

NEW ORLEANS  
JUNE 2018



# From Answers to Action

## Post-Election Policy Making: Local Tax Dedications

Read the full report at  
[www.bgr.org](http://www.bgr.org)



### BACKGROUND

A 2015 BGR report found that only one-fourth of local tax revenue is available to City government for broad municipal purposes.\* The remainder is dedicated to specific municipal purposes or to other entities. These dedications limit the City government's ability to provide basic services and infrastructure and meet pressing obligations.

The tax dedications were approved in piecemeal fashion, often at the state level, over the course of many years with little planning and accountability. The allocation of resources that evolved from this ad hoc process has not been re-evaluated in the context of changing conditions and current needs.

BGR's report called for a review of current taxes in New Orleans to identify those that are ripe for re-dedication to basic municipal needs. BGR specifically called on the mayor to take the lead in pursuing all appropriate changes to local tax dedications. The City should conduct a comprehensive re-evaluation of tax

dedications and develop a broad plan to address community priorities. All taxes, except those for the most basic infrastructure and services, should be placed on the table for possible re-dedication. The City should evaluate all such taxes, not in terms of each taxing body's ambitions, but in the larger context of the community's priorities. Ultimately, the mayor should present a program for funding and executing the plan.



\* BGR, *The \$1 Billion Question: Do the Tax Dedications in New Orleans Make Sense?*, November 2015, available at <http://www.bgr.org/reports/rethinking-tax-dedications-in-new-orleans/>.

### LOCAL TAX DEDICATIONS

In July 2017, BGR asked the mayoral and council candidates for their views on changes to local tax dedications that the City should pursue. BGR posed slightly different questions to the mayoral and council candidates, reflecting BGR's recommendation that the mayor take the lead in pursuing the changes.

**Q:** As mayor, what changes to local tax dedications would you pursue?  
Please be specific.

### Mayor LaToya Cantrell

I believe we have to look at some of the dedications from the hotel occupancy tax and the sales tax. For instance, we want to consider rededicating the funding from the Morial Convention Center, or to explore directing future revenue growth to a separate infrastructure and maintenance. The same could potentially be said for hotel sales tax revenue dedicated for the New Orleans CVB and New Orleans Tourism and Marketing Corporation (NOTMC). However, any changes to tax dedications should be discussed and negotiated with the entities that currently benefit from these tax dedications. The city might have more money in its general fund right now if it had been better at collaborating with other governmental entities.

I have not decided whether these funds should be rededicated to the infrastructure and maintenance or directed to the general fund, and then reallocated to the new infrastructure and maintenance fund through normal budgetary processes.

**Q:** What changes to local tax dedications, if any, would you advise the City to pursue? Please be specific.

### Councilmember At-Large Helena Moreno

I am interested in new ways to redirect tax money that is derived from New Orleans back into direct service of the taxpayers. Just this past legislative session, I authored legislation to rededicate a portion of the hotel/motel tax towards enforcing short-term rental compliance with new City ordinances. Before we ever consider new or greater millages, we must find opportunities to keep more of our money in New Orleans and working on our issues.

### Councilmember At-Large Jason Williams

... Cleaning up dedicated tax revenue to align with the City's modern needs and priorities clearly needs to be done, and I will continue to work with the next Mayor to push for a broad re-evaluation of all local tax revenues and dedications.

#### Do our tax dedications reflect our values?

When we look at the numbers, there is a stark reality staring back at us. We spend as much on tourism and sports as we do on transit, parks, and streets *combined* – all of which are in shambles. ...

We also spend the same amount on education and public safety. This is both a symptom and a cause for the unacceptable prison pipeline – investing more heavily in education is a better investment in our children and our city's future.

#### Protecting Programs

Rededication efforts can also pose a threat to critical programs and services for families, children, and the most vulnerable. Should the next Mayor pursue such an overhaul, I will be a staunch protector of such funding streams to ensure we continue to provide (or even bolster) safety net programs and development funds.

#### Nexus of revenue and use

The perverse incentive posed by dedicating taxes and fees from completely unrelated sources are problematic for the City to properly balance our budget. ...





**What changes to local tax dedications, if any, would you advise the City to pursue? Please be specific.**

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**Councilmember Joseph “Joe” Giarrusso, III (District A)**

The BGR’s Billion Dollar Question report examined several taxes. The propriety of dedications should be examined by government stakeholders to work on developing possibilities for rededicating money to help fund the budget without levying new taxes. Feasibility and pragmatism, however, will be essential in this process. First, for at least the Convention Center rededication, the legislature needs to be involved. That is no small feat. Recently proposed legislation would have rededicated more money to New Orleans streets but ultimately died in the legislature. Second, there are no assurances that any surplus would come to New Orleans. The State could decide to take any surplus to plug its large budget gap. Finally, there are other practical issues as well. Forward New Orleans calls for ensuring that “dedicated funding by the Convention Center Authority is used responsibly and strategically.” Perhaps, the City and the Convention Center could work cooperatively on establishing a framework for additional partnerships. Also, the report suggests potentially rededicating RTA money because ridership is down. However, if the City is going to work on delivering better transit to its citizens to ensure shorter ride times, then the RTA dedication should be considered as a means for achieving that goal.

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**Councilmember Jay H. Banks (District B)**

I completely agree that current taxes must be reviewed. We must make sure our tax dollars flow as our budget does - by prioritizing issues like violent crime and economic development, including maintaining and expanding affordable housing. Dedications are useful in some cases but should not work towards the detriment of the city’s current priorities.

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**Councilmember Kristin Gisleson Palmer (District C)**

I believe the city should conduct a comprehensive re-evaluation of local tax dedications to ensure they are meeting the current needs of government.

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**Councilmember Cyndi Nguyen (District E)**

I agreed with the recommendation. Before we jump into cutting and moving money around, we need to understand the entire picture and to examine if those dedicated taxes are still needed in those areas. I will work closely and collaboratively with the new mayor to examine and review the current taxes and determine if it should be rededicated. I believe in transparency and accountability. We need to ensure to the people of New Orleans that taxpayers funds are being used effectively.

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