

School Sinking Fund Tax Could Hit \$5.5 Billion, Michigan Chamber Foundation Study Reveals

A study released by the Michigan Chamber Foundation today concludes that legislation liberalizing the allowable uses of school sinking funds (House Bill 4824) could cost Michigan taxpayers nearly \$5.5 billion over the next ten years. The study was prepared for the Michigan Chamber Foundation by Anderson Economic Group, a Lansing-based consulting group specializing in economics and public policy.

"If the proposed legislation is passed, it would put schools back in the millage business," said Michigan Chamber President & CEO Jim Barrett. "It would allow districts to seek up to 5 mills in new taxes for 20 years, thus posing a real threat to undermining the principles of Proposal A."

"In this election year, many individuals and groups will weigh in on changing Proposal A and calling for tax increases to support education," Barrett added. "Many of those voices will ignore or downplay the success of Proposal A and fail to tell the whole story about how much money is spent already on our public schools."

Proposal A, passed in 1994, increased sales and other taxes, reduced property taxes for school operating purposes, and significantly increased statewide per-pupil funding. Patrick Anderson, the study's author, noted that "Since Proposal A was overwhelmingly approved by voters, funding for school districts has grown substantially."

The report further explains that:

- * From the time Proposal A was passed in 1994 until 2000, the State saw a period of stable enrollment and low inflation. During this time, school- operating revenues increased 37%, while revenues from school infrastructure taxes, including debt, building and site, and sinking fund taxes, grew 117%.

- * Since Proposal A's passage, school infrastructure taxes are up a half billion dollars per year.

- * Tax increase bills like HB 4824 would raise the taxes that are explicitly protected by Proposal A's three-fourths supermajority vote requirement.

- * The fastest growing segment of property taxes has been the various additional taxes levied by school districts.

- * The proposed legislation could present some taxpayers with as much as a 20% increase in taxes.

- * Passage of the bill, which would allow sinking fund infrastructure taxes to pay for operating expenses, would further aggravate the existing disparity in funding between charter schools and traditional public schools.

- * Included in the report is a copy of the original 1994 memo listing the taxes protected under proposal A, and the governor's veto letter for a similar bill from 1994.

The full report is available on the Michigan Chamber's web site at <http://www.michamber.com/> .

The Michigan Chamber Foundation is a 501©(3) non-profit organization established to plan, promote and conduct non-partisan educational research and programs regarding important public policy issues facing Michigan.

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SOURCE: Michigan Chamber Foundation

CONTACT: Jim Barrett of Michigan Chamber of Commerce, +1-517-371-2100

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