



## Non-Homestead Operating Millage Proposal Information

Updated Feb. 5, 2024

### Background

All Michigan school districts must levy 18 mills on non-homestead property to receive their full foundation allowance, the major source of funding for Michigan schools.

On Nov. 27, 2023, the Rochester Community School District Board of Education passed a resolution to submit a proposal for a special election to be held on Tuesday, Feb. 27, 2024.

If approved, the proposal would allow the school district to continue to levy the statutory rate of 18 mills on non-homestead property, in order for the school district to receive its full revenue per-pupil foundation allowance and restore millage lost as a result of the Headlee Amendment.

### Ballot Language

Shall the currently authorized millage rate limitation on the amount of taxes which may be assessed against all property, except principal residence and other property exempted by law, in Rochester Community School District, Oakland and Macomb Counties, Michigan, be renewed by 18.5004 mills (\$18.5004 on each \$1,000 of taxable valuation) for a period of 5 years, 2025 to 2029, inclusive, and also be increased by .5000 mill (\$0.5000 on each \$1,000 of taxable valuation) for a period of 5 years, 2025 to 2029, inclusive, to provide funds for operating purposes; the estimate of the revenue the school district would collect if the millage is approved and 18 mills are levied in 2025 is approximately \$24,568,063 (this is a renewal of millage that will expire with the 2024 levy and a restoration of millage lost as a result of the reduction required by the "Headlee" amendment to the Michigan Constitution of 1963)?

## Frequently Asked Questions

### 1. What is a non-homestead operating millage?

The operating millage is a levy on non-homestead properties that are not an owned primary residence or qualified agricultural property, such as a business, vacation home, investment and rental property.

All school districts in Michigan must levy 18 mills on non-homestead property to receive their full foundation allowance established by the state. Owned primary residences do *not* pay the 18-mill tax (\$0 per year).

### 2. Is this a new tax?

No, this is not a new tax. It was first levied in 1994 with the passage of Proposal A, and RCS voters have periodically voted renewals and restorations of that tax over the years.

### 3. Would tax rates increase for owned primary residences if voters approve the millage?

No, owned primary residences do *not* pay the 18-mills levy. The operating millage proposal would apply to a business, vacation home, investment and rental property.

### 4. Would the proposed operating millage raise taxes for commercial and industrial properties, second homes and rental properties?

No. The district proposal would renew the current 18.5004 mills levy and restore 0.5000 mills eroded by the Headlee Amendment. Approval of the millage would not cause tax rates to increase, and the total millage proposed is less than that approved by voters in 2014.

### 5. Why is a non-homestead millage important for Michigan school districts?

All school districts in Michigan must levy 18 mills on non-homestead property within district boundaries, such as a business, vacation home, investment and rental property, to receive their full foundation allowance, or per pupil funding, established by the state. If this millage does not pass, a Michigan school district would not receive its full foundation allowance.

### 6. What percentage of general fund revenues accounts for the non-homestead operating millage?

The non-homestead operating millage represents approximately 10.7% of current budgeted general fund revenues.

### 7. What happens if the millage is not approved by voters?

The current millage expires with the Dec. 1, 2024, levy. If this millage does not pass, RCS would not continue to receive its full foundation allowance. RCS per-pupil revenue would fall from \$9,608 to \$8,060, which equates to a loss of approximately \$24.5 million per year from the district's general fund.

The Board of Education may vote to place this proposal on a future ballot. However, future dates would incur additional costs for the district and may not be ideal for voters, especially during the summer.

**8. When was the last time the non-homestead millage was renewed for RCS?**

In 2014, RCS voters last approved a levy for 19.9307 mills on non-homestead property over a 10-year period. Since then, the millage has been eroded by the Headlee Amendment and now stands at 18.5004 mills. However, at no time can the district levy more than 18 mills.

**9. What is the Headlee Amendment?**

In 1978, Michigan voters approved an amendment to the Michigan Constitution known as the Headlee Amendment, which included provisions related to state and local tax.

The Headlee Amendment automatically rolls back a millage rate to ensure taxes do not increase more than the rate of inflation. For example, if a tax base for a local unit increased from \$1 million to \$1.1 million in excess of the rate of inflation and the tax rate was one mill, the millage would have to be reduced from 1.0 mills to 0.909 mills, so that total revenue would be the same, \$1,000, as originally generated.

However, the state-funded portion of a school district's per pupil foundation allowance is calculated presuming a school district is levying a full 18 mills to provide the locally-funded portion of that foundation allowance. When there is Headlee erosion, the state-funded portion of the foundation allowance is not increased to offset that erosion in the local contribution. Because of that, if the operating millage is eroded below 18 mills by the Headlee Amendment and is not restored, the school district does not receive its full foundation allowance.

**10. Why is the district proposing a renewal of the 18.5004 mills and a restoration of 0.5000 mills when the state only requires 18 mills?**

The district is proposing a renewal of 18.5004 mills and a restoration of 0.5000 mills, even though at no time can the district levy more than 18 mills. If approved, the total 1.0004 mills above 18 mills would be used to offset potential future Headlee erosion, which can reduce the millage rate to adjust for inflation. It's important to note that if the millage rate falls below 18 mills due to the Headlee erosion, the district will not receive its full foundation allowance.

**11. Why is the millage proposed for five years, instead of 10 years as it was in the past?**

In all Michigan school districts, the 18-mill, non-homestead levy is subject to rollbacks, per the 1978 Headlee Amendment to the Michigan Constitution. While school districts cannot levy more than 18 mills on non-homestead property, Rochester Community Schools is requesting that voters consider a 19.0004 millage authorization to protect against future rollbacks if and when they should happen over the next five years.

Extending the proposed 19.0004 millage authorization for 10 years, versus the proposed five years, may not be sufficient to protect against possible rollbacks due to the Headlee Amendment. If the RCS millage rate falls below 18 mills, the district will not receive its full foundation allowance.

**12. How is this millage rate calculated by the state of Michigan?**

A millage rate is the rate at which taxes are levied on property. Property taxes are computed by multiplying the taxable value of the property by the number of mills levied, where a mill is 1/1000 of a dollar. So, if a business property has a value of \$100,000, and is assessed a 1 mill tax rate, \$100 in taxes are owed.

## School Funding Information

**13. How are schools funded?**

In 1994, statewide ballot question was considered, called Proposal A. Michigan voters approved it, and school funding in Michigan changed dramatically. After Proposal A, the structure of funding local schools through local homeowners' property taxes shifted to equalize school funding across the state. A statewide education tax of 6 mills on all property was established. Other sources like state sales and income tax, lottery revenue, tobacco and use taxes contribute to school funding. Additionally, local school operating millages were capped at 18 mills.

School district operating funds then were calculated on a per-pupil amount, called the foundation allowance. This enabled the lowest funded schools in the state to receive a basic level of funding, which helped narrow the funding gap between school districts.

**14. How does the state allocate funds to school districts?**

Public schools in Michigan are primarily funded on a per-pupil basis using the pupil blend count, also known as the State Aid Membership. Each district counts the number of students twice during a school year, once in October and once in February. The state decides the amount of foundation allowance for each school district and multiplies that number by the number of countable students in the district.

The foundation allowance has two components: state aid and local non-homestead property taxes. The state calculates its portion of the foundation allowance as if the district is collecting 18 mills, whether true or not. If the voters do not approve the 18 mills levy, the state does not make up the difference and the district does not receive the full foundation allowance.

The estimated FY2023-24 foundation allowance for RCS indicates that the Rochester Community Schools foundation allowance is quite modest. When considering the district with the highest foundation allowance in the state and applying that value to the approximate number of students in the RCS, the difference totals more than \$57.5 million.

While the foundation allowance is the major source of funding for RCS, the district also gets a small amount of federal, local, and inter-district funding. Local revenue includes the renewable 18-mills non-homestead property tax; tuition from special programs such as preschool; dues and fees; community services such as school-age care; and other miscellaneous sources. Inter-district funding comes from the County Act 18 special education tax.

**15. How does the district spend its funds?**

The general fund is the primary operating fund for the district and covers everything necessary to provide educational programs and services for our students.

Rochester Community Schools budgets in four main areas: instruction; support services; community service; debt service and capital outlay. Instruction includes salaries for teachers to educate our students. Support services includes counselors, speech therapists, psychologists, social workers, athletics, transportation, operations and maintenance, and administration. Community service includes recreation and enrichment programs and school-age care. Debt service and capital outlay (<1%) includes copiers, furniture and equipment. If the Board of Education elects to do so, the general fund can also be used to purchase buildings for the district.

Most of what school districts spend their funds on is salaries and benefits. For the 2022-23 school year, approximately 80% of the RCS general fund expenditures supported salaries and benefits.

**16. Can building and site bonds and a sinking fund increase funds beyond what is allocated?**

For capital improvements, building and site bonds and a sinking fund provide an opportunity for schools to increase funds beyond the state-established foundation allowance, state categoricals and federal sources. However, such funds cannot be used for general operations.

**17. How do RCS school tax rates align with other districts in Oakland County?**

According to the Stifel public finance report for 2022, Rochester Community Schools has the fourth-lowest school tax rate in the county.

**18. How does Rochester Community Schools perform at such a high level with a modest foundation allowance and bond and sinking fund tax rates?**

RCS plans a budget for every fiscal year that is sustainable, promotes growth, minimizes impact on student programs, is team-based, open and transparent, and supports the district's strategic plan. The district carefully monitors the budget to make sure expenditures align with available resources. The district also maintains an adequate fund balance to make sure it has enough money to continue operations in case of surprise expenses or state revenue shortfalls. This is especially important since school districts do not receive the first payment of the year from the state until October, after school has already started.

## Voter Information

**19. When are the polls open to vote on Feb. 27, 2024?**

The election polls will open at 7 a.m. and close at 8 p.m. on Tuesday, Feb. 27, 2024.

**20. How can a Michigan resident register to vote?**

To learn more about voter registration, such as eligibility requirements, how to register to vote in Michigan, and updating or canceling voter registration, go to:  
<https://www.michigan.gov/sos/elections/voting/register-to-vote>.

**21. When can residents register to vote?**

Methods and requirements for voter registration depend on the following deadlines. For more information, go to: <https://www.michigan.gov/sos/elections/voting/register-to-vote>.

- Monday, Feb. 12, 2024, is the last day for voters to register by mail.
- Voters may register in person through Tuesday, Feb. 27, 2024 (Election Day) by visiting their local clerk's office to register in person with proof of residency documentation.

**22. Are election clerk offices open on Saturday and Sunday before the election?**

Election clerk offices must be open for at least 8 hours on the last Saturday (Feb. 24, 2024) and/or Sunday (Feb. 25, 2024) before the election to issue and receive absent voter ballots. The election clerk must post notice of any dates and times at least 30 days before the election.

**23. Where can voters go to learn about Feb. 27, 2024, election calendar dates?**

Voters can learn about election calendar dates and deadlines at:  
<https://www.michigan.gov/sos/elections/ballot-access/deadlines>.

**24. Who can vote by absentee ballot?**

All registered voters in Michigan have the right to vote by mail using an absentee ballot delivered to their home. Voters can also request an absentee ballot directly from their local clerk's office. Absentee ballots are available beginning 40 days prior to every election. Michigan voters can decide to be placed on a permanent absentee ballot list. The local clerk will then mail them an absentee ballot for all local, state, and federal elections.

**25. Where can voters go to learn more about absentee voting?**

For more information about absentee voting, go to:

<https://www.michigan.gov/sos/elections/voting/absentee-voting>.

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*The information contained in this document will be updated as additional questions arise.*