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BGR MEDIA RELEASE

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BGR Analyzes Jefferson Parish Water and Sewer System Tax Propositions on the March 20 Ballot

Today, the Bureau of Governmental Research (BGR) releases [*On the Ballot: Jefferson Parish Water and Sewer Taxes, March 20, 2021*](#). The report is intended to help voters in Jefferson Parish make informed decisions on two property tax propositions to replace existing water and sewer system taxes.

Although the propositions will appear as separate items on the March 20 ballot, BGR analyzed them together because of their similarities. The 10-year taxes would each have a maximum rate of 5 mills. They would take effect in 2023, replacing two existing water and sewer taxes that have lower maximum rates and expire at the end of 2022:

- The proposed water tax would replace an existing 3.33-mill tax, resulting in \$6.1 million in new revenue for the water system if the new tax is levied at the maximum rate (a 50% increase to \$18.4 million a year). The proposed tax will go before voters only in the geographic district served by the water system: the unincorporated portion of the parish, the municipalities of Kenner, Harahan, Jean Lafitte and Grand Isle, and the Timberlane subdivision in the City of Gretna.
- The proposed sewer tax would replace an existing 3.36-mill sewer tax, resulting in \$5 million in new revenue for the sewer system if the new tax is levied at the maximum rate (a 49% increase to \$15.2 million a year). The proposed tax will go before voters only in the geographic district served by the sewer system: the unincorporated portion of the parish, the Town of Jean Lafitte and the Timberlane subdivision in the City of Gretna.

Residents of municipalities outside the districts do not pay the taxes or vote on the propositions.

At the 5-mill rate, homeowners subject to both taxes would pay \$100 annually on each \$100,000 of property value above the homestead

exemption, \$33.10 more than at the current rates. The Jefferson Parish Council would decide annually how much of the 5 mills to levy for each system.

BGR's report analyzed the tax propositions based on a series of questions that address the efficient and effective use of public resources. BGR found that:

- The Parish plans to continue using the water tax to fund water system capital projects, and the sewer tax to supplement user fees and sales tax revenue for sewer system operations.
- The Parish has a clear plan for spending revenue from the proposed taxes, which fits into larger plans for maintaining and improving its aging water and sewer systems.
- The Parish developed its 10-year water system capital plan based on projected revenue from the proposed tax initially levied at the maximum 5-mill rate, so the tax's size aligns with the plan's cost. However, even at the 5-mill rate, the tax would not be sufficient to meet the system's broader infrastructure needs.
- In combination with other sewer operations revenue, the proposed tax would be appropriately sized to meet projected sewer system operating needs. Without the tax, the Parish would have to direct more sales tax revenue to sewer system operations, creating funding gaps in other budgets supported by sales taxes. On the capital side, the sewer system has only \$7.7 million a year in sales tax revenue available for the \$719 million in infrastructure needs identified by the Parish as essential during the next 10 years.
- Although the replacement taxes would fall short of fully funding both systems' identified needs, this doesn't mean a larger tax is necessary. The administration plans to develop proposals for water and sewer user fee increases, which, if adopted by the Parish Council, would provide additional revenue to address deterioration of the systems. In 2020, user fees provided 71% of water system funding and 42% of sewer system funding. The existing property taxes provided 23% and 16%, respectively.
- While property taxes are a common funding source for public goods, which the water and sewer systems also provide, user fees have the important quality of connecting payment with private consumption and allocating system costs among all consumers, including those that are tax-exempt. Overall, supplementing user fees with limited property taxes such as those proposed by the Parish is an acceptable means of funding the systems' private and public dimensions.
- The proposed taxes would help drive successful outcomes for two systems that are essential to all residents and businesses. The Parish's plans for the systems reflect the findings of multiple studies and prioritize investments that are necessary to sustain residents' predictable access to clean water and a sanitary environment. But without additional funding to address identified water and sewer infrastructure needs, the systems may no longer be able to provide the level of service residents expect.

Based on this analysis, BGR takes the following position:

FOR BOTH PROPOSITIONS. The taxes would provide revenue necessary to maintain and improve Jefferson Parish's water and sewer systems. The Parish has clear plans for implementing infrastructure projects that would address critical needs and reduce risks of system disruption and environmental hazards. However, while the taxes are crucial to the systems' continued functionality, the Parish must commit to securing other revenue to fully fund planned infrastructure improvements and sustain high water and sewer service levels. Raising user fees, which can more fairly distribute system costs among consumers, offers the best opportunity for closing the funding gap. The Parish has not yet implemented BGR's 2013 recommendation for shifting to a heavier reliance on user fees, and this step is overdue as a better practice to adequately fund the water and sewer systems.

Click here to read the [full report](#) or the [InBrief summary](#). They are also [available on our website](#).

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making 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.