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## BGR Media Release

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### BGR Analyzes Past New Orleans Budgets to Help Guide Funding Priorities

Today, BGR releases [A Look Back to Plan Ahead: Analyzing Past New Orleans Budgets to Guide Funding Priorities](#). The report reviews the City's General Fund budgets from 2010 to 2019, focusing on growth in revenues and changes in expenditures. As the City prepares its 2020 budget, the report helps policymakers and citizens gain a better understanding of current funding priorities. It also lays a foundation for examining potential opportunities to reallocate revenue to critical needs. This is particularly important as the City seeks funding for necessary improvements to drainage, streets and various public services.

The report finds that the General Fund experienced strong revenue growth during the past decade, taking into account both inflation and the post-Hurricane Katrina population recovery. Revenues grew from an inflation-adjusted \$538 million in 2010 to \$716 million in 2019, an increase of \$178 million. The average nominal growth rate of 5% per year was nearly three times the 1.7% average rate of inflation. In addition, inflation-adjusted revenue per resident increased 18% from \$1,546 to \$1,830.

The City spent much of the additional revenue to implement court-ordered reforms at the New Orleans Police Department and the parish jail and to settle legal judgments owed to City firefighters and their pension system. These expenditures made public safety the top funding priority in terms of additional dollars spent (\$84.3 million). But on a percentage basis, many other purposes and departments had larger funding increases than the 31% increase for public safety.

For instance, expenditures for the Mayor's Office and mayoral initiatives more than doubled to \$14.2 million, with the creation of six special offices to address particular issues and initiatives. Spending on health and human services increased 102% or \$11.9 million, primarily from the expansion of the City's ambulance service. BGR notes that growth in ambulance service charges and State reimbursements more than offset those costs. Meanwhile, enforcement costs for parking restrictions and traffic cameras increased

142% or \$13.4 million. These costs are consuming a larger portion of the additional revenue the City receives from adding traffic cameras and increasing parking meter rates in recent years.

The City achieved significant savings in some areas. Annual garbage collection costs dropped about \$7 million as the City twice renegotiated sanitation contracts during the decade. Also, the City used its improved financial position to avoid new General Fund debt, reducing annual debt service costs by \$26.4 million.

However, these savings were fairly isolated as the vast majority of expenditure line items increased, with an average growth rate of 22% adjusted for inflation. This suggests a need to take a more comprehensive and systematic approach to cutting costs or slowing their growth. The report's breakdown of expenditures by departments and budget line items can help the City identify areas that warrant further scrutiny. Focusing first on areas with the highest growth both in terms of dollars and percentage increases, the City should evaluate the factors driving the growth and assess whether the expenditure levels are appropriate.

Overall, the report finds that the City's financial situation improved significantly during the past decade. The City ended 2010 with a \$32 million deficit and a negative General Fund reserve or fund balance. In subsequent years, the City overcame the deficit and built up its reserves thanks to an improving economy and various revenue-generating initiatives. However, this progress is threatened by the City's use of one-time revenues to cover recurring expenses, such as employee salaries. This increases the risk that the City will not be able to cover the expenditures in subsequent years. It has also caused the City's reserves to drop below the targeted level.

The report's findings on General Fund revenues and expenditures point to a number of ways in which the City can make better use of its existing resources. These include developing a long-term financial plan that includes a funding strategy to address high-priority needs and conducting a comprehensive review of the budget for opportunities to cut costs or slow their growth. In pursuing future revenue sources, the City should carefully evaluate and justify any proposal for new taxes, renewals or roll-forward of property tax rates. Finally, BGR calls on the City to eliminate or reduce its reliance on one-time revenue to pay for recurring expenses, and focus one-time revenue instead on capital projects or rebuilding its General Fund reserves to a healthier level.

BGR President and CEO Amy Glovinsky said the report builds on BGR's recent research on government finance and taxes in New Orleans, including a pair of reports released in 2015 and 2019 on the uses of all local taxes in Orleans Parish. Entitled [The \\$1 Billion Question](#) and [The \\$1 Billion Question Revisited](#), the reports analyzed parishwide funding priorities for the now \$1.25 billion in local tax revenues to help identify options to rededicate taxes to critical needs.

"As BGR has found, reallocating taxes in Orleans Parish typically requires State legislative action. This new report focuses on the pool of General Fund revenues that the City directly controls," Glovinsky said. "BGR hopes the new report will give citizens and policymakers a clear view of how the City's budget priorities have evolved over the past decade and the factors that drove the

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budget changes. It is a foundational step toward reexamining the budget to ensure the optimal deployment of existing resources to critical needs.”

The [report](#) and a [summary](#) are available on BGR’s website, [www.bgr.org](http://www.bgr.org).

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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 525-4152 or visit BGR’s website, [www.bgr.org](http://www.bgr.org).*