

Headlee chides schools seeking waiver

By Joanne Maliszewski
staff writer

'To hear out-of-formula school districts tell it, they're going to lose a lot of money. They're not going to lose a dime.'

— Richard Headlee,
author
Tax Limitation Amendment

A successful waiver of the 1978 Headlee tax limitation amendment will force property owners to pay higher taxes.

And it will once again let the state Legislature off the hook for its method of public education financing.

That's Richard Headlee's description of things to come if school districts convince voters to waive the constitutional limitation on property tax rates.

SOME SCHOOL district officials argue that without a waiver, the Headlee amendment will take districts below current operating levies because of adjustments in the Consumer Price Index (CPI) and increased property values. School districts have based programming and

expenses on current operating levies.

Headlee, however, sheds no tears for out-of-formula school districts, such as Farmington and West Bloomfield. "To hear out-of-formula school districts tell it, they're going to lose a lot of money. They're not going to lose a dime," Headlee said.

School officials disagree. When the CPI rises less than state equalized valuation (SEV), problems begin, said Michael Flanagan, Farmington Public Schools deputy superintendent.

"Our expenditures have no relationship to that CPI," he said. "The factor does not really represent our expenditures. It has a disproportionate weight for things like gas. About 10 percent of the CPI factor

involves increases in gasoline prices. Only about 1 percent of the district's budget is devoted to gasoline expenses."

THE CPI has helped reduce interest rates, which, in turn, cuts into the district's revenue because the district invests its money, Flanagan said.

This year, the Farmington schools should have no problem with the Headlee amendment.

"I don't think it will affect us because we haven't levied all of our authorized millage (37.29 mills)," Flanagan said. "It just forces us to do what we were doing voluntarily."

The Headlee amendment will reduce the district's authority to levy approximately 33.5 mills. But Flana-

gan said he most likely will recommend levying the current 32.5 mills.

IN-FORMULA schools districts — those that receive money from the state to make up for what local tax dollars cannot pay for — will suffer more, Headlee said.

The suffering will come from in-formula districts that will make more money from increased state equalized valuation (SEV). When that happens, the state cuts aid, Headlee said.

Out-of-formula districts don't receive aid — other than for state-mandated programs such as special education — because local tax dollars provide more revenue than state aid would.

Though he recognizes the dilemma of in-formula districts, Headlee believes these districts should vent their anger at the state rather than

seeking a waiver of the tax amendment.

"THE HEADLEE amendment says you can't get property tax increases so that limits the levies. But the schools say the state is limiting aid, so they go after the voters (for a waiver)," said Patrick Anderson, economist and Taxpayers United for the Michigan Constitution member.

"School districts have been put in a bind because the state aid formula penalizes them for growth," Anderson continued. "Instead of going to the state, the state is saying, 'Go back to the voters.'"

At least in principle, Flanagan agrees with Headlee. "Since 1979, the percentage of funding local school districts has dropped dramatically," Flanagan said.

He believes Headlee's theory is correct on paper, if not in reality. School districts have quite a few lawsuits in progress against the state for its funding methods, Flanagan said.

The problem is that while the suits sit in appeal, a school district is still faced with increasing cuts from the state and the Headlee amendment, Flanagan said.

"Technically, Mr. Headlee is correct. That's the way to resolve it. But what if we lose (the lawsuits)? In theory, he's right. In the practical world, the state officials are in the driver's seat," Flanagan said.

Headlee defends tax rollback amendment

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If assessments increased at the same rate of inflation. Inflation is measured by the federal Consumer Price Index (CPI).

A lower rate of inflation last year has further prompted anxiety among local government officials, who feel they won't reap the full benefits of inflation in property values because of the Headlee amendment.

Headlee, however, dismisses complaints.

"They see this phenomenal increase in property values. The Headlee amendment requires that formula be rolled back so property taxes don't go up 20-25 percent," he said.

Headlee and members of his Taxpayers United for the Michigan Constitution maintain that increased growth and a CPI increase of 1.9 percent last year provides more than enough tax revenue for local governments, especially out-of-formula school districts.

"ANYTHING ELSE is supposed to be returned to voters unless voters override it," said Patrick Anderson,

an economist and Taxpayers United member.

That's where Headlee's resurrected taxpayers organization comes into play. The nonprofit organization is charged with providing information to taxpayers who are in districts considering a waiver vote. "We are serving as a resource for information," Headlee said.

"If people are properly informed, they will realize what they give up by waiving the amendment. Our view is that the ultimate power rests with the people," he said.

Although cities are affected by the Headlee amendment, the rush to the voting booth has not yet been part of their scenario. "Cities are better run," Headlee said. "They also have

never been in a school aid formula."

WITH A 20-mill charter limit, Farmington in 1987-88 expects to levy slightly more than the current 10.76 operating mills (not including debt levy, which is exempt from the amendment). "We're in good shape," city manager Robert Deadman said.

Farmington Hills doesn't have quite the margin Farmington has, however. But the Hills is expected to benefit from increased property values despite the Headlee amendment.

"I don't anticipate this year that we will be near it or at it (the 10-mill charter limit). It (the Headlee amendment) could have an effect next year if the value of homes continues to exceed the CPI," said finance director Charles Rosch.

The Tax Limitation Amendment is a device for taxpayers to limit government's growth and prevent it from growing faster than the economy.

— Patrick Anderson,
economist



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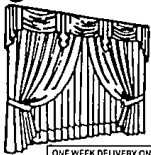
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