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Ask ELi: What Happened with the Library Millages? ^[1]

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By:

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More than one reader has asked ELi to try to ascertain whether the East Lansing Public Library really got the money from the two library millages passed in 2012. Some have heard the millages simply replaced money the City would have given the Library anyway out of the City's general fund, meaning that the millages were actually used to prop up the City's budget, not the Library per se.

Finding a simple answer to this question has been remarkably difficult, in spite of numerous appeals for help to City staff, including to the City Manager and City Finance Director. Yesterday we received a relatively clear answer from Kristin Shelley, Director of the East Lansing Public Library, in response to a last-ditch-attempt Freedom of Information Act (FOIA) request. We base our answer here on Shelley's response.

The short answer: Of the approximately \$2,000,000 additional taxes being raised per year from East Lansing taxpayers via the two library millages, the Library is netting about \$250,000 *more* than it otherwise would have gotten from the City if the City had kept funding the Library at a relatively steady rate, and the City's general fund is being propped up with about an extra \$1,750,000.

But it isn't clear the City would have kept funding the Library at a relatively stable rate, because the City is facing serious budgetary problems, particularly long-term in terms of the pension debt, and so the City has been cutting back funding to many programs. Already before the millages, the Library's budget had been decreasing, with staffing levels cut significantly.

So, the millages secured funding for the Library but also helped the City's general fund when it increased the City's tax revenue by about \$2,000,000 per year.

The longer answer: In June 2012, City Council passed a .1 mil millage (extra property tax) in the name of the East Lansing Public Library. In November 2012, the voters of East Lansing passed an additional .1 mil millage (extra property tax) in the name of the East Lansing Public Library. As Shelley notes, "Municipal libraries in Michigan can only levy two mils."

At the time, the City was facing a shortfall in its budget of over \$2,000,000. These millages were seen as a way to deal with that immediate budget problem. The Library Director and City Manager told voters about the City's budget problem and that this would help with that, as well as securing funds for the Library.

According to Shelley, before these millages, "Prior to July 2012, the library was a line item in the City's general fund. The money transferred to the library varied but was, most recently, nearly \$1.5 million." In other words, the City's general fund was sending the Library about \$1.5 million before the millages.

Today, the two millages are bringing in about \$2,000,000 in taxes based on the City's published budget. According to Shelley, "The money the library gets from property taxes (real) and property taxes (personal) varies but in Fiscal Year 2016 was \$1.76 million."

I haven't been able to figure out how much the library gets in personal property taxes (which is taxes coming from East Lansing businesses, in addition to the property tax millages), but if we assume the amount coming in in personal property taxes is pretty low for purposes of doing this calculation (which it probably is), then out of the two millages, the library is getting about \$1,750,000.

That means that in addition to the \$1,500,000 the City's General Fund no longer has to pay out to the library, the City's General Fund is also netting about \$250,000 from the two millages.

Bottom line: In short, the Library is netting about \$250,000 more than it otherwise probably would have gotten from the City's budget, and the City's annual budget is being propped up with an extra \$1,750,000 from the library millages. The Library also has its funding secured for the period of the millages, which in the case of the voter-approved millage is a total of ten years.

So were they really library millages?? Yes in the sense that the money provides secured funding for the Library and replaces money that the City's general fund otherwise probably would have provided.

As the City Manager frequently notes, the Michigan legislature has greatly restricted what kinds of taxes cities can raise. It has also cut back how much State revenue (State taxes) it sends to cities. That means cities are very restricted in how they can raise money to meet their budgets.

As a consequence, in addition to cutting back expenses, cities like East Lansing do what they can to raise taxes as they can to meet budgetary shortfalls. In this case, East Lansing was allowed to raise money through these two "library millages," and it did so.

Could this kind of thing happen again where the voters vote for an entity but what's happening is helping the general fund? Yes. In fact, Mayor Mark Meadows has been talking about possibly asking voters to pass millages to support the Fire Department's administration and the Parks system in East Lansing. Odds are East Lansing voters would vote to support the Fire Department and Parks, just as they voted to support the Library, and this will free up portions of the City's general fund, helping the City's bottom line and securing services East Lansing taxpayers tend to be willing to support with extra taxes.

How much are you paying through these library millages? If you own property and your property is assessed at a value of \$100,000, then a .1 mil millage means you pay \$100 per year in extra property taxes. These two East Lansing library millages totaled 2 mils, which means if your property is valued at \$100,000, you're paying \$200 per year in property taxes because of these two millages. (If you want to know the assessed value of your property, and can't find the written communications from the City giving you this information, you can see your property value and tax information on-line ^[2], or call the City to ask your property's assessed value.

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