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ON THE BALLOT

A Report from the Bureau of Governmental Research

Jefferson Parish: April 4, 2009

ON APRIL 4, Jefferson Parish voters will decide the fate of two propositions to renew (and increase) property taxes for an additional 10 years. One tax, at two mills, would be dedicated to the maintenance and operation of the parish's fixed-route public transit system. The other, at one mill, would be dedicated to operating and maintaining the Mobility Impaired Transportation System (MITS) for disabled individuals. Voters first introduced the millages in 1989 and last renewed them 10 years ago.

The taxes will expire this year if voters reject the propositions. If the propositions pass, the renewals and increases will appear on the 2009 tax bill at the end of this year. While the renewals will appear as two separate items on the ballot, this report addresses them together.

Analysis and Impact

Background. The Jefferson Parish Transit Administration is a department of parish government responsible for both the fixed-route transit system and MITS. It outsources the operation and maintenance of them to a private company, Veolia Transportation.

Ridership fell dramatically immediately after Hurricane Katrina and remains significantly lower than pre-Katrina levels. In 2008, ridership was down 48% from 2004 on fixed routes, and down 44% on MITS. In February, the Transit Administration projected a 5% increase in ridership on fixed routes and 2% on MITS in 2009, and 3% annual increases for each system thereafter. However, these numbers do not take into account a fare increase the Transit Administration intends to request of the Parish Council for 2010, from $1.10 to $1.50. Nor do they take into account service cuts, which would be necessary if federal funding fails to materialize at hoped-for levels.

In 2008, total operating revenue for transit was $15.3 million. Of this, property taxes generated $5.7 million; federal grants, $5.7 million; fares, $2.4 million; and state funding, $911,000. The remainder came from advertising, interest and other sources.[1]

Impact on Taxpayers. Voters last approved the renewal of the two taxes in 1999. Since then, the parish has rolled back the millage rates three times because of higher property tax assessments.[2] As a result, the taxes were levied in 2008 at a rate of 1.3 mills for the fixed-route system and 0.65 mills for MITS.[3]

The proposition would bring the millage rates back up to the previously authorized rates of two and one mills, respectively. The renewals, at the originally authorized levels, would result in a tax increase of 1.05 mills. For instance, a homeowner with a homestead-exempt property valued at $150,000 would see a $7.88 increase in his tax bill. For each additional $100,000 of value, the increase would be $10.50. A commercial property owner would see taxes increase by $15.75 per $100,000 of value. For instance, the owner of a commercial building valued at $600,000 would see a $94.50 increase.

If voters reject the propositions, they would see a tax reduction. The homeowner with a homestead-exempt

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1 From budget projections provided by Jefferson Parish Department of Finance.

2 Louisiana law requires property values to be reassessed at least every four years. If property values increase, the millage rate is to be "rolled back" to keep revenue constant. However, a taxing body may choose to roll the millage forward to the previously authorized rate. La. Const. Art. VII, § 23.

3 Jefferson Parish Assessor's Office.

property valued at $150,000 would see a decrease of $14.63. For each additional $100,000 of value, the decrease would be $19.50. A commercial property owner would see taxes decrease by $29.25 per $100,000 of value. The owner of a commercial property valued at $600,000 would see a decrease of $175.50.

Impact on Transit. These propositions will play a major role in the level of public transit service after 2009. If they pass, the taxes are projected to generate annually $4.8 million for fixed routes and $2.4 million for MITS.[4] This is $1.5 million more than the combined taxes currently generate.

Renewing the taxes would help the Transit Administration to maintain its service levels. It would also mitigate the impact on service from potential decreases in federal operating grants, which can fluctuate significantly and unpredictably from year to year. In 2004, federal grants totaled $3.6 million; in 2006, $5.9 million; and in 2007, $3.7 million.

If the propositions fail, public transit as Jefferson Parish knows it would screech to a halt. The Transit Administration would lose its largest reliable source of annual revenue. This would mean significant cuts in service.

Service cuts would affect the ability of some commuters to get to work, and potentially reduce the local employment pool from which local businesses can draw. It would also affect the mobility of transit-dependent citizens.

There does not appear to be any practical alternative for closing the funding gap that would occur if the tax renewals fail. General parish tax revenues hold little promise. The vast majority of government revenues are dedicated, leaving little budgetary flexibility to make up for shortfalls such as the one the Transit Administration would face.

Fare increases alone do not offer a realistic solution. To close the gap, fares would have to increase to exorbitant levels. Fares are currently $1.10 for fixed-route transit and $2 for MITS. The Transit Administration estimates that every 10 cents of a fare generates about $205,000 for fixed routes and $5,000 for MITS. Assuming a constant level of ridership, fares for fixed routes would have to more than triple, to at least $3.40, to make up the shortfall produced by the loss of the millages. In reality, of course, ridership would drastically decline as a result of such an increase.

Also, it should be noted that the parish has already taken cost-cutting measures. It restructured its transit service contracts in 2006 and 2008, with an estimated combined savings of about $1 million in total contract costs.[5] Now transit service is fully consolidated under one contract.

BGR Position:

FOR. The taxes are the principal source of funding for public transit in Jefferson Parish. If the taxes are not renewed, serious cuts in service will be necessary. Given the lack of other viable revenue sources, BGR recommends approving the renewals.

[4] Jefferson Parish Department of Finance.
[5] Jefferson Parish Transit Administration.

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