

THE \$1 BILLION QUESTION REVISITED

Updating BGR's 2015 Analysis of Orleans Parish Tax Revenues

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UPDATING BGR'S 2015 ANALYSIS OF ORLEANS PARISH TAX REVENUES

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Updating BGR's 2015 Analysis of Orleans Parish Tax Revenues
April 2019

WHY THIS REPORT MATTERS

New Orleans faces billions of dollars in costs to improve drainage, streets and public services. These needs are so great that it may be impossible to adequately address them all. This means that every tax dollar that is not well spent represents a dollar's worth of critical needs that will go unmet.

For this reason, it is important to pursue a more optimal allocation of local tax revenues. BGR called for a comprehensive reevaluation of current tax dedications in a 2015 report on the uses of local tax revenues in Orleans Parish. Entitled *The \$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?*, the report provided an overview of current funding priorities to help public officials and citizens assess how well they align with New Orleans' needs.

Policymakers have not yet conducted the comprehensive review of tax dedications that BGR recommended. 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. BGR recently released an analysis of the Orleans Parish hotel tax structure that concluded the City's annual share of hotel tax revenues should increase by the equivalent of at least a 1% tax, or \$12.3 million currently.

To help inform the public dialogue on tax dedications now and beyond the legislative session, this report resets the local tax revenue picture by updating key figures in *The \$1 Billion Question*. The report breaks down 2019 projected local tax revenue by recipient and by purpose, comparing the results to 2015. The report then reviews progress toward reevaluating tax allocations to identify funding for high-priority needs, including those of City government. In a future report, BGR will analyze growth in City budgets during the past decade to identify changes in its funding priorities.



KEY FINDINGS

- Local tax revenue will total an estimated \$1.25 billion in 2019, an increase of \$154 million, or 14%, since 2015. This increase is largely the result of growth in revenue from existing taxes that significantly exceeded the rate of inflation.
- Since 2015, a half-dozen new taxes have taken effect, providing \$33 million dedicated primarily to public safety, libraries and street repairs. These taxes were partially offset by about \$21 million in decreases in existing taxes.
- As shown in the chart, public safety and public education are the top funded purposes for local taxes, with each receiving about a quarter of total 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.
- BGR's 2015 report flagged two entities with large reserve funds that raised questions about the size of their local tax dedications. Since then, the reserves for both entities have grown. As of September 2018, the New Orleans Ernest N. Morial Convention Center had \$235 million in unrestricted reserves, nearly four times its operating budget. Meanwhile, the Orleans Parish Assessor's Office projects its reserves will reach \$13.1 million by the end of 2019, or 123% of its operating budget.
- The City's debt service costs on outstanding bonds are scheduled to drop by nearly \$20 million in 2022 and continue falling in subsequent years. This could reduce the property tax for debt service and present an opportunity for the City to rethink how it funds infrastructure improvements. 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.

CONCLUSION AND RECOMMENDATIONS

BGR restates and expands upon its core recommendation from *The \$1 Billion Question* by calling 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).

Looking beyond the legislative session, the City should develop a comprehensive, long-term plan for funding high-priority needs. This should include reevaluating the City's current spending priorities. If City tax revenues continue to grow at a rate that exceeds inflation, the plan should direct a portion of this growth to critical needs. 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, any proposals for new taxes or user fees should 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.

INTRODUCTION

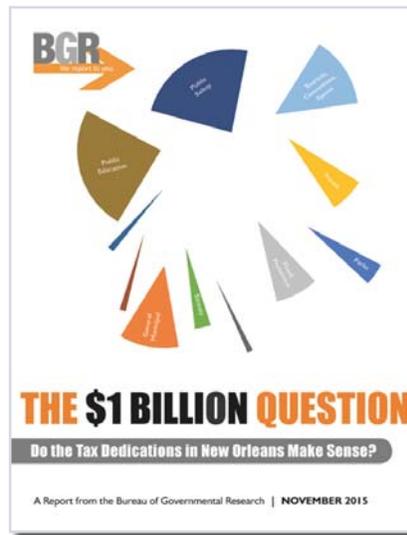
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tify funding for high-priority needs, including those of City government. In a future report, BGR will analyze growth in City budgets during the past decade to identify changes in its funding priorities. This analysis is another step toward achieving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

ORLEANS PARISH 2019 TAX REVENUES AND ALLOCATIONS

As BGR did in its 2015 report, this report defines "local taxes" as those collected in Orleans Parish and dedicated to entities or purposes within the parish. Most of these taxes were imposed by local action, such as voter approval. However, the State of Louisiana (State) imposes three of them – two hotel tax levies and a slot machine tax – and dedicates the tax proceeds to entities in the parish. Therefore, the State effectively treats them as local taxes.

The report does not include revenue from other taxes that the State levies in Orleans Parish and retains for itself. Nor does it include the entities' non-tax sources of revenue, such as service charges and fines. For example, the City of New Orleans derives 39% of its General Fund budget from non-tax revenue.² However, the report does include revenue from parcel fees that the City levies on behalf of 28 neighborhood security districts.³

It is important to analyze local taxes because they comprise the primary source of funding for local public functions within Orleans Parish, whether they are performed by the City government, independently elected or appointed parish officials such as the sheriff and assessor, State-created bodies such as the Sewerage and Water Board (S&WB), or nongovernmental organizations such as charter schools. A comprehensive reevaluation of tax dedications is necessary to achieve a more optimal allocation of local tax revenue. This can help to address critical needs and preserve taxing capacity for increases citizens deem essential. For an overview of major funding needs, see the sidebar.

A LOOK AT MAJOR FUNDING NEEDS

In its 2015 report, BGR documented how the City and other local tax recipient bodies faced major service and infrastructure needs. The City has addressed some of those needs since then. For example, it met major new expenses for the parish jail with a combination of increased General Fund allocations and a new voter-approved property tax. Voters also approved a new property tax to cover a portion of the costs from a settlement of City obligations to fire-fighters and their pension system.

However, other needs remain significant, while some have worsened:

- **Streets.** BGR reported in 2017 that the City had identified \$1.9 billion for street repairs but still faced a \$3 billion shortfall to repave or reconstruct the roughly 1,000 miles of New Orleans streets (two-thirds of the total) that were in poor condition or worse.* The City also estimated it needs \$30 million to \$35 million annually for preventive street maintenance.
- **Drainage.** In early 2017, BGR reported that the S&WB and the City estimated they needed an additional \$55 million a year to upgrade and properly maintain the drainage system and provide local matching funds for federal drainage projects.** This estimate predated the drainage failures that caused the 2017 floods. The flooding exposed and intensified widespread financial problems at the S&WB, which had to borrow from its water and sewer systems to cover the costs of emergency drainage repairs.
- **Water.** The S&WB's water distribution network suffers from widespread leaks. The board has made limited investments in addressing this multi-billion dollar problem.***
- **Police.** In March 2019, the New Orleans Police Department's new superintendent told BGR that the department has set a goal of increasing the number of police officers from 1,222 to approximately 1,400 to 1,500 during the next few years.**** This would require funding beyond the current budget.

In addition, citizens and policymakers have recently brought attention to other needs. These include early childhood education, mental health services and elderly services.† For example, the City made its first-ever contribution to early childhood education with a \$750,000 allocation in its 2018 budget, and then doubled it to \$1.5 million in 2019.



* See BGR, [Paying for Streets: Options for Funding Road Maintenance in New Orleans](#), May 2017, pp. 7 and 9.

** The S&WB and the City share responsibilities and funding for the local drainage system. The S&WB is responsible for drainage pipes 36 inches or larger in diameter, as well as the city's drainage canals and pumping stations. The remainder of the drainage system – consisting of catch basins, manholes and 1,300 miles of smaller drainage pipes beneath streets and rights of way – falls to the City's Department of Public Works. See BGR, [Beneath the Surface: A Primer on Stormwater Fees in New Orleans](#), February 2017, p. 6.

*** BGR, [Time to Pay the Pipelayer? The Proposed S&WB Rate Increases in Perspective](#), p. 6.

**** See video highlights of the March 27, 2019, BGR Breakfast Briefing: [NOPD's New Chief Shares His Vision for a Safer New Orleans](#).

† For discussion of elderly needs, see BGR, [On the Ballot: New Orleans Elderly Services Tax Proposal, March 30, 2019](#), pp. 5-6.

Growth in Local Tax Revenue 2015-2019

As Table 1 shows, local taxes – primarily property, sales and hotel taxes – will generate an estimated \$1.25 billion in Orleans Parish in 2019. This is an increase of \$154 million, or 14%, from the \$1.09 billion that local taxes yielded in 2015. Local tax revenues grew at an average annual rate of 3.4%, which is well above the 1.9% average rate of inflation during the same time period.⁴ The growth in tax revenues exceeded inflation by \$70 million. For a full discussion and breakdown of the dedications in the four categories of local taxes, see Appendices A through D.

BGR based *The \$1 Billion Question* on projected 2015 tax receipts. For comparison purposes, this report uses actual 2015 tax receipts, which were slightly higher than the projections.

Table 2 shows the factors that resulted in the projected net increase of \$154 million in local tax revenue since 2015. Revenue generated by existing taxes increased \$141.4 million. Six new taxes that have taken effect since 2015 will yield an additional \$33.2 million. Decreases in three existing taxes partially offset those new taxes by a projected \$20.7 million. BGR will discuss the new taxes and tax reductions in detail later in the report.

Allocation of Local Taxes by Recipient

Table 3 presents a consolidated picture of Orleans Parish estimated tax allocations by recipient for 2019 and compares them to 2015 actual allocations. The number of recipients of local taxes and parcel fees has grown from 62 in 2015 to 66 in 2019.⁵ The City of New Orleans continues to top the list with \$505.6 million, or 41% of the total. The Orleans Parish School Board is next with \$300 million, or 24% of the total.⁶

The third highest local tax recipient is the Regional Transit Authority, with \$83.9 million, or about 7% of the total. It is followed by the New Orleans Ernest N. Morial Convention Center, which is projected to receive \$67.7 million, or 5%. The Louisiana Stadium and Exposition District – which runs the Superdome, the Smoothie King

TABLE 1: ORLEANS PARISH LOCAL TAX REVENUES BY TYPE OF TAX, 2015 AND 2019 (\$ MILLIONS)

Type of Tax	2015 Actual Revenue	2019 Projected Revenue	Increase	% Growth
Property taxes	\$499.6	\$573.3	\$73.8	15%
Sales taxes	\$367.7	\$428.9	\$61.2	17%
Hotel taxes	\$176.1	\$193.9*	\$17.9	10%
Other taxes	\$48.6	\$49.7	\$1.1	2%
TOTAL	\$1,091.9	\$1,245.9	\$154.0	14%

* This figure does not include about \$6 million in hotel taxes that the State collects in Orleans Parish and retains for its own uses. BGR included these State taxes in its recent report *The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure* because that report dealt with all hotel taxes levied in New Orleans. As a result, *The Lost Penny* had a slightly higher projected hotel tax revenue total of \$199.9 million.

BGR calculations using the methodology set forth in Appendix A of [The \\$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?](#), November 2015.

TABLE 2: CHANGES IN ORLEANS PARISH TAX REVENUES FROM 2015 TO 2019 (\$ MILLIONS)

Revenue growth from existing taxes	\$141.4
New taxes (8.46 mills total* property taxes and 0.2495% French Quarter sales tax)	33.2
Property tax decreases (6.05 mills total)	(20.7)
Net tax revenue growth	\$154.0

* This includes a 0.61-mill tax that is levied only on the east bank. BGR calculations. Numbers do not add due to rounding.

Center and other facilities in Orleans and Jefferson parishes – rounds out the top five, with \$63.1 million in projected tax receipts from Orleans Parish. See Appendix E for a more detailed breakdown of local taxes by recipient for 2019.

The City's projected share of local taxes in 2019 is \$57.5 million, or 13%, more than in 2015. This growth is slightly lower than the overall 14% increase in total local tax revenues parishwide. As previously noted, BGR will analyze a decade's worth of City revenues and expenditures in a future report to identify funding priorities.

Like the City, most other large tax recipients generally tracked the overall 14% increase. Two exceptions are

TABLE 3: ORLEANS PARISH TAX RECEIPTS BY ENTITY, 2015 ACTUALS COMPARED TO 2019 PROJECTIONS (\$ MILLIONS)

Tax Recipient	2015	2019	Change
City of New Orleans	\$448.1	\$505.6	13%
Orleans Parish School Board	\$265.8	\$300.0	13%
Regional Transit Authority	\$73.4	\$83.9	14%
Ernest N. Morial N.O. Exhibition Hall Authority	\$59.7	\$67.7	13%
Louisiana Stadium and Exposition District	\$56.6	\$63.1	11%
Sewerage & Water Board (for drainage)	\$49.9	\$55.5	11%
Orleans Levee District	\$34.0	\$37.9	12%
New Orleans & Company (formerly New Orleans Convention & Visitors Bureau)	\$19.9	\$21.1	6%
New Orleans Public Library	\$9.6	\$19.3	101%
New Orleans Tourism Marketing Corporation	\$13.5	\$14.1	5%
Assessor's Office	\$10.2	\$12.0	18%
Audubon Commission	\$10.1	\$11.3	13%
Orleans Parish Law Enforcement District	\$8.5	\$9.6	12%
Downtown Development District	\$6.6	\$7.3	10%
Security/neighborhood improvement districts (30)	\$6.3	\$6.7	6%
State retirement plan dedications (5)	\$4.4	\$6.4	47%
New Orleans Recreation Development Commission	\$4.6	\$5.1	12%
French Quarter Development District	-	\$3.0	-
Algiers Levee District	\$2.6	\$2.7	6%
City Park Improvement Association, including TIF district	\$2.4	\$2.4	(2%)
St. Thomas Economic Development District (TIF)	\$1.9	\$2.2	17%
Broad Street Economic Development District	-	\$2.2	-
Non-Flood Protection Asset Management Authority	-	\$2.0	-
French Quarter Management District	\$0.6	\$1.2	87%
Greater New Orleans Sports Foundation	\$1.0	\$1.0	0%
Algiers Development District (TIF)	\$0.5	\$1.0	95%
New Orleans Multicultural Tourism Network	\$0.4	\$0.5	20%
Allied Health and Nursing Program at Delgado	\$0.3	\$0.3	4%
Magnolia Economic Development District	\$0.2	\$0.3	68%
Algiers Economic Development Foundation	\$0.1	\$0.1	0%
Beautification Project for N.O. Neighborhoods	\$0.1	\$0.1	(1%)
New Orleans Urban Tourism and Hospitality Training in Economic Development Foundation	-	\$0.1	-
Friends of NORD Inc.	\$0.1	\$0.1	-1%
Costco (tax rebate)	\$0.7	-	(100%)
TOTAL	\$1,091.9	\$1,245.9	14%

Note: The Regional Transit Authority stated in early 2019 that it would no longer distribute a portion of its hotel tax revenues to certain tourism-related entities as provided for in a 2002 cooperative endeavor agreement. At the time of this report's release, at least one of the entities was considering legal action seeking to continue the distributions. For the purposes of this report, BGR includes the distributions in the tax revenue projections. "TIF" refers to a tax increment financing district that retains a portion of City sales tax revenue generated within the district. BGR calculations using the methodology set forth in Appendix A of [The \\$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?](#), November 2015. Numbers may not add due to rounding.

New Orleans & Company (formerly called the New Orleans Convention and Visitors Bureau) and the New Orleans Tourism and Marketing Corporation, which have projected increases of 6% and 5%, respectively. This is due largely to their conservative budget projections for a 1.75% hotel assessment that comprises a large portion of their funding. The projections for 2019 show almost no increase from 2015. Moreover, funding for both entities increased substantially after the assessment took effect in 2014.⁷ New Orleans & Co.’s projected \$21.1 million from hotel taxes and assessments in 2019 is nearly double the \$11 million it received in 2013, the last full year before the assessment. Meanwhile, the Tourism Marketing Corp.’s \$14.1 million in projected 2019 tax receipts is more than two and a half times the \$5.2 million it received in 2013.

Two smaller tax recipients experienced revenue gains well above the citywide average:

- The New Orleans Public Library’s tax funding doubled largely as the result of a new voter-

proved 2.5-mill tax (\$8.6 million in 2019) that took effect in 2016.⁸

- The 87% increase for the French Quarter Management District is the result of an increase in that entity’s share of New Orleans & Company’s 1.75% hotel assessment to enhance public safety in the French Quarter.

New Taxes

Voters approved a half-dozen new local taxes or tax increases that have taken effect in Orleans Parish since 2015. As Table 4 indicates, these new taxes will generate a total of about \$33.2 million in 2019. The new taxes include 8.46 mills of property taxes and an approximately one-quarter cent sales tax in a special district. See the sidebar for a discussion of taxes on short-term rentals and why the report does not treat them as new taxes.

The new taxes consist of:

TAXING SHORT-TERM RENTALS

In 2017, the Legislature amended State law to apply State and local sales taxes to short-term rentals of residences as a taxable service. This amounted to a broadening of the sales tax base and not the imposition of a new tax. Thus, BGR included the revenue derived from taxes on short-term rentals in this report’s sales tax projections.

The total sales tax on short-term rentals is 8.45%: the State levies 4.45%, the City and School Board each levy 1.5%, and the RTA levies 1%. All of these figures correspond to the full sales tax for each entity, except for the City. City officials indicated that the State, which collects all short-term rental taxes in Orleans Parish, reduces the City’s sales tax on short-term rentals from 2.5% to 1.5% because of a 1966 suspension of a 1% City sales tax on hotels.* However, short-term rentals do not match the definition of a hotel in the suspension statute, which covers establishments with 10 or more guest rooms.** Thus, it does not appear the suspension should apply to short-term rentals. Moreover, the State applies its full 4.45% sales tax to short-term rentals, including its 2% sales tax that is suspended for hotels.

The State dedicates the revenue from 3.97 percentage points of its 4.45% tax to the New Orleans Quality of Life Fund and retains the rest.*** The fund is dedicated to City code enforcement efforts on short-term rentals.

The City’s 2019 budget estimates that each percentage point of short-term rental tax in Orleans Parish will generate about \$1.1 million a year. Thus, the City’s tax receipts would increase by an estimated \$1.1 million if its full sales tax were applied to short-term rentals. However, at the time of this report’s release, the City Council initiated a process to place greater restrictions on short-term rentals.**** This could reduce the amount of tax revenue the rentals generate.

The City’s tax receipts would increase by an estimated \$1.1 million if its full sales tax were applied to short-term rentals.

* For details of the City’s suspended sales tax on hotels, see BGR, *The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure*, p.11.
 ** La. Const. Ancillaries 14:47 (M).
 *** La. R.S. 47:302.56, 47:322.49 and 47:332.55.
 **** New Orleans City Council, Motion No. M-19-4, adopted January 11, 2019.

- The 2.5-mill library tax, discussed above.
- A 2.5-mill property tax that will yield about \$10 million to help the City fund an agreement that settles legal judgments owed to firefighters and their pension system.⁹
- A 1.6-mill property tax that provides about \$5.5 million to the Orleans Parish Sheriff’s Office for increased operating expenses associated with federally mandated reforms at the parish jail.¹⁰ Imposed in 2016, this tax increases at the same rate that a debt service millage decreases as the Sheriff’s Office pays off bonds. As a result, the overall tax rate for the office remains the same at 2.8 mills. However, if voters had not approved the new tax for operations, the office’s tax rate would have dropped below 2.8 mills.¹¹
- An estimated 1.25 mills of property taxes to make \$4.2 million in 2019 debt service payments on \$70 million in City bonds that voters authorized in 2016. The City issued the bonds primarily to finance street capital projects.¹²
- A 0.61-mill property tax that took effect in 2016 and is levied on the east bank provides nearly \$2 million to help maintain former assets of the Orleans Levee District that are not related to flood protection. Examples include the Lakefront Airport and South Shore Harbor Marina.¹³
- A 0.2495% sales tax levied in the French Quarter since 2016 will generate about \$3 million in 2019 for enhanced public safety in the Quarter. The revenue currently funds State Police patrols.¹⁴

TABLE 4: NEW LOCAL TAXES IN ORLEANS PARISH SINCE 2015

Recipient	Type of Tax	Rate	2019 Revenue	Effective Date	Notes
City of New Orleans (fire protection services)	property tax	2.5 mills*	\$9,967,000	2017	This tax helps fund an agreement to settle tens of millions of dollars in legal judgments the City owes firefighters and their pension system.
New Orleans Public Library	property tax	2.5 mills	\$8,551,000	2016	This is in addition to the library’s pre-existing 3.14-mill tax.
Orleans Parish Law Enforcement District (Sheriff’s Office)	property tax	1.6 mills	\$5,473,000	2016	This is a new tax for operating expenses that increases at the same rate that a debt service tax decreases as a result of paying off bonds. This keeps the overall tax rate for the district the same at 2.8 mills.
City of New Orleans (general obligation bonds)	property tax	1.25 mills	\$4,229,000	2016	The 1.25-mill rate is the estimated portion of the City’s 22.5-mill debt service millage needed to cover principal and interest on \$70 million in bonds issued in 2016, primarily for street work. The City plans to issue by the end of 2019 an additional \$50 million in bonds voters have authorized.
Non-Flood Protection Asset Management Authority	property tax	0.61 mills**	\$1,981,000	2016	The authority manages former assets of the Orleans Levee District that do not pertain to flood protection.
French Quarter Development District	sales tax	0.2495%***	\$3,019,000	2016	This tax funds enhanced public safety in the French Quarter. It is currently used for State Police patrols.
TOTAL			\$33,220,000		

* The homestead exemption does not apply to this tax. As a result, it generates more revenue per mill than the other property taxes.

** Applies only on the east bank.

*** Applies only in the French Quarter.

Sources: Tax propositions and BGR revenue estimates.

BGR supported the tax propositions for the firefighter settlement, jail operations, street repairs and French Quarter public safety. It opposed the propositions for the library and the levee district's former assets.

In March 2019, New Orleans voters rejected a proposed 2-mill property tax that would have generated about \$6.6 million a year for elderly services starting in 2020. BGR opposed the proposition, citing the lack of both a prioritized assessment of elderly service needs and a comprehensive strategy for funding other municipal revenue needs.¹⁵ Since 2015, voters rejected one other tax proposition, a joint proposal in April 2016 to increase property taxes for police and fire protection services by 2.5 mills each. Voters subsequently approved the previously discussed fire millage in a standalone proposition in December 2016.

Decreases in three existing millages partially offset the new property taxes. The Board of Liquidation, City Debt, reduced the property tax that it levies to service the City's debt by 3 mills (about \$10.3 million) from 25.5 mills to 22.5 mills in 2019.¹⁶ The City's debt service millage could have dropped an additional 1.25 mills if the City had not issued the 2016 bonds for street capital projects. For the purposes of this report, BGR counts this as a 1.25-mill decrease that was offset by a 1.25-mill increase for the new bonds. Meanwhile, the Sheriff's Office's debt service millage dropped 1.6 mills. Finally, a Sewerage & Water Board property tax for drainage was renewed at 0.2 of a mill lower than the original rate.

The net result of these new taxes and decreases in existing taxes is that the overall property tax rate on the east bank has increased 2.41 mills since 2015 to 151.08 mills in 2019. The west bank rate increased 1.8 mills to 151.36 mills. The Orleans Parish millage rate has gradually risen since its

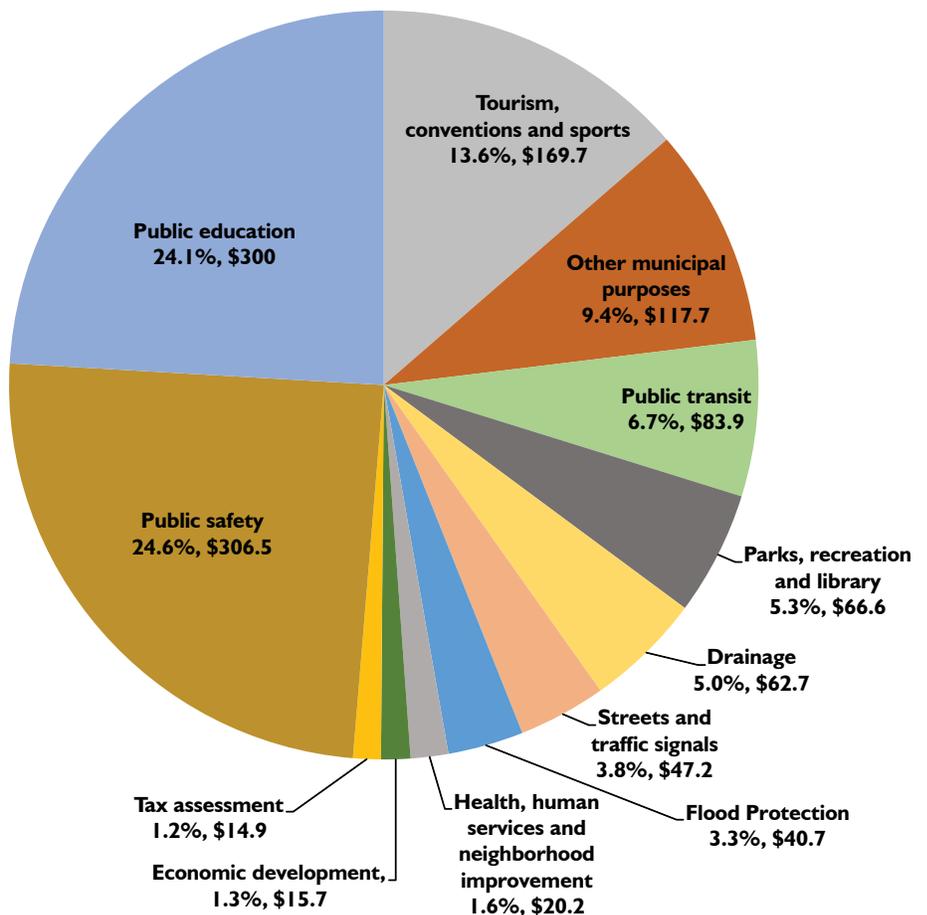
low point of 129.2 mills in 2008. Prior to Hurricane Katrina, the rate had hovered at about 160 to 170 mills.

Looking ahead, the City's annual debt service costs are currently scheduled to drop sharply starting in 2022. This could trigger a substantial decrease in the debt service millage. See the sidebar for details on how this would create options for future infrastructure financing decisions.

Allocation of Local Taxes by Purpose

The allocation of taxes by entity provides only part of the picture. To more fully understand the uses of local tax dollars, it is necessary to examine the purposes to which they are allocated. As Chart A indicates, public safety, primarily police and fire protection services and the jail, receives the largest share of local tax revenues, \$306.5 million, or 24.6% of the total. Public education

CHART A: ALLOCATION OF LOCAL TAXES IN ORLEANS PARISH BY PURPOSE, 2019 ESTIMATES (\$ MILLIONS)



BGR calculations using the methodology set forth in Appendix A of *The \$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?*, November 2015. Numbers may not add due to rounding.

INFRASTRUCTURE FUNDING OPTIONS

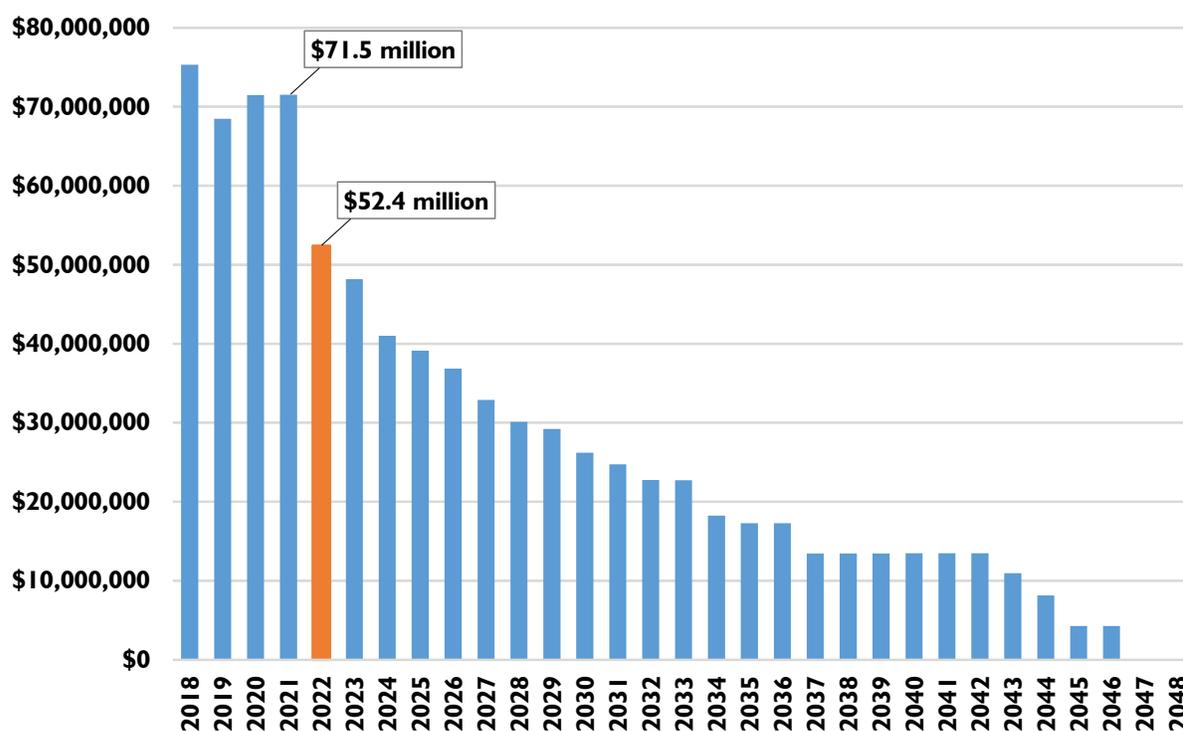
As Chart B shows, the City’s annual debt service costs are projected to drop by nearly \$20 million in 2022, and continue falling in subsequent years. This provides a once-in-a-generation opportunity for the City to rethink how it funds infrastructure improvements and capital maintenance. One option is to issue new voter-approved bonds that would consume some or all of the savings from the reduced debt service costs on existing bonds. This could provide substantial one-time revenue without increasing the debt service millage beyond current levels. However, there are alternatives to property tax supported bonds that warrant consideration.

One alternative to bond financing is a new property tax to maintain a recurring pool of revenue from which the City can draw to pay for capital improvements. Such a pay-as-you-go approach would eliminate interest costs. Interest payments typically account for about 40% of debt service costs, with the rest used to pay back the principal. This approach would also increase capacity for capital repair and maintenance funding. BGR plans to analyze this option in greater detail in a future report on bond financing and alternative funding mechanisms.

Another option is to replace a portion of the debt service tax with a fee-based approach to funding capital projects. Recent BGR reports on funding options for drainage improvements and street maintenance found that property-based fees offer a couple of significant advantages over property taxes.* First, the fees can be tied to the burdens the property places on the infrastructure in question. For example, street maintenance fees, often called Transportation Utility Fees, are typically based on the number of vehicle trips a property generates. Similarly, a stormwater or drainage fee can be tied to the amount of runoff a property generates, with incentive-based credits for property owners who take steps to reduce runoff. Second, these fees can apply to properties that are exempt from property taxes, such as those owned by nonprofit organizations. This greatly expands the base of payers and helps ensure that all who benefit from the drainage and street networks help pay to maintain them. Fee revenue could support either new bond financing or a pay-as-you-go approach.

* See BGR, [Paying for Streets: Options for Funding Road Maintenance in New Orleans](#), May 2017, and [Beneath the Surface: A Primer on Stormwater Fees in New Orleans](#), February 2017.

CHART B: CITY OF NEW ORLEANS DEBT SERVICE COSTS, 2018 TO 2048



Note: The projections assume the Board of Liquidation, City Debt, carries out its plans to retire \$32.6 million in bonds issued in 2010 and issue \$50 million in 10-year bonds by the end of 2019.

Source: PFM Financial Advisors, *NOLA Debt Considerations, Series 2019 Structure*, March 27, 2019.

is a close second at \$300 million, or 24.1%. The third largest area is promoting tourism, conventions and professional sports, with projected tax revenues of \$169.7 million, or 13.6% of the total.

Two key infrastructure categories are at the lower end of the spectrum. Drainage receives 5% of total tax revenues (\$62.7 million), and streets and traffic lights receive 3.8% (\$47.2 million, which includes \$40.7 million for debt service for capital improvements and \$6.5 million for maintenance). See Appendix F for a more detailed breakdown of 2019 tax allocations by purpose.

There were a few changes in the allocation of local tax revenues by purpose since 2015. The share for public safety edged ahead of public education as the top funded category. This is largely the result of the three previously discussed new taxes totaling \$18.5 million for fire protection services, jail operations and State Police patrols in the French Quarter. Similarly, the share of local taxes for parks, recreation and libraries increased by about 1 percentage point to 5.3% as a result of the new library millage.

Finally, the share of local tax revenues for other municipal purposes dropped about 2 percentage points to 9.4%. This is a catch-all category for City functions that do not fall in one of the other categories. It includes City administration, the City Council, facility maintenance, vehicles and fuel, among other things. In 2015, this category included \$25.4 million for “legacy debt” or refinanced bonds that were so old the original uses of the proceeds could not be determined. The City retired these bonds in 2018, accounting for the smaller allocation for this category.

REEVALUATING TAX DEDICATIONS

The \$1 Billion Question found that the Orleans Parish tax structure developed in a piecemeal fashion over many years through a series of largely uncoordinated tax propositions and legislative actions with little big-picture planning. In addition, more than 70% of local tax revenue is from taxes that are permanent or of an indefinite duration.¹⁷ This hinders accountability as the tax recipients never have to make the case to voters or policymakers to renew the taxes. It also makes it more difficult to reallocate tax revenues to address high-priority needs.

The report flagged several areas of potential misalignment between Orleans Parish tax dedications and funding needs. These included two entities – the Convention Center and Assessor’s Office – that had accumulated substantial reserves, raising questions about the size of their local tax allocations.¹⁸ The Convention Center’s unrestricted reserves totaled about \$200 million, or about five times its 2015 operating budget. The report linked the large reserves to the Convention Center’s continued receipt of local taxes (\$22 million in 2019) originally intended for an expansion project that the center deferred indefinitely in 2007 as a result of Hurricane Katrina’s economic impact. Meanwhile, as a result of a funding formula that is heavily influenced by the growth in parish property taxes, the Assessor’s Office had \$7.7 million in reserves in 2014 that amounted to 110% of its annual operating costs.¹⁹

Since BGR released *The \$1 Billion Question*, the City and other entities negotiated a series of cooperative endeavor agreements with the Convention Center, which provided \$75.8 million from its reserves for various projects. This included \$23 million toward a citywide network of surveillance cameras and a police monitoring center. All of the agreements involve funding for specific projects and do not provide the City with recurring revenues. Even with these payments, the Convention Center’s reserves have continued to grow and stood at \$235 million as of September 2018. The Convention Center plans to use some of these reserves to help fund a \$557 million capital plan. But once the plan is completed in 2023, the reserves could resume growing by \$25 million a year, according to a financing scenario prepared by a Convention Center consultant.²⁰

Similarly, the Assessor’s Office refunded \$2.2 million in excess property tax revenue to taxing bodies in 2016, but it has not made further refunds. Its reserves have continued to grow, reaching an estimated \$13.1 million in 2019, or 123% of its operating budget. The assessor told BGR that \$8 million of the reserves is restricted for expenses to relocate his office.

BGR’s 2015 report recommended that the mayor lead a parishwide review of opportunities to redeploy existing dedicated taxes to meet urgent priorities. It further called on the mayor to work with the local legislative delegation to execute the plan. Since the report’s pub-

lication, there has been no comprehensive reevaluation of existing dedications, and an isolated tax rededication attempt failed.²¹ However, in May 2019, New Orleans voters will decide whether to consolidate and rededicate three property taxes for parks and recreation.

BGR supports the proposition for several reasons, including that it would expand funding to more park agencies and shift the revenue allocations to meet emerging needs, without increasing the total tax rate beyond the current 6.31 mills.²²

In the absence of tax rededications, the City has relied primarily on new taxes to address funding needs. These include the previously discussed taxes for financial obligations to firefighters, jail operations, street repairs and enhanced public safety in the French Quarter. Policymakers placed these tax propositions on ballots without presenting to voters a comprehensive strategy for making the most effective use of the public's limited capacity to pay more in taxes. This is not to say that none of the new taxes were warranted. Indeed, as previously noted, BGR supported some of the propositions based on their individual merit while reiterating the need for a comprehensive funding strategy.²³ In addition, decreases in existing taxes offset some of the new taxes. But going forward, the sheer magnitude of the community's needs requires a more comprehensive and strategic approach to funding decisions. This should include a reevaluation of local tax dedications.

Recently, there have been some encouraging signs in this regard. The current City administration is evaluating New Orleans' vast infrastructure needs and how to fund them. The mayor estimates the City needs an additional \$80 million to \$100 million a year to fix and properly maintain its infrastructure.²⁴ As part of the administration's financing plan, it has called for shifting some tax dollars from tourism-related entities to fund infrastructure improvements. Legislators are considering bills in the ongoing session that would redirect revenue, primarily from hotel taxes and assessments, to the City and S&WB for infrastructure needs.

As the City seeks additional funding, it is important to continue its efforts to identify high-priority needs and develop a strategy for funding them. Government finance experts indicate that a long-term financial plan is

particularly important when a community faces multi-billion-dollar needs that cannot be practically met without a 20- to 30-year horizon. In addition, the sharp reduction in the City's annual debt service costs starting in 2022 underscores the need to begin planning now to make the best use of this opportunity to align funding with critical needs.

The sheer magnitude of the community's needs requires a more comprehensive and strategic approach to funding decisions.

The Government Finance Officers Association, which develops best practices for state and local government finance, identifies several key components of the financial planning process:²⁵

- *Identify resources.* The plan should include long-term financial projections based on economic factors and future spending scenarios. The projections should account for all available revenue sources, including rededicated taxes, growth in existing taxes, debt capacity, and potential new taxes and fees that may be necessary.
- *Set priorities.* The plan should identify public service and infrastructure objectives and estimate the costs of achieving them. It should further analyze these costs in the context of the financial projections and develop a strategy for funding high-priority objectives.
- *Collaboration and communication.* Long-term financial planning should be a highly collaborative process that involves elected officials, staff and the public. It is important that officials clearly communicate the plan's objectives and the strategy for achieving them.
- *Regular updates.* It is important to update the plan periodically to account for changes in needs and financial circumstances.

It is not possible to complete a long-term financial plan in time to begin implementing it during the current legislative session. However, the City has a number of well-documented urgent needs. For this reason, it is important to pursue the most promising tax rededication options now as initial installments in a longer realignment process. Moreover, BGR's recent report on Orleans Parish hotel taxes, [The Lost Penny](#), demonstrated

the need for increasing the City's annual share of hotel tax revenue by at least the equivalent of a 1% tax, or \$12.3 million. This would effectively restore a 1% City tax on hotels that was suspended more than 50 years ago to help offset a hotel tax to fund construction of the Louisiana Superdome. Such an increase is also the minimum amount necessary to bring the City's share of hotel tax revenues more in line with best practices for taxation as well as state and national norms identified

in the report. See the sidebar for a discussion of some of the challenges to the report's findings.

It is noteworthy that the City Council has created a special Infrastructure Maintenance Fund for additional revenue the City receives through tax rededications and other potential sources. This is a significant step toward transparency and accountability that will help citizens to track and evaluate infrastructure expenditures.

A 'SPECIALTY TAX' JUST FOR SUPPORTING TOURISM?

In questioning BGR's finding in *The Lost Penny* that the City's share of Orleans Parish hotel taxes is too low, local tourism officials note that the City receives fiscal benefits from hotel tax-funded facilities operated by State entities, such as the Superdome and Convention Center, without having to help pay for them. They characterize this arrangement as a financial boon for the City that gives it an advantage over cities that operate their own convention centers. They take the position that this advantage should negate the expectation of any additional hotel tax revenue for City services and infrastructure. They further describe the hotel tax as a "specialty tax" that should be used only for tourism-related purposes – not general government purposes, such as street maintenance and drainage improvements.

However, these positions are contrary to clearly established norms among competing tourist destinations and best practices for taxation. BGR's report analyzed the uses of hotel taxes in a dozen peer cities. In all but one of them, the city government receives a portion of hotel taxes for general government purposes. Moreover, half of the peer cities receive at least twice as much on a percentage basis as New Orleans does.*

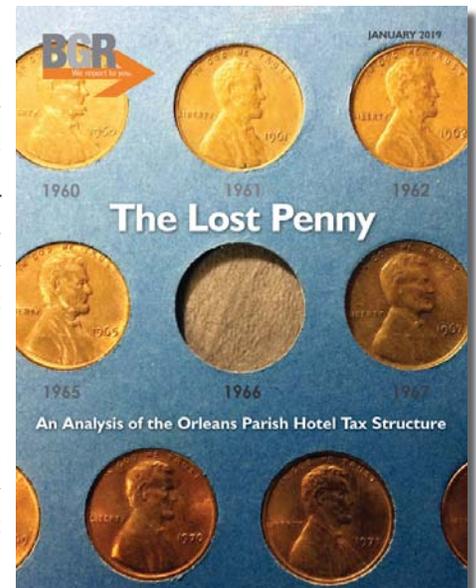
Economic research also rejects the assertion that a hotel tax is a "specialty tax" that should be reserved solely for tourism-related purposes. The research shows that hotel taxes are an effective means of charging visitors for the cost of public services and infrastructure that they utilize, including policing, streets, public transit and parks. Another economic reason for taxing hotels to fund general municipal purposes recognizes that part of a city's appeal to tourists are characteristics such as its culture, history and architecture. These are public goods that hotels can leverage to achieve higher profits than if they were located in a city without them. Thus, a hotel tax for general municipal purposes enables a city to tax these profits for the benefit of the community as a whole. The City's relatively low share of hotel tax revenue prevents it from fully realizing these potential fiscal benefits.**

BGR's peer city comparison also shows that New Orleans is not unique in benefiting from a hotel tax-funded convention center and sports stadium. In all of the peer cities, hotel taxes fund convention centers, stadiums or both. This includes cities such as San Francisco that operate their own convention centers. In San Francisco, the convention center receives a dedicated hotel tax and a portion of the city government's hotel tax. However, the city retains the vast majority of total hotel tax revenues, 72%, for general municipal purposes. This is far higher than the 9.5% share of hotel taxes in New Orleans that goes to general municipal purposes.

The bottom line is that all of the peer cities receive economic benefits from hotel tax-funded facilities and tourism promotion. But the peer cities, on average, receive a significantly larger share of hotel tax revenues for basic municipal services and infrastructure than New Orleans does.

* BGR, *The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure*, pp. 23-27.

** Ibid., p. 28.



CONCLUSION AND RECOMMENDATIONS

BGR restates and expands upon its core recommendation from *The \$1 Billion Question* by calling 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).

Looking beyond the legislative session, the City should develop a comprehensive, long-term plan for funding high-priority needs. This should include reevaluating the

City's current spending priorities. If City tax revenues continue to grow at a rate that exceeds inflation, the plan should direct a portion of this growth to critical needs. 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, any proposals for new taxes or user fees should 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.

APPENDIX A: PROPERTY TAXES

Property taxes, including parcel fees, are the largest local tax revenue source, providing 46% of locally generated tax revenues in Orleans Parish. The City collects all property taxes and parcel fees and distributes them to the various tax recipient bodies, after deducting a 2% collection fee for the City, a 2% deduction for the assessor and dedications totaling \$6.7 million for various State pension funds. Each mill of property tax that is subject to the homestead exemption will yield about \$3.4 million in 2019. Table 5 provides a breakdown of the 2019 property tax revenues.

The combined millage rate in New Orleans, exclusive

of taxes and parcel fees imposed for the benefit of specific neighborhoods and the Downtown Development District, is 151.08 mills on the east bank and 151.36 mills in Algiers. The slight variation is due to the difference in rates levied by the Orleans Levee District and Non-Flood Protection Asset Management Authority on the East Bank (a combined 12.28 mills) and the Algiers Levee District on the West Bank (12.56 mills).

As shown in Chart C, the Orleans Parish millage rate has gradually risen since its low point of 129.2 mills in 2008. Prior to Hurricane Katrina, the rate had hovered at about 160 to 170 mills.

TABLE 5: ORLEANS PARISH PROPERTY TAXES AND PARCEL FEES, 2019 ESTIMATES

Recipient	Tax rate	Projected receipts (\$ millions)	Share
City of New Orleans	64.01 mills and 2% collection fee	\$242.5	42.3%
Orleans Parish School Board	45.31 mills	\$155.0	27.0%
Sewerage & Water Board	16.23 mills	\$55.5	9.7%
Orleans Levee District (East Bank only)	11.67 mills*	\$37.9	6.6%
New Orleans Public Library	5.64 mills	\$19.3	3.4%
Assessor's Office	2% of levied taxes	\$12.0	2.1%
Audubon Commission	3.31 mills	\$11.3	2.0%
Orleans Parish Law Enforcement District (Sheriff's Office)	2.80 mills	\$9.6	1.7%
Downtown Development District	14.76 mills*	\$7.3	1.3%
Security/neighborhood improvement districts (30)	varies**	\$6.7	1.2%
State retirement plan dedications (5)	varies	\$6.4	1.1%
New Orleans Recreation Development Commission	1.5 mills	\$5.1	0.9%
Algiers Levee District (West Bank only)	12.56 mills*	\$2.7	0.5%
Non-Flood Protection Asset Management Authority (East Bank only)	0.61 mills*	\$2.0	0.3%
TOTAL REVENUE		\$573.3	

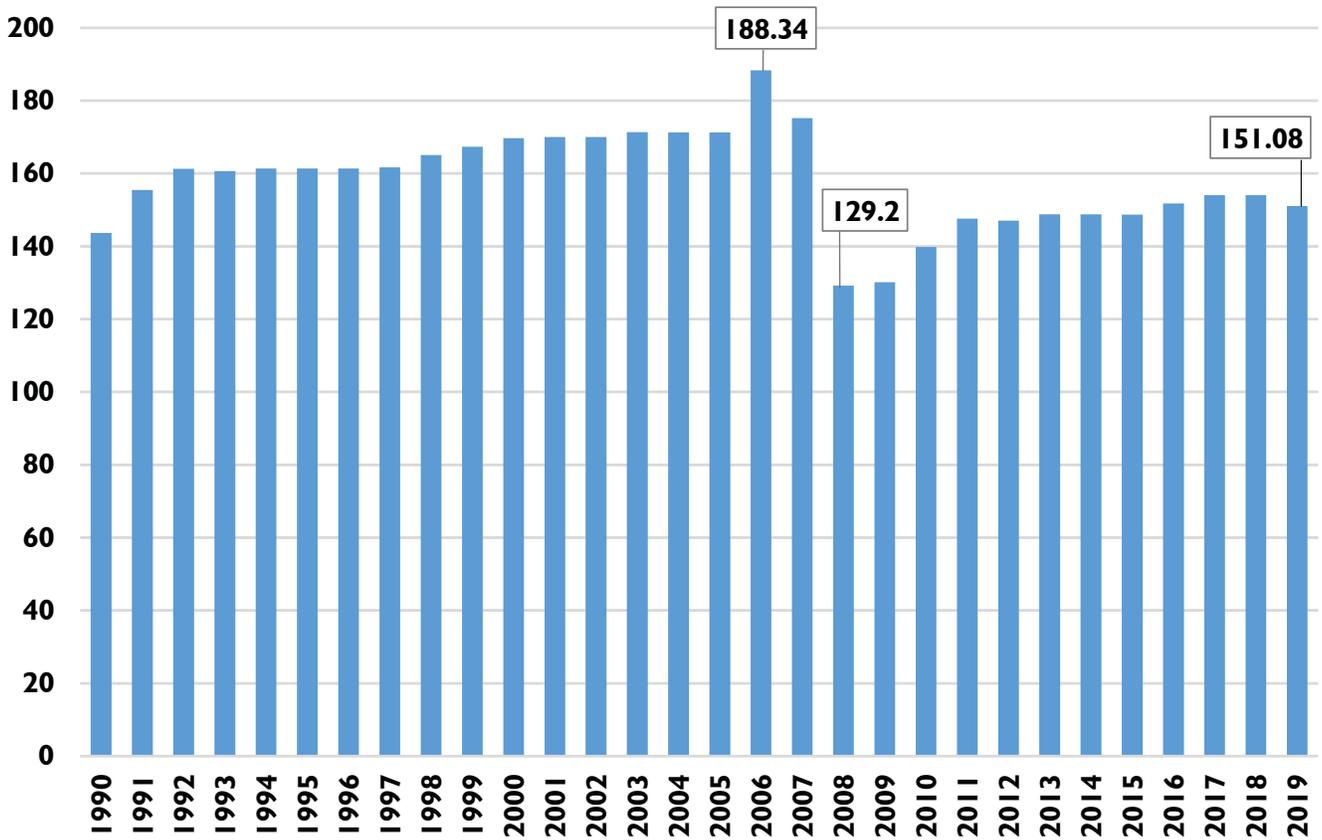
* These are not parishwide taxes.

** Two districts levy property taxes; the rest receive parcel fees.

Note: The City's property tax revenue includes 22.5 mills, or about \$77 million, for the Board of Liquidation, City Debt to pay debt service costs on the City's outstanding bonds.

BGR calculations. Shares do not add to 100% due to rounding.

**CHART C: ORLEANS PARISH MILLAGE RATE (EAST BANK), 1990 TO 2019
(FIGURES IN MILLS)**



Sources: Louisiana Tax Commission annual reports, Orleans Parish School Board financial reports and New Orleans City Council ordinances setting millage rates.

APPENDIX B: SALES TAXES

Sales taxes are the second largest local tax revenue source in Orleans Parish, accounting for 34% of total tax revenues. The local portion of sales tax in most areas of New Orleans is 5%. The City receives a 2.5% tax, the School Board receives a 1.5% tax and the RTA receives a 1% tax. The State collects a 4.45% sales tax, raising the total rate in Orleans Parish to 9.45%.

The City collects the local sales taxes, other than motor vehicle taxes, and distributes shares to the School

Board and RTA, retaining 1.6% of the proceeds as a collection fee. The State collects all sales taxes on motor vehicles and distributes shares to the City, School Board and RTA.

In addition to motor vehicle sales tax revenue, the projected receipts for the City, School Board and RTA shown in Table 6 include their portions of sales tax revenue on short-term rentals.

TABLE 6: ORLEANS PARISH LOCAL SALES TAXES, 2019 ESTIMATES

Recipient	Tax rate	Projected Receipts (\$ millions)	Share
City of New Orleans	2.5% plus a 1.6% collection fee	\$215.2	50.2%
Orleans Parish School Board	1.5%	\$126.9	29.6%
Regional Transit Authority	1%	\$77.6	18.1%
French Quarter Development District	0.2495%*	\$3.0	0.7%
St. Thomas Economic Development District (TIF)	N/A	\$2.2	0.5%
Broad Street Economic Development District	2%**	\$2.2	0.5%
Algiers Development District (TIF)	N/A	\$1.0	0.2%
City Park Taxing District (TIF)	N/A	\$0.5	0.1%
Magnolia Economic Development District	1%***	\$0.3	0.1%
TOTAL REVENUE		\$428.9	

* This additional sales tax is collected only in the French Quarter.

** This additional sales tax would be collected only in the district, which encompasses the site of the planned Drive Shack development.

*** This additional sales tax is collected only at the Magnolia Marketplace shopping center.

Note: "TIF" refers to a tax increment financing district that retains a portion of City sales tax revenue generated within the district. BGR calculations. Shares do not add to 100% due to rounding.

APPENDIX B CONTINUED

As Table 7 indicates, Orleans Parish’s local sales tax rate is fairly similar to rates in neighboring parishes and large parishes across the state. However, the average local sales tax rate in Louisiana is among the highest in the country.

TABLE 7: 2019 LOCAL SALES TAX RATE COMPARISON FOR NEW ORLEANS AREA PARISHES AND LARGER PARISHES STATEWIDE

Parish	Local tax rate
St. John the Baptist	5.25%
East Baton Rouge (Baton Rouge)	5%
Orleans	5%
St. Bernard	5%
St. Charles	5%
Jefferson (Metairie)	4.75%
St. Tammany (Mandeville)	4.75%
Caddo (Shreveport)	4.6%
Plaquemines	4.5%
St. James (Lutcher)	4.5%
Lafayette (Lafayette)	4%

Note: These figures do not include the State’s 4.45% sales tax.
Source: Louisiana Association of Tax Administrators website.

APPENDIX C: HOTEL TAXES

Hotel taxes and assessments provide the third-largest segment (16%) of locally generated tax revenues for Orleans Parish. BGR projects that these taxes will yield a total of \$193.9 million for entities in Orleans Parish. The effective hotel tax rate in Orleans Parish is 16.35% for most hotel rooms. This includes ad valorem taxes on room charges totaling 13.45% and a 1.75% assessment at hotels that are members of New Orleans & Company, a private nonprofit organization that promotes tourism and conventions. In addition, there are two hotel room occupancy taxes that total \$1 to \$3 per night, depending on the size of the hotel. They generate revenue that is roughly equivalent to another 1.15% ad valorem tax.

One penny of citywide hotel tax is projected to net \$12.3 million in 2019. This is the equivalent of approximately 3.6 mills of property tax.

As Table 8 indicates, nine entities located in Orleans Parish receive a portion of hotel taxes through individual tax levies and a complex web of dedications and revenue sharing agreements.

Topping the list of hotel tax recipients is the Louisiana Stadium and Exposition District, a State-created entity that operates the Mercedes-Benz Superdome, the Smoothie King Center, and other facilities in Orleans and Jefferson parishes. The district levies a 4% hotel tax in Orleans and Jefferson parishes and receives a statutory dedication from a hotel tax collected by the State in Orleans. In 2019, it will receive an estimated \$60.5 million in Orleans hotel taxes, or 31% of the total.

The Convention Center, another State-created entity, is second on the list of hotel tax recipients. It levies a 3% tax and a room occupancy tax of \$0.50 to \$2 per night. It also receives dedications from other hotel taxes. BGR projects that the Convention Center will get \$51.2 million in hotel taxes, or 26% of the total.

Next is New Orleans & Company, a private nonprofit organization that promotes conventions and tourism, which will receive \$21.1 million, or 11% of the total. It levies a 1.75% assessment on its member hotels, primarily in the Central Business District and French Quarter. It keeps 0.75% of the assessment and gives

0.75% to the New Orleans Tourism Marketing Corp., a City-created nonprofit that also promotes tourism. It divides the remaining 0.25% between the City and French Quarter Management District for public safety and infrastructure improvements in the Quarter. New Orleans & Company also receives dedicated portions of hotel taxes from the State and the Tourism Marketing Corp.

The City receives a 1.5% hotel tax for its General Fund. It also receives dedicated portions of three other hotel taxes that it must spend on tourism-related purposes. The City will receive an estimated \$20.8 million, or 11% of the total.

The Tourism Marketing Corp. will receive about \$14.1 million from its room occupancy tax of \$0.50 to \$1 per night and dedicated portions of two other hotel taxes. Another nonprofit that promotes tourism, the New Orleans Multicultural Tourism Network, will receive two dedications totaling about \$500,000.

**TABLE 8: ORLEANS PARISH HOTEL TAXES AND ASSESSMENTS, BY RECIPIENT IN 2019
(FIGURES ARE 2019 ESTIMATES IN \$ MILLIONS)**

Recipient	Ad Valorem Taxes (Levied as a Percentage of the Room Charge)						Assessment	Per Diem Taxes	
	Louisiana Stadium and Exposition District	New Orleans Ernest N. Morial Convention Center	State of Louisiana	City of New Orleans	Orleans Parish School Board	Regional Transit Authority*		New Orleans Tourism Marketing Corp.	New Orleans Ernest N. Morial Convention Center
TOTAL	4.00%	3.00%	2.45%	1.50%	1.50%	1.00%	1.75%	0.45%	0.70%
Louisiana Stadium and Exposition District	\$50.0		\$10.5						
New Orleans Ernest N. Morial Convention Center		\$37.5	\$2.0		\$2.9				\$8.8
New Orleans & Co.			\$12.1				\$7.7	\$1.2	
City of New Orleans**				\$18.4	\$0.3	\$0.4		\$0.3	
Orleans Parish School Board					\$18.1				
New Orleans Tourism Marketing Corp.						\$2.7		\$3.6	
Regional Transit Authority						\$6.3			
French Quarter Management District							\$1.2		
New Orleans Multicultural Tourism Network							\$0.1	\$0.4	
TOTAL	\$193.9	\$37.5	\$24.6	\$18.4	\$18.4	\$12.3	\$18.3	\$5.5	\$8.8

* The Regional Transit Authority stated in early 2019 that it would no longer distribute a portion of its hotel tax revenues to certain tourism-related entities as provided for in a 2002 cooperative endeavor agreement. At the time of this report's release, at least one of the entities was considering legal action seeking to continue the distributions. For the purposes of this report, BGR includes the distributions in the tax revenue projections.

** The City's total includes 1.6% tax collection fees on the Orleans Parish School Board and Regional Transit Authority taxes.

BGR calculations. Numbers may not add due to rounding.

APPENDIX D: OTHER TAXES

In addition to sales, hotel and property taxes, there are more than a dozen other types of local taxes levied in Orleans Parish. These taxes are projected to generate \$49.7 million in 2019, or 4% of total local tax revenues. The vast majority of this revenue goes to two entities: the City and the Convention Center, which are projected to receive \$27.1 million and \$16.5 million, respectively.

Table 9 provides a breakdown of these miscellaneous taxes.

Convention Center taxes. The Convention Center receives two taxes totaling 0.75% on food and beverages sold at restaurants, bars and other food service establishments anywhere in Orleans Parish and at the Louis Armstrong New Orleans International Airport. These taxes include a 0.5% tax at establishments with gross annual sales at or above \$200,000 and a 0.25% tax at establishments with gross sales at or above \$500,000. BGR estimates the food and beverage taxes will generate \$13.7 million in 2019.

The Convention Center also levies a 2% service contractor tax on goods and services provided in connection with trade shows, conventions, exhibitions and other events held in Orleans Parish. The tax covers a wide range of services, including installing and dismantling exhibits and providing decorations, lighting, audio equipment and catering. BGR estimates that the tax will yield \$2.5 million in 2019.

Finally, the Convention Center levies a \$1 tax on tickets for sightseeing tours in Orleans Parish. The Convention Center projects \$260,000 from this tax in 2019.

Utility franchise tax. The City collects a 5% tax on the gross receipts of utility companies that operate in the City, such as Entergy. The City projects the tax will generate \$10.8 million for its General Fund in 2019.

Slot machine tax. The City and State impose a combined 22.5% tax on the net proceeds from slot machines at the Fair Grounds Race Course & Slots.²⁶ The City projects that its 4% tax will yield \$1.4 million for its General Fund in 2019.

The State receives the remaining 18.5% tax and dedicates about 90% of the proceeds to eight entities in Orleans Parish.²⁷ The 2018-19 State budget allocates a total of \$6.2 million in slot machine taxes to seven entities. The Louisiana Stadium & Exposition District is slated to receive \$2.6 million to fund contractual obligations to the New Orleans Saints and New Orleans Pelicans. Another \$1.9 million is allocated to the New Orleans City Park Improvement Association. The Greater New Orleans Sports Foundation, a nonprofit organization that seeks to draw sporting events to the New Orleans area, is set to receive \$1 million. Five other entities will receive a total of \$712,000.

Parking tax. The City levies a 3% tax on fees charged for parking motor vehicles and berthing watercraft. The parking tax is in addition to the regular 9.45% sales tax. The City projects the 3% parking tax will provide \$4.8 million for the General Fund in 2019.

Documentary transaction tax. The City levies a tax on mortgage and conveyance documents that transfer, lease or otherwise alter any right to immovable property in Orleans Parish. The tax varies depending upon the type of document filed and the type of property involved. For transfers involving a single-family or double residence, the tax is \$325.²⁸ The Clerk of Civil District Court collects the tax and remits the revenue to the City. The City projects \$4.4 million in General Fund revenue from the tax in 2019.

Insurance tax. State law authorizes parishes and municipalities to levy a tax on insurers subject to the State insurance tax, including those offering life, health, fire and automobile insurance. The tax is based on the gross premiums for policies the insurer has issued in the parish or municipality. The maximum tax assessed on insurers is \$21,000.²⁹ The City levies an insurance tax at the maximum rates.³⁰ It projects the tax will yield \$3 million for the General Fund in 2019.

Video poker tax. Video poker operators are charged franchise fees of 22.5% to 32.5% of their net poker revenues, depending on the type of facility they operate.³¹ The State retains about 70% of the fees and distributes the remaining 30% to local governments. The City expects to receive \$1.8 million in video poker taxes in 2019.

Beer and wine tax. The City levies a \$1.50 tax per 31-gallon barrel of beer and other low-alcohol beverages. It also levies a tax of 5 cents to 10 cents per gallon for wines that have an alcohol content of up to 24%. For liquors, sparkling wines and still wines with an alcohol content above 24%, the tax is 40 cents per gallon.³² The City projects its various alcohol taxes will yield \$495,000 in 2019.

Horse race wagering tax. The City receives a horse

race wagering tax set at 2.26% of the total daily betting pool at the Fair Grounds Race Course & Slots. The City projects the tax will generate about \$175,000 for the General Fund in 2019.

Chain store tax. The City levies an annual tax on chain stores of \$10 to \$550 per store, depending upon the total number of stores in the chain. The City projects a \$160,000 yield for the General Fund in 2019.

TABLE 9: MISCELLANEOUS ORLEANS PARISH TAXES, 2019 ESTIMATES

Tax	Recipient	Rate	Projected receipts (\$ millions)
Food and beverage	Ernest N. Morial N.O. Exhibition Hall Authority	0.75%	\$13.7
Utility	City of New Orleans	up to 5%	\$10.8
Slot machine	City of New Orleans	4%	\$1.4
	Louisiana Stadium and Exposition District	Amount specified by statute	\$2.6
	City Park Improvement Association	Amount specified by statute	\$1.9
	Greater New Orleans Sports Foundation	Amount specified by statute	\$1.0
Dedications from the State's slot machine tax	Allied Health and Nursing Program at Delgado Community College*	Amount specified by statute	\$0.3
	Friends of NORD Inc.	Amount specified by statute	\$0.1
	Beautification Project for New Orleans Neighborhoods Inc.	Amount specified by statute	\$0.1
	New Orleans Urban Tourism and Hospitality Training in Economic Development Foundation Fund	Amount specified by statute	\$0.1
	Algiers Economic Development Foundation	Amount specified by statute	\$0.1
Parking	City of New Orleans	3%	\$4.8
Documentary transaction	City of New Orleans	varies	\$4.4
Insurance	City of New Orleans	varies	\$3.0
Service contractor	Ernest N. Morial N.O. Exhibition Hall Authority	2%	\$2.5
Video poker	City of New Orleans	6%**	\$1.8
Beer and wine	City of New Orleans	varies	\$0.5
Sightseeing tour	Ernest N. Morial N.O. Exhibition Hall Authority	\$1 per ticket	\$0.3
Horse race wagering	City of New Orleans	2.26%	\$0.2
Chain store	City of New Orleans	\$10 to \$550 per store	\$0.2
TOTAL			\$49.7

* The State budget directs \$312,311 to a fund for this program, but it does not appropriate any revenue for use in fiscal 2019. The unspent revenues in the fund will be available for appropriation in future years.

** This is the City's effective tax rate after total video poker tax receipts are distributed to various entities in accordance with State law. BGR calculations using the methodology set forth in Appendix A of [The \\$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?](#), November 2015. Numbers may not add due to rounding.

APPENDIX E: ORLEANS PARISH TAX RECEIPTS BY ENTITY AND TYPE OF TAX, 2019 PROJECTIONS (\$ IN MILLIONS; NON-TAX REVENUES EXCLUDED)

Tax Recipients, 2019 Projections	Breakdown by type of tax					
	Total local taxes	Share	Property taxes/ parcel fees	Sales taxes	Hotel taxes	Other taxes
City of New Orleans	\$505.6	40.6%	\$242.5	\$215.2	\$20.8	\$27.1
Orleans Parish School Board	\$300.0	24.1%	\$155.0	\$126.9	\$18.1	
Regional Transit Authority	\$83.9	6.7%		\$77.6	\$6.3	
Ernest N. Morial N.O. Exhibition Hall Authority	\$67.7	5.4%			\$51.2	\$16.5
Louisiana Stadium and Exposition District	\$63.1	5.1%			\$60.5	\$2.6
Sewerage & Water Board (for drainage)	\$55.5	4.5%	\$55.5			
Orleans Levee District	\$37.9	3.0%	\$37.9			
New Orleans & Company (formerly New Orleans Convention & Visitors Bureau)	\$21.1	1.7%			\$21.1	
New Orleans Public Library	\$19.3	1.5%	\$19.3			
New Orleans Tourism Marketing Corporation	\$14.1	1.1%			\$14.1	
Assessor's Office	\$12.0	1.0%	\$12.0			
Audubon Commission	\$11.3	0.9%	\$11.3			
Orleans Parish Law Enforcement District	\$9.6	0.8%	\$9.6			
Downtown Development District	\$7.3	0.6%	\$7.3			
Security/neighborhood improvement districts (30)	\$6.7	0.5%	\$6.7			
State retirement plan dedications (5)	\$6.4	0.5%	\$6.4			
New Orleans Recreation Development Commission	\$5.1	0.4%	\$5.1			
French Quarter Development District	\$3.0	0.2%		\$3.0		
Algiers Levee District	\$2.7	0.2%	\$2.7			
City Park Improvement Association, including TIF district	\$2.4	0.2%		\$0.5		\$1.9
St. Thomas Economic Development District (TIF)	\$2.2	0.2%		\$2.2		
Broad Street Economic Development District	\$2.2	0.2%		\$2.2		\$0.0
Non-Flood Protection Asset Management Authority	\$2.0	0.2%	\$2.0			
French Quarter Management District	\$1.2	0.1%			\$1.2	
Greater New Orleans Sports Foundation	\$1.0	0.08%				\$1.0
Algiers Development District (TIF)	\$1.0	0.08%		\$1.0		
New Orleans Multicultural Tourism Network	\$0.5	0.04%			\$0.5	
Allied Health and Nursing Program at Delgado	\$0.3	0.03%				\$0.3
Magnolia Economic Development District	\$0.3	0.02%		\$0.3		
Algiers Economic Development Foundation	\$0.1	0.01%				\$0.1
Beautification Project for New Orleans Neighborhoods	\$0.1	0.01%				\$0.1
New Orleans Urban Tourism and Hospitality Training in Economic Development Foundation	\$0.1	0.01%				\$0.1
Friends of NORD Inc.	\$0.1	0.01%				\$0.1
TOTAL	\$1,245.9	100.0%	\$573.3	\$428.9	\$193.9	\$49.7

BGR calculations using the methodology set forth in Appendix A of [The \\$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?](#), November 2015. The City's figures include its collection fees for the various taxes. "TIF" refers to a tax increment financing district that retains a portion of City sales tax revenue generated within the district. Numbers may not add due to rounding.

APPENDIX E CONTINUED: ORLEANS PARISH TAX RECEIPTS BY ENTITY AND TYPE OF TAX, 2015 ACTUAL (\$ IN MILLIONS; NON-TAX REVENUES EXCLUDED)

Tax Recipients, 2015 Actual	Breakdown by type of tax					
	Total local taxes	Share	Property taxes/ parcel fees	Sales taxes	Hotel taxes	Other taxes
City of New Orleans	\$448.1	41.0%	\$214.6	\$186.2	\$20.0	\$27.3
Orleans Parish School Board	\$265.8	24.3%	\$138.4	\$110.5	\$16.9	
Regional Transit Authority	\$73.4	6.7%		\$67.4	\$5.9	
Ernest N. Morial N.O. Exhibition Hall Authority	\$59.7	5.5%			\$45.2	\$14.5
Louisiana Stadium and Exposition District	\$56.6	5.2%			\$53.6	\$3.1
Sewerage & Water Board (for drainage)	\$49.9	4.6%	\$49.9			
Orleans Levee District	\$34.0	3.1%	\$34.0			
New Orleans Convention & Visitors Bureau	\$19.9	1.8%			\$19.9	
New Orleans Tourism Marketing Corporation	\$13.5	1.2%			\$13.5	
Assessor's Office	\$10.2	0.9%	\$10.2			
Audubon Commission	\$10.1	0.9%	\$10.1			
New Orleans Public Library	\$9.6	0.9%	\$9.6			
Orleans Parish Law Enforcement District	\$8.5	0.8%	\$8.5			
Downtown Development District	\$6.6	0.6%	\$6.6			
Security/neighborhood improvement districts (29)	\$6.3	0.6%	\$6.3			
New Orleans Recreation Development Commission	\$4.6	0.4%	\$4.6			
State retirement plan dedications (5)	\$4.4	0.4%	\$4.4			
Algiers Levee District	\$2.6	0.2%	\$2.6			
City Park Improvement Association, including TIF district	\$2.4	0.2%		\$0.3		\$2.1
St. Thomas Economic Development Dist. (TIF)	\$1.9	0.2%		\$1.9		
Greater New Orleans Sports Foundation	\$1.0	0.09%				\$1.0
Costco (tax rebate)	\$0.7	0.06%		\$0.7		
French Quarter Management District	\$0.6	0.06%		\$0.0		
Algiers Development District (TIF)	\$0.5	0.05%		\$0.5		
New Orleans Multicultural Tourism Network	\$0.4	0.04%			\$0.4	
Magnolia Economic Development District	\$0.2	0.02%		\$0.2		
Allied Health and Nursing Program at Delgado	\$0.3	0.03%				\$0.3
Friends of NORD Inc.	\$0.1	0.01%				\$0.1
Beautification Project for New Orleans Neighborhoods	\$0.1	0.01%				\$0.1
Algiers Economic Development Foundation	\$0.1	0.01%				\$0.1
TOTAL	\$1,091.9	100.0%	\$499.6	\$367.7	\$176.1	\$48.6

BGR calculations using the methodology set forth in Appendix A of [The \\$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?](#), November 2015. The City's figures include its collection fees for the various taxes. "TIF" refers to a tax increment financing district that retains a portion of City sales tax revenue generated within the district. Numbers may not add due to rounding.

APPENDIX F: ALLOCATION OF LOCAL TAXES IN ORLEANS PARISH BY PURPOSE, 2019 ESTIMATES (\$ IN MILLIONS; NON-TAX REVENUES EXCLUDED)

Purpose	Dedicated taxes	Undedicated municipal taxes	Total taxes	Share
1. Public safety	\$100.2	\$206.3	\$306.5	24.6%
City (police, fire, jail funding, court funding, other)	\$73.6	\$206.3	\$279.9	
Orleans Parish Law Enforcement District (Sheriff's Office, etc.)	\$9.6		\$9.6	
Security/neighborhood improvement districts (30)	\$6.7		\$6.7	
State retirement plan dedications (sheriff, dist. atty., court clerks)	\$3.1		\$3.1	
French Quarter Development District	\$3.0		\$3.0	
City debt service (police, fire, other)	\$3.0	\$0.0	\$3.0	
French Quarter Management District	\$1.2		\$1.2	
2. Public education: School Board, charter schools	\$300.0		\$300.0	24.1%
3. Tourism, conventions and sports	\$169.4	\$0.2	\$169.7	13.6%
Ernest N. Morial New Orleans Exhibition Hall Authority	\$67.7		\$67.7	
Louisiana Stadium and Exposition District	\$63.1		\$63.1	
New Orleans & Company (formerly New Orleans Convention and Visitors Bureau)	\$21.1		\$21.1	
New Orleans Tourism Marketing Corporation	\$14.1		\$14.1	
City (French Quarter improvements, other)	\$1.9	\$0.2	\$2.1	
Greater New Orleans Sports Foundation	\$1.0		\$1.0	
New Orleans Multicultural Tourism Network	\$0.5		\$0.5	
4. Other municipal purposes	\$17.6	\$100.1	\$117.7	9.4%
City (administration, City Council, OIG, boards and commissions)		\$59.8	\$59.8	
City (facilities, fuel, vehicles)		\$20.7	\$20.7	
City debt service (facilities, handicap ramps, GoZone bonds)	\$17.2	\$16.5	\$33.7	
City (sanitation)		\$3.1	\$3.1	
State retirement plan dedication (registrar of voters)	\$0.4		\$0.4	
5. Public transit: Regional Transit Authority	\$83.9		\$83.9	6.7%
6. Parks, recreation and library	\$58.1	\$8.6	\$66.6	5.3%
New Orleans Public Library	\$19.3	\$0.0	\$19.3	
Audubon Commission	\$11.3		\$11.3	
New Orleans Recreation Development Commission	\$5.1	\$5.2	\$10.3	
City debt service (recreation, parks, libraries, other)	\$12.7		\$12.7	
City (parks, parkways, art museum)	\$5.1	\$3.4	\$8.6	
City Park Improvement Association, including TIF District	\$2.4		\$2.4	
Non-Flood Protection Asset Management Authority	\$2.0		\$2.0	
Friends of NORD Inc.	\$0.1		\$0.1	

APPENDIX F CONTINUED

Purpose	Dedicated taxes	Undedicated municipal taxes	Total taxes	Share
7. Drainage	\$62.7		\$62.7	5.0%
Sewerage & Water Board (drainage)	\$55.5		\$55.5	
City debt service (drainage)	\$7.2		\$7.2	
8. Streets and traffic signals	\$47.2	\$0.0	\$47.2	3.8%
City debt service (streets)	\$40.7		\$40.7	
City (streets, traffic signals)	\$6.5	\$0.0	\$6.5	
9. Flood protection	\$40.7		\$40.7	3.3%
Orleans Levee District	\$37.9		\$37.9	
Algiers Levee District	\$2.7		\$2.7	
10. Health, human services and neighborhood improvement	\$11.7	\$8.6	\$20.2	1.6%
City (blight, code enforcement, safety and permits, EMS, health, other)	\$7.4	\$8.6	\$16.0	
St. Thomas Economic Development District (TIF)	\$2.2		\$2.2	
City debt service (mosquito control, health, housing)	\$1.6		\$1.6	
Allied Health and Nursing Program at Delgado Community College	\$0.3		\$0.3	
Beautification Project for New Orleans Neighborhoods Inc.	\$0.1		\$0.1	
11. Economic development	\$14.7	\$1.0	\$15.7	1.3%
Downtown Development District	\$7.3		\$7.3	
City	\$3.1	\$1.0	\$4.1	
Broad Street Economic Development District	\$2.2		\$2.2	
City debt service (economic development)	\$0.7	\$0.0	\$0.7	
Algiers Development District (TIF)	\$1.0		\$1.0	
Magnolia Economic Development District	\$0.3		\$0.3	
New Orleans Urban Tourism and Hospitality Training in Economic Development Foundation	\$0.1		\$0.1	
Algiers Economic Development Foundation	\$0.1		\$0.1	
12. Tax assessment	\$14.9		\$14.9	1.2%
Assessor's Office	\$12.0		\$12.0	
State retirement plan dedication (assessor)	\$2.9		\$2.9	
TOTAL	\$921.1	\$324.8	\$1,245.9	100%

BGR calculations based on the methodology set forth in Appendix A of *The \$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?*, November 2015. "TIF" refers to a tax increment financing district that retains a portion of City sales tax revenue generated within the district. Numbers may not add due to rounding.

ENDNOTES

- 1 BGR, *The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure*, January 2019, p. 9.
- 2 The City's \$702 million General Fund budget for 2019 includes \$414.3 million in local City taxes, \$5.9 million in Tax Increment Financing pass-throughs, \$5.1 million in pass-through taxes for the New Orleans Recreation Development Commission, \$2.2 million for a State fuel tax pass-through to the RTA, and \$274.5 million in non-tax revenues. Thus, the non-tax revenues account for 39% of the General Fund. The City receives \$91.3 million in local taxes that are not part of the General Fund. These consist of \$77 million in property taxes for the Board of Liquidation, City Debt, to service the City's outstanding bonds and \$14.3 million for several taxes and tax dedications for special funds. These non-General Fund taxes raise the City's total local taxes to \$505.6 million.
- 3 There are 30 neighborhood security districts in New Orleans; two of which receive property taxes. The rest receive flat parcel fees. While these fees are not taxes, BGR included them because property owners pay the same amount regardless of the extent to which they utilize or benefit from the security services that the parcel fees fund. In this way, the fees are unlike usage-based service charges, such as those for water and sewer services, which this report does not include.
- 4 BGR calculations based on the U.S. Bureau of Labor Statistics' Consumer Price Index. The agency's inflation calculator is available at <https://data.bls.gov/cgi-bin/cpicalc.pl>.
- 5 The new local tax recipients are the Broad Street Economic Development District, French Quarter Management District, the Non-Flood Asset Management Authority, the New Orleans Urban Tourism and Hospitality Training in Economic Development Foundation and a net increase of one neighborhood security district. According to City budget information, the City made its last sales tax rebate payment to Costco in 2018.
- 6 The School Board shares this revenue on a per-pupil basis with the city's public charter schools.
- 7 While the assessment is not technically a tax, it is a mandatory surcharge for hotel guests and, therefore, consumes a portion of their tolerance to pay higher hotel taxes. See *The Lost Penny*, p. 14.
- 8 BGR, *On the Ballot: Orleans and St. Bernard Parishes, May 2, 2015*.
- 9 BGR, *On the Ballot: New Orleans Fire and Drainage Taxes, December 10, 2016*.
- 10 BGR, *On the Ballot: Orleans and St. Bernard Parishes, May 2, 2015*.
- 11 The Louisiana Legislative Auditor identifies the 1.6 mills for operating expenses and 1.2 mills for debt service as separate taxes.
- 12 BGR, *On the Ballot: New Orleans, April 9, 2016*.
- 13 BGR, *On the Ballot: November 6, 2012*, pp. 17-19.
- 14 BGR, *On the Ballot: French Quarter Tax and State Infrastructure Bank, October 24, 2015*.
- 15 BGR, *On the Ballot: New Orleans Elderly Services Tax Proposal, March 30, 2019*.
- 16 The Board of Liquidation sets the millage each year at a rate necessary to cover principal and interest payments on the City's debt and maintain sufficient reserves. A decrease in debt service costs combined with increases in the amount of revenue generated by each mill of property tax prompted the board to reduce the tax by 3 mills in 2019.
- 17 The indefinite taxes are ones that would automatically expire if they were no longer pledged to service debt. The two entities that receive such taxes – the Convention Center and Louisiana Stadium and Exposition District – have kept the taxes from expiring by repeatedly pledging them to service new or refinanced debt.
- 18 BGR's 2015 report raised questions about the Regional Transit Authority's level of local tax support, which has remained the same despite a steep drop in ridership since its 1% sales tax took effect in the mid-1980s. The RTA is currently pursuing bids for the operation of its transit services, the outcome of which will affect its long-term budget projections. Thus, as of publication of this report, the agency's long-term projections and approach to service delivery are in flux, and BGR is not reevaluating the issue at this time.
- 19 State law directs 2% of property taxes levied in Orleans Parish to the assessor. This funding mechanism has little connection to the office's workload as the assessor receives more revenue each time voters approve taxes for unrelated purposes.
- 20 For more analysis of the Convention Center's reserves, see *The Lost Penny*, pp. 18-20.
- 21 A bill filed in the 2017 regular legislative session would have withdrawn the Convention Center's authorization to levy a 1% hotel tax and 0.25% food and beverage tax (a combined \$17.1 million in 2019) originally intended for the deferred expansion project. A companion bill would have established a citywide street maintenance district in New Orleans and authorized it to levy taxes on hotels and food and beverages at the same rates as the de-authorized Convention Center taxes. Neither bill made it out of committee.
- 22 BGR, *On the Ballot: New Orleans Parks and Recreation Tax Proposal, May 4, 2019*.
- 23 See BGR, *On the Ballot: New Orleans, April 9, 2016*, p. 1.
- 24 Information provided by the mayor's office.
- 25 For more information, see Government Finance Officers Association, "Long-Term Financial Planning," February 2008, accessed March 19, 2019 at <http://www.gfoa.org/long-term-financial-planning-0>.
- 26 La. R.S. 27:391 and La. R.S. 27:393. The net proceeds are what remain after subtracting 18% of gross proceeds to pro-

mote the horse racing industry.

- 27 La. R.S. 27:392.
- 28 City of New Orleans Code of Ordinances, Sec. 150-391.
- 29 La. R.S. 22:833.
- 30 City of New Orleans Code of Ordinances, Sec. 150-1101.
- 31 La. R.S. 27:435. The franchise fee is 22.5% for pari-mutuel wagering facilities; 26% for restaurants, bars, clubs and hotels; and 32.5% for truck stops.
- 32 City of New Orleans Code of Ordinances, Sec. 10-501.



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