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BGR MEDIA RELEASE

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BGR Issues Report on Jefferson Parish Fiscal Outlook

The Bureau of Governmental Research released today a report entitled *Jefferson Parish Fiscal Outlook*. The report is a part of BGR's Emerging Issues series of short reports on topics in Orleans, Jefferson, and St. Tammany Parishes. It can be found on BGR's website, www.bgr.org.

BGR concludes that Jefferson Parish 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.

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 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.

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.

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

- **Releasing dedications.** The Parish could, with voter approval, release from dedications taxes that are not pledged to debt or subject to other contractual restrictions. The Parish estimates that $108 million of revenues from dedicated property taxes could be released without running afoul of existing commitments.

- **Consolidating districts.** The Parish could increase its financial flexibility by consolidating districts serving the same function, such as the West Bank and East Bank Recreational Districts.

- **Spreading the cost of unfunded mandates**. The Parish could attempt to spread the cost of unfunded mandates, which currently are borne largely by residents of unincorporated areas of the Parish, to municipalities. The Parish has moved in this direction by initiating a law suit challenging the current allocation of the tax burden.

- **Redirecting council members' discretionary funds.** The Parish could eliminate some of the future pressure on the General Fund by redirecting council members' discretionary funds to that fund on a permanent basis. (Council members have agreed to apply a portion of the discretionary funds to the General Fund in 2004.)

- **Raising property taxes.** Jefferson Parish government collects only 19.85 mills of property tax on a parish-wide basis. The tax rate could be raised slightly by the

Parish Council through a "roll up" of taxes or more significantly with voter approval.

- **Reducing or eliminating the homestead exemption**. The assessed value of homestead exempt portion of property is calculated at $761.2 billion. The exemption costs tax recipient bodies in Jefferson Parish 26,8% of potential revenues.

- **Reviewing the accuracy of assessments**. To the extent that property is under-assessed, Jefferson Parish is forgoing revenues to which it is entitled. Whether assessments fairly reflect property values is an issue worth visiting for a Parish facing financial difficulties.

- **Increasing Sales Taxes**. Despite the relatively high sales tax rate of 8.75%, increasing sales taxes is an option. An increase of 0.5% would increase the Parish's sales tax revenues by $25 million.

- **Cutting Expenses.** Personnel expenses have been rising at avery 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 private sector raises.

Louis Freeman, BGR's chairman, stated: "Although Jefferson Parish faces increasing financial pressures, it also has many options for alleviating them. Some of these would involve a reallocation of existing resources, while others would require increases in tax collections. Regardless of the approach chosen by the Parish's citizens and leaders, it is clear that Jefferson Parish would benefit from increased financial flexibility."

BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information call 525-4152 or visit BGR's website, www.bgr.org.

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