They CAN, however, expect to see a "lessening" of pressures calling for property tax hikes and possibly fewer votes on overriding the so-called Headlee tax limitations.

"This is the most significant, strategic fiscal policy change in recent Michigan history," claimed a joyful Richard Headlee, one of several dignitaries who celebrated settlement of the lawsuit at a press conference Thursday. "It's the end of the state's unconstitutional shell game."

Also celebrating at the festively-decorated headquarters of the Alexander Hamilton Insurance Co. in Farmington Hills were Gov. John M. Engler, Oakland County Executive Daniel T. Murphy and Commissioner Roy Rewold, chairman of the Oakland County Board of Commissioners.

ENGLER CALLED the settlement "a major victory for every Michigan taxpayer and family. . . . This means more tax dollars will be returned to local governments to be spent on schools."

But neither the governor, nor any

one else close to the suit said they knew where the money will come from or how it would be allocated and spent.

"That's up to the Legislature," said the governor.

The cause for the celebration is a consent judgment ratified by Oakland County commissioners earlier in the day. The judgment ends the lawsuit filed in December 1985, on behalf of Oakland County by its top officials, Murphy and Richard R. Wilcox, who preceded Rewold as chairman of the board of commissioners.

Essentially, the suit said the state of Michigan — specifically the Department of Mental Health and Office of Management and Budget — violated the 1978 Headlee Amendment and shortchanged local governments and schools.

This was accomplished, according to the lawsuit, by a 1981 law changing the way the state computed the money it is obligated to return to local governments and schools under the Headlee Amendment.

The law deemed that money returned to local governments for mental health services — mandated by the state, but managed by local government — could be included in the 41.6 percent of its revenue the state is obligated to return to local communities.

BY COMPUTING the money this way, the law suit claimed, the state

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— Gov. John M. Engler
on county's lawsuit victory

paid local governments and schools less. Finding themselves with less money, schools and governments were forced to raise taxes.

"Only Oakland County had the courage to sue on behalf of local governments and taxpayers," said Headlee, referring to the fact that none of the other 82 counties in the state joined in the suit — even though they stood to benefit from victory.

In November 1987, Oakland Circuit Judge James Thorburn ruled in favor of the county, a decision that was upheld by a panel of the Michigan Court of Appeals, but appealed by the state of Michigan.

The case was pending in the Supreme Court when both sides agreed to the consent judgment Thursday. "I've got a pretty good idea about how it would have come out," Engler said, referring to how he believes the state's high court would have ruled.

The state realizes two advantages by settling the suit out of court, the governor said. First, there is no retroactive clause, meaning the state

won't have to go back and pay for previous years.

Second, the state has about 14 months in which to find ways of coming up with the money rather than paying out immediately as a court-ordered resolution might have required.

"WE (THE GOVERNOR and Legislature) have to fix the 1991 budget and then set the 1992 budget," Engler said. "Then (for 1993) we can make sure the state is living up to its own constitution."

Headlee said he felt "personally vindicated" by the settlement.

Neither Headlee nor Taxpayers United for the Michigan Constitution

were officially part of the lawsuit. But Headlee and other officers of the group — who initiated the 1978 Headlee tax amendment — were involved in negotiations.

"For over 10 years, two governors and numerous legislatures have illegally diverted millions each year from schools and local governments. In defense of their unconstitutional conduct, they have questioned the integrity of the leaders of Taxpayers United (for the Michigan Constitution)."

"Today the courts, our governor and leading local government organizations have all agreed that this shell game was unconstitutional. I feel vindicated, and I feel great."

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