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CONTACT: Don Wotruba
517-449-4480, dwostruba@masb.org

More Than 400 Local Michigan School Districts Bracing for Tax Hikes under PPT Bills

Homeowners Will Feel the Most Financial Pain

LANSING, Mich. — Homeowners and businesses in 425 local Michigan school districts face property tax increases under legislation in the state Senate to slash the state's business personal property tax (PPT), the Replace Don't Erase coalition warned today. [Click here](#) for the Municipal Advisory Council of Michigan's debt summary report of Michigan school districts.

The 192-page list shows the Michigan school districts that have bonded in recent years and decades — often with local voter approval — for capital projects. The bonds were secured, and are being repaid, with revenues from the PPT. If the Legislature passes the eight Senate bills to cut the PPT and take \$470 million a year in local revenues away from local communities and local schools, local property tax increases will be triggered so the districts can continue to meet their legal obligations to repay the bonds on time. While the bills, now on the Senate floor, promise that future legislatures and governors will return up to 81% of the funds cut from local schools and communities, they fail to include one penny of actual funding.

The school districts are in all Michigan regions and most Michigan counties. Local property taxes will increase if the Senate bills pass because local millage rates are adjusted annually based on tax base. If PPT revenues are cut and not replaced in a particular school district, that means the district's tax base has also declined, automatically triggering a local millage increase to pay off the bonds on time. Homeowners in the districts will feel the most financial pain.

"Under the Senate bills, the Legislature and Governor would cut local revenues for local communities and schools by \$470 million a year and do nothing to assure one dime of the revenues would ever be replaced," said Kent County Intermediate School District Superintendent Kevin Konarska. "The result will be local property tax increases for thousands of homeowners in literally hundreds of Michigan school districts."

Michigan newspapers, bond market publications and others are warning of higher local borrowing costs and local tax increases because the bills fail to assure replacement funds for local communities and schools. "Murky," The Detroit News says of the bills. "Inadequate and potentially reckless," says the Lansing State Journal. "(A) nightmare for those who have to live through it," says the Detroit Free Press. "Despicable," says the Port Huron Times-Herald.

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The PPT generates about \$1.3 billion a year for local police and fire services, local libraries, local roads and bridges, local public schools, and other local services. PPT revenues go directly to local communities — not to the state Legislature. While the Senate bills cut the PPT by \$470 million a year, they fail to assure replacement of even \$1 for local communities and schools. Although the bills create a “replacement fund,” not a single dollar will ever go into the fund unless or until future legislatures specifically vote to do so.

Voters in Holland Public Schools approved a \$73-million bond in 2010. Eliminating or cutting the PPT without assuring replacement revenues would eliminate as much as \$1 million in local revenues from the district, said Holland Superintendent Brian Davis.

“With the generosity and support of our community, we were able to pass the bond in 2010,” Davis said. “If our legislators pass bills to eliminate or cut the PPT, there must be a clearly defined replacement that will not impact other revenue sources for public school districts. Our legislators also must be clear in communicating to homeowners in the districts they represent how this will impact their taxes.”

The Replace Don't Erase coalition does not oppose cutting the PPT. But the coalition opposes the Senate bills because they do nothing to assure any of the funds the Legislature is taking from local communities and schools would ever be replaced. Only a constitutional amendment can assure replacement of the funds and protect local taxpayers.

“The Michigan Constitution is a document filled with our state's legal guarantees, including guaranteed funding for roads, for bridges, for transit, for public education,” said Portage Public Schools Superintendent Richard Perry. “If Lansing is going to take local PPT revenues away from local communities and schools and promise to repay the money, the only way to guarantee replacement and protect local taxpayers from local tax increases is a constitutional amendment. Any reduction in the PPT must come with replacement revenue that will allow us to provide a quality education for children, operate and maintain our schools, and meet our obligations to taxpayers.”

More about the Replace Don't Erase coalition can be found at www.replacedonterase.com.

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