

Reeths-Puffer Schools 2015-16 Debt Millage Background and FAQ

When you open your December 2015 tax bill, you will see the millage rate for Reeths-Puffer Schools debt has increased, from 9.37 mills a year ago to 10.82 mills this year. Naturally, you may wonder why this rate has increased.

Two major factors have changed since the District sold bonds in early 2010:

1. The State of Michigan passed Public Act 437 in 2012 (PA 437), which restricts the ability of school districts to issue bonds for improvements. This law requires an annual recalculation of our millage and projected School Bond Loan Fund repayment using a specific formula.
2. Our largest taxpayer, also the largest in Muskegon County – Consumers Energy – received a taxable value judgment in a settlement with the City of Muskegon. Prior to this judgment, Consumers Energy had approximately \$77.2 million in property taxable value within the R-PS district. As of June 30, 2015, that amount was approximately \$28.5 million. Total district values declined by over 6% as a result of this one change.

The impact of these factors was felt by taxpayers in 2014-15, when the debt millage raised from 8.37 to 9.37 mills. For 2015-16, the result of the State-mandated formula is an increase from 9.37 mills to 10.82 mills.

For future years, the same applies – the District must recalculate the levy needed annually, and adjust if necessary. The District saw small overall growth in taxable value this year, despite losses from Consumers Energy. The board and administration are hopeful that the property values will continue to grow, and this will help the District avoid further tax increases and allow the District to lower the levy in coming years.

Some Frequently Asked Questions on this topic:

Q: Why is the district choosing to increase taxes on R-P taxpayers?

A: The district is not choosing to increase taxes. A new State law passed in 2012 is forcing us to do so.

Q: When voters approved the November 2009 bond issue, weren't they voting to extend the rate at 8.37 mills?

A: This is a common misunderstanding since bonds are typically described as an 'extension'. Technically, however, the ballot question does not address millage rate. The voters approved the sale of \$22 million in bonds and authorized the district to levy the proper millage to pay them off. In this case, that requires increasing the debt levy.

Q: I thought the State made up the money that schools lost from taxable value judgments?

A: The State holds school districts harmless on the general fund operating side. We are required to keep debt millage funds separate, and the State does not make up lost revenue in this area.

Q: What is Reeths-Puffer Schools doing to help taxpayers?

A: The District is actively working with legislators, and this helped get an amendment to PA 437 passed in 2015. Administration has consulted with several experts exhaust every opportunity for a solution. The District filed a waiver request with the State of Michigan Department of Treasury in June 2015 to limit the 2015-16 levy, and it was denied. The District is currently refinancing a significant portion of its outstanding debt in order to take advantage of lower interest rates. This will save taxpayers over \$3 million in future interest costs.

Q: Who should I contact with further concerns or questions?

A: Feel free to contact Jason Helsen, R-PS Director of Finance, at (231)744-4736. Please see our website at www.reeths-puffer.org for more info and history on the topic.