

## FRENCH QUARTER SALES TAX RENEWAL, DECEMBER 5, 2020

### IN BRIEF

On December 5, voters in the French Quarter will decide whether to renew a 0.2495% sales tax to pay for enhanced and supplemental public safety services. The proposition would extend the tax – set to expire at the end of 2020 – for five years through 2025. The tax would generate an estimated \$1.8 million within the French Quarter in 2021, although this will depend on the pandemic’s impact on sales activity.

Since the tax took effect in 2016, all of the revenue has gone to supplemental Louisiana State Police patrols, but this agreement terminates in a few weeks, at the end of 2020. The City of New Orleans (City) did not seek to extend the agreement. Instead, if voters renew the tax, the City administration has proposed using most of the revenue for supplemental New Orleans Police Department (NOPD) patrols and patrols by City-employed security officers.

However, at the time BGR published this report – just a few days before the election – the City Council had not accepted the administration’s proposal, including an accountability plan, through a binding agreement or a City ordinance. As a result, key terms controlling how the City will spend and account for the tax revenue remain in flux.

The City spent several months attempting to negotiate an agreement with the City Council and the French Quarter Management District, a State-created body that administers separate supplemental patrols by off-duty NOPD officers. Those negotiations appeared to break down the week before the election because of disputes over control of the tax proceeds and the portions allocated to police patrols and security patrols.

### REPORT HIGHLIGHTS

To analyze the proposition, BGR considered four questions that address the efficient and effective use of public resources: (1) Are there valid reasons to continue funding supplemental public safety services in the French Quarter? (2) Is the proposed tax an acceptable way to fund this purpose? (3) Is the tax appropriately sized? (4) Will the tax revenue be well spent? Based on this analysis, BGR found the following:

- Ensuring adequate public safety is essential to the French Quarter’s continued economic, residential and cultural vitality. In 2019, the tax revenue plus contributions from tourism entities provided \$6.7 million for special patrols to supplement the NOPD’s 8<sup>th</sup> District officers. This year, tourism

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

This report is the latest in BGR’s *On the Ballot* series, which provides voters with objective, nonpartisan analysis of significant ballot propositions in the New Orleans metropolitan area. In producing *On the Ballot* reports, BGR recommends positions consistent with its mission of promoting informed public policy and the effective use of public resources for the improvement of local government. *On the Ballot* reports bring to light the strengths and weaknesses of ballot propositions and assess the potential for government expenditures or actions to efficiently achieve beneficial outcomes for citizens.

entities ended their funding due to the economic impact of the pandemic, and the Management District's reserves to operate its patrols will last only through February 2021. Thus, if voters reject the sales tax renewal, the French Quarter will lose its remaining source of dedicated funding for supplemental patrols starting January 1, 2021. The loss of tourism entities' funding and the ongoing security needs of the French Quarter provide valid reasons to continue some level of funding for supplemental patrols.

- The sales tax has other positive attributes. Because it is paid primarily by tourists, who far outnumber residents, it fairly distributes the tax burden among the beneficiaries of the security services. In addition, the amount of revenue the tax generates is linked to the level of economic activity in the French Quarter. This helps to keep the tax receipts aligned with public safety needs, enabling services to expand as tourism and tax revenues recover from the pandemic.
- The City's proposal would consolidate fragmented public safety services in the French Quarter. It also would restore local control by replacing State Police patrols with NOPD patrols. Because policing is a core municipal function, the City and NOPD are ultimately responsible for public safety in the French Quarter.
- Despite these potential benefits, the uncertainty regarding the future spending plan and accountability measures for the tax revenue raises concerns as to whether the revenue will be spent effectively under the City's proposed plan.
- There is a lack of data-driven analysis to support the City's preferred division of tax revenue between police patrols (\$710,000) and security officers addressing quality-of-life and code enforcement issues (\$620,000), or a competing proposal from the Management District to direct a greater proportion of revenue to police patrols.
- Without approved accountability measures in place, voters cannot be sure how the City will overcome past problems with oversight of the tax revenue. The City had no way to assess the effectiveness of the tax-funded State Police patrols, and it did not try to modify the agreement for the patrols to address the shortcomings. The City's new proposal includes several layers of accountability, including weekly and monthly reporting, performance measures and an oversight committee of French Quarter stakeholders. While these would be significant improvements, the absence of an agreement or ordinance means voters do not know whether these accountability measures will, in fact, come to fruition.

### BGR POSITION

**AGAINST.** While there are valid reasons for supplemental public safety services in the French Quarter, and the expiring sales tax is an appropriate funding mechanism, the City's failure to finalize spending and accountability plans for the tax revenue renders the proposition premature. BGR recognizes that the City's proposal has some merit. It would consolidate fragmented public safety services and provide more local control of policing, a core municipal responsibility. In addition, the French Quarter, as an economic engine, historic landmark and mixed-use neighborhood, has unique and substantial public safety needs. However, the City's incomplete spending and accountability plans cannot assure voters that it will effectively utilize the tax revenues to address those needs. With this in mind, the City should work to develop a consensus with French Quarter stakeholders on how to best enhance public safety. This should include a data-driven analysis to determine revenue allocations to police and security patrols. The City's involvement in developing a solution is essential as it is ultimately responsible for public safety in the French Quarter. If this process results in another tax proposition, it is imperative that the parties involved establish clear spending and accountability plans before calling the election.