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Rolling Forward

The Complete
Picture

BGR Project Staff

Janet R. Howard, *President & CEO*
Peter Reichard, *Projects Manager*
Kevin Murphy, *Principal Author*

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BUREAU OF GOVERNMENTAL RESEARCH

938 Lafayette St., Suite 200
New Orleans, LA 70113
Phone 504-525-4152
Fax 504-525-4153
www.bgr.org

On October 15, Mayor Mitch Landrieu presented his proposed 2011 budget to the New Orleans City Council. The budget calls for rolling forward, by 8.74 mills, the rates on municipal property taxes that support the City's General Fund.¹ The City administration projects that the increase would generate an additional \$23 million for police, fire, recreation and public works. The City also has the authority to roll forward other City millages by 2.54 mills, but the Mayor has not proposed to do so.²

The proposed millage increase would raise the citywide tax rate on the east bank from its current level of 139.84 mills to 148.58 mills. The rate on Orleans' west bank would rise from 140.93 to 149.67.³ The City Council, which has the final say on the increase, will consider the matter at a meeting scheduled for December 1.

But Mayor Landrieu's proposal is not the only rate increase that Orleans Parish property owners could face next year. A number of other entities' millages could be rolled forward. This report provides a composite picture of citywide property tax rates in Orleans Parish, the capacity of various taxing entities to increase those rates, and the potential cost to property owners. The report does not make recommendations on the City's, or any other entity's, proposed property tax increase, and it does not explore alternatives to raising property taxes.

HOW A ROLL-FORWARD WORKS

The Louisiana Constitution requires assessors to reassess all property in a parish at least every four years.⁴ After a reassessment, local taxing authorities must adjust their millage rates so that tax collections remain revenue-neutral.⁵ Since reassessments usually result in an increase in the parish's assessed value, property tax rates are typically "rolled back" (reduced). Taxing authorities have the option of rolling their millage rates forward to the pre-assessment level, but only after a public hearing and with a two-thirds vote of the taxing authority.⁶ They must exercise the option before the next mandatory reassessment period.

The constitution's roll-forward provision creates a "use it or lose it" situation for taxing authorities. If a millage is not rolled forward before the next reassessment, that millage rate becomes the new maximum rate. For ex-

ample, unless the City acts this year to roll forward the millage for parks and recreation from its current level of 2.18 mills to its 2007 level of 3 mills, 2.18 mills will become the new maximum millage for the tax years 2012 through 2015.

In 2009, the State Legislature passed a law that purports to further limit rolls-forward by certain taxing bodies with non-elected members. Under that law, any roll-forward by those entities cannot increase property tax revenues by more than 2.5% of the previous year's collections.⁷ However, the constitutionality of the legislation, which limits a constitutional grant of power to local governments, is open to serious question. Voters rejected a constitutional amendment with nearly identical language on November 2.

POSSIBLE ROLLS-FORWARD

In addition to the City of New Orleans, the millages of four entities could be rolled forward: the Audubon Commission, the Orleans Parish School Board, the Sewerage & Water Board (S&WB) and the Southeast Louisiana Flood Protection Authority - East (SLFPA-East), which governs the Orleans Levee District (on the east bank).⁸

In July, the School Board voted to roll its constitutional millage forward; however, it voted to offset that increase by reducing other millages, leaving its total millage rate unchanged.⁹ Last month, the Audubon Commission elected not to roll its millage forward.¹⁰

Any roll-forward of S&WB millages must be approved by the City Council. On November 3, the S&WB passed a resolution asking the council to roll forward its millage by 6.16 mills, the maximum allowed under the constitution.¹¹ The \$16.4 million generated by the S&WB roll-forward would be dedicated to drainage improvements and operations. The S&WB estimates that it currently has a shortfall of \$534 million for needed drainage system repairs during the next five years.¹²

Under the constitution, SLFPA-East could roll forward its rates by as much as 1.09 mills. It has scheduled a hearing on the matter for November 18. Additional revenues for the Orleans Levee District would go toward servicing State recovery bonds issued after Hurricane Katrina, and to ongoing construction and maintenance

Table 1: Orleans Millage Rate, 2007-2010 (East Bank)*

	2007	2008	2009	2010
School Board	52.90	38.47	38.47	44.12
Board of Liquidation	31.70	23.80	23.80	25.50
S&WB	22.59	16.43	16.43	16.43
General City	16.10	11.72	11.72	11.72
Levee District (East Bank)	12.76	9.65	10.95	11.67
Fire**	5.21	3.94	3.94	5.21
Fire and Police	6.40	4.66	4.66	4.66
Police**	5.26	3.98	3.98	3.98
Audubon Commission	4.55	3.31	3.31	3.31
Library	4.32	3.14	3.14	3.14
Sheriff	3.50	2.90	2.90	2.90
Parks and Recreation	3.00	2.18	2.18	2.18
Housing and Eco. Dev.	2.50	1.82	1.82	1.82
Capital Improvements	2.50	1.82	1.82	1.82
Streets and Traffic Control	1.90	1.38	1.38	1.38
Total	175.19	129.20	130.50	139.84

* SLFPA-West, which governs the Algiers Levee District, rolled forward the Algiers levee millage to the maximum 12.76 in 2009. As a result, West Bank property owners faced slightly higher property tax bills in 2009 and 2010.

**Pursuant to La. Const. Art VI, Sec. 26(E), these millages are not subject to the homestead exemption.

Source: Louisiana Tax Commission, annual reports, 2006-2009, and Orleans millage breakdown, provided via e-mail by the City of New Orleans.

projects, such as the construction of a new safe-house for levee district employees and the maintenance of the seawall along Lakeshore Drive.

If the City Council approved roll-forward requests from the Mayor and S&WB, and SLFPA-East rolled forward by 1.09 mills, the citywide millage rate in New Orleans (east bank) would jump 11.4%, to 155.83 mills. (For a breakdown of the roll-forward capacity of all Orleans Parish taxing bodies, see the Appendix.)

As previously noted, legislation of questionable constitutionality purports to impose a stricter limit on certain non-elected bodies. Unless the law is held to be unconstitutional, SLFPA-East¹³ will have to contend with the stricter limit, which would restrict its roll-forward to 0.29 mills.

Other factors that could affect the overall millage rate appear to be out of play. Entities with outstanding gen-

eral obligation indebtedness must set their millage rate at whatever level is necessary to service those bonds. However, the Board of Liquidation, City Debt, which is responsible for the City's general obligation debt, has indicated that it does not expect to increase its millage.¹⁴ The millage levied by the Orleans Parish Sheriff to support general obligation indebtedness also will remain at its 2010 level of 2.90 mills in 2011.¹⁵ The School Board's general obligation millage will fall slightly, by 0.7 mills.¹⁶

PUTTING THE ROLLS-FORWARD INTO CONTEXT

Prior to the last mandatory reassessment in 2008, the citywide tax rate in New Orleans was 175.19 mills. That rate fell sharply in 2008 after a parishwide reassessment mandated by the Louisiana Tax Commission resulted in a 37% increase in the taxable value of property in the parish. The ensuing roll-back reduced the millage rate to 129.2 mills.

Since the mandatory roll-back in 2008, east bank millages have ticked upward, to nearly 140 mills in 2010. That rise is attributable to a full roll-forward of a fire

millage and partial rolls-forward of the school and levee millages.¹⁷ In addition, the Board of Liquidation increased its 2010 millage by 1.7 mills to meet the City's debt service obligations.

Table 1 shows the property tax rates for the east bank of Orleans Parish for the years 2007 through 2010. They do not include property taxes for special taxing districts, such as the Downtown Development District, the New Orleans Regional Business Park, and the Garden District and Touro Bouligny security districts.

Millage rates are currently 35.35 mills (20%) below 2007 levels. If the City proceeded with the Mayor's and S&WB's roll-forward proposals, and SLFPA-East rolled forward to its 2007 level, rates would jump about 16 mills. The millage rate would be 26.63 mills higher than it was after the roll-back in 2008, but 19.36 mills (or 11%) lower than the 2007 level.

Table 2: Potential Tax Increases (East Bank)

Based on Mayor's Proposal and Maximum Increases by S&WB and SLFPA-East

Owner-Occupied Residential

Market Value	2010 Taxes	Increase			2011 Taxes	Total Increase
		City	S&WB	Levee District		
\$150,000	\$1,118	\$75	\$46	\$8	\$1,247	\$130
\$250,000	\$2,516	\$163	\$108	\$19	\$2,806	\$289
\$350,000	\$3,915	\$250	\$169	\$30	\$4,364	\$449
\$500,000	\$6,012	\$381	\$262	\$46	\$6,701	\$689

Commercial

Market Value	2010 Taxes	Increase			2011 Taxes	Total Increase
		City	S&WB	Levee District		
\$250,000	\$4,894	\$306	\$216	\$38	\$5,454	\$560
\$500,000	\$9,789	\$612	\$431	\$76	\$10,908	\$1,119
\$1,000,000	\$19,578	\$1,224	\$862	\$153	\$21,816	\$2,239
\$2,000,000	\$39,155	\$2,447	\$1,725	\$305	\$43,632	\$4,477

Note: For commercial property, the calculations assume that 20% of value is tied to land, 80% to improvements. Numbers may not match total due to rounding.

Source: BGR calculations based on proposed 8.74-mill increase for the City, and the maximum 6.16-mill and 1.09-mill rolls-forward for the S&WB and Orleans Levee District, respectively.

IMPACT ON TAXPAYERS

The proposed millage increases would affect different classes of taxpayers differently. That's because residential and commercial improvements are assessed at different percentages of market value: 10% in the case of residential improvements and 15% in the case of commercial improvements. (All land is assessed at 10% of market value.) In addition, homeowners enjoy the homestead exemption, whereas rental and commercial property owners do not.

Table 2 demonstrates the impact of the potential tax increases on homeowners and owners of commercial property. The rate would be slightly lower if SLFPA-East is limited to the 2.5% increase set forth in the 2009 law.

In this context, it is worth comparing the total tax rate in Orleans Parish with the rates in Jefferson Parish, Orleans' principal neighbor and the most populous parish in the region. In the current tax year, the millage rate in Metairie is 102.7 mills, 27% lower than in Orleans. As a result, the taxes payable in 2010 on a \$2 million commercial property in Orleans exceeded those pay-

able on a comparable property in Metairie by more than \$10,000. The Mayor's proposal, combined with full S&WB and SLFPA-East rolls-forward, would increase that difference to almost \$15,000.

CONCLUSION

In the coming weeks, the City and SLFPA-East will hold hearings to consider whether to roll forward property tax millages. If the City Council approved the Mayor's and S&WB's roll-forward requests, and the SLFPA-East rolled its rate forward by the full amount allowed under the constitution, Orleans Parish property owners would face an 11.4% increase in the millage rate. If the 2009 change to State law trumps the existing roll-forward authority set forth in the constitution, the increase would be slightly less.

Policymakers should consider their respective tax increases in terms of the community's overall priorities. In doing so, they must also bear in mind the community's ability to shoulder an increased tax burden and the competitive impacts vis-à-vis Jefferson Parish.

APPENDIX: Property Tax Millages and Roll-Forward Capacity

	Authorized Maximum	Millages Levied			Remaining Capacity	Roll-Forward
		2008	2009	2010		Under Consideration
S&WB	22.59	16.43	16.43	16.43	6.16	6.16
General City	16.10	11.72	11.72	11.72	4.38	4.38
Fire and Police	6.40	4.66	4.66	4.66	1.74	1.74
Police (Non-homestead)	5.26	3.98	3.98	3.98	1.28	1.28
Audubon Commission	4.55*	3.31	3.31	3.31	1.24	0
Library	4.32	3.14	3.14	3.14	1.18	0
Levee District (East Bank)	12.76*	9.65	10.95	11.67	1.09	1.09
Parks and Recreation	3.00	2.18	2.18	2.18	0.82	0.82
Housing Improvement	2.50	1.82	1.82	1.82	0.68	0
Capital Improvements	2.50	1.82	1.82	1.82	0.68	0
Streets and Traffic Control	1.90	1.38	1.38	1.38	0.52	0.52
Fire (Non-homestead)	5.21	3.94	3.94	5.21	0	0
School Board	40.34	32.80	32.80	38.45	0	0**
Total	127.43	96.83	98.13	105.77	19.77	15.99

Note: Table does not include millages levied by the following entities to service general obligation bonds: Board of Liquidation, Orleans Parish Law Enforcement District (Sheriff) and the Orleans Parish School Board. These millages are set at the level necessary to cover debt service.

*If Act 528 of 2009, which amended La. R.S. 47:1705, is indeed enforceable, the maximum authorized millage rates for non-elected taxing authorities would be limited to 2.5% over whatever was levied in 2010.

** The School Board voted in July to roll forward its constitutional millage by 1.89 mills and to reduce a special millage dedicated to dropout prevention by 1.19 mills. Because the School Board will also reduce its general obligation millage by 0.7 mills, the School Board's total 2011 millage will remain at its 2010 level of 44.12 mills.

Source: Louisiana Tax Commission, annual reports, 2006-2009; Orleans millage breakdown, provided via email by the City of New Orleans; Orleans Parish School Board, financial statements and schedules, 2007-2010; and phone and email communications with the Audubon Commission and Orleans Parish Levee District, Sheriff's Office and School Board.

END NOTES

1 One mill is equal to one dollar of taxes per \$1,000 of assessed value. All land and residential improvements are assessed at 10% of fair market value. Commercial improvements are assessed at 15% of market value. The City administration estimates that one mill will generate \$2.63 million.

2 These include millages for libraries, housing and economic development, and capital improvements.

3 The totals are different because the millage levied for flood protection is higher on the west bank than the east bank.

4 La. Const. Art. VII, Sec. 18(F).

5 La. Const. Art. VII, Sec. 23(B).

6 La. Const. Art. VII, Sec. 23(C).

7 La. R.S. 47:1705 (B). This has created some confusion regarding the ability of taxing bodies with non-elected members, such as the Audubon Commission, to roll forward their millages for 2011.

8 SLFPA-West, which governs the levee system protecting the west bank of Orleans, rolled forward that area's millage to the maximum 12.76 in 2009, precluding a further increase.

9 Orleans Parish School Board, Resolutions 20-10 and 21-10, adopted July 27, 2010.

10 Audubon Commission, Resolution No. 1, approved October 20, 2010.

11 Sewerage & Water Board of New Orleans, R-196-2010, approved November 3, 2010.

12 Bureau of Governmental Research, *The Price of Civilization*, August 2010, p. 3.

13 The board of SLFPA-East is made up entirely of gubernatorial appointees. La. R.S. 38:330.1.

14 The Board of Liquidation will meet November 17 to formally set its 2011 millage.

15 The 2011 millage of 2.90 mills was approved at the September 10, 2010, meeting of the Law Enforcement District for the Parish of Orleans.

16 Orleans Parish School Board, Resolution No. 21-10, adopted July 27, 2010.

17 The rate on the West Bank is slightly higher because SLFPA-West, which governs the Algiers Levee District, rolled forward the Algiers levee millage to the maximum 12.76 in 2009.



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New Orleans, LA 70113

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