

PROPERTY TAX DEFINITIONS

Millage: A millage is a fixed number of mills levied for a specific purpose on property within the boundaries of a governmental unit. That fixed millage multiplied by taxable property values equals the property tax revenues to be levied. Examples of millages include funding for police, fire fighters, libraries, local public schools, and infrastructure. A mill is a unit of measure used to describe property tax revenues. A mill is equal to one dollar of property tax for every \$1,000 dollars of taxable valuation. For example: 1-mill of property tax on a house valued at \$50,000 would be \$50 of tax per year.

Non-Homestead Millage: A local operating millage approved by the voters of the school district on non-homestead property. This includes business and rental property as well as other properties where a homestead exemption has not been granted. In Michigan, all school districts must receive a locally voted 18-mill, non-homestead millage in order to receive the State determined student foundation grant amount. This millage can be levied up to twenty years without needing a renewal. The property tax revenue is paid directly to the local school district.

Hold Harmless Millage: A millage available only to school districts that have student foundation grant amounts greater than the State determined amount. This local operating millage is approved by the voters of the district. If approved, the millage provides or bridges the gap between the State determined student foundation grant and the school district's actual student foundation grant.

State Education Tax Millage (SET): A property tax millage levied by the State on all property that is dedicated to help fund K-12 education and is part of Proposal A. This millage is currently fixed at 6 mills, and applies to both homestead and non-homestead property. The property tax revenue is collected by the State and added to the School Aid Fund for distribution to all school districts and charter schools in Michigan.

Debt Millage: A locally voted millage for the purpose of construction or renovation of school buildings and other capital expenditures as permitted by the law. A sinking fund is restricted in use by the language contained in the millage request and is strictly enforced by the Michigan Department of Treasury. The maximum millage that can be levied is 5-mills annually for no longer than ten years. One advantage of a sinking fund millage over a debt millage is property taxes directly pay for the capital expenditures; meaning there is no interest expense for debt. Sinking funds are typically used for smaller type projects or over a longer period of time.

Sinking Fund Millage: A locally voted millage for the purpose of construction or renovation of school buildings and other capital expenditures as permitted by the law. A sinking fund is restricted in use by the language contained in the millage request and is strictly enforced by the Michigan Department of Treasury. The maximum millage that can be levied is 5-mills annually for no longer than ten years. One advantage of a sinking fund millage over a debt millage is property taxes directly pay for the capital expenditures; meaning there is no interest expense for debt. Sinking funds are typically used for smaller type projects or over a longer period of time.

HOW MUCH REVENUE WILL THE OPERATING MILLAGE GENERATE?

The non-homestead operating millage generates approximately \$32.7 million annually, and the hold-harmless generates approximately \$9.8 million annually. Together they generate approximately \$42.5 million annually. This is 22% of the school district's operating budget.