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BGR MEDIA RELEASE

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BGR: New Orleans Is Rebuilding Budget Stability, but Long-Term Challenges Remain

NEW ORLEANS – A year after a cash crisis forced the City of New Orleans to borrow \$125 million to make payroll, City leaders have navigated the crisis and are rebuilding basic budget stability. But the City has not yet reached long-term structural balance, according to a [Bureau of Governmental Research \(BGR\) report](#) released today.

The report finds that spending controls, better revenue collections and one-time money kept the 2026 budget afloat. However, the City's recurring revenue still does not cover the full cost of its services. The findings come as the City Council weighs the mayor's proposed 2027 budget.

"City leaders deserve credit for steering New Orleans through a very difficult year," said BGR President & CEO Rebecca Mowbray. "The proposed 2027 budget is an important step toward stability, but the City still needs a long-term plan to fund its services and infrastructure without relying on one-time money. The decisions made this fall will determine whether New Orleans stays on stable ground."

To cover \$975 million in 2026 cash obligations, the City pulled together more than \$220 million in one-time revenue and other cash sources, three times what it planned to use. BGR estimates the City is on track to achieve a modest cash surplus by year end, though the numbers change daily.

There are signs of progress. Through June, revenue collections were about 9% above budget, and General Fund spending was about 12% under budget. Overtime spending, a major contributor to last year's crisis, is nearly half what it was in September of last year. With proceeds from the Caesars casino rent sale and the

charter-mandated Savings Fund, the City has rebuilt its emergency reserves to nearly \$140 million, about the generally recommended minimum of two months of operating expenditures. BGR encourages a reserve target above the current minimum level, given New Orleans' vulnerability to tropical storms.

For 2027, the mayor's proposed \$763 million budget includes \$77 million in spending cuts, about \$7 million in costs covered by special-purpose funding and \$15 million in one-time revenue. It also accounts for previously unbudgeted costs, including employee health care and payouts for unused leave. BGR finds the proposal achieves basic budget stability by minimizing one-time funding and avoiding the use of reserves or borrowing for operating costs. To avoid some of the cuts, the City is working to increase recurring revenue, which could include the administration's proposal for up to \$42 million in property tax increases. The council will hold a hearing on these tax increases November 5. It plans to adopt the 2027 budget on November 19.

Even after the 2027 budget is balanced, more than \$82 million a year in ongoing costs still lacks steady funding, including \$36 million more for street maintenance, at least \$20 million for the firefighters' pension fund, about \$16 million for the Housing Trust Fund and \$10 million requested by the Sheriff's Office for the jail's new medical and mental health wing. The City is also using bond money to pay for Public Works staff and the Housing Trust Fund dedication, though government finance experts warn against using one-time funding to cover recurring costs.

The City has begun work on both of BGR's key recommendations. BGR urges the City to:

1. **Develop a rolling, five-year financial plan** that sets spending priorities and identifies sustainable ways to fund them, with measurable milestones and public reporting.
2. **Adopt a comprehensive reserve policy** that sets a higher reserve level suited to a disaster-prone city, with guardrails for using and replenishing reserves.

The full report and summary are available at <https://go.bgr.org/balancing-act-report>. Earlier this month, BGR released [More Cash for Trash](#), which analyzes the City's new cost-based sanitation fee.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policymaking and the effective use of public resources in Greater New Orleans. For more information, visit BGR's website: www.bgr.org