

## *The November 3, 1998 General Election: Tax Districts and Constitutional Amendments*

### **Introduction**

The November 3 election ballot in Orleans Parish features the potential creation of three separate neighborhood-based special tax districts and a decision on two proposed amendments to the State Constitution.

Although the 1998 State Legislature also authorized the creation of two neighborhood-based special tax districts in Jefferson Parish, (Old Metairie and Stonebridge) the local enabling legislation has yet to be approved by the Jefferson Parish Council. Therefore, the only local proposition on the ballot in Jefferson Parish is a 7-mill property tax proposal by the City of Westwego to maintain and operate ambulance service within the City. Voters in Jefferson Parish will also vote in the statewide election on the proposed Constitutional amendments.

While initially scheduled for the November 3 election, the Orleans Parish School Board withdrew its 13 mill property tax proposal to fund higher wages for school employees. Instead, the Orleans Parish School Board has joined forces with the City of New Orleans to seek voter approval of a proposed property service fee that will be on the December 5, 1998 ballot. If approved by the voters on December 5, the school board expects to receive \$13 million per year from the property service fee levied by the city. BGR will issue a report on the December 5 election proposition in November.

### **Summary of BGR Positions**

This report includes an analysis of the three special tax districts in Orleans Parish and two Constitutional amendments. In the case of the special tax districts propositions, BGR offers arguments for and against the districts but takes no position on the proposals.

Regarding the two largely technical amendments to the Constitution, BGR supports both amendments.

## **Neighborhood-Based Special Tax Districts**

The November 3rd general election ballot will contain local propositions that, if approved by district voters, will create three additional neighborhood-based special tax districts in New Orleans. Two such districts aimed principally at increasing neighborhood security have already been created in New Orleans: the Lake Forest Estates Improvement District (1996) and the Lakeview Crime Prevention District (1997).

The recent Extraordinary Session of the Louisiana Legislature (1998) authorized three additional neighborhood-based special tax districts within the city: the Garden District Security District, the Spring Lake Subdivision Improvement District, and the Lake Willow Subdivision Improvement District. With the subsequent approval of the New Orleans City Council (by resolution), these propositions will now appear on the November 3rd ballot. If approved by district voters, these propositions will allow the City Council to levy fees or millage increases on all taxable real property within the districts over a five-year period (1999-2003).

District boundaries were set in the enabling legislation. Two of the proposed districts, Lake Willow and Spring Lake, are contiguous, separated only by the Lawrence Drainage Canal. This legislation also required the establishment of Boards of Commissioners in each district, and specified who appoints each member and the number of members. The District Boards of Commissioners must adopt a plan, a budget, and manage the affairs of the Districts. Property tax exemptions remain in effect where applicable.

### **Lake Willow**

The Lake Willow Subdivision Improvement District, bounded roughly by Morrison Road, the Lawrence Drainage Canal, the I-10 service Road, and Crowder Road, seeks district voter approval for a \$350 per year fee on all real taxable property in the Lake Willow Subdivision. Approval requires a two-thirds majority of district voters, and proceeds, according to the Proposition, will target "beautification, security, and overall betterment" of the subdivision. By state statute, revenues collected by the City will be remitted to the district not more than thirty days after collection. The City may retain one percent of the amounts collected. State legislation stipulates that "security patrols, public or private, shall be supplemental to and not in lieu of" services provided by the NOPD.

The Lake Willow Subdivision Improvement District projects total revenues of \$60,900 based on a \$350 fee on each of 174 parcels of taxable real property. The District budget allocates \$47,071 (77%) for private security, \$5,500 for

maintenance and renovation, \$2,000 for attorney fees, \$1,000 for telephone, \$2,200 for insurance, \$609 City collection fee \$1,200 for “socials”, and the balance \$1,320 for miscellaneous expenses.

## **Spring Lake**

The Spring Lake Subdivision Improvement District, bounded by Morrison Road, the Lawrence Drainage Canal, the I-10 Service Road, and the St. Charles Drainage Canal, is asking district voters to support a fee not to exceed \$200.00 per year, on all taxable real property in the district. Security and beautification are the stated uses of the proposed fee. This proposition also requires a two-thirds majority of the district voters for passage. Enabling legislation states that the Board of Liquidation, City Debt, will advance revenues to the district each quarter based on the district’s budget and projected expenditures. No explicit provision is made for the City to retain a collection fee. Unlike the Lake Willow District, there is no stipulation that additional security patrols, whether public or private, must be supplemental to existing NOPD services.

The Spring Lake Subdivision Improvement District projects revenues of \$40,800 based on a fee of \$200 on each of 204 parcels of land. The District will contract for patrol services with the Orleans Levee Board Police. A total of \$35,288 (86%) is allocated for patrol services with the remainder allocated for miscellaneous costs including ground maintenance, utilities, and a one percent collection fee for the City.

## **Garden District**

The Garden District Security District, bounded by Carondelet Street, Jackson Avenue, Magazine Street, and Louisiana Avenue, is requesting that district voters approve a property tax of up to 19 mills on all taxable real property in the district. The stated sole purpose of the district is improving security in the Garden District. A majority vote is required for adoption of this proposition. Proceeds will be paid to the Board of Liquidation “day by day”, maintained in a separate account, and drawn down by “appropriate officials of the city and the treasurer of the district”. The City may retain one percent of the revenue as a collection fee. The district may enter into a contract with the NOPD or with a private security company that according to enabling legislation must be “certified” by the Superintendent of Police.

The Board of Commissioners of the Garden District Security District has worked for two years developing both a plan and a budget with a projected yield of \$365,987 at the maximum 19 mill level. A total of \$300,000 is allocated for private patrol service, \$30,000 is budgeted for hiring off-duty NOPD personnel, and

\$26,000 is budgeted for office space, staff, and related office expenses. The balance of projected revenues (\$9,987) is allocated for auditing, insurance, a contingency fund, and a one percent administrative fee for the City.

**Arguments for the propositions include:**

- ◆ For many neighborhood residents, the City's budget problems may create serious hardships, including service cutbacks, delayed maintenance, and a reduction in needed capital projects. Neighborhood-based revenue-raising initiatives provide a realistic alternative to simply doing without these services.
- ◆ Heightened security may maintain and perhaps increase property values thereby promoting neighborhood stability and reversing out-migration trends.
- ◆ Inclusive district needs assessments and planning processes can increase civic involvement and understanding, and unite neighborhood residents to solve common problems. Important neighborhood-specific projects can be initiated that might not be addressed even in times of a city budget surplus.
- ◆ Special tax district funds can attract additional city, state, federal, and private sector investment.
- ◆ Tax revenues focused on neighborhood level improvements have a better chance of passage than do citywide tax increases.
- ◆ City and district partnerships on special projects, for example upgrading neighborhood playgrounds, can reduce project costs and help ease the City's budget shortfall.

**Arguments against the propositions include:**

- ◆ Neighborhood-based special tax districts are too broadly defined allowing small contiguous neighborhoods containing less than a dozen streets total to become "political subdivisions" of the state. This could lead to the city's "Balkanization" through the proliferation of special districts.
- ◆ Districts that implement special programs and capital projects might complicate the City's planning process and raise the cost of government by duplicating efforts and confusing administrative functions.
- ◆ The neighborhood approach may diminish broad-based support for future citywide revenue issues. Residents of neighborhoods already tax themselves as special districts may be reluctant to support tax increases meant to benefit the community as a whole.

- ◆ Neighborhood associations have successfully addressed security and other improvement issues for many years. In many instances, the creation of “special districts” to solve neighborhood problems may be unnecessary.
- ◆ Relatively affluent areas with a high percentage of homeownership have the resources to create special tax districts, while poorer neighborhoods with little or no tax base may continue to decline as vital services, particularly law enforcement, suffer from city budget constraints. Additionally, increased patrols in district neighborhoods may displace criminal activity into surrounding areas.
- ◆ The requirements of state enabling legislation for the five special tax districts lack uniformity. The term of office for commissioners is set in only one of the five districts, voter approval percentages lack uniformity, and varying pass through procedures are described between the City and the districts. Finally, questions remain regarding the role of the City, if any, in the plan and budget review process.
- ◆ In all but one instance (the Garden District), property fees are levied instead of a millage, and homeowners regardless of property value shoulder the same financial burden. It is unlikely that fees are tax deductible.

## **BGR Commentary**

BGR takes no position on the three neighborhood-based special tax districts.

A diminished tax base, the immediacy of today’s looming budget problems, and state-imposed limits on raising revenues convince many residents that the City cannot provide adequate levels of service, particularly law enforcement, to their neighborhoods. The special tax district is a means by which some neighborhoods can increase service levels to area residents and thereby enhance neighborhood stability. Two such districts have already been established and another three districts are subject to voter approval on November 3rd.

While the districts provide benefits for the specific neighborhoods involved, the continued proliferation of districts raises major policy concerns for the city as a whole:

- ◆ Will the city face a management nightmare in attempting to deal with potentially dozens of “micro” tax districts?
- ◆ Will the neighborhood special districts diminish support for future citywide revenue issues?

◆ Will the continued proliferation of districts complicate the City's planning process, confuse administrative functions, and raise the cost of running local government?

◆ Will poorer neighborhoods, with little or no tax base, continue to decline as vital services - particularly law enforcement - are targeted to those neighborhoods that can pay for extra services and improvements?

If after the review and consideration of these policy questions it is decided that additional neighborhood special tax districts should be allowed or encouraged, BGR suggests changes in the enabling legislation be enacted to help minimize the potential negative impacts of special tax districts on the community as a whole.

1. Consideration should be given to more narrowly defining "special districts" to prevent the creation of unnecessary "micro" political subdivisions throughout the City.

2. State and city legislation should be uniform in establishing neighborhood-based special tax districts.

## **Constitutional Amendments on Nov. 3 Ballot**

**Amendment 1:** Changes the name of the Board of Trustees for State Colleges and Universities to the Board of Supervisors for the University of Louisiana System.

**Analysis:** No powers or membership provisions will change. This is a simple name change. The new name is consistent with the title of the other two Boards of Supervisors presently under the Board of Regents.

**BGR recommendation:** BGR supports the amendment. This name change will have no impact on the operation of the Board.

**Ballot proposition language:** To rename the Board of Trustees for State Colleges and Universities the Board of Supervisors for the University of Louisiana System. (Amends Article VIII, Section 6(A))

**Amendment 2:** Provides that the Board of Regents shall be composed of two persons from each congressional district plus one at-large member. The governor is to ensure diversity by considering race and gender when appointing board members representative of the state's population. The governor appoints members with approval by the Senate. Terms are overlapping six-year terms.

**Analysis:** The present language requires that fifteen members be appointed by the governor but with no more than two from any congressional district. When population loss caused Louisiana to lose a congressional district, the membership restriction became numerically impossible to satisfy. With seven congressional districts instead of eight, one district had to have three representatives to the Board of Regents or the Board would have only fourteen members.

The proposed change will eliminate the conflict by specifying there will be two members from each congressional district and one at-large appointment. The specific number of fifteen members will be deleted to provide for possible future increases or decreases in the number of congressional districts in Louisiana.

**BGR recommendation:** BGR supports the technical change in the number and composition of the Board of Regents.

**Ballot proposition language:** To eliminate the conflict in the distribution of gubernatorial appointments to the Board of Regents currently providing for fifteen members with at least one but no more than two from any congressional district by providing for the board to be composed of two members from each congressional district and one at large without specifying a total number, and to provide that the board should be representative of the state's population by race and gender to ensure diversity. (Amends Article VIII, Section 5(B))◆

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