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BGR: Improving Drainage in New Orleans Will Take a Careful Funding Solution

While most New Orleans citizens and officials recognize that the city's drainage system has major financial needs, the community has valid questions about how those needs should be addressed. The Sewerage & Water Board must offer a fair, transparent and accountable funding proposal to earn public trust and lay the groundwork for using the new funding to improve drainage system performance, according to a new report released today by the Bureau of Governmental Research (BGR).

[Paying for Drainage: Creating Fair, Transparent and Accountable Stormwater Funding for New Orleans](#) examines the Sewerage & Water Board's ongoing effort to develop a drainage funding proposal to supplement its existing property tax revenue. These taxes, which account for most of the drainage system's \$90 million in annual revenue, have not kept pace with the system's needs – and \$54 million (60%) is at risk if voters don't renew them over the next six years.

BGR's report also reviews preliminary Sewerage & Water Board estimates showing a \$35 million to \$60 million annual funding gap for traditional "gray" drainage infrastructure, with additional shortfalls for "green" rainfall retention projects that help reduce strain on pipes and pumps.

The Sewerage & Water Board could put forward a funding proposal to address these issues as soon as this year. Any proposal would require approvals by the New Orleans City Council, other governmental bodies and, ultimately, New Orleans voters. Because the utility has not issued a formal proposal, BGR is not taking a position in this report. Rather, BGR offers independent guidance on how the utility can craft fair, transparent and accountable stormwater funding for New Orleans' drainage needs. Citizens and community groups can use this report to assess the future proposal.

The centerpiece of the Sewerage & Water Board's proposal is expected to be a stormwater fee, combined with a long-term extension of some or all existing drainage property taxes. A fee would be paid by both taxable and

tax-exempt properties based on a property's impervious surface area, offering a fairer way to raise new revenue in a city where 37% of assessed property value is exempt from property taxes despite benefiting from the drainage system. Hundreds of U.S. cities have adopted stormwater fees, although New Orleans would be the first in Louisiana.

"A stormwater fee is a promising funding solution for New Orleans' drainage challenges, but the Sewerage & Water Board's proposal needs careful design and oversight," said Rebecca Mowbray, BGR president, CEO and Samuel Zemurray Chair in Research Leadership.

As explained in the full report, BGR recommends that the Sewerage & Water Board, in coordination with City officials, take several steps before issuing a funding proposal for public consideration:

- **Develop an accurate, comprehensive and public spending plan.** A spending plan for new drainage system revenue should identify system needs and set funding priorities for both the Sewerage & Water Board and the City, including gray and green infrastructure.
- **Set up effective and transparent management of stormwater fee revenue.** The strategy should cover how the Sewerage & Water Board and the City will lead planning for stormwater management and provide the public with an easy dashboard to track financial and system performance.
- **Clearly justify any tax-and-fee combination.** The utility should explain why retaining some property taxes is necessary to meet New Orleans' drainage challenges, how its proposed approach meets legal standards, and how it compares with alternatives.
- **Consider increasing the number of tiers in the stormwater fee structure to enhance fairness and affordability for homeowners.** The use of tiers in a stormwater fee structure can deliver greater equity and affordability compared to a single flat rate.
- **Enhance City Council and citizen oversight of drainage system revenue.** The council should have a clear process for reviewing tax and fee funding requests and monitoring drainage system performance. A citizen-led stormwater advisory committee can support the council's oversight.

"By addressing these issues upfront, local leaders can offer voters a fair way to fill New Orleans' extensive drainage funding gaps, while ensuring public dollars are used effectively and responsibly," Mowbray said.

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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, call (504) 525-4152 or visit www.bgr.org.

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