SUPREME COURT OF MICHIGAN

West Shore Community College v. Manistee County Board of Commissioners, 389 Mich. 287

205 N.W.2d 441 (Mich. 1973) · No. Nos. 53,910-53,911 · Decided March 27, 1973

SUMMARY

The Supreme Court of Michigan considered whether a community college could levy ad valorem property taxes exceeding the voter-approved millage limitation to pay debt service on outstanding bonds. The Court held that statutory and constitutional exceptions permitted debt-service taxes without limitation as to rate or amount, but that the actual purpose of a challenged levy remained subject to judicial determination. The Court remanded for a new trial, placing the burden on the levy's opponents to prove that the additional levy was not in fact imposed for debt service.

CASE DETAILS

COURT	Supreme Court of Michigan
WRITING FOR THE COURT	T.E. Brennan; T.M. Kavanagh; T.G. Kavanagh; Swainson; Williams; Levin; M.S. Coleman
JURISDICTION	Michigan
DECIDED	March 27, 1973
DOCKET	Nos. 53,910-53,911
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The community college appealed from the Manistee County Circuit Court's denial of declaratory and injunctive relief. The Michigan Supreme Court granted leave to appeal before decision by the Court of Appeals.
STANDARD OF REVIEW	The Supreme Court reviewed the legal authority for the tax levy and remanded because the record was insufficient to determine whether the levy was actually imposed for debt service.
PRECEDENTIAL VALUE	Published, precedential Michigan Supreme Court opinion
PARTIES	West Shore Community College v. Manistee County Board of Commissioners, Manistee County Equalization Director, Mason County Board of Commissioners, Mason County Equalization Director

TOPICS

municipal finance | tax | municipal law | statutory interpretation | appellate procedure

PRACTICE AREAS

municipal finance | municipal law | property taxation | appellate procedure

QUESTIONS PRESENTED

1. Whether Michigan law permitted a community college district to levy ad valorem taxes above the voter-authorized millage limitation for payment of principal and interest on outstanding bonds.
2. Whether the trustees' designation of the additional levy as a debt-service levy conclusively established its validity.
3. Which governmental body had authority to determine whether an over-levy was actually imposed for debt service.
4. Whether the existing record established that the 0.3-mill levy was in fact imposed for payment of bond debt service.

HOLDINGS

1. The statutory limitation on a community college district's tax levy is subject to the exception permitting taxes imposed for payment of principal and interest on bonds or other evidences of indebtedness to be levied without limitation as to rate or amount.
2. A trustees' declaration that a levy is for debt service is not conclusive; the actual purpose of the levy determines whether it falls within the debt-service exception.
3. The courts, rather than the Municipal Finance Commission, county commissioners, or county equalization director, must decide a properly presented factual dispute concerning whether a challenged over-levy is actually for debt service.
4. Community college trustees are presumed to act lawfully, and opponents of a non-voted over-levy bear the burden of proving that the levy is not in fact imposed for debt service but principally serves another purpose.
5. The record did not establish that the challenged 0.3-mill levy was invalid, but it was insufficient to resolve the factual issue, requiring a new trial.

KEY QUOTATIONS

> *"The burden of proof should fall upon the opponents of the levy, to show that the non-voted millage is not in fact imposed for the purpose of paying debt service, but is, in reality and in spite of all presumptions to the contrary, an imposition, the principal thrust of which is to achieve some goal other than payment of debt service."* (389 Mich. at 303)

> *"It is the duty of the courts to interpret the constitution and the laws. It is also the function of courts to seek the truth, to decide in adversary proceedings, disputed questions of fact."* (389 Mich. at 302)

FACTUAL BACKGROUND

West Shore Community College is a community college district comprising the Mason and Manistee Intermediate School Districts. Voters approved formation of the district and authorized a maximum annual levy of 1.5 mills. The college later issued two bond series totaling $2,250,000, and its trustees levied an additional 0.3 mill for debt service after determining that the voted millage and available funds were insufficient. The additional levy was attributed to debt-service needs arising amid increased operating and personnel costs, changes in state aid, and inflation.

PROCEDURAL HISTORY

West Shore Community College filed separate declaratory-judgment actions in Manistee and Mason Counties seeking a declaration that it could levy an additional 0.3 mill in ad valorem taxes for bond debt service and an injunction requiring the county officials to spread the levy. The actions were consolidated and tried in the Manistee County Circuit Court, which denied relief. The Supreme Court remanded for a new trial under the burden-of-proof framework stated in the opinion.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The cause was remanded to the Manistee County Circuit Court for a new trial. On remand, the defendants were to bear the burden of proving that the 0.3-mill levy was not actually imposed for payment of bond debt service. Costs were to abide the outcome.

CASES CITED

- Butcher v. Grosse Ile Township, 387 Mich. 42 (1972)
- Alan v. Wayne County, 388 Mich. 210 (1972)
- Delta College v. Foster, 42nd Circuit, Midland County, No. 3777 (June 20, 1972)
- Attorney General ex rel. Wagonmaker v. Muskegon Community College, 14th Circuit, Muskegon County, No. C-5735 (Oct. 22, 1971)
