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BGR MEDIA RELEASE

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BGR Analyzes French Quarter Sales Tax Proposition on April 24 Ballot

Today, the Bureau of Governmental Research (BGR) releases [*On the Ballot: French Quarter Sales Tax, April 24, 2021*](#). The report is intended to help French Quarter voters make an informed decision on a proposition 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 that administered a supplemental patrol program from 2015 to this February called the French Quarter Task Force (Task Force). It utilized 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 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.

The report's key findings include 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.
- If the City Council exempts hotel room rentals from the tax as it is considering, 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.
- The proposed use of NOPD officers would align with a Management District security consultant's recommendation to consolidate fragmented public safety services in the French Quarter. And 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 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.

Based on this analysis, BGR takes the following 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 of 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.

[A two-page InBrief summary of the report is available here.](#)

[BGR's full *On the Ballot* report is available here.](#)

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information, call (504) 525-4152 or visit BGR's website, www.bgr.org.