

## **Chart Chat Webinar**

Thursday, May 30, 2024 2:00 PM

## Welcome & Introductions

Cary Jay Vaughn, CPA

Administrator

Local Audit and Finance Division, Michigan Department of Treasury



### **Agenda**

#### Welcome & Introductions

Cary Jay Vaughn, CPA, Administrator, Local Audit and Finance Division, Michigan Department of Treasury

#### **Corrective Action Plans**

Dale Kruithoff, Financial Analyst, Audit Section, Local Audit and Finance Division, Michigan Department of Treasury

### **Numbered Letter Update**

Cary Jay Vaughn, CPA, Administrator, Local Audit and Finance Division, Michigan Department of Treasury

### **Budget Projection Tool**

Jerry Nelson, Departmental Analyst, Analytics and Outreach Section, Local Audit and Finance Division, Michigan Department of Treasury

Chris Greathouse, Departmental Analyst, Analytics and Outreach Section, Local Audit and Finance Division, Michigan Department of Treasury

### Uniform Actuarial Assumptions FY 2024 (PA 202 of 2017)

Nick Brousseau, Manager, Analytics and Outreach Section, Local Audit and Finance Division, Michigan Department of Treasury

#### **Headlee Overview**

Howard Heideman, Administrator, Local Government Policy Division, Bureau of Local Government and School Services, Michigan Department of Treasury

#### **Questions & Answers**

### **Closing Remarks**

Cary Jay Vaughn, CPA, Administrator, Local Audit and Finance Division, Michigan Department of Treasury





### **Audit Corrective Action Plan Process**

**Dale Kruithoff** 

Financial Analyst, Audit Section,

Local Audit and Finance Division, Michigan Department of Treasury

### What is an Audit Corrective Action Plan?

- When non-compliance with budgeting, accounting, auditing, and statutory rules are identified in a local unit's Auditing Procedures Report (APR) and audit, a request for improvement to deficiencies letter may be issued.
- The request letter is posted publicly to the Document Search Website and an e-mail is sent to the primary contact for the local government unit to let them know that the letter has been posted.
- A Corrective Action Plan (CAP) is produced by a local government unit in response to the request letter and then uploaded to the Local Government Electronic Filing website as a single PDF file.
- The CAP explains what the local government unit will do to rectify the deficiencies.

### How to View the CAP Request Letter

- Go to www.Ml.gov/LAFD
  - Click "File and Search Reports"
  - Click "Document Search"
- Search for your municipality, then search by the fiscal year, document group, and document type.

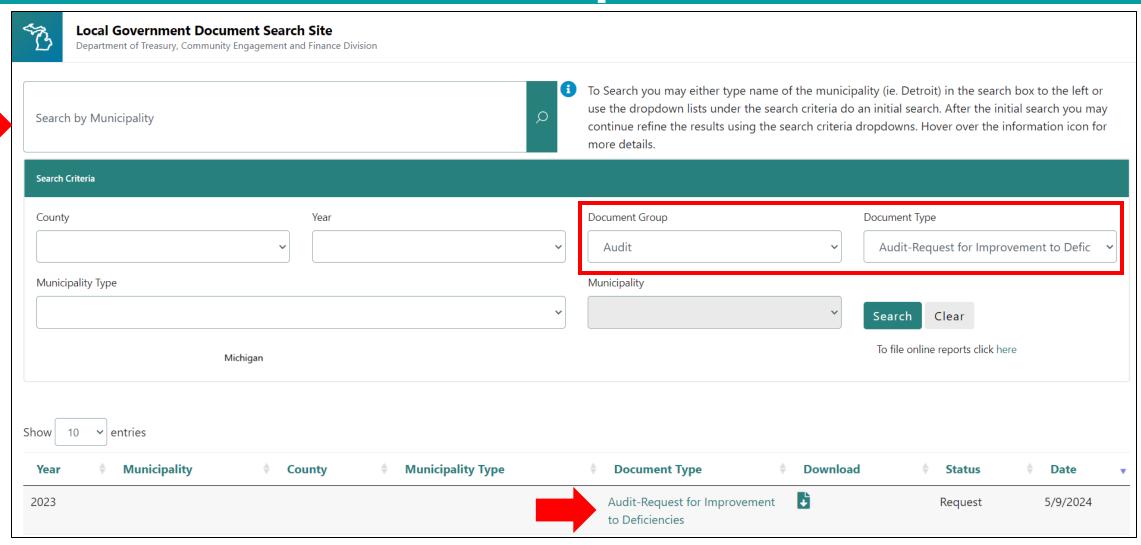


**File and Search Reports** 



**Document Search** 

### How to View the CAP Request Letter



### How to View the CAP Request Letter



GRETCHEN WHITMER

RACHAEL EUBANKS

DATE

Request for Improvement of Deficiencies -Corrective Action Plan Fiscal Year: 2024 Municipality Code: 000000 Report ID Number: 123456

Sent Via Email

Dear Governing Body:

The Local Audit and Finance Division has received the audit report for the fiscal year referenced above. It is the responsibility of this division to administer certain State statutes. Consequently, your audit has been reviewed to determine compliance with budgeting, accounting, auditing, and statutory compliance related activities. This review has identified issues that we believe need your attention.

Please note the following issues corresponding to response(s) on the auditing procedures report:

- · Actual expenditures exceeded the amounts authorized in the budget. Please describe actions being taken to prevent budget variances.
- . Bank reconciliations were not performed timely. Provide a bank reconciliation for the last month reconciled for the account(s) in question.

The matter(s) described above are either violations of state statute or are deficiencies of the local unit that may impede the local unit's ability to comply with state statute.

Additional deficiencies in your report are usually found in the form of comments and recommendations located toward the end of the report or may be filed separately. The plan should identify each Auditing Procedure Report question listed above, each additional deficiency, the corrective action to be taken, the supporting documentation requested, if any, and the date in which the action is to be implemented.

Therefore, within 30 days from the date of this letter, please submit to us a detailed Corrective Action Plan to resolve the above-mentioned matter(s), including other deficiencies noted in your audit report. To submit your Corrective Action Plan, visit the department's online filing site at Michigan.gov/localfinancialreporting and select the File Online Reports tab. You must request local unit user access if one does not already exist. We do not accept hard-copy or emailed responses. Please combine multiple documents as only one document can be uploaded.

Failure to respond within 30 days or an inability to demonstrate that corrective action has been implemented may result in one or more of the following:

- . Denial of subsequent year qualified status under Public Act 34 of 2001, the Revised Municipal Finance Act (possibly preventing your municipality the ability to
- . Subject the local unit to an audit and/or review performed by Department of Treasury auditors at the expense of the local unit.

Please contact the audit review staff at LAFD Audits@michigan.gov if you have any questions.

Cary Jay Vaughn, CPA, CGFM Administrator

Local Audit and Finance Division





P.O. BOX 30728 • LANSING, MICHIGAN 48909-8228 www.michigan.gov/treasury • 517-335-7469

### Create Response to CAP Request Letter

- Draft a letter responding to the deficiencies that were noted in the request letter as well as the additional deficiencies noted in your audit report.
  - For each deficiency, describe the corrective action to be taken and the date the action is to be implemented.
- Combine the letter and all supporting documentation into a single PDF file and save to your computer.
  - Make sure the file name of the PDF document you save does not contain any numbers, periods, or other special characters as this may result in an error during submission.

### How to Upload and Submit the Audit CAP

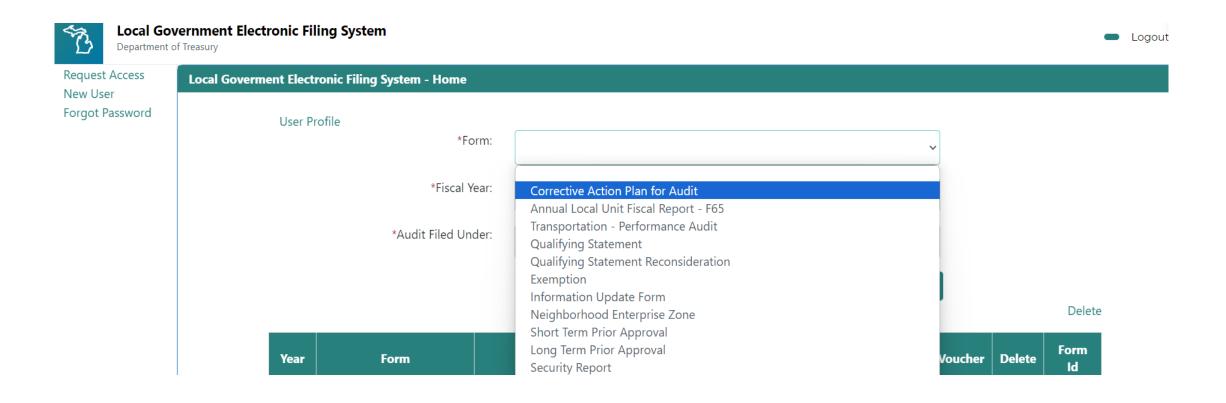
- Go to <u>www.Ml.gov/LAFD</u>
  - Click "File and Search Reports"
  - Click "File Online Reports"
- Log in to the Local Government
   Electronic Filing System using your User
   ID and Password.
  - E-mail <u>LAFD Audits@michigan.gov</u> if you have log in issues.

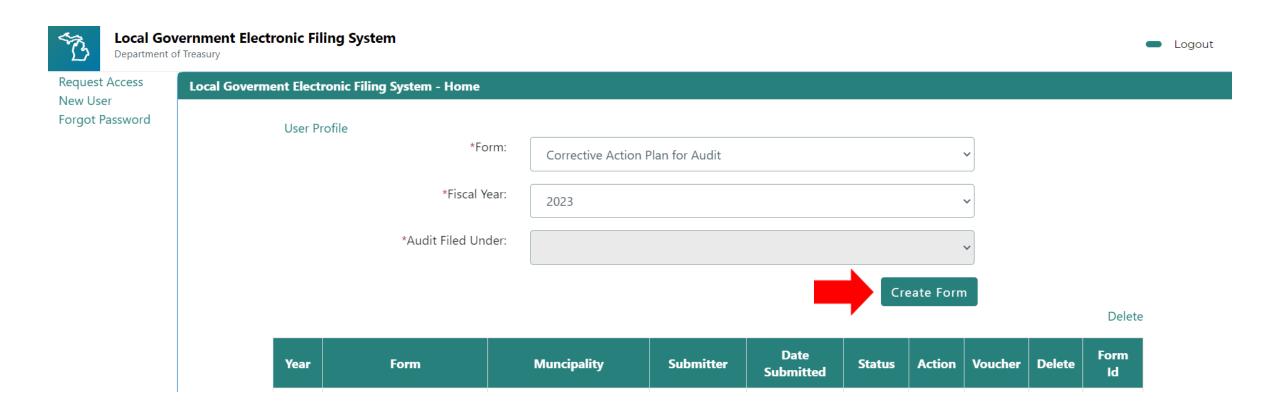


**File and Search Reports** 



File Online Reports









### **Post Submission**

- After the audit CAP has been submitted, an auditor will review the plan and contact you if they need any additional information or have any questions.
- The audit CAP will be publicly posted to the Document Search Website within a day after submission.
- Please e-mail <u>LAFD\_Audits@michigan.gov</u> if you have questions about your request for improvement letter or any issues submitting the Audit Corrective Action Plan.



## Numbered Letters Update

Cary Jay Vaughn, CPA
Administrator
Local Audit and Finance Division, Michigan Department of Treasury

## Numbered Letters



# Uniform Chart of Accounts





## Five-Year Projection Tool: Introduction & Instructions

Jerry Nelsons and Chris Greathouse

Departmental Analysts, Analytics and Outreach Section,

Local Audit and Finance Division, Michigan Department of Treasury

## Introduction to Five-Year Projection Tool



### Introduction to Five-Year Projection Tool

- Treasury's five-year budget projection tool designed to assist local governments with multi-year financial planning
- Multi-year financial planning is critical to fiscal reliance and stability
  - Allows proactivity instead of reactivity

# Benefits of Multi-Year Planning



### Benefits of Multi-Year Planning

- Multi-Year Financial Planning Benefits:
  - Can diagnose fiscal distress causes
  - Assist with identifying better solutions
  - Can change the conversation to focus on real data
  - Creates a measuring stick
  - Can help lower borrowing costs
  - Excludes non-spendable or restricted revenue
- Also recommended to monitor preferred fiscal health metrics
- In conjunction with other planning (capital improvements plan, etc.), can help local governments prepare for future

## Baseline Projections



### **Baseline Projections**

- Five-year projection tool creates a baseline projection
- Baseline projections shows what the financial picture for a local government will be moving forward without any corrective action.
- Two important things to remember when utilizing baseline projections
  - Presents the status quo scenario
  - Baseline projections are not necessarily a predictor of the future, but demonstrate what could happen with known changes incorporated

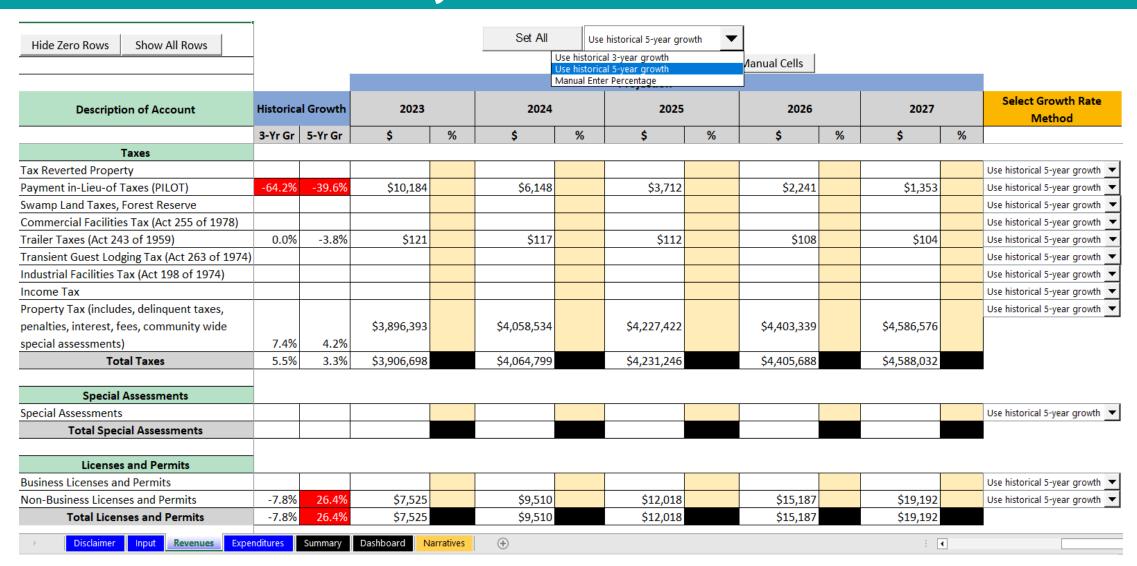
### Five-Year Projection Model

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	Multi Vaan Dasiaat	ion Madal Inquit	
	Multi-Year Project	ion Model Input	
	County	Ingham	
	Local Government Name	Ingham 330000	_
	Municode	Alaiedon Township 331010 Aurelius Township 331020 Bunker Hill Township 331030 Ingham Township 331050	
LU NAME	MUNICODE	Leroy Township 331070 Leslie Township 331080	v pe ▼
Alcona County	010000	Locke Township 331090 Alcona	y pe ▼ County
Alcona Township	011010	Alcona	Township
Caledonia Township	011020	Alcona	Township
Curtis Township	011030	Alcona	Township
Greenbush Township	011040	Alcona	Township
Gustin Township	011050	Alcona	Township
Harrisville Township	011060	Alcona	Township
Hawes Township	011070	Alcona	Township
Haynes Township	011080	Alcona	Township
Mikado Township	011090	Alcona	Township
Millen Township	011100	Alcona	Township

## **Utilizing Historical Data**

		Ingham Count	V					
	STA		'ENUES - GENER	AL FUND				
Description of Account	f Account Fiscal Year							l Growth
	2017	2018	2019	2020	2021	2022	3-Yr Gr	5-Yr Gr
Taxes								
Tax Reverted Property	\$113,368							
Payment in-Lieu-of Taxes (PILOT)		\$104,441						
Swamp Land Taxes, Forest Reserve								
Commercial Facilities Tax (Act 255 of 1978)								
Trailer Taxes (Act 243 of 1959)	\$16,533	\$13,495	\$15,044	\$13,385	\$13,267	\$15,191	6.5%	3.0%
Transient Guest Lodging Tax (Act 263 of 1974)	\$156,201	\$159,783	\$162,406	\$83,409	\$102,071	\$158,850	38.0%	-0.1%
Industrial Facilities Tax (Act 198 of 1974)	\$247,271	\$162,078	\$292,362	\$69,559	\$435,235	\$198,852	69.1%	5.2%
Income Tax								
Property Tax (includes, delinquent taxes,								
penalties, interest, fees, community wide	\$47,582,267	\$50,874,803	\$53,055,307	\$54,404,855	\$57,799,143	\$59,523,909		
special assessments)							4.6%	4.0%
Total Taxes	\$48,115,640	\$51,314,600	\$53,525,119	\$54,571,208	\$58,349,716	\$59,896,802	4.8%	3.9%
Special Assessments								
Special Assessments	T	\$0						
Total Special Assessments		\$0						
Total Special Assessments		, , , , , , , , , , , , , , , , , , ,						
Licenses and Permits								
Business Licenses and Permits					\$364,058	\$358,976		
Non-Business Licenses and Permits	\$428,950	\$345,802	\$385,395	\$368,617				
Total Licenses and Permits	\$428,950	\$345,802	\$385,395	\$368,617	\$364,058	\$358,976	-1.3%	0.9%

### Five-Year Projection and Growth Rates



### **Five-Year Projection Summary**

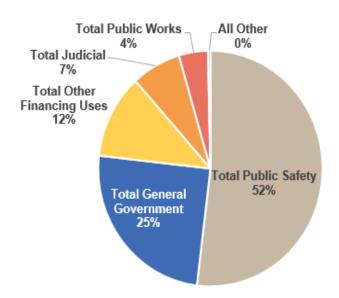
	2247	2242	2242	2222	2224	2022	2222	2224	2025	2225	2227		
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Historical	Projected
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Proj.	Proj.	Proj.	Proj.	Proj.	Growth	Growth
Total Taxes	\$7,337,537	\$7,004,741	\$7,491,355	\$7,249,449	\$6,492,059	\$6,964,531	\$6,978,553	\$7,003,793	\$7,037,453	\$7,077,560	\$7,122,694	-1.0%	0.6%
Total Special Assessments												N/A	N/A
Total Licenses and Permits	\$1,415	\$1,390	\$1,285	\$1,200	\$4,290	\$4,490	\$4,490	\$4,490	\$4,490	\$4,490	\$4,490	26.0%	0.0%
Total Federal Grants	\$879,232	\$511,674	\$496,647	\$1,403,944	\$1,357,383	\$2,676,755	\$2,684,273	\$2,693,479	\$2,704,751	\$2,718,553	\$2,735,453	24.9%	0.5%
Total State Grants	\$1,364,819	\$1,401,563	\$1,417,503	\$1,185,816	\$2,375,117	\$2,204,890	\$2,606,085	\$3,126,237	\$3,799,585	\$4,671,238	\$5,800,045	10.1%	27.4%
Total Contributions from Local Units	\$0	\$0	\$0	\$0	\$0	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	N/A	0.0%
Total Charges for Services	\$1,046,997	\$987,947	\$1,074,216	\$1,142,578	\$1,243,287	\$1,252,657	\$1,252,181	\$1,251,706	\$1,251,231	\$1,250,756	\$1,250,281	3.7%	0.0%
Total Fines and Forfeits	\$80,217	\$104,352	\$89,718	\$59,878	\$65,728	\$137,216	\$146,937	\$157,346	\$168,493	\$180,430	\$193,212	11.3%	8.9%
Total Interests and Rents	\$17,810	\$44,651	\$52,753	\$68,274	\$45,105	\$15,265	\$11,672	\$8,925	\$6,825	\$5,219	\$3,991	-3.0%	-28.5%
Total Unclassified Operating Revenues	\$160,222	\$165,403	\$301,592	\$245,276	\$385,213	\$127,358	\$134,221	\$157,206	\$206,274	\$299,330	\$468,116	-4.5%	38.5%
Total Other Financing Sources	\$1,265,004	\$166,611	\$57,729	\$0	\$97,183	\$64,458	\$50,836	\$40,093	\$31,620	\$24,937	\$19,667	-44.9%	-25.7%
TOTAL REVENUES	\$12,153,253	\$10,388,332	\$10,982,798	\$11,356,415	\$12,065,365	\$13,532,620	\$13,954,249	\$14,528,275	\$15,295,721	\$16,317,512	\$17,682,949	2.2%	6.9%
Total General Government	\$2,035,185	\$2,133,698	\$2,433,417	\$2,583,988	\$2,185,318	\$2,413,091	\$3,029,275	\$4,450,715	\$7,539,533	\$14,232,878	\$28,851,559	3.5%	86.0%
Total Judicial	\$2,854,267	\$2,986,938	\$2,789,747	\$2,892,575	\$3,415,809	\$3,562,528	\$4,003,656	\$4,539,793	\$5,196,435	\$6,007,509	\$7,018,524	4.5%	18.5%
Total Public Safety	\$2,400,059	\$2,768,151	\$3,250,380	\$3,607,597	\$3,739,071	\$4,201,194	\$4,527,185	\$4,878,761	\$5,257,950	\$5,666,943	\$6,108,107	11.8%	9.8%
Total Public Works	\$0	\$0	\$0	\$0	\$0	\$505,074	\$505,074	\$505,074	\$505,074	\$505,074	\$505,074	N/A	0.0%
Total Health and Welfare	\$467,240	\$748,029	\$714,591	\$839,178	\$835,093	\$777,300	\$761,446	\$750,511	\$742,562	\$736,461	\$731,533	10.7%	-1.5%
Total Community/Economic Development	\$310,227	\$290,139	\$308,899	\$182,870	\$222,205	\$232,389	\$294,569	\$444,361	\$846,735	\$1,985,998	\$5,284,656	-5.6%	118.4%
Total Recreation and Culture	\$50,000	\$50,000	\$50,000	\$52,000	\$66,446	\$216,343	\$231,849	\$250,732	\$273,797	\$302,071	\$336,867	34.0%	11.7%
Total Other	\$1,163,521	\$86,584	\$109,887	\$104,513	\$192,331	\$0	\$0	\$0	\$0	\$0	\$0	-100.0%	N/A
Total Other Financing Uses	\$1,368,063	\$992,910	\$893,732	\$970,962	\$636,705	\$981,796	\$987,258	\$992,751	\$998,274	\$1,003,828	\$1,009,413	-6.4%	0.7%
TOTAL EXPENDITURES	\$10,648,562	\$10,056,449	\$10,550,653	\$11,233,683	\$11,292,978	\$12,889,715	\$14,340,312	\$16,812,696	\$21,360,360	\$30,440,762	\$49,845,732	3.9%	40.2%
EXCESS/DEFICIT OF REVENUES OVER													
EXPENDITURES	\$1,504,691	\$331,883	\$432,145	\$122,732	\$772,387	\$642,905	(\$386,063)	(\$2,284,421)	(\$6,064,638)	(\$14,123,250)	(\$32,162,783)	-15.6%	-468.5%
	<del></del>	Ψ	¥ 102/2 10	<b>7</b>	42/22.	40.12/000	(4222)2221	(+=,== :, :==	(4-)	(+= :,===)	(+))		
GENERAL FUND BEGINNING FUND BALANCE	3,937,340	\$5,442,031	\$5,773,914	\$6,206,059	\$6,328,792	\$7,101,179	\$7,388,538	\$7,002,475	\$4,718,054	-\$1,346,584	-\$15,469,835	12.5%	-229.6%
GENERAL FUND ENDING FUND BALANCE									(\$1,346,584)	(\$15,469,835)			-286.1%
	\$5,442,031	\$5,773,914	\$6,206,059	\$6,328,791	\$7,101,179	\$7,388,538	\$7,002,475	\$4,718,054	1	<u>, , , , , , , , , , , , , , , , , , , </u>	(\$47,632,618)	6.3%	
UNRESTRICTED GENERAL FUND BALANCE	\$5,356,053	\$5,737,237	\$6,182,928	\$6,215,552	\$7,029,264	\$7,331,928	\$6,945,865	\$4,661,444	(\$1,403,194)	(\$15,526,445)	(\$47,689,228)	6.5%	-286.7%
UNRESTRICTED GENERAL FUND BALANCE													
RATIO (UNRESTRICTED FUND BALANCE AS A													
% OF GENERAL FUND REVENUES)	49%	56%	57%	55%	59%	54%	50%	32%	-9%	-95%	-270%	2.0%	-270.5%

### Dashboard

2022 Proj.

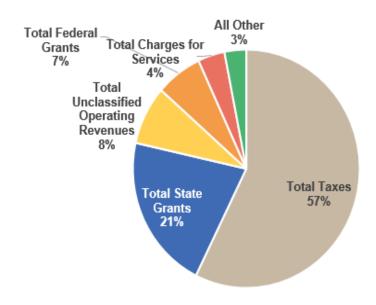
### Financial Dashboard (Expenditures by Department)

#### **General Fund Expenditures**



	2022 Proj.
Total Public Safety	\$26,652,319
Total General Government	\$12,739,166
Total Other Financing Uses	\$5,948,951
Total Judicial	\$3,648,081
Total Public Works	\$2,143,494
All Other	-\$184,268
Total Expenditures	\$50,947,742

#### **General Fund Revenues**



	2022 Proj.
Total Taxes	\$29,326,268
Total State Grants	\$10,821,294
Total Unclassified Operating Revenues	\$4,081,038
Total Federal Grants	\$3,382,586
Total Charges for Services	\$1,951,616
All Other	\$1,586,375
Total Revenues	\$51,149,176

### **Dashboard**

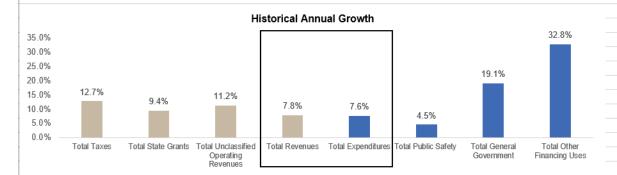


### **Narrative**

### **Baseline Projection Fiscal Drivers**

From 2016 to 2021, East Lansing 's General Fund revenues grew at an annual rate of 7.8 percent while expenditures grew by 7.6 percent annually. According to the 2021 data, the largest revenues are the total taxes and total state grants, representing 82.7 percent of the total budget. The total taxes grew by 12.7 percent and the total state grants grew by 9.4 percent over the last three years. The total unclassified operating revenuesgrew by 11.2 percent over the last three years.

On the expenditure side, Three largest expenditures represent 81.2 percent of the total budget. Over the last three years, Total Public Safety grew 4.5 percent and Total General Governmentgrew 19.1 percent annually, Total Other Financing Uses grew 32.8 percent annually. East Lansing had a -\$205,000 deficit in 2017, a \$5,312,000 surplus in 2019, and a -\$91,000 surplus in 2021.



The baseline projection represents a status quo or carry-forward forecast absent any tax rate or headcount changes. It also does not include any corrective actions taken by East Lansing. Moving forward, the baseline shows deficits gowing from -\$3,536,000 in 2020 to \$91,000 in 2024. The expenditures are projected grow by 8.5 percent annually paired with 8.7 percent annual growth in total revenues.

Narrat	tives Input		
What were the two largest revenues, their historica	al growth, and thei	r projected growth?	
Revenues	2021 Actuals	Historical	Projected
Total Taxes	26,143,061	12.7%	12.2%
Total State Grants	9,996,293	9.4%	8.3%
Total Unclassified Operating Revenues	2,747,769	11.2%	48.5%
Three largest revenues as a % of total budget			82.7%
What is the total historical and projected revenue g	growth?	7.8%	8.7%
What were the three largest expenditures and their	r historical growth?	?	
Expenditures	2021 Actuals	Historical	Projected
Total Public Safety	25,631,904	4.5%	4.0%
Total General Government	7,559,966	19.1%	68.5%
Total Other Financing Uses	4,945,075	32.8%	20.3%
Three largest expenditures as a % of total budget			81.2%
What is the total historical and projected expenditu	ire growth?	7.6%	8.5%



## Public Act 202 of 2017: Uniform Actuarial Assumptions for FY 2024

Nick Brousseau - Manager Local Audit and Finance Division Bureau of Local Government and School Services May 30, 2024

### **Uniform Actuarial Assumptions**

- Statutorily required to be published annually
- To be reported on Retirement System Annual Report (Form 5572)
- For reporting purposes only
- Allows comparison of local governments using equivalent assumptions
- More conservative review of retirement obligation

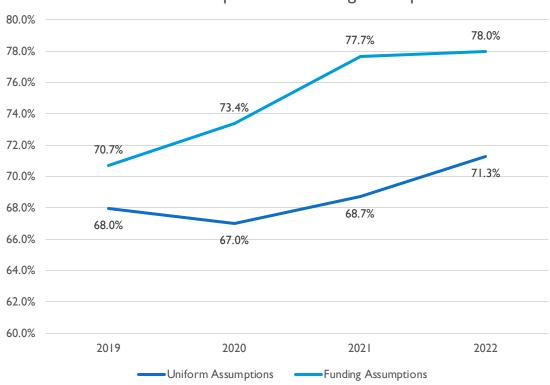
## Actuarial Assumptions Reviewed in Uniform Assumptions

- Investment Rate of Return
- Discount Rate
- Salary Increase
- Mortality Table
- Health Care Inflation (for Medical and Drug)
- Amortization of the Unfunded Actuarial Accrued Liability

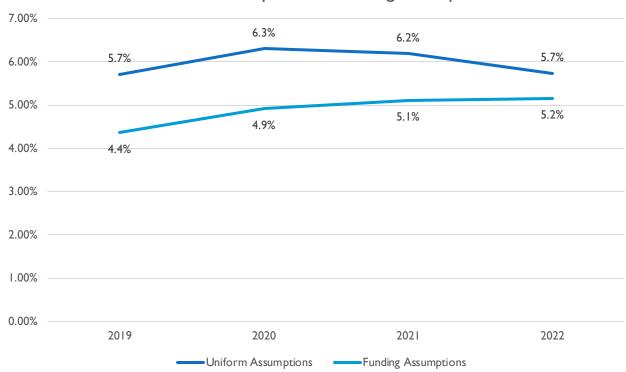
<u>Uniform Assumptions for Fiscal Year 2024 Reporting</u>

## Pension Funding Ratios Uniform Assumptions vs Funding Assumptions



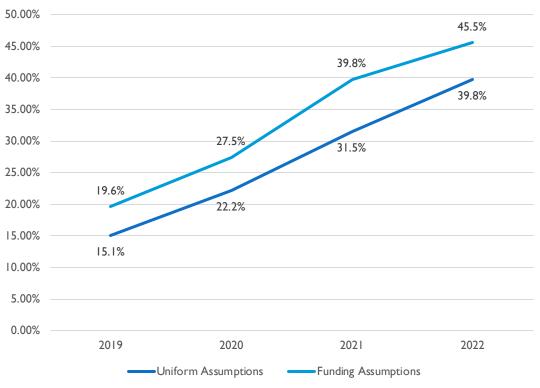


### Pension ADC/Revenue Uniform Assumptions vs. Funding Assumptions

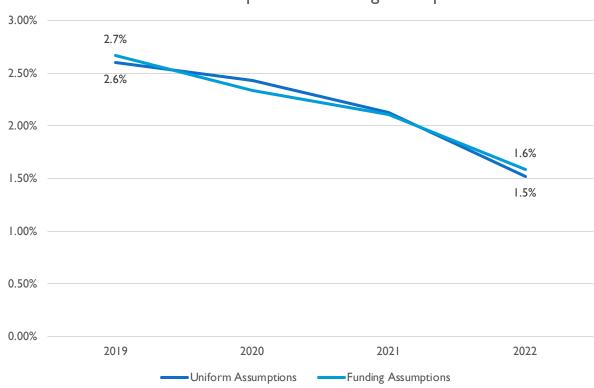


### OPEB Comparison Uniform Assumptions vs Funding Assumptions





#### OPEB ADC/Revenue Uniform Assumptions vs. Funding Assumptions

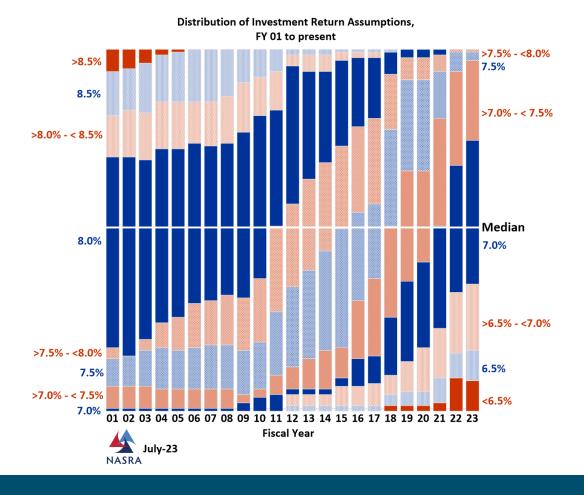


#### Development of Uniform Assumptions

- Research and benchmarking provided by a 3<sup>rd</sup> party actuary firm
  - Utilize data from National Association of Retirement Administrators Public Fund Survey
  - Review public retirement funds from state of Michigan public retirement systems, other states, and other large public sector retirement systems
  - Health survey of over 100 health insurers, pharmacy benefit managers, and 3<sup>rd</sup> party administrators
  - Old Age Survivors and Disability Insurance Trustees Report

#### Significant Changes from FY 2023 to FY 2024

- Investment Rate of Return
  - Increased from 6.85% to 6.90%
- Health Care Inflation
  - Failed to decline as expected from FY 23 to FY 24



### Compliance w/ Uniform Assumption Requirements

- Uniform Assumptions are for reporting purposes only.
- Must be reported annually as part of Retirement System Annual Report
- Coordinate the development and calculation of uniform assumptions with retirement system provider and/or actuary(s).

**Uniform Assumptions for Fiscal Year 2024 Reporting** 



## Local Government Millages and How to Offset Headlee Millage Rollbacks

Howard Heideman, Administrator

**Local Government Policy Division** 

Bureau of Local Government and School Services, Michigan Department of Treasury

#### General Law Township Millage Levies

- A general law township may levy without voter approval millage allocated to it either by a county allocation board or by a fixed allocation approved by county voters. This is part of the 15-18-mill allocation.
- Minimum township allocation is 1 mill.
- With voter approval, a general law township may levy millage for any public purpose for up to 20 years, subject to the MI constitution's 50mill limit that applies to township, county, and school district operating millage.

# Charter Township Millage Levies

- A charter township may levy up to 5 mills without voter approval, whether or not voters approved forming the charter township.
- With voter approval, a charter township may levy an additional 5 mills.

#### City Millage Levies

- A city may levy mills authorized by its charter, not to exceed 20 mills.
- In addition, cities may levy, without voter approval, an additional three mills for garbage services, one mill for library services, one mill for services for older adults, and millages to fund police and fire pensions.

#### County Millage Levies

- A county may levy without voter approval millage allocated to it either by a county allocation board or by a fixed allocation approved by county voters. This is part of the 15-18-mill allocation.
- Minimum county allocation is 3 mills.
- With voter approval, a county may levy millage authorized by state law for up to 20 years, subject to the MI constitution's 50-mill limit that applies to township, county, and school district operating millage.

# General Law Village Millage Levies

• A general law village may levy without voter approval up to 12 ½ mills for general expenses, up to 5 mills for streets, and up to 1 mill to maintain a cemetery (plus an additional amount to purchase land for a cemetery).

## Home Rule Village Millage Levies

• A home rule village may levy up to 20 mills without voter approval, as provided by the village charter or ordinance.

# 1978 Tax Limitation (Headlee) Amendment

#### Article IX Section 31

- If the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the General Price Level from the previous year, the maximum authorized rate applied thereto in each unit of Local Government shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the General Price Level, as could have been collected at the existing authorized rate on the prior assessed value.
- That is, if total SEV (now taxable value) excluding new construction and improvements increases by more than the rate of inflation, each maximum authorized millage rate shall be reduced to limit the allowable revenue increase to the inflation rate.

#### "Headlee" Millage Reduction Fraction MCL 211.34d

MRF = (Prior Year Taxable Value -"LOSSES") X Inflation Rate (Current Year Taxable Value -"ADDITIONS")

Inflation rate to be utilized for calculation of 2024 MRF is 5.1% (expressed as 1.051)

### "LOSSES" MCL 211.34d(1)(h)

- Property Destroyed
- Property Removed
- Exempt Property
- Decrease in Occupancy (before 2014)
- Environmental Contamination

#### "LOSSES" NOT:

- Platting
- Splits
- Combinations
- Zoning Changes

### "ADDITIONS" MCL 211.34d(1)(b)

- Omitted Real Property
- Omitted Personal Property
- New Construction
- Previously Exempt Property
- Replacement Construction
- Remediation of Environmental Contamination
- Increase in Occupancy (Ruled unconstitutional, WpW)
- Public Services (Ruled unconstitutional, Toll Northville)

#### "ADDITIONS" NOT

- Platting
- Splits
- Combinations
- Zoning Changes
- Transfers of Ownership

#### 1994 Proposal A

- Article IX Section 3
- For taxes levied in 1995 and each year thereafter, the legislature shall provide that the taxable value of each parcel of property adjusted for additions and losses, shall not increase each year by more than the increase in the immediately preceding year in the general price level, as defined in section 33 of this article, or 5 percent, whichever is less until ownership of the parcel of property is transferred. When ownership of the parcel of property is transferred as defined by law, the parcel shall be assessed at the applicable proportion of current true cash value.

# Headlee Amendment and 1994 Proposal A Cause of Millage Reductions

• When ownership of a parcel of property is transferred as defined by law, in the following year the taxable value of the parcel "pops up" to 50% of current true cash value. This increase in value above inflation can trigger a millage rollack.

#### **GENERAL** PROPERTY TAX ACT PA 206 OF 1893, as amended LOCAL UNIT **ASSESSMENT** RESPONSIBILITIES

#### TRANSFERS OF OWNERSHIP CONVEYANCES MCL 211.27a(6)(a-k)

- Deed
- Land Contract
- Distribution from a Trust
- Conveyance to a Trust
- Change of Sole Beneficiary of a Trust
- Distribution by Will or by Intestate Succession
- Conveyance by Lease
- Conveyance of >50% Ownership Interest in Corporation, Partnership, LLC, LLP or other Legal Entity
- Tenancy in Common
- Conveyance of Ownership Interest in Cooperative Housing Corporation
- Portion of a parcel that ceases to be qualified agricultural property

#### **GENERAL** PROPERTY TAX ACT PA 206 OF 1893, as amended **LOCAL UNIT ASSESSMENT** RESPONSIBILITIES

## NON-TRANSFERS OF OWNERSHIP CONVEYANCES MCL 211.27a(7)(a-x) Conditions apply to many of the non-transfers

- Spouse to Spouse
- Tenants by the Entireties
- Life Estates
- Foreclosure or Forfeiture
- Redemption of Tax Reverted Property
- Trust Trustor = Sole Beneficiary
- Joint Tenancy Original Owner Member
- Security Interest Affiliated Groups
- Normal Public Trading of Stock

- Entities Under Common Control
- Tax-Free Reorganization
- Qualified Agricultural Property
- Qualified Forest Property
- Conservation Easements
- First Degree Relative
- Boy Scouts, Girl Scouts, 4-H
- Consolidation
- Trust Settlor's

#### Offsetting Headlee Rollbacks

- State law requires voters to approve a millage increase in order to offset a Headlee millage rollback.
- The term renewal may be used when existing millage is expiring and the new millage does not result in a millage increase.
- A single ballot question may include both a renewal and an increase only if the increase 0.5 mills or less.
- A local government may ask voters to approve more mills than it intends to levy. Rollbacks are based on the authorized rate.

#### Offsetting Headlee Rollbacks

#### NEW DEVELOPMENTS

- Some legal counsel are writing ballot language to replace an existing millage authorization with a new authorization, to take effect before the existing mills expire.
- In November 2018 Schoolcraft Community College asked voters to approve a 10-year millage authorization to be assessed "without further reduction by Section 31 of Article IX, State Constitution of 1963."

#### General Law Township Millage Levies

- A general law township may levy without voter approval millage allocated to it either by a county allocation board or by a fixed allocation approved by county voters. This is part of the 15-18-mill allocation.
- Minimum township allocation is 1 mill.
- With voter approval, a general law township may levy millage for any public purpose for up to 20 years, subject to the MI constitution's 50-mill limit that applies to township, county, and school district operating millage.

#### Charter Township Millage Levies

- A charter township may levy up to 5 mills without voter approval, whether or not voters approved forming the charter township.
- With voter approval, a charter township may levy an additional 5 mills.

#### City Millage Levies

- A city may levy mills authorized by its charter, not to exceed 20 mills.
- In addition, cities may levy, without voter approval, an additional three mills for garbage services, one mill for library services, one mill for services for older adults, and millages to fund police and fire pensions.

#### **County Millage Levies**

- A county may levy without voter approval millage allocated to it either by a county allocation board or by a fixed allocation approved by county voters. This is part of the 15-18-mill allocation.
- Minimum county allocation is 3 mills.
- With voter approval, a county may levy millage authorized by state law for up to 20 years, subject to the MI constitution's 50-mill limit that applies to township, county, and school district operating millage.

#### General Law Village Millage Levies

• A general law village may levy without voter approval up to  $12 \frac{1}{2}$  mills for general expenses, up to 5 mills for streets, and up to 1 mill to maintain a cemetery (plus an additional amount to purchase land for a cemetery).

#### Home Rule Village Millage Levies

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#### 1978 Tax Limitation (Headlee) Amendment

#### Article IX Section 31

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# Fiscally Ready Communities Program – Training Opportunities

- Nuts and Bolts: Fees, Fines, Purchasing and Receipting – June 3<sup>rd</sup>, 2024
- New Module for 2024 More Information Coming Soon!



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# Thank you!