



ON THE BALLOT

A Report from the Bureau
of Governmental Research

FRENCH QUARTER SALES TAX, APRIL 24, 2021

IN BRIEF

As an economic engine, historic landmark and home to more than 3,000 residents, the French Quarter has unique and substantial public safety needs. In an attempt to address those needs, a proposition on the April 24 ballot seeks the approval of French Quarter voters for a 0.245% sales tax to pay for supplemental police patrols and other public safety services. The tax would take effect July 1 and remain in place for five years. It would generate an estimated \$2 million to \$2.5 million in the first 12 months, depending on a potential exemption for hotel room rentals. On December 5, French Quarter voters rejected the renewal of a similar sales tax for enhanced public safety, and it expired at the end of 2020.

The New Orleans City Council proposed the tax as the governing authority of the French Quarter Economic Development District. Only residents of the district vote on the tax, which applies only within the district's boundaries. The ballot proposition directs the first \$2 million in tax revenue each year to supplemental police patrols. Any amount above \$2 million can go toward additional patrols and other public safety programs, including homeless assistance.

The proposition further provides for an administrative and oversight role for the French Quarter Management District (Management District), a State-created entity charged with overseeing the French Quarter's revitalization after Hurricane Katrina. From 2015 until this February, the Management District administered a supplemental patrol program called the French Quarter Task Force (Task Force) that paid off-duty New Orleans Police Department (NOPD) officers to patrol in Smart cars and respond to citizen complaints submitted via an app. The local tourism industry ceased funding the program due to pandemic-related fiscal constraints. After a brief shutdown, the City of New Orleans (City) restarted the program with on-duty, overtime NOPD officers using reserves projected to last until October.

The City administration and Management District have presented similar proposals to use the tax revenue to continue and expand the current supplemental patrols. However, a dispute over which entity would control the tax revenue has prevented the parties from reaching an agreement before the election. Thus, voters have no assurances about how the entities would spend or account for the tax revenue. This repeats the situation from the December 5 tax renewal, when the parties also failed to reach an agreement. In opposing that tax renewal, BGR had urged the parties to establish clear spending and accountability plans before placing another tax proposition on the ballot, but they did not do so.

REPORT HIGHLIGHTS

To analyze the April 24 proposition, BGR considered four questions that address the efficient and effective use of public resources: (1) Have the parties carefully planned how they will spend the tax revenue, and have they

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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 these 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.

IN BRIEF

displayed responsible financial stewardship and accountability for taxpayer dollars? (2) Is the proposed tax an acceptable way to fund the purposes? (3) Is the tax appropriately sized? (4) Is there evidence indicating the tax would result in effective outcomes? Based on this analysis, BGR found the following:

- Dedicated annual funding for supplemental public safety services in the French Quarter has dropped from \$6.7 million before the pandemic to zero, following the expiration of the original sales tax and the withdrawal of tourism industry funding.
- Because a sales tax is paid primarily by visitors, who far outnumber residents, it fairly distributes the tax burden among the beneficiaries of the public safety 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.
- If the City Council exempts hotel room rentals from the tax, revenue would drop an estimated \$500,000, leaving little or no money for public safety services other than police patrols. Also, an exemption would deviate from norms and best practices for taxation and unfairly concentrate the tax burden on other businesses.
- In response to the City's lapses in accountability for previous tax expenditures on State Police patrols, the City and Management District have proposed an

extensive framework of reporting requirements on the use of tax revenues. However, the absence of a signed agreement leaves voters with no assurances that those measures will be implemented.

- The proposed change to use the tax revenue to fund patrols by NOPD officers, as opposed to State Police, is in line with a Management District security consultant's recommendation to consolidate fragmented public safety services in the French Quarter.
- The Management District contends that the ballot language authorizes it to take receipt of the tax revenue, establish budgets and disburse the funds. City administrators have concerns about ceding control of the tax revenue to the unelected Management District board, which they contend is not accountable to the public. They interpret the ballot proposition differently and propose limiting the district's role primarily to overseeing the City's use of the tax revenue. The impasse over control of the revenue prevents voters from fully assessing the potential effectiveness of the tax and sets up the possibility of a legal dispute that could end up in court.
- The Management District has proposed an administrative fee equal to 7% of tax receipts, capped at \$150,000 a year, while the City administration countered with 3% of tax receipts, capped at \$80,000. The district, which currently has no other funding source, previously received \$150,000 a year from the local tourism industry to cover its administrative expenses for the Task Force.

BGR POSITION

AGAINST. Ensuring adequate public safety is essential to the French Quarter's continued economic, residential and cultural vitality. BGR recognizes that additional resources are necessary to meet this need, but the City administration and French Quarter Management District have not resolved their disagreement over control of future tax revenue. This leaves voters without spending and accountability plans to determine whether the tax will fulfill its intended purposes. Moreover, some options to move past the dispute could diminish coordination and increase fragmentation in French Quarter public safety services. These significant shortcomings undermine confidence that the tax revenue will be well spent and address the French Quarter's public safety concerns.

The findings in this report suggest the best path forward would include: (1) on-duty New Orleans Police Department officers conducting the supplemental patrols to further the consolidation and coordination of police services in the French Quarter; (2) City control of the tax revenue to help it meet its public safety responsibilities; and (3) robust financial and operational oversight by the French Quarter Management District to enhance public accountability and the effectiveness of tax expenditures. However, these outcomes are far from guaranteed by the tax proposition.

If voters approve the tax, the City Council should reconsider its plans to exempt hotel room rentals. The exemption would unfairly concentrate the tax burden on other businesses while significantly reducing or even eliminating the revenue available for public safety services other than policing. In addition, the council should prioritize patrol structures that utilize New Orleans Police Department officers. This is important to reduce the problematic fragmentation of policing in the French Quarter and improve collaboration with NOPD's regular patrols.

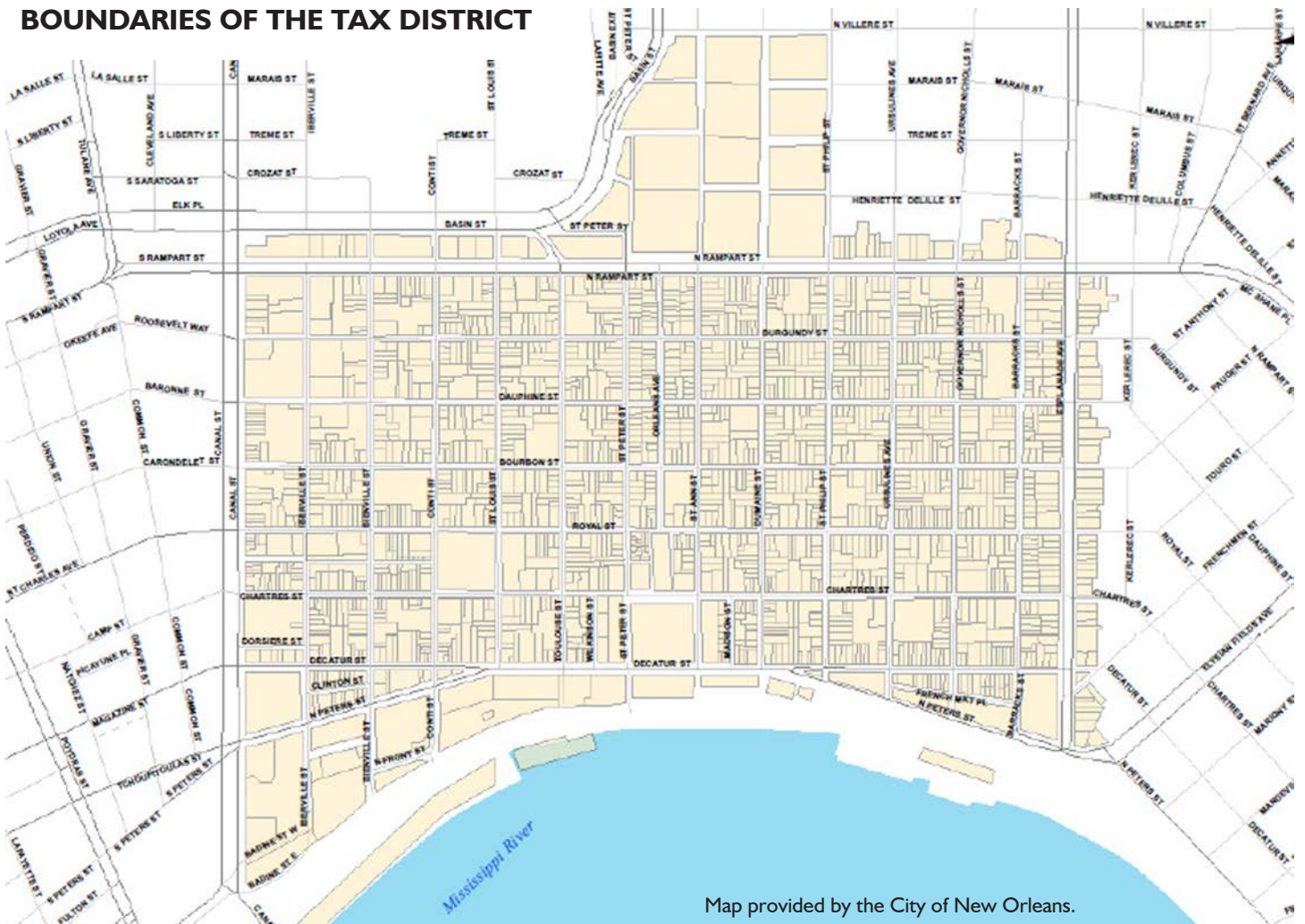
INTRODUCTION

As an economic engine, historic landmark and home to more than 3,000 residents, the French Quarter has unique and substantial public safety needs. In an attempt to address those needs, a proposition on the April 24 ballot seeks the approval of French Quarter voters for a 0.245% sales tax to pay for supplemental police patrols and other public safety services. The tax would take effect July 1 and remain in place for five years. It would generate an estimated \$2 million to \$2.5 million in the first 12 months, depending on a potential exemption for hotel room rentals. On December 5, French Quarter voters rejected the renewal of a similar sales tax for enhanced public safety, and it expired at the end of 2020. Therefore, the current proposition is for a new tax.

The New Orleans City Council proposed the tax as the governing authority of the French Quarter Economic Development District (Tax District). Only residents of the Tax District vote on the tax, which applies only within the district's boundaries. As shown in the chart below, the district is bounded by the Mississippi River, the centerline of Canal Street, properties fronting on the lake side of North Rampart Street and properties fronting on the downriver side of Esplanade Avenue. It includes the entirety of Louis Armstrong Park.

The proposed sales tax would raise the general sales tax rate in the French Quarter from 9.45% to 9.695% and the total sales tax rate for restaurants and bars in the French Quarter from 10.2% to 10.445%.¹ The tax amounts to 24.5 cents for every \$100 purchase made in the district. The City Council has discussed plans to ex-

BOUNDARIES OF THE TAX DISTRICT



empt the rental of hotel rooms from the proposed sales tax, as it did with the expired tax.² This would decrease the projected tax receipts by \$500,000 to \$2 million.

The City Council-approved ballot proposition directs the first \$2 million in tax revenue each year to supplemental patrols by police officers.³ Any amount above \$2 million can go toward additional patrols and other public safety programs, including homeless assistance.

The proposition further provides for an administrative and oversight role for the French Quarter Management District (Management District), a State-created entity charged with overseeing the French Quarter's revitalization after Hurricane Katrina. The City Council said it included these provisions because of the Management District's record of transparency and accountability while administering a supplemental patrol program called the French Quarter Task Force (Task Force) from 2015 to February 2021. The district paid off-duty New Orleans Police Department (NOPD) officers to patrol in Smart cars and respond to citizen complaints submitted via an app. The local tourism industry had paid for the Task Force but withdrew funding last year due to pandemic-related financial constraints. The Task Force continued to operate at a reduced capacity on reserves from the tourism industry funding until February, when it briefly ceased operations. Shortly thereafter, the City of New Orleans (City) restarted the program with on-duty, overtime NOPD officers using another pool of reserves from the expired sales tax, which the City projects will last at least until October.⁴

As of this report's publication, the nature and extent of the Management District's administrative and oversight role remains unresolved because of a disagreement with the City administration. Management District officials contend that the ballot proposition empowers the dis-

FRENCH QUARTER MANAGEMENT DISTRICT

The Louisiana State Legislature created the French Quarter Management District in 2007 to preserve the vitality of the French Quarter for residents and visitors after Hurricane Katrina. The district seeks improvements to public safety, sanitation, public infrastructure, code enforcement and other areas that impact the French Quarter's quality of life and economic viability. A 13-member board governs the district, with appointments by business and tourism organizations (seven members), civic groups (two), the mayor (two), the City Council member representing the French Quarter (one) and the Vieux Carré Commission (one).

trict to take receipt of the tax revenue, establish budgets and make disbursements. They said they have obtained a legal opinion supporting their interpretation of the ballot language. However, they declined to provide a copy to BGR, citing attorney-client privilege. City administrators, who said they were not consulted on the ballot language, have concerns about ceding control of the tax revenue to the unelected Management District board, which they contend is not accountable to the public. They interpret the ballot proposition differently and propose a more limited role for the district in overseeing the City's use of the tax revenue.

As a result of the impasse, both parties' roles in spending and accounting for the tax revenue remain undefined, with early voting completed and the election just days away. BGR opposed the December 5 tax renewal, largely because of the absence of spending and accountability plans. BGR urged the parties to establish

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clear plans before placing another tax proposition on the ballot, but they did not do so.

As things stand, voters have only limited information from the Management District and City on their competing proposals for using and accounting for the tax revenue. With this limitation in mind, the purpose of this report is to help voters make an informed decision on the proposition. It provides background information and an analysis grounded in BGR's mission of promoting the effective use of public resources. The report ends with BGR's position on the proposition.

BACKGROUND AND CONTEXT

A Loss of Funding for Supplemental Patrols

Rising crime rates in the French Quarter and declining NOPD ranks prompted local tourism industry leaders to begin using hotel tax revenues to fund supplemental police patrols in 2015.⁵ To augment these efforts, the City Council created the Tax District, and voters approved a five-year, 0.2495% sales tax for enhanced public safety in the French Quarter. BGR supported the tax, which took effect at the beginning of 2016.⁶ Prior to the coronavirus pandemic, annual funding dedicated to supplemental patrols totaled \$6.7 million. This included \$3 million from the sales tax and \$3.7 million from tourism-related entities. Of this amount, \$5.5 million, including all of the sales tax revenue, went to Louisiana State Police patrols. The remaining \$1.2 million of tourism industry funding went to the Management District to operate the Task Force of off-duty NOPD officers. The State Police and Task Force patrols supplemented regular NOPD patrols by its 8th District officers.

As Chart A illustrates, there is currently no recurring source of revenue dedicated to supplemental police patrols in the French Quarter. In response to plummeting hotel tax receipts during the pandemic, the tourism industry ended its funding for patrols in spring 2020 by withdrawing from an agreement that was set to expire at the end of 2020. Tourism officials have said they have no plans to resume funding for public safety in the French Quarter as they focus on the tourism industry's recovery from the pandemic. Further, voters' rejection of the sales



FRENCH QUARTER SALES TAX BALLOT LANGUAGE

PROPOSITION: FRENCH QUARTER ECONOMIC DEVELOPMENT DISTRICT

“Shall a .245% increase in the sales tax be levied within the boundaries of the French Quarter Economic Development District (“FQ EDD”) to be collected on the sale at retail, the use, the lease or rental, the consumption and storage for use or the consumption of tangible personal property and sales of services within the boundaries of the FQ EDD for a period of five years, beginning July 1, 2021 and ending June 30, 2026 (an estimated \$2.5 million reasonably expected at this time to be collected as a result of the levy per year) for the purpose of funding POST Certified supplemental police patrols and homeless assistance services, with the initial \$2 million collected in any year dedicated to supplemental police patrols and any additional revenue to be divided between additional patrols and public safety programs (including homeless assistance), and administered by the French Quarter Management District for fiscal and operational oversight of the FQ EDD Trust Fund and services provided by such fund and subject to quarterly budget and expenditure reports to the City Council, to facilitate economic development within the FQ EDD?”

tax renewal in December 2020 eliminated the remaining source of recurring revenue. The State Police patrols ceased with the expiration of enabling agreements at the end of 2020. This has left the scaled-back Task Force, now under the City’s control, as the lone form of supplemental police patrols in the French Quarter. Prior to the pandemic, the patrols operated at an average of 50 hours per day. They now operate at an average of 32 hours per day. In April, the City began supplementing the Task Force with other NOPD patrols paid from the City’s General Fund to bring the average to 82 hours per day.⁷

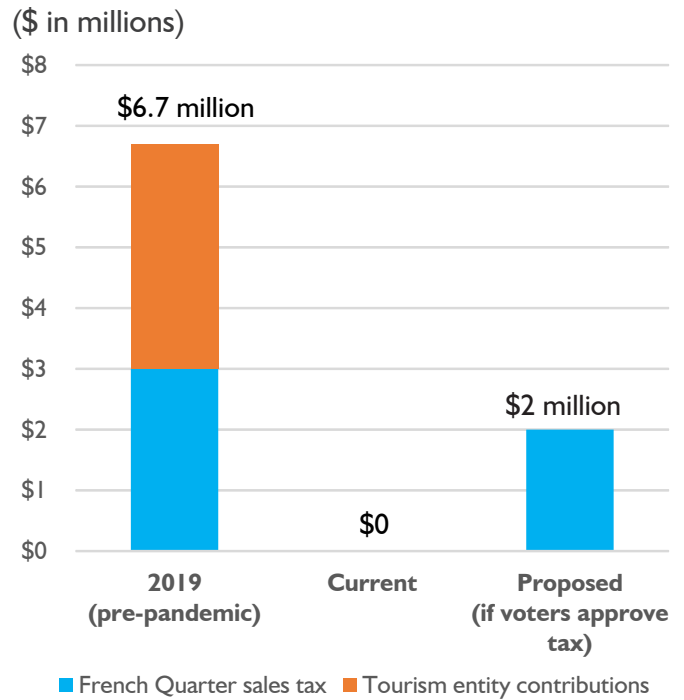
Competing Proposals for Deploying the New Tax

The current tax proposition differs in two key ways from the one voters rejected in December. First, it specifically directs the vast majority of the tax revenue to police patrols. The rejected proposition broadly stated that the revenue must go to enhanced and supplemental public safety services. Second, the current proposition gives the Management District an administrative and oversight role in the use of tax revenues.⁸ By contrast, the Management District had no designated role under the rejected proposition. Instead, the district had sought to negotiate an oversight role as part of an agreement that never came to fruition.

The primary sticking points in the unsuccessful negotiations last time were disputes over control of the tax proceeds and the City’s proposal to allocate nearly half of the money for patrols to patrols by City security officers. The Management District wanted a greater portion to go to police patrols. The current ballot proposition would resolve that disagreement in the Management District’s favor by requiring the first \$2 million to go to police patrols. Management District officials contend that the proposition also gives them control over the tax revenues. This is reflected in their proposal to make the district responsible for preparing budgets, taking receipt of the tax revenue and disbursing it.

However, the City has declined to sign an agreement that cedes control of the tax revenue to the Management District. Under the City’s proposal, the City’s Chief Administrative Officer would have the sole authority to prepare annual budgets for the police patrols and other

CHART A. DEDICATED FUNDING FOR SUPPLEMENTAL POLICE PATROLS IN THE FRENCH QUARTER



public safety services. The Management District would have to approve the budget without amendment and could not unreasonably withhold, condition or delay its consent. The City Council also would have to approve the budgets as the Tax District’s governing authority.

The disagreement over the scope of the Management District’s role extends to the administrative fee it would receive. The Management District has proposed a fee equal to 7% of tax receipts, capped at \$150,000 a year, while the City administration countered with 3% of tax receipts, capped at \$80,000. The Management District previously received \$150,000 a year from the tourism entities to cover its administrative expenses for the Task Force. The district has had no other source of revenue in recent years besides this administrative fee for operating the patrols. It plans to seek a source of recurring funding from the State Legislature.

The two parties are much closer on the structure and operations for the patrols. Under both proposals, on-duty NOPD officers working overtime would conduct the patrols in coordination with the NOPD’s 8th District cap-

tain and a full-time program supervisor, who would be an 8th District sergeant. Both proposals also include strong non-supplant clauses to provide verification that the tax-funded patrols do not take the place of regular patrols in the French Quarter by 8th District officers. Furthermore, the NOPD superintendent could not consider the on-duty, overtime officers when assigning NOPD officers to the 8th District. One significant difference is that the Management District's proposal would authorize it to select the sergeant to oversee the patrols and replace the sergeant for cause. The City opposes this, saying it cannot leave important public safety decisions up to the district. The City would allow NOPD to select the sergeant to oversee the patrols.

Both the City and Management District have proposed extensive reporting requirements on the uses of tax revenues to foster public accountability. The City's proposed agreement accepts and expands upon the Management District's proposals for direct accountability and reporting from both the supervising sergeant and the 8th District captain. In addition, the Management District, under both proposals, would develop performance metrics to continually assess the effectiveness of the public safety services and make changes as needed.

If voters approve the tax, the City Council would leave the money in a trust fund pending an agreement on spending and accountability plans.

ANALYSIS

In this section, BGR analyzes the tax proposition based on four criteria related to the efficient and effective use of public resources. This framework derives from BGR's research on government finance and taxation, as well as consultation with government finance experts. A government entity asking voters to approve a tax should demonstrate that:

- It has carefully planned how it will spend the tax revenue and has displayed responsible financial stewardship and accountability for taxpayer dollars.
- The tax is an acceptable way to fund the purposes in light of alternative funding options.

- The tax is appropriately sized to meet the needs specified in the plan.
- There is evidence indicating the tax would result in effective outcomes.

Have the City, Tax District and Management District carefully planned how they will spend the tax revenue, and have they displayed good financial stewardship and accountability for taxpayer dollars?

Spending Plan. Because the three parties have not entered into a cooperative endeavor agreement, the only established spending plan is the requirement in the ballot proposition that the first \$2 million in tax revenue go to supplemental police patrols, with any additional revenue divided between more patrols and other public safety services. The City and the Management District have both presented detailed proposals for using the tax revenue to continue and expand the supplemental patrols. Prior to the pandemic, the Task Force's patrols averaged 50 hours a day at a cost of \$1.2 million a year. With \$2 million in funding, the tax could support a projected 92 hours of patrols a day. But there is no guarantee that either plan will be implemented.

The two parties differ on the process for deciding how to use any tax revenue above \$2 million. Under the Management District's proposal, its board would decide the allocation of these revenues in consultation with a team of six agreement monitors. The monitors would include the 8th District captain, the City Attorney, a mayoral appointee, a Tax District representative, and the Management District's board chair and executive director. Under the City's proposal, the Chief Administrative Officer would establish a budget for revenues in excess of \$2 million. The agreement monitors would provide oversight by helping to evaluate the effectiveness of the various tax-funded public safety services.

Financial Stewardship and Accountability. Some public officials and French Quarter residents have expressed concerns about the City's level of accountability for the sales tax dollars it spent on the State Police patrols. The agreement for the patrols required the City to provide all net tax proceeds to the State Police. The State Police,

in turn, had to provide as many full-time troopers as the tax revenue would support but no fewer than 15. These overly broad terms sometimes made it difficult to get a clear picture of where the money was going. In another accountability issue, the agreement did not require the State Police to provide any data on their patrols, such as the number of arrests or citations issued. As a result, the City had no way to assess the effectiveness of the tax-funded patrols.

The sole accountability measure contained in the current ballot proposition would require the Management District to provide quarterly budget and expenditure reports to the City Council. Effective accountability will require a more extensive framework. To their credit, the two sides have made progress toward a detailed accountability framework, including monthly updates on Task Force finances and operations, an annual audited financial statement that accounts for all tax revenues and expenditures, and a process to regularly review the effectiveness of all public safety services funded by the tax. But these accountability measures have not yet been finalized through a binding agreement.

To reach an agreement, the City and the Management District must resolve their different interpretations of the Management District's administrative and oversight role that is set forth in the ballot proposition. As discussed earlier, the Management District views this role as granting it budgetary control of the sales tax revenue and significant involvement in NOPD officer deployment. The City counters that the role is more narrowly focused on oversight, with control of budgeting and NOPD deployment reserved to the City by its home rule charter.⁹ In summary, the ballot proposition provides only a rough framework for spending and accountability plans. While the City and Management District have proposed several measures to build on that framework, voters have no assurances that those measures will be implemented.

Is the tax an acceptable way to fund the purposes in light of alternative funding options?

Using a dedicated sales tax to fund supplemental public safety services in a neighborhood is a novel approach in

New Orleans. Local security districts typically pay for patrols through parcel fees or property taxes approved by voters residing in the neighborhood. This is appropriate in most cases because the property owners are usually the primary beneficiaries of the enhanced safety.

But the French Quarter is not an ordinary New Orleans neighborhood. Its residents are far outnumbered by visitors, who would not pay a parcel fee or property tax. The sales tax ensures that visitors pay the bulk of the cost of the enhanced security. This satisfies the “benefit principle” of good taxation that says those who benefit from public goods and services should pay the tax.

The fact that the vast majority of the tax revenue would come from visitors – as opposed to French Quarter residents, businesses or property owners – distinguishes this situation from traditional security districts funded by parcel fees or property taxes. It also appears to align with the City administration's position that the City should control the use of the tax revenue, and not the residents, businesses and property owners.

Is the tax appropriately sized to meet the needs specified in the plan?

With an exemption for hotel room rentals, the tax would generate an estimated \$2 million in the first 12 months. This would leave no revenue for public safety services other than police patrols. If the tax were applied to hotel rooms, the additional \$500,000 in revenue could support non-patrol services, such as homeless assistance, code enforcement and addressing quality-of-life issues. Such services would align with key recommendations by the Management District's security consultant.¹⁰

The City Council and Management District said the planned exemption for hotel room rentals is intended to help French Quarter hotels remain competitive with other hotels in New Orleans and across the country. The council should demonstrate that the tax – which amounts to 44 cents for a typical room charge of \$180 – would create an actual competitive disadvantage.

Even if it were able to make such a justification, the forgone tax revenue combined with several other factors



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The exemption for hotel room rentals would unfairly concentrate the tax burden on other French Quarter businesses that also have nearby competitors that are not subject to the tax.
”

may outweigh any concerns about competitiveness. First, the exemption does not satisfy the previously discussed benefit principle of good taxation. Hotels and their guests would benefit from the enhanced public safety services, but they would not have to pay the tax on the room charge. Second, a comprehensive BGR report on New Orleans hotel taxes identified a well-established national norm of applying all sales taxes to hotel room rentals.¹¹ Third, BGR research for that same report also found several instances of special districts in a dozen peer cities that had higher hotel tax rates than the rest of the city. Fourth, the exemption for hotel room rentals would unfairly concentrate the tax burden on other French Quarter businesses that also have nearby competitors that are not subject to the tax. Finally, the exemption, when combined with the tourism industry’s withdrawal of funding from its hotel tax revenues, would mean that no hotel room tax revenue would go to enhanced public safety. For these reasons, the City Council should reconsider its plans to exempt hotel room rentals from the tax.

The proposed tax would be the only dedicated revenue source for enhanced public safety in the French Quarter. With the hotel exemption, the tax would replace just 30% of the \$6.7 million spent on those services in 2019, before the tourism industry withdrew its funding.

The amount of revenue the tax would generate is linked to the level of economic activity in the French Quarter. This helps to keep the tax receipts aligned with public safety needs. During the current downturn in tourism, tax receipts have declined as has the need for supple-

mental patrols. As tourism rebounds, so will the tax receipts, providing revenue to expand public safety services. If tax receipts return to their pre-pandemic levels, it is more likely that the tax will provide sufficient revenue to meet the French Quarter’s public safety needs. Thus, BGR finds that the size of the tax, without the exemption on hotel room rentals, is appropriate to preserve a basic level of supplemental public safety services and expand it as tourism and tax revenues recover.

Is there evidence indicating the tax would result in effective outcomes?

With the vast majority of the tax revenue dedicated to supplemental police patrols, this question largely hinges on the effectiveness of those patrols in reducing crime. As BGR noted in its report on the December tax proposition, the rising French Quarter crime rates that led to the supplemental patrols in 2015 have generally stabilized.¹² But given the multitude of complex factors that drive crime rates, it is difficult to attribute public safety outcomes to a specific initiative, such as the Task Force patrols.

Still, proponents of the Task Force note that it has employed policing tactics shown to be effective. This includes officers maintaining a high-profile presence with flashing blue lights atop their Smart cars, which can help deter crime. The officers also are highly accessible to the public via an app that citizens can use to report suspicious activity. In 2019, the last year the Task Force operated at full capacity, officers responded to 6,271 calls for service, made 13,044 citizen contacts, performed 5,110 business checks, made 222 arrests and

apprehensions, wrote 1,060 summons and traffic citations while patrolling 62,462 miles.¹³

The proposed change to use the tax revenue to fund patrols by NOPD officers, as opposed to State Police, is in line with a Management District security consultant's recommendation to consolidate fragmented public safety services in the French Quarter.¹⁴ At least eight different public entities are involved with policing and security in areas of the French Quarter. This risks duplication of services and other inefficiencies. The consultant found that French Quarter public safety as a whole is well funded and staffed, but it suffers from a lack of coordination among the different entities. The proposed expansion of the NOPD patrols would be a step toward greater consolidation and coordination. In addition, both the City administration and Management District said they will monitor performance measures for the various programs funded by the tax revenue. They said the data will inform adjustments to increase the likelihood of effective outcomes.

But all of this requires an agreement between parties that are far apart on the fundamental issue of who will control the tax revenue. Management District officials say that while they prefer having NOPD officers conduct the patrols, they could seek an agreement with another law enforcement agency if they cannot reach an agreement with the City. However, this would perpetuate the fragmentation of police services in the French Quarter. The Management District indicated it also could seek to continue operating the Task Force with off-duty NOPD officers through an agreement with the City Council that does not involve the City administration. But this would produce only limited coordination between the Task Force and NOPD's 8th District, potentially reducing the effectiveness of the patrols. Moreover, City administrators contend that as the tax collector and custodian of the trust fund, the City must be party to any agreement concerning the transfer of the tax revenue. They said they would not agree to turn the revenue over to the Management District, thereby precluding the district from pursuing these alternative patrol structures.

This sets up the possibility of a legal dispute over control of the tax revenue that could end up in court. If

that happened, the tax revenue would accumulate in the trust fund during the litigation, making it unavailable to improve public safety.

CONCLUSION

The City administration and Management District have proposed similar spending plans that are backed by evidence supporting the likelihood of effective outcomes. However, they have a fundamental disagreement over control of the tax revenue. If voters approve the tax, it will be up to the City Council to attempt to resolve the issue as the governing authority of the Tax District.

A key question is whether the City's past shortcomings in overseeing the State Police patrols necessitate delegating control of the tax revenue to the Management District. Because policing is a core municipal function, the City and NOPD are ultimately responsible for public safety in the French Quarter. Thus, funding for police services should generally flow to the City to help it meet this obligation. Directing a portion of local public safety funding to a State entity, such as the State Police or Management District, could perpetuate fragmentation and inefficiencies in policing the French Quarter. On the other hand, proponents of the Management District's control of the tax revenue say the district's strong record of transparency and accountability in operating the Task Force is essential for public confidence in the use of those revenues. But it is not clear that the same result could not be achieved through the extensive accountability measures the City has proposed and robust oversight by the Management District of the City's tax expenditures.

The issue of financial control is further complicated by the ballot language specifying the Management District's role, which is subject to competing interpretations regarding the extent of the City's control over the revenue. All of this uncertainty places voters in a difficult position as they do not know how the parties will spend and account for the tax revenue. There is also a risk that the impasse could result in less effective public safety services, depending on potential legal challenges. This is particularly unfortunate because the parties could have provided clarity by reaching an agreement on the use of tax revenues before placing the tax proposition on the ballot.

BGR POSITION

AGAINST. Ensuring adequate public safety is essential to the French Quarter’s continued economic, residential and cultural vitality. BGR recognizes that additional resources are necessary to meet this need, but the City administration and French Quarter Management District have not resolved their disagreement over control of future tax revenue. This leaves voters without spending and accountability plans to determine whether the tax will fulfill its intended purposes. Moreover, some options to move past the dispute could diminish coordination and increase fragmentation in French Quarter public safety services. These significant shortcomings undermine confidence that the tax revenue will be well spent and address the French Quarter’s public safety concerns.

The findings in this report suggest the best path forward would include: (1) on-duty New Orleans Police Department officers conducting the supplemental pa-

trols to further the consolidation and coordination of police services in the French Quarter; (2) City control of the tax revenue to help it meet its public safety responsibilities; and (3) robust financial and operational oversight by the French Quarter Management District to enhance public accountability and the effectiveness of tax expenditures. However, these outcomes are far from guaranteed by the tax proposition.

If voters approve the tax, the City Council should reconsider its plans to exempt hotel room rentals. The exemption would unfairly concentrate the tax burden on other businesses while significantly reducing or even eliminating the revenue available for public safety services other than policing. In addition, the council should prioritize patrol structures that utilize New Orleans Police Department officers. This is important to reduce the problematic fragmentation of policing in the French Quarter and improve collaboration with NOPD’s regular patrols.

ENDNOTES

- 1 Food and beverages purchased at restaurants, bars and other food service establishments in New Orleans are generally subject to an additional 0.75% sales tax dedicated to the New Orleans Ernest N. Morial Convention Center.
- 2 While the ballot language does not exempt hotel room rentals, the City Council told BGR it plans to do so via a resolution levying the tax.
- 3 The police officers must be certified through the Peace Officer Standards and Training program established in State law. See La. R.S. 40:2401 et seq.
- 4 The City is operating the Task Force patrols under a three-month agreement with the City Council that would have to be extended to continue the patrols.
- 5 From 2010 to 2014, the French Quarter had a 27% increase in crimes against persons and a 63% increase in crimes against property. The uptick in crime included a high-profile Bourbon Street shooting in 2014 that killed one person and injured nine others. During the same timeframe, the number of officers assigned to the NOPD’s 8th District, which includes the French Quarter, had dropped 35%.
- 6 See Bureau of Governmental Research, [On the Ballot: October 24, 2015](#).
- 7 The City said it began supplementing the Task Force earlier this month, primarily on Saturdays and Sundays, using revenue from the General Fund revenue budgeted for police overtime. Combined, the supplemental patrols total 576 hours per week. It plans to continue the additional patrols through the end of 2021, regardless of whether voters approve the tax proposition.
- 8 The proposition states, in pertinent part, that the sales tax would be “administered by the French Quarter Management District for fiscal and operational oversight of the FQ EDD Trust Fund and services provided by such fund and subject to quarterly budget and expenditures reports to the City Council.”
- 9 New Orleans’ charter gives the power to levy taxes to the City Council (Sec. 3-101) and directs the City’s finance director to collect them (Sec. 4-1301). The charter also gives the NOPD superintendent control over the police force (Sec. 4-501). The French Quarter Management District’s enabling legislation appears to prohibit it from superseding the city’s home rule powers and functions. See La. R.S. 25:799(D)(2)(a).
- 10 Interfor International, *Physical Security Assessment*, June 23, 2020.
- 11 BGR, [The Lost Penny: An Analysis of the Orleans Parish Hotel Tax Structure](#).
- 12 BGR, [On the Ballot: French Quarter Sales Tax Renewal, December 5, 2020](#), pp. 7-8.
- 13 Information provided by the Management District.
- 14 Interfor International.

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