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## **BGR MEDIA RELEASE**

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## **BGR Reviews New Orleans \$510 Million Bond Propositions on November 15 Ballot**

Today, the Bureau of Governmental Research (BGR) released an [\*On the Ballot report\*](#) analyzing three separate bond propositions authorizing the City of New Orleans (City) to borrow a total of \$510 million for capital projects. Specifically, the new long-term debt would fund improvements to City infrastructure, such as streets, buildings, parks and equipment (\$415 million), drainage and stormwater management projects (\$50 million), and affordable housing facilities (\$45 million).

The City would pay off the bonds over 30 years with revenue from a dedicated property tax that voters implicitly agree to if they approve the propositions. The current tax for existing debt is 14.5 mills. The City's goal is to keep the tax at the current rate for the first year and minimize the need to increase it thereafter.

The current City administration and council are seeking voter approval now to give the next mayor and council a head start in tackling some of the several billion dollars in infrastructure, facility and housing needs. BGR's *On the Ballot* reports provide voters with independent, nonpartisan analysis of the propositions to help them make informed decisions, said Rebecca Mowbray, BGR president and CEO.

"Like other residents and businesses in New Orleans, BGR recognizes the tremendous needs in each of these areas. But the long-term debt created by the bond proposals deserves careful consideration by voters," Mowbray said. "For each one, BGR evaluates the level of planning and accountability in the proposal, reviews alternative funding options, and analyzes effective outcomes for the public. Our goal is to provide a fair assessment of their strengths and weaknesses."

Voters can access [a mobile-friendly summary of the report](#) by clicking here on BGR's website. The website also includes the full report. To broaden voter access, BGR will release a Spanish translation of the InBrief.

Last week, BGR released a [report analyzing the impact of the previous \\$500 million bond proposition](#) that voters authorized in 2019. This report – the first in an occasional series on the results of key ballot issues – enhances public transparency and accountability of this investment. It also helps voters understand the uses and impacts of these previous bonds as they consider authorizing \$510 million in new debt.

On November 15, voters will decide the total amounts that the City would borrow, rather than specific projects to receive bond funding. BGR’s analysis of the City’s spending plans finds that about half of the proposed \$510 million in bonds would go to streets and related infrastructure, such as bridges, sidewalks and streetlights. Another 17% would support public facilities, vehicles and equipment. Parks and recreation, affordable housing, and drainage and stormwater management would receive about 10% each, respectively. A small portion (3%) will fund economic development and blight remediation projects.

**BGR’s key findings on each proposition are summarized below, followed by BGR’s position.**

#### **City Infrastructure Bond Proposition (\$415 million)**

The City administration and council have developed a list of intended projects for this set of bonds. The process of amending the project list and the ultimate spending decisions during the annual capital budget process will help ensure public input and the transparency of public dollars. BGR finds that the project list improves transparency while preserving the flexibility of previous propositions. However, the list does not include the City’s cost estimates and projected bond funding for specific projects. The City needs to address this information gap before it issues new bonds. The lack of funding for stable preventive maintenance of these capital assets threatens to diminish the impact of the bond investments and increase costs in the long run for taxpayers.

In the short term, there is no alternative funding source sufficient to fund the projects on the list. The City primarily relies on bonds and federal grants to meet its capital needs. In the long run, the City should consider relying less on general obligation bonds for its facility and infrastructure needs. It could explore phasing in a dedicated property tax, like the Orleans Parish School Board did to maintain its school campuses. Bond proceeds would help address several billion dollars of capital projects with direct benefits for residents and businesses. Rejecting the proposition could delay progress on this critical work by at least a year.

Based on its analysis of the City Infrastructure bond proposition, BGR takes the following position:

**FOR.** The \$415 million City Infrastructure bond proposition would inject much needed capital funds into streets, City buildings, parks and recreation, and other municipal assets. The investment would reduce the City’s large backlog of deferred maintenance. It can also help improve the effective delivery of public services and meet the demands of communities across the city. Delaying action will set back progress by a year or more, as no other funding streams of this magnitude are available. The current bond proposal would give the City flexibility in project selection and timing, while also supporting planning, transparency and accountability.

If voters approve these bonds, the City should bolster those gains by providing a public-facing dashboard of bond appropriations, expenditures and outcomes, or a similar accountability tool. In addition, the City must develop an adequate and consistent funding strategy for preventive maintenance. Otherwise, it risks the premature deterioration of these essential assets, a reduced public impact of the bonds, and greater capital costs down the road.

### **Drainage and Stormwater Management (\$50 million)**

As it did for the City Infrastructure proposition, the City administration and council approved a list of intended projects. They would invest in green infrastructure, which retains rainfall during storms, while also improving traditional gray infrastructure. This holistic approach would help slow the flow of stormwater to the pipes and pumps and reduce flood risk in several neighborhoods. Experts recommend such a strategy. Similar to the City Infrastructure proposition, BGR highlights the need for the City to improve public information on bond funding and preventive maintenance for current and future bond-funded capital projects.

There is also no sufficient alternative funding source available in the short run for these drainage and stormwater management projects. The City relies on bonds and federal grants for its green infrastructure projects. In the long run, BGR views a stormwater fee as a more equitable alternative to general obligation bonds to increase funding for meeting New Orleans' drainage and stormwater management needs. BGR acknowledges that property taxes and bonds, to some degree, will remain baseline funding sources because of the magnitude of system costs. The Sewerage & Water Board is developing a fee proposal, but it is unclear what share of the revenue the City would receive.

Based on its analysis of the Drainage and Stormwater Management bond proposition, BGR takes the following position:

**FOR.** The City of New Orleans still plays a significant role in local stormwater management, even after transferring its catch basins and underground pipes to the Sewerage & Water Board this year. The City manages a growing portfolio of rainfall retention projects designed to ease the burden on the Sewerage & Water Board's pipes and pumps. The \$50 million Drainage & Stormwater Management bond proposition would allow the City to further help flood-prone neighborhoods. Without the bonds, the City will have to delay these investments. The City has retained flexibility in project selection and timing, while also improving planning, transparency and accountability, compared to past bond propositions. It also currently coordinates its stormwater initiatives with those of the Sewerage & Water Board. The City should bolster those gains by providing a public-facing dashboard of bond appropriations, expenditures and outcomes, or a similar accountability tool.

While these property tax-supported bonds will make an immediate impact, BGR urges the City and the Sewerage & Water Board to prioritize a stormwater fee as a more equitable long-term funding solution for New Orleans' unmet drainage and stormwater management needs, including maintenance. Unlike property taxes, a fee is closely tied to property runoff (i.e., use of the drainage system) and is paid by both taxable and tax-exempt property owners. BGR acknowledges that property taxes and bonds, to some degree, will remain baseline funding sources because of the magnitude of system costs.

### **Affordable Housing (\$45 million)**

Unlike the other two ballot items, there is no project list for the Affordable Housing bond proposition. City officials have recently reached a clearer consensus that they intend for the bonds to support the Housing Trust Fund. Last fall, New Orleans voters amended the City charter to require an annual appropriation for the trust fund. This dedication must be equal to at least 2% of the City's General Fund budget, which is estimated at \$14.5 million in 2026. However, others believe bond funds should be used for programs outside of the trust fund. In this case, the trust fund dedication would have to be met with General Fund money.

The Housing Trust Fund's budget process provides a transparent and accountable framework for deploying bond proceeds. Also, the trust fund's administrators have expertise in housing developments and leveraging outside public and private dollars. This could lead to improved housing affordability in the City. Since the General Fund is the main alternative to meeting the trust fund dedication, using bonds to meet it would relieve stress on an already-strained 2026 budget.

However, spending one-time bond proceeds to meet this recurring dedication presents several concerns. The current proposition would only cover a few years of the dedications, and there is no long-term solution for the trust fund beyond that. The interest payments on the bonds could also make this an expensive funding source in the long run. If the City issues a 30-year, \$14.5 million bond, interest costs typically account for 40% of what the City ultimately pays back. Also, this capital money likely cannot pay for the trust fund's operating costs and non-capital housing programs, which limits how the trust fund can be used to more effectively address the City's acute housing affordability issues.

Based on its analysis of the Affordable Housing bond proposition, BGR takes the following position:

**AGAINST.** Facing a budget crisis, City officials propose using the \$45 million Affordable Housing bonds to meet the new annual funding obligation to the Housing Trust Fund. The trust fund's budget process would provide an accountable and transparent way to deploy the bonds that can improve housing affordability. However, the City should not use long-term debt to cover annual budgets. In addition, voters do not know the extent to which the bonds will be enough to meet the trust fund obligation, how long the City will pursue this funding strategy, and how much non-capital costs and programs the City must cover from General Fund revenue. The interest payments on the bonds would make the annual dedication more expensive for residents and businesses. For a 30-year bond, interest typically accounts for 40% of what the City ultimately pays back.

The City should find a more sustainable way of meeting the mandatory dedication to the Housing Trust Fund. If bonds must be part of that funding picture, the City should clearly communicate this to voters and be transparent about the long-term costs. It should deploy strategies that mitigate potential interest costs, such as limiting the maturities on those bonds. While this approach may increase debt service payments in the short run, it would curtail the overall interest burden on taxpayers.

### **About BGR's *On the Ballot* Series**

These reports are part of **BGR's *On the Ballot* series**, which provides voters with independent, nonpartisan analysis of significant ballot propositions in the New Orleans metropolitan area. In producing these reports, BGR recommends positions consistent with its mission of promoting informed public policy making and the effective use of public resources to improve local government. *On the Ballot* reports highlight the strengths and weaknesses of ballot propositions and assess the potential for government expenditures or actions to efficiently achieve beneficial outcomes for citizens.

*On the Ballot* reports often focus on tax or charter change proposals that would be difficult for even informed citizens to assess on their own. They may hear information only from advocates or critics of a proposal. BGR looks in depth at these important ballot items with the public in mind.

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*BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policymaking and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, [www.bgr.org](http://www.bgr.org).*

*BGR is a proud member of the [Governmental Research Association](#), the national organization for governmental research professionals. The GRA began in 1914, with the realization that effective policymaking requires good information, not just good intention. The GRA is home to independent organizations providing this information — trusted, objective, non-partisan, and practical research and data to local and state leaders.*