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TO: Detroit City Council

FROM: David Whitaker, Director 
Legislative Policy Division

DATE: October 28, 2024

RE: Proposal S Millage Proposal

The Legislative Policy Division (LPD) has been requested by Council President Mary Sheffield to provide a report regarding the implications of the Proposal S on the November 5, 2024, Detroit election ballot. LPD provides the following information.

The ballot proposal submitted for the residents of the city of Detroit, Proposal S provides the following:

School District of the City of Detroit Proposal S: Operating Millage Restoration

This proposal would restore and increase the limitation on the amount of taxes which may be levied by the School District of the City of Detroit for general operating purposes by 6.00 mills on all property, except principal residence and other property exempt by law, which would allow the School District to continue to retire its debt obligations. This authority, if approved and combined with the School District's other unexpired authorization, would allow the School District to continue to levy the statutory limit of 18.00 mills on all property, except principal residence and other property exempt by law, in the event of future Headlee rollbacks.

Shall the limitation on the amount of taxes which may be imposed on all property, except principal residence and other property exempt by law, in the School District of the City of Detroit, County of Wayne, State of Michigan, be increased by 6 mills (\$6.00

on each \$1,000 of taxable value) for ten (10) years, the years 2024 to 2033, inclusive, to provide funds for operating expenses of the School District of the City of Detroit? If approved, this millage would raise an estimated \$9,589,365 for the School District in the first year that it is levied.

LPD notes that in 2016 the Michigan Legislature provided a mechanism to separate the Detroit Public School system into two separate legal entities. One entity is the School District of the City of Detroit which is the old Detroit Public Schools (DPS), and the other entity is the Detroit Public Schools Community District (DPSCD). The School District of the City of Detroit is the entity that remained with the ability to collect property taxes to pay back the debt accumulated during the years of emergency management. The Detroit Public Schools Community District is the legal entity that operates as the educational institute that services approximately 50,000 students without the legacy debt of the old DPS.

This Proposal S is drafted on behalf of the School District of the City of Detroit (DPS). In reading the language of Proposal S it appears to restore the school mills back to the statutory limit of 18.00 mills with the 6.00 mill increase. In consultation with the City of Detroit Office of the Assessor (Assessor), and the Chief Financial Officer of the DPSCD, LPD was informed the millage for the DPS was rolled back as required by the Headlee Amendment of the State of Michigan Constitution. The restoration of the millage to 18.00 mills would provide the cushion needed to avoid the negative impact of projected annual Headlee rollbacks by levying new operating restoration millages. This would increase the revenue to pay down the existing DPS legacy debt.

Also as indicated in the Proposal S language, the increase mills will apply to all property owners, except principal residents and other property exempt by law. Therefore, Detroit residents whose home is their principal residence won't pay the tax. Tax abatements such as those authorized the Downtown Development Authority (DDA) would capture the taxes within its designated district, but the DDA would not capture taxes outside the DDA District. Also, other non-DDA tax abatements would be captured and not received by the DPS. LPD notes, the proposal estimates that the amount of tax generated in the first year would be approximately \$9,589,365. This estimation should be based upon the current available taxable property and would not be impacted by any future development in which taxes on new investment would be captured.

LPD notes, according to the Chief Financial Officer of DPSCD, this is a DPS millage not a DPSCD millage. DPSCD is prohibited from levying an Operating Millage while DPS repays the debt. Once the DPS legacy debt has been repaid, DPSCD will be able to levy the 18 mills to provide for school operations. Because Proposal S is for the old DPS legacy debt, tax captures would not create a per pupil shortfall that would be made up for under the state guarantee. LPD notes, pursuant to the State Aid Act, Public Act 94 of 1979, each school district in the state of Michigan is guaranteed a per pupil foundation funding amount. The State Aid Act required that the State of Michigan close the gaps between shortfalls in property tax collections in a given school district per pupil allocation.

LPD further notes that Wayne County Regional Educational Service Agency (Wayne RESA) is seeking a renewal of a Regional Enhancement Millage Proposal. Wayne RESA provides assistance to approximately 33 school districts in Wayne County, Michigan. If the proposal is approved by voters, the millage would be subject to state law approved tax capture, should there be a per pupil shortfall in a school district resulting from the tax capture, under the State Aid Act guarantee, the shortfall per pupil will be made up.

If we can be of further assistance, please call upon us.