

School Finance

Oakland Schools is allocated one-fourth mill (0.25 mill) for general operating purposes from the millage allocation authorized in each Michigan county, in accordance with the State of Michigan constitution. Under the terms of the Tax Limitation Amendment of 1978, this millage has been “rolled back” to reflect growth of property valuation above the inflation rate. For the fiscal year ended June 30, 2020, the District’s General Education Fund operating levy was .1934 mills. Due to another millage rollback, the District will levy .1918 mills in fiscal year 2021.

The District is legally permitted to seek voter approval to fund special education and vocational education programs. The voters had authorized special education tax levies totaling one and three-fourths mills (1.75 mills) and a vocational education tax of one-half mill (0.50 mills), all of which have been “rolled back” under the terms of the Tax Limitation Amendment of 1978. On September 25, 2001, the voters authorized an additional tax levy for both special education (1.1704 mills) and vocational education (0.2279 mills). The District’s special education and vocational education total levies for the fiscal year ended June 30, 2020 were 2.4589 mills and .6016 mills, respectively, after application of millage rollback rules. These millage rates will be reduced to 2.4394 and .5968, respectively, in fiscal year 2021 due to additional rollbacks.

The taxable valuations for Oakland County properties during the Great Recession suffered a cumulative loss in value of 24.5%. Those four consecutive years of declining property tax values have an impact lasting into fiscal year 2020 and beyond until the tax base has fully recovered, resulting in a cumulative erosion of District revenue of \$415.4 million through fiscal year 2020.

Nearly 76% of this decline is Special Education property tax which flows through to school districts in Oakland County. The prior years’ decline in the District’s tax base is reflective of the state’s economic challenges and the nation’s ongoing commercial and residential real estate market retrenchment. Taxable values of Oakland County properties increased by 5.2% and 4.25% in tax years 2019 and 2020, respectively and pre-pandemic estimates showed future increases of 4.25% annually for 2021 and 2022 and 4.0% for 2024-2026. Due to Proposal A however, the District’s tax levy increase is limited to the rate of inflation and the full amount of taxable value increase is not expected to be realized. Oakland Schools continues to monitor the economic environment for indications of another recession and the impact that the pandemic may have on property tax revenue estimates.

Oakland Schools continues to monitor ongoing Michigan Tax Tribunal (MTT) judgments. There was a significant backlog of cases that arose during the recession that took several years to complete. Not all MTT judgments result in a reduction in taxable value for the plaintiff, although a good number of them do. These judgments often result in a refund of previously collected property taxes that the County must provide to the plaintiff(s), and the County passes these costs onto the respective municipalities and school districts, such as Oakland Schools. At the time of this publication, Oakland Schools is using the same information that Oakland County Government has developed for determining the liability exposure to MTT appeals. As a result, we have determined that a reserve of \$0.34 million is appropriate to address successful property tax appeals through the school fiscal year ending June 30, 2021.