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BGR MEDIA RELEASE

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BGR Reviews Fall Ballot Items

The Bureau of Governmental Research today releases *On the Ballot: Local and State Propositions, October and November 2011*. The report examines charter amendments in Jefferson and Orleans parishes, tax propositions in Jefferson, Orleans, Plaquemines, St. Bernard and St. Tammany parishes, and six amendments to the state constitution. The report is available on BGR's website, www.bgr.org.

In the report, BGR provides background and analysis on all of the items facing voters on both the October and November ballots, and takes a position on each.

OCTOBER 22 BALLOT

Jefferson Parish: Office of Inspector General

The proposed amendment to the Jefferson Parish Charter would establish an Office of Inspector General (OIG) and an Ethics and Compliance Commission. The OIG would provide a full-time program of investigation, audit, inspection and performance review for parish government. The amendment also contains provisions to protect the integrity and independence of the office.

BGR Position: FOR.

Given the size of parish government, recent allegations of wrongdoing in the parish and the impressive work of other local government offices of inspector general, it would be wise to create an independent watchdog within parish government. The Ethics and Compliance Commission would establish an ethics enforcement entity for the parish and provide independent oversight of the OIG.

Jefferson Parish: Dedicated Tax for Office of Inspector General

The measure would authorize the Parish Council to levy for 10 years a property tax not to exceed a half mill in the newly created Jefferson Parish

Inspector General Special Services Funding District. The district encompasses the unincorporated portions of Jefferson Parish. Residents of Kenner, Gretna, Harahan, Westwego, Jean Lafitte and Grand Isle would not be subject to the tax. The millage is expected to generate $1.26 million. The revenue would be dedicated to the Office of Inspector General and the Ethics and Compliance Commission, should voters authorize their creation.

BGR Position: FOR.

Because the tax would be levied only in the unincorporated portions of the parish and would be controlled by the Parish Council, the proposed tax dedication is neither the fairest approach for taxpayers nor the ideal funding mechanism for protecting the OIG's independence. However, it would establish a significant, dedicated funding stream and get a much-needed office up and running.

New Orleans Regional Business Park Tax Renewal

Approval of the proposition would authorize the New Orleans Regional Business Park to continue to levy a property tax of up to 20 mills within its boundaries. The tax would be levied for up to 20 years. Residential and personal property within the district would be exempt. Although the tax would be levied only within the district, it is subject to a citywide vote.

BGR Position: AGAINST.

The New Orleans Regional Business Park has accomplished little. Those who pay the tax have not benefited from it, in the form of either infrastructure or services. In addition, the tax is inadequate to address the problems in the district. If anything, it acts as a disincentive to development in the area.

Plaquemines, St. Bernard and St. Tammany Parishes:
Property Tax Exemption for Disabled Veterans

Currently, owner-occupied properties benefit from a homestead exemption that shields the first $7,500 of assessed value ($75,000 of market value) from property taxes. Voters in Plaquemines, St. Bernard and St. Tammany parishes will decide whether to exempt an additional $7,500 of assessed value for properties owned and occupied by a veteran with a service-related disability rating of 100 percent, or his surviving spouse. Together, the exemptions for qualifying homeowners would total $15,000 of assessed value ($150,000 of market value).

BGR Position: AGAINST.

BGR believes that members of the military who are severely disabled while serving their country deserve government assistance. Nevertheless, BGR opposed the related constitutional amendment considered last fall, and it opposes its implementation in Plaquemines, St. Bernard and St. Tammany parishes. The reasons are threefold. First, BGR has historically opposed any expansion of the homestead exemption. Second, assistance for disabled veterans should come from the federal government, rather than the state or local government. Third, the benefit would be available to only a subset of 100 percent disabled veterans: those who own their homes. The amendment would provide no benefit to similarly disabled veterans who rent, or even to spouses of service members killed in action.

State Constitutional Amendment 1: Millennium Trust Fund

Currently, payments from the state's 1998 settlement agreement with tobacco companies are deposited into the Millennium Trust Fund (the Millennium Trust). They become part of the trust's corpus and cannot be spent. Earnings from the trust's corpus are distributed equally among three funds: the Taylor Opportunity Program for Students (TOPS) Fund, the Health Excellence Fund and the Education Excellence Fund. The amendment would cap the Millennium Trust's corpus at $1.38 billion, its level at the start of fiscal 2011, and direct future payments exclusively to the TOPS Fund. It would make future payments available for immediate spending.

The amendment would also continue a four-cent cigarette tax scheduled to expire at the end of fiscal 2012 and dedicate all revenue from it to the Health Excellence Fund. Currently, the revenue from that tax goes to the state general fund.

BGR Position: AGAINST.

The proceeds of the tobacco settlement constitute an extraordinary revenue source that should not be consumed to meet ordinary recurring expenses such as TOPS. The proceeds of the settlement should be conserved in the Millennium Trust Fund and expenditures from that fund restricted to earnings only.

BGR's opposition to this amendment relates to the funding source and should not be interpreted as a statement of opposition to the TOPS program itself.

State Constitutional Amendment 2: State Retirement Systems' Unfunded Liability

The amendment would require the state to use a portion of nonrecurring revenue to pay down the initial unfunded accrued liability of two state retirement systems: the Louisiana State Employees' Retirement System and the Teachers' Retirement System of Louisiana. At least 5 percent of any nonrecurring revenue would have to be applied to that purpose in fiscal years 2014 and 2015. In 2016, that number would rise to 10 percent.

BGR Position: FOR.

The amendment could help to alleviate the state's significant long-term pension obligations.

State Constitutional Amendment 3: Patient's Compensation Fund

Currently, state law establishes the Patient's Compensation Fund and explicitly states that the monies in it are self-generated, private funds – not state monies. The proposed amendment would make that point in greater detail in the Louisiana constitution and specify in no uncertain terms that the Legislature cannot appropriate funds from it.

The amendment would allow the Legislature to appropriate money to the fund, while making clear that the state is not responsible for any of its legal obligations. The amendment also states that the fund is ineligible to participate in any type of guaranty fund or insolvency fund.

BGR Position: FOR.

The amendment would provide an additional layer of protection for the Compensation Fund.

State Constitutional Amendment 4: Budget Stabilization Fund

Currently, the constitution requires the state to deposit all mineral revenues in excess of a base amount (Excess Revenues) into the Budget Stabilization Fund, the state's rainy day fund, each year until the fund reaches its cap.

Under the proposed amendment, if the Legislature were to make a withdrawal from the Stabilization Fund, deposits of Excess Revenues would be halted for the year of the withdrawal and the following year. Thereafter, deposits would resume. However, for the next three years, the amount of the deposit would be limited to one-third of the amount of the last withdrawal until the entire amount is repaid or the constitutional cap on the size of the fund is reached.

The repayments would occur on that schedule even if a subsequent withdrawal from the Stabilization Fund occurred during the repayment period. Those withdrawals would be subject to the repayment process as well.

BGR Position: AGAINST.

While the amendment would eliminate an anomaly that can neutralize the benefits of tapping into the Stabilization Fund, the obligation to replenish the fund should not be delayed for more than a year.

State Constitutional Amendment 5: Tax Sales

The constitutional provision governing tax sales currently contains a section on re-sales that applies only to municipalities with a population of more than 450,000. The amendment would replace this population-based reference, which was intended to apply only to the City of New Orleans, with a direct reference to the City of New Orleans.

BGR Position: FOR.

The amendment maintains current law facilitating the tax sale process in New Orleans.

NOVEMBER 19 BALLOT

Orleans Parish Charter Amendment: Public Belt Railroad Commission

The Public Belt Railroad Commission, which governs and oversees the Public Belt Railroad, is currently composed of the mayor and 16 appointed members who serve 16-year terms. All of the Commission members must reside in and be taxpayers of the city. The mayor is the president of the Commission.

The proposed amendment to the Home Rule Charter of the City of New Orleans would reduce the number of members on the Commission from 17 to 10. It would remove the current requirement that Commission members reside in and pay taxes in New Orleans. The criteria for member appointments would be set forth by ordinance.

BGR Position: FOR.

The amendment is a good step toward creating a more engaged Commission.

Jefferson Parish: Property Tax Exemption for Disabled Veterans

Currently, owner-occupied properties benefit from a homestead exemption that shields the first $7,500 of assessed value ($75,000 of market value) from property taxes. Voters in Jefferson Parish will decide whether to exempt an additional $7,500 of assessed value for properties owned and occupied by a veteran with a service-related disability rating of 100 percent, or his surviving spouse. Together, the exemptions for qualifying homeowners would total $15,000 of assessed value ($150,000 of market value).

BGR Position: AGAINST.

BGR believes that members of the military who are severely disabled while serving their country deserve government assistance. Nevertheless, BGR opposed the related constitutional amendment considered last fall, and it opposes its implementation in Jefferson Parish. The reasons are threefold. First, BGR has historically opposed any expansion of the homestead exemption. Second, assistance for disabled veterans should come from the federal government, rather than the state or local government. Third, the benefit would be available to only a subset of 100 percent disabled veterans: those who own their homes. The amendment would provide no benefit to similarly disabled veterans who rent, or even to spouses of service members killed in action.

State Constitutional Amendment: Transfer and Sales Taxes on Immovable Property

The amendment would prohibit the state or any local government in Louisiana from levying any new tax or fee upon the sale or transfer of immovable property. The prohibition would not apply to fees charged to cover the cost of recording, filing, or maintaining property documents or records, nor would it apply to parcel fees or ad valorem property taxes. Existing real estate sales or transfer taxes could remain in place. Currently, Louisiana does not levy any transfer or sales taxes on real estate, and the City of New Orleans is the only local government in the state that does so.

BGR Position: AGAINST.

The imposition of a real estate transfer tax may or may not be appropriate, depending on the size of the tax and other factors. Regardless, it is not necessary for the state to prevent itself – and local governments – from making this choice.

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

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