

Understanding the Lake Charter Twp. vs Indiana Michigan Power Co. (I&M) Tax Appeal

COMMUNITY FORUM

BRIDGMAN HIGH SCHOOL PERFORMING ARTS CENTER

WEDNESDAY, SEPTEMBER 25, 2024

6:30 P.M.



DISCLAIMER

When I talk about Indiana Michigan Power Co. (I&M)/American Electric Power (AEP), I am not talking about family, friends, and neighbors who work at the D.C. Cook Nuclear Plant.

I am talking about the corporation that has a market capitalization of approximately \$54.3 billion. Its enterprise value, which factors in debt, is significantly higher, at around \$98.26 billion.

AEP is one of the largest electric utility companies in the U.S., and its stock has experienced a notable increase of about 32.7% in the past year.

Source: Stock Analysis and Macrotrends

Agenda

1. Overview of the Lake Charter Twp. vs Indiana Michigan Power Co. (I&M) Tax Appeal
2. Understanding School Funding 101
3. What Does the Tax Appeal Agreement Mean for Bridgman Public Schools?

Overview of the Lake Charter Twp. vs Indiana Michigan Power Co. (I&M) Tax Appeal

2022 tax year: filed notice of tax appeal to the Michigan Tax Tribunal

2023 and 2024 tax years were amended to be included in the tax appeal

Tax Tribunal The Michigan Tax Tribunal is a quasi-judicial administrative court that hears tax appeals for all Michigan state and local taxes.

Affected Entities – Lake Charter Twp., Bridgman Public Schools, Berrien County (operating, 911, public safety, senior centers and parks), Berrien RESA (operating and special education) and Lake Michigan College

Self Assessment?

Current Value of D.C. Cook as assessed by I&M/AEP itself?

2022 – \$1,108,681,400

2023 – \$1,196,614,200 7.93% increase

2024 - \$1,259,143,600 5.23% increase

2022 Appraisals –

Lake Twp. \$1,254,189,100

I&M/AEP \$600,000,000

Palisades Nuclear Power Plant

Overview of the Lake Charter Twp. vs Indiana Michigan Power Co. (I&M) Tax Appeal

Bridgman Public Schools was NOT a party to the Tax Appeal

Bridgman Public Schools entered into a Mutual Agreement to pay for legal services with the listed entities and were able to have conversations at the table with the other entities and Lake Charter Township's attorneys

Bridgman Public Schools pays 42% of all legal fees encumbered

As of today, Bridgman Public Schools has expensed \$83,573.94 in legal fees

Understanding School Funding 101

Public School Districts in Michigan

Michigan's funding formula is largely driven by revenue from the state's sales tax. In 1994, Michigan adopted **Proposal A**, which shifted school funding from a property-tax-based system to one that is primarily funded by state sales tax. Under this system, schools receive funding through a **per-pupil foundation allowance**, which is set annually by the Michigan Legislature.

State Education Tax (SET): This is a 6-mill tax levied statewide, and its revenue goes into the School Aid Fund.

Income Tax: A portion of the state income tax also goes into the School Aid Fund to support K-12 education.

Bridgman Public Schools

- ✓ Bridgman Public Schools has one of the most unique school funding structures in the State of Michigan
- ✓ BPS is an out of formula district
- ✓ What does that mean?

In Michigan, an "out of formula" school district refers to a district that does not receive its full funding allocation through the state school funding formula, typically due to having a higher local tax revenue base than other districts. Michigan's school funding system primarily relies on a combination of local property taxes and state aid to ensure equitable funding across districts.

For most school districts, the state provides additional funding to make up the difference between what local taxes raise and the per-pupil foundation allowance. However, in "out of formula" districts, local property taxes generate more revenue than the foundation allowance, so these districts receive little to no state aid.

These districts tend to have higher property values, which allow them to fund schools primarily through local taxes. The term "out of formula" highlights their deviation from the usual state funding model.

Understanding School Funding 101

- Lowest enrollment in years mainly due to housing shortage
- Little chance of going back in formula in the future
- Need > 1200 students
- Non-Homestead Millage = 8.376 mils compared to most districts across State of Michigan at 18.0 mils
- **BPS does not qualify for the commercial personal property tax because our tax rate is below 12 mils**
- Michigan Department of Education and/or the Michigan Department of Treasury have NO mechanisms in place to assist BPS with a loss of funding like they have done with other districts across the state.

Residential Population	NAME and SCHOOL ENROLLMENT	BASIC_MILL
5,475	BRIDGMAN PUBLIC SCHOOLS 812.64	8.376
657	BEAVER ISLAND COMM SCHOOLS 54.11	15.7908
922	MACKINAW CITY PUBLIC SCHOOLS 139.44	17.7634
7,255	HARBOR SPRINGS SCHOOL DISTRICT 709.40	13.9911
1,996	CASEVILLE PUBLIC SCHOOLS 212.03	14.7601
33	SIGEL TWP SCHOOL DISTRICT #4 26.03	16
255	GRANT TOWNSHIP SCHOOLS 6.36	5.167
5,491	GLEN LAKE COMMUNITY SCHOOL DIS 704.45	15.0696
3,541	LELAND PUBLIC SCHOOL DISTRICT 432.71	10.9013
1,996	NORTHPORT PUBLIC SCHOOL DISTRI 130.20	13.388
44	BOIS BLANC PINES SCHOOL DISTRI 3.16	4.1
854	MORAN TOWNSHIP SCHOOL DISTRICT 88.44	16.8733
836	MACKINAC ISLAND PUB SCHOOLS 64.17	7.8

Understanding School Funding 101

Out of Formula Districts in Michigan

School District Name	MDE Code	County Location
AUTRAIN-ONOTA PUBLIC SCHOOLS	02010	Alger
BURT TOWNSHIP SCHOOL DISTRICT	02020	Alger
GLENN PUBLIC SCHOOL DISTRICT	03440	Allegan
CENTRAL LAKE PUBLIC SCHOOLS	05035	Antrim
BELLAIRE PUBLIC SCHOOLS	05040	Antrim
ARVON TOWNSHIP SCHOOL DISTRICT	07010	Baraga
FRANKFORT-ELBERTA AREA SCHOOLS	10025	Benzie
RIVER VALLEY SCHOOL DISTRICT	11033	Berrien
NEW BUFFALO AREA SCHOOLS	11200	Berrien
BRIDGMAN PUBLIC SCHOOLS	11340	Berrian
BEAVER ISLAND COMMUNITY SCHOOL	15010	Charlevoix
BOYNE FALLS PUBLIC SCHOOL DISTRICT	15030	Charlevoix
MACKINAW CITY PUBLIC SCHOOLS	16070	Cheboygan
DETOUR AREA SCHOOLS	17050	Chippewa
WHITEFISH TOWNSHIP SCHOOLS	17160	Chippewa
HARBOR SPRINGS SCHOOL DISTRICT	24020	Emmet
WATERSMEET TOWNSHIP SCHOOL DISTRICT	27080	Gogebic
ELM RIVER TOWNSHIP SCHOOL DISTRICT	31070	Houghton
SIGEL TOWNSHIP SCHOOL DISTRICT #3F	32610	Huron
IONIA TOWNSHIP SCHOOL DISTRICT #2	34360	Ionia
GRANT TOWNSHIP SCHOOL DISTRICT #2	42030	Keweenaw
BALDWIN COMMUNITY SCHOOLS	43040	Lake
GLEN LAKE COMMUNITY SCHOOLS	45010	Leelanau
NORTHPORT PUBLIC SCHOOL DISTRICT	45040	Leelanau
BOIS BLANC PINES SCHOOL DISTRICT	49020	Mackinac
LES CHENEAUX COMMUNITY SCHOOLS	49040	Mackinac
MORAN TOWNSHIP SCHOOL DISTRICT	49070	Mackinac
MACKINAC ISLAND PUBLIC SCHOOLS	49110	Mackinac
POWELL TOWNSHIP SCHOOLS	52100	Marquette
REPUBLIC-MICHIGAMME SCHOOLS	52110	Marquette
WELLS TOWNSHIP SCHOOL DISTRICT	52160	Marquette
MUSKEGON HEIGHTS PUBLIC SCHOOLS	61020	Muskegon
PENTWATER PUBLIC SCHOOL DISTRICT	64070	Oceana
VANDERBILT AREA SCHOOLS	69040	Otsego
COVERT PUBLIC SCHOOLS	80040	Van Buren
HIGHLAND PARK PUBLIC SCHOOLS	82070	Wayne
SCHOOL DISTRICT OF THE CITY OF INKSTER	82080	Wayne

What the Tax Appeal Agreement Means for Bridgman Public Schools

Two Wins:

1. As part of the agreement, Bridgman Public Schools will not have to refund **any** tax money collected from the 2022, 2023 and 2024 tax years.

2. I&M/AEP has agreed **not** to reclassify the D.C. Cook Nuclear Plant property to Industrial Personal Property (IPP).

**Any Michigan Public School is exempt from levying up to 18 mills for school operating on Industrial Personal Property.*

3. The final part of the agreement

Starting in 2025, the taxable value of D.C. Cook Nuclear Plant becomes **\$1,108,681,400 (which is the 2022 taxable value)**.

BPS will experience a loss of 12% revenue or about \$1.2 million dollar loss.

In 2026 and 2027, **NO** additional revenue from the D.C. Cook property. BPS revenue stays FLAT while ALL expenses increase!

In 2028, 2029 and 2030 BPS will receive a 5% (just over \$500,000) increase in revenue each of those years.

What the Tax Appeal Agreement Means for Bridgman Public Schools

Must Reduce the Operating Budget by \$1.2 to \$1.8 million dollars before June 30, 2025.

Why? And How?

➤ Staffing Reductions –

Administrators, Teachers, Support Staff

➤ Program Reductions –

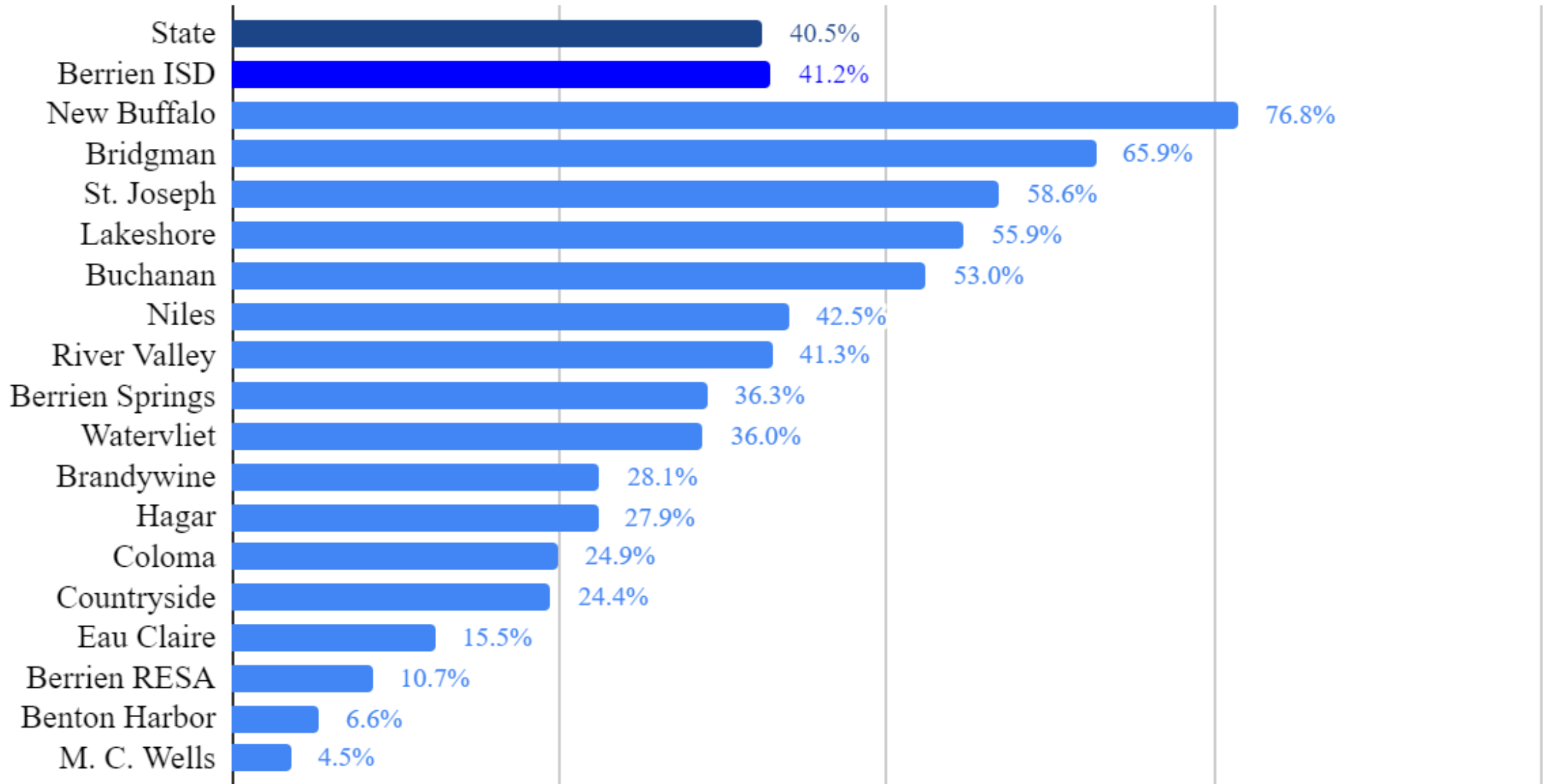
Athletics, Curriculum, Technology and Transportation

Bridgman Public Schools is the BIGGEST LOSER in this agreement!

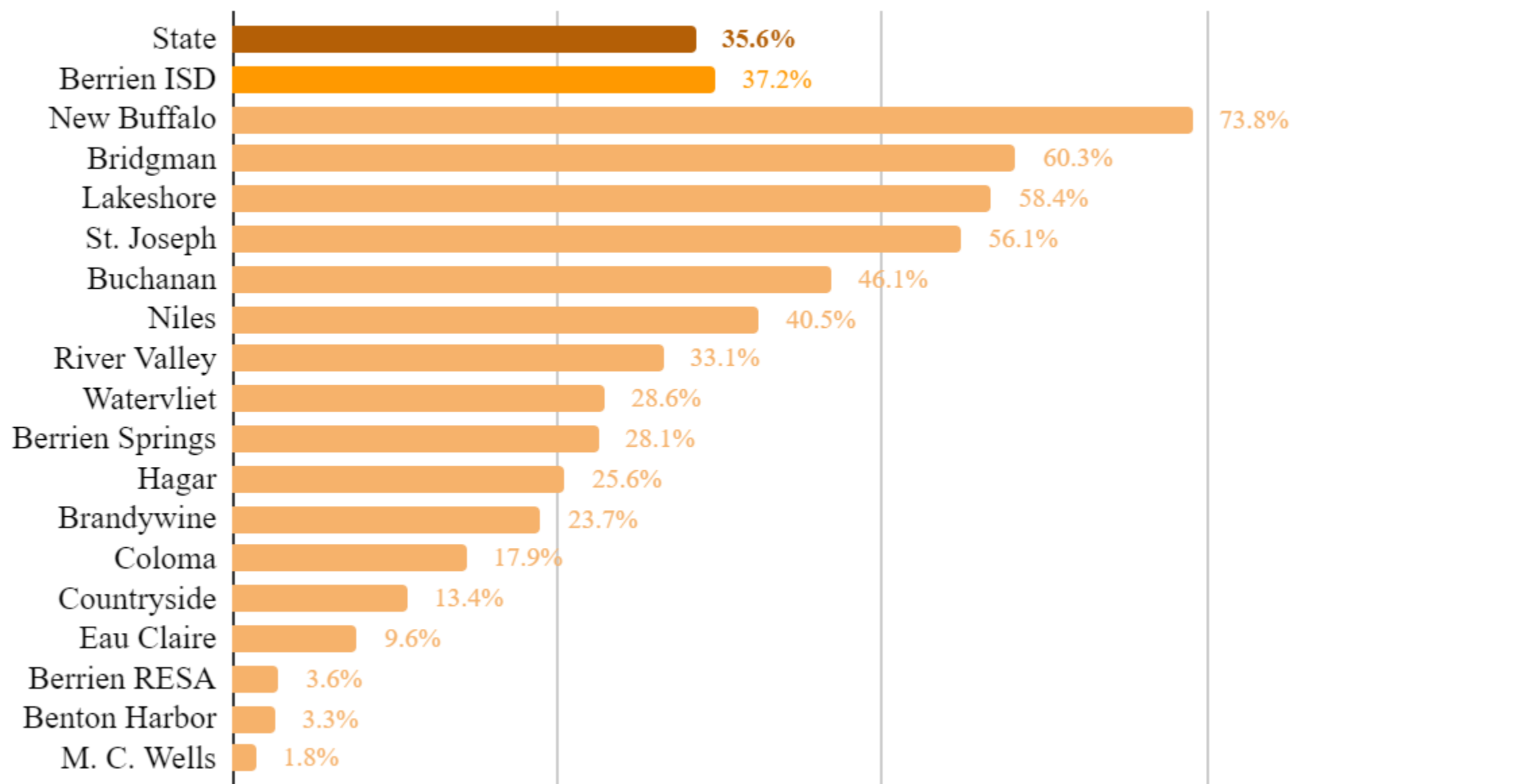
The District must balance these anticipated reductions with the end goal of maintaining our academic rigor, program offerings, student expectations, fair treatment of employees and increased expenses, including electricity.

The Board of Education and I have mutually agreed that I will postpone my retirement until December 31, 2026 to get the District through this instability.

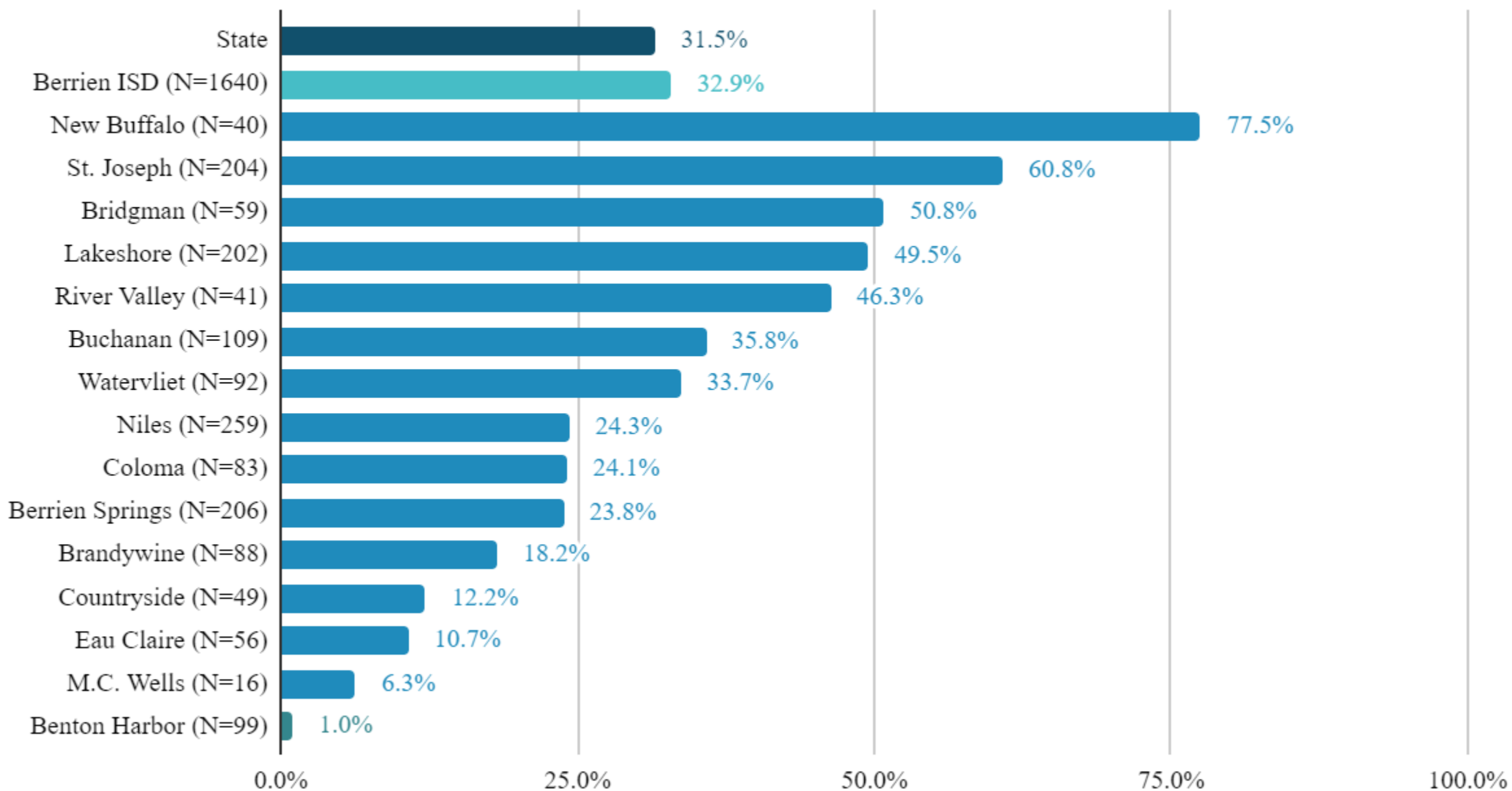
Mstep24 ELA Proficiency Gr3-7 Combined



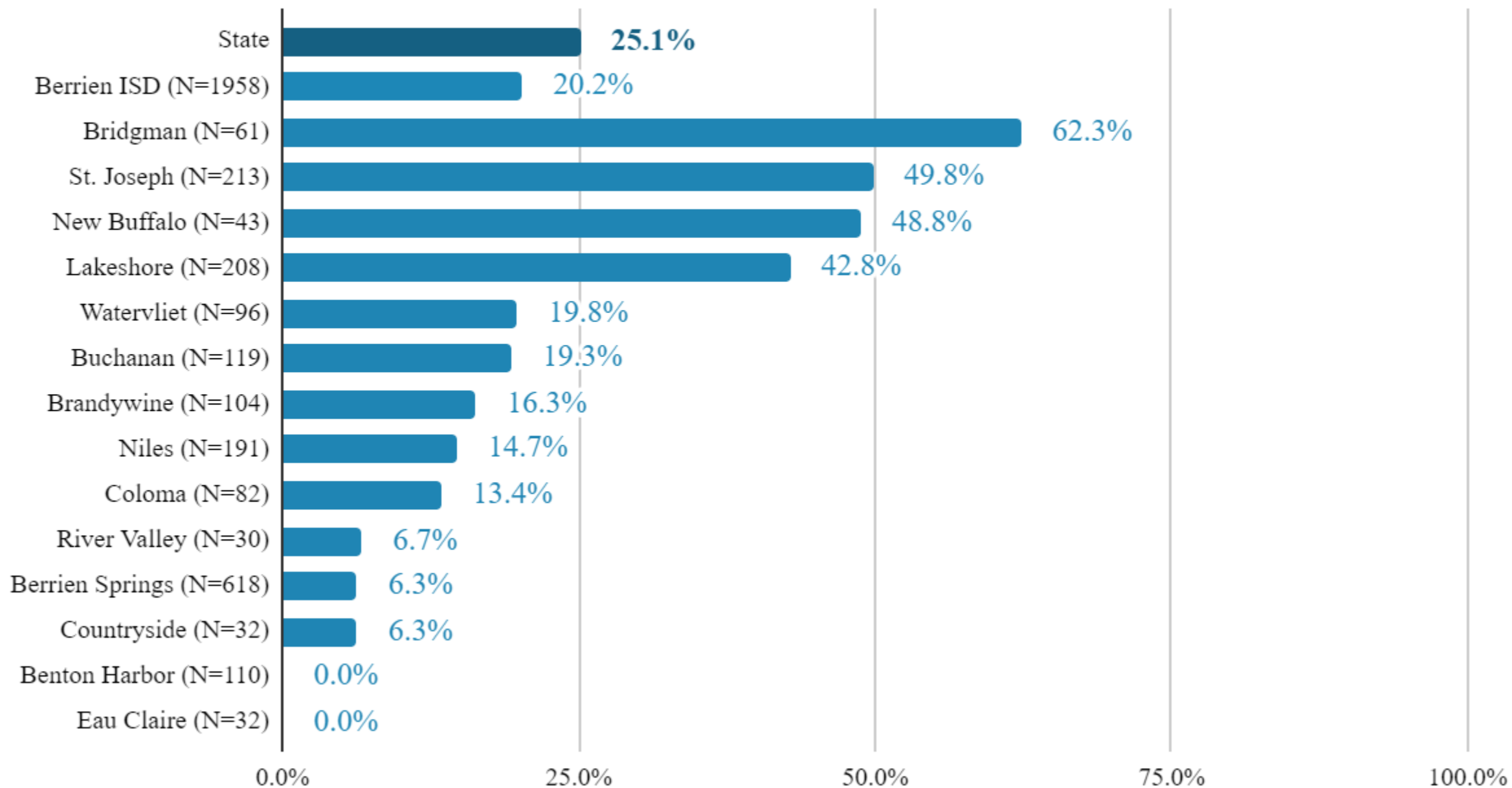
Mstep24 Math Proficiency Gr3-7 Combined



PSAT8 Spr24 Overall Proficiency



SAT Gr11 Spr24 Overall Proficiency



What the Tax Appeal Agreement Means for Bridgman Public Schools

This agreement also affects the Sinking Fund:

Initial Loss of Revenue in 2025: **Between \$62,000 and \$75,000**

This agreement also affects the Recreation Fund:

Initial Loss of Revenue in 2025: **Between \$62,000 and \$75,000**

Sinking Fund and Recreation Fund Revenues will remain FLAT for 2026 and 2027.

The District also must prepare for another Tax Appeal once this agreement expires in 2031

TIMELINE

October and November: Solicit input from stakeholders

November: Superintendent will provide an update on the Sinking Fund

December: Superintendent will provide an update on the Recreation Fund

March: Superintendent will provide an update on the Administration Reorganization Plan and Program Reductions

April: Superintendent will provide an update on the Staffing Reorganization Plan and Program Reductions

***October through June: Work on reimaging and transforming district with various stakeholders keeping in mind our ultimate goal of *student achievement!*

Possible Options/Solutions Still To Explore

1. In the coming days, the District will submit another Hold Harmless Agreement to Indiana Michigan Power Co. /American Electrical Power (AEP) for consideration. Any arrangement reached could reduce the number of staff and program reductions.
2. Representative Joey Andrews is currently working on legislation to allow Bridgman Public Schools to levy up to 18 mils on **NON-Homestead properties**. If this legislation passes, the District may not have to initiate staff and program reductions.
3. Continue to work with state legislators and lobbyists to obtain additional monies in the December 2024 or February 2025 Supplemental budgets or a line item in the 2026 State of Michigan Budget to address our decrease in revenue.

QUESTIONS ???

Remember the strength of our community is
our schools and the strength of our schools
is our community!

Thank You for coming tonight and showing
your concern and support for Bridgman
Public Schools!