

# Council Comments:

## Citizens Research Council of Michigan

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

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### WAYNE COUNTY BALLOT ISSUES

At the primary election on August 7, 1990, voters in the Wayne County Community College District will be asked to authorize a 1 mill levy and Wayne County voters will be asked to renew a 1 mill levy for county operations.

#### ONE MILL PROPERTY TAX FOR WAYNE COUNTY COMMUNITY COLLEGE

The Wayne County Community College (WCCC) District is asking voter approval for a permanent 1-mill property tax (\$1 per \$1,000 state equalized valuation) for general operating purposes. The WCCC District includes all of Wayne County except the areas served by the Henry Ford (Dearborn), Highland Park and Schoolcraft (Northwestern Wayne County area) community college districts. WCCC has five campuses with a capacity of over 20,000 which currently serve (Spring 1990) 5,516 full-time equivalent students.

#### History

The WCCC District has never been able to obtain voter approval of operating millage. 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 1-mill property tax. Since then the WCCC District has not requested voter approval for millage. In 1971 the state legislature voted to allocate 0.25 mill of the 15 mill limit in Wayne County to the community college district.

#### Comparisons with Other Districts

Community colleges are financed by a combination of property taxes, state aid, tuition and fees, and other revenues. WCCC compared to the state average in 1988-89 as follows:

	<u>Percent of Total</u>		<u>Per Pupil</u>	
	<u>State Avg.</u>	<u>WCCC</u>	<u>State Avg.</u>	<u>WCCC</u>
Property Taxes	26%	10%	\$1,121	\$ 636
State Aid	39	62	1,666	3,925
Tuition	30	22	1,295	1,376
Other	<u>5</u>	<u>6</u>	<u>226</u>	<u>383</u>
Total	100%	100%	\$4,308	\$6,320

As shown in the table, WCCC received only 10% of its \$34.6 million operating revenue from the property tax compared to an average of 26% in all community college districts. WCCC received \$636 per full-time equivalent pupil from the property tax compared to the \$1,121 state average.

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WCCC is the only one of the 29 community college districts in Michigan that does not have a voter-approved millage for operating purposes. The average millage levied by community colleges for operations in fiscal 1988-89 was 1.83 mills and only two districts levied less than 1 mill. Within the three county area, community college millages in 1988-89 were: Wayne, .25; Oakland, 1.0; Macomb, .97; Schoolcraft, 2.11; Henry Ford, 2.14; and Highland Park, 1.6.

State aid to WCCC represented 62% of its revenue or \$3,925 per pupil, compared to a state average of 39% or \$1,666 per pupil. Total revenues of WCCC were \$6,320 per pupil compared to a state average of \$4,308. State aid to community colleges is based on a complex formula which, among other things, provides for a deduction of 1.0 mill of local tax from the gross state aid allowance to represent a "minimum" local tax share of total costs. Since Wayne County levies only 0.25 mill, the state since 1971 has provided special state aid in addition to regular state aid to WCCC equivalent to 0.75 mill. The 1989-90 state aid appropriation to WCCC was \$12.3 million in the general formula and \$10.0 million in the property tax grant or credit for the 0.75 mill that is not levied locally. WCCC is the only community college district that receives this special state aid grant.

In the 1990-91 appropriation bill as adopted by the house and senate, the legislature has indicated its intention to phase out the \$10 million special state aid to WCCC beginning in fiscal 1992 and eliminate it in five years.

### **Proposed Millage**

The proposed 1.0 mill for WCCC would respond to the concern that the special grant to WCCC equivalent to 0.75 mill will be phased out. Presumably the special grant would be eliminated if the 1.0 mill is approved by the voters.

If approved by the voters, the 1.0 mill could be levied in December 1990. The 0.25 mill allocated to WCCC from within the 15-mill limit would be terminated under existing law and could be re-allocated. It is likely that the 0.25 mill would be re-allocated to local school districts within the WCCC District. This would provide local schools with about \$4 million in additional local property taxes and, for those districts in-formula, would generate additional state school aid.

WCCC would receive about \$16 million from a 1 mill tax in 1990-91, but lose \$4 million from the present 0.25 mill tax and \$10.4 million in special state aid, for a net increase in revenues of about \$1.5 million, or about 4% of fiscal 1990 revenues of \$37 million.

### **WAYNE COUNTY ONE MILL PROPERTY TAX RENEWAL**

Wayne County voters will be asked to renew a 1-mill levy for a ten-year period for general county operations.

### **Charter County Taxes**

Article 9, Section 6 of the 1963 Michigan Constitution established a 15-mill limitation (or alternate 18-mill limitation) on unvoted ad valorem property taxes for division among counties, townships, and school districts. Voted increases may bring the total millage up to 50 mills, but these limitations do not apply "to taxes imposed for any other purpose by any city, village, charter county, charter township, charter authority or any other authority, the tax limitations of which are provided by charter or by general law" (emphasis added).

In 1980, Wayne County voters approved the creation of a county charter commission. At the time, there was considerable concern that removal of the charter county millage from the constitutional 15 mill limitation would create a windfall for townships and school districts, and a tax increase for county property owners. Public Act 7 of 1980 continued the charter county operating tax rate maximum of 10 mills, but also specified that counties that adopt charters are authorized to levy no more than the number of mills allocated in the immediately preceding year, unless otherwise approved by the electors.

Wayne County became the only charter county in Michigan effective January 1, 1983. At that time, the county was authorized to levy 6.07 mills from the 15-mill limit and 1 extra voted mill that had been authorized by the voters every five years since 1964. Renewal is now being requested for that 1 mill for the ten-year period 1990 through 1999. Headlee rollbacks have reduced the original 7.07 mill rate to 7.0127 mills. Another extra voted mill was approved for ten years in 1988, to be used for the construction and operation of a new county jail and a new juvenile offender work/training program.

### Wayne County Property Tax Levy

The county property tax is levied each December 1, on the valuation of property located in the county as of the preceding December 31. In 1990, the total state equalized valuation of property in Wayne County is \$24 billion, and a 1-mill tax would produce a \$24 million levy. The 1988-89 property tax delinquency rate in Wayne County was 7.22%.

### **WAYNE COUNTY REVENUES, YEAR ENDED NOVEMBER 30, 1989**

	<u>General Fund</u>	<u>All Funds</u>
Taxes	\$164,660,760	\$192,803,770
Licenses and Permits	143,589	161,294
Federal Grants	641,725	30,114,675
State Grants and Contracts	43,517,163	401,982,099
Local Grants and Contracts	1,092,438	7,599,639
Charges for Service	26,339,754	70,114,892
Interest and Rents	9,720,175	42,881,801
Other Revenues	<u>2,570,913</u>	<u>18,086,943</u>
Total	\$248,686,517	\$763,745,113

Source: 1989 Annual Financial Report

### Financial Condition

Wayne County has in the recent past encountered major financial problems, including those resulting from the operation of the Wayne County Jail and the county indigent hospitalization program. In 1979, Wayne County accounting records were declared unauditible by the state. It is clear from the following table, which shows that deficit amounts for fiscal years 1981 through 1983 were subsequently revised, that it was not until 1984 that financial reports finally did not require readjustment.

### **WAYNE COUNTY GENERAL FUND CUMULATIVE FUND BALANCE**

1981	\$ (38.3) revised to \$ (43.9)1985	(34.9)	
1982	(73.5) revised to \$ (93.4)1986	(102.0)	
1983	(10.6) revised to \$ (32.2)1987	(134.3)	
1984	(36.1)	1988	12.8
		1989	13.1

Source: Annual Financial Reports

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In 1987, the county and the state negotiated a settlement of the county's general fund deficit, most of which was owed to the state. This involved the sale of \$104 million of county fiscal stabilization bonds and a \$69 million emergency loan note from the state local emergency financial assistance loan board. These were guaranteed by revenues (about \$16 million a year) derived from an increase in the state cigarette tax, as well as state revenue sharing and county property tax revenues. The loan agreement requires that the county operates with a balanced budget, meet debt payments as they come due, file various financial reports, and comply with other loan agreements; it also carries a 10% penalty for any future general fund deficit. The county received an increase in the airport parking tax of about \$7 million a year to be used for general operations, and the indigent hospitalization program was restructured to increase county control and limit costs. This debt financing and restructuring has resulted in two years of general fund surpluses.

Revenues from the 1 mill renewal will be used to support county general fund activities, which in 1989 included the following expenditure categories and transfers:

**WAYNE COUNTY EXPENDITURES, YEAR ENDED NOVEMBER 30, 1989**

	<u>General Fund</u>	<u>All Funds</u>
Current Operations:		
Legislative	\$ 4,039,559	\$4,039,559
Judicial	40,884,224	42,622,375
General Government	68,106,948	75,253,352
Public Safety	44,116,615	57,843,735
Public Works	882,387	3,989,738
Highways, Streets and Bridges		94,071,759
Health and Welfare	3,822,096	402,157,442
Recreation and Culture		5,081,795
Capital Outlay		44,206,931
Debt Service	<u>1,619,509</u>	<u>29,976,540</u>
Total	\$163,471,338	\$759,243,226
Other Financing Sources:		
Operating Transfers In	\$ 15,463,383	\$121,197,518
Operating Transfers Out	(100,303,284)	(117,104,224)

Source: 1989 Annual Financial Report