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BGR Media Release

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BGR Updates Estimates of Local Tax Revenue in Orleans Parish

Today, the Bureau of Governmental Research (BGR) releases ***The $1 Billion Question Revisited: Updating BGR's 2015 Analysis of Orleans Parish Tax Revenues.*** With New Orleans facing billions of dollars in costs to improve drainage, streets and public services, the report updates key figures from a 2015 BGR report that analyzed the uses of local tax revenues in Orleans Parish. The new report is a resource to help policymakers and citizens assess how well current funding priorities align with New Orleans' needs and identify options to redirect tax revenues to meet those needs.

The report breaks down 2019 projected local tax revenue by recipient and by purpose. It then compares the results to 2015, when BGR published *The $1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?* The report finds that local taxes will generate an estimated $1.25 billion in 2019, an increase of $154 million, or 14%, since 2015. This increase is the result of $33 million in new taxes and growth in revenue from existing taxes that significantly exceeded the rate of inflation.

The updated breakdown of tax revenues by purpose is largely unchanged since 2015. Public safety and public education remain the top funded purposes, with each receiving about a quarter of local tax revenues. Promoting tourism, conventions and professional sports is next with about 14% of the total. At the lower end of the spectrum, drainage and streets receive 5% and 4%, respectively.

The report shows how debt service costs for the City of New Orleans' outstanding bonds are scheduled to drop by nearly $20 million in 2022, and continue falling in subsequent years. This presents a once-in-a-generation opportunity to rethink how the City funds infrastructure improvements and capital maintenance. One of the options the report discusses is a fee-based approach to funding drainage and street improvements that has a couple of advantages over property taxes. The fees can be tied to the property's impact on the underlying infrastructure, and they can apply to properties exempt from property taxation.

While BGR's 2015 report called for a reevaluation of local tax allocations to identify funding for high-priority needs, policymakers have not yet conducted such a comprehensive review. In addition, the City has made only limited progress in funding critical needs, and it did so primarily through new taxes and General Fund allocations rather than rededication of existing taxes.

Still, the community has recently begun an important dialogue about tax dedications and funding needs. The mayor has called for redirecting some tax revenues from tourism-related entities to help fund critical infrastructure improvements. In the ongoing State legislative session, legislators are considering bills to rededicate New Orleans taxes.

Against this backdrop, *The $1 Billion Question Revisited* calls for a reevaluation of local tax dedications in Orleans Parish to identify opportunities for redirecting revenue to fund necessary improvements to infrastructure and public services. While some needs may require additional revenue from the public, policymakers owe it to citizens to deploy existing resources optimally before asking them to pay more. This is particularly important given the $154 million growth in local tax revenues since 2015.

The Legislature should begin the reevaluation process in the current session by considering the most clearly justified tax rededication options. At a minimum, it should take action to increase the City's annual share of hotel taxes by at least the equivalent of a 1% tax ($12.3 million currently). This is the minimum amount necessary to bring the City's share more in line with best practices as well as state and national norms as identified in BGR's recent report *The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure*.

Looking beyond the legislative session, *The $1 Billion Question Revisited* calls for the City to develop a comprehensive, long-term plan for funding high-priority needs. This should include reevaluating the City's current spending priorities. The plan also should evaluate additional tax rededication options for future legislative action and set priorities for how the City will use any revenue it receives.

If these rededicated and reallocated revenues prove insufficient, the report recommends that any proposals for new taxes or user fees reflect the plan's priorities. For any tax proposition, the City should demonstrate that it is necessary to meet a high-priority need, appropriately sized and likely to produce effective outcomes for which it will be held accountable. In weighing options to generate new revenue for drainage and street improvements, the City should strongly consider the advantages of alternatives to property taxes, such as user fees that better connect use of the infrastructure and the charge associated with it.

In a future report, BGR will analyze growth in City budgets during the past decade to identify changes in its funding priorities. This analysis is another step toward achieving the effective use of existing public revenues.

The $1 Billion Question Revisited and a summary are available on BGR's website, www.bgr.org.

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