

Finances

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thousand and bond interest, a 3-mill levy will be required for the next school year; the levy being gradually reduced each year until it reaches seven-tenths of a mill in 1949, when all the indebtedness will have been retired.

(A mill is one-tenth of a cent, or equivalent to one dollar for each thousand dollars.)

Birmingham's public schools during the 1945-46 school year are operating on a budget of about \$44,000. Sixty-two per cent, or roughly \$27,000, is to be raised through local taxes; thirty-three per cent, or \$14,600, of the income is furnished by the State through state aid and paid tuition. The remaining five per cent of operating income, or about \$2,000, represents delinquent taxes and miscellaneous sources.

The largest single item of the year's operating budget, \$304,000, goes toward instructional service. Most of this amount is expended for teachers' salaries, a very small amount for teaching equipment.

School plant operation is costing \$75,000, the major portion being salaries for janitors. The remainder provides housekeeping, heat, light, telephone, water, etc. Maintenance will cost \$18,000 which, considering the value of the Birmingham school system, is comparable to a maintenance cost of about \$50.00 a year on a \$10,000 house.

Other operating expenses are General control (\$16,000), Auxiliary and Coordinate activities (\$12,000), and capital outlay (\$17,000).

It is to be noted that in the 1945-46 budget, 82 per cent of the total is being expended for salaries, 18 per cent for all other purposes.

Since the debt levy can be applied only to bonded indebtedness, school operating costs must be provided under the 10-mill tax limitation act established by the State of Michigan statute. From this 15-

Atom Test Chief



Vice Adm. William Henry Purcell Blandy is in command of tests beginning in May in the Marshall Islands to find out what atom bombs will do to ships.

mill maximum must come funds to operate both county and township governments, plus our local school district. Since county and township requirements are usually five mills, the schools must function with a maximum of 10 mills.

The law also provides that any local unit (such as city, county, township, or school district) may increase the 15-mill limit not to exceed five addition mills for a period of not more than five years. This is accomplished by a 2/3 majority vote of the people of the district. (Four years ago residents of the Birmingham school district voted to increase the tax levy 2 1/2 mills for a period of five years.)

New Court Ruling Since the passage of this law in 1942, it generally has been assumed and accepted that the 15-mill limitation applied to local assessed valuations. However, a recent opinion handed down by the Michigan State Supreme Court has ruled that the 15-mill limitation applies to the "equalized valuation" of properties.

Just how the method of taxing assessed valuation compares with the equalized is aptly explained by Wm. E. Groves, of 647 Marina, treasurer of the Birmingham School Board:

"Let us assume I am a contractor who has constructed three \$10,000 houses, one in Township A, one in Township B and one in Township C, all three properties having a total worth of \$30,000. "Now the assessor in Township A, who is assessing property at about 30 cents on the dollar, assesses my house in Township A at \$3,000. The assessor in Township B is assessing property at about 40 cents on the dollar, assessing my house in Township B at \$4,000. The assessor in Township C is assessing property at about 70 cents on the dollar and assesses my house there at \$7,000. This makes a total assessed value of about 70 cents on the dollar and assesses my three houses at \$14,000.

"Along comes the school board, county or other municipal body that levies taxes in all three townships, and they levy a 3-mill tax. As a result of this 3-mill levy, I will pay \$9.00 tax on my house in Township A, \$12.00 tax on my house in Township B, and \$21.00 on my house in Township C, or a total of \$42.00 tax on all three properties. This is the varied result obtained by levying a 3-mill tax on local assessed valuation.

Adjust Valuations "However, let's see what happens if taxes are levied against "equalized valuations," continued Mr. Groves. "In each county there is a board set up and known as the County Equalization Board. It

is the duty of this board to review the local assessed valuations of each city and township in the county and adjust the local assessed values so that all the townships and cities are assessed on a comparable basis, for county tax purposes.

"Now in our problem as I have outlined it, say we assume that the county board in this case assumes that all property should be assessed at 60 cents on the dollar. If they do a good job, each of my houses in Townships A, B and C will be assessed at \$6,000 each, or a total of \$18,000 equalized valuation.

Now the same county or school board that previously levied a 3-mill tax and collected a total of \$42.00 on my three houses, can reduce their levy to 2-1/3 mills and I will pay only \$34.00 on each of my three houses, or the same total tax of \$42.00. This method results in a more equal and equitable distribution of the tax load on all three properties.

Again the State Board of Equalization may take these county equalized values and either raise or lower them so that for state purposes, the state equalized values will be on a similar basis for all of the counties in the state," Mr. Groves concluded.

Since the State Supreme Court ruling now permits school districts to levy taxes on equalized rather than assessed valuation, approximately \$1 million dollars in property becomes taxable in the Birmingham School district. This figure is the 1945 equalized valuation compared with a 21 million dollar assessed valuation.

New Tax Principles This new taxation principle now permits impoverished school districts to obtain considerable additional operating revenue through taxes on a portion of property valuation heretofore beyond their reach.

What this means for the taxpayer in the Birmingham school district is that for state purposes, the assessed valuation of property is \$21 million. The budget was originally established on a 10.25-mill basis, having subtracted 4.75 mills of the allowable 15 mills for county and township expenses.

At the time the budget was set up the Supreme Court hadn't handed down its ruling on equalized valuations. However, when the ruling was made, the tax levy became 15 mills on the Birmingham school district's \$1 million dollar equalized valuation, rather than 10.25 mills on its \$21 million dollar assessed valuation.

This also will permit the school board to obtain additional revenue under the 2 1/2 mill additional tax levy granted by district voters in 1942. This 2 1/2 mills was applicable at that time to only the assessed valuation. But with the new court ruling, this now applies to a 2 1/2-mill levy on the equalized valuation.

In other words, Birmingham district taxpayers during 1945-46 were taxed a total of 12.75 mills toward the support of their schools, based on assessed valuation. The new basis of taxation lowered this figure to 8.50 mills on equalized valuation.

The whole subject settles down to this: prior years the schools have levied allowable millage against local assessed valuations; the Supreme Court ruling now allows millage to be assessed against equalized valuations; since the Birmingham school district's assessed valuations last year were \$21,000,000, and the "equalized valuations" is now \$1,000,000, how much more taxes will be asked to pay for the coming year? That problem will be determined between now and the time, next summer, when the Board of Education fixes its 1946-47 budget for operating expenses.

The board must take up some of this additional revenue now available to provide increased teachers' salaries and in planning for increased operational costs.

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