



**House
Legislative
Analysis
Section**

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TRUTH IN BUDGETING

**House Bills 4517 and 4518 as enrolled
Public Acts 40 and 41 of 1995
House Committee: Local Government
Senate Committee: Finance**

**House Bill 4523 as enrolled
Public Act 42 of 1995
House Committee: Tax Policy
Senate Committee: Finance**

**Second Analysis (7-7-95)
Sponsor: Rep. Willis Bullard, Jr.**

THE APPARENT PROBLEM:

Public Act 2 of 1982, sometimes called the "truth in taxation act", amended the General Property Tax Act to require a local unit of government to reduce the millage it levies for operating purposes if that tax rate would produce more revenue in the coming year than it did in the current year, after accounting for additions to and losses from the assessment roll. A local unit that wants to take advantage of some or all of the increase in property taxes by maintaining all or some current mills must provide notice and specify the mills sought, hold a public hearing on the matter, and adopt a separate resolution or ordinance on the millage rate. (The act refers to the approval of "a levy of an additional millage rate.") Public Act 43 of the Second Extra Session of 1963 requires a local unit of government to hold a public hearing on its proposed budget after giving at least six days notice of the hearing. The notice must say where a copy of the budget is available for public inspection. The truth in taxation act provisions say that the two hearings can be held jointly and says that when that is the case, the two notices can be jointly published. It has been recommended that the process be streamlined so that one notice only would have to be published when a hearing is intended to cover both the proposed budget of a local unit and the proposed tax rate.

THE CONTENT OF THE BILLS:

The three bills, taken together, would consolidate the notice and hearing requirements local units must meet for budget hearings and truth in taxation hearings.

The Uniform Budgeting and Accounting Act requires local units of government to pass a general appropriations act for all funds, with specified exceptions. The act must set forth the amounts appropriated by the legislative body to defray the expenditures and meet the liabilities of the local unit for the ensuing fiscal year. House Bill 4518 would amend Section 16 of the act (MCL 141.136 et al.) to require the local general appropriations act to set forth the total number of mills to be levied and the purposes for which that millage was to be levied. The bill specifies that the amendatory act would be known and cited as "the Truth in Budgeting Act."

Public Act 43 of the Second Extra Session of 1963 requires local units of government to hold a public hearing on their proposed budgets and to give notice of the hearing by publication in a newspaper of general circulation at least six days before the hearing. The notice must include the time and place of the hearing and say where a copy of the budget is available for public inspection. House Bill 4517 would amend the act (MCL 141.412) to require that the notice include the following statement in 11-point boldfaced type: "The property tax millage rate proposed to be levied to support the proposed budget will be a subject of this hearing."

House Bill 4523 (H-1) would amend the General Property Tax Act (MCL 211.24e) to specify that a taxing unit that complied with Section 16 of the Uniform Budgeting and Accounting Act (referred to above) would not have to meet the notice and

House Bills 4517, 4518 and 4523 (7-7-95)

public hearing requirements of Section 24e (3) of the property tax act, which refers to the truth in taxation hearing. Those requirements now must be met when a taxing unit wants to levy a millage rate that would yield more in tax revenue than the unit received the prior year after accounting for additions to the property tax roll. (Currently that notice must be provided at least six days prior to the hearing, must be in 12-point type and be preceded by an 18-point headline stating "notice of a public hearing on increasing property taxes.")

Further, House Bill 4523 provides that, for 1995 only, school districts could make their truth in taxation calculations without regard to the homestead and qualified agricultural property exemptions under the School Code and that the taxable value of such exempt property would not be considered a loss.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that House Bill 4523 contains potentially significant administrative savings for local units, but says the amount of those savings is indeterminate, due to a lack of data. House Bills 4517 and 4518 have no fiscal implications, according to HFA. (3-7-95 and 3-23-95)

ARGUMENTS:

For:

The bills would ease somewhat the burden on local units of government by consolidating the notice and hearing requirements for budget hearings and truth in taxation hearings. The budget presented to the public would have to state the number of mills that would be levied and state the purposes for which the mills were to be levied. The notice of the hearing would state clearly that the property tax millage rate being proposed by the local unit was to be a subject of the hearing. The bills would eliminate the confusion that reportedly occurs now when a notice for a truth in taxation hearing says that the hearing is on the levy of an "additional millage rate" (when the rate has already been approved by voters). Proponents of the bills say they would help reduce mistrust and confusion among taxpayers and streamline the local budget and millage hearing process. Representatives of townships say reducing the number of notices will produce significant savings for them.