

Legislative Analysis



NO SCHOOL TAX ELECTIONS FOR PUBLIC RECREATION SYSTEMS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5929 as introduced
Sponsor: Rep. James Koetje
Committee: Tax Policy
First Analysis (6-29-04)

BRIEF SUMMARY: The bill would prohibit school districts from holding an election for a recreation millage.

FISCAL IMPACT: This bill would have no state fiscal impact. However, school districts would not be able to hold elections to support recreation systems.

THE APPARENT PROBLEM:

Public Act 156 of 1917 permits any city, village, township, or school district to operate a system of public recreation and playgrounds either independently of one another or cooperatively. Reportedly, there has been a marked increase in recent years in the number of school districts that have turned to financing district-operated community recreation systems through a separate millage rather than from the school district's general fund. While the recreation millages, often around one mill, are not terribly large, some people contend that they go against the intent of Proposal A of 1994 - that is, to limit local school property tax increases and to reduce the funding disparity among school districts. Legislation has been introduced to prohibit school districts from levying recreation millages.

THE CONTENT OF THE BILL:

Public Act 156 of 1917 permits any city, village, township, county, and school district to operate a system of public recreation and playgrounds. The bill would prohibit a school district from holding an election to levy, increase, or renew a tax to support the recreation system after the bill's effective date.

MCL 123.52

ARGUMENTS:

For:

Among the purposes of Proposal A were limiting school property tax growth and making state funding for school districts more equal. Critics say that the proliferation of recreational millages goes against the purposes of Proposal A. A recent editorial in the *Grand Rapids Press* on school recreation millages argues that "the millages aren't designed to add to recreation, but to bolster the schools' general funds - compensating, as school officials say, for what they already spend on after school programs." Indeed, a

recent “fact sheet” by the East Grand Rapids Public Schools on its 1.4 mill, 20-year recreational millage (which was recently approved) flatly stated “revenue generated from this recreation millage will support academic programs. Voter approval of this 1.4 millage proposal is an opportunity to return over \$600,000 to the district’s general fund to provide and maintain quality K-12 instruction for students in East Grand Rapids Public Schools”. It also later noted, “[a] 1917 law enables us to request this 1.4 millage, which returns over \$600,000 to the general fund for academic programs.” Critics say this is exactly the sort of situation that has occurred with greater frequency in recent years and, in all likelihood, will continue to occur in the years to come. If the situation truly boils down to “pass the recreational millage or core academic programs will get cut”, then clearly the 1917 law runs afoul of Proposal A, say critics.

In addition, Proposal A was aimed at minimizing the funding disparity among rich and poor school districts. These recreational millages thus far have been largely approved in wealthier school districts. It seems less likely that smaller rural school districts and large urban school districts would approve these millages, as the demand in those districts for a school-based community recreational program is not thought to be as great. As this trend continues, the funding disparity among school districts will also increase.

Response:

Rather than eliminating the opportunity of school districts to levy taxes, it might be better to put limits on allowable uses, on the total mills levied, and on the length of time of the levy. The use of these recreational millages varies across the state, as not every school district has promoted these millages as being necessary to support core academic programs.

Against:

School districts have portrayed recreational millages as being necessary to support their academic programs because that is entirely true. However, this does not mean that these millages subvert Proposal A. Rather this is a shift in the finances of these community recreational programs; the kind of shift in spending that occurs throughout the public sector during these trying budgetary times.

Basically, schools claim that these recreational millages help academic programs because they allow the school district to pull general/operating funds away from community recreation programs (and toward academic programs) and make up that funding loss through the revenue generated by the millage. The revenue from the recreational millage does not fund academic programs. Rather, it funds a district’s community recreational program, just as the law requires. The recreational millage enables these recreational programs to be more “self-funded”. In previous years, schools could better afford to support community-wide recreational programs out of educational funding, thus saving taxpayers money. However, as state aid remains flat (and as costs increase), school budgets have been constrained, and it makes sense for schools to look for funding alternatives to continue to support programs.

Representatives from the Saline Area Schools offered a useful example to demonstrate why the bill should not be approved. The school district encompasses the City of Saline and several neighboring townships in Washtenaw County, and operates a community recreation program supported with a .85 mill, 10-year recreational millage approved in

September 2000. The millage provides funding for the Saline Area Senior Citizen Center, Saline Area School Pool, Saline Area School Theater Management, the teen and adolescent program, and Saline community education recreation and enrichment programs. Absent the involvement of the school district, a broad-based community recreation program in the Saline area would not exist, as the city and surrounding townships aren't large enough to provide such a program. The school district is the principal regional government in the area, as the services of Washtenaw County are largely focused on the county centers of Ann Arbor and Ypsilanti.

POSITIONS:

The Michigan Chamber of Commerce supports the bill. (6-23-04)

The Michigan Association of Realtors supports the bill. (6-23-04)

The Michigan Association of School Administrators opposes the bill. (6-16-04)

The Michigan Federation of Teachers and School-Related Personnel opposes the bill. (6-16-04)

The Michigan Association of School Boards opposes the bill. (6-16-04)

Oakland Schools opposes the bill. (6-16-04)

The Grand Rapids Public Schools opposes the bill. (6-16-04)

The Rockford Public Schools opposes the bill. (6-16-04)

Saline Area Schools opposes the bill. (6-16-04)

The Middle Cities Education Association opposes the bill. (6-23-04)

Michigan Small and Rural Schools opposes the bill. (6-23-04)

Michigan School Business Officials opposes the bill. (6-23-04)

Legislative Analyst: Mark Wolf
Fiscal Analyst: Rebecca Ross

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.