

# Jefferson Parish Fiscal Outlook

Jefferson Parish for many years experienced significant development and economic growth as the suburban destination of choice for residents leaving New Orleans. Over the last two decades, however, the Parish has become an inner ring suburb, affected by the growth of outer ring suburbs such as St. Charles, St. John, and St. Tammany Parishes.

In this report, BGR examines how Jefferson Parish's finances are faring. It reviews the Parish's revenues and expenditures between 1995 and 2002, estimates for 2003, projections for 2004, and factors that may affect the Parish's finances.

## Summary of Findings

If the projections in the Parish's 2004 Adopted Budget materialize, Jefferson Parish government may be approaching fiscal difficulties. Rising costs, particularly those associated with personnel and unfunded mandates, are creating pressure on the Parish's General Fund and the services provided through it.

Personnel costs, which account for 52.1% of 2004 projected operating expenditures, have increased significantly. They rose 46.2% from 1995 to 2002 and an estimated 7.9% between 2002 and 2003. The Parish expects them to rise another 7.6% in 2004.

Approximately 28% of personnel costs are paid out of the General Fund. Unfunded mandates, which are paid out of the General Fund, and professional and technical services have also risen significantly.

During the late and mid-1990s, increases in sales tax revenues allowed the Parish to fund most services without raising

taxes. More recently, the Parish drew heavily on General Fund reserves. Neither of these sources provides a viable option to cover current increases in General Fund expenses. Sales tax receipts are leveling off and General Fund reserves have been depleted to a dangerous level. If the Parish budget plays out as passed by the Parish Council, there will be virtually nothing left in the General Fund at the end of 2004.

Problems associated with increasing General Fund expenses are exacerbated by excessive dedication of funds. As a result of these dedications, only 15% of Jefferson Parish's revenues flow to the General Fund. Because so much of Jefferson Parish's revenues is dedicated to specific purposes, a good economy alone would not solve the problems facing that fund. A 5% increase in retail sales would bring it only another \$1.25 million. A 5% increase in property assessments would add only \$181,800.

The Parish has a number of options for increasing its flexibility to deal with increased financial pressures. These are discussed later in this report.

## The Current Environment

Jefferson Parish, with a population of 455,466 is the second most populous parish in Louisiana. About 25% of the population resides in the six municipalities located within its boundaries: Harahan, Kenner, Gretna, Westwego, Grand Isle, and Jean Lafitte.

The Parish's population increased from 448,306 to 455,466 between 1990 and 2000, reversing a decline in the prior decade. The population in 2000 was only 0.2% higher than the 1980 population, however. The proportion of the popula-

tion over 65 grew from 10.2% in 1990 to 11.9% in 2000.

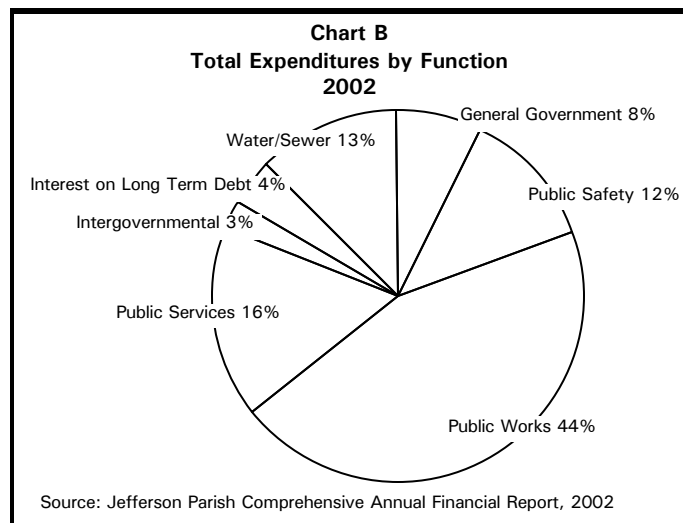
Median household income for Jefferson Parish residents rose in real terms by \$1,379 between 1990 and 2000. The 2000 median household income in Jefferson Parish, \$38,435, was higher than the state median income of \$32,566. The poverty rate of 13.7% in 2000 declined from 14.1% in 1990 and was below the state average of 19.6%.

The U.S. Census Bureau reported that from 1990 to 2000 the proportion of African-Americans and Hispanics grew in Jefferson Parish. In 2000, 22.9% of the population reported themselves as African-Americans, and 7.1% reported themselves as Hispanic or Latino (of any race). In 1990, 17.6% reported themselves as African-American, and 5.9% considered themselves to be of Hispanic origin (of any race).

The Louisiana Department of Labor estimated that the Parish's unemployment rate in January 2004 was 5.5%, a rate that was lower than the metropolitan area unemployment rate of 6.3% and the state rate of 7%. Two independent economic studies both forecast that Jefferson Parish's share of metro employment growth will increase from 35% in 2000 to 39% in 2030.<sup>1</sup>

While the Parish's overall population is stable, the relative prosperity of its population may be changing. Data compiled by the IRS indicates that in 2001 out-migrants from Jefferson Parish had a higher median adjusted gross income (AGI), \$23,426, than in-migrants, \$19,751. (Median AGI for the parish was \$26,832.) The total adjusted gross income for parish residents declined by \$96 million (1.3% of the total 2001 AGI)





### Troubling Trends in Expenditures

Three categories of expenditures stand out because of their size and/or the rate of increases. These are personnel costs, professional and technical services, and unfunded state-mandated expenses. As is discussed more fully in the next section, these areas are likely to pose significant future problems.

**Personnel Costs.** Personnel costs are the largest item in the 2004 Adopted Budget. They amount to \$156.3 million, approximately 52.1% of operating expenditures. In 1995, personnel costs were 47.6% of operating expenditures in the Adopted Budget. (See Table 3.)

The number of employees grew by 7.8% from 3,017 in 1995 to 3,253 in 2002. Although the Parish projected 3,272 employees in 2004 (13 employees more than in 2003), the Parish President recently imposed a hiring freeze that affects 207 vacant positions. The largest concentrations of employees are in drainage functions (324 employees), libraries (278), sewer (210), East Bank fire (247), streets (211), recreation (112 on the West Bank and 140 on the East Bank), water (137), juvenile services (123), and engineering (120).

From 1995 to 2002, personnel costs increased six times faster than the number of employees, rising by 46.2%. Such costs increased an estimated 7.9% in

2003 and are projected to increase by 7.6% in the 2004 Adopted Budget. (See Table 3.) Increases are attributable to annual 5% raises and increased health and pension costs. Health care is projected to increase 19% from \$10.8 million in 2003 to \$12.1 million in 2004. The health care increase follows a 65.5% increase per employee between 1996 and 2003. (Data for 1995 were not available.)

Pension costs are significant and rising. Parish pension contributions rose 65.6% from \$6.1 million in 1996 to \$10.1 million in 2003. The Parish projects pension costs of at least \$15.4 million in 2004 — a 51.5% increase from the prior year.

The huge jump in 2004 pension costs is due to an increase in the employer's contribution to the statewide Parochial Employees' Retirement System (the State Plan) from 7.75% to 11.75% of compensation. Employee contributions are established by state statute at 9.5%, and the Parish as employer must contribute whatever additional amount is

needed to keep the system financially sound. Since 1996, the Parish's contribution to the State Plan has increased by 161.4%, from \$4.3 million in 1996 to the projected \$11.3 million in 2004. The Parish is required by state statute to participate in the State Plan.

In addition to pensions, the Parish provides health and life insurance benefits and an annual bonus to its retirees. In 2002, the Parish paid \$2.4 million for such benefits; in 2003 the Parish paid \$2.7 million for these retirees' benefits.

**Purchased Services.** Purchased Services, which includes subcategories of Property Services, Professional and Technical Services, and Other Services, represents 32.2% of the 2004 Adopted Budget. Expenses for the subcategory of Professional and Technical Services increased from \$41.2 million in 1995 to \$64.3 million in 2002, a 56% increase. Professional and Technical Services expenses grew another 14.2% in 2003 to \$73.4 million. The Parish projects a 4.8% decrease in 2004 to \$69.9 million. The net effect would be an increase of 8.6% between 2002 and 2004.

**State-mandated Expenses.** The State Constitution requires local governments to pay for some expenses over which they have no control. These include costs incurred by independent parochial offices, such as the district attorney, district and parish courts, and some of the

	1995	Percent of Total	2002	Percent of Total	Percent Change
Taxes	\$176,829	63.4%	\$234,106	63.2%	32.4%
Licenses/Permits	8,016	2.9%	10,501	2.8%	31.0%
Intergovernmental	39,792	14.3%	64,554	17.4%	62.2%
Charges for Services	18,668	6.7%	35,800	9.7%	91.8%
Gaming Fees*	3,195	1.1%	NA		
Fines/Forfeitures	2,592	0.9%	7,545	2.0%	191.1%
Special Assessment	223	0.1%	11	0.0%	-95.1%
Interest	16,377	5.9%	8,760	2.4%	-46.5%
Miscellaneous	13,090	4.7%	8,878	2.4%	-32.2%
<b>Total Operating Revenues</b>	<b>\$278,782</b>	<b>100%</b>	<b>\$370,155</b>	<b>100%</b>	<b>32.8%</b>

\* Gaming revenue is included in 2002 Charges for Services  
Excludes Enterprise Funds  
Source: Jefferson Parish CAFRs

**Table 2**  
**Governmental Funds Expenditures by Function**  
(in thousands of dollars)

	1995	Percent of total	2002	Percent of Total	Percent Change
General Government	\$20,619	6.8%	\$30,846	7.7%	49.6%
Public Safety	37,989	12.5%	52,660	13.2%	38.6%
Public Works	61,204	20.1%	75,801	18.9%	23.8%
Transit	6,042	2.0%	10,809	2.7%	78.9%
Health/Welfare	20,945	6.9%	24,195	6.0%	15.5%
Culture/Recreation	22,332	7.3%	30,990	7.7%	38.8%
Urban Redevelopment/Housing	3,072	1.0%	4,734	1.2%	54.1%
Intergovernmental	8,517	2.8%	12,600	3.2%	47.9%
Debt Service	47,412	15.6%	47,100	11.8%	-0.7%
Capital Outlay	76,576	25.1%	110,650	27.6%	44.5%
Other	67	0.0%	0	0.0%	-100.0%
<b>Total</b>	<b>\$304,775</b>	<b>100%</b>	<b>\$400,385</b>	<b>100%</b>	<b>31.4%</b>
<b>Other Financing Uses</b>	<b>\$33,483</b>		<b>\$15,221</b>		<b>-54.5%</b>

Excludes Enterprise Funds  
Source: Jefferson Parish CAFRs

sheriff's expenses, including the expenses of operating the correctional center. (The sheriff pays the sheriff's employees.) The Parish projects that in 2004 the net parish expense for state-mandated costs associated with parochial offices will be \$18.3 million. This is a 30.8% increase from 2000's \$14 million net expense.<sup>4</sup>

## Excessive Dedication of Revenues

Recent problems created by operating expenditures, particularly personnel costs, increasing at a faster rate than operating revenues are exacerbated by excessive dedication of revenues. Dedications restrict the use of revenues to certain purposes. In many, but not all, cases, they also restrict the geographic area in which the funds can be used. (See Table 4.)

In 2002, the Parish had dedicated revenues of \$359 million and undedicated revenues of \$63.3 million. Undedicated revenues are expected to equal \$68.8 million in 2004.

Undedicated revenues equaled approximately 15% of total revenues in 2002. In St. Tammany, approximately 14.7% of revenues was undedicated. By contrast, in Orleans Parish 71.6% of revenues was undedicated.

Only 1.89 mills of the Parish's property taxes and 0.5% of sales taxes are undedicated and available for general Parish purposes. In 2002, these sources totaled \$28.2 million (\$3.2 million in property taxes and \$25 million in sales taxes.) The undedicated portion of taxes was only 11.5% of the \$242 million in property and sales taxes collected by the Parish. The undedicated portion of 2004 tax revenues is expected to be approximately the same.

Approximately 89% of the dedicated property tax is subject to geographic, as well as use, limitations. Some, particularly taxes levied for fire districts and four taxes for the Grand Isle area, are restricted to small areas. (See Table 4.)

Parish officials and voters have made much progress in consolidating districts. Garbage, water, and sewer districts for the unincorporated areas have been consolidated into single districts for each service. Sixteen recreation districts have been consolidated into two and further consolidation of them is under consideration. Nonetheless, an excessive amount of revenue remains dedicated.

## Pressure on the General Fund

Dedicated revenues are deposited into Special Revenue, Capital Projects, and Debt Service Funds, depending on the

purpose of the dedication. Undedicated funds are deposited in the General Fund.

From the General Fund, the Parish pays state-mandated expenses, general expenses of government (such as the Departments of Finance and Human Resources Management and the Property Management Division), public safety expenses (such as code enforcement and emergency management), and health, welfare, and cultural services (such as administration of projects funded with federal and state grants and the Citizens' Affairs Office).

As noted previously, state-mandated expenses and employment costs have been growing rapidly. This creates significant pressure on the General Fund, which is the sole source of payment for state-mandated expenses and carries significant personnel costs. Since 28% of Parish employees are paid from the General Fund, the fund is vulnerable to rising employee health and pension costs. The Jefferson Parish Finance Department projects that the General Fund pension expenses will rise to \$3.4 million in 2004, a 54.3% increase from 2003.

While the Parish has been able to shift some of the health cost increases to employees, pension and state-mandated costs are effectively beyond its control. As the undedicated source is squeezed, cuts will be required in areas such as code enforcement, planning, or property management. There will be less discretion to provide supplemental funding for items in Special Revenue Funds that are not adequately supported by a dedicated funding source.

Easing or eliminating restrictions would make it easier for elected officials to meet fast-rising costs without imposing new taxes or cutting services. It would also provide the flexibility needed to ensure that the most pressing needs are met.

## Declining General Fund Balance

The General Fund balance is the money remaining in the General Fund at the end of the fiscal year. Often called a "rainy day" fund, the uncommitted portion of the General Fund balance is what is available to the Parish to deal with any shortfall in revenues or with unanticipated expenses.

Although General Fund revenues exceeded expenditures in every year from 1995 to 2003, the General Fund balance declined in some years as money was transferred to other uses. The General Fund balance was reduced from \$26.1 million at the end of 2000 to \$14.4 million at the end of 2002 as the Parish drew on the balance to pay for buildings and community programs. Only \$1.2 million of that amount was not committed and, therefore, available to meet emergencies that might occur in the next year.

The undesignated General Fund balance of \$1.2 million at the end of 2002 represented less than 2% of 2003 General

Fund expenditures. This amount is far below the 10% that citizens should expect to see in a rainy day fund. Parish finance officials acknowledged that an undesignated General Fund balance of \$1.2 million is "less than adequate for a General Fund with a heavy dependence on a relatively flat sales tax base."<sup>5</sup> (See Chart C.)

The 2004 Adopted Budget anticipates that the Parish will reduce its total General Fund balance to \$2.1 million at the end of 2004. Because more than \$2.1 million is reserved or already designated for other expenses each year, the General Fund balance might be negative at the end of 2004.

In contrast to the General Fund, the dedicated funds have significant balances. By way of comparison, in 2002 when the balance for the General Fund was \$14.4 million, the balances in the Special Revenue Funds totaled \$67 million, and Capital Projects Funds balances were another \$177.7 million. Unfortunately, these funds cannot be applied to any purpose other than the

purpose for which the account was established.

## Outlook

Jefferson Parish has many positives to celebrate: unemployment is low, the number of jobs is expected to increase, the population is stable, and property values show modest growth. The Parish and other tax recipient bodies could see a spike in revenues in 2005 as a result of the upcoming mandated reassessment (assuming they roll rates forward).

There are, however, a number of negative factors that could impact future finances. The Parish's infrastructure is growing older and could require more maintenance.

As the population ages, new services might be needed and the growth of sales and property tax collections could be adversely impacted.

The Parish has little room for new development, with the only remaining large areas on the West Bank. Whether growth would yield enough new sales and property tax revenues to offset new parish infrastructure expenses has yet to be determined.

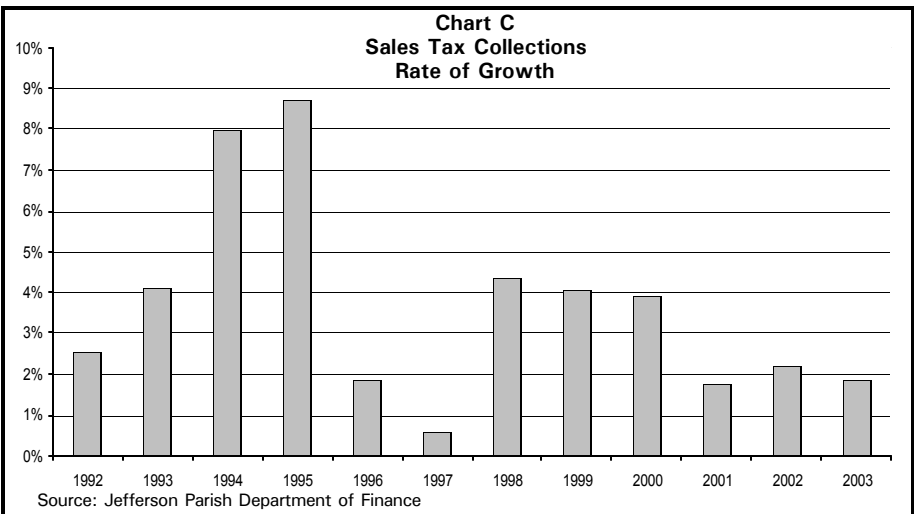
Rising costs, particularly those associated with personnel and unfunded mandates, are creating pressure on the General Fund and the services provided through it.

During the late and mid-1990s, increases in sales tax revenues allowed the Parish to fund most services without raising taxes. More recently, the Parish drew heavily on General Fund reserves. Neither of these sources provides a viable option to cover current expenses. Sales tax receipts are leveling off and General Fund reserves have been depleted to a dangerous

**Table 3**  
**Adopted Budget Revenues and Expenditures**  
(in thousands of dollars)

Revenues	1995 Actual	Percent of Total	2002 Actual	Percent of Total	Percent Change	2003 Estimate	2004 Budget
Taxes	\$127,741	59.5%	\$169,566	60.4%	32.7%	\$184,951	\$182,587
Licenses/Permits	8,016	3.7%	10,501	3.7%	31.0%	9,871	9,864
Intergovernmental	11,042	5.1%	13,585	4.8%	23.0%	11,900	11,925
Charges for Services	57,701	26.9%	73,001	26.0%	26.5%	77,065	77,606
Fines/Forfeitures	2,675	1.2%	7,345	2.6%	174.6%	7,332	7,690
Interest	4,584	2.1%	3,340	1.2%	-27.1%	2,359	2,002
Miscellaneous	2,917	1.4%	3,148	1.1%	7.9%	3,385	2,537
<b>Total Operating Revenues</b>	<b>\$214,676</b>	<b>100%</b>	<b>\$280,547</b>	<b>100%</b>	<b>30.7%</b>	<b>\$296,864</b>	<b>\$294,211</b>
Other Financing Sources	10,652		16,905			24,229	16,065
<b>Total Revenues</b>	<b>\$225,327</b>		<b>\$297,451</b>		<b>32.0%</b>	<b>\$321,093</b>	<b>\$310,276</b>
<b>Expenditures</b>							
Personal Services	\$92,091	47.6%	\$134,597	51.7%	46.2%	\$145,282	\$156,326
Supplies	5,493	2.8%	16,896	6.5%	207.6%	20,874	20,430
Purchased Services:							
Professional and Technical	41,216	21.3%	64,315	24.7%	56.0%	73,393	69,862
Property	26,034	13.5%	19,829	7.6%	-23.8%	26,434	27,151
Other	8,705	4.5%	10,517	4.0%	20.8%	10,591	10,835
General Expenses	14,962	7.7%	8,158	3.1%	-45.5%	9,318	6,947
Capital Outlay	4,938	2.6%	6,180	2.4%	25.2%	11,016	7,891
Debt Service	29	0.0%	59	0.0%	103.4%	28	730
<b>Total Operating Expenditures</b>	<b>\$193,468</b>	<b>100%</b>	<b>\$260,551</b>	<b>100%</b>	<b>34.7%</b>	<b>\$296,935</b>	<b>\$300,173</b>
Other Financing Uses	27,388		49,137			43,886	4,497
<b>Total Expenditures</b>	<b>\$220,856</b>		<b>\$309,688</b>		<b>40.2%</b>	<b>\$341,074</b>	<b>\$334,638</b>

Source: Jefferson Parish Adopted Budgets



lion to the General Fund. A 5% increase in property assessments would add only \$181,800.

### Options

The Parish has a number of options for increasing its flexibility to deal with increased financial pressures. These include the following.

### Releasing Dedications

The Parish could increase its flexibility in dealing with the financial problems confronting the General Fund by converting dedicated taxes into undedicated ones. This would require a totally different approach to services, replacing the special-district approach with a broader parishwide view of the allocation of resources. While releasing dedications would require a major revamping of the

level. If the parish budget plays out as passed by the Parish Council, there will be virtually nothing left in the General Fund at the end of 2004.

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Because so much of Jefferson Parish's

**Table 4  
Special Taxing Districts  
Ad Valorem Taxes**

Area	Purpose	Maximum Millage Authorized	Mills Levied	Amount Billed (in thousands)	Fund Balance 12/31/2002 (in thousands)	
Jefferson General Fund*	GF	4	1.89	\$3,638	\$6,116	
Library	M&O	7	6.26	13,066	6,791	
Public Transportation System	M&O	1.79	1.79	1,736	885	
Public Transportation/Mobility Impaired	M&O	0.89	0.89	1,858	1,029	
Health Unit/Animal Shelter/Human Services	M&O	2.26	2.26	4,717	1,786	
Juvenile Detention Home	M&O	4	4.00	8,347	3,271	
Public Improvement Bonds-Drainage	Bonds		2.49	5,197		
Consolidated Drainage No. 2	M&O	5.31	5.31	21,182	3,264	
Consolidated Drainage (SELA)	M&O	5	5.00	incl. w/above		
Drainage District No. 9 Sub No. 1	Terrytown		1.51	89		
Consol Waterworks District No.1	EB & unincorp WB + Jean Lafitte	5	0.40	9,869	7,632	
Consol Waterworks District No.1	Capital	incl. w/above	4.60	incl. w/above		
Consol Sewerage District No. 1	Unincorp. E&WB + Jean Lafitte	5	5.00	8,101	5,343	
Consolidated Garbage District No. 1	Unincorp. E&WB + Jean Lafitte	5	5.00	8,091	4,073	
Consolidated Road Lighting District	Unincorp. E&WB + Jean Lafitte	5	4.15	6,709	10,525	
Consolidated Playground Dist No. 1	Unincorp. EB	10	10.00	10,851	4,891	
Consol Recreation District No.2	Unincorp. WB + Jean Lafitte	9	9.00	4,793	1,319	
Consol Recreation District No.2, Sub No.1	Unincorp. WB west of Harvey Canal		5.60	949		
East Bank Consolidated Fire	Unincorp. EB excl. River Ridge	25	25.00	25,009	5,358	
Fire District No. 3	River Ridge & small area of Metairie	20	20.00	1,694	298	
Fire District No. 4	Lafitte	15	14.63	419	97	
Fire District No. 5	Terrytown, unincorp. Gretna	15	12.06	1,332	379	
Fire District No. 6	Harvey, east of Harvey Canal	20	20.00	3,246	527	
Fire District No. 6		Capital	5	5.00	incl. w/above	
Fire District No. 7	West of Westwego	25	25.00	2,828	184	
Fire District No. 7		Bonds		4.67	incl. w/above	
Fire District No. 8	Marerro-Estelle, Harvey, Ragusa	25	20.00	4,237	8	
Fire District No. 9	Grand Isle	20	20.00	436	30	
Road Lighting District No. 7	Grand Isle	5	4.72	103	174	
Ambulance District No. 2	Grand Isle	10	9.44	206	0	
Playground District No. 16	Grand Isle	10	10.00	218	25	

GF: General Fund, M&O: Maintenance and Operations  
 \* .94 mills in Kenner  
 Source: Jefferson Parish Ordinance 21965, Finance Department, Louisiana Tax Commission



tax structure, it would have the advantage of helping elected officials to meet fast-rising costs without new taxes.

The Parish could, with voter approval, release from dedications taxes that are not pledged to debt or subject to other contractual commitments. The 2002 CAFR indicates that a total of 51.44 mills from 10 special taxing districts were levied in 2003 for debt service and capital improvements; a total of 234.11 mills from special taxing districts (most of which are not parishwide) were levied for maintenance and operations. The Parish estimates that the latter produce \$108.1 million in property taxes.

### Consolidating Districts

The Parish could also increase its flexibility by consolidating districts serving the same function, such as the West Bank and East Bank recreational districts. This option was recommended by the former Parish President to help relieve financial pressures on the West Bank district. Fire districts provide another opportunity for consolidation.

### Spreading the Costs of Unfunded Mandates

Another approach is to transfer some of the cost of unfunded mandates, which are currently borne by the residents of the unincorporated areas of the Parish, to the residents of the municipalities. The Parish is taking steps in this direction. The Parish has filed a suit challenging the constitutionality of state mandates that place the burden of funding the Parish's judicial system only on the unincorporated areas of the Parish. The administration is also considering asking voters to rededicate an existing property tax or portions of other existing taxes to the criminal justice system and to extend the tax to the municipalities. While the tax revenues would still be dedicated, the change would free money in the General Fund for other uses.

### Redirecting Council Members' Discretionary Funds

Portions of gaming revenues and hotel/motel taxes are allocated at the discretion of the district council members. In 2004, such discretionary funds are projected to total \$6.2 million. \$1.5 million will go to debt service for the LaSalle tract and the operation of the LaSalle and Alario Center facilities. \$2.2 million will be spent on public works or recreation projects on the West Bank. The balance of gaming revenue will be used to prop up the General Fund. The Parish could alleviate some of the future pressure on the General Fund by redirecting discretionary funds to it on a permanent basis.

### Raising Property Taxes

Another option for increasing General Fund and other revenues is an increase in taxes. Jefferson Parish government collects only 19.58 mills of property tax on a parishwide basis. The Parish Council could increase revenues slightly through a "roll up" of property taxes in connection with the 2004 reassessment or, with voter approval, increase the number of mills more significantly.

At each four-year reassessment required by the State Constitution, the millage "rolls back" to a rate which, when applied against the assessed value, would yield the same revenue to the local tax recipient bodies. The taxing bodies may elect to roll up the millage to the prior rate, thus capturing increased revenue. In Jefferson Parish, elected officials have historically

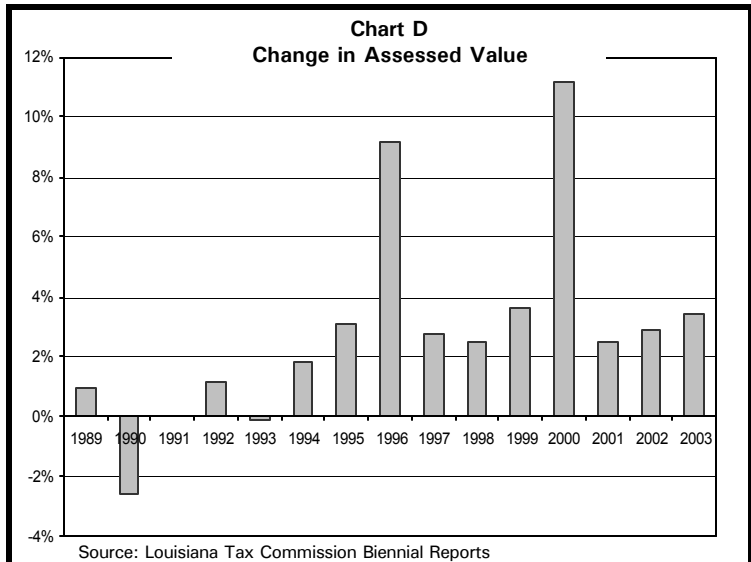
allowed roll backs to stay at the reduced millage. As a result the General Fund millage has been reduced from four mills to 1.89 mills.

A roll up would keep the General Fund millage at the present 1.89 mills. It would produce for the General Fund an additional \$181,800 for each 5% increase in property values. While the amount is small, revenues attributable to the roll up would grow with increases in property values.

### Reviewing the Accuracy of Assessments

To the extent that property is under-assessed, Jefferson Parish is forgoing revenues to which it is entitled. Reassessments may lag the market, since the Louisiana Constitution requires complete reassessments only at four-year intervals. The most recent Jefferson Parish four-year reassessment resulted in an 11% rise in assessed value. The Assessor's incremental reassessments done each year since show little growth in assessed value.

BGR does not at this time have sufficient information to determine whether assessments fairly reflect property values. The issue is worth visiting, however, for a Parish facing financial difficulties.





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## Eliminating the Homestead Exemption

Collections of taxes are negatively affected by exemptions, including the homestead exemption. Jefferson Parish could seek a constitutional amendment to reduce or eliminate the homestead exemption, as Orleans Parish did for two small millages dedicated to police and fire services.

The constitutionally imposed homestead exemption reduces the tax base. In 2002, 64% of the 175,955 tax-paying properties were homesteads. 44% of these were completely exempt from parish property taxes, and the owners of the others paid no taxes on the first \$75,000 of fair market value. The Jefferson Parish Assessor calculates that the assessed value of the homestead-exempt portion of property is \$761.2 billion. The homestead exemption costs tax recipient bodies in Jefferson Parish 26.8% of potential tax revenues.

## Increasing Sales Taxes

Jefferson Parish shoppers pay sales tax at the rate of 8.75%, one of the highest rates in the region. Most of the tax revenues go to other governmental entities.

Jefferson Parish receives only 2.375%. The Jefferson Parish Sheriff charges the Parish a commission of 9.5 to 11% to collect the tax.

Despite the relatively high sales tax rate, increasing sales taxes for the Parish is an option. An increase of 0.5% would increase the Parish's sales tax revenues by \$25 million.

## Cutting Expenses

As noted in the report, personnel expenses have been rising at a very high rate and, without significant changes, are likely to continue to do so. Options include replacing the 5% annual pay raises with smaller ones that are more in line with inflation and raises in the private sector. They also include reexamining health benefits for current and retired employees to determine whether programs can be modified to rein in costs.

## Endnotes

1. NPA Planning and Woods & Poole Econometrics.
2. The IRS adjusted gross income figures are not directly comparable to the income numbers reported by the U.S. Census Bureau. The IRS and Census Bureau use different methods to define income; the IRS does not report its data by households.
3. Jefferson Parish Finance Department.
4. Jefferson Parish Finance Department.
5. CAFR 2002, page 9.

### Jefferson Parish Sales Tax Rates

**1/2%** collected from unincorporated area is dedicated to road construction and maintenance in unincorporated Jefferson. No expiration date.

**1/2%** collected from unincorporated area is for general purposes. No expiration date.

**1/3 of 1/2%** collected parishwide is dedicated to operation and maintenance of Parish drainage facilities. No expiration date.

**2/3 of 1/2%** collected in unincorporated areas is dedicated for operation, maintenance, and capital improvements of drainage and sewer facilities. No expiration date.

**1%** collected parishwide. The portion collected in municipalities other than Jean Lafitte goes to the local government for any legal purpose. Of the portion collected in unincorporated areas and Jean Lafitte, 7/8 is dedicated to capital improvements to the road and sewer system and 1/8 to the Sheriff. The tax expires in 2022.

## BGR Emerging Issues Committee

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