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ON THE BALLOT

A Report from the Bureau of Governmental Research

Jefferson Parish Tax Propositions on the Ballot for March 31, 2007

Introduction

ON MARCH 31, Jefferson Parish voters will decide whether to renew (and in some cases increase) four property tax millages for 10 years. The taxes on the ballot are:

- ☐ 4 mills for the Jefferson Parish School Board
- ☐ 10 mills for the Consolidated Recreation and Community Center and Playground District
- ☐ 6 mills for Consolidated Drainage District No. 2
- ☐ 5 mills for the Grand Isle Port Commission

The school tax would apply parishwide, while the drainage tax would be parishwide excepting Grand Isle. The recreation tax would apply to the unincorporated areas plus the Town of Jean Lafitte, and the port commission tax would only apply to Grand Isle. Only voters in the area where the tax would be collected are authorized to vote on their tax. In this report BGR comments on the three proposed taxes that have parishwide effects.

Jefferson Parish Public School System

If voters approve the proposition, a four-mill property tax set to expire in 2007 would continue for another 10 years. The parishwide millage would remain dedicated as follows: one mill to the continuation of the Technology Department for personnel, equipment, and supplies for educational purposes; another mill to maintenance and improvement of existing school facilities; and two mills to capital projects.

Analysis

Financial Situation. Jefferson Parish Public School System's (JPPSS) budget for the 2006/2007 school year totals $350.6 million. The state provides 39% through the Minimum Foundation Program (MFP). Sales tax revenue provides 43%. Property taxes contribute 14%, and other income makes up the balance. BGR estimates that the four-mill property tax currently contributes $9.2 million to the budget ($2.3 million per mill).

JPPSS weathered Hurricanes Katrina and Rita well. It finished the fiscal year ending June 30, 2006 with a substantial unreserved fund balance, $112.1 million, about one-third of all general operating revenue budgeted for the current year. This is a dramatic increase over the $22.3 million fund balance at the end of the prior fiscal year. The high fund balance is the result of unique events related to the storm, such as a decrease in salaries due to loss of staff and a $58 million one-time federal education grant to cover the cost of educating the displaced students taken in by JPPSS. Most of the property damage was covered by insurance and FEMA funds. Reductions in property tax and MFP revenues (due to a loss of students) were more than compensated by a 21% ($32.7 million) increase in sales tax income.

After the fiscal year ended, the Jefferson Parish Public School Board (School Board) designated $58 million for a reserve against anticipated MFP reductions and $12.4 million for five years of salary increases for support workers. These reserves leave a net unreserved fund balance of $41.7 million. For a rainy day fund, 12% is a comfortable cushion.

Although the current revenue picture is good, it could change quickly if the legislation establishing the MFP were modified to phase out a "hold harmless" provision that benefits Jefferson Parish and 11 other school systems. The state Board of Elementary and Secondary Education is considering whether to request that the Legislature make such a change.

MFP funds are distributed on a per student basis and must be used for instructional purposes. In general, the amount per student is set by a formula that takes into account the wealth and taxing effort of a school district. However, a hold-harmless clause guarantees that no parish school system will receive less per pupil than it received prior to the implementation of the MFP. As a result of the hold harmless clause, JPPSS received $23.4 million more in 2006-2007 than it would have been entitled to under the base formula. Losing the hold harmless protection would cost JPPSS approximately 7% of the current budget.

Level of Taxation. In the most recent state calculation for the MFP, Jefferson Parish scored fifth for wealth but 53rd for tax effort. Compared to property taxpayers in other parishes, Jefferson Parish property owners contribute less to their public school system. JPPSS receives 21.91 mills of property tax. In St. Charles Parish, the millage for schools is 58.33 mills,[1] in St. Tammany it is 77.84 mills, and in Orleans Parish it is 52.9 mills.

The sales tax rate for Jefferson Parish's schools (2%) is comparable to the rates in surrounding parishes. Customers in St. Charles Parish pay 3%, customers in St. Tammany Parish pay 2%, and customers in Orleans Parish pay 1.5% to fund their public schools. The Jefferson Parish sales tax produces a far larger amount of revenue, however. For the 2006/2007 fiscal year, projections are that JPPSS will receive about $152 million, compared to St. Charles Parish Public Schools' $29 million, St. Tammany Parish Public Schools' $76 million, and Orleans Parish public schools' $66 million.[2]

JPPSS is disproportionately reliant for local revenue on sales taxes, which are regressive and tend to be more volatile than property tax revenues. Decreasing property taxes would exacerbate the existing imbalance in the sources and the regressive nature of the current sales-tax based system.

Need. $3 million of the millage revenue is currently used to support bonds that will be retired in March 2008. JPPSS has indicated that, if the millage is renewed, it will use the millage dedicated for capital to support another bond issue. JPPSS anticipates capital needs over a three-year period of $46.5 million. The School Board has just approved a bond issue of up to $25 million backed by a dedicated sales tax.

Dedications. The tax on the March 31st ballot has a significant drawback: it is narrowly dedicated. This limits the School Board's ability to respond to changing circumstances. By way of example, three mills would not be available to fill instructional gaps that might be occasioned by a future reduction of MFP hold harmless funds.

Recommendation

For. The millage is a long-standing part of the JPPSS budget. Eliminating it would further accentuate JPPSS's dependence on the more volatile sales tax. BGR, however, is concerned by JPPSS's continued reliance on narrowly dedicated taxes.

Drainage District No. 2

Voters are being asked to approve a six-mill tax for 10 years. The drainage tax would be collected parishwide excepting Grand Isle. The revenue from the tax could be used for capital improvements or maintenance and operation of drainage system facilities.

Analysis

Approval of the ballot proposition would result in the renewal of 4.91 mills and an increase of 1.09 mills. The increase would offset a millage roll-back, resulting from reassessments, and bring the tax back to the level at which it was passed 10 years ago. According to the proposition, income for one year is estimated at $13.8 million.

[1] Two St Charles Parish Public School renewal millages totaling 47.87 are on the St. Charles Parish March 31, 2007 ballot.

[2] The $66 million includes the portion that flows through the Orleans Parish Public School system to the Recovery School District and charter schools.

Jefferson Parish's 2007 operating budget provides $29.4 million for drainage operation and maintenance expenditures. It allocates revenue of $24.6 million. The Drainage District plans to use $4.8 million of its fund balance to make up the difference. The Drainage District's revenue comes principally from dedicated sales taxes ($11.8 million) and from the property tax ($10.3 million) that is on the ballot. The 4.91 mills up for renewal supports approximately one-third of the drainage department's operating expenses. None is used for capital projects at this time.

There is insufficient undedicated Parish revenue to completely make up for the lost millage, should the ballot proposition not pass. In order to maintain the current level of drainage services, the Parish would have to cut other services. The Parish has not provided a plan indicating what services would be cut if the millage failed.

The elimination of the millage could affect plans for future drainage capital projects. According to Parish officials, if the millage were unavailable, the Drainage District would have to move future sales tax revenue from the capital program to operations. The five-year capital improvement plan for drainage projects does not include any projects dependent on the proposed tax.

Recommendation

For. The income is necessary to continue day-to-day drainage operations and upkeep of the drainage system. BGR is making the recommendation despite concerns about Jefferson Parish's excessive dependence on dedicated taxes

Recreation and Community Center and Playground District

Voters are being asked to authorize a 10-mill property tax collected in the unincorporated portions of the parish and the Town of Jean Lafitte. The tax proceeds may be used for capital projects as well as operations and maintenance.

Analysis

Approval of the ballot proposition would result in the renewal of 8.77 mills and an increase of 1.23 mills. The increase would offset a millage roll-back, resulting from reassessments, and bring the tax back to the level at which it was passed 10 years ago. The proposition states that that the tax would yield $18.3 million for one year.

The 8.77 mills up for renewal is the primary source of revenue for recreation facilities and programs. This tax provides $14.6 million, or 90% of the revenue for operations and maintenance of Parish community centers, satellite parks, and programs. (Lafreniere Park, LaSalle Park, the Alario Center, and Parc des Familles are not funded by this tax.) Two-third of the $17.2 million budget is used to pay the 248 employees of the Parks and Recreation Department.

In 2007, the District intends to use about $1 million of its $4.4 million fund balance for operations. This would leave a fund balance equal to 20% of total revenue. Parish guidelines call for a 10% fund balance. The Parish plans to use the remainder of the fund balance to make the up-front payments for FEMA-reimbursable repairs and to improve recreation facilities as they are rebuilt.

Eliminating the revenue from the dedicated property tax would mean a cut of recreation services, other Parish services, or both. There is insufficient undedicated Parish revenue to completely make up for the lost millage. The Parish has not provided a plan indicating what services would be cut if the recreation millage fails.

Recommendation

For. The recreation millage provides virtually the sole source of income for leisure activities at neighborhood parks and community centers and the maintenance of facilities. Withdrawal of 90% of Parks and Recreation Department income would severely hamper the Parish's recreation functions. BGR is making the recommendation despite concerns about Jefferson Parish's excessive dependence on dedicated taxes.

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