

Orleans Assessors Tax Proposal on October 3, 1998 Ballot

On October 3, 1998 citizens in New Orleans will vote on a proposal to levy a one-mill ad valorem tax to fund the offices of the assessors of Orleans Parish. The proceeds from the one-mill levy, estimated to be \$1.5 million per year, would be deposited in a special fund designated as the "Tax Uniformity and Fairness Technology and Operations Fund of the Assessors of Orleans Parish." The proposed uses of the additional revenue for the assessors' offices are:

- ◆ to acquire a new computer system and appraisal software, to convert the old computer files, and to train staff for the new system;
- ◆ to hire additional professional and clerical staff, including outside appraisers, to assist in performing assessments and field investigations;
- ◆ to increase staff salaries and upgrade office equipment.

Although the assessors have not provided a detailed budget for the proposed new expenditures, they have suggested that approximately one third of the total amount collected would go to each of the three purposes outlined above. The assessors have not indicated how the funds that would initially be used to purchase the computer system, would be reallocated in future years.

The assessors' current operating budget is \$1,845,550. With the proceeds from the one-mill levy, the annual operating budget would rise to approximately \$3.4 million, an increase of 83 percent.

There is no "sunset provision" in the proposal, meaning that if approved, the additional one-mill would be levied indefinitely. In addition, the one-mill tax would not apply to property exempted by the homestead exemption or other exemptions set forth in the State Constitution.

BACKGROUND

New Orleans has seven districts for assessment purposes, each with a separate assessor who is elected to serve a four-year term. The Board of Assessors is comprised of the seven district assessors. Each assessor is required to determine the fair market value of all property within his/her district, except public service property that is appraised by the Louisiana Tax Commission. Real property (land and improvements) is required to be

appraised at least every four years, and personal property is reassessed on an annual basis.

Currently, the assessors' offices are funded from the following sources:

◆ Millage – The Board of Assessors is authorized to levy 1.19 mills, which generates approximately \$1.7 million a year.

◆ Documentary Transaction Fee – In June, 1998 the City Council approved a \$25 increase in the city's \$300 documentary transaction fee, which is expected to raise an additional \$230,000 a year for the assessor's offices.

◆ State Revenue Sharing Funds – Since 1994, the assessors' offices have collected approximately \$125,000 per year in State Revenue Sharing Funds.

In addition, the assessors' offices collect some funds (usually less than \$25,000 per year) through the sale of property information to private companies.

The total budget of \$1.8 million is divided among the seven assessors' offices based on a formula that factors in the number of parcels of real estate and the tax base of each district. The size of the districts vary widely, from a high of 77,314 parcels in the third municipal district to a low of 7,231 parcels in the fourth municipal district. By itself, the third municipal district is almost larger than the other six assessment districts combined.

BGR ANALYSIS

The primary arguments in support of the assessors' tax proposal are:

1. Computer Technology Needs - It is not an overstatement to say that the computer capabilities of the assessors' offices are still in the "Dark Ages." The data systems currently in use are little more than electronic file cabinets, with software developed in 1977 for another state and never fully modified to meet local needs. There is no system-wide capacity for accessing and utilizing data or allowing assessors to electronically analyze assessments on a district-wide basis according to logical categories.

2. Deficiencies in Current System – Recent studies, including one done by BGR, have concluded that there are likely numerous errors and omissions in the administration and enforcement of tax exemptions, resulting in the under-collection of tax revenues. BGR suggested that more attention should be given to the careful review of requests for exemptions and how the property is actually used. BGR's study suggests that the additional scrutiny of exemptions and the improved record keeping systems called for, would likely result in additional tax collections for all local governments. However, BGR also recognized that the additional enforcement and closer scrutiny will likely require more personnel, extensive staff training and greatly improved computer capabilities.

3. Comparatively Low Costs – Despite the fact there are seven (7) assessors in Orleans Parish (while other parishes have only one), the cost of funding the assessors in Orleans Parish (\$10.83) is actually less on a per parcel basis than in Jefferson Parish (\$13.44), less than the state average (\$11.97), and well below the national average of \$18 - \$24 per parcel.¹ With the exception of the recent funding made available to the assessors' offices through an increase in the documentary transaction fee, the overall level of funding for the assessors has remained essentially the same since 1987. By comparison, the city's budget has grown from \$300 million in 1987 to \$495 million in 1998—an increase of 65 percent. Based on International Association of Assessing Officers surveys, it is also clear that salary levels for assessors' office employees are well below their counterparts in other assessors' offices in the region and the nation as a whole.

The primary arguments against the assessors' tax proposal are:

1. Detailed plan for new expenditures is lacking – While there is a need for computer technology improvements, additional staff training, and salary upgrades, the assessors' plans for spending the additional funds are vague. It is not clear how much would go to system-wide improvements versus additional expenditures for individual assessor's offices. It is not clear how funding initially used for computer hardware and software would be used in subsequent years.

While it is recognized that the offices have additional needs, it is far from certain that an 83 percent increase in operating funds is warranted, particularly since BGR's study to improve administrative procedures in the assessors' offices is still underway.

2. Funding mechanism is flawed – The problems associated with the state's current tax structure are well known. Because of the \$7,500 homestead exemption, the tax burden falls most heavily on those who rent, rather than own, their homes and on businesses. As a result, approximately 70 percent of homeowners in Orleans Parish pay no property tax except on the 10 mills for supplemental police and fire services. There is a need to change the tax structure before adding additional mills, even if it is only a one-mill increase in this case.

3. Assessment system needs reform – Some would suggest that the entire assessment system in New Orleans should be reformed before the level of funding for the system is increased. Several studies (including some by BGR) have documented widely varying assessment practices among the seven districts and between parishes in the region. Others have suggested there is no need to have seven assessors and that the position should be a professionally appointed position rather than elected.

BGR RECOMMENDATION

While BGR recognizes the need for improvements in computer technology and the need to increase staff support, we do not support the one-mill tax as currently proposed. BGR's reservations are based on the following considerations:

- ◆ While additional funding is needed, BGR is not convinced at this time that an 83 percent increase is warranted. The assessors' plans for spending the additional \$1.5 million are vague and not tied to specific improvements.

- ◆ The assessors' offices do have a source of new revenue, the documentary transaction fee, which was just approved in June of this year and which will provide a 13 percent increase in funding for the assessors. We suggest that the plans for the expenditure of these additional funds be implemented and evaluated before the major increase contemplated by the current proposal is approved. The study now underway by BGR, with the cooperation of the assessors, will provide more specific recommendations on the administrative and funding needs of the assessors' offices.

- ◆ BGR also has reservations about the proposed funding mechanism (ad valorem tax) for the assessors. If it is determined after further review that the new source of revenue (documentary transaction fee) is inadequate to meet the needs and a more specific plan for improving administration is developed, BGR suggests it would be preferable to consider other funding mechanisms rather than to continue to rely on the ad valorem tax. Other possible mechanisms include: (a) raising additional revenue through the documentary transaction fee, (b) redrafting the millage proposal to eliminate the homestead exemption, or (c) going again to the tax recipient entities (the City, School Board, Levee District and others) to make a solid case that an additional investment in the assessors offices will result in increased tax collections for local governments.◆

[Top of Page](#)

© 1999 Bureau of Governmental Research. All rights reserved.

BGR assumes no responsibility for content outside the domain bgr.org.