



ON THE BALLOT

A Report from the Bureau of Governmental Research

EXPANDED REPORT

NEW ORLEANS PROPERTY TAX PROPOSITIONS, DECEMBER 5, 2020

INTRODUCTION

Overview of the Propositions

On December 5, New Orleans voters will decide three separate propositions to replace several City of New Orleans (City) property taxes that expire at the end of 2021. The replacement taxes would have the same combined rate of 5.82 mills (about \$23.4 million in 2021) as the existing taxes. However, the propositions would change the tax dedications. As shown in Table 1, they would increase funding for infrastructure, housing and economic development, while decreasing funding for public libraries. They would also add early childhood education as a new permissible use for some of the libraries' tax revenue.

The replacement taxes would take effect at the beginning of 2021 and run for 20 years until 2040. For any proposition that voters reject, the City plans to levy the existing tax at its current rate in 2021. It could then place another tax proposition on the ballot next year before the tax expires.

The December 5 propositions are as follows:

- Proposition 1 (Infrastructure and Maintenance)** would levy 2.619 mills (\$10.5 million in projected revenue for 2021) for streets, drainage, buildings, vehicles and equipment. It would replace two taxes currently levied at a combined 2.33 mills for streets, traffic signals and capital improvements.

TABLE 1: OVERVIEW OF THE TAX PROPOSITIONS

| Proposition | Current | Proposed | Change |
|--|-------------------|---|---------------------|
| No. 1 Infrastructure and maintenance ▷ 1.77 mills for streets and traffic signals ▷ 0.56 mills for capital projects | 2.33 mills | 2.619 mills ▷ Single tax for streets, drainage, public facilities, vehicles and equipment | +0.289 mills |
| No. 2 Libraries and early childhood education ▷ For libraries only | 2.58 mills | 0.987 mills ▷ Single tax for libraries and early childhood education | -1.593 mills |
| No. 3 Housing and economic development ▷ 0.91 mills for housing ▷ 0 mills for economic development* | 0.91 mills | 2.214 mills ▷ 1.05 mills for housing ▷ 1.164 mills for economic development | +1.304 mills |
| TOTAL | 5.82 mills | 5.82 mills | 0 mills |

* The City could have levied up to 0.91 mills for economic development.

About this Expanded Report

BGR prepared this Expanded Report for citizens and policymakers who want a more in-depth understanding of the ballot propositions. The Expanded Report incorporates BGR's main *On the Ballot* report, includes more detail in the analysis and adds footnotes. [Click here](#) to visit our website, bgr.org, to read our more condensed main report and the two-page InBrief summary.

- **Proposition 2 (Libraries and Early Childhood Education)** would levy 0.987 mills (\$4 million) for public libraries and early childhood education, replacing a tax for libraries currently levied at 2.58 mills.
- **Proposition 3 (Housing and Economic Development)** would levy 1.05 mills (\$4.3 million) for affordable housing facilities and alleviating blight and 1.164 mills (\$4.6 million) for economic development. They would replace a single tax that can fund improving neighborhood housing, alleviating blight, and economic development. It is currently levied at 0.91 mills.

See Appendix A for a more detailed overview of the existing taxes.

City officials told BGR the propositions would better align the current tax dedications with the City's needs. As discussed in this report, consolidating taxes for streets and capital improvements would allow greater flexibility in using the proceeds. Early childhood education, a growing priority for the City, would receive its first dedicated tax funding. And the City could expand housing and economic development initiatives to meet challenges in those areas. To fund these objectives without increasing taxes, the City is proposing a reduction in the library millage.

For several years, BGR has highlighted potential problems with taxes dedicated to a specific purpose, as opposed to general purposes.¹ Such tax dedications can distort a government's budget picture and constrain future budget allocations. This is because dedicated tax revenue is unavailable when taxing entities want to reallocate public resources among competing needs and respond to new ones. In this case, two of the City's expiring taxes – the library and capital improvement millages – have yielded sizable surpluses that the City cannot spend on other purposes. This is the first time any of the existing taxes have come up for renewal since voters approved them in the 1980s and 1990s.

The proposed 20-year duration for the replacement taxes is shorter than that of the original taxes, which ranged from 25 years to 35 years. Determining the appropriate length of time for levying a dedicated tax is a balancing act between financial stability for the tax recipient and accountability to the public. A shorter duration provides the public and policymakers more frequent opportunities to reassess the tax through the renewal process. However, if the duration is too short, it can adversely affect the taxing entity's ability to develop plans and make the best use of the funds. An expert in government finance told BGR that a range of 10 to 20 years will typically satisfy the needs for stability and accountability. Therefore, 20 years is at the high end of the recommended range.

Twenty years is also longer than statewide norms. A BGR analysis found that 81% of the roughly 2,000 voter-approved property taxes in Louisiana have durations of 10 years or less.² For example, 95% of voter-approved property taxes in Jefferson Parish have durations of 10 years or less. However, the corresponding figure is just 17% in Orleans Parish.³

From a taxpayer's perspective, propositions at the shorter end of the range provide better accountability. Thus, there should be a compelling reason to justify levying taxes near the longer end of the range. One such reason is when the tax revenue will support bonds, which typically have repayment periods of up to 30 years. However, the City does not plan to issue bonds backed by the proposed taxes. Against this backdrop, the report discusses any concerns regarding the proposed duration of each proposition.

Impact on Tax Rates

Voters will decide the three propositions as many citizens are struggling financially because of the economic impacts of the public health crisis. City officials said this is why they structured the propositions so they would not increase taxes if voters approve them all.

This is the first time any of the existing taxes have come up for renewal since voters approved them in the 1980s and 1990s.



“To fund these objectives without increasing taxes, the City is proposing a reduction in the library millage.”

The officials also noted that the total millage rate for the City’s property taxes is set to decrease by 1.43 mills for 2021 tax bills, regardless of the election’s outcome.⁴

Although the City’s goal is to keep the combined rate for the replacement taxes the same as the existing taxes, there are scenarios in which the combined rate would increase or decrease depending on voters’ decisions on the separate propositions. For details and estimates of the impact on individual taxpayers, see the sidebar “The Taxpayer’s Bottom Line.”

BGR notes that the ballot propositions state the original rates for the existing taxes – a combined 10.9 mills – rather than the current rates, which the City Council has reduced over the years to a combined 5.82 mills as property assessments increased. This could lead some voters to incorrectly infer that the propositions would collectively reduce tax rates by more than 5 mills, when, in fact, they would keep the combined tax rate the same. For example, Proposition 2 seeks authorization for the City to levy a 0.987-mill tax for public libraries and early childhood education “in lieu of” a previously approved tax for libraries in the amount of 4 mills. Voters might conclude that the proposition would decrease

their taxes by slightly more than 3 mills. However, the City currently levies the library tax at the rolled-back rate of 2.58 mills.⁵ Thus, the reduction would be just 1.593 mills. For the other two propositions, voters could infer that taxes would decrease, when they would actually increase. See Appendix B for the wording of the December 5 ballot propositions.

City officials said they used the original maximum authorized rates for the taxes because that is how the Louisiana Legislative Auditor identifies them. They told BGR in early September that it was too late to amend the ballot propositions to include the current tax rates. However, the officials said they are committed to ensuring voters understand the millage package and have a clear picture of the impact on tax rates.

The City’s Uncertain Financial Picture

Voters must also weigh the propositions as the City faces a financial crisis related to the pandemic. As of late October, the City projected a 6% shortfall in 2020 General Fund revenue, from a budgeted \$726 million to about \$680 million. The 2020 budget includes \$121 million of one-time revenue that has softened the blow of the pandemic-related drop in sales and hotel tax

receipts and certain other recurring revenue sources.⁶ City administrators also have taken a number of steps to reduce costs, including a partial hiring freeze and employee furloughs. In 2021, they anticipate far less one-time revenue (about \$26 million) and a limited recovery in recurring revenue, resulting in a forecast of \$634 million in total General Fund revenue – still 13% below the pre-pandemic projection. To balance the 2021 budget, the City administration is proposing significant budget cuts. As of this report’s publication, the administration was discussing its proposed budget with the City Council. The council must adopt the budget by December 1, a few days before voters head to the polls.

Property taxes have remained one of the City’s most stable sources of revenue during the pandemic. The 5.82 mills of taxes up for rededication accounted for about 9% of the City’s 67.91 mills of total property taxes in 2020, as shown in Chart A.

In the midst of the current financial uncertainty, the City views its tax rededication package as a way to shore up

“There are questions about whether it is appropriate in the fiscal crisis to impose tax dedications that will last 20 years, especially when the existing taxes do not expire until the end of 2021. Furthermore, voters must make their decision as plans for several of the proposed taxes remain incomplete.”

these revenue streams for their distinct purposes and thereby facilitate financial planning in the short and long terms. However, there are questions about whether it is an appropriate time to impose tax dedications that will last 20 years, especially when the existing taxes do not expire until the end of 2021. Furthermore, voters must make their decision as plans for several of the proposed taxes remain incomplete. For example, the City indicated its finances are in too much flux to provide

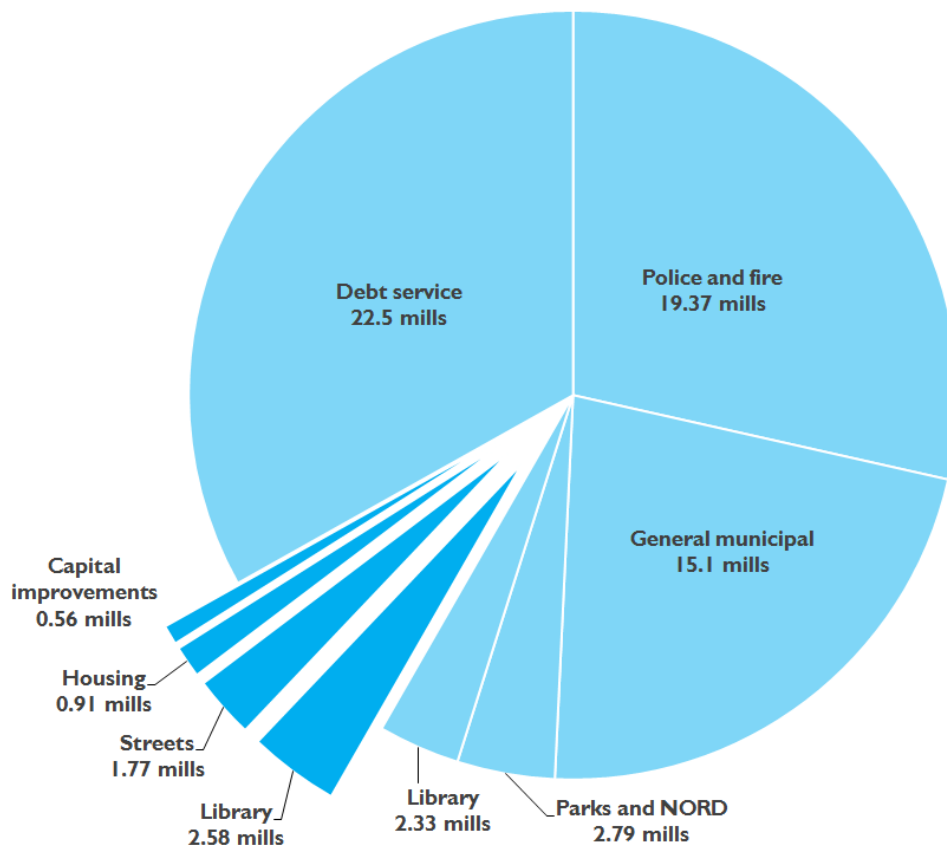


CHART A: CITY OF NEW ORLEANS PROPERTY TAXES, 2020

The proposed taxes on the December 5 ballot would replace the taxes shaded darker blue.

Source: Orleans Parish Assessor’s Office, 2020 Millage Rate. The chart does not include property taxes levied by other Orleans Parish taxing bodies.

THE TAXPAYER'S BOTTOM LINE

If voters approve all three propositions, the combined tax rate would remain at 5.82 mills for property tax bills payable in early 2021. As the table indicates, homeowners would continue to pay a total of \$58.20 annually for each \$100,000 of property value above the \$75,000 homestead exemption. For example, the owner of a homestead-exempt property valued at \$361,000 would continue to pay \$166.45 per year.* The combined tax rate would also remain the same for one more year if voters reject all three propositions. This is because the taxes do not expire until the end of 2021, and the City indicated it would continue to levy them at the current rates.

The impact on taxpayers for 2021 would vary if voters make a split decision by approving at least one proposition and rejecting at least one. For example, if voters reject Proposition 2 (libraries and early childhood education) but approve the others, the combined tax would be \$74.13 per \$100,000 of taxable value, or a \$15.93 increase over current rates. If voters did the opposite by accepting Proposition 2 and rejecting the others, the combined tax would be \$42.27 per \$100,000 of taxable value, a \$15.93 decrease. See the chart for these and other scenarios. City officials said they divided the tax renewals into three propositions because the State of Louisiana's 200-word limit made it impossible to describe them in a single proposition.

TABLE 2: TAXPAYER IMPACT FOR HOMESTEAD-EXEMPT PROPERTIES

For property tax bills payable in early 2021

| | Tax per \$100,000 of taxable value if voters APPROVE | Tax per \$100,000 of taxable value if voters REJECT |
|---|---|--|
| Proposition 1 Infrastructure and Maintenance | \$26.19 | \$23.30 |
| Proposition 2 Libraries and Early Childhood Education | \$9.87 | \$25.80 |
| Proposition 3 Housing and Economic Development | \$22.14 | \$9.10 |
| Total | \$58.20 | \$58.20 |

Any tax not replaced on December 5, or on another ballot before the end of 2021, would not be levied beginning in 2022.

* The average sale price for a single-family home in New Orleans during the 12 months ending December 2019 was \$361,000, according to data from the University of New Orleans Institute for Economic Development and Real Estate Research.

CHART B: INCREASE (DECREASE) IN TAXES PER \$100,000 OF TAXABLE VALUE IF VOTERS APPROVE...



* Note: This chart is based on the City's statement that, for any replacement taxes voters reject, it would continue levying the existing tax at the current rate.

a spending plan for the proposed infrastructure tax. City officials also acknowledged that the proposed cut in library funding may have to be revisited after a few years. If instead the propositions were on the ballot next year, voters could have a clearer picture of the City's finances and its prospective uses of the tax revenue.

In the interim, the City could redeploy a portion of the 5.82 mills to achieve some of its goals. The City Council can adjust individual tax rates for 2021 to address priority needs among the current purposes without increasing the overall rate.

The additional time may also allow the City to seek revenue in its General Fund to help pay for the purposes the replacement taxes would fund. Generally, this is not a promising option now due to the pandemic-related revenue shortfalls. However, the City Council, at the administration's request, voted in October to increase

retirement benefits by 33% for employees hired on or after January 1, 2018, and all future hires.⁷ If the City can commit to substantial increases in employee benefits during the ongoing fiscal crisis, it may well be able to find revenue for the purposes the replacement taxes would fund. This is especially so because City officials have indicated that all of those purposes are high priorities.

In light of these issues, BGR prepared this report to help voters make informed decisions on the propositions. The report includes a section on each proposition that provides an overview of the proposition, background information and an analysis grounded in BGR's mission of promoting the effective use of public resources. See the box for a description of the four criteria that BGR applies in the analyses. The report concludes with BGR's comprehensive position on the propositions.

Analyzing Tax Propositions

BGR's *On the Ballot* reports provide independent, objective, nonpartisan analysis to help voters assess the merits of a ballot proposition. Because dedicating taxes to specific purposes carries risks of constraining future budget allocations and impeding local government's ability to respond to emerging needs, a government asking voters to approve a tax should demonstrate that:

- 1) **There are credible reasons to fund the proposed purpose.**
- 2) **The proposed tax is an acceptable way to fund the purpose.**
- 3) **The tax is appropriately sized.**
- 4) **The tax revenue will be spent effectively.** This requires:
 - A clear plan for directing tax proceeds to high-priority needs.
 - Appropriate financial stewardship of and accountability for taxpayer dollars.
 - Evidence demonstrating the likelihood of effective outcomes.

This framework derives from BGR's research on government finance and taxation, as well as consultation with government finance experts.

ON THE BALLOT EXPANDED REPORT

NEW ORLEANS PROPERTY TAX PROPOSITIONS, DECEMBER 5, 2020

TABLE OF CONTENTS

| | |
|---|----|
| PROPOSITION 1: INFRASTRUCTURE AND MAINTENANCE | 8 |
| PROPOSITION 2: LIBRARIES AND EARLY CHILDHOOD EDUCATION | 13 |
| PROPOSITION 3: HOUSING AND ECONOMIC DEVELOPMENT | 23 |
| CONCLUSION | 32 |
| BGR POSITION | 33 |
| APPENDIX A: OVERVIEW OF THE EXISTING AND PROPOSED TAXES | 34 |
| APPENDIX B: THE BALLOT PROPOSITIONS | 35 |
| ENDNOTES | 36 |

PROPOSITION 1: INFRASTRUCTURE AND MAINTENANCE

Overview

The proposition would authorize the City to levy a property tax of 2.619 mills for its infrastructure, buildings, public safety facilities, vehicles and equipment. It would replace two taxes totaling 2.33 mills for streets, traffic signals and capital improvements. The new 20-year tax would generate about \$10.5 million in the first year in 2021. The permissible uses for this revenue include repairing, improving, maintaining and operating the following:

- Roads, streets and bridges
- Surface and subsurface drainage systems and stormwater management facilities
- Public buildings and public safety facilities

The City could also purchase vehicles and equipment

related to any of these purposes. The proposition does not specifically allocate tax revenue among the various purposes.

As shown in Chart C, the proposed tax would replace a 1.77-mill tax for streets and traffic signals first levied in 1992 and a 0.56-mill tax for capital improvements first levied in 1996. The proposed tax is 0.289 mills higher than the combined current rate for these taxes, a revenue increase of \$1.2 million. However, this increase would be offset if voters approved all three tax propositions because of the reduction in the library tax (Proposition 2). The 20-year duration of the proposed tax is shorter than the expiring taxes for streets (30 years) and capital improvements (25 years).

City officials said they are seeking to combine the taxes and expand the scope of permissible uses to provide greater flexibility in using the revenue to address pressing needs. They said that while funding for infrastructure and building maintenance and vehicles is insufficient,

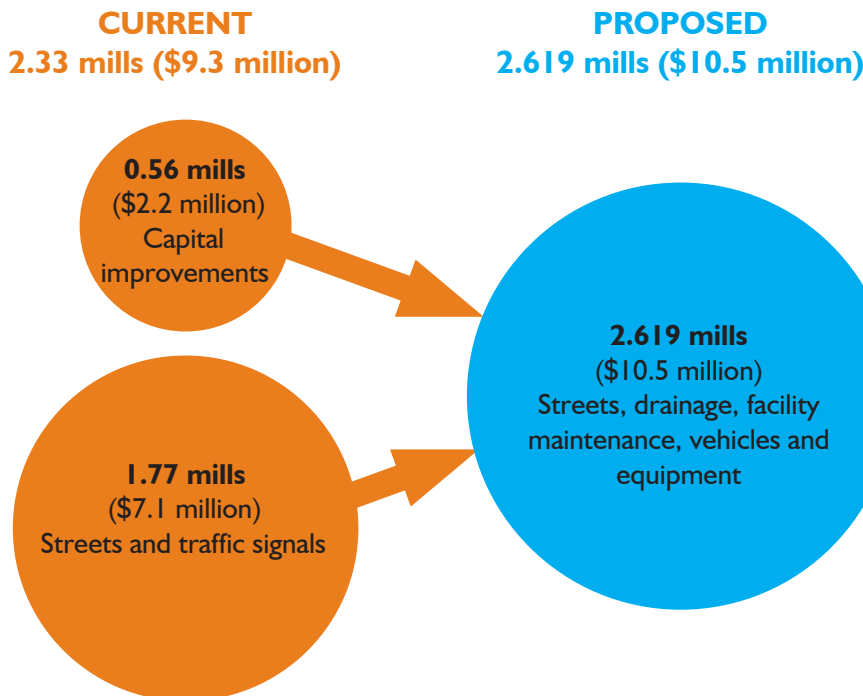
it cannot tap the \$8.4 million fund balance of the capital improvements millage to pay those costs.⁸

Background and Context

Streets and Drainage. The City has estimated it would cost about \$30 million a year to adequately maintain streets and subsurface infrastructure.⁹ A recent BGR report found that the City spent an average of just \$4.6 million a year during the past decade.¹⁰ Chronic underfunding of preventive street maintenance, such as sealing cracks and filling potholes, has contributed to the poor condition of many streets. A 2016 pavement condition study found that 44% of New Orleans’ 1,500 miles of streets were in very poor condition. In addition, inadequate maintenance of the drainage system, including a failure to regularly clean catch basins, contributed to flooding in 2017.¹¹

CHART C: PROPOSED TAX REDEDICATION UNDER PROPOSITION 1

Revenue projections for 2021



Note: Traffic signals would remain eligible as “equipment” under the proposed tax.



“A 2016 pavement condition study found that 44% of New Orleans’ 1,500 miles of streets were in very poor condition. In addition, inadequate maintenance of the drainage system, including a failure to regularly clean catch basins, contributed to flooding in 2017.”

BGR has repeatedly called for the City to increase funding for preventive infrastructure maintenance.¹² The City has about \$11.5 million in annual dedicated funding for maintaining the street and drainage networks, or 38% of what the City estimates it needs. This includes \$7.1 million from the expiring tax for streets, a \$2.3 million State gas tax dedication and \$2.1 million from the new Infrastructure Maintenance Fund.¹³

Public Buildings and Public Safety Facilities. The City, which currently has no dedicated funding for maintaining its facilities, typically spends about \$3.5 million per year. on this purpose This includes \$2.5 million from the General Fund and \$1 million from the capital budget. City administrators estimated they need an additional \$2 million annually for proper maintenance.

Vehicles. The average age of the City’s fleet of 2,066 vehicles is approximately 13 years, according to City administrators. They said this is a consequence of a lack of revenue to replace vehicles on a regular basis. Prior to the purchase of 189 police vehicles in 2017, it had been more than a decade since the City updated the Police Department’s 1,050-vehicle fleet. About half of the City’s 43 ambulances have more than 100,000 miles. The City last purchased a new ambulance in 2012.

The City currently has no dedicated revenue for vehicles. It has spent an average of \$7.4 million from the General Fund on vehicles during the past five years. City officials said they need an estimated \$10 million annually to fully

fund their vehicle replacement plan. The plan prioritizes public safety vehicles, with a target of replacing passenger vehicles every five to seven years.

This City plans to use its capital budget to cover the estimated \$23 million to \$25 million cost of replacing fire trucks and heavy equipment every 10 years. About half of the Fire Department’s 40 fire trucks and other front-line vehicles are at or near the end of their useful lives. A \$500 million bond proposition that voters approved in 2019 authorizes the City to spend an unspecified amount of the proceeds on fire trucks and other public safety equipment. The City plans to issue the first \$290 million of those bonds by early 2021.

Analysis

Are There Credible Reasons to Dedicate Funding to Infrastructure, Building Maintenance and Vehicles?

Adequate funding for preventive maintenance of streets and subsurface drainage infrastructure is necessary to diminish risks posed by the City’s crumbling streets and deficient drainage system to the local economy and residents’ quality of life. It also will help to maximize the benefits of more than \$2 billion in ongoing repairs to damage caused by the Hurricane Katrina disaster.¹⁴ City officials have indicated that FEMA might not cover future damage to the City’s street and drainage networks if it does not properly maintain them. This is because it might not be possible to determine whether the damage was caused by a storm or neglect.

If voters do not replace or renew the taxes before they expire, the City's already insufficient dedicated funding for maintaining the street and drainage systems will decline sharply from \$11.5 million to \$4.4 million. This would erase recent gains in funding for infrastructure maintenance.

Failure of the tax would also mean the City would continue to have no dedicated funding to maintain buildings or replace vehicles – two other long-neglected needs. Proper maintenance of buildings and timely replacement of vehicles can extend their useful life and save on future repair costs. As is the case with streets, FEMA might not cover the cost of future damage to facilities rebuilt after Katrina if the City does not properly maintain them. Also, having reliable vehicles for police and ambulance services is essential for public safety.

The proposed replacement of the separate streets and capital improvement millages would provide a single, flexible source of recurring funding to support all of these purposes. There is also less need today for a dedicated capital improvement millage because of the bond financing authorized by voters for streets, City buildings and other capital projects.

Is the Proposed Tax an Acceptable Way to Fund These Purposes? Property taxes are a common funding mechanism for local governments in Louisiana. One reason for this is that they have the potential to generate substantial revenue. Another is that local taxing bodies have greater power to seek new property taxes, as compared to new sales taxes which require approval of the State Legislature.

In general, property taxes are an appropriate funding mechanism for basic municipal purposes, including maintaining public facilities and replacing vehicles. But when it comes to funding street and drainage improvements, there are alternatives to taxes that warrant consideration. One involves charging property owners fees to fund infrastructure maintenance. BGR has found that such fees offer two key advantages over property taxes. First, the fees can apply to properties that are exempt from property taxes, such as those owned by govern-

ment and nonprofit organizations. This greatly expands the base of payers and helps ensure that property owners who benefit from the drainage and street networks help pay to maintain them. Second, the fees correspond 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 estimates of the number of vehicle trips a property generates.¹⁵ 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.¹⁶ BGR notes, however, that it is a complex process to devise and implement a well-justified user fee, and there is no proposal currently under consideration.

Another funding option involves a BGR recommendation that the City direct a portion of General Fund revenues generated by the street network – such as parking meter fees and tickets for parking and traffic camera violations – to street maintenance.¹⁷ The City has not done so despite significant growth in these revenues, which netted more than \$50 million a year before the pandemic. If the City had allocated just the future increases in these revenues when BGR first recommended doing so in 2008, it would have an additional \$20 million a year for maintenance based on pre-pandemic revenue rates. That is more than five times the City's average annual expenditures on street maintenance during the past decade.

While user fees and street-related revenue offer better long-term options for street and drainage maintenance, the proposed tax would provide an immediate source of funding to help address long-standing needs.

Is the Tax Appropriately Sized? As Table 3 indicates, the \$10.5 million from the proposed tax would leave the City \$19.7 million short of the estimated amount it needs to adequately fund streets, drainage, building maintenance and vehicles. Because the tax revenue is insufficient to cover the need, the City will have to explore supplemental funding mechanisms, such as the options discussed above. BGR notes that, in a community with many competing demands for public funding,

any new tax or fee should be carefully justified in light of taxpayers’ limited tolerance for additional increases.

In assessing the size of the tax proposal, it is also important to examine the amount allocated to each purpose. For two previous tax propositions, the City presented a nonbinding plan for allocating the revenue to help voters evaluate the size of the taxes.¹⁸ City officials said they did not do so this time because of uncertainty surrounding the City’s finances during the pandemic. This preserves the flexibility to direct the funds to the highest priorities, which may change over time. Initially, the City plans to address street and drainage priorities that lack other funding sources, replace deteriorating bridges, improve drainage in low-lying areas, maintain other street and drainage projects built since 2008, and replace aging public safety vehicles.

However, the lack of a spending plan for the tax revenue inhibits a full assessment of the tax’s size because it is not possible to compare the planned expenditures for each purpose to the identified needs. For instance, the City could spend the entire \$10.5 million in tax revenue on streets and drainage and still not meet its estimated need for \$30 million to adequately maintain them. But there is no requirement to spend any of the revenue on streets and drainage, a concern of many citizens. As a result, dedicated funding could decrease for infrastructure maintenance, depending on the City’s revenue allocations. The City would have to spend at least two-thirds of the revenue from the proposed tax (\$7.1 million) on streets and drainage to sustain the current level of funding.¹⁹

Thus, while the overall size of the tax does not exceed the identified needs, BGR could not fully assess whether the tax will make meaningful progress toward addressing them.

Will the City Spend the Tax Revenue Effectively?

Demonstrating the likelihood that the tax revenue will be spent effectively requires:

- A clear plan for directing tax proceeds to high-priority needs

TABLE 3: ESTIMATED ANNUAL FUNDING NEEDS COMPARED TO AVAILABLE FUNDING IF VOTERS APPROVE THE TAX

| Purpose | Estimated need | Available funding |
|---------------------------------|-----------------------|---|
| Streets and drainage | \$30 million | \$4.4 million State gas tax dedication (\$2.3 million) and the Infrastructure Maintenance Fund (\$2.1 million) |
| Building maintenance | \$5.5 million | \$3.5 million General Fund allocation (\$2.5 million) and capital budget (\$1 million) |
| Vehicles | \$10 million | \$7.4 million General Fund allocation |
| Any of the three above purposes | --- | \$10.5 million Revenue from the proposed tax |
| TOTAL | \$45.5 million | \$25.8 million |
| UNFUNDED NEED | | \$19.7 million |

BGR calculations based on information provided by the City.

- Appropriate financial stewardship of and accountability for taxpayer dollars
- Evidence that demonstrates the potential for effective outcomes

Planning for High-Priority Needs. The City plans to hire an engineering firm to conduct biannual pavement assessments to update the 2016 assessment and guide street repair and reconstruction work. Some of the tax revenue would help fund a backlog of street and drainage projects. The City also plans to replace bridges set to be closed within five years due to low load ratings. The City Council would allocate the funds for any improvements through the City’s capital planning process that aligns with recommended best practices and requires public input.²⁰

To help ensure the revenue for vehicles is well spent, the City plans to invest in fleet management technology that tracks their mileage and maintenance needs. It also is conducting an audit of all vehicles for a comprehensive picture of existing replacement needs.

“The proposition would sustain and increase funding for street and drainage infrastructure, public facilities and vehicles. ... However, the City’s lack of a spending plan prevents a full assessment of whether the tax will make meaningful progress toward addressing the identified needs, limiting voters’ information for decision-making.”



Financial Stewardship and Accountability. The City currently places the receipts from the expiring 1.77-mill tax for streets in the General Fund, which covers most of the City’s operating expenses. This makes it difficult for citizens to track expenditures of the tax revenues. To address this, the City indicated it would either use an existing fund or create a new one for revenue from the proposed tax. The City’s budget would include line items identifying expenditures from the fund, which would be audited annually. Under a new ordinance, the City Council would receive an annual report on the fund, its revenue and fund balance.²¹ The fund also would allow the City to carry forward a fund balance of any unspent revenues. This would lessen the risk that the money could pay for an unauthorized purpose.

Finally, the 20-year duration for the tax appears to be longer than necessary because the City does not plan to use the revenue to support bonds. A 10-year duration would provide greater accountability through a more frequent renewal process. On the other hand, the tax would fund basic municipal needs that are likely to continue long term.

Potential for Effective Outcomes. In general, money spent on maintaining infrastructure and facilities tends to be effective because it saves on costs for major repairs and replacement. For example, the City estimates that each dollar invested in preventive maintenance of streets can save four or five dollars on future capital repair costs. Adequate funding for preventive street maintenance would also help safeguard the major investment in restoring New Orleans streets damaged as

a result of Katrina. Meanwhile, City administrators said the vehicle replacement strategy would increase productivity because roughly 70% of City workers depend on functioning vehicles and equipment to do their jobs.

Summary of Findings on Proposition I

The proposition would sustain and increase funding for street and drainage infrastructure, public facilities and vehicles. This could safeguard and extend the useful lives of major infrastructure investments, save on future capital repairs and support essential public safety workers. The City anticipates using new technology to guide future repair and replacement decisions and promises increased accountability for the revenue. The dedicated property tax is an acceptable funding option, even though evidence suggests it is insufficient to fully address the need. However, the City’s lack of a spending plan prevents a full assessment of whether the tax will make meaningful progress toward addressing the identified needs, limiting voters’ information for decision-making.

PROPOSITION 2: LIBRARIES AND EARLY CHILDHOOD EDUCATION

Overview

Proposition 2 would replace a dedicated tax for New Orleans’ libraries first levied in 1987 with a new 20-year tax. As shown in Chart D, the proposition would reduce the tax rate from the current 2.58 mills to 0.987 mills. The rate reduction for this millage is key to the City’s commitment to keeping the overall rate of the three-millage package at 5.82 mills, the same as in 2020.

The proposition also would expand the permitted uses of the tax revenue to include early childhood education programs and facilities.²² Although the proposition does not specify the allocations of the projected \$4 million in revenue to libraries and early childhood education, City officials plan to allocate \$1.5 million to early childhood education and \$2.5 million to libraries. In addition, although Proposition 2 would, for the first time, permit capital investments in libraries (currently paid by other City funds) and early childhood education facilities, the City told BGR it plans to limit the use of tax proceeds to library operations and an early childhood education program.

Because of the City’s plan to divide the revenue between the two purposes, BGR provides a separate analysis of each permitted use.

Background and Analysis: Early Childhood Education

Background. In 2018, New Orleans became the first local government in Louisiana to directly fund early childhood education. The City allocated \$750,000 to establish the City Seats program, which initially covered the full cost of care at six privately run early learning centers for 50 children under age 3. To be eligible for City Seats, children must live in Orleans Parish and come from a household with earnings at or below the federal poverty line. The funding also covered coaching and professional development for teachers at participating centers and program administration costs.

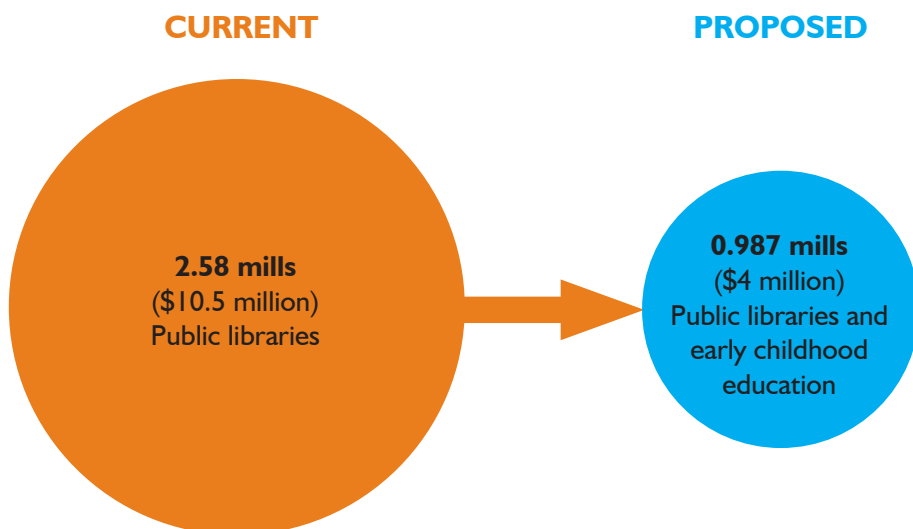
The City doubled its funding to \$1.5 million in 2019 and doubled it again to \$3 million in 2020. The increased funding expanded City Seats to cover 112 children in 2019 and 200 children in 2020.²³ Beginning in 2019, the funding also covered wrap-around services such as mental health and developmental screenings that were previously supported through private grant funding. The City currently does not have a tax or other revenue

source dedicated to early childhood education. Instead, it relies on General Fund revenue.

Each year, the City has entered into a cooperative endeavor agreement with the local nonprofit organization Agenda for Children to administer the program. Agenda for Children also serves as the lead agency for the New Orleans Early Education Network, which coordinates the parish’s annual request for funding from the State of Louisiana (State) for certain early childhood education programs and oversees child care center quality assessments required to receive

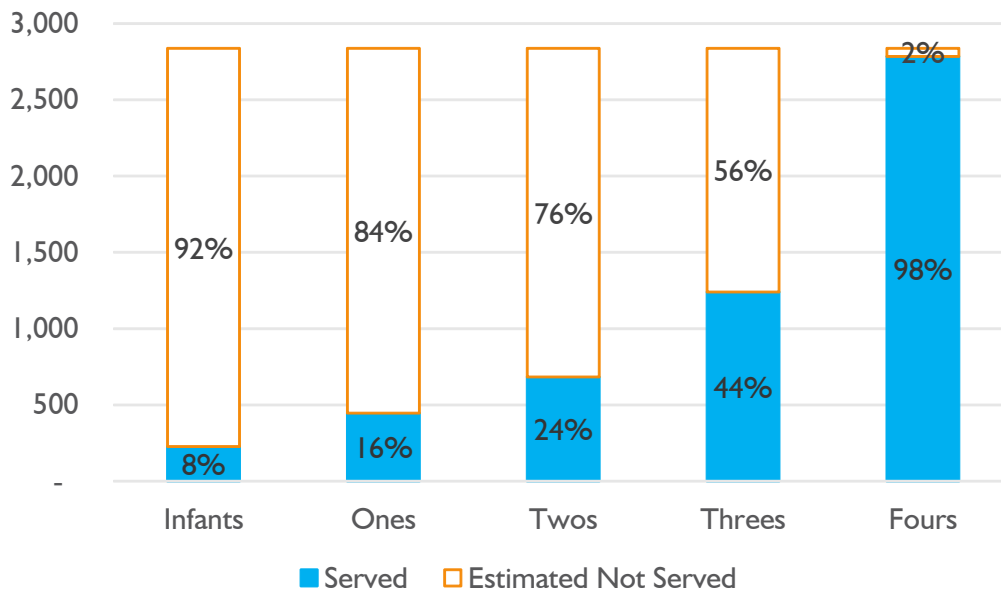
CHART D: PROPOSED TAX REDEDICATION UNDER PROPOSITION 2

Revenue projections for 2021



**CHART E:
ECONOMICALLY
DISADVANTAGED
CHILDREN SERVED
THROUGH PUBLICLY
FUNDED EARLY
CHILDHOOD
EDUCATION
PROGRAMS IN NEW
ORLEANS, INCLUDING
CITY SEATS IN 2019**

Data provided by Agenda for Children. City Seats accounted for 112 of the children served. Total children in each age group is estimated based on the number of economically disadvantaged children enrolled in kindergarten in New Orleans public schools.



State funding. The network handles the majority of City Seats’ administrative and coordination responsibilities.

Are There Credible Reasons to Dedicate Funding to Early Childhood Education? City leaders, backed by a coalition of advocates, have prioritized financial support for early childhood education as a way to reduce poverty and crime, and improve New Orleans’ workforce and financial future. They point to improved outcomes not only for children who attend high-quality early childhood education programs, but for their parents and caregivers as well. Research on early childhood education supports those outcomes. It has found that high-quality programs for economically disadvantaged children can deliver benefits for participants, their families and society that amount to a 13.7% annual return on the program investment.²⁴

City leaders say early childhood education requires local funding because State and federal early childhood education funding is insufficient to ensure access for all economically disadvantaged children.²⁵ As Chart E shows, the majority of economically disadvantaged children under age 4 in New Orleans are not served through publicly funded programs, including City Seats. Furthermore, those programs do not reach 84% of children under age 3. Child care costs for this age

group tend to be higher because of the low caregiver-child ratios required.

In 2020, although the City budgeted \$3 million of current General Fund revenue for City Seats, revenue declines resulting from the pandemic led to half of the allocation coming from current-year revenue, and the other half from a one-time appropriation from the General Fund reserve. Going forward, City officials have committed to maintain only an annual \$1.5 million General Fund allocation for City Seats. Revenue from the proposed tax would help City Seats to continue enrolling its target number of children, even during periods of increased competition for General Fund support.

The City also envisions expanding City Seats to more children with new State matching funds. In 2017, the Louisiana Legislature created the Louisiana Early Childhood Education Fund, which, following a 2019 amendment, provides a dollar-for-dollar match to local governments that use revenue outside of federal or State sources to provide early childhood education.²⁶ City officials believed they would be able to access matching funds beginning this year and double City Seats’ budget from \$3 million to \$6 million. However, the financial crisis has prevented the fund from accumulating revenue this year.²⁷

Without revenue from the proposed tax, the City says it would limit its funding for early childhood education to \$1.5 million from the General Fund. The reduced funding would halve the current number (200) of infants and toddlers served through City Seats. City Seats would not discontinue funding for children already enrolled, but instead would halt new enrollment. In addition, the City would be unable to expand City Seats as much as it originally anticipated once the State's matching fund becomes available.

Is the Proposed Tax an Acceptable Way to Fund Early Childhood Education? The General Fund, City Seats' only current revenue source, has faced a significant revenue loss due to this year's pandemic. Its ability to sustain the City's \$3 million early childhood education investment target will depend on the pace of economic recovery in 2021 and beyond.

In the short run, the revenue allocation from the proposed dedicated tax could provide a relatively stable source of funding to maintain the current City Seats investment as the City recovers. It also would remove early childhood education from competition for General Fund dollars during this time. However, the City should not rule out the General Fund as an alternative revenue source long-term.

City officials are pursuing discussions with NOLA Public Schools regarding potential financial support for early childhood education. However, State and local public school funding can only be used for early childhood education if individual public schools provide the programs.²⁸ Many schools offer pre-kindergarten programs, but these typically serve only 4-year-olds.²⁹

The City Council also can appropriate \$3 million annually from the City's lease with Harrah's New Orleans Casino to education purposes in New Orleans. Until this year, that funding could be used only by New Orleans' public school system. The City's new lease with Harrah's broadens its potential use for local education. The City could use the funding for City Seats, but this

would divert money from the public schools, which have relied on the Harrah's funding for various programs.

With New Orleans being one of a few cities or counties innovating on early childhood education funding, there are few indicators of better funding methods. Some local governments have directed general fund revenue or reserves to early childhood education initiatives, while others rely on a dedicated property, sales or income tax. Salt Lake City and Chicago are using a pay-for-success model, where private investors pay the upfront costs of the initiatives, and local governments repay the investors based upon the realization of positive outcomes, such as school readiness or reduction in usage of special education services. While this is a creative method, advocates say it can be challenging to find investors. In addition, the expense required to collect data and evaluate outcomes can reduce available funding for the program.³⁰

The proposed tax is an acceptable way to fund the existing City Seats program, particularly when the City's General Fund is struggling. As it recovers, the City could explore increasing the General Fund allocation to cover the costs of the program.

Is the Tax Appropriately Sized? While the proposed tax would not come close to generating the more than \$100 million likely required to provide quality early childhood education to all unserved economically disadvantaged infants and toddlers, it would allow the City to continue meeting its \$3 million local funding goal for City Seats. At that funding level, City Seats could continue to provide 200 children with high-quality early care and wrap-around services.

City Seats' per-child cost of \$15,000 aligns with federally funded Early Head Start, which costs \$14,945 per child in Louisiana.³¹ Early Head Start is a national model that has provided comprehensive early childhood education services to economically disadvantaged children for 25 years. City Seats and Early Head Start also provide child development and family support services in addition to child care at licensed centers.³²

City Seats' per-child cost of \$15,000 aligns with federally funded Early Head Start, which costs \$14,945 per child in Louisiana.

The bulk of City Seats' funding – \$12,000 per child – goes to participating licensed early care providers. City Seats selects child care centers based upon an evaluation that assesses various indicators of quality, such as performance rating, teacher credentials and administrative competency. Participating centers must provide 10 hours of care five days a week for 50 weeks each year. Participating centers also must maintain teacher-child ratios in line with national standards, which are lower than the ratios Louisiana requires for licensing.³³ The remaining \$3,000 per-child funding for City Seats covers developmental screenings and mental health supports, professional development for teachers at participating centers, family engagement, program evaluation and program management and coordination costs.

Thus, the \$1.5 million the City plans to allocate from the tax to early childhood education aligns with the financial needs of operating a comprehensive, high-quality program at City Seats' planned scale.

Will the City Spend the Tax Revenue Effectively?

Demonstrating the likelihood that the tax revenue will be spent effectively requires:

- A clear plan for directing tax proceeds to high-priority needs
- Appropriate financial stewardship of and accountability for taxpayer dollars
- Evidence that demonstrates the potential for effective outcomes

Planning for High-Priority Needs. City Seats' goals are to: (1) increase access to early childhood education, (2) improve the quality of available early learning programs and (3) provide comprehensive child development services to participants.³⁴ The program addresses quality by selecting child care centers based on several indicators of performance and care standards. In addition, it provides monthly professional development and coaching for center staff. These trainings aim to improve the center's overall quality, and thus improve outcomes for all enrolled children, not only those funded through City Seats. The program prioritizes access by analyzing demand and opening up seats at quality

centers that geographically align with demand. Because City Seats does not include transportation, partnering with centers close to participating children's homes is essential for maximizing attendance. To ensure equal access to available slots, City Seats uses NOLA Public School's OneApp system to enroll children. Interested parents must apply through OneApp and submit documents proving program eligibility.

Financial Stewardship and Accountability. Each year, the City enters into an agreement with Agenda for Children that specifies the organization's responsibilities for coordinating City Seats, as well as its financial and reporting obligations. The agreement requires it to submit monthly invoices and provide monthly enrollment reports, progress reports if requested, and a year-end report. The City requires Agenda for Children to engage an outside contractor each year to evaluate City Seats. The evaluation shows the New Orleans Early Education Network, the agency that primarily administers and coordinates the program, where City Seats has met its objectives, as well as recommends specific changes that could improve outcomes.

As an entity receiving public funding, Agenda for Children must file its annual audit report with the Legislative Auditor, which makes the report available online to the public. City Seats approves annual seat allocations to child care centers during a meeting that complies with Louisiana's open meeting laws.

Potential for Effective Outcomes. As discussed earlier, national evidence suggests that high-quality early childhood education programs can deliver strong return on investment. The evaluation of City Seats first year found it expanded early care access for economically disadvantaged children and provided 400 hours of practice-based coaching to teachers at participating centers.³⁵

Because City Seats provides professional development and coaching that supports the quality of each participating center, all children attending these centers benefit – not just the 200 children directly funded through City Seats. This leverages the City's investment in early childhood education to more than 900 additional chil-

dren. Five out of six participating centers improved their quality scores during City Seats' inaugural year, while the remaining center saw an insignificant drop.³⁶

However, because City Seats has operated for only two full years, there is limited data to draw conclusions about the program's effects on center quality and children's developmental growth. The program evaluation recommends developing additional quality indicators to increase accountability for how City funds are spent and enable strategic program improvements to programs.

As the economy recovers and the State's matching fund grows, New Orleans will be eligible for a one-to-one match of its early childhood education dollars. Eventually, the City's \$3 million investment could be leveraged into a \$6 million investment. Because New Orleans is currently the only city or parish in Louisiana allocating its own revenue to early childhood education, it has no competition for State matching funds.

Collectively, the planning for City Seats, accountability provisions and early evidence of positive outcomes support its potential as an effective use of the tax revenue.

Background and Analysis: Libraries

Background. The remainder of the proposed tax revenue, approximately \$2.5 million in the initial year, would flow to the New Orleans Public Library system (the Library). As discussed below, the revenue shift from libraries to early childhood education and the other purposes within the millage rededication package enables the City to hold the overall tax rate at the current 5.82 mills.

The Library is governed by a nine-member board appointed by the mayor with City Council approval. The board administers the system and hires its director. But it is not financially separate from the City, which has oversight of the board's budget and finances.³⁷ The Library has 15 locations: its main library downtown and 14 branches throughout the city.

For most of its history, the Library's funding came from the City's General Fund and private donations.³⁸ However, in 1986, as the City's contributions for the Library began to diminish, voters approved a 4-mill, dedicated tax (original millage) to cover the system's operating expenses.³⁹



The Library has 15 locations: its main library downtown (shown here) and 14 branches throughout the city.

As the Library reopened branches and added new ones after Hurricane Katrina, its operating costs began to significantly exceed its revenues.⁴⁰ Voters approved a second dedicated tax (supplemental millage) for Library operations, with a rate of 2.5 mills, in 2015.⁴¹

Like most modern libraries, the Library’s services go beyond checking out books and printed materials. The Library offers electronic resources, such as e-books and journals, computer and internet access, and educational programming for children and adults. It also houses and operates the City Archives. The Library currently employs 234 full-time equivalent staff to operate its main library and 14 branches. Personnel accounted for 72% of Library expenditures in 2019, with book purchases, dues and subscriptions, professional services and other operations making up the rest. In addition, the City has begun placing satellite offices for key City services, such as permitting, in some branches, bringing them closer to residents and businesses.⁴²

Are There Credible Reasons to Dedicate Funding to Public Libraries? Across Louisiana and the nation, libraries are a common locally funded public service. New Orleans’ library system provides a diverse array of informational, educational and entertainment resources and programs. The 15 public libraries provide citywide access to these resources. In 2018, Library visits surpassed 1.5 million, and about one-third of New Orleansians had library cards. For some, library visits may be predominantly recreational, while for others the Library provides access to vital information, technology, skill-building or a quiet and safe place to study. Insufficient public funding could limit the Library’s ability to maintain its collections, technology and programming and continue ensuring citywide access.

While there are credible reasons to continue funding, the Library must make sure that it evolves to meet changing needs and preferences, and does so efficiently. If the Library does not continue to evolve, its functions will lose importance and the case for public investment will grow weaker. This is especially important in a city such as New Orleans where there are many competing priorities for public funding.

Is the Proposed Tax an Acceptable Way to Fund Libraries? Property taxes are commonly used to secure revenue for libraries. In 2018, 61 of Louisiana’s 68 library systems had dedicated property taxes, while only three had dedicated sales taxes.⁴³

As noted above, the Library moved from the City’s General Fund to the original millage in 1986. It then added the supplemental millage in 2015. It is unlikely, given the City’s current financial circumstances and other competing needs, that the Library could rely on the General Fund for revenue. The Library’s \$11.6 million fund balance makes drawing on its reserves a more likely short-term funding strategy to support any effort to revamp operations and services.

Is the Tax Appropriately Sized? For the Library, the most critical analysis of the proposition deals with the appropriateness of the tax’s size.

The Library’s Budget. Voter approval of the proposed replacement tax would reduce the Library’s budget by approximately \$8 million, or nearly 40%. Without a replacement tax, or any other new revenue stream, the Library would eventually have to operate on half of its current budget. Table 4 shows how the Library’s tax revenue would change if voters approved the proposition and if the original tax expired.

City officials maintain that the Library’s existing dedicated taxes provide more revenue than it needs relative to both its current budget and the smaller budget the City envisions. Library revenue doubled in 2016 fol-

TABLE 4: LIBRARY PROJECTED TAX REVENUE

| At Current Millage Rates | If Voters Approve Proposition 2 (effective January 1, 2021) | If the Original Tax Expires (effective January 1, 2022) |
|--------------------------|---|---|
| \$19.9M | \$11.9M | \$9.4M |

BGR calculations based on revenue estimates included in propositions. This revenue projection assumes the City would continue to levy the same rate for the Library’s supplemental millage, which does not expire until 2040.

lowing passage of the supplemental millage. However, as Chart F shows, expenditures increased more gradually. The two dedicated millages accounted for almost all Library operating revenue in 2019.⁴⁴

Since approval of the supplemental millage, the Library has accumulated \$11.6 million in reserves.⁴⁵ This is equivalent to 59% of the library’s 2019 operating expenditures, above the best practice of 17%, and the City’s target of 10%.⁴⁶ Some Library officials point to the Library’s reserves as evidence of fiscal prudence, while City officials say the size of the reserves indicates overfunding. Library officials note that most of the fund balance accumulated during the first two years of the supplemental millage, when they were gradually increasing services and staff. Growth in Library reserves slowed as the Library’s annual expenditures increased from \$15.8 million in 2016 to \$19.4 million in 2019.⁴⁷

The City’s Proposed Operating Model and Potential Cost Savings. City officials suggest that the Library’s \$17.6 million average annual expenditures during the last four years is a sustainable funding level for its current services. In 2019, the \$20.1 million in revenue from the two dedicated taxes provided about \$2.5 million more than required to cover this expenditure level. If voters approve the proposition, revenue from the Library’s taxes would be \$11.9 million, about \$5.7 million less than necessary to cover this expenditure level.

Library officials told BGR that they could save about \$1 million by not filling the 21 current staff vacancies. In addition, they suggest they could cut \$1 million from non-personnel expenditures without any noticeable change in service level. If \$2 million in cost reductions are achievable, they would bring Library expenditures close to the \$17.6 million City officials believe is reasonable for sustaining the current service level and model. Still, such expenditures would outpace the Library’s projected tax recurring revenue under the proposition. Some Library advocates disagree that \$17.6 million is a realistic target for the current system, asserting that the Library’s 2019 expenditure level, \$19.4 million, reflects the system’s actual needs.

City and Library officials plan to pursue a new operating model for the library system that would require less dedicated tax funding than \$17.6 million. They have publicly committed that the plan will not involve branch closures or reduced service hours. Instead, they are counting on:

- Realizing efficiencies through adopting new technologies and eliminating service duplication, and aligning services with community needs.
- Reducing Library expenditures by expanding City maintenance and information technology

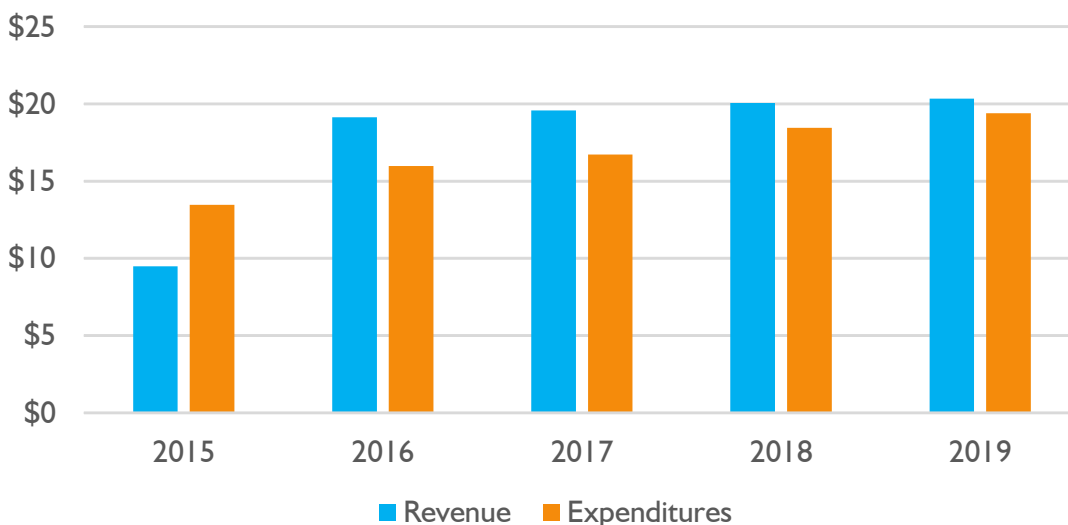


CHART F: LIBRARY REVENUE AND EXPENDITURE
(\$ in millions)

Sources: City of New Orleans budget information and New Orleans Public Library. Revenue figures do not include funding from FEMA or the BP settlement.

support to the Library. The City estimates facility maintenance, janitorial and technology services cost the Library about \$500,000 a year. Savings from having the City provide those services would depend on the extent of shared services and realized economies of scale. Library officials told BGR the City has not yet presented details of the plan, and therefore they cannot project the amount of savings.

- Providing City funds for capital improvements at Library facilities that could lower operating costs for the system.
- Building additional revenue streams such as grants or self-generated revenue from library-based retail operations.

Currently, there is no estimate of the potential cost savings or increased revenue from these initiatives.⁴⁸ The Library is about to begin a strategic planning process, which has been delayed by the pandemic.

Will It Work? The absence of a plan makes it difficult to assess what the Library's true financial needs will be – and whether it can meet them at the proposed funding level. While both City and Library officials assert the Library can reduce expenditures without reducing service levels, they have not specified the minimum funding required for sustaining service levels.

Regardless, an \$8 million budget cut is significant and may take multiple years to implement. City and Library officials note that if voters approve the proposition, the Library will not have to reduce expenditures immediately because it can draw on its large reserve for a few years. It appears the Library could maintain annual expenditures at the current level, \$19.4 million, for close to two years before exhausting its reserves. It could extend this period to nearly three years if it were to reduce expenditures to \$17.6 million.

City officials have mentioned the possibility of asking voters for a third Library tax if future revenue streams prove insufficient to operate all branches and sustain



“Until the City and Library fully develop plans for the model, voters cannot evaluate the size of the proposed tax and answer a central question of this millage rededication proposal – whether the Library can still support its current branch and service levels while withstanding a revenue cut of nearly 40%.”

current service hours. The possible third millage does not assure voters that the proposed tax will meet the financial needs of the reimagined library model. Until the City and Library fully develop plans for the model, voters cannot evaluate the size of the proposed tax and answer a central question of this millage rededication proposal – whether the Library can still support its current branch and service levels while withstanding a revenue cut of nearly 40%.

Will the Library Spend the Tax Revenue Effectively?

This section reviews whether there is a clear plan for directing tax proceeds to high-priority needs, appropriate financial stewardship and accountability for taxpayer dollars, and evidence that demonstrates the potential for effective outcomes.

Planning for High-Priority Needs. The Library's most recent strategic plan from 2017 to 2019 focused on efforts to build literacy, serve the needs of a diverse community, and improve programming and access. The Library had anticipated implementing a new strategic plan beginning in summer 2020, but the pandemic set back plan development. Library officials now project completing the plan in the first quarter of 2021. They envision a two-year plan that will adjust Library operations to anticipated budget cuts. Library officials point to the benefits of knowing about any cuts before starting the planning process. In addition, with the City's promise that service levels will not fall if voters approve the smaller tax, the strategic plan will have to address how to maintain library services with less revenue. Prior to the financial crisis and development of the replacement tax proposition, the Library Director noted that the new strategic plan must address not only employing new technologies to improve customer service, but also helping customers use new technology.⁴⁹ However, without a fully developed plan, it is difficult to assess the Library's priorities.

Financial Stewardship and Accountability. The recent history of the Library's taxes illustrates what can happen without careful financial planning. After Katrina, the Library rebuilt and expanded the system without devising a long-term plan that identified recurring revenues to cover the new operating costs.⁵⁰ Instead, the Library dipped into its reserves. When those reserves began to run out, the Library sought approval in 2015 of the supplemental millage. BGR opposed the proposition because the Library lacked a strategic plan mapping out what services it would provide and why the tax was necessary to pay for them.⁵¹

Today, just five years after the supplemental millage took effect, the Library has accumulated a sizable surplus. The current tax proposition seeks to address this by

substantially reducing the Library's tax dedication, but the Library still does not have a strategic plan to adapt to the funding reduction. As a result, the roller coaster ride of surpluses and deficits could continue. If the Library cannot adjust its budget to the lower funding level and depletes its reserves, City officials said they could return to voters with yet another Library tax proposition – the third one in less than a decade. This could leave the Library with a highly fragmented funding structure of three taxes – all with different expiration dates, complicating future adjustments to the Library's funding. A potential new tax for the Library in a few years would also scuttle the City's plan to avoid increasing taxes.

From a financial accountability perspective, the City presents the Library budget as a separate fund in its budget, but not in its annual financial report. Although the City rolls any revenue the Library hasn't spent by the end of the year into reserves restricted for Library usage, this fund balance is not observable in either the City's budget or annual financial report. The Library Board annually submits its budget to the City Council for approval. In addition, the Board must submit its monthly financial reports to the City's finance director, who then shares them with the City Council.⁵²

Voters may recall that the New Orleans Public Library Foundation (Library Foundation), a private non-profit organization formed to raise private funds to support Library operations, became the center of a high-profile financial mismanagement investigation in 2015. Two former Library Foundation leaders pleaded guilty to a federal charge related to misuse of the foundation's funds in November 2020.⁵³ However, the Library itself was never part of the investigation.⁵⁴ The Library and the Library Foundation are separate entities, and the Library Foundation has no control over Library operations or any public funding. Library officials anticipate a revamped foundation will resume its fundraising to support the library system.

The Library implemented quarterly reporting for performance accountability in 2017. The reports track various metrics that indicate public usage and demand for resources and programming. Finally, the Library

Board's meetings are subject to Louisiana's open public meeting laws, ensuring that community members can monitor key aspects of Library planning and decision-making. However, these accountability provisions are not adequate substitutes for the lack of planning to guide expenditures on the front end.

Potential for Effective Outcomes. In 2015, the Library committed to specific operational improvements if voters approved the supplemental millage. These included expanded hours, collection, outreach and programming, as well as technology upgrades and successful operation of a new branch constructed with FEMA funds.

The Library met its commitment to expanding hours, increasing average daily hours for its locations from 6.1 hours in 2015 to 7.4 hours in 2018.⁵⁵ The Library's collection size remained almost unchanged during this period, standing at about 723,000 print, audio-visual and electronic resources in 2018. However, the percentage of new resources in the collection and the percentage of the collection withdrawn annually both roughly doubled.⁵⁶ This indicates a shift toward maintaining a more contemporary collection, likely geared toward current users' preferences. The Library increased its number of programs from just under 3,000 to about 4,000 and added 43 public internet workstations, bringing the total to 339 in 2018.⁵⁷ The Library also opened a new branch in the Seventh Ward in 2018 and expanded the Mid-City and Central City branches in 2016 and 2020, respectively.

During the same time period that the Library implemented these improvements, the total number of Library visits increased by 38% to 1.6 million, and collection usage more than doubled. The increase in visits occurred mostly in 2016, but the Library has generally sustained it since then. This illustrates positive citizen response following improvements instituted with the supplemental millage revenue.

Critics of the proposition have expressed concern that passage of the proposed tax would undermine those improvements and ultimately lead to service cutbacks and branch closures, despite the City's promises to the contrary. On the other hand, the proposed reduction

in Library funding could force implementation of efficiencies and more creative service delivery methods. The Library Director has identified some methods, such as self-checkout, that if implemented on a large scale could produce significant cost savings while not impacting user experience.

While the proposed reduction in funding could force implementation of new efficiencies and more creative service delivery methods, voters lack sufficient information to judge whether such changes would diminish, sustain or increase the value of the Library to the community.

Summary of Findings on Proposition 2

The proposition would provide a stable funding stream for City Seats, the City's investment in high-quality early childhood education for economically disadvantaged children. Research has shown significant returns on such investments, but in New Orleans the vast majority of economically disadvantaged children under age 3 lack access to publicly funded child care. City Seats increases access, and its focus on quality benefits all children at participating child care centers – not only those children funded through the program. The tax is an acceptable short-term funding option in light of current General Fund constraints, and it is appropriately sized to the program's planned scale. In addition, there is clear planning and accountability for the dollars, and potential to leverage State dollars to double the City's investment in long-term benefits for participating children and the city as a whole.

The case for the proposition is far less conclusive when it comes to the Library. While the Library and the City emphasize a need to make library operations more efficient and responsive to citizens, they have not yet specified what should change or provided a roadmap to get there. This does not assure voters that the proposed tax is appropriately sized to sustain or increase the Library's value to the community. And in recent years, the Library has made strides in improving its collection and public usage – gains that could be lost if Library revenue proves insufficient to support an effective restructuring of services.

PROPOSITION 3: HOUSING AND ECONOMIC DEVELOPMENT

Overview

Proposition 3 would replace a single tax for improving neighborhood housing, alleviating blight, and economic development with two separate taxes:⁵⁸

- 1.05 mills for constructing, acquiring, improving, maintaining and operating affordable housing facilities and alleviating urban blight
- 1.164 mills for economic development activities in the city

As shown in Chart G, the combined rate of 2.214 mills is higher than the rate the City levied for the existing tax in 2019 (1.82 mills) and 2020 (0.91 mills). The proposition projects that annually the housing tax would generate

\$4.3 million and the economic development tax would generate \$4.6 million. Although the existing tax does not expire until the end of 2021, the replacement taxes will take effect at the start of 2021 if voters approve the proposition. Both would run for 20 years through 2040.

As noted earlier in this report, the proposed decrease in the library tax, if approved by voters, would offset the increases in these taxes.

The City would direct the revenue generated from the proposed taxes to two special funds – the Economic Development Fund and the Neighborhood Housing Improvement Fund (Housing Fund) – just as it did with the revenue from the current single tax. City ordinances, as amended over the years, govern each fund.⁵⁹ The ordinances specify allowable purposes and the appropriation process.

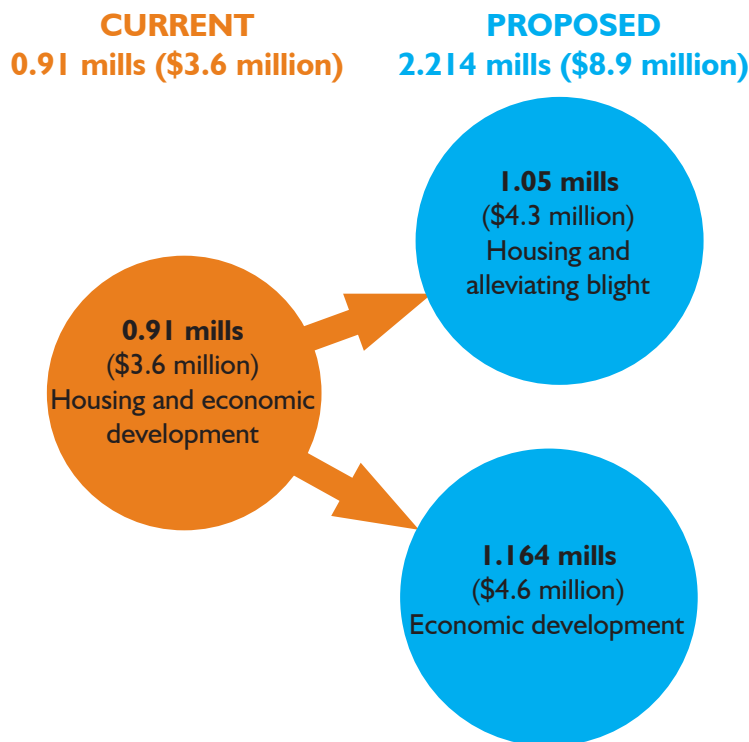
The mayor proposes fund appropriations for City Council approval, based on recommendations provided

by an advisory committee for each fund. Committee members must have expertise in one of the fund’s focus areas. Each committee helps set goals and priorities and reviews proposals for funding. While committee decisions are not binding, their expertise is intended to inform recommendations and help drive effective use of the funds’ revenues.

For more than a decade, the City levied the existing tax at a rate of 1.82 mills and split the revenue evenly between the two funds. However, this is not a requirement in the ballot language voters approved.⁶⁰ In 2020, as part of its post-reassessment millage rollback, the City halved the tax’s rate and directed all the revenue to the Housing Fund. City officials said the Economic Development Fund had sufficient reserves to get it through the year.

CHART G: PROPOSED TAX REDEDICATION UNDER PROPOSITION 3

Revenue projections for 2021



Note: The existing tax can fund both housing and economic development purposes, but none of the 0.91 mills currently fund economic development.

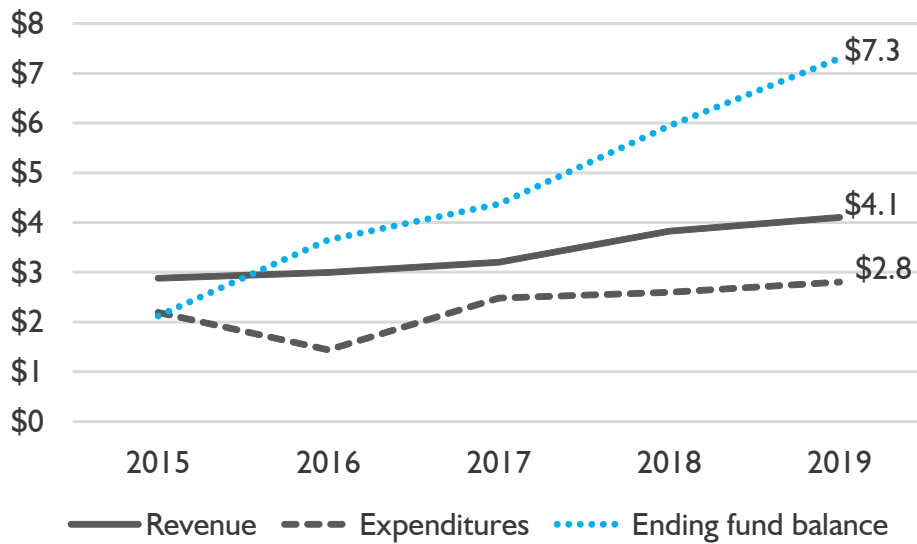


CHART H: HOUSING FUND REVENUE, EXPENDITURES AND FUND BALANCE
(\$ in millions)

Sources: City of New Orleans Comprehensive Annual Financial Reports 2015-2018 and 2019 unaudited statement of revenue and expenditures provided by the City of New Orleans.

Because the proposition would authorize two separate taxes for housing and economic development, BGR analyzes the merits of each proposed tax.

Background and Analysis: Proposed Housing Tax

Background. The Housing Fund has recently supported the development or preservation of affordable rental housing, homeless shelter operations, owner-occupied housing rehabilitation and City Office of Community Development personnel. In 2019, the Housing Fund supported projects that will create or preserve 216 affordable housing units. With the onset of the economic crisis in the spring 2020, the City began directing housing funding to a program providing rental assistance to newly unemployed or furloughed workers. In fall 2020, it also allocated \$1.5 million to assist small landlords who had fallen behind on mortgage payments. Previous administrations used the Housing Fund to support the City’s code enforcement department, among other uses. The City does not plan to use the revenue to fund code enforcement or address blighted housing, other than to assist with the redevelopment of blighted property into multifamily affordable housing. Because of this, BGR focuses its analysis on the tax’s potential use for affordable housing.

Until recently, the tax was also the Housing Fund’s only revenue source. However, in 2017, the City began directing a \$1-per-night fee from short term rentals to the

fund. The fee accounted for 21% of the Housing Fund’s \$4.1 million in revenue in 2019. Stricter short-term rental rules implemented in 2020, as well as the pandemic-driven tourism collapse, have reduced the fee’s contribution to the fund. However, Chart H shows that during the last five years, Housing Fund revenue has exceeded expenditures, causing an already substantial fund balance to more than double.

Are There Credible Reasons to Dedicate Funding to Affordable Housing? City officials say the proposed housing tax could help alleviate an affordable housing problem that the economic crisis has exacerbated. As shown in Table 5, New Orleans has a higher incidence of cost-burdened renters and homeowners than the nation as a whole. As defined by the federal government, a cost burden occurs when a household’s housing costs (including utilities) exceed a threshold of 30% of gross household income. A severe cost burden is defined as housing costs consuming half or more of household income. An analysis of housing costs and affordability showed that the percentage of renters in New Orleans with severe cost burdens stood at 34% in 2019, a sizeable increase from 24% in 2004.⁶¹

According to one report, the increased cost burden for New Orleans renters results largely from a combination of rising rents and stagnant wages.⁶² For example, the median gross rent (including utilities) increased by

33% citywide since 2004 net of inflation.⁶³ New Orleans wages have not kept up with the rent growth. The median household income for New Orleans renters has remained within the \$21,000 to \$25,000 range for several years.⁶⁴

Although City officials have not presented a detailed spending plan showing how they would initially allocate housing tax revenue to specific initiatives, they have commissioned a housing market assessment that would help guide future tax appropriations. They also say that the tax revenue would continue to support development or preservation of affordable units in multifamily buildings. In addition, they point out that the City has significant discretion in developing programs and initiatives that reduce residents’ housing cost burdens, whereas federal housing funding tends to be more restrictive. City officials have not explained exactly how failure to renew or replace the housing tax would impact existing or planned housing initiatives. They told BGR that they would continue levying the existing tax for another year while deciding the best path forward. Thus, while it is clear that the City would use revenue from the proposed tax to help address New Orleans’ significant housing affordability problem, it is not clear how rejection of the tax would affect the City’s response to the problem.

Is the Proposed Tax an Acceptable Way to Fund Affordable Housing? Cities and counties rely on various funding mechanisms to increase access to affordable housing. The housing tax is one of New Orleans’ several local and federal funding streams. For example, programs administered by the Housing Authority of New Orleans, a State-created, federally funded agency that is independent from City government, provide the bulk of renter assistance. The federal government also provides annual grant funding to the City, which it can direct to rental and owner-occupied housing assistance. Local government budgets support reduced housing costs through various property tax exemptions and abatement programs. In 2019, voters approved a proposition allowing the City to issue \$500 million in bonds, \$25 million of which would support creation of new affordable housing units.⁶⁵ The Housing Fund comple-

TABLE 5: PERCENTAGE OF COST-BURDENED HOUSEHOLDS IN NEW ORLEANS AND NATIONWIDE

| | Households Paying 30% or More of Income in Housing Costs | | Households Paying 50% or More of Income in Housing Costs | |
|---------|--|--------------|--|--------------|
| | Orleans Parish | U.S. Average | Orleans Parish | U.S. Average |
| Renters | 62% | 50% | 34% | 24% |
| Owners | 32% | 23% | 14% | 8% |

Figures for households paying 30% or more of income in housing costs are BGR calculations based on U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates. Figures for households paying 50% or more of income in housing costs are from The Data Center, [Who Lives in New Orleans and Metro Parishes Now?](#), October 9, 2020.

ments the City’s other investments in affordable housing developments. For a more comprehensive look at New Orleans’ affordable housing programs, see [BGR’s 2019 report](#) on a proposed constitutional amendment to allow the City to provide property tax exemptions for affordable housing, which voters did not approve.

Although New Orleans has numerous funding streams that reduce housing cost burdens for its residents, these streams could not substitute for the housing tax. First, they would not increase to fill the gap left by elimination of the tax. Second, each funding stream has its own rules and restrictions, which tend to be less flexible than the tax.

Housing advocates have proposed increasing local funding for affordable housing by directing a larger portion of short-term rental fees to this purpose. They favor using short-term rental fees to fund affordable housing initiatives because of the impact they contend short-term rentals have had on neighborhood housing affordability. The fees are also an attractive funding option because visitors, not residents, foot the bill. However, advocates do not suggest that increased funding from short-term rentals should replace the housing tax.

Increasing affordable housing’s share of short-term rental fee revenue remains an option because the City raised nightly short-term rental fees in 2019 without

dedicating revenue from the increase to any purpose.⁶⁶ When the City implemented the higher fees, they had the potential to generate millions of dollars annually. However, new short-term rental restrictions, combined with the pandemic-induced tourism collapse, have made it difficult to project whether fee revenue can substitute for the proposed tax. Another problem with using short-term rental fees as an alternative to a dedicated property tax is their instability. The City's current financial crisis is evidence of the consequences on dependence on visitors' tax dollars.

While cities may employ multiple strategies and funding mechanisms to address economic development and affordable housing priorities, a dedicated property tax can establish a stable, locally controlled revenue stream to complement other efforts and offer flexibility in meeting priority needs.

Is the Housing Tax Appropriately Sized? The City projects that the proposed taxes would generate \$4.3 million for housing in 2021. This compares to \$3.7 million from the existing tax if the City levied the maximum authorized rate and split the revenue evenly between housing and economic development. City officials said they increased the tax rate in the proposition because affordable housing has become an even higher priority as the result of the economic crisis. However, they have not presented plans specifying how they would direct revenue from the tax to various types of housing initiatives.

Housing Fund reserves of more than \$7 million call into question the need for additional dedicated tax revenue. Housing advocates say the accumulation of fund reserves is troubling, but it does not indicate a lack of need for affordable housing. To the contrary, they say the need is tremendous and growing, and that the Housing Fund's substantial fund balance results from the City's lack of urgency in getting funding to projects to produce or sustain affordable units.

City officials acknowledge the reserve build-up, but say that previous administrations were slow to direct revenue from the tax to housing needs. They say they have now

committed much of the fund balance to housing developments, and they anticipate the rest by the end of 2020.

The City's ability to direct the Housing Fund's significant reserves to developments gives some indication that it will be able to fully utilize the projected tax revenue. The tax would still not fully assist New Orleans' large population of residents with housing costs burdens. The City will have to explore other options to address remaining needs, keeping in mind taxpayers' limited tolerance for additional increases. But the tax would make meaningful progress toward ameliorating the problem.

Will the City Spend the Housing Tax Revenue Effectively? In this section, BGR reviews whether there is a clear plan for directing tax proceeds to high-priority needs, appropriate financial stewardship and accountability for taxpayer dollars, and evidence that demonstrates the potential for effective outcomes.

Planning for High Priority Needs. The City is in the process of commissioning a housing market assessment that will guide development of a new housing plan. Currently, the City establishes Housing Fund priorities annually, considering the advisory committee's recommendations. The City's process for evaluating proposed affordable housing projects seeking support from the Housing Fund also awards more points to projects that align with specified priorities such as serving target populations (e.g., veterans and people with disabilities) and providing permanent affordability. Two federally required housing plans guide the City in establishing priorities.⁶⁷

Financial Stewardship and Accountability. Expenditure of the housing tax revenue follows the general City budget process, which requires City Council approval. Under a new ordinance, the Department of Finance must give the City Council an annual report on the Housing Fund, its revenue and fund balance.⁶⁸

Housing Fund awards for affordable housing developments include performance goals, such as development and implementation of timelines, number of units de-



This 70-unit multifamily residential development under construction, 2930 Burgundy, received a Housing Fund award of \$1.5 million in 2019. It covers 2% of the project's total development cost. The project will include 10 affordable units.

veloped and persons served.⁶⁹ Developments receiving awards also must submit annual audits. Properties that receive support through the Housing Fund must adhere to program rules, and the City's Compliance Department monitors regulatory agreements for the properties.

Potential for Effective Outcomes. While this ballot report cannot analyze all of the Housing Fund's achievements and failures during its 30-year history, it is important for voters to understand key factors that affect the proposed taxes' ability to convert public dollars to effective outcomes.

The City's detailed scoring system to evaluate proposed affordable housing projects seeking funding from the housing tax helps maximize the revenue's reach. The system rewards projects that leverage other funding sources, and limits the amount of tax funding any one project can receive to \$1.5 million. For example, for projects receiving Housing Fund awards in 2018 and 2019, the fund covered between 2% and 11% of total development costs. The evaluation considers the project's readiness to proceed and its alignment with priorities such as creating affordable housing in new areas and committing to longer affordability periods.

During the current administration, the City began awarding housing tax funding to projects as a no-interest loan, rather than a grant that did not require repayment. City officials told BGR that the loan repayments will support future affordable housing development. This is an effective way to stretch the value of the tax revenue and should allow the City to create more affordable housing.

However, without a spending plan for the proposed housing tax, it is unclear how much of the revenue the City would direct to affordable housing development and preservation projects subject to the evaluation process and repayment requirements discussed above. The City could fund other housing initiatives not subject to repayment or the same level of vetting as rental developments.

The City's intention to develop a comprehensive housing plan based on the findings of a citywide housing market assessment could help direct the tax revenue to areas where it is needed most. Such a plan should consider not only housing subsidies, but also other policies, such as zoning, that would spur housing creation. However, any plan will only be as effective as its implementation.

Background and Analysis: Economic Development Tax

Background. During its 30 years, the Economic Development Fund has supported a wide variety of purposes, including the Super Bowl, festivals, business assistance grants, City-run economic development programs, master planning efforts, workforce development, and business attraction and retention efforts.

During the last decade, the City has prioritized financial support to the New Orleans Business Alliance (Business Alliance), a public-private partnership established in 2010 and dedicated to the city's economic development. Under the current three-year (2018-2020) cooperative endeavor agreement, the City contributed \$2.5 million annually to Business Alliance operations – more than half of annual Economic Development Fund expenditures. In return, the Business Alliance is responsible for various activities that support workforce development and business attraction, retention and expansion. The approximately \$1.5 million in other annual fund expenditures have included City economic development personnel, initial funding for the City's Business Attraction and Retention Fund, and the Healthy Corner Store Collaborative and other strategic initiatives.⁷⁰

The City is restructuring economic development and workforce development operations. In 2020, it created the Office of Business and External Services, which among other things will manage the City's economic development staff and take over workforce development operations from the Business Alliance. The City's decision to resume control of workforce development reverses the 2018 transfer of these responsibilities to the Business Alliance. With this move, the City would keep a larger share of the proposed tax revenue while working to streamline and enhance those services. It plans to continue providing tax funding to the Business Alliance on a smaller scale. The exact allocations will be determined in a new agreement between the City and the Business Alliance, which remained under negotiation at the time of this report's publication.

The dedicated tax is the Economic Development Fund's

sole revenue source. Chart I shows that revenue rose steadily during the last five years, but the City increased spending in 2017 and 2018 by tapping its significant fund balance. The City's decision to spend down accumulated reserves for 2020 expenditures will further decrease the fund balance to about \$750,000, most of which will be obligated to various initiatives.

Are There Credible Reasons to Dedicate Funding to Economic Development? City officials maintain that passage of the proposition will secure revenue for urgent priorities. They say the revenue would help the local economy recover from the pandemic. The City plans to use the revenue to refocus economic and workforce development efforts to address the immediate needs of unemployed workers and businesses struggling through the economic crisis.

Unemployment soared across the country following the pandemic's onset, and New Orleans was no exception. The Bureau of Labor Statistics reported a 12.7% unemployment rate for Orleans Parish in August 2020 more than twice the 5.5% recorded one year earlier.⁷¹ The pandemic hit employment among low-wage workers particularly hard. An analysis of data from private companies found that employment rates among low-wage workers in Orleans Parish fell 24.8% from January to September, compared to a drop of 17.2% for middle-wage workers and 11% for high-wage workers during the same period.⁷²

City officials also say the revenue will support longer-term efforts to strengthen and diversify New Orleans' economy. Low wages are one example of an economic weakness. Compared to neighboring parishes, Orleans' median income of \$39,600 lags behind Jefferson (\$52,600) and St. Tammany (\$67,700).⁷³ The leisure and hospitality sector accounted for a quarter of employment in New Orleans prior to the pandemic – a greater share than any other sector.⁷⁴ However, at \$552, average weekly wages for city residents working in leisure and hospitality were lower than any other sector.⁷⁵

Although City officials have not presented detailed spending plans showing how they would allocate tax revenue to specific economic development initiatives,

the broad purpose of the proposed tax would allow them to direct revenue to a range of initiatives and functions geared toward addressing urgent and long-term problems with New Orleans' economy.

If voters do not replace or renew the tax before it expires at the end of 2021, the City will lose a fairly flexible revenue stream for economic development initiatives. However, City officials have not explained exactly how failure to renew or replace the tax would impact existing or planned initiatives. They told BGR that they would continue levying the existing tax for another year while deciding the best path forward.

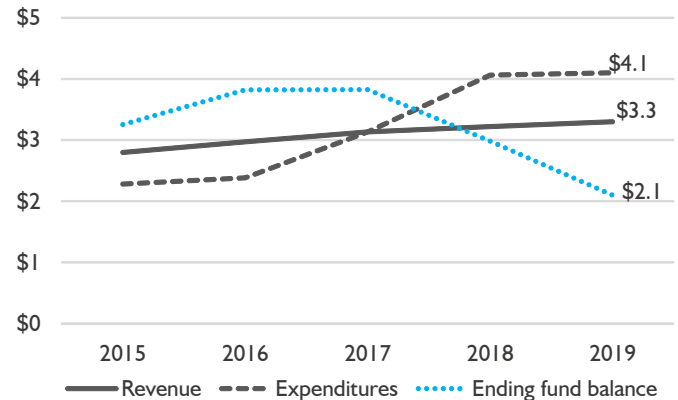
Is the Proposed Tax an Acceptable Way to Fund Economic Development? The City currently uses its General Fund to cover the salaries of some economic development personnel. But the ongoing economic crisis makes it unlikely that the General Fund could match the level of economic development expenditures made possible through the dedicated tax.

The City has other funding mechanisms for economic development besides the tax revenue and the General Fund. For example, like cities and counties across the country, New Orleans uses various tax abatement programs. These programs subsidize new or expanding businesses by reducing the owners' property tax burdens. Proponents of the programs say the tax breaks are effective because they drive private investment that creates jobs and expands the tax base. Critics of the programs maintain that they give away millions of dollars in tax revenue to companies that would likely locate in New Orleans without the subsidies. While this report will not analyze New Orleans' use of tax abatements, it is important to note that through abatements, the City's economic development expenditures go well beyond those financed through a local tax. However, tax abatements, as foregone revenue, do not provide a source of funding to support the City's or the Business Alliance's direct efforts to spur economic activity or enhance the labor force.

Private funding also supports New Orleans' economic development efforts. Under the Business Alliance's agreement with the City, the Business Alliance must

CHART I: ECONOMIC DEVELOPMENT FUND REVENUE, EXPENDITURES AND FUND BALANCE

(\$ in millions)



Sources: City of New Orleans Comprehensive Annual Financial Reports 2015-2018 and 2019 unaudited statement of revenue and expenditures provided by the City of New Orleans.

raise at least \$1 million in private funding annually. It has exceeded this minimum for the last few years.⁷⁶ Its current agreement with the City notes that both parties will explore best practices for the Business Alliance to generate its own income and become more self-sustaining over time.⁷⁷ This indicates that private funding could eventually become the alternative to the economic development tax for the Business Alliance. However, the City cannot rely on private funding for the economic development functions and responsibilities it performs. Business Alliance officials also note the challenge during an economic downturn to maintain their current level of private investment.

The proposed tax would complement other public and private sources of funding to support local economic development efforts. It would allow the City to fund projects and initiatives that directly address economic development concerns.

Is the Economic Development Tax Appropriately Sized?

The City projects that the proposed tax would generate \$4.6 million for economic development in 2021. This compares to \$3.7 million from the existing housing and economic development tax if the City had levied the maximum authorized rate in 2020 and split the revenue

evenly between housing and economic development. City officials said they increased the rate of the proposed tax because the pandemic's impact on the economy has made economic development a higher priority.

Before the onset of the economic crisis, Economic Development Fund expenditures outpaced its revenue by close to \$1 million as the City utilized the fund's substantial reserves. The fund balance had built up over several years when the City routinely underspent economic development tax revenue. City officials told BGR they plan to exhaust remaining reserves by 2021. Annual revenue from the proposed tax would be only about \$0.5 million more than the City's Economic Development Fund expenditures in 2018 and 2019.

New Orleans' economic development funding needs, like those of other cities, are difficult to quantify. Economic development efforts do not guarantee a set reduction in unemployment, nor do business attraction efforts ensure the arrival of a given number of new companies. In addition, it can be hard to disentangle the effects of individual initiatives from other factors, such as policy changes and state, national and global economic conditions. This does not necessarily mean they are ineffective, only that it is difficult to judge the optimal amount of funding.

Increasing funding for economic development initiatives through the proposed tax could help address issues critical to building a more resilient economy that also provides better opportunities for the city's thousands of low-wage workers. The City's recent deployment of accumulated Economic Development Fund reserves gives some indication that it will be able to fully utilize the projected tax revenue. However, BGR could not further evaluate the appropriate size of the tax due to the absence of a spending plan or a current assessment of strategic economic and workforce development needs, as described below.

Will the City Spend the Economic Development Tax Revenue Effectively? In this section, BGR reviews whether there is a clear plan for directing tax proceeds to high-priority needs, appropriate financial stewardship and accountability for taxpayer dollars, and evidence that demonstrates the potential for effective outcomes.

Planning for High-Priority Needs. The City is developing a Generational Economic Development Plan (Strategic Plan). According to City officials, the plan focuses on creating economic mobility and wealth creation citywide. It also seeks to use City assets and programs to spur investment and create jobs in low-income communities in New Orleans. The plan includes five general areas the tax revenue would support, as described by City officials: "(1) place-based economic development, (2) transformational economic development projects, (3) entrepreneurship and innovation, (4) human capital and investing in people, and (5) systems for success." The Business Alliance is also developing a 10-year plan to complement the City's Strategic Plan. The Business Alliance will focus on business attraction, growth and retention in priority industries, as well as expanding economic opportunities in more communities.

While these plans remained works in progress at the time of this report, the City also has not presented a specific plan for how it will allocate revenue from the tax to projects or programs that might advance the economic development plan's objectives or otherwise allow voters to assess the merits of the tax. For example, City officials told BGR that workforce development initiatives, including career and technical education, would be a top priority for tax funding, but they did not elaborate on the details of such initiatives. A clear spending plan is especially important with the economic development tax, where numerous possibilities for using the revenue exist. Considering the City's position that the tax is essential to respond to urgent economic issues, it should be able to present a plan that demonstrates readiness and capacity to direct revenue to well-developed initiatives.

Financial Stewardship and Accountability. Although recent stewardship of revenue from the economic development tax has not sounded alarms, this was not always the case. In the years following Hurricane Katrina, the City used the Economic Development Fund to make grants to support individual private business ventures. In some cases, grant funding flowed to ventures that never materialized or delivered the economic benefits they had promised. Despite the City Council's adoption of tighter rules and reporting for the grants in 2007, problems persisted.⁷⁸ In 2009, BGR completed a review of the Economic De-

velopment Fund grant program at the request of a City Council member. BGR recommended abandoning the grant program and instead using the Economic Development Fund to support economic development functions and initiatives that would benefit multiple businesses.⁷⁹ While the City stopped the grant program about a decade ago, nothing prevents it from using the tax to assist individual businesses.

During the last decade, the City's focus on a narrower set of initiatives, including the Business Alliance, has made oversight more manageable. A cooperative endeavor agreement outlines the Business Alliance's responsibilities as well as required reporting. City officials will craft a new agreement for the reduced level of funding for the Business Alliance, although they have not yet determined the exact level. The Business Alliance must also undergo an annual financial audit and submit it to the State legislative auditor. The audit is publicly available on the legislative auditor's website.

Some observers told BGR they have concerns about the lack of clear metrics for the performance of economic development functions in New Orleans. City officials told BGR that the Office of Business and External Services will oversee development and implementation of metrics for analyzing the impacts of economic development investments and initiatives. This would be a step in the right direction toward strengthening accountability. The Business Alliance also continues to refine its performance metrics.

Just as with the housing tax, expenditure of the economic development tax revenue would follow the general City budget process, which requires City Council approval. The Economic Development Fund would also fall under the new ordinance requiring the Department of Finance to give the City Council an annual report on the fund, its revenue and fund balance.⁸⁰

Potential for Effective Outcomes. During the past 30 years, the existing tax has produced mixed results. While this ballot report cannot analyze the entirety of the tax's

achievement and failures, it is important for voters to understand key factors that affect the proposed tax's ability to convert public dollars to effective outcomes.

Without a spending plan for the proposed economic development tax, BGR could not evaluate the revenue's potential for achieving effective outcomes. The intended uses of the revenue – beyond broad focus areas – play a major role in assessing the tax's likelihood of delivering valuable results.

The Strategic Plan could offer an opportunity for coordinating economic development efforts funded by the tax and other resources toward achievement of longer-term goals. This could increase the tax revenue's ability to deliver results. However, any plan depends on policymakers' commitment to implementation, and New Orleans has lacked a strong track record in this regard. Historically, City economic development plans changed with mayoral administrations.⁸¹ Most recently, the Business Alliance developed a five-year economic development strategic plan, but this plan's momentum waned before its intended completion in 2018.

Overall, while the new reporting requirements and planned improvements to performance metrics could help support effective spending of the tax revenue, the lack of a detailed spending plan is a major concern for assessing the potential impact of the public dollars.

Summary of Findings on Proposition 3

In summary, there is little doubt that New Orleans faces significant challenges in the areas of housing and economic development. This proposition aims to step up the City's direct financial investment to address them. The new taxes have the potential to complement other resources with stable, flexible revenue. While established planning and evaluation processes would guide most usage of the housing tax revenue, the lack of a clear spending plan for the economic development tax makes it difficult for voters to assess its potential for effective outcomes.

Although recent stewardship of revenue from the economic development tax has not sounded alarms, this was not always the case.

CONCLUSION

Although the proposed replacement taxes are separate ballot propositions, the City designed them to work in concert with one another to rededicate revenue to new priorities while avoiding an increase in the overall tax rate. Thus, it is important for voters to assess them collectively. As this report has demonstrated, the merits of the tax propositions vary significantly. The proposed infrastructure tax would sustain essential funding for streets and drainage while expanding the scope of purposes to address other long-neglected needs for building maintenance and vehicles. Spending money on these purposes maximizes the lifespan of public assets and saves on repair and replacement costs down the road. Similarly, the proposed investment in early childhood education is likely to produce substantial benefits for economically disadvantaged children and the public at large.

But to varying degrees, there are concerns about the lack of spending plans for the proposed tax dedications. For the infrastructure tax, voters cannot fully assess whether the tax will make meaningful progress toward addressing identified needs. In the case of the housing tax, the City's existing planning and evaluation processes for potential tax-funded projects mitigate this concern. The lack of a detailed spending plan for the economic development tax is a greater concern. Economic development initiatives, by their nature, are less tangible and certain in their results. If the City does not have a clear plan for how it will use the tax revenue and measure results, it opens the door for waste.

Meanwhile, the proposed Library tax lacks the backing of adequate strategic and financial planning, and could continue the Library's roller coaster ride of surpluses and deficits. If voters approve the tax reduction, the Library could draw upon its reserves to support operations while it pursues budget reductions. However, if it cannot achieve the necessary cuts, City officials said this could prompt them to return to voters with another Library tax proposition – the third one in less than a decade. Moreover, voters lack sufficient information to assess whether the proposed reduction in funding

would diminish, sustain or increase the value of the Library to the community.

Due to the highly interconnected nature of the tax propositions, the Library tax presents voters with a couple of conundrums. First, because it is paired with early childhood education, voters must approve the most problematic tax dedication in order to approve one of the most promising dedications. Second, the City's plan to keep the combined tax rate the same is predicated upon voter approval of the reduced Library millage. If voters reject the Library dedication, the combined rate could increase by up to 1.593 mills for one year.

City officials said they are seeking to replace the taxes a year before they expire to achieve a level of stability amid the fiscal crisis. They also want to expedite reallocation of some tax revenue to new priorities, such as early childhood education and vehicle replacement. But with the City facing a multi-year financial recovery, voters may question whether it is prudent to lock in tax dedications for 20 years.

If voters reject the propositions, the City could levy the existing taxes for another year. It could adjust the individual tax rates for 2021 to achieve some of its reallocation goals without increasing the overall tax rate. The City could then return to voters in 2021 with tax propositions informed by a clearer picture of the City's finances. The City would also have more time to address shortcomings in some of its plans for using the tax revenues. This approach would require the City to find additional funding in the budget for one year of early childhood education.

If the City does return to voters with revised tax propositions in 2021, it should consider shortening the duration to 10 years to provide a greater opportunity for citizens and policymakers to reassess the taxes through the renewal process.

Whatever voters decide on December 5, the City should use the current fiscal crisis to reevaluate its post-pandemic spending priorities. It may be able to keep some pandemic-related spending cuts in place as its finances recover, and redirect the revenue to underfunded needs.

BGR POSITION

AGAINST ALL THREE PROPOSITIONS. For several years, BGR has urged City leaders to re-examine New Orleans' tax dedications for opportunities to redirect revenue to help meet important community needs without raising taxes. The City's millage rededication proposal adheres to the spirit of that call. However, it does not give voters adequate information for decision-making on taxes that would run for 20 years. Voters are asked to approve a nearly 40% revenue cut for public libraries without a strategic plan or a clear roadmap for right-sizing their budget before their reserves run out. The proposal further asks voters to increase taxes for infrastructure, housing and economic development without any spending plans. As a result, all propositions have significant flaws, despite the compelling needs they might address.

If voters reject the propositions, the City plans to levy the existing taxes for another year. It could then address the shortcomings of the propositions and return to voters in 2021. The City should deliver a new proposal that makes a clear case for each of its components. In the meantime, the City should maintain its current \$3 million commitment to early childhood education, a well-developed purpose in the current proposal.

APPENDIX A: OVERVIEW OF THE EXISTING AND PROPOSED TAXES

| Property taxes | First levied | Original levy | 2019 levy* | 2020 levy** | Proposed 2021 levy | Proposed change from 2020 |
|------------------------------|--------------|-------------------|-------------------|-------------------|---------------------------|---------------------------|
| Proposition 1 | | | | | | |
| Streets and traffic signals | 1992 | 1.9 mills | 1.9 mills | 1.77 mills | 2.619 mills (combined) | +0.289 mills |
| Capital improvements | 1996 | 2.5 mills | 1.82 mills | 0.56 mills | | |
| <i>Subtotal</i> | | <i>4.4 mills</i> | <i>3.72 mills</i> | <i>2.33 mills</i> | | |
| Proposition 2 | | | | | | |
| Public libraries | 1987 | 4 mills | 3.14 mills | 2.58 mills | 0.987 mills (combined) | -1.593 mills |
| Early childhood education*** | N/A | N/A | N/A | N/A | | |
| <i>Subtotal</i> | | <i>4 mills</i> | <i>3.14 mills</i> | <i>2.58 mills</i> | | |
| Proposition 3 | | | | | | |
| Housing | 1996 | 1.25 mills | 0.91 mills | 0.91 mills | 1.05 mills | +0.14 mills |
| Economic development | 1996 | 1.25 mills | 0.91 mills | 0 mills | 1.164 mills | +1.164 mills |
| <i>Subtotal</i> | | <i>2.5 mills</i> | <i>1.82 mills</i> | <i>0.91 mills</i> | <i>2.214 mills</i> | |
| TOTAL | | 10.9 mills | 8.68 mills | 5.82 mills | 5.82 mills | 0 mills |

* These are the maximum authorized rates that the City can levy.

** These are rolled-back rates due to an increase in property valuations from the 2020 reassessment.

*** The City currently does not have a dedicated tax for early childhood education.

APPENDIX B: THE BALLOT PROPOSITIONS

This appendix states the tax propositions as they will appear on the December 5 ballot:

CITYWIDE MILLAGE PROPOSITION 1 (PUBLIC INFRASTRUCTURE MILLAGE)

In lieu of separate millages previously approved by voters in the City of New Orleans (“City”) in the amount of 1.900 mills for street and traffic control device maintenance and 2.500 mills for the Capital Improvements and Infrastructure Trust Fund (collectively, “Prior Taxes”), shall the City be authorized to levy a special tax of 2.619 mills (“Tax”) for twenty years, January 1, 2021 - December 31, 2040 (estimated at \$10,500,000 in the first year) with the proceeds of the Tax dedicated first to payment of debt service obligations secured by any of the Prior Taxes and then solely to public infrastructure in the City, to be used for the purposes of repairing, improving, maintaining and operating (i) roads, streets, and bridges, (ii) surface and subsurface drainage systems and stormwater management facilities, and (iii) public buildings and public safety facilities of the City, including purchasing related equipment and vehicles for any of the foregoing, provided that a portion of the monies collected shall be remitted to certain state and statewide retirement systems in the manner required by law?

CITYWIDE MILLAGE PROPOSITION 2 (LIBRARY AND EARLY CHILDHOOD EDUCATION MILLAGE)

In lieu of a separate millage previously approved by voters in the City of New Orleans (“City”) in the amount of 4.000 mills for the support of public libraries in the City (“Prior Tax”), shall the City be authorized to levy a special tax of 0.987 mills (“Tax”) for twenty years, January 1, 2021 - December 31, 2040 (estimated at \$4,000,000 in the first year) with the proceeds of the Tax to be used for the purposes of constructing, improving, maintaining and operating public libraries and early childhood education facilities and related programs in the City, including the purchase of equipment therefor, title to which shall remain in the public, provided that a portion of the monies collected shall be remitted to certain state and statewide retirement systems in the manner required by law?

CITYWIDE MILLAGE PROPOSITION 3 (HOUSING AND ECONOMIC DEVELOPMENT MILLAGE)

In lieu of a separate millage previously approved by voters in the City of New Orleans (“City”) in the amount of 2.50 mills to fund the Housing and Economic Development Trust Fund in the City (“Prior Tax”), shall the City be authorized to levy for twenty years, January 1, 2021 - December 31, 2040, special taxes of (a) 1.05 mills (estimated at \$4,250,000 in the first year) to be used for the purpose of constructing, acquiring, improving, maintaining and operating affordable housing facilities and alleviating urban blight, and (b) 1.164 mills (estimated at \$4,600,000 in the first year) to be used to support economic development activities in the City, provided that a portion of the monies collected shall be remitted to certain state and statewide retirement systems in the manner required by law?

ENDNOTES

- 1 See Bureau of Governmental Research, [*The \\$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?*](#), November 2015; [*The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure*](#), January 2019; [*The \\$1 Billion Question Revisited: Updating BGR's 2015 Analysis of Orleans Parish Tax Revenues*](#), April 2019; and [*A Look Back to Plan Ahead: Analyzing Past New Orleans Budgets to Guide Funding Priorities*](#), October 2019.
- 2 BGR found that 78% are for 10 years, 3% are less than 10 years and 19% are for more than 10 years.
- 3 In Orleans Parish, BGR found that 13% are for 10 years, 4% are for less than 10 years, and 83% are for more than 10 years.
- 4 This is the net change from an anticipated 3-mill reduction in the tax supporting payments on the City's general obligation bonds and a voter-approved 1.57-mill increase in the City's portion of a consolidated parks and recreation millage.
- 5 As property assessments have risen over the years, the maximum rate for the library millage has decreased from the original 4 mills to 3.14 mills due to rollbacks.
- 6 City of New Orleans Revenue Estimating Conference, Presentation of official General Fund revenue forecast, October 26, 2020. One-time revenue in 2020 included, among other things, pandemic-related cost reimbursements under the federal CARES Act (\$58.4 million) and a payment from Harrah's New Orleans Casino (\$48 million).
- 7 The more generous pension benefits will increase the City's actuarially determined pension contributions by \$1.7 million in 2022 and a total of \$115 million over the next 30 years. The Segal Group, Inc., Presentation to the New Orleans Municipal Employees' Retirement System, May 28, 2020, pp. 16-17. The council's action reversed reforms enacted just two years ago to put the City's pension system on a more sustainable footing and bring benefits in line with best practices and national norms. For more information on pension reform options, see BGR, [*Reducing the Cost of Tomorrow: A Practical Guide to Pension Reform in Jefferson, Orleans and St. Tammany Parishes*](#), October 2016.
- 8 The 1995 ballot proposition authorizing the capital improvements millage dedicated tax revenue to "pay the costs of making capital improvements and purchasing heavy equipment." Reallocating the 0.56-mill tax for capital improvements to other purposes would have little impact as the vast majority of the City's local funding for capital projects comes from a much larger tax that covers borrowing costs for the City's general obligation bonds.
- 9 For more information on street maintenance needs, see BGR, [*Paying for Streets: Options for Funding Road Maintenance in New Orleans*](#), May 2017.
- 10 BGR, [*A Look Back to Plan Ahead: Analyzing Past New Orleans Budgets to Guide Funding Priorities*](#), October 2019.
- 11 ABS Group, *City of New Orleans Stormwater Drainage System Root Cause Analysis*, August 2018, p. 3.
- 12 See BGR, [*Street Smarts: Maintaining and Managing New Orleans' Road Network*](#), October 2008, and [*Paying For Streets: Options for Funding Road Maintenance in New Orleans*](#), May 2017.
- 13 Created in 2019, the fund contains revenues from the City's Fair Share initiative, including the restoration of the City's long-suspended 1% hotel tax and a new tax on short-term rentals of residences. The pandemic has blunted the accrual of revenue in the fund, and the City Council did not implement the new short-term rental tax until September 1, 2020. A year after its creation, the fund contains \$8.3 million, which is less than a third of pre-pandemic projections. A quarter of the fund's revenue, about \$2.1 million currently, is available to the City. The rest goes to the Sewerage & Water Board. The City and the Sewerage & Water Board recently entered into a cooperative endeavor agreement to establish this revenue sharing arrangement, among other things. As the economy recovers and the City's share increases, it plans to purchase maintenance equipment and hire new crews.
- 14 As of September 30, the City had \$375 million of roadway projects under construction, \$295 million in the final design stage, and \$200 million in the bid and award stage. City of New Orleans, "City of New Orleans Department of Public Works Reports on Success of Joint Infrastructure Program," [*media release*](#), September 30, 2020.
- 15 For more information on transportation utility fees, see BGR, [*Paying for Streets: Options for Funding Road Maintenance in New Orleans*](#), May 2017, pp. 16-18.
- 16 For more information on stormwater fees, see BGR, [*Beneath the Surface: A Primer on Stormwater Fees in New Orleans*](#), February 2017.
- 17 See BGR, *Paying for Streets*.
- 18 BGR, [*On the Ballot: New Orleans Bond and Tax Propositions, November 16, 2019*](#).
- 19 \$7.1 million is what the expiring 1.77-mill streets tax would yield in 2021.
- 20 See BGR, [*On the Ballot: New Orleans Bond and Tax Propositions*](#), November 16, 2019, p. 8. The process begins with the City's various departments submitting capital funding requests. The requests include, among other things: the rationale for the project, a priority rating based on 18 criteria, and esti-

- mated costs for construction and operation. The City Planning Commission reviews the requests and certifies whether they are consistent with zoning ordinances and the City’s Master Plan as the charter requires. The commission holds public hearings to gather additional background information and obtain public input. It then analyzes the requests and prepares a five-year Capital Improvement Plan. The mayor reviews the plan and proposes projects to include in the annual capital budget, which requires City Council approval.
- 21 City Council Ord. Cal. No. 33,109, adopted September 17, 2020.
 - 22 Voters originally authorized a rate of 4 mills.
 - 23 A portion of Louisiana’s federal Preschool Development Grant will allow City Seats to serve additional children for three years beginning with the 2020-21 program year. The grant will provide slots for 76 children in 2020-21, but this number could fall during the next two years. In 2019-20, the most recent year for which data is available, 65% of City Seats participants were Black, 1% were Asian and 34% did not report race. About 5% of participating children had a disability, were experiencing homelessness or were in foster care. Information provided by Agenda for Children.
 - 24 The return includes earnings, improved health and reduced crime. See Jorge Luis Garcia, et al., “Quantifying the Life-Cycle Benefits of an Influential Early-Childhood Program,” *Journal of Political Economy*, Vol. 128, No. 7 (July 2020). See also Sneha Elango, et al., “Early Childhood Education,” National Bureau of Economic Research, Working Paper No. 21766, November 2015, and Lawrence J. Schweinhart, et al., *Lifetime Effects: The High/Scope Perry Preschool Study Through Age 40* (Ypsilanti, Mich.: High/Scope Press, 2005).
 - 25 As defined by Act No.136 of the 2017 Regular Session of the Louisiana Legislature, “economically disadvantaged” includes children eligible for free or reduced-price school meals, the Supplemental Nutrition Assistance Program, Temporary Assistance to Needy Families or Medicaid, as well as English Language Learners and children who are homeless, incarcerated or in custody of the State.
 - 26 La. R.S. 17:407.30.
 - 27 The Legislature identified revenue sources for the matching fund in 2019 and 2020. These include: payments from Harrah’s Casino (\$3.6 million maximum per year) that are contingent on the casino’s annual earnings, a 3% tax on industrial hemp-derived CBD products and an 8% tax on fantasy sports betting. Harrah’s earnings were below the level required to trigger a payment to the fund, and the other revenue sources have yet to begin flowing.
 - 28 This results primarily from State laws determining funding allocations in New Orleans’ public school system. For more information, see BGR, [Learning Curve: A Guide to Navigating School Funding in New Orleans’ Unified District](#), March 2020. While public schools must administer the programs, they can sub-contract to provide services through private child care centers. Schools serve a small number of 3-year-olds through special education funding, but that funding is not available for serving children under age 3.
 - 29 Schools typically only serve 4-year-olds because the largest source of early education funding for schools in Louisiana, the LA4 Program, is limited to 4-year-olds.
 - 30 The Children’s Funding Project and the Education Redesign Lab at the Harvard Graduate School of Education, *Innovating Financing to Expand Services so Children Can Thrive*.
 - 31 Louisiana Department of Education, *Early Childhood Care and Education 2019 Annual Report*.
 - 32 Some may question why the City cannot provide early childhood education to more children through a less expensive program. For example, City Seats’ per-child cost is more than twice what the State’s Child Care Assistance Program (CCAP) contributes for infant or toddler early care tuition. However, CCAP does not always cover the full cost of care as City Seats and Early Head Start do, nor does it include City Seats’ quality requirements or provide any additional child and family support services.
 - 33 City Seats requires participating child care centers to maintain teacher-child ratios no higher than one teacher to four children. Louisiana requires ratios no higher than one teacher to five children (infants), seven children (1-year-olds), and 11 children (2-year-olds). National recommendations are for one teacher to three children (infants) and four children (1- and 2-year-olds). See Louisiana Policy Institute for Children, *Modeling Quality Child Care Center Costs and Revenues in Louisiana*, December 2018.
 - 34 Blanco, M., Griffiths, L. and Coulter, A., *Findings from a Descriptive Study of NOEEN City Seats*, 2019.
 - 35 Ibid.
 - 36 Ibid.
 - 37 Home Rule Charter of the City of New Orleans, Secs. 5-501 to 503.
 - 38 New Orleans Public Library, “New Orleans Public Library Centennial Exhibit: Finances,” 1996, www.neworleanspubliclibrary.org/~nopl/exhibits/qfinance.htm.
 - 39 New Orleans Public Library, “Millage Proposition Election: New Orleans Public Library Financial Information,” 2015, http://neworleanspubliclibrary.org/millage/Financial_2_12.pdf. The City funds and manages the Library’s capital budget.
 - 40 New Orleans Public Library, 2012-2014 Financials and 2015 Budget.

ON THE BALLOT: NEW ORLEANS PROPERTY TAX PROPOSITIONS, DECEMBER 5, 2020

- 41 The City rolled back the rate of the original millage to 3.14 mills in 2008, and rolled back the rate again in 2020 to 2.58 mills. In 2020, it also rolled back the rate of the supplemental millage to 2.33 mills.
- 42 City of New Orleans, “Office of Business & External Services to Launch Satellite Services for Residents,” press release, October 2, 2020.
- 43 State Library of Louisiana, *2018 Statistical Report*.
- 44 The total does not include FEMA and the BP settlement funding, which are one-time revenue sources. Revenue from fines and fees was \$167,000 in 2019.
- 45 Balance as of June 30, 2020. Information provided by the City of New Orleans.
- 46 Government Finance Officers Association, *Fund Balance Guidelines for the General Fund*, accessed November 10, 2020.
- 47 Information provided by the City. Figures do not include expenditures from sources other than taxes and fines and fees.
- 48 The City has proposed funding a \$2.8 million Library request for repair and replacement of its HVAC systems and roof repairs in 2021. Since the Library operating budget does not include capital expenditures, this City funding may not reduce pressure on the Library’s operating costs.
- 49 New Orleans Public Library Board of Directors, Minutes from the March 10, 2020 meeting.
- 50 BGR, [On the Ballot: Orleans and St. Bernard Parishes, May 2, 2015](#), p. 5.
- 51 Ibid.
- 52 New Orleans Code of Ordinances Sec. 94-6.
- 53 Sledge, Matt, “Trumpeter Irvin Mayfield, partner plead guilty in scheme to fleece library foundation,” *The Times-Picayune / The New Orleans Advocate*, November 10, 2020.
- 54 U.S. Attorney’s Office, Eastern District of Louisiana, “Second Superseding Indictment Returned Against Irvin Mayfield and Ronald Markham for Defrauding New Orleans Public Library Foundation,” news release, December 6, 2018.
- 55 BGR calculations based on State Library of Louisiana, *2018 Statistical Report*.
- 56 State Library of Louisiana, *2018 Statistical Report*.
- 57 Ibid.
- 58 In 1991, voters initially approved two taxes: one for “establishing and funding a comprehensive neighborhood housing improvement program and alleviating urban blight” (2.5 mills) and another for economic development (2.5 mills). City of New Orleans, Propositions D and E, July 1991. The 1995 rededication combined the two taxes into one with a rate of 2.5 mills.
- 59 For the Economic Development Fund and Housing Fund, see City of New Orleans Code of Ordinances Sec. 70-404 et seq. and 70-415.1 et seq., respectively.
- 60 The tax’s current voter authorization does not specify the amount or portion of the tax to be allocated to each fund.
- 61 The Data Center, *Who Lives in New Orleans and Metro Parishes Now?*, October 9, 2020.
- 62 Asakura Robinson Company, *New Orleans Rental Market Study*, prepared for Greater New Orleans Housing Alliance, 2018, p. 5.
- 63 After adjusting for inflation, The Data Center reports that the median gross rent increased from \$758 in 2004 to \$1,010 in 2019. See The Data Center, *Who Lives in New Orleans and Metro Parishes Now?*
- 64 It was \$23,800 in 2017. U.S. Census Bureau, American Community Survey 1-Year Estimates, Table B25119: Median Household Income the Past 12 Months (in 2017 Inflation-Adjusted Dollars) by Tenure, Orleans Parish. Also, Asakura Robinson Company, p. 5.
- 65 The City’s bonds are repaid using a separate dedicated property tax.
- 66 The City has established an interim short-term revenue fund to hold the revenue for future budget appropriation. On the one hand, there was a large increase in short-term rental fees – from \$1 per night to \$5 per night for residentially zoned rentals and from \$1 per night to \$12 per night for commercially zoned rentals. While these increases may have shown potential to generate millions of dollars annually, new restrictions that accompanied the fee increase will likely significantly reduce New Orleans’ supply of short-term rentals. BGR, [On the Ballot: New Orleans Bond and Tax Propositions, November 16, 2019](#).
- 67 Local governments must complete a five-year plan and an annual action plan in order to receive funding through the following federal formula grants: Community Development Block Grant, HOME Investment Partnerships Program, Emergency Shelter Grant, and Housing Opportunities for Persons with AIDS/HIV.
- 68 City Council Ord. Cal. No. 33,109, adopted September 17, 2020.
- 69 City of New Orleans, Notice of Funding Availability for the Development of Affordable Rental Housing, September 1, 2020.
- 70 The Business Attraction and Retention Fund is managed by

the Business Alliance in coordination with the City’s Office of Economic Development. As of January 1, 2020, the fund balance was \$1.2 million. The City has not yet deployed this money, except for a small amount used to support businesses during the pandemic.

- 71 U.S. Bureau of Labor Statistics, New Orleans Area Economic Summary, October 1, 2020.
- 72 Opportunity Insights, “Economic Tracker,” <https://trackthrecovery.org/>, accessed on November 10, 2020.
- 73 U.S. Census Bureau, American Community Survey 5-Year Estimates, 2018.
- 74 U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Orleans Parish, January 2020.
- 75 Ibid., Orleans Parish, Quarter 1, 2020.
- 76 In 2020, the Business Alliance has raised more than \$2.3 million in private funding, including \$1.5 million for direct assistance to small businesses, gig economy workers and other New Orleanians out of work due to the pandemic.
- 77 Cooperative Endeavor Agreement between the City of New Orleans, the New Orleans Workforce Development Board and the NOLA Business Alliance, November 21, 2017.
- 78 In one high profile case, the City continued to send grant installments to a business that had already closed. See Gadbois, Karen, “‘Economic development’ grants leave empty storefronts,” *The Lens*, January 19, 2010.
- 79 BGR, [*Letter to the Hon. Arnold Fielkow, Chairman, City Council Special Projects and Economic Development Committee*](#), February 3, 2019.
- 80 City Council Ord. Cal. No. 33,109, adopted September 17, 2020.
- 81 BGR, [*On the Right Track? New Orleans Economic Development in Perspective*](#), November 2004.

BGR Ballot Issues Committee

Steven W. Usdin, *Chair*

Tara Adams
Anne P. Baños
Maureen Clary
Hardy B. Fowler
Andrew R. Lee
Todd McDonald
Graham Ralston
Dennis Woltering

Christine Albert
Vanessa Claiborne
Ludovico Feoli
Louis M. Freeman, Jr.
Gary L. Lorio
Jennifer Medbery
Melissa Sawyer

BGR Board of Directors

Officers

Ludovico Feoli, *Chair*
Norma Grace, *Vice Chair*
H. Merritt Lane, III, *Secretary*
Maureen Clary, *Treasurer*
Kelly R. Brown, *Assistant Secretary*
Anne P. Baños, *Assistant Treasurer*

Past Chairman

Hardy B. Fowler

BGR Project Staff

Amy L. Glovinsky, *President & CEO*
Stephen Stuart, *Vice President & Research Director*
Susie Dudis, *Research Analyst*
Paul Rioux, *Research Analyst*

This report is available on BGR's web site, www.bgr.org.

Become a Member

To preserve its independence, BGR relies on financial support from a diverse membership of individuals, corporations and foundations. To find out how you can become a part of BGR, go to www.bgr.org/membership or call us at 504-525-4152 x108.

Board Members

Tara Adams
Christine Albert
Susan G. Brennan
Charmaine Caccioppi
Andrea Chen
Vanessa Claiborne
Leah N. Engelhardt
Louis M. Freeman, Jr.
Alex Gershanik
Jessie Haynes
Hunter G. Hill
Andrew R. Lee
Gary L. Lorio
Todd McDonald
Jennifer Medbery
Jennifer M. Neil
Graham Ralston
Jennifer Roberts
Melissa Sawyer
Blake J. Stanfill
Steven W. Usdin
Larry Washington
Charles West
Dennis Woltering

Honorary Board

Harry J. Blumenthal, Jr.
Edgar L. Chase III
J. Kelly Duncan
Louis M. Freeman
Richard W. Freeman, Jr.
Ronald J. French
David Guidry
Hans B. Jonassen
Diana M. Lewis
Mark A. Mayer
Anne M. Milling
R. King Milling
Lynes R. Sloss
Sterling Scott Willis



The Bureau of Governmental Research is a private, nonprofit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.

BUREAU OF GOVERNMENTAL RESEARCH

1055 St. Charles Ave., Suite 200
New Orleans, LA 70130
Phone 504-525-4152
www.bgr.org
@bgrnola