

Proposal A

Schools to need some help if May 19 tax plan passes

Suburban voters can look forward to requests from their school boards for some new tax help if Proposal A passes May 19.

The reason is that they won't be able to meet inflationary costs with the restrictions that Proposal A puts on local revenue.

That assessment came from Gerald Dunn, executive secretary of the Metropolitan Association for Improved School Legislation, and William Davis, associate director of the Michigan Municipal League. They were interviewed by two dozen editors and reporters of the Observer & Eccentric Newspapers.

Proposal A will be on a special state election ballot. Essentially, it will cut operating property taxes by 50 percent, cap property tax growth at 6 percent, raise the income tax from 4 percent to 5.5 percent and dedicate that new revenue to reimbursing local government for lost property taxes.

But even that reimbursement won't be enough, said Dunn, who is essentially a lobbyist for suburban school districts, and Davis, a lobbyist for cities and villages.

Q. There are two types of school districts — those which receive state aid ("in-formula") and those which don't ("out-of-formula") because they are wealthy and have substantial property tax bases. What impacts will Proposal A have on them?

Dunn: For out-of-formula districts, like Livonia and Dearborn, in my association, their sole source of revenue is the local property tax. When you cap them (property taxes) at 6 percent, it's not necessarily a 6 percent allowable increase in each class of property.

For instance, in Dearborn you will find a revenue growth next year of 2-3 percent in industrial property, that's all. The residential growth will be 6 percent (because of real estate inflation).

It really doesn't mean that your (school districts) are going to have 6 percent more than last year's revenue. You will have individual school district

caps of less than 6 percent revenue growth.

That's why school boards are having difficulty arriving at individual positions on whether they'll support Proposal A. . . Their costs are going over. By holding Dearborn to that cap, they will have \$5.2 million less (under Proposal A than if there were no change).

Q. What about school districts that receive some state aid?

Dunn: Districts that are in-formula, like Garden City or Cherry Hill, have a different problem. Not only do they face the problem of the growth cap, but they also face the problem of state aid.

If the state is required (by Proposal A) to put much of its general fund revenue into this sales tax fund (to reimburse school districts) to shore it up, there won't be any money for state aid, or there won't be as much.

Another problem that in-formula districts have is the way the school aid formula works. This is technical, but I can explain it.

They have a 6 percent cap on property tax growth. But their SEV (state equalized valuation) growth, which is not covered by Proposal A, may be 15 percent.

Now their SEV growth of 15 percent is taken into account by the state, so that means less dollars from the state aid formula.

So an in-formula district gets a potential double-whammy. Now I say "potential" because that is just one problem we're trying to work out in the implementation language.

Q. So what you're telling us is this: If Proposal A passes May 19, and if local property tax is capped at 6 percent growth, and if inflation remains at 12 percent or even if it's cut to 9 percent, we are going to see the local school boards asking voters for — what? For more millage? For waivers of the 6 percent cap?

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Gerald Dunn, executive secretary of the Metropolitan Association for Improved School Legislation: "If the state is required to put much of its general fund revenue into this sales tax fund (to reimburse school districts) to shore it up, there won't be any money for state aid, or there won't be as much."

BILL BRESLER/staff photographer

6% Property Tax Growth Restriction Example	
Residential Class, Local Unit	
Expected property tax revenue* 1981	\$1.2 million
Property tax revenue 1980	\$1.0 million
Percent growth	20%
Growth less 6% cap	14%
1981 property taxes after 6% restriction	\$1.06 million
Revenue reduction**	\$.14 million

* Excluding new construction and improvements.
** 6% cap applies to each classification of property by local unit of government. Reduction is applied to tax bills before 50% cut is made. Impact on individual properties may vary. (Millage rates and assessment levels not affected, although effect is the same as a 6% cap on assessment growth.)

Example shows the hypothetical effect of Proposal A on a municipality.

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