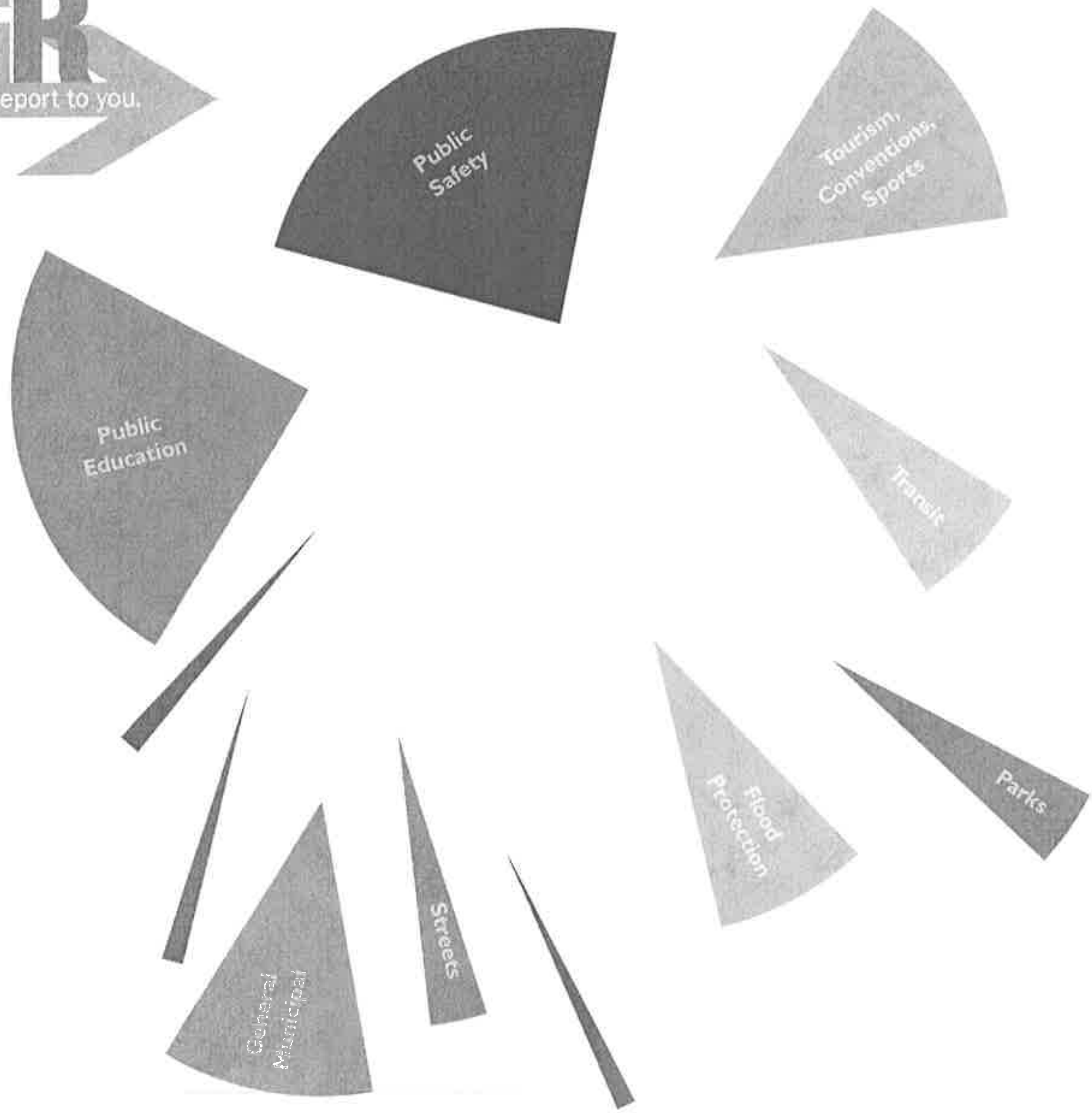

THE $1 BILLION QUESTION

Do the Tax Dedications in New Orleans Make Sense?

A Report from the Bureau of Governmental Research | **NOVEMBER 2015**

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BGR

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EXECUTIVE SUMMARY

There has been much discussion in recent years about the City of New Orleans' inability to address basic needs and meet its financial obligations. Citizens are well aware that their streets are in a shameful state, that water lines are broken and that the City owes firefighters tens of millions of dollars to settle judgments. They are also aware that the City lacks the resources to address these issues.

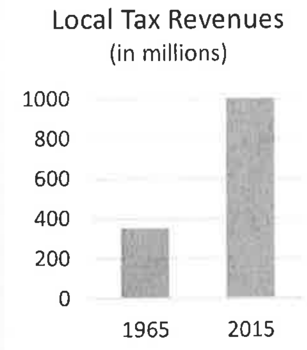
But what they may not realize is that the scarcity of resources plaguing City government does not extend to all government entities in Orleans Parish. They may not realize that, over the course of several decades, significant new taxes have been imposed and dedicated to special purpose entities. They may not be aware that certain local tax-recipient entities are so flush with revenue that they have been amassing significant surpluses. One of these entities continues to receive substantial tax dedications for a project that never came to fruition.

The problem of service and infrastructure deficiencies is not new to New Orleans. A half century ago, BGR released a report entitled *Dimensions and Solutions of New Orleans' Financial Dilemma*. It noted that basic municipal services and infrastructure were starved for funding.

Since then, tax rates for entities in New Orleans have increased significantly. The local millage rate has doubled from an estimated 74 mills[1] to 148.7 mills. The local sales tax rate, which was 1% in 1965, is now 5%. The local hotel tax rate, which was also 1%, has ballooned to more than 15% for most hotel rooms.[2]

Property, sales and hotel tax revenues have nearly tripled, rising from an inflation-adjusted $352 million in 1965 to $1 billion today. Yet the chronic underfunding of basic city services and infrastructure persists.

Chart B: Change in Tax Revenues, 1965-2015

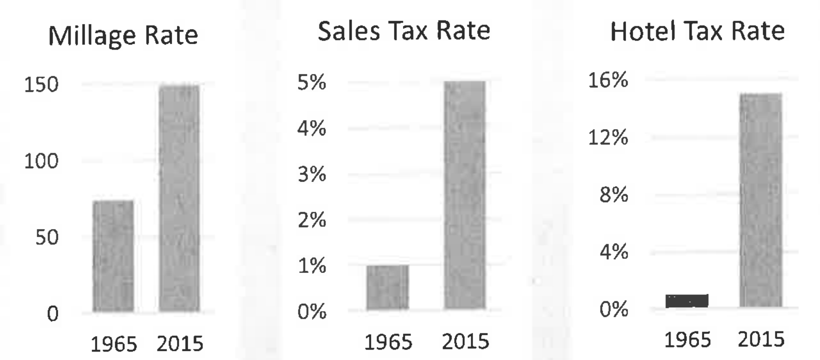


Note: 1965 revenues are in 2015 dollars.

Multiple factors have contributed to the problem. One of them is the proliferation of tax-recipient bodies. In 1965, all local taxes were dedicated to a handful of entities that provided basic government services and infrastructure: the City, the Sewerage & Water Board, the Orleans Parish School Board and a citywide levee district. A large portion of the new taxes levied since then has gone to a multitude of other entities, including the Regional Transit Authority, the Ernest N. Morial New Orleans Exhibition Hall Authority, the Louisiana Stadium and Exposition District, the New Orleans Convention & Visitors Bureau, the New Orleans Tourism Marketing Corp., the Audubon Commission, the New Orleans Public Library and the Orleans Parish Law Enforcement District. The total number of entities receiving dedicated tax revenues now exceeds 60.

Currently, only one-fourth of local tax revenue is available to the city government for broad municipal purposes. The remainder is dedicated to specific municipal purposes or to other entities. These sizable dedications limit the city government's ability to provide basic services and infrastructure and meet pressing financial obligations.

Chart A: Changes in Orleans Parish Tax Rates, 1965-2015



Note: BGR adjusted the 1965 millage rate upward to reflect changes in assessment methods and exemption practices. The actual rate was 37.5 mills.

Table 1: Top Orleans Parish Entities By Tax Receipts, 2015 Estimates
(Dollar figures are in millions.)

Entity	Total Taxes	Share
City of New Orleans	$429.2	40.9%
Orleans Parish School Board	$255.5	24.3%
Regional Transit Authority	$72.1	6.9%
Ernest N. Morial N.O. Exhibition Hall Authority	$58.2	5.5%
Louisiana Stadium and Exposition District	$56.5	5.4%
Sewerage & Water Board (for drainage)	$48.5	4.6%
Orleans Levee District	$32.4	3.1%
New Orleans Convention & Visitors Bureau	$16.6	1.6%
New Orleans Tourism Marketing Corporation	$11.8	1.1%
Assessor's Office	$10.2	1.0%
Other entities (51)	$59.2	5.6%
TOTAL	**$1,050.3**	**100.0%**

Source: BGR calculations using the methodology set forth in Appendix A.

Notes: The city's figures include its collection fees for the various taxes. Numbers may not add due to rounding.

The tax dedications were approved in piecemeal fashion over the course of many years with little planning and accountability. The allocation of resources that evolved from this ad hoc process has not been re-evaluated in the context of changing conditions and current needs. Given the limited public funds to satisfy those needs, New Orleans cannot afford to continue down this path.

It is time for the mayor to initiate a review of the community's spending priorities and develop a comprehensive plan to identify and address its most pressing needs. Reassessing tax dedications is a key component of that planning process. Specifically, the City should carry out an initial review focused on identifying the most clearly justified opportunities to redeploy funding to meet urgent priorities, and do so in time to craft an agenda for the 2016 legislative session. Next, the City should undertake a comprehensive re-evaluation of tax dedications and develop a broad plan to address the community's priorities in advance of its 2017 budget.

In this report, BGR provides information essential to that analysis by creating a composite picture of where local tax revenues go. Specifically, BGR presents information on local tax allocations by entity and by purpose. It also brings to the public's attention a number of situations that illustrate the problems that can arise from an ad hoc approach to tax dedications. (See sidebar on page 6 for details on taxes that the report treats as local.)

It is beyond the scope of this report to evaluate whether the overall allocation of tax dollars is appropriate. Rather, the purpose is to help the public and policymakers see where local tax dollars are going and to encourage discussion of how well the tax allocations align with New Orleans' needs.

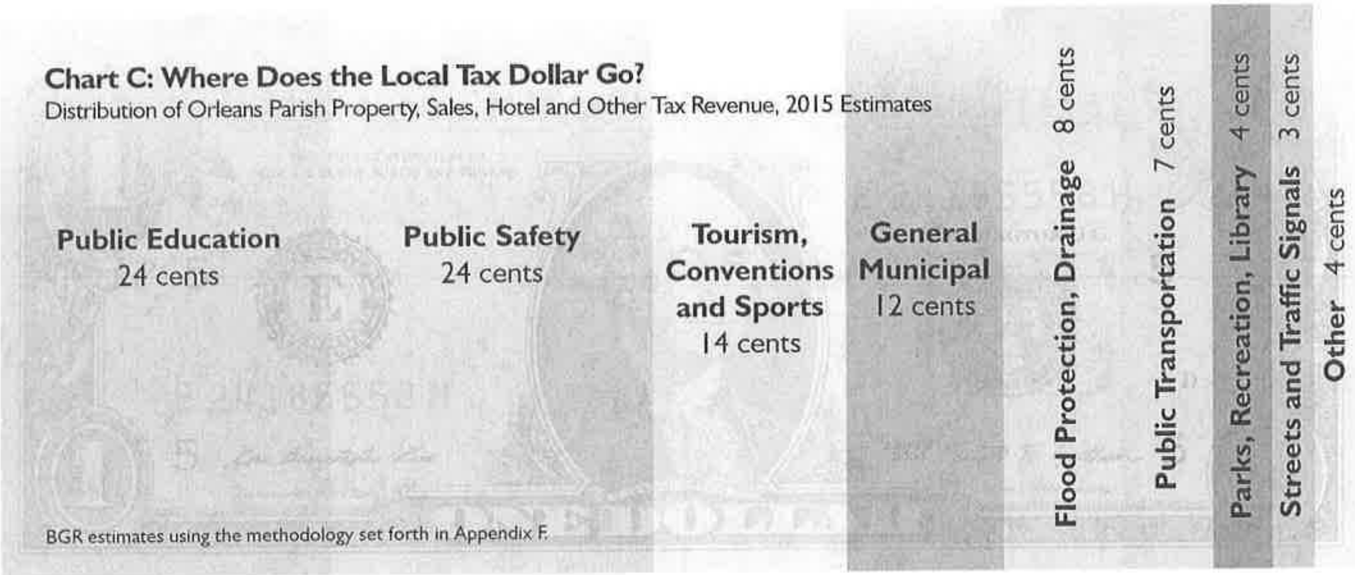
Some of BGR's findings are not surprising. For example, two basic governmental functions, education and public safety, receive the largest shares of tax revenues.

Other findings might come as a surprise either because of the relatively large or small shares dedicated to certain purposes. For example, 13.9% of all local tax revenue goes to tourism, conventions and sports. That is more than one and a half times the percentage for flood protection and drainage. At the lower end of the spectrum, BGR found that the category that includes streets received a mere 3.1%.

BGR did not conduct a systematic analysis of the appropriateness of every tax dedication currently in effect. However, in the course of the research for this report, BGR came across a number of taxes that stood out because they illustrate the problems that can arise from

A WORD ON DEDICATIONS

In this report, BGR is not taking a position against tax dedications in general. Rather, the report highlights problems that can occur when tax dedications proliferate in an ad hoc manner and are not periodically reassessed in the context of other needs.



an ad hoc approach to taxation. These tax dedications include the Convention Center's funding for its scuttled Phase IV expansion, the 1.75% assessment collected from hotel guests in most hotels in the city, the RTA's sales and hotel taxes, and the assessor's 2% cut of all property taxes.

Convention Center Funding

The Ernest N. Morial New Orleans Exhibition Hall Authority (Convention Center) has amassed a startling surplus of nearly $200 million. This is five times its $40.2 million operating budget for 2015.

The Convention Center has accumulated much of its surplus since 2002, when the state Legislature imposed a 1% hotel tax and a 0.25% citywide food and beverage tax to fund Phase IV of the complex. The Convention Center decided not to pursue the expansion project after Hurricane Katrina, but continues to receive the taxes intended to fund it. These taxes are expected to generate $15 million this year, the equivalent of about five mills of property tax.

The situation is troubling for a number of reasons. First, the project for which the taxes were levied has been abandoned. Second, the sheer magnitude of the Convention Center's pool of reserves strongly suggests that its tax revenues have far exceeded its needs in recent years. Third, while the Convention Center is holding the astonishing sum of nearly $200 million, the City lacks the funding to provide the most basic services and infrastructure.

Rededicating the Phase IV taxes or redeploying a substantial portion of the Convention Center's surplus could help the City meet basic needs. Whether this should happen is precisely the type of question that needs to be considered as part of a comprehensive review of the use of taxes in New Orleans.

The 1.75% Hotel Assessment

During the 2014 legislative session, the City asked the Legislature to allow it to seek voter approval for a 1.75% hotel tax increase.[3] State and local tourism officials opposed the bill, saying it would raise hotel taxes too high and drive tourists to other cities.[4] The bill failed.

The tourism officials may have had a point, but the problem was partly of their own creation. The previous year, the Convention & Visitors Bureau, a private nonprofit, had sought and received authority to levy at its member hotels a 1.75% assessment that BGR considers to be the functional equivalent of a tax. (See the sidebar on page 14 for the reasons). The Convention & Visitors Bureau retains 0.75% of the assessment and gives 0.75% to the Tourism Marketing Corp. and 0.25% to the City for public safety and improvements in the French Quarter. BGR had objected to the authorizing legislation on the grounds that it would consume a portion of the city's finite taxing capacity without voter approval or analysis of competing needs.

The tale of the dueling taxes illustrates the problem with a first-out-of-the-gates approach to taxes: There was no consideration of how limited resources should be applied to competing needs. Whether the 1.75% assessment is an appropriate allocation of local tax capacity is another example of a matter that should be evaluated in the context of a comprehensive review of tax dedications.

The Regional Transit Authority's Dedications

In 1985, voters approved a 1% sales tax for the RTA. Since then, ridership has plunged by 68%. While the factors that have contributed to this decline may be complex, the huge drop illustrates the potential problems with some permanent tax dedications: The tax remains in place, unexamined, despite a dramatic change in circumstances. And in 2000, the RTA began collecting an additional hotel tax.

Permanent taxes for single-purpose entities also allow for large capital investments without consideration of competing local needs. Recently, the RTA funded the 1.6-mile Rampart streetcar line, at a cost of $41.5 million, solely from the proceeds of bonds backed by local taxes. Other recent streetcar expansion projects received federal grants that covered 75% to 80% of the costs.

Clearly, more study is necessary before any conclusions can be drawn about the RTA's funding level. However, the steep ridership decline while the RTA's tax dedications have actually grown illustrates a potential problem with permanent dedications. These permanent dedications are the type of taxes that should be considered as part of a comprehensive review of the use of taxes in New Orleans.

The Assessor's Funding Formula

State law directs 2% of property taxes levied in Orleans Parish to the assessor's office. This funding mechanism is problematic because it gives the assessor more revenue each time voters approve taxes for unrelated purposes. In addition, the revenue it generates has little connection to the office's workload.

The assessor's tax dedication has generated sizable operating surpluses. From 2011 to 2014, these surpluses averaged $2.8 million a year, enabling the office to retire bonds for a new data system several years early. Now debt-free, the office ended 2014 with a $7.7 million fund balance, the equivalent of 110% of its annual operating expenditures.

This is yet another example of a dedication that should be reconsidered in the context of other needs. It makes no sense to base funding for the assessor's office on total property tax collections.

Recommendations

It is time to review current taxes in New Orleans and identify those that are ripe for rededication to basic municipal needs. The City is the only general purpose government entity in the parish and the one in the direst financial straits. Therefore, the mayor must take the lead in pursuing all appropriate changes to local tax dedications.

1. The City should carry out an initial review focused on identifying the most clearly justified opportunities to redeploy funding to meet urgent priorities. The City should complete that review in time to craft an agenda for the 2016 legislative session. The local legislative delegation should cooperate in executing the City's agenda.

2. Next, the City should undertake a comprehensive re-evaluation of tax dedications and develop a broad plan to address the community's priorities in advance of its 2017 budget. All taxes, except those for the most basic infrastructure and services, should be placed on the table for possible rededication. The City should evaluate all such taxes, not in terms of each taxing body's ambitions, but in the larger context of the community's needs. Ultimately, this mayor should present a program for funding and executing the plan.

Policymakers owe it to the public to make sure existing revenues are deployed optimally.

INTRODUCTION

A half-century ago, BGR issued a report entitled *Dimensions and Solutions of New Orleans' Financial Dilemma*. It noted that a key problem facing the City was that basic municipal services and infrastructure were "languishing for lack of funds."[5] The same could be said today. A decade after Hurricane Katrina, Orleans Parish is facing a perfect storm of competing demands for better government services along with a host of major new expenses.

Crumbling streets. Dwindling police ranks. Leaky water lines. Costly drainage upgrades. The firefighters' pension system bailout. Court-ordered reforms at the Orleans Parish Prison. Meeting all of these needs would cost billions of dollars.

To begin addressing them, local government can take the well-worn path of asking the public to contribute more. Typically, the contributions come in the form of increased property taxes.

Or it can take another path, one rarely traveled: the rededication of existing taxes.

Locally generated tax revenues have grown to the point where they now surpass $1 billion. However, a large portion of the revenue is unavailable for basic municipal services. That's because the funds are dedicated to other entities or purposes.

The tax dedications were approved in piecemeal fashion over the course of many years with little planning and accountability. The allocation of resources that evolved from this ad hoc process has not been re-evaluated in the context of changing conditions and current needs. Given the limited public funds to satisfy those needs, New Orleans cannot afford to continue down this path. It is time to review the community's spending priorities and develop a comprehensive plan to identify and address its most pressing needs. Reassessing tax dedications is a key component of that planning process.

In this report, BGR provides information critical to that analysis by creating a composite picture of where local tax revenues go. Specifically, it presents information on local tax allocations by entity and by purpose. It also brings to the public's attention a number of situations that illustrate the problems that an ad hoc approach to tax dedications can create.

METHODOLOGY

In preparing this study, BGR reviewed financial statements, budgets, audits, cooperative endeavor agreements and other documents relating to funding for the various entities that receive Orleans Parish tax revenues. It also collected financial data from the entities.

BGR interviewed officials with the entities that this report discusses in detail and gave them the opportunity to review a draft report and provide comments and corrections. In addition, BGR reviewed various studies and reports on government funding. Previous BGR research also informed the report.

It is beyond the scope of this report to evaluate whether the overall allocation of tax dollars is appropriate. Rather, the purpose is to help the public and policymakers see where local tax dollars are going and to encourage discussion of how well the tax allocations align with New Orleans' needs.

The report focuses on the portion of funding for Orleans Parish entities that is generated by local taxes and two state taxes that are collected in Orleans Parish and dedicated to entities in the parish. It refers to these taxes collectively as local taxes. The report does not include revenue from other state taxes or from the local entities' non-tax sources, such as service charges, fees and fines. BGR does not attempt to determine whether entities that receive local tax revenue are using their resources efficiently, nor does it assess the economic impact of their activities. Finally, BGR does not attempt to set priorities.

UNMET NEEDS

The City has major unmet service and infrastructure needs. In addition, it faces substantial new costs that have been imposed through various legal judgments.

Frustration with the City's crumbling streets has spawned a grassroots campaign seeking greater funding for repairs. In 2010, the Department of Public Works estimated that it would cost $1.4 billion to address the problems with streets and the drainage pipes underneath them.[6] City officials have since raised the estimate considerably to $7 billion.[7] Meanwhile, the amount allocated for routine maintenance has for years been a small fraction of what is needed. The Department of Public Works has estimated that funding street maintenance at a responsible level would require at least $40 million per year.[8] In 2015, the City initially budgeted a mere $2.5 million for that purpose.[9] It later added $5 million.

The Sewerage & Water Board has major unmet needs as well. Despite a series of steep rate increases now under way, the S&WB will have funding for only a fraction of the cost of overhauling the leaky water distribution network – less than $300 million of an estimated total cost of $3.2 billion.[10] The S&WB is also exploring the use of stormwater fees to pay for drainage upgrades currently under construction.[11]

Concerns about crime, the New Orleans Police Department's dwindling ranks and increased response times to emergency calls are fueling requests for more spending on public safety. City officials have said the department needs approximately 400 additional officers.[12]

Also in the area of public safety, the City is facing major new expenses as a result of a 2013 federal consent decree mandating sweeping reforms at Orleans Parish Prison. City funding to operate the jail is on pace to reach $60 million for 2015, nearly triple the $21.8 million funding level in 2013. A new tax that voters approved in May 2015 for the Law Enforcement District will cover only a fraction of the additional costs.

On top of all of this, the City owes tens of millions of dollars to firefighters and their beleaguered pension system. Under the terms of an agreement reached in October, the City will pay a total of $75 million over a period of at least 13 years to cover back-pay for firefighters who did not receive state-mandated raises. The agreement calls for the City to ask voters to approve a 2.5-mill property tax next year to pay these costs. The City would use any revenue from the tax not needed for firefighter back-pay to help cover the huge annual contributions needed to shore up the firefighters' pension fund. Those payments would be capped at $36 million for six years under the agreement.[13]

The City's options for addressing these issues are limited. The most obvious approach would be to ask citizens to pay higher taxes. While additional tax revenue may be necessary to meet some needs, it is important to examine existing tax dedications to determine whether they make sense, given the City's infrastructure deficit and financial obligations.

LOCAL TAXES

This report deals with taxes that are collected in Orleans Parish and dedicated to entities within the parish. As a shorthand reference, BGR refers to all of these locally collected and locally dedicated taxes as local taxes. Most of these taxes are imposed by local action, such as voter approval.

However, two of them, a hotel tax and a slot machine tax, are imposed by the state and dedicated to entities in the parish. For instance, state law dedicates the receipts from the state's 2% hotel tax in Orleans Parish to various tourism-related entities in New Orleans. This is consistent with the state's use of the hotel taxes it collects in other parishes. A review of state hotel tax dedications in the six largest parishes showed that all of the taxes are dedicated to entities or purposes within the respective parishes. By dedicating all of its hotel taxes back to entities in the respective parishes, the state is effectively treating its hotel tax as a local tax.

Some locally collected taxes are dedicated to entities that are created in state law but perform local functions or operate facilities in New Orleans. These entities include the S&WB, the two levee districts, the Convention Center and the LSED. Although they are technically state entities, most of their tax dedications have been approved by local voters. Also, these tax dedications consume a significant portion of the parish's taxing capacity. Excluding them from the report would provide a warped view of the comprehensive tax picture in Orleans Parish.

A PROLIFERATION OF TAX DEDICATIONS

During the last 50 years, tax rates in New Orleans have increased exponentially. The local sales tax rate was 1% in 1965; it has since quintupled to 5%. The local hotel tax, which was also 1% in 1965, has ballooned to more than 15% for most hotel rooms in the city.[14] The proliferation of dedicated taxes has also contributed to the doubling of citywide property taxes from an estimated 74 mills[15] in 1965 to 148.7 mills.[16]

In 1965, local property, sales and hotel taxes generated $46.5 million, the equivalent of $352 million in 2015 dollars. These taxes are expected to generate approximately $1 billion this year, nearly triple the 1965 total.

Despite the huge increase in local tax revenue during the past half century, the City once again finds itself in a financial dilemma. One of the factors contributing to the problem is the proliferation of tax dedications to a wide array of entities.

During the past 50 years, the number of entities receiving dedicated taxes in Orleans Parish, excluding local security and neighborhood improvement districts, has increased from four to 32. When those local districts are included, the number rises to 61.

The proliferation of tax dedications began in 1966 when voters statewide created the Louisiana Stadium and Exposition District (LSED) to build the Superdome with funding from a new 4% hotel tax.[17] After that, local voters or legislators not only approved new taxes for the City, the School Board, the Sewerage & Water Board and the levee board, they also approved significant new dedications for the Regional Transit Authority, the Ernest N. Morial New Orleans Exhibition Hall Authority (Convention Center), the New Orleans Convention & Visitors Bureau, the New Orleans Tourism Marketing Corp., the Audubon Commission, the New Orleans Public Library and the Orleans Parish Law Enforcement District.

Currently, only one-fourth of local tax revenue is available for broad municipal purposes. The rest is dedicated either to specific municipal purposes, such as police and fire protection, or to entities other than the City.

Dedications give people comfort that their tax dollars will be spent for the intended purpose. They also provide entities with stable funding. However, a proliferation of dedications restricting the use of tax revenues to specific purposes or entities can limit government's flexibility. This can make it more difficult to address basic service and infrastructure needs and adjust to changing conditions. The difficulty is exacerbated when the dedications apply to a large portion of the local taxes.

The chance of a misalignment between basic needs and funding becomes even more pronounced when dedications are established, as they have been in New Orleans, over multiple decades through a series of largely uncoordinated tax propositions and legislative actions with little or no big-picture planning.

The chances of a misallocation of a community's tax capacity also increases over time when many of the dedications are permanent or tied up over many years through pledges to support long-term debt. Permanent or long-term tax dedications make it difficult for voters to redeploy resources as conditions change. In New Orleans, 29 of the 46 citywide property, sales and hotel tax dedications are permanent or effectively permanent. They account for more than $700 million in revenue, or 70% of total local tax revenues.

All of these issues point to a need to review local tax dedications. The next section provides a composite picture of where tax revenues are going, broken down by entity and by purpose.

HOW LOCAL TAXES ARE ALLOCATED

The vast majority of the local tax revenue in Orleans Parish comes from property, sales and hotel taxes. In 2015, property taxes (including parcel fees) are expected to generate 46% of local tax revenue; sales taxes, 34%; and hotel taxes, 16%. Various other taxes account for the remaining 4%. Total local tax revenue is expected to exceed $1 billion in 2015.

Because the report focuses on the use of tax revenues that are available for entities and purposes in Orleans, it does not include state taxes collected in Orleans that the

Table 2: Orleans Parish Local Tax Receipts, 2015 Estimates

Tax type	Projected receipts (in millions)	% of total
Property taxes	$482.0	46%
Sales taxes	$356.1	34%
Hotel taxes	$165.8	16%
Other taxes	$46.4	4%
TOTAL	**$1,050.3**	**100%**

Source: BGR calculations using the methodology set forth in Appendix A.

state retains for its own uses. These include the state's 4% sales tax and its income tax, among many others.

For a discussion of BGR's approach to tax revenue estimates, see Appendix A. See Appendices B, C, D and E for a full discussion and breakdown of the dedications in the four categories of local taxes.

Distribution of Local Tax Dollars by Entity

Table 3 presents a consolidated picture of the allocation of local taxes in 2015 by entity. The City tops the list with $429.2 million, or about 41% of the total. The School Board is next with $255.5 million, or about 24% of the total. The School Board shares this revenue on a

Table 3: Orleans Parish Total Local Tax Receipts, 2015 Estimates
(All dollar figures are in millions.)
This table does not include non-tax revenues.

			Breakdown by type of tax			
Entity	**Total local taxes**	**Share**	**Property taxes / parcel fees**	**Sales taxes**	**Hotel taxes**	**Other taxes**
City of New Orleans	$429.2	40.9%	$206.5	$178.4	$18.4	$25.9
Orleans Parish School Board (systemwide)	$255.5	24.3%	$133.8	$106.4	$15.2	
Regional Transit Authority	$72.1	6.9%		$66.7	$5.5	
Ernest N. Morial N.O. Exhibition Hall Authority	$58.2	5.5%			$44.6	$13.6
Louisiana Stadium and Exposition District	$56.5	5.4%			$53.4	$3.1
Sewerage & Water Board (for drainage)	$48.5	4.6%	$48.5			
Orleans Levee District	$32.4	3.1%	$32.4			
New Orleans Convention & Visitors Bureau	$16.6	1.6%			$16.6	
New Orleans Tourism Marketing Corp.	$11.8	1.1%			$11.8	
Assessor's Office	$10.2	1.0%	$10.2			
Audubon Commission	$9.8	0.9%	$9.8			
New Orleans Public Library	$9.2	0.9%	$9.2			
Orleans Parish Law Enforcement District	$8.3	0.8%	$8.3			
Security/neighborhood improvement districts (29)	$6.1	0.6%	$6.1			
Downtown Development District	$5.9	0.6%	$5.9			
State retirement plan dedications (5)	$4.4	0.4%	$4.4			
New Orleans Recreation Development Comm.	$4.4	0.4%	$4.4			
St. Thomas Economic Development District (TIF)	$2.6	0.2%		$2.6		
Algiers Levee District	$2.5	0.2%	$2.5			
City Park (Improvement Assoc., TIF district)	$2.4	0.2%		$0.3		$2.1
Greater New Orleans Sports Foundation	$1.0	0.10%				$1.0
Algiers Development District (TIF)	$0.7	0.06%		$0.7		
Costco (tax rebate)	$0.7	0.06%		$0.7		
New Orleans Multicultural Tourism Network	$0.4	0.03%			$0.4	
Magnolia Economic Development District	$0.3	0.03%		$0.3		
Allied Health and Nursing Program at Delgado	$0.3	0.03%				$0.3
Friends of NORD Inc.	$0.1	0.01%				$0.1
Beautification Project for N.O. Neighborhoods	$0.1	0.01%				$0.1
Algiers Economic Development Foundation	$0.1	0.01%				$0.1
TOTAL	**$1,050.3**	**100.0%**	**$482.0**	**$356.1**	**$165.8**	**$46.4**

Source: BGR calculations using the methodology set forth in Appendix A.
Notes: The city's figures include its collection fees for the various taxes. Numbers may not add due to rounding.

per-pupil basis with all of the city's public schools, not just those under the School Board's jurisdiction.

The third highest local tax recipient is the RTA, with $72.1 million or about 7% of the total. It is followed by the Convention Center, which is projected to receive $58.2 million or 5.5%. The LSED – which runs the Superdome, the Smoothie King Center and other facilities in Orleans and Jefferson parishes – rounds out the top five, with $56.5 million in projected tax receipts from Orleans Parish.[18]

It should be noted that local taxes account for just a portion of the revenues of the entities that receive these taxes. Many of them receive substantial funding from a variety of other sources, including service charges, grants, fines and fees. For example, the RTA expects to receive $18.4 million from passenger fares and $12.3 million from state and federal grants in 2015.[19]

Distribution of Local Tax Dollars by Purpose

The allocation of taxes by entity provides only part of the picture. To more fully understand how local tax dollars are used, it is necessary to examine the purposes to which they are allocated. This section does so by grouping the local taxes according to uses, such as public education, public safety and flood protection.

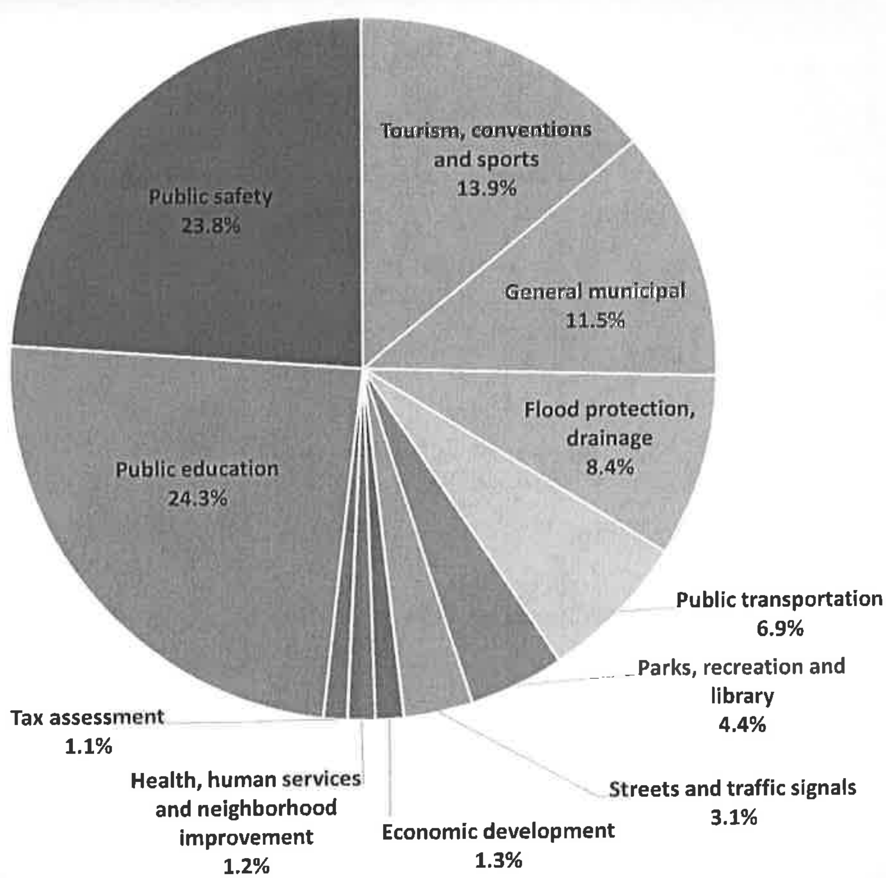
Only 26% of the local tax revenue in Orleans Parish is available to the City for broad municipal purposes. The remaining 74% is dedicated to specific purposes or other entities.

In Chart D and Table 4, BGR sets forth the current allocation of tax revenues by purpose, showing both the dedicated amounts and estimates of the current allocations of undedicated taxes.

It is important to emphasize that the table does not include funding from other sources, such as federal and state grants, service charges, fines and fees. BGR focused on tax revenue because it can more easily be rededicated from one entity to another to meet new needs and expenses. The revenue from sources other than taxes can be quite significant. Some examples:

- More than 35% of the City's general fund revenue is expected to come from sources other than local taxes. These sources include $35 million in sanitation service charges.

Chart D: Allocation of Taxes in Orleans Parish by Purpose, 2015 Estimates



Source: BGR calculations using the methodology set forth in Appendix F.

Table 4: Allocation of Taxes in Orleans Parish by Purpose, 2015 Estimates

(All dollar figures are in millions.)

This table does not include non-tax revenues.

	Purpose	Dedicated taxes	Undedicated municipal taxes	Total taxes	Share
1.	**Public education:** School Board, Recovery School Dist., charters	**$255.5**		**$255.5**	**24.3%**
2.	**Public safety**	**$73.0**	**$177.0**	**$250.0**	**23.8%**
	City (police, fire, prison funding, court funding, other)	$54.8	$165.0	$219.8	
	City debt service (police, fire, pension bonds, other)	$2.0	$12.0	$14.0	
	Orleans Parish Law Enforcement District (Sheriff's Office, etc.)	$8.3		$8.3	
	Neighborhood security districts (23)	$5.2		$5.2	
	State retirement plan dedications (sheriff, district attorney, court clerks)	$2.7		$2.7	
3.	**Tourism, conventions and sports**	**$146.0**	**$0.2**	**$146.2**	**13.9%**
	Ernest N. Morial New Orleans Exhibition Hall Authority	$58.2		$58.2	
	Louisiana Stadium and Exposition District	$56.5		$56.5	
	New Orleans Convention & Visitors Bureau	$16.6		$16.6	
	New Orleans Tourism Marketing Corporation	$11.8		$11.8	
	City (French Quarter improvements, other)	$1.5	$0.2	$1.7	
	Greater New Orleans Sports Foundation	$1.0		$1.0	
	New Orleans Multicultural Tourism Network	$0.4		$0.4	
4.	**General municipal**	**$37.2**	**$83.8**	**$121.0**	**11.5%**
	City (administration, City Council, OIG, boards and commissions)		$55.4	$55.4	
	City debt service (legacy debt)*	$25.4		$25.4	
	City (facilities, fuel, vehicles)		$20.6	$20.6	
	City debt service (facilities, handicap ramps, GoZone bonds)	$11.4	$3.6	$15.0	
	City (sanitation)		$4.2	$4.2	
	State retirement plan dedication (registrar of voters)	$0.3		$0.3	
5.	**Flood protection and drainage**	**$88.2**		**$88.2**	**8.4%**
	Sewerage & Water Board (drainage)	$48.5		$48.5	
	Orleans Levee District	$32.4		$32.4	
	City debt service (drainage)	$4.8		$4.8	
	Algiers Levee District	$2.5		$2.5	
6.	**Public transportation:** Regional Transit Authority	**$72.1**		**$72.1**	**6.9%**
7.	**Parks, recreation and library**	**$38.7**	**$7.2**	**$45.9**	**4.4%**
	Audubon Commission	$9.8		$9.8	
	New Orleans Public Library	$9.2	$0.1	$9.3	
	New Orleans Recreation Development Commission	$4.4	$4.6	$9.0	
	City debt service (recreation, parks, libraries, other)	$8.4		$8.4	
	City (parks, parkways, art museum)	$4.4	$2.5	$6.9	
	City Park (City Park Improvement Assoc., City Park Taxing District (TIF))	$2.4		$2.4	
	Friends of NORD Inc.	$0.1		$0.1	
8.	**Streets and traffic signals**	**$32.6**	**$0.3**	**$32.9**	**3.1%**
	City debt service (streets)	$27.0		$27.0	
	City (streets, traffic signals)	$5.6	$0.3	$5.9	
9.	**Economic development**	**$10.8**	**$2.9**	**$13.7**	**1.3%**
	Downtown Development District	$5.9		$5.9	
	City	$2.7	$1.3	$4.0	
	City debt service (economic development, Jazzland bonds)	$0.4	$1.6	$2.0	
	Algiers Development District (TIF)	$0.7		$0.7	
	Costco (tax rebate)	$0.7		$0.7	
	Magnolia Economic Development District	$0.3		$0.3	
	Algiers Economic Development Foundation	$0.1		$0.1	
10.	**Health, human services and neighborhood improvement**	**$7.6**	**$5.4**	**$13.0**	**1.2%**
	City (blight, code enforcement, safety and permits, EMS, health, other)	$2.7	$5.4	$8.1	
	St. Thomas Economic Development District (TIF)	$2.6		$2.6	
	City debt service (mosquito control, health, housing)	$1.1		$1.1	
	Neighborhood improvement districts (6)	$0.9		$0.9	
	Allied Health and Nursing Program at Delgado Community College	$0.3		$0.3	
	Beautification Project for New Orleans Neighborhoods Inc.	$0.1		$0.1	
11.	**Tax assessment**	**$11.6**		**$11.6**	**1.1%**
	Assessor's Office	$10.2		$10.2	
	State retirement plan dedication (assessor)	$1.4		$1.4	
	TOTAL	**$773.4**	**$276.9**	**$1,050.3**	**100%**

Source: BGR calculations using the methodology set forth in Appendix F. Numbers may not add due to rounding.

* Legacy debt refers to refinanced bonds that are so old the original uses of the proceeds could not be determined.

- The S&WB's 2015 budget includes more than $175 million in service charges for the water and sewer systems.[20]

- The federal government in 2015 will spend an estimated $88.3 million on drainage upgrades[21] and $95.4 million to repair streets damaged during the Katrina disaster.[22]

For more information on the methodology used for the allocations, see Appendix F.

As Table 4 indicates, public education receives the largest share of local tax revenues, $255.5 million, or 24.3% of the total. Public safety is a close second with $250 million, or 23.8% of the total. The third largest area is tourism, conventions and sports, with projected tax revenues of $146.2 million, or 13.9% of the total.

At the lower end of the spectrum, the category that includes New Orleans' crumbling streets receives a mere 3.1% of tax revenues.

TAX SUBSIDIES AND EXEMPTIONS

While this report focuses on the uses of local tax revenues, it is important to take note of a host of tax subsidies and exemptions that have a significant impact on the local tax picture.

In the name of economic development, property taxes are sometimes abated to assist private developments. These project-specific subsidies are provided through several mechanisms, such as Restoration Tax Abatements, Industrial Tax Exemptions and reduced payments in lieu of taxes.

In addition, the state constitution shields the first $75,000 of fair market value of owner-occupied homes from state, parish and special ad valorem taxes. This provision, known as the homestead exemption, does not apply to municipal taxes, except in New Orleans. The constitution and state law also exempt a wide range of non-profit-owned properties from ad valorem taxation. Finally, the sales tax is subject to nearly 200 exemptions, exclusions, credits, refunds and other provisions that reduce the tax base.

It is beyond the scope of this report to evaluate whether the allocations among the various categories are appropriate. Rather, the purpose of the breakdown is to help the public and policymakers see where local tax dollars are going and to encourage discussion of how well these tax allocations align with New Orleans' needs.

AREAS OF CONCERN

BGR did not conduct a systematic analysis of the appropriateness of every tax dedication currently in effect. However, in the course of the research for this report, BGR came across a number of taxes that stood out because they illustrate the problems that can arise from an ad hoc approach to taxation. This section provides several examples.

Three of the examples involve hotel taxes. Although these taxes represent a significant portion of local tax revenue and tax capacity, citizens tend to pay little attention to them. There are two primary reasons for this. The first is that hotel taxes are paid primarily by visitors. The second is that the hotel taxes levied since 1988 have not been submitted to voters for their approval.

A 1% tax for the Convention Center's Phase IV was approved by the Legislature, without a local vote, in 2002.[26] In 2013, the Legislature authorized a 1.75% assessment that BGR considers the functional equivalent of a tax; it was made subject to the approval of hoteliers.[27] Another 1% hotel tax came into being through a court-approved legal settlement, without the approval of either voters or the Legislature.[28] In 1999, the RTA attempted to expand the scope of its 1% sales tax to hotels, even though the voter-approved sales tax proposition from 1985 explicitly excluded hotels. When the City declined to collect the tax, the RTA sued to compel collection. Various hospitality-related entities intervened to prevent the collection of the tax. Ultimately, however, the RTA, the City and the intervening parties reached a settlement allowing for the tax to be collected

A WORD ON DEDICATIONS

In this report, BGR is not taking a position against tax dedications in general. Rather, the report highlights problems that can occur when tax dedications proliferate in an ad hoc manner and are not periodically reassessed in the context of other needs.

Table 5: Orleans Parish Hotel Tax Receipts by Entity, 2015 Estimates

Entity	Projected receipts (in millions)	Share
Louisiana Stadium and Exposition District	$53.4	32.2%
Ernest N. Morial N.O. Exhibition Hall Authority	$44.6	26.9%
City of New Orleans*	$18.4	11.1%
New Orleans Convention & Visitors Bureau	$16.6	10.0%
Orleans Parish School Board	$15.2	9.2%
New Orleans Tourism Marketing Corp.	$11.8	7.1%
Regional Transit Authority	$5.5	3.3%
New Orleans Multicultural Tourism Network	$0.4	0.2%
TOTAL	**$165.8**	**100%**

*City's receipts include the fee for the hotel taxes it collects.

Source: BGR calculations using the methodology set forth in Appendix A.

Note: Numbers may not add due to rounding.

and divided primarily among the RTA, the Convention Center and the Tourism Marketing Corp.[29]

The three hotel taxes imposed without the approval of local voters or local government will collectively yield an estimated $36.5 million in 2015.

Table 5 provides a breakdown of the entities that receive Orleans Parish hotel tax revenue. The recipients of the two largest shares are the LSED (32% share) and the Convention Center (27% share). Overall, 76% of the local hotel taxes are dedicated to entities that promote tourism, conventions and sports. Virtually all of the remainder is divided among the City, the School Board and the RTA. (See Appendix D for details on tax rates and revenue sharing agreements.)

One option for addressing the City's financial problems without increasing the hotel tax rate is to reallocate a portion of the existing hotel taxes to help the City meet basic needs. Bond pledges of various hotel taxes limit the potential pool for immediate rededication. Even so, hotel taxes demand a closer look.

Convention Center Funding

While citizens must navigate crumbling streets and the City struggles to find money for police and court-ordered payments to firefighters and the sheriff, the Convention Center has amassed a nearly $200 million surplus.[30] This is five times its $40.2 million operating budget for 2015.[31] By contrast, the City, which has a $537 million general fund budget, ended 2014 with $33 million in reserves.[32] As recently as 2012, it had a negative fund balance.[33]

The Convention Center has accumulated much of its surplus since 2002, when the state Legislature imposed an additional 1% hotel tax and an additional 0.25% citywide food and beverage tax to fund Phase IV of the complex.[34] The taxes, which were not approved by voters, are expected to generate about $15 million in 2015. That is the equivalent of about five mills of property tax.

The Convention Center did some preliminary work on the Phase IV expansion, but it decided not to pursue it after Hurricane Katrina. Nonetheless, the Convention Center continues to receive the taxes intended to fund the project. As a result, its unrestricted net assets more than tripled, going from $62.2 million in 2001 to $198.2 million at the end of 2014.[35]

The Convention Center's financial statements indicate that its surplus is unrestricted, meaning the funds are not encumbered by any financial or legal obligations.[36] The Convention Center points to internal policies setting aside much of the surplus for various purposes. These set-asides include $60 million to maintain reserves equal to 1.5 times the Convention Center's operating budget, $20 million to $25 million for financial contingencies and $22 million for debt service reserves beyond those required by bondholders.[37]

These self-imposed reserves are clearly excessive, redundant and far beyond what best practices would recommend. It is impossible to justify them at a time when New Orleans faces so many critical unmet needs.

BGR notes that the Convention Center is currently planning a "Phase V" project. With an estimated public cost of $150 million, the project envisions convert-

A FORGOTTEN TAX EVERYONE PAYS

While there is a clear nexus between hotel taxes and conventions, the same cannot be said of the Convention Center's two citywide taxes totaling 0.75% on food and beverages. These taxes, which are projected to generate $11.2 million in 2015, do not narrowly target conventioneers and tourists. Instead, they are paid by patrons of restaurants and bars across Orleans Parish.

Many city residents may not even be aware the taxes exist. It has been nearly 30 years since New Orleans voters approved the Convention Center's first food and beverage tax levied at 0.5%. The Legislature imposed the second 0.25% tax without voter approval. (See Appendix E for more details on these taxes.)

ing part of Convention Center Boulevard into a linear park and making infrastructure improvements in the area to change the traffic flow and lay the groundwork for a privately developed hotel.[38] State law authorizes the Convention Center to redirect the funding for the scuttled Phase IV to the new project.[39]

The situation with the Phase IV funding is troubling for a number of reasons. First, the project for which the taxes were levied has been abandoned. Second, the sheer magnitude of the Convention Center's nearly $200 million pool of reserves strongly suggests that its tax revenue has far exceeded its needs in recent years. Third, while the Convention Center has a huge cash surplus, the City lacks the funding to provide the most basic services and infrastructure.

Redirecting the Phase IV taxes or redeploying a substantial portion of the Convention Center's surplus could help the City meet basic needs. Whether this should happen is precisely the type of question that needs to be considered as part of a comprehensive review of the use of taxes in New Orleans.

The taxes collected for Phase IV are currently pledged to secure bonds issued for unrelated purposes. In order to redirect the taxes, the bonds would have to be defeased by paying an amount sufficient to cover all bond-related obligations, including principal and future interest, into an escrow fund.[40] This would cost approximately $130 million.[41] The Convention Center could defease the bonds and still have more than adequate reserves. It would not be necessary to defease the bonds in order to redirect the surplus.

Defeasing the bonds would also release the Convention Center's other local tax streams from the pledge and cause the Phase IV taxes and another 1% hotel tax levied for an earlier expansion project to expire.[42] The expiration of that tax would free up additional taxing capacity.

The Convention Center and the tourism industry as a whole play an important role in the economic life of New Orleans and generate major direct and indirect fiscal and economic impacts. Supporting tourism at an appropriate level is important. However, the funding level for these economic drivers should be determined in the context of competing needs. After all, local government's ability to deliver the basics, such as public safety, infrastructure, water management and education, also affects economic development in New Orleans.

The 1.75% Hotel Assessment

During the 2014 legislative session, the City asked the Legislature to allow it to seek voter approval for a 1.75% hotel tax increase for the City.[43] State and local tourism officials opposed the bill, saying it would raise hotel taxes too high and drive tourists to other cities.[44] The bill failed.

The tourism officials may have had a point, but the problem was partly of their own creation. The previous year, the Convention & Visitors Bureau, a private nonprofit, had sought and received authority to levy a 1.75% hotel assessment at its member hotels. It retains 0.75% and gives 0.75% to the Tourism Marketing Corp. and 0.25% to the City for public safety and improvements in the French Quarter.[45] BGR had objected to the authorizing legislation on the grounds that it would consume a portion of the city's finite taxing capacity without voter approval or analysis of competing needs.[46]

As things stand, the City is scrambling for funding to meet its many pressing needs, while the combined local tax receipts for the Convention & Visitors Bureau and Tourism Marketing Corp. have increased by an estimat-

IT QUACKS LIKE A TAX

The Convention & Visitors Bureau asserts that the 1.75% assessment is not a tax, but an optional surcharge that its member hotels have agreed to pay to promote tourism. BGR agrees that the assessment is technically not a tax. However, from the standpoint of a hotel guest, it has the same effect as a tax. State law requires the hotels to pass the assessment on to guests as a mandatory surcharge on their bills, just like a tax.* Moreover, the assessment is calculated on the same basis as a hotel tax and is an enforceable obligation of guests to the same extent as the room charge. The mandatory assessment also consumes a portion of the city's taxing capacity.

BGR notes that a Convention & Visitors Bureau consultant treated the assessment as a tax in an analysis comparing New Orleans' hotel tax rate to that of other cities.** The Convention & Visitors Bureau used the consultant's analysis in arguing that the City's proposed 1.75% hotel tax increase would have raised New Orleans' total rate to a non-competitive level.

*La. R.S. 21:204(D).

**Smith Travel Research, "Top 25 Cities Effective Hotel Tax Rate: New Orleans Tourism Support Assessment Applied," December 2013.

ed 84%, or $13 million. It is noteworthy that the Convention & Visitors Bureau is spending $1.25 million of the $6.5 million it receives from the assessment in 2015 on one pressing need, public safety in areas frequented by tourists. The Convention Center is also contributing $1.25 million for the same purpose.[47]

The tale of the dueling taxes illustrates the problem with an ad hoc, first-out-of-the-gates approach to taxes: There was no assessment of how limited resources should be applied to competing needs.[48] Whether the 1.75% assessment is an appropriate allocation of tax capacity is another example of a matter that should be evaluated in the context of a comprehensive review of tax dedications.

The RTA's Taxes

In 1985, voters approved a 1% sales tax for the Regional Transit Authority to run the city's public transportation system. At the time, BGR supported the tax, reasoning that it would provide a stable funding source to strengthen the city transit system and improve prospects for establishing a regional system.[49] Thirty years later, a regional transit system has not been realized, and the RTA's ridership has dropped precipitously. These changing conditions suggest a need to reassess the RTA's tax dedications, including the hotel tax that was never approved by voters or their elected representatives. (For more information on that point, see page 11.)

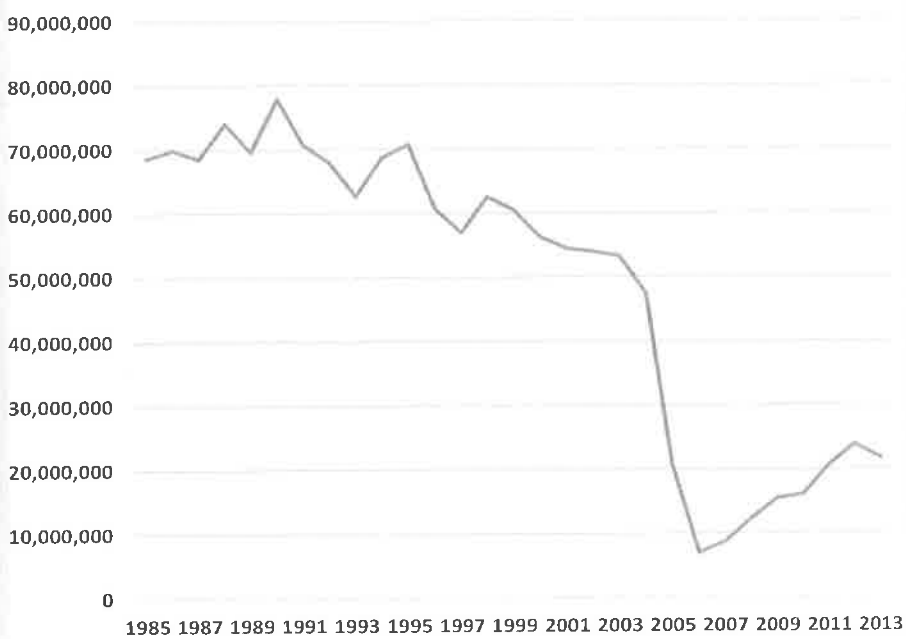
The federal government's metric for gauging ridership is the number of unlinked passenger trips, which counts each boarding as a separate trip regardless of whether the passenger is transferring. The RTA's unlinked trips dropped 68%, from 68.6 million in 1985 to 21.8 million in 2013.[50] As Chart E illustrates, ridership had been on a general downward trajectory for about 15 years before it plunged after Katrina. Ridership has recovered somewhat in recent years. But the 2013 ridership figure was less than half the 47.5 million passenger trips in 2004, the last full year before Katrina. It is beyond the scope of this report to identify the factors that contributed to the decline in ridership.

The RTA's per-trip subsidy from local tax dollars has increased significantly in the 30 years since voters approved its tax dedication. In 1986, the first full year that the tax was in effect, the RTA received $1 in local taxes, adjusted for inflation, for each passenger trip. By 2013, that figure had tripled, to $2.99 in taxes per passenger trip.[51] This is due to multiple factors including, among others, the decline in ridership, an increase in tax revenues and stagnation in fares.

The $1.25 fare to ride RTA's streetcars and buses has not increased since 1999.[52] At that time, fares covered 34% of operating expenses. In 2013, fares covered just 18%.[53] That is well below the 37% national average for the transit systems monitored by the Federal Transit Administration.[54] If RTA fares had increased at the rate of inflation since 1999, they would be about $1.75 today.

The relationship between funding and ridership is complex. An underfunded transportation system will deter ridership by providing an inadequate level of service. On the other hand, an adequately funded system can lose existing or potential riders by misallocating its resources to projects or services that do not serve their needs.

Chart E: RTA Ridership
Unlinked Passenger Trips, 1985-2013



Sources: The Regional Tranist Authority and the Federal Transit Administration's National Transit Database.

Note: For consistency, BGR used the National Transit Database where possible. However, the RTA provided a lower ridership number for 2013, 18.6 million, compared to the figure of 21.8 million in the database.

It is noteworthy that the RTA is using proceeds from bonds backed by local taxes to fund the 1.6-mile Rampart streetcar line. The project, which costs $41.5 million, is funded solely with local money.[55] In the past, the RTA's streetcar projects received substantial funding from the federal government. For instance, a $45 million federal grant covered 75% of the $60.3 million cost for the Loyola streetcar line.[56] Federal grants totaling $130 million covered 80% of the $162 million cost of the Canal streetcar line.[57] Whether the Rampart streetcar expenditure was the right allocation of resources is beyond the scope of this report. BGR raises it as an example of a large capital investment made using dedicated taxes without consideration of competing local needs.

Clearly, more study is necessary before any conclusions can be drawn about the RTA's funding level. However, the steep decline in ridership while the RTA's tax dedications have actually grown illustrates a potential problem with permanent dedications. These are the type of taxes that should be considered as part of a comprehensive review of the use of taxes in New Orleans.

The Assessor's Funding Formula

State law directs 2% of levied property taxes in Orleans Parish to the assessor's office.[58] This funding mechanism is problematic because it is not aligned with the assessor's needs and gives the assessor more revenue each time voters approve taxes for unrelated purposes.

Financial statements indicate that from 2011 to 2014 the assessor's office had an average operating surplus of $2.8 million.[59] The surpluses enabled the office to retire bonds for a new data system several years early. Now debt-free, the office ended 2014 with a $7.7 million fund balance, the equivalent of 110% of its annual operating budget.[60] The assessor expects that within the next couple of years the office will have enough money in reserve to begin refunding a portion of its property tax receipts to other taxing entities on a pro rata basis.

The current funding arrangement, which is unique to Orleans Parish,[61] was implemented through a change to state law in 2005, prior to the consolidation of the seven assessors' offices.[62] The 2% share of levied taxes replaced a 1.19-mill property tax and a $25 documentary transaction tax that the assessors had been receiving. Both taxes were rededicated to the City.[63]

The assessor's millage is another example of a dedication that should be reconsidered in the context of other needs. It makes no sense to base funding for the office on total property tax collections.

CONCLUSION

It's a $1 billion question: How can Orleans Parish make the best use of its local taxing capacity to address basic infrastructure and service needs while meeting other major obligations? Answering that question begins with a comprehensive review of where tax dollars are currently going. To that end, this report sets out the total tax picture.

Some of the findings are not surprising. For example, two basic governmental functions, education and public safety, receive the two largest shares of tax revenues. Other findings might come as a surprise either because of the relatively large or small shares dedicated to certain purposes. For example, 14% of all tax revenues go to tourism, conventions and sports. A mere 3.1%, on the other hand, goes to the category that includes streets.

Currently, only one-fourth of local tax revenue is available to the City for broad municipal purposes. The other three-fourths is dedicated to specific purposes or to other entities. These sizable dedications limit the City's ability to meet basic responsibilities, such as providing infrastructure, and pressing obligations, such as the costs relating to the firefighters' pension fund.

The current tax structure evolved over the last 50 years with little planning and accountability. It has not been re-evaluated in the context of changing conditions and current needs. Given all of the pressing needs and the limited public funds to satisfy those needs, New Orleans cannot afford to continue down this path.

RECOMMENDATIONS

It is time to review current taxes in New Orleans and identify those that are ripe for rededication to basic municipal needs. The City is the only general purpose government entity in the parish and the one in the dir-

It is time to review current taxes in New Orleans and identify those that are ripe for rededication to basic municipal needs.

est financial straits. Therefore, the mayor must take the lead in pursuing all appropriate changes to local tax dedications.

1. The City should carry out an initial review focused on identifying the most clearly justified opportunities to redeploy funding to meet urgent priorities. The City should complete that review in time to craft an agenda for the 2016 legislative session. The local legislative delegation should cooperate in executing the City's agenda.

2. Next, the City should undertake a comprehensive re-evaluation of tax dedications and develop a broad plan to address the community's priorities in advance of its 2017 budget. All taxes, except those for the most basic infrastructure and services, should be placed on the table for possible rededication. The City should evaluate all such taxes, not in terms of each taxing body's ambitions, but in the larger context of the community's needs. Ultimately, this mayor should present a program for funding and executing the plan.

Policymakers owe it to the public to make sure existing revenues are deployed optimally.

APPENDIX A: BGR'S APPROACH TO TAX REVENUE ESTIMATES

At the time this report was prepared, the most recent audited financial statements available for the tax-recipient bodies were for 2013. Since then, some tax rates have changed and one new tax has gone into effect. To provide a more forward-looking analysis of local tax revenues, BGR based its report on estimated tax revenues for 2015.

Property and sales taxes. To estimate property and sales tax receipts for the City, BGR used the amounts in the City's budget. To estimate property and sales tax receipts for other entities that receive such taxes on a citywide basis, BGR, with two exceptions, multiplied the entity's applicable tax rate by the estimated net revenue per mill ($2.95 million) or per 1% sales tax ($71 million) used by the City in preparing its 2015 budget. By way of example, to estimate the School Board's revenue from property taxes, BGR multiplied the School Board's current millage rate, 45.31 mills, by $2.95 million, the City's estimated revenue per mill. The result is $133.8 million.

One exception to this approach is the RTA's 1% sales tax, which is only 0.5% for groceries and prescription drugs. To estimate the RTA's sales tax revenues, BGR increased its 2013 actual collections by the sales tax growth rate reflected in the City's 2015 budget. Another exception is the Assessor's Office, which receives 2% of all billed property taxes. BGR used actual billed taxes for 2015 to calculate the office's tax revenue.

For entities with property or sales taxes that are not citywide, BGR either obtained 2015 estimates from the City or made its own estimates. To make these estimates, BGR increased the actual 2013 receipts from the tax in question by the growth rate reflected in the City's 2015 budget.

For flat parcel fees, BGR generally used 2013 receipts as reported by the City, the parish's tax collector. (For the Hurstville Security and Neighborhood Improvement District, BGR adjusted the 2015 estimate to reflect an increase in the parcel fee from 2013. For the Eastover Neighborhood Improvement and Security District, BGR used 2014 actual receipts for its estimate because the district's parcel fee was not in place in 2013. 2014 figures were not available for all security districts at the time BGR conducted its research for this report.)

Hotel taxes. The estimates of revenues from hotel taxes vary widely among the entities that receive such taxes. To ensure consistency, BGR used the following approach in estimating hotel taxes:

- For the City, BGR used the amounts in the City's budget.
- For the RTA and School Board taxes, which are collected by the City, BGR multiplied the applicable tax rate by the estimated net revenue per 1% hotel tax reflected in the City's budget ($10.1 million). To estimate the shares of the RTA tax that are dedicated to other entities, BGR applied the formula outlined in the cooperative endeavor agreement that sets forth those dedications.
- For the Tourism Marketing Corp.'s flat, per room-night tax, BGR used the amount in its 2015 budget to estimate total receipts. It then assigned shares of these receipts to the relevant entities in accordance with the formula in the Tourism Marketing Corp.'s bylaws.
- For the Convention & Visitors Bureau's hotel assessment, BGR used the amount in its 2015 budget to estimate total receipts. It then assigned shares of these receipts to the Tourism Marketing Corp. and the City in accordance with the formulas in the relevant cooperative endeavor agreements.
- For the Convention Center's taxes, BGR used the estimates in its budget.
- For the LSED's tax, BGR used the Convention Center's estimate per 1% hotel tax. It did so because the Convention Center's estimate is consistent with the growth in hotel tax receipts while the LSED's 2015 estimate is below the prior year's actual receipts. Both entities' taxes are collected by the state.
- For state hotel taxes dedicated to local entities, BGR used the state's 2015-16 budget.

Other taxes. For other types of taxes, BGR took numbers from three sources. For the City's miscellaneous taxes, it used the City's budget. For the Convention Center's taxes, it used the Convention Center's budget. For entities that receive slot tax dedications from the state, BGR used the state's 2015-16 budget.

Using a common amount per mill or 1% sales and hotel taxes was necessary to provide consistency. BGR decided to use the City's estimates whenever possible because they are based on revenue forecasts of the Revenue Estimating Conference, a body with expertise in this area. In many cases, those estimates differ from the ones used by the tax-recipient bodies in preparing their budgets. As a result, BGR's revenue projections for the entities differ from those found in their budgets.

All amounts are net of collection fees and, in the case of property taxes, other state-mandated deductions. These include a 2% fee for the assessor and deductions totaling $4.4 million for five statewide retirement funds.

APPENDIX B: PROPERTY TAXES

Property taxes, including parcel fees,[64] provide 46% of locally generated tax revenues for Orleans Parish. The City collects all property taxes and parcel fees and distributes them to the various tax recipient bodies, after deducting a 2% collection fee and various other amounts required by state law. These include a 2% deduction for the assessor and dedications totaling $4.4 million for various state pension funds.[65]

As Table 6 indicates, the City of New Orleans receives the largest share of property taxes. BGR estimates that the City will receive about $206.5 million, or 43% of the total in 2015.[66] The School Board is next with projected property tax receipts of $133.8 million, or 28% of the total.

Three entities – the S&WB and the east and west bank levee districts – will collectively receive about $83 million for flood protection, including drainage, pump stations and levees.[67]

The Assessor's Office receives 2% of all ad valorem property taxes billed in Orleans Parish. BGR projects the office will get $10.2 million in 2015. The Audubon Commission will also receive an estimated $9.8 million. The lion's share – 90% – is dedicated solely to the aquarium, the insectarium and Woldenberg Park. The public library system will receive $9.2 million. The Orleans Parish Law Enforcement District, which is run by the sheriff, will receive $8.3 million to service bonds for capital projects for several criminal justice entities in New Orleans. The remaining revenues will go to special taxing districts.

Of the 64.51 mills in property taxes levied for the City, 15.1 mills are general municipal taxes that can be used for any purpose. The remaining 49.41 mills are dedicated to specific purposes. The largest dedications are for debt service (25.5 mills) and police and fire services (16.87 mills). The remaining 7.04 mills are dedicated to a host of purposes, such as neutral grounds, streets and capital improvements.

Table 6: Orleans Parish Property Taxes and Parcel Fees, 2015 Estimates

Entity	Tax rate	Projected receipts (in millions)	Share
City of New Orleans	64.51 mills and 2% collection fee	$206.5	42.8%
Orleans Parish School Board	45.31 mills	$133.8	27.8%
Sewerage & Water Board (for drainage)	16.43 mills	$48.5	10.1%
Orleans Levee District	11.67 mills*	$32.4	6.7%
Assessor's Office	2% of levied taxes	$10.2	2.1%
Audubon Commission	3.31 mills	$9.8	2.0%
New Orleans Public Library	3.14 mills	$9.2	1.9%
Orleans Parish Law Enforcement District	2.80 mills	$8.3	1.7%
Security/neighborhood improvement districts (29)	varies**	$6.1	1.3%
Downtown Development District	14.76 mills*	$5.9	1.2%
State retirement plan dedications (5)	varies	$4.4	0.9%
New Orleans Recreation Development Commission	1.5 mills	$4.4	0.9%
Algiers Levee District	12.56 mills*	$2.5	0.5%
	TOTAL REVENUE	**$482.0**	**100%**

*These are not parishwide taxes.
**Two districts levy millages; the rest receive parcel fees.

Source: BGR calculations using the methodology set forth in Appendix A and information provided by the City.

Note: Numbers may not add due to rounding.

The taxes for general purposes and police and fire protection are permanent. The taxes for debt service expire when the debt is repaid. All of the other taxes expire in 2021.

The combined millage rate for all parishwide taxes in New Orleans is 148.67 mills on the east bank and 149.56 mills in Algiers. The slight variation is due to the difference in rates levied by the two levee districts.

The Orleans Parish property tax rate is the second highest among the parishes in the metropolitan area. It is also the second highest among the five most populous parishes across the state.

Three new dedicated property taxes will take effect in 2016, causing the existing millage rate to rise by 3.11 mills on the east bank and 2.5 in Algiers. The taxes include a 0.61-mill tax for the Non-Flood Protection Asset Management Authority (which oversees the Orleans Levee District's assets unrelated to flood protection), a 2.5-mill tax for the public library system and a tax for the Orleans Parish Law Enforcement District. The rate for the Law Enforcement District's new tax will be set at 2.8 mills minus the rate of the district's current debt service millage. The latter will decline in the coming years as the district's bonds are retired. The total millage rate for the district is capped at the current 2.8 mills.

Table 7: Parishwide Property Tax Comparison, 2014-15
New Orleans Area Parishes and Large Parishes Statewide

Parish	Parishwide millage
Caddo Parish (Shreveport)	170.29
St. Tammany (Mandeville)	156.28
Orleans (east bank)	148.67
St. Bernard	140.59
St. James (Lutcher)	117.83
St. John the Baptist	117.57
East Baton Rouge (Baton Rouge)	116.3
St. Charles (east bank)	112.88*
Jefferson (Metairie)	112.48
Lafayette (Lafayette)	102.96
Plaquemines	65.53

* The west bank rate is 113.29.

Note: The Orleans Parish figure is for 2015; figures for other parishes are for 2014.

Sources: Parish assessors' offices and the Louisiana Tax Commission's 2014 Annual Report.

Table 8: Orleans Parish Sales Taxes, 2015 Estimates

Entity	Tax rate	Projected receipts* (in millions)	Share
City of New Orleans	2.5% plus a 1.6% collection fee	$178.4	49.5%
Orleans Parish School Board	1.5%	$106.4	29.5%
Regional Transit Authority	1%	$66.7	19.7%
St. Thomas Economic Development District (TIF)	N/A	$2.6	0.7%
Algiers Development District (TIF)	N/A	$0.7	0.2%
Costco (tax rebate)	N/A	$0.7	0.2%
City Park Taxing District (TIF)	N/A	$0.3	0.1%
Magnolia Economic Development District	1%**	$0.3	0.1%
	TOTAL REVENUE	**$356.1**	**100%**

*Includes motor vehicle sales taxes.

**This tax is collected only at the Magnolia Marketplace shopping center.

Source: BGR calculation using the methodology set forth in Appendix A.

Note: Numbers may not add due to rounding.

APPENDIX C: SALES TAXES

Sales taxes are the second largest local tax revenue source in Orleans Parish, accounting for 34% of total tax revenues. The local portion of sales tax in New Orleans is 5%. The City receives a 2.5% tax, the School Board receives a 1.5% tax and the RTA receives a 1% tax.[68] The state collects a 4% sales tax, raising the total rate in Orleans Parish to 9%.

As Table 8 indicates, the local sales tax is expected to generate around $356 million in 2015. Approximately half of that amount, $178.4 million, will go to the City's general fund. The School Board and RTA are projected to receive $106.4 million and $66.7 million, respectively. Five special districts are projected to receive a total of $4.6 million in 2015.

The City collects the local sales taxes, other than motor vehicle taxes, and distributes shares to the School Board and RTA, retaining 1.6% of the proceeds as a collection fee. BGR estimates that these fees will total $2.6 million in 2015. The state collects all sales taxes on motor vehicles and distributes shares to the City, School Board and RTA.

As Table 9 shows, Orleans Parish's local sales tax rate is fairly similar to rates in neighboring parishes and large parishes across the state. However, the average local sales tax rate in Louisiana is the highest in the country.[69]

It should be noted that voters recently approved an additional quarter-cent sales tax in the French Quarter for public safety services in that neighborhood. It will go into effect in 2016.

Table 9: Local Sales Tax Rate Comparison, 2015
New Orleans Area Parishes and Larger Parishes Statewide

Parish	Local tax rate
St. Tammany (Mandeville)	5.25%
East Baton Rouge (Baton Rouge)	5%
Orleans (east bank)	5%
Lafayette (Lafayette)	5%
St. Bernard	5%
St. Charles	5%
St. John the Baptist	5%
Jefferson (Metairie)	4.75%
Caddo (Shreveport)	4.6%
Plaquemines	4%
St. James (Lutcher)	3.5%

Source: Louisiana Association of Tax Administrators website.

APPENDIX D: HOTEL TAXES

Hotel taxes provide the third-largest segment of locally generated tax revenues for Orleans Parish. BGR projects that these taxes will yield a total of $166 million in 2015. The hotel tax rate in Orleans Parish is 14.75% for most hotel rooms. This includes a 1.75% assessment on hotels that are members of the Convention & Visitors Bureau.[70] In addition, there are two hotel room occupancy taxes that total $1 to $3 per night, depending on the size of the hotel. They generate revenue that is roughly equivalent to another 1.15% tax.

One penny of citywide hotel tax is projected to net $10.1 million in 2015. This is the equivalent of approximately 3.4 mills of property tax.

As Table 10 indicates, eight entities receive a portion of hotel taxes through individual tax levies and a complex web of dedications and revenue sharing agreements.

Overall, about 76% of hotel tax revenue goes to entities that promote tourism, conventions or operate sports arenas and other event-hosting facilities in the New Orleans area. Such entities are projected to receive $126.7 million in hotel taxes in 2015.

Topping the list of hotel tax recipients is LSED, a state-created entity that owns and operates the Mercedes-Benz Superdome, the Smoothie King Center, Zephyr Field and the Alario Center, among other facilities. The LSED levies a 4% hotel tax in Orleans and Jefferson parishes and receives a statutory dedication from a hotel tax collected by the state in Orleans. In 2015, BGR projects that the LSED will receive $53.4 million in Orleans hotel taxes, or nearly a third of the total.

The Convention Center, another state created entity, is second on the list of hotel tax recipients. It levies a 3% tax and a room occupancy tax of $0.50 to $2 per night. It also receives dedications from other hotel taxes. BGR projects that the Convention Center will get $44.6 million in hotel taxes, or 27% of the total.

Next is the City, which receives a 1.5% hotel tax and dedicated portions of three other hotel taxes. BGR projects that the City will receive $18.4 million,[71] or 11% of the total.

The Convention & Visitors Bureau, a private nonprofit organization that promotes conventions and tourism, levies a 1.75% assessment on its member hotels in the Central Business District. It keeps 0.75% of the assessment and gives 0.75% to the Tourism Marketing Corp. and 0.25% to the City for French Quarter improvements. The Convention & Visitors Bureau also receives dedicated portions of hotel taxes from the state and the Tourism Marketing Corp., a City-created nonprofit that also promotes tourism. BGR projects that the Convention & Visitors Bureau will receive $16.6 million in 2015. The Tourism Marketing Corp. will receive about $11.8 million from its room occupancy tax of $0.50 to $1 per night and dedicated portions of two other hotel taxes. Yet another nonprofit that promotes tourism, the New Orleans Multicultural Tourism Network, will receive a dedication of $365,000 from the Tourism Marketing Corp.'s tax. Collectively, the three tourism-promotion entities will receive $28.8 million from hotel taxes.

The School Board levies a 1.5% hotel tax that will yield about $15.2 million. The RTA will net about $5.5 million from a 1% hotel tax shared among various entities.

The hotel tax rate in New Orleans ranked 76th among the nation's 150 largest cities in a 2014 report.[72] The report was compiled before the Convention and Visitors Bureau's 1.75% hotel assessment took effect in April 2014. Factoring it in would move New Orleans up to 46th on the list. The hotel tax rates ranged from a high of 21.97% in St. Louis to a low of 7% in Lancaster, Calif.

These hotel tax rankings do not include the flat, per-night room occupancy taxes levied in some cities, including New Orleans.

Table 10: Orleans Parish Hotel Taxes, 2015 Estimates
(All dollar figures are in millions.)

Entity	Tax rate	Receipts from entities' unshared parishwide taxes	Dedications from state 2% tax	Dedications from RTA 1% tax	Dedications from Conv. & Visitors Bureau 1.75% assessment	Dedications from Tourism Marketing Corp. tax	TOTAL	SHARE
Louisiana Stadium and Exposition District	4% tax and a dedication from the state hotel tax	$44.7	$8.7				**$53.4**	**32.2%**
Ernest N. Morial N.O. Exhibition Hall Authority	3% tax; $0.50 to $2 per night tax; and dedications from the state and RTA hotel taxes	$40.3	$2.0	$2.3			**$44.6**	**26.9%**
City of New Orleans	1.5% tax, a 1.6% collection fee and dedications from the RTA, Convention & Visitors Bureau and Tourism Marketing Corp. hotel taxes	$15.8		$0.2	$2.2	$0.2	**$18.4**	**11.1%**
New Orleans Convention & Visitors Bureau	1.75% assessment on CBD hotels minus dedications to other entities, and dedications from the state and Toursim Marketing Corp. taxes		$9.0		$6.5	$1.1	**$16.6**	**10.0%**
Orleans Parish School Board	1.5% tax	$15.2					**$15.2**	**9.2%**
New Orleans Tourism Marketing Corp.	$0.50 to $1 per night tax; and dedications from the Convention & Visitors Bureau and RTA hotel taxes			$2.2	$6.5	$3.2	**$11.8**	**7.1%**
Regional Transit Authority	1% tax minus dedications to other entities			$5.5			**$5.5**	**3.3%**
New Orleans Multicultural Tourism Network	Dedication from the Tourism Marketing Corp. hotel tax					$0.4	**$0.4**	**0.2%**
TOTAL		$116.0	$19.7	$10.1	$15.2	$4.9	**$165.8**	**100%**

Source: BGR calculations using the methodology set forth in Appendix A.

Note: Numbers may not add due to rounding.

APPENDIX E: OTHER TAXES

In addition to sales, hotel and property taxes, there are a dozen other types of local taxes levied in Orleans Parish. These taxes are projected to generate $46.4 million in 2015, or 4% of total local tax revenues. The vast majority of this revenue goes to two entities: the City and the Convention Center, which are projected to receive $25.9 million and $13.6 million, respectively.

Table 11 provides a breakdown of these miscellaneous taxes.

Convention Center taxes. The Convention Center receives two taxes totaling 0.75% on food and beverages sold at restaurants, bars and other food service establishments anywhere in Orleans Parish and at the Louis Armstrong New Orleans International Airport. These taxes include a 0.5% tax at establishments with gross annual sales at or above $200,000 and a 0.25% tax at establishments with gross sales at or above $500,000. BGR estimates the food and beverage taxes will generate $11.2 million in 2015.[73]

The Convention Center also levies a 2% service contractor tax on goods and services provided in connection with trade shows, conventions, exhibitions and other events held in Orleans Parish. The tax covers a wide range of services, including installing and dismantling exhibits and providing decorations, lighting, audio equipment and catering. BGR estimates that the tax will yield $2.2 million in 2015.[74]

Finally, the Convention Center levies a $1 tax on tickets for sightseeing tours in Orleans Parish. The Convention Center projects $225,000 from this tax in 2015.

Utility franchise tax. The City collects a 5% tax on the gross receipts of utility companies that operate in the City, such as Entergy. The City projects the tax will generate $10.6 million for its general fund in 2015.

Slot machine tax. The City and state impose a combined 22.5% tax on the net proceeds from slot machines at the Fair Grounds Race Course & Slots.[75] The City projects that its 4% tax will yield $1.5 million for its general fund in 2015. The state receives the remaining 18.5% tax and dedicates about 90% of the proceeds to seven entities in Orleans Parish.[76] The 2015-16 state budget allocates a total of $6.9 million in slot machine taxes to seven entities. The LSED is slated to receive $3.1 million to fund contractual obligations to the New Orleans Saints and New Orleans Pelicans. Another $2.1 million is allocated to the New Orleans City Park Improvement Association. The Greater New Orleans Sports Foundation, a nonprofit that seeks to draw sporting events to the New Orleans area, is set to receive $1 million. Four other entities will receive a total of $602,000.

Parking tax. The City levies a 3% tax on fees charged for parking motor vehicles and berthing watercraft. The parking tax is in addition to the regular 9% sales tax. The City projects the 3% parking tax will provide $4.1 million for the general fund in 2015.

Documentary transaction tax. The City levies a tax on mortgage and conveyance documents that transfer, lease or otherwise alter any right to immovable property in Orleans Parish. The tax varies depending upon the type of document filed and the type of property involved. For transfers involving a single-family or double residence, the tax is $325.[77] The Clerk of Civil District Court collects the tax and remits the revenue to the City. The City projects $3.6 million in general fund revenue from the tax in 2015.

Insurance tax. State law authorizes parishes and municipalities to levy a tax on insurers subject to the state insurance tax, including those offering life, health, fire and automobile insurance. The tax is based on the gross premiums for policies the insurer has issued in the parish or municipality. The maximum tax assessed on insurers is $21,000.[78] The City levies an insurance tax at the maximum rates.[79] It projects the tax will yield $2.7 million for the general fund in 2015.

Video poker tax. Video poker operators are charged franchise fees of 22.5% to 32.5% of their net poker revenues, depending on the type of facility they operate.[80] The state retains about 70% of the fees and distributes the remaining 30% to local governments. The City expects to receive $2.6 million in video poker taxes in 2015.

Beer and wine tax. The City levies a $1.50 tax per 31-gallon barrel of beer and other low-alcohol beverages. It also levies a tax of 5 cents to 10 cents per gallon for wines that have an alcohol content of up to 24%. For liquors, sparkling wines and still wines

Table 11: Miscellaneous Orleans Parish Taxes, 2015 Estimates

Tax	Recipient	Rate	Projected receipts (in millions)
Food and beverage	Ernest N. Morial N.O. Exhibition Hall Authority	0.75%	$11.2
Utility	City of New Orleans	up to 5%	$10.6
Dedications from state slot machine tax	Louisiana Stadium and Exposition District	Amount specified by statute	$3.1
	New Orleans City Park Improvement Assoc.	Amount specified by statute	$2.1
	Greater New Orleans Sports Foundation	Amount specified by statute	$1.0
	Allied Health and Nursing Program at Delgado Community College*	Amount specified by statute	$0.3
	Friends of NORD Inc.	Amount specified by statute	$0.1
	Beautification Project for New Orleans Neighborhoods Inc.	Amount specified by statute	$0.1
	Algiers Economic Development Foundation	Amount specified by statute	$0.1
Parking	City of New Orleans	3%	$4.1
Documentary transaction	City of New Orleans	varies	$3.6
Insurance	City of New Orleans	varies	$2.7
Video poker	City of New Orleans	6%**	$2.6
Service contractor	Ernest N. Morial N.O. Exhibition Hall Authority	2%	$2.2
Slot machine	City of New Orleans	4%	$1.5
Beer and wine	City of New Orleans	varies	$0.5
Horse race wagering	City of New Orleans	2.26%	$0.2
Sightseeing tour	Ernest N. Morial N.O. Exhibition Hall Authority	$1 per ticket	$0.2
Chain store	City of New Orleans	$10 to $550 per store	$0.2
		TOTAL	**$46.4**

*The 2015-16 state budget directs $300,000 to a fund for this program but only appropriates $35,000 from the fund. The unspent revenues in the fund will be available for appropriation in future years.
**This is the city's effective tax rate after total video poker tax receipts are distributed to various entities in accordance with state law.

Source: BGR calculations using the methodology in Appendix A.

Note: Numbers may not add due to rounding.

with an alcohol content above 24%, the tax is 40 cents per gallon.[81] The City projects its various alcohol taxes will yield $469,000 for the general fund in 2015.

Horse race wagering tax. The City receives a horse race wagering tax set at 2.26% of the total daily betting pool at the Fair Grounds Race Course & Slots. The City projects the tax will generate $236,000 for the general fund in 2015.

Chain store tax. The City levies an annual tax on chain stores of $10 to $550 per store, depending upon the total number of stores in the chain. The City projects a $155,000 yield for the general fund in 2015.

APPENDIX F: HOW BGR ALLOCATED TAXES TO PURPOSES

In assembling the allocation of taxes by purpose, BGR assigned all taxes dedicated to a specific purpose to the relevant category. BGR considers a tax dedicated to a specific purpose or entity if the tax or a portion of it is directed to that entity or purpose by voters, the Legislature, the City Council or a cooperative endeavor agreement.

To allocate the City's undedicated taxes to the various categories, BGR used the following process. First, it calculated the City's 2015 budgeted expenditures for each category. Next it subtracted dedicated taxes and other revenue sources, such as service charges and permitting fees, collected specifically for that purpose. For example, the revenue from the sanitation service charge was subtracted from the budgeted cost for providing garbage service. Finally, it calculated and assigned to the balance a pro rata share of the City's undedicated taxes.

Sample calculation: To estimate the portion of the City's undedicated taxes allocated to public safety, BGR added up the City's budgeted costs for policing, fire protection, prison funding, the court system and other public safety expenses. These totaled $292.5 million. BGR then subtracted $54.8 million in City property taxes dedicated to those purposes. It also subtracted $4.4 million in traffic and court fines that the City receives. This left a balance of $233.4 million.

BGR then multiplied the total amount of the City's undedicated taxes ($276.9 million) by the ratio of the unfunded balance for the public safety category ($233.4 million) to the total unfunded balance for all categories ($391.6 million). The result, $165 million, is public safety's pro rata share of the City's undedicated taxes. The remainder of the budgeted expenditures for public safety ($68.4 million) would be covered by the non-tax revenues. These are not included in the chart.

BGR allocated the taxes for the City's debt service to the various categories based on the purpose for which the underlying debt was incurred. When allocating most of the debt, BGR used the average amount of the City's capital spending for that purpose from bond proceeds in the years 2000 to 2014. There is, however, $25.4 million in debt service that relates to debt so old that the original uses cannot be identified. BGR placed this amount in a category called "Legacy Debt."

ENDNOTES

1 The actual rate in 1965 was 37.5 mills. However, property was assessed on a different basis. To make the 1965 local millage rate comparable to today's rate, BGR adjusted it to reflect the changes in assessment methods and the homestead exemption brought by the 1974 state constitution.

2 The citywide hotel tax rate is 13%. For most hotel rooms, patrons also pay a 1.75% assessment that, for reasons discussed later, BGR considers the functional equivalent of a tax. In addition, there are two room-occupancy taxes that total $1 to $3 per night depending on the size of the hotel. These taxes generate revenue equivalent to an additional 1.15% tax.

3 See La. H.B. 1083, Reg. Sess. of 2014.

4 White, Jaquetta, "Mayor's tax plan gutted by state," *The Advocate,* June 4, 2014.

5 Bureau of Governmental Research, *Dimensions and Solutions of New Orleans' Financial Dilemma*, November 1966, p. iv.

6 Bureau of Governmental Research, *The Price of Civilization: Addressing Infrastructure Needs in New Orleans*, August 2010, p. 3.

7 Information provided by the City. The Department of Public Works estimates it would need $350 million a year for the next 20 years to fix all of the streets and maintain them in fair or better condition.

8 Bureau of Governmental Research, *Street Smarts: Maintaining and Managing New Orleans' Road Network*, October 2008, p. 9.

9 City of New Orleans, 2015 Adopted Operating Budget, p. 323.

10 Bureau of Governmental Research, *Time to Pay the Pipelayer? The Proposed S&WB Rate Increases in Perspective*, December 2012, p. 6. The water rate increase will fund $54 million in pipe repairs while the S&WB expects to receive approximately $230 million in FEMA funding.

11 *Sewerage and Water Board of New Orleans: State of the Agency*, January 15, 2014, p. 16.

12 See City response in Office of Inspector General, City of New Orleans, *New Orleans Police Department Staffing and Deployment: Meeting the Demand of Citizen Calls for Service With Existing Resources,* May 28, 2014, p. 90,

13 Information provided by the Business Council of New Orleans and the River Region, which helped facilitate the agreement. As part of the agreement, firefighters will give up their claim to $68.5 million in judicial interest and accept changes to the pension fund's governance and the way benefits are calculated. The Business Council told BGR that the proposed tax would expire after 12 years.

14 The citywide hotel tax rate is 13%. For most hotel rooms, patrons pay a 1.75% assessment that, for reasons discussed later, BGR considers the functional equivalent of a tax. In addition, there are two room occupancy taxes that total $1 to $3 per night depending on the size of the hotel. These taxes generate revenue that is equivalent to an additional 1.15% tax.

15 The actual rate in 1965 was 37.5 mills. However, property was assessed on a different basis. To make the 1965 local millage rate comparable to today's rate, BGR adjusted it to reflect the changes in assessment methods and the homestead exemption brought by the 1974 state constitution.

16 The rate is for taxes on the east bank. Due to differences in the levee district tax rates, residents of Algiers pay a slightly higher millage rate.

17 The LSED's tax was set at 4.5% for the first 36 months and then was reduced to 4%. La. Const. Ancillaries, Art. 14, Sec. 47(M).

18 The LSED also receives tax revenue from Jefferson Parish.

19 Regional Transit Authority, 2015 Operating and Capital Budget, pp. 1-2.

20 Sewerage and Water Board of New Orleans, Adopted 2015 Operating Budget, p. 1.

21 BGR calculation using data from Sewerage & Water Board of New Orleans, Adopted 2015 Capital Budget and 2015-2024 Capital Program, p 22.

22 City of New Orleans, 2015 Executive Capital Budget, p. 6.

23 BGR, *Unfair Assessments, Excessive Exemptions: How New Orleans' Property Tax System Hurts Government and Taxpayers*, May 2005, pp. 5-6.

24 La. Const. Art. VII, Sec. 20(A)(1).

25 La. Const. Art. VII, Sec. 20(A)(9).

26 La. Acts 2002 1st Ex. Sess., No. 72.

27 La. Acts. 2013 Reg. Sess., No. 410.

28 *Regional Transit Authority v. Kahn*, No. 99-11874, Civil District Court for the Parish of Orleans, Final Judgment and Decree, June 2, 2000.

29 The RTA receives 60% of the first $7.2 million generated by the tax and 40% of any amount above $7.2 million. Of the balance, 50% goes to the Convention Center, 46.55% goes to the Tourism Marketing Corp and 3.45% to the City. Information provided by the Tourism Marketing Corp. and *Agreement for Services and Cooperative Economic Endeavor By and Between the Regional Transit Authority and the New Orleans Tourism Marketing Corporation,* June 1, 2000.

30 Ernest N. Morial New Orleans Exhibition Hall Authority, financial statements for the year ended December 31, 2014, p.12.

31 Ernest N. Morial New Orleans Exhibition Hall Authority, *2015 Operating and Non-Operating Revenues and Expense Budget.*

32 City of New Orleans, 2014 Comprehensive Annual Financial

Report for the year ended December 31, 2014, p. 18, and information provided by the City of New Orleans.

33 City of New Orleans, 2012 Comprehensive Annual Financial Report for the year ended December 31, 2012, p. 9. The City ended 2012 with a $9.3 million fund balance deficit.

34 La. Acts, 2002 1st Ex. Sess., No. 72.

35 Ernest N. Morial New Orleans Exhibition Hall Authority, Comprehensive Annual Financial Reports for the year ended December 31, 2001, p. 4, and for the year ended December 31, 2014, p. 5.

36 Ernest N. Morial New Orleans Exhibition Hall Authority, Comprehensive Annual Financial Report for the year ended December 31, 2014, p. 15.

37 Information provided by Convention Center officials.

38 The City has blocked a $65 million phase of the project that involves the traffic flow changes and reducing Convention Center Boulevard from four to two lanes to create a linear park. The City has stated it is working to develop alternatives that ease congestion and allow for a pedestrian walkway while keeping the boulevard at four lanes. Sayre, Katherine, "Convention Center Boulevard revamp blocked by Landrieu administration," *The Times-Picayune*, September 17, 2015.

39 La. Acts 2014, Reg. Sess. No. 557.

40 Official Statement, Ernest N. Morial New Orleans Exhibition Hall Authority, Special Tax Refunding Bonds, Series 2014, November 5, 2014, p. B-11; Official Statement, Ernest N. Morial New Orleans Exhibition Hall Authority, Special Tax Refunding Bonds, Series 2012, November 5, 2012, p. B-11.

41 BGR calculations based on Combined Debt Service Schedule provided by Foley & Judell.

42 Official Statement, Ernest N. Morial New Orleans Exhibition Hall Authority, Special Tax Refunding Bonds, Series 2014, November 5, 2014, pp. 7-8; Official Statement, Ernest N. Morial New Orleans Exhibition Hall Authority, Special Tax Refunding Bonds, Series 2012, November 5, 2012, p. 3.

43 See La. H.B. 1083, Reg. Sess. of 2014.

44 White, Jaquetta, "Mayor's tax plan gutted by state," *The Advocate*, June 4, 2014.

45 Cooperative Endeavor Agreement Between the City of New Orleans and New Orleans Convention & Visitors Bureau and French Quarter Management District, March 9, 2015.

46 Bureau of Governmental Research, *The Hotel Assessment: A Question of Priorities, a Question of Propriety,* May 14, 2013.

47 The funding is for State Police patrols in the French Quarter, portions of the Faubourg Marigny and the area surrounding the Convention Center.

48 Any redeployment of the assessment would require approval of the Legislature. However, there is another rededication that the City could pursue on its own: rededicating for general municipal purposes a hotel room occupancy tax that the City Council created in 1990 to fund the Tourism Marketing Corp. The tax will generate an estimated $4.9 million in 2015.

49 Bureau of Governmental Research, *BGR Position Paper: BGR Supports Transit Tax Proposal,* December 18, 1984.

50 1985 ridership figures provided by the RTA; 2013 figures from the National Transit Database. 2013 is the most recent year for which data was available at the time this report was prepared.

51 BGR calculation using data provided by RTA and from RTA's annual financial reports.

52 See Regional Transit Authority, financial statements for the year ended December 31, 2001, p. 26.

53 BGR calculation using data from RTA's annual financial reports. In 1999, RTA had $108.8 million in operating expenses and collected $37.3 million in fares. In 2013, RTA had $102.2 million in operating expenses and collected $18.1 million in fares.

54 BGR calculation using data from Federal Transit Administration's National Transit Database, *Service Data and Operating Expenses Time-Series by System.*

55 Information provided by the RTA.

56 RTA's 2013 financial statements, p. 3. The remaining $15.3 million for the project came from the proceeds of bonds backed by the RTA's local taxes.

57 New Orleans Regional Transit Authority, "New Orleans Rail: A Historic Asset Paving the Way to a Brighter Future," www.norta.com/Media/News-Events/New-Orleans-Rail-A-Historic-Asset-Paving-the-Way-t.aspx

58 La. R.S. 47:1925.8.

59 BGR calculation using data from financial statements for the Assessor's Office.

60 BGR calculation using data from Orleans Parish Assessor's Office, Comprehensive Annual Financial Report for the year ended December 31, 2014, p. 26. The Government Finance Officers Association recommends that government entities maintain an unrestricted fund balance equal to two months of expenses (16.7% of their annual budgets). Government Finance Officers Association, *Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund,* October 2009. www.gfoa.org/determining-appropriate-level-unrestricted-fund-balance-general-fund.

61 Other assessor's offices in Louisiana are funded either by a dedicated millage or by a legislatively determined amount payable from all taxing entities' property tax receipts on a pro rata basis. La. R.S. 47:1906 et seq., and La. R.S. 47:1925.1 et seq.

62 La. Acts 2005, Reg. Sess., No. 433.

63 New Orleans City Council, Ord. No. 22208 MCS adopted May 3, 2006.

64 Parcel fees are included because they are levied on the basis of property ownership. Twenty-seven of the 29 security and neighborhood improvement districts in New Orleans receive parcel fees. The other two levy ad valorem taxes.

65 The retirement system dedications in 2015 are as follows: assessors, 0.25% of gross billed taxes ($1.4 million); clerks of court, 0.16875% of prior year's collected taxes ($766,000 deduction); sheriffs, 0.225% of prior year's collected taxes ($1 million); district attorneys, 0.2% of prior year's collected taxes ($908,000); registrars of voters, .0625% of net billed taxes ($318,000). Information provided by the City.

66 The figures for the City include $9.5 million in property tax collection fees and $75.3 million in property taxes collected by the Board of Liquidation, City Debt, to service the City's general obligation bonds.

67 The S&WB's millage is collected by the Board of Liquidation, City Debt, which services the S&WB's bonds.

68 The RTA's sales tax is only 0.5% on prescription drugs and food for preparation or consumption in the home.

69 The Tax Foundation, *2015 State Business Tax Climate Index*, p. 34.

70 La. R.S. 21:204 (E).

71 This figure includes BGR's $390,000 estimate for the City's hotel tax collection fee.

72 HVS Convention, Sports & Entertainment Facilities Consulting, *2014 HVS Lodging Tax Report*, September 2014, p. 11.

73 The Convention Center's budget combines projected revenues for the food and beverage taxes with its per-night hotel room occupancy tax in a single line item. BGR estimated the shares of the revenue attributable to each tax based on the ratio for 2013 actual receipts.

74 The Convention Center's budget combines projected revenues for the service contractor tax with its tour tax in a single line item. BGR estimated the shares of the revenue attributable to each tax based on the ratio for 2013 actual receipts.

75 La. R.S. 27:391 and La. R.S. 27:393. The net proceeds are what remains after subtracting 18% of gross proceeds to promote the horse racing industry.

76 La. R.S. 27:392.

77 City of New Orleans Code of Ordinances, Sec. 150-391.

78 La. R.S. 22:833.

79 City of New Orleans Code of Ordinances, Sec. 150-1101.

80 La. R.S. 27:435. The franchise fee is 22.5% for pari-mutuel wagering facilities; 26% for restaurants, bars, clubs and hotels; and 32.5% for truck stops.

81 City of New Orleans Code of Ordinances, Sec. 10-501.

We report to you.

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