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ON THE BALLOT
A Report from the Bureau of Governmental Research

ST. TAMMANY PARISH SALES TAX, NOVEMBER 13, 2021

INBRIEF

On November 13, voters in St. Tammany Parish will decide whether to approve a new 0.4% parishwide sales tax to fund State-mandated responsibilities of the Parish Government (the Parish). The Parish's obligations include financial and operational support to the 22nd Judicial District Court and certain independent offices, such as the sheriff, district attorney, clerk of court, assessor and registrar of voters. The Parish also must provide a "good and sufficient" courthouse and jail. The proposed tax would generate an estimated $22.2 million annually and be levied for seven years, beginning January 1, 2022.

Historically, the Parish relied on two dedicated sales taxes to meet its obligations for the jail and Justice Center courthouse complex (Justice Center). However, the taxes expired in 2018 after voters rejected the Parish's three attempts to renew them. Since then, the Parish has relied heavily on operating reserve funds for the jail and Justice Center, exhausting the last of these funds in September 2021.

In addition, the elimination of the taxes and their reserves has increased stress on the Parish's General Fund, which totaled only $11.8 million in 2021 (less than 10% of the Parish's operating budget) and pays for Parish costs and services that lack a dedicated funding source. While the Parish has made cuts in other areas to free up General Fund revenue, reliance on the Fund to pay for State mandates and other Parish expenditures has consumed most of its reserves. The chart below tracks the decline of available reserve funds to meet the Parish's annual obligations.

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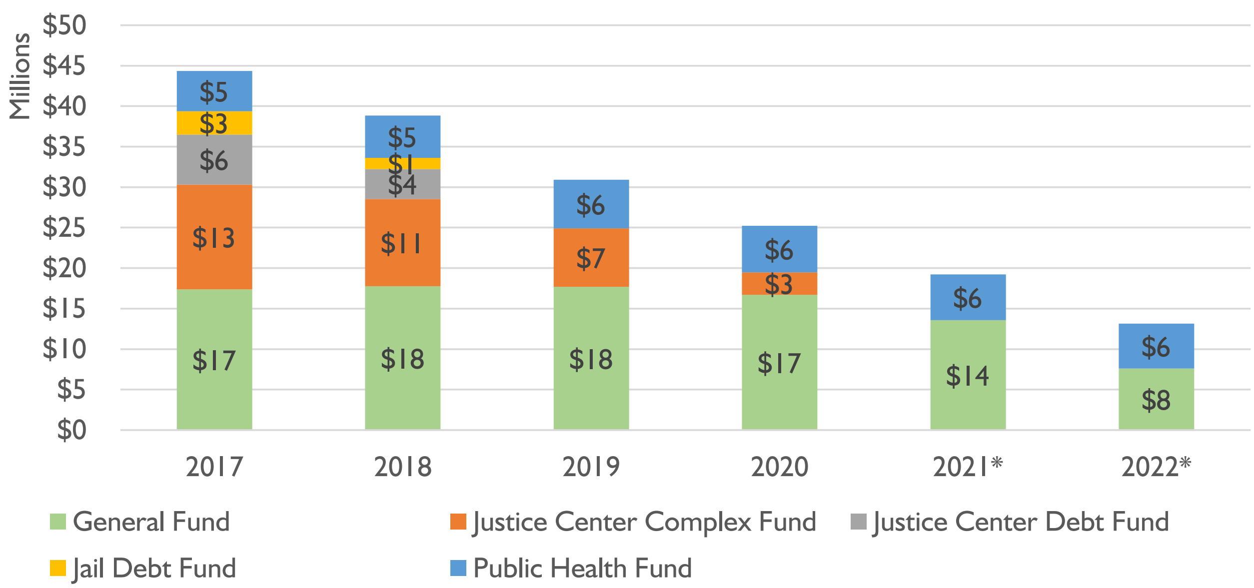
ST. TAMMANY PARISH RESERVES AVAILABLE TO PAY STATE MANDATES



* Year-End Projected Fund Balance.

Source: Information provided by St. Tammany Parish Government to the St. Tammany Parish Revenue Review Advisory Committee, December 2, 2020.

Meanwhile, the Parish faces an unsustainable operating shortfall at the jail, a growing list of deferred maintenance and capital needs at the Justice Center, and partially funded obligations to the District Attorney. If the Parish does not fund its obligations, the agencies could sue to force payment.

Facing a fiscal crisis, the Parish President appointed the St. Tammany Revenue Review Advisory Committee (Advisory Committee) in 2020. The Parish President tasked the committee with conducting an independent review of the Parish's finances and determining a sustainable solution to meet State-mandated responsibilities. The committee's report concluded the Parish needs a new source of funding to pay for State mandates. It recommended a 0.4% parishwide sales tax levied for seven years to fund a spending plan that would enable the Parish to meet what it views as full funding of its obligations. The Parish Council adopted the committee's recommendations and placed the current proposition on the ballot. The proposition is the fourth attempt to fund the Parish's mandated responsibilities, but differs in its shorter term and broader eligible uses.

BUDGETED AND PROJECTED COSTS FOR STATE-MANDATED RESPONSIBILITIES

(Figures in $ millions)

Parish Obligation	Budgeted 2021 Costs	Proposed Spending Plan
Jail (Sheriff)	$8.3	$12.1
District Attorney	5.1	8.1
Justice Center	3.5	5.4
District Court	3.1	3.4
Other	1.7	1.8
Total Parish Obligations	**$21.7**	**$30.8**

BGR analysis of financial data in St. Tammany Parish Government presentations prepared for the St. Tammany Revenue Review Advisory Committee, March 18 and April 14, 2021, and other information provided by the Parish Government.

REPORT HIGHLIGHTS

To analyze the proposition, BGR considered four questions that address the efficient and effective use of public resources: (1) Has the Parish carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars? (2) Is the tax an acceptable way to fund the purposes in light of alternative funding options? (3) Is the tax appropriately sized to meet the needs specified in the plan? (4) Is there evidence indicating the tax would result in effective outcomes for the public? Based on this analysis, BGR found the following:

- The Parish has developed a spending plan that would enable it to fully fund its State mandates. The plan would increase the Parish's current spending on State mandates from $21.7 million to $30.8 million annually. This would allow the Parish to fulfill its share of operating and repair costs at the jail and eliminate the unsustainable, recurring operating shortfall. At the Justice Center, the spending plan would restore some cuts made in operations, while enabling the Parish to retain efficiencies gained after the tax expired. It would also provide funding for annual Justice Center repair needs. In addition, the spending plan would enable the Parish to meet all of its obligations for the District Attorney's Office, which it historically has not done. This would enable the District Attorney to shift away from relying on court fines and fees to fund criminal prosecutions and allow that revenue to support other programs, such as the office's diversion program and new community outreach and educational programs. The District Attorney would also retain recent efficiencies that have improved operational processes and reduced average incarceration times and, in turn, taxpayer costs at the jail. See the table above for a comparison of the 2021 budgeted costs for State mandates and the cost of mandates according to the Parish's spending plan.

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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.

- The spending plan would become part of the Parish Council's annual budget process. Each year, the council would hold public meetings to determine how it will allocate tax revenue among the governmental agencies based on need. This would provide the public with an opportunity to participate in the budget process for the tax revenue and track the Parish's use of tax dollars. In addition, the public would reassess the Parish's financial stewardship of tax revenue through a shorter, seven-year renewal period.

- The proposed sales tax is an acceptable funding mechanism for the Parish's mandated responsibilities. Some of the advantages of a sales tax include its ability to be imposed on residents and visitors alike and the potential for revenue growth as the Parish's population and economic activity increases. The Parish also could begin receiving tax revenue in early 2022 to meet State mandates. Other revenue-raising options available to the Parish, including new or rededicated property taxes, have significant limitations or drawbacks.

- The tax would generate an estimated $22.2 million annually and enable the Parish to pay for most of the $30.8 million in State mandates. The Parish would use $8.6 million in recurring General Fund revenue to pay the remainder. This would reduce the strain on the General Fund and leave roughly $3 million in recurring General Fund revenue each year. Parish officials say they can use this revenue to restore cuts to code enforcement, blight remediation, recreational facilities and public health services.

“The proposition overcomes concerns BGR raised during past renewal attempts. This time, the Parish has accompanied the tax request with a clear spending plan and accountability measures. ... The shorter seven-year term of the tax gives voters an opportunity in the near future to hold Parish officials responsible for their stewardship of tax revenue.”

- The tax would prevent a fiscal crisis for the Parish. If voters reject the proposition, the Parish will not have the recurring revenue it needs to meet the full slate of State-mandated responsibilities. Further, the Parish cannot rely on its General Fund to pay those costs as this could eliminate the Parish's financial cushion for emergencies, strain its cash flow, lower its bond rating and expose it to new risks.

- The tax would help sustain and improve service quality during the next several years. A significant portion of the tax revenue would go to the Parish's justice system, which has a direct impact on crime and public safety. The tax would also support the agencies housed in the Justice Center that provide core government services. Finally, the tax could restore quality of life or public health services that suffered budget cuts in recent years, enhancing those resources for parish residents.

BGR POSITION

FOR. The proposed sales tax would provide the Parish with a new revenue source sufficient to pay for State-mandated responsibilities related to the justice system and other governmental services essential to residents' quality of life. The tax would put an end to a deepening fiscal crisis in St. Tammany Parish Government that has resulted from a lack of undedicated revenue to meet these obligations.

The proposition overcomes concerns BGR raised during past renewal attempts. This time, the Parish has accompanied the tax request with a clear spending plan and accountability measures. It would have flexibility to allocate tax revenue among the governmental agencies depending on their annual budget needs. It also has accountability mechanisms that let the public track the tax's revenue and expenditures. The shorter seven-year term of the tax gives voters an opportunity in the near future to hold Parish officials responsible for their stewardship of tax revenue. Finally, the proposed tax provides the Parish with a new revenue source that can be scaled to the Parish's population growth and increases in economic activity.