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BGR MEDIA RELEASE

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BGR Analyzes New Orleans Library and Housing Tax Propositions on the December 11 Ballot

Today, the Bureau of Governmental Research (BGR) releases a new report that analyzes proposed 20-year property taxes for public libraries and housing that New Orleans voters will decide in the December 11 election. *On the Ballot: New Orleans Library and Housing Taxes, December 11, 2021*, is intended to help voters in New Orleans make informed decisions on the tax propositions. The report also provides BGR's positions in support of the library tax, but against the housing tax. Click here to read the full report or the InBrief summary.

The New Orleans City Council placed the propositions on the ballot after voters rejected a larger proposal in December 2020 to replace and rededicate four existing property taxes for libraries, housing and economic development, streets, and capital improvements. That package would have kept the same combined 5.82-mill rate but redirected a significant portion of the library's revenue to the other purposes as well as to new ones such as early childhood education. Following the defeat, the City of New Orleans administration did not seek to put the taxes back on the ballot.

The council's propositions would continue dedicated funding streams for libraries and housing, but tax dedications for economic development, streets and capital improvements will expire at the end of this year. The City administration has said it will determine whether to try to revive any of the expiring taxes, seek taxes for other purposes or continue without additional revenue dedications. Just last week, the City Council announced its intent to seek voter approval this spring for a new 5-mill tax to support early childhood education.

Library Tax Proposition

The library tax proposition would reauthorize the New Orleans Public Library system's dedicated tax for operations that voters approved in 1986 and expand its permissible uses to capital needs, such as buildings. While library officials have requested to continue the current levy of 2.58 mills for 2022, the proposition asks voters to approve up to 4 mills. The City Council will decide what portion of the maximum rate to levy each year.

At the current 2.58-mill rate, the tax provides slightly more than $10 million in annual revenue, or about half of the library system's total operating revenue. Other revenue comes mostly from a supplemental 2.33-mill property tax that voters approved in 2015.

BGR's report finds that the library system has planned its use of the tax revenue to ensure that it will continue providing the current service level while also offering new programs and resources that align with its new strategic plan. The 10-year plan, developed with extensive community input, envisions initiatives to develop children's creative and thinking skills, expand the library's role in workforce development and improve access to library resources for all residents.

While the library's requested 2.58-mill rate aligns with the needs of its spending plan and targets an acceptable level of financial reserves, the proposition's maximum rate of 4 mills would not. At that rate, the tax would produce $5.5 million more in 2022 than the Library needs for its spending plan. BGR calls on the City Council to maintain consistent fiscal oversight through its authority to approve the library's budget and set its millage rates.

In addition, BGR highlights the need for the library system's governing board to ensure public reporting on progress toward annual strategic objectives and conduct an annual performance review of the next library director it hires. Before publishing its report, BGR considered the previous director's resignation earlier this month and obtained clarifications on the status of the system's plans in a discussion with library officials.

Based on this analysis, BGR takes the following position on the library tax proposition:

> **FOR.** BGR supports the tax based on the Library's request to continue its dedicated millage revenue at the existing level. At the current rate of 2.58 mills, the tax provides about half of the system's budget. The Library has used its existing tax revenue to increase its value to residents by expanding services. Continuing this revenue stream will allow the Library to sustain its current service level and implement its new strategic plan. The plan reflects community priorities and seeks to extend the Library's value to more residents. In addition, it has developed a spending plan based on current tax revenue that would reduce its substantial fund balance to an acceptable level. Without the tax, the Library would be unable to implement the strategic plan and, after initially reducing services, would have to make substantial cuts to operations once it exhausted its fund balance.
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> Voter approval of the proposition would allow the City Council to levy up to 4 mills, which would generate significantly more revenue than the Library's current spending plan requires. This authority could result in an excessive tax when New Orleans faces many demands on its public resources. To respond to this concern, the council should maintain the Library's existing level of tax revenue and consider a request for a rate increase only if the Library demonstrates it is necessary.
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> Strengthening accountability measures is also important, especially considering that voters will not get another say on the tax for 20 years. The City Council should closely monitor the Library's fund balance to ensure that the tax does not generate surpluses. The City should track the fund balance in its public budget documents. In addition, the Library's board of directors should require regular public reporting on progress toward achieving annual objectives that align with the strategic plan's three focus areas and conduct an annual performance evaluation of the library director.

Housing Tax Proposition

The proposed 0.91-mill, 20-year housing tax would continue the approach of the existing tax, which the City currently levies at the same rate, by directing revenue to the City's Neighborhood Housing Improvement Fund (Housing Fund). City Council ordinances, as amended since the tax took effect in 1991, govern the fund and direct its revenue to homeownership opportunities, blight remediation and rehabilitation, and affordable rental housing for low-and moderate-income residents. But the proposed tax would allocate all revenue to the Housing Fund. This would be a key change from the existing tax, which lets the City allocate revenue between the Housing Fund and a separate special fund for economic development in any proportion it chooses.

While there are many ways the tax can support affordable housing and neighborhoods, the City has not developed a spending plan that shows how it would use the tax to achieve specific housing development or neighborhood improvement objectives. The absence of such a plan prevented further analysis of the appropriate size of the tax or its potential to effectively address New Orleans' housing problems. While the City has used the expiring tax to fund some initiatives that evidence suggests have or will produce successful outcomes, BGR could not determine how much the City would direct to these or similar programs and initiatives. In addition, the report raises concerns about the City's accountability for the existing tax revenue and the effectiveness of the City Council's oversight of the Housing Fund.

Based on this analysis, BGR takes the following position on the housing tax proposition:

> **AGAINST.** New Orleans' significant housing affordability problems have expanded since the onset of the pandemic and require carefully crafted policy solutions. However, critical gaps in the City's planning and accountability for the tax undermine its potential effectiveness. The City has not developed a plan that shows how it would use the revenue to achieve specific housing creation or preservation targets. The lack of a spending plan committing the tax revenue to specific initiatives diminishes accountability. It leaves the public without a means of assessing whether the tax accomplished defined objectives and holding the City responsible. In addition, unexplained drops in the Housing Fund's revenue from the existing tax and failure to follow required budget planning processes in 2020 and 2021 raise serious accountability concerns and questions about the effectiveness of the City Council's oversight.
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> Before asking voters to consider another dedicated tax for housing, the City should adopt oversight, planning and evaluation practices that will ensure accountability for – and effective results from – the revenue. In the interim, the Housing Fund will continue to receive revenue from short-term rental fees, and the City could use its General Fund revenue to support high priority housing initiatives and leverage other housing funding sources.

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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.