



ON THE BALLOT

A Report from the Bureau
of Governmental Research

Jefferson Parish, April 30, 2011

INTRODUCTION

On April 30, voters in Jefferson Parish will decide the fate of four tax-related ballot propositions. One would renew a half-cent sales tax that helps to fund the Jefferson Parish Public School System. The three others would renew and increase separate, 10-year ad valorem property taxes to fund drainage work; juvenile services; and animal shelters, human services and public health in the parish.

In the past, BGR has expressed concern about the excessive dedication of revenue in Jefferson Parish.¹ However, an examination of the excessive use of dedicated revenue is outside the scope of this report.

In this report, therefore, BGR examines the propositions on their individual merit, providing analysis and taking a position on each. BGR presents its analysis in the order in which the propositions will appear on the ballot.

JUVENILE SERVICES PROPERTY TAX RENEWAL

What it Would Do

Voters are asked to approve for 10 years a 3.5-mill ad valorem property tax dedicated to juvenile detention facilities and juvenile services in Jefferson Parish. The parish can use the revenue for planning, developing, expanding, acquiring, constructing, improving, maintaining or operating juvenile detention facilities and for funding all other related facilities and services provided by the Jefferson Parish Department of Juvenile Services (Juvenile Services). The tax is levied parishwide.

1 Bureau of Governmental Research, *Emerging Issues: Jefferson Parish Fiscal Outlook*, March 2004. In the 2011 fiscal year budget, only \$80.4 million – or 15% of the parish’s \$530.7 million in total revenue – is undedicated.

Background and Analysis

The juvenile services millage has been in place since 1964. It was last reauthorized in 2001 at a rate of 4 mills. In 2004, the Parish Council reduced the millage by 0.5 mills in conjunction with a new tax of 0.5 mills for criminal justice services in the parish. Due to roll-backs in the rate, the current rate for the tax is 2.91 mills.²

The ballot proposition would renew the 2.91 mills and increase the tax by 0.59 mills to a total rate of 3.5 mills. This would result in a minimal property tax increase for parish homeowners. The tax bill for a \$150,000 home subject to the homestead exemption would increase by \$4.43, and the tax bill for a \$250,000 home subject to the homestead exemption would increase by \$10.33. The owner of a commercial property valued at \$500,000 would pay an additional \$42.³ According to the proposition, the millage will generate \$11.4 million annually.

The tax provides the vast majority of funding for Juvenile Services. In 2010, the millage provided 96% of the department’s revenue.⁴

According to Juvenile Services, most of the millage would be used to continue to fund the department’s current programs and its staff of 119, including 44 probation officers. Any additional revenue generated by the increase would go into a reserve fund to offset any future roll-backs in the millage rates over the next 10 years. If a roll-back does not occur, Juvenile Services would like to build its own facility for at-risk youths who have not already committed crimes. Currently, Juvenile Services spends \$60,000 a year to rent a facility to provide these programs.

Juvenile Services provides a broad range of juvenile correc-

2 Jefferson Parish, Louisiana, *2011 Annual Budget*, p. 144.

3 BGR calculations assuming land value of 20% and improvement value of 80% of the total assessed value.

4 Jefferson Parish *2011 Annual Budget*, p. 144.

tional services to troubled youth and their families in Jefferson Parish. Currently, the department supervises approximately 600 youths who are on probation. It also operates a 55-bed juvenile detention facility that admitted 1,264 youths in 2009.

Juvenile Services has been locally and nationally recognized for its progressive rehabilitation programs. The department uses an array of mental health services to prevent delinquents from becoming repeat offenders and to keep at-risk youths out of trouble. Currently, Juvenile Services is working with both the Annie E. Casey Foundation and the John D. and Catherine T. MacArthur Foundation on programs to improve the parish's 42% recidivism rate for juvenile offenders.

Jefferson Parish is one of five Louisiana parishes with its own department for juvenile offenders and at-risk youth. Parishes without such organizations rely on the state's Office of Juvenile Justice to handle their juvenile services.⁵ Juvenile Services does not receive any funding from the state.

If voters reject the millage renewal, alternative funding sources would be hard to come by, because only 15% of parish revenue is undedicated.⁶

If the parish does not fund Juvenile Services, the parish's juvenile services needs would fall to the state's Office of Juvenile Justice. However, such a scenario is not without its own problems. The Governor's current 2012 budget proposal slashes funding to that office by \$15 million, or 12%.⁷ Given these budget constraints, turning over juvenile services to the Office of Juvenile Justice could diminish public safety. Additionally, the parish would lose the flexibility to operate programs that are responsive to the particular needs of parish youths, rather than statewide priorities.

BGR Position

FOR. If the millage is not renewed, the Department of Juvenile Services will be left without a significant funding source and its work will fall to a thinly-funded state office.

⁵ According to the Office of Juvenile Justice, the other parishes with their own juvenile services departments are Caddo, Calcasieu, East Baton Rouge and Rapides.

⁶ BGR calculations based on Jefferson Parish *2011 Annual Budget*, pp. 16-17.

⁷ Youth Services, 08-403 Office of Juvenile Justice, *FY 2011-2012 Executive Budget*.

ANIMAL SHELTERS, HUMAN SERVICES AND PUBLIC HEALTH PROPERTY TAX RENEWAL

What it Would Do

Voters are asked to approve for 10 years a 2.26-mill ad valorem property tax to support the parish's Animal Shelter Department, the Jefferson Parish Human Services Authority (Human Services) and the Jefferson Parish Health Unit (the Health Unit). The tax is levied parishwide.

Background and Analysis

The millage has been levied since 1961. Approval of the proposition would result in the renewal of an existing 1.65 mills, plus an increase of .61 mills. The increase would undo roll-backs that have occurred since voters last approved the millage in 2001.

Approval would increase tax bills minimally. The owner of a \$150,000 house with a homestead exemption would see an increase of \$4.58, while the owner of a \$250,000 homestead-exempt house would pay about \$11 more annually. The owner of a \$500,000 commercial property would pay \$43 more each year.⁸

The existing tax is expected to generate approximately \$5 million in 2011. These funds are budgeted as follows: \$2.4 million to the Animal Shelter Department; \$1.5 million to Human Services; and \$1.1 million to the Health Unit. The amount that each receives is based on annual needs. The new millage would generate an estimated \$7.3 million in 2012.

The tax currently accounts for 87% of the Animal Shelter Department budget. The department uses the funding to operate an animal shelter on each bank of the river, with a total full-time staff of 43 people.⁹ The shelters take in more than 20,000 animals a year, 80% of which are eventually euthanized.¹⁰ The department also relies on the millage to fund animal control services and investigations into allegations of animal cruelty. If voters approve the proposition, the department plans to spend any additional revenue it receives from the increased rate to upgrade its facilities.

In recent years, the Animal Shelter Department has faced

⁸ BGR calculations.

⁹ Jefferson Parish, *2011 Annual Budget*, p. 147.

¹⁰ Jefferson Parish Animal Shelter Department, www.jeffparish.net.

numerous problems, public criticism and high turnover in leadership. The current interim director, named to the role in February 2011, is the sixth person to head the department in the past five years.¹¹ According to a Louisiana SPCA official, the shelters frequently run out of necessities such as food and vaccines.

In June 2010, the Parish Council approved an agreement with the Louisiana SPCA to operate the parish's animal shelters. According to the Louisiana SPCA, that deal fell apart due to the poor state of the West Bank animal shelter. The facility requires significant renovations and maybe even complete reconstruction.

The Jefferson Parish Human Services Authority, a special parish district, operates and manages the parish's mental health, substance abuse and developmental disabilities programs. Human Services receives almost all of its funding from the state's Department of Health and Hospitals. The Legislature appropriated \$27.1 million for Human Services in 2011.¹² Jefferson Parish, by comparison, contributed \$1.5 million. Human Services uses this local tax revenue to provide a number of community support services, including a 24-hour crisis hotline. By law, the parish is required to fund Human Services at a level no lower than it did in 1990. Human Services received \$552,432 from the Parish that year.¹³

The Jefferson Parish Health Unit is one of many community health organizations the state operates at the parish level. Pursuant to state law, parishes are required to have a health unit and to provide a facility and "ample means for the maintenance and operation" of the unit.¹⁴ In 2011, the millage provided one-third of the Health Unit's total funding.¹⁵

The Health Unit has a facility on each bank of the parish. It provides basic health care information and services for parish residents, and it performs environmental and restaurant inspections to ensure food and water safety. In 2010, the Health Unit handled an estimated 38,500 medical visits and 7,500 inspections of retail food establishments.¹⁶

Proponents of Human Services and the Health Unit point out that the entities provide important health services to the

community at relatively little cost to parish residents. Officials at both Human Services and the Health Unit assert that without a continuation of the millage, they will have to cut back on services and possibly personnel. However, as mentioned earlier, the parish will have to fund Human Services at close to one-third its current level even if voters fail to renew the millage. The parish will also need to provide some level of funding to the Health Unit to meet the state's public health funding mandate.

It would be difficult for the parish to pay for the Animal Shelter Department and its share of Human Services and the Health Unit out of the general fund. As it stands, only 15% of parish revenue is undedicated.¹⁷

BGR Position

FOR. Failure to renew the tax will force the parish to turn to a strained general fund to meet its obligations for these services, leading to cuts in other areas.

SALES TAX RENEWAL, JEFFERSON PARISH PUBLIC SCHOOL SYSTEM

What it Would Do

The proposition would renew for 10 years a half-cent sales tax for the Jefferson Parish Public School System (the School System). The tax is dedicated to a wide spectrum of purposes, including salaries for teachers and support personnel, facility maintenance, debt service, instructional materials, social workers, and an in-school suspension program. Revenue in excess of the amount needed to fund these priorities can be used to offset any future reductions in state funding to the School System. The tax applies parishwide.

Background and Analysis

Currently, the sales tax in Jefferson Parish totals 8.75%. It includes 4% for the state, 2% for schools, and 2.75% for other local bodies.

The 0.5% tax at issue is one of five sales taxes levied parish-

11 Jefferson Parish Finance Department.

12 *Louisiana State Budget, Fiscal Year 2010-11*, p. 131.

13 Jefferson Parish, Louisiana, *1991-92 Operating Budget*, p. 148.

14 La. R.S. 40:12; La. R.S. 40:26; and La. R.S. 40:13.

15 BGR calculations.

16 Jefferson Parish FY 2011 budget, p. 149.

17 Jefferson Parish, *2011 Annual Budget*, pp. 16-17.

wide for the school system.¹⁸ Parish voters initially approved it in 1992 and renewed it for an additional 10 years in 2001.

Approving the school sales tax would not result in a higher sales tax. Rather, it would extend the tax at the same rate. If voters reject the tax, consumers in Jefferson Parish would generally save 50 cents on every \$100 they spend on merchandise.

In fiscal 2010, the combined school-related sales taxes generated roughly \$161 million, or nearly one-third of the School System's entire \$512 million in revenue.¹⁹ The half-cent sales tax up for renewal generated \$40 million, representing close to 8% of the School System's total funding.²⁰ It is projected to generate \$36.8 million in 2012.

According to the School System, revenue from the sales tax was allocated as follows in 2010:

- \$14.7 million to salaries and benefits for teachers and other personnel.
- \$8.4 million for debt service.
- \$6.6 million for general maintenance, repair and renovations.
- \$3.3 million for textbooks and instructional materials.
- \$2.6 million for social workers and counselors.
- \$1.1 million for in-school suspension programs.

The amount that the School System allocates to each purpose varies from year to year.

When voters first approved the sales tax in 1992, it funded 5% salary increases for teachers and 3% raises for other personnel. As the number of teachers and personnel in the School System has grown, the portion of the tax revenue spent on employee salaries has also increased. Today, 40% of the tax revenue goes toward salaries and benefits, compared to 33% in 1992. The number of teachers has risen from 3,255 in 1992 to 3,494. The number of total employees, however, has dropped from 7,255 to 6,239. Over the same period the student population has dropped from 54,268 to 42,795.

18 The other School System sales taxes are: a half-cent for teachers' salaries and operating expenses; a half-cent for debt service, capital improvements, and operating expenses; a quarter-cent for capital improvements and related maintenance and operating expenses; and a quarter-cent for employee salary increase and fringe benefits.

19 Jefferson Parish Public School System, *Comprehensive Annual Financial Report for Fiscal Year Ending on June 30, 2010*, p. 9.

20 BGR calculations based on *ibid.* This includes the Sheriff's collection fee.

Teacher salaries in Jefferson Parish are higher than those in Orleans Parish, but lower than those in St. Charles and St. Tammany parishes. Teachers with a master's degree and five years of teaching experience make \$44,549 in Jefferson Parish, compared to \$43,613 in Orleans, \$46,985 in St. Charles and \$48,993 in St. Tammany. Teachers with 10 years of experience and a master's degree make \$47,549, compared to \$46,613 in Orleans, \$51,568 in St. Charles and \$51,981 in St. Tammany.²¹

Jefferson Parish's 8.75% total sales tax rate is lower than the rates in neighboring parishes. In Orleans and St. Charles the total sales tax rate is 9%, and the rate in the City of Mandeville in St. Tammany Parish is 9.25%.²²

The sales tax percentage dedicated to schools in Jefferson Parish is in the middle of the range for neighboring parishes, but it produces a far larger amount of revenue for the School System. In fiscal 2011, the School System expects to receive about \$159 million,²³ compared to \$39 million for St. Charles Parish public schools, \$83 million for Orleans Parish public schools²⁴ and \$75 million for St. Tammany Parish public schools.

Jefferson Parish property owners shoulder less of the burden for funding their school systems than do property owners in neighboring parishes. In 2010, the School System imposed a 21.91-mill property tax, compared to 77.84 mills in St. Tammany, 57.91 in St. Charles and 38.57 in Orleans.²⁵ In 2010, the property tax in Jefferson Parish generated \$73 million in revenue for the schools.

Heavy reliance on sales tax can create problems, since it is a more volatile funding source than property tax. It is also more regressive. On the other hand, it benefits Jefferson Parish taxpayers by exporting part of the tax burden to the many shoppers who come to Jefferson from neighboring parishes.

21 Louisiana Department of Education, *Annual Teacher Salary Schedules*, www.doe.state.la.us/topics/teacher_salary_schedules.aspx.

22 Consumers in St. Tammany also pay 2% in school sales taxes, while in St. Charles and Orleans they pay 3% and 1.5%, respectively.

23 Jefferson Parish Public School System, *Proposed Fiscal Year 2010-2011 General Operations Fund Budget*, Released August 4, 2010.

24 This number includes the portion that flows through the Orleans Parish Public School system to the Recovery School District and charter schools.

25 Louisiana Department of Education, *FY 2009-2010 MFP Budget Letter*.

If voters do not renew the tax, the School System will lose not just local revenue, but also state revenue from the Minimum Foundation Program (MFP). The amount each parish receives in MFP funding is determined by a complex formula that factors in the wealth and taxing effort in a school district. Consequently, a reduction in local funding generally leads to a reduction in MFP funding. If parish voters do not renew the tax, the Louisiana Department of Education estimates that it will cost the School System a minimum of \$347,923 in 2012.²⁶ This would be in addition to a nearly \$850,000 drop in MFP funding due to the phase-out of “hold harmless” funding.²⁷

Even if voters renew the tax, the system will face a \$20 million to \$25 million budget shortfall next year. Officials plan to cover this deficit by using reserve funds, and possibly cutting administrative staff and some instructional programs.

School System officials assert that if voters fail to renew the sales tax, the consequences could be dramatic. They argue that the loss of sales tax revenue would force cuts in services and programs, and probably reductions in the numbers of teachers and staff. They said that, without the tax, they would have to consider closing or consolidating some schools.

Such cuts could hurt the performance of the School System, which is underperforming compared to other districts in the state. In 2010, the district ranked 52nd out of Louisiana’s 71 school districts based on district performance scores.²⁸ The system’s 61.7% graduation rate was below the state average of 67.4%.²⁹

BGR Position

FOR. The loss of revenue would hurt schools by reducing both local and state funding.

26 Calculation provided to BGR by the Louisiana Department of Education.

27 The “hold harmless” provision had guaranteed that no parish school system would receive less funding per pupil than it received prior to the implementation of the MFP. Jefferson Parish was one of 12 school systems that benefited from the provision. It received \$17 million in hold harmless funding until 2007. The funds for all parishes will be phased out by 2017. 2010 La. HCR 243.

28 Louisiana Department of Education, *District Performance Scores, 2009-10*.

29 Louisiana Department of Education, *Cohort Graduation Rates*: www.doe.state.la.us.

DRAINAGE PROPERTY TAX RENEWAL

What it Would Do

Voters are asked to approve for 10 years a 5-mill property tax dedicated to drainage work in Jefferson Parish. The tax funds the parish’s share of the Southeast Louisiana Urban Flood Control Program (SELA) and additional drainage projects. It is levied parishwide, except in Grand Isle.

Background and Analysis

Approval of the ballot proposition would result in the renewal of the existing 3.61 mills and an increase of 1.39 mills.³⁰ The increase would reverse millage roll-backs and return the tax to the level voters approved 10 years ago.

The increase would result in modest tax bill hikes. An owner of a homestead-exempt home assessed at \$150,000 would pay \$10 more annually, while an owner of a \$250,000 home would see an increase of \$24. The owner of a commercial property valued at \$500,000 would pay \$97 more annually.³¹ According to the proposition, the millage will generate \$16 million annually.

Voters first approved the millage in 2001 in order to cover the parish’s match for SELA projects.³² In 2007, voters re-dedicated the millage to allow the parish to apply revenues not needed for the SELA match to other drainage projects.

The parish has spent \$87 million on SELA drainage projects since the millage was first levied.³³ Four of the parish’s original pump stations have been upgraded and 60% of planned canal improvements have been finished.³⁴ These projects have occurred on both the east and west banks and have cost more than \$500 million so far.

When the program began, the parish was required to pay a 25% match, with federal funds covering the rest of the SELA costs. Following Hurricane Katrina, the federal government

30 Jefferson Parish, *2011 Annual Budget*, op. cit., p. 288.

31 Commercial improvements are assessed at 15% of their fair market value, while the land is assessed at 10%.

32 The SELA projects also include drainage projects in Orleans Parish. These projects are funded by the Sewerage & Water Board of New Orleans.

33 Jefferson Parish Department of Drainage.

34 Southeast Louisiana Flood Control Projects website, Selaprojects.com, and Jefferson Parish Department of Drainage.

CURRENT SELA PROJECTS IN JEFFERSON PARISH

Under the 65-35 cost-share agreement with the federal government, Jefferson Parish will have to provide a match for drainage improvements to the following:

Soniat Canal – West Napoleon to Lynette Pump to River Discharge Tubes
Soniat Canal – W. Metairie to Lynette Pump to the River Pump Station
Mayronne Canal
Two Mile Canal, Phase II
Justice & Oil Co. Canals
Industry Canal
Trapp Canal
Murphy Canal and Gardere Canal, Phase III

on other drainage projects since 2007. It expects to use an additional \$4.5 million on non-SELA projects in 2011.

Parish officials assert that the SELA projects are vital to drainage infrastructure, and that the millage is essential to funding the program. If voters reject the millage renewal, the remaining SELA projects will not proceed. As a result, the parish's flood protection would suffer.

The parish appears to need all the drainage-related funding it can secure. The parish Drainage Department estimates that it will cost \$800 million to \$1 billion and take at least 10 years to improve all local drainage infrastructure to a level that can handle a 10-year storm.

BGR Position

FOR. Good drainage is critical to the parish's long-term viability. The millage provides the parish with a stable source of revenue to help meet this need.

provided \$100 million for SELA projects without requiring matching funds. In 2009, the cost-sharing arrangement was modified.³⁵ In order to expedite the remaining SELA projects, the federal government agreed to provide the funding needed to complete them up front. Jefferson Parish agreed to reimburse the federal government for 35% of the project costs, plus interest, over 30 years.

The parish Drainage Department estimates the cost to complete the remaining SELA projects is between \$400 and \$450 million, making the parish match \$140 million to \$158 million. The parish will have to begin paying the 35% match in 2014. The payments are currently estimated at \$8 million annually for 30 years.³⁶ The most significant project yet to be finished is the Harahan Pump-To-The-River Project, which is designed to divert rainwater into the Mississippi River.

The parish has also spent \$6.9 million of the millage revenue

³⁵ Project Partnership Agreement Between the Department of the Army and the Coastal Protection and Restoration Authority of Louisiana for the Southeast Louisiana, Louisiana Project Jefferson and Orleans Parishes, dated January 16, 2009.

³⁶ Jefferson Parish Department of Drainage. The Parish will be charged a variable 4.75% interest rate and the Parish's total repayment obligations could change depending on the final project completion costs.

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