

BGR Report

A Report from the Bureau of Governmental Research

October 2004

Issues on the November 2, 2004 Ballot

Introduction

In this report, BGR analyzes two of four state constitutional amendments that will appear on the November 2 ballot. The two amendments would modify the homestead exemption and the veterans' preference.

In addition, BGR provides voters in New Orleans with information on a proposed \$260 million bond issue and Jefferson Parish voters with information on two ballot propositions that would exchange one set of property tax dedications for a different set of dedications.

Additional information on these issues is available at www.bgr.org.

Constitutional Amendment No. 2: Homestead Exemption Eligibility

The proposed amendment would extend the homestead exemption¹ to more properties than are eligible under a strict construction of present law:

- ♦ The amendment would extend the homestead exemption to property assessed at "use value" instead of at the higher fair market value. Use value, often employed in rural parishes, may be applied when assessing land used for commercial production of crops or marshland. The amendment also states that a homestead can include land with timber.
- ♦ The amendment would extend the exemption to all property owned jointly by two or more persons, limiting the amount of the exemption to the pro rata ownership share of the person or persons occupying the homestead. Currently, subject to a limited exemption for surviving spouses and minor children, married couples are the only joint owners who can enjoy the homestead exemption.
- ♦ The amendment would expand the circumstances in which a surviving spouse can claim a homestead exemption. Under current law, the property must be occupied by the surviving spouse or minor children and title must be in the name of the husband or wife. If the amendment passed, a surviving spouse occupying a property would be able to claim the full exemption when:
 - ♦ the surviving spouse holds title to a fractional interest in the property;
 - ♦ the surviving spouse has a usufruct interest (a right to use the property during the spouse's lifetime); or
 - ♦ title is held by a testamentary trust established for the benefit of the surviving spouse and descendants

of the deceased spouse or the surviving spouse.

- ♦ The amendment would extend the full homestead exemption to a former spouse occupying a property when title is in the name of either or both of the former spouses. In the case of this exemption and the one for surviving spouses, the exemption cannot apply to more than one homestead owned by either the husband, the wife, or both.
- ♦ The amendment would extend the homestead exemption to property owned by an irrevocable trust when the person(s) who set up the trust are the principal beneficiaries and were the immediate prior owners; a principal beneficiary occupies the homestead; and the property qualified for the homestead exemption immediately prior to transfer or would have qualified if not in trust.
- ♦ The amendment would extend the homestead exemption to property where the usufruct of the property has been granted to no more than two persons who were the immediate past owners of the property. The homestead must be occupied by one of those persons, and the property must have qualified for the homestead exemption immediately prior to the granting of the usufruct or would have qualified if the usufruct had not been granted.

The proposed amendment would “grandfather in” homestead exemptions granted prior to June 20, 2003 on bond-for-deed property.² Other property purchased by bond for deed would not be eligible for a homestead exemption.

The proposed amendment states that only one homestead exemption may apply to any person in Louisiana. It excludes property owned by corporations.

Analysis and impact

The Legislative Auditor, in a critical April 2003 report on residential tax assessment procedures in 12 parishes, found inconsistencies in assessors’ homestead exemption practices.³ It found that a significant number of the assessors reviewed were granting exemptions that violated case law or attorney general opinions.

On April 15, 2003, the Louisiana Tax Commission (LTC), the body that oversees the assessors, issued a memorandum to assessors that essentially agreed with the Legislative Auditor’s findings. The LTC later issued a moratorium to allow time for assessors to argue legal “gray areas” and for the legislature, if it chose, to revise the law. The proposed constitutional amendment is the response.

In essence, the proposed amendment would legitimize many of the assessors’ practices that the Legislative Auditor questioned. Because assessors have inconsistently interpreted existing law and no one has collected the necessary data, the actual number of properties that would gain new exemptions and the impact on local government finances are impossible to predict. To the extent that an assessor is already allowing an exemption under the circumstances stipulated in the amendment, the amendment would have no impact. To the extent that an assessor is adhering to the law as interpreted by the Legislative Auditor and the LTC, the impact could be a significant reduction in revenues. The assessor for Lafayette Parish testified that revocation of homestead exemptions allowed by his predecessor on property held in usufruct or in indivision generated an additional \$1 million of revenue on a one-half mill tax.

Reasons to support. The homestead exemption was originally enacted to help owners weather the Great Depression. In more recent times, it is justified as a means of encouraging home ownership.

Currently, to enjoy the exemption, a homestead must be owned and occupied by a person. Person includes married couples by virtue of community property laws. A good argument can be made that the policy considerations that underlie the current homestead exemption are equally applicable to individuals who jointly own and occupy property, irrespective of their marital status. The rationale for the exemption, whether it is to protect people from loss of their homes or to encourage home ownership, applies regardless of such status.

Similarly, it can be argued that the right to a homestead exemption should not be lost because homeowners have availed themselves of common estate- or tax-planning devices, such as the testamentary trust described above. The change in the legal form of ownership does not result in any change that justifies the loss of the exemption, provided the surviving spouse continues to occupy the property. A similar argument can be made in the case of an irrevocable trust and usufruct as described above, provided that the same people occupy the homestead before and after the irrevocable trust or usufruct is established.

Previously, a surviving spouse lost the homestead exemption when the children residing with him or her reached the age of majority. The amendment would allow the spouse and children to continue residing together without losing the exemption.

Reasons to oppose. BGR has consistently taken the position that the homestead exemption is overly broad and should be eliminated or restricted on a needs basis. The proposed amendment

goes in the opposite direction, expanding coverage irrespective of the need. While it creates a more equitable situation vis-à-vis married and unmarried co-owners, it transfers more of the tax burden to others, such as renters, who indirectly pay property taxes, and to businesses.

The exemption is inequitable in other respects. It would provide homeowners whose property is assessed at use value with a tax break on top of a tax break. It would arbitrarily treat bond-for-deed purchasers in different ways, continuing the exemption for those who had it before June 20, 2003, and denying it to others. In addition, it is unclear why the niceties of title should prevent less affluent bond-for-deed purchasers (who enter into a lease-purchase agreement) from enjoying the exemption, while allowing the exemption when an owner/occupant has transferred title as an estate- or tax-planning move.

The state constitution, the highest law of Louisiana, should provide the minimum guidance necessary. The proposed amendment is the antithesis of this approach, addressing technical and unusual situations (such as an irrevocable trust where the settlors are also the principal beneficiaries). If a change in the scope of the exemption is required, it should be accomplished through the enunciation of guiding principles, rather than enumeration of specific legal arrangements.

In addition to being overly technical and detailed, the proposed constitutional amendment is poorly drafted. Although it was proposed to clear up inconsistencies in the treatment of different situations, it creates a whole new set of interpretive issues. For example, the provision extending the exemption to property occupied by a former spouse contains a number of ambiguities, beginning with the term “former spouse.” Does the term connote separated, as well as divorced, couples?

In some cases, the language is technically incorrect, forcing the reader to reinterpret it to make sense. For example, the amendment purports to extend the exemption to a surviving spouse who has the use of property. The tax liability, however, is with the trust that holds the property. While the intent is undoubtedly to allow the trust to take the exemption, the language being enshrined in the the state constitution does not so state.

BGR Position

Against. The homestead exemption should be eliminated or applied restrictively on a needs basis; expanded coverage is a move in the wrong direction.

Constitutional Amendment No. 3: Veterans' Preference Expansion

What it would do

This proposed amendment to the state constitution would expand the application of a preference given to military veterans and the unremarried widows of veterans when they apply for civil service positions with the State of Louisiana, the City of New Orleans, certain other local systems, or for state police service.

Specifically, the proposed amendment would extend to all veterans who have served “for at least ninety days since September 11, 2001, for reasons other than training,” the eligibility for the five-point veterans’ preference. The proposed amendment would also expand the eligibility for the 10-point preference accorded to unremarried widows of deceased veterans who served in wartime or certain peacetime campaigns as currently defined by the state constitution or by statute.

The proposed amendment would also expand the universe of veterans eligible for the veterans’ preference for employment in the state police. In addition to covering post-9/11 veterans, it would extend coverage to veterans who served in a war declared by the United States Congress or “during war period dates or dates of armed conflicts as provided by state law enacted by two-thirds of the elected members of each house of the legislature.”

How the preferences work

The five-point preference. The state constitution currently awards a five-point preference to military veterans applying for state or city civil service positions who have served honorably in:

- ♦ war as declared by the U.S. Congress,
- ♦ times of war as defined by state laws enacted by two-thirds of the state legislature, or
- ♦ a peacetime campaign or expedition for which campaign badges are authorized.

The preference applies only when the person has attained the minimum rating required for eligibility for the position and only upon his or her original entrance to civil service.⁴

The state constitution awards a five-point preference to military veterans applying for state police positions to those who served:

- ♦ in the Vietnam Theater during the first six years of the defined Vietnam Era,
- ♦ during the balance of the Vietnam Era, or
- ♦ in a peacetime campaign or expedition for which campaign badges are authorized.

The state police preference is awarded in the same way as the civil service preference.⁵

The ten-point preference. The state constitution also awards a veterans’ preference of ten points on

original entry exams for civil service or state police positions to the unremarried widow of a deceased veteran who served in a war period or a peacetime campaign as defined above. This preference is applied only to the score of a person who has achieved the minimum rating required for eligibility for the position and can be used only upon the eligible person's original entry into the civil service or state police service.⁶

Analysis and impact

Veterans' preferences in federal employment date to the Civil War. The traditional justification for such preferences is that they are designed "to reward veterans for the sacrifice of military service, to ease the transition from military to civilian life, to encourage patriotic service, and to attract loyal and well-disciplined people to civil service occupations."⁷

Veterans' preferences in civil service have been challenged because they provide an advantage to applicants based on status rather than competitively measured merit, the principle which civil service systems are intended to serve. Among the challenges have been the argument that veterans' preferences discriminate against women. The U.S. Supreme Court, in *Personnel Administrator of Massachusetts v. Feeney*, rejected that argument, ruling that despite its disparate impact, the Massachusetts law establishing veterans' preference was constitutional.

As noted above, the current constitutional provision for state and city civil service gives the veterans' preference to all military personnel who serve during wartime, as declared by Congress or defined by the state legislature (e.g., World Wars I and II, the Korean War, and the final 11 years of the Viet Nam era). It limits the veterans' preference in other times to those who actually participate in a particular military expedition. For example, the veterans' preference was accorded to

veterans of the Persian Gulf War only if they served in that campaign.

The proposed constitutional amendment would significantly expand the scope of the preference. Under the proposed amendment, any person who at any time after September 11, 2001 served in the military for ninety days, other than for training, would receive the preference. The provision extends into the indefinite future, extending the preference regardless of whether there is any declared or undeclared war or any peacetime expedition. This open-ended approach represents a marked departure from the previous practice of awarding veterans' preference to those who served during periods defined as wartime or who actually served in specific peacetime campaigns that were defined as service in limited or undeclared wars.

The amendment is not only open-ended; the portion relating to state and city civil service is unnecessary. Veterans who have served in the Global War on Terrorism or in campaigns for which campaign badges are authorized are already eligible for the state and city civil service preference, as are their unremarried widows. To date, this includes individuals deployed to or in support of operations Enduring Freedom, Noble Eagle, or Iraqi Freedom. The legislature has the authority to extend the preference to all those serving outside of those campaigns by defining the relevant period as wartime.

In the case of the state police, a constitutional amendment is not needed to extend the veterans' preference to those who serve in the campaigns referred to above. An amendment is required, however, to extend the preference to all those serving during a time of hostilities, regardless of whether they are in the war theater. The portion of the amendment that allows the legislature to define wartime would provide an adequate framework for providing such a preference. As in

the case of the civil service preference, the broad post-9/11 preference is not necessary.

BGR Position

Against. BGR’s position is not based on opposition to the concept of a veterans’ preference for those who participate in the military during the war on terrorism. Rather, it is based on concern that the proposed amendment is overly broad and, in the case of state and city civil service, unnecessary. Many military personnel participating in the war on terrorism are already covered under the existing preference for state and city civil service, and eligibility could be further expanded by legislation. Similar coverage could be provided in the case of the state police through a more limited constitutional amendment conforming that preference to the existing one for state and city civil service.

Jefferson Parish Millage Rededications

What they would do

Depending on where they live, Jefferson Parish voters will vote on one or two propositions to authorize new dedicated millages. If either or both is approved, an ordinance already approved by the Parish Council would lower other existing millage rates to offset the tax increase.

Proposition 1 would create a new parishwide special tax of one mill, with proceeds to be divided equally between criminal justice services and culture and park facilities and programs.

Proposition 2 would allow the newly created Jefferson Parish Special Services District to levy a new millage of 2.5 mills on property in the unincorporated portions of the Jefferson Parish and the Town of Jean Lafitte. The new millage would be dedicated to the following purposes: one-half mill each for economic development, senior services, and culture and parks in the Special District, and

one mill for criminal justice services. The half mill for culture and parks would be split equally between culture and parks. Both the parishwide and Special District millages would begin in 2005 and extend until 2014.

To offset the tax increase that would otherwise occur, the Parish Council, via Ordinance No. 22296, has committed to reduce four millages (Reduced Millages). The reductions, totaling 3.5 mills, would take effect when the new millages begin and extend through the normal expiration dates of the Reduced Millages. The reductions and tax expiration dates are as follows:

Reduced Millages		
	Reduction	Tax Expiration
Parishwide Library Tax	0.5 mill	2007
Parishwide Juvenile Detention Tax	0.5 mill	2010
Jefferson Parish Consolidated Road Lighting District	1.5 mill	2004
Consolidated Garbage District No. 1	1.0 mill	2011

Ordinance No. 22297 creates a Special Services District consisting of the parish excepting property in the cities of Gretna, Westwego, Harahan, Kenner, and in Ward 11 (the southern end of the parish). It also establishes four new funds for the Special District: Jefferson Courts and Judicial Service Fund, Jefferson Community Park and Culture Service Fund, Jefferson Community Senior Service Fund, and Jefferson Business Development and Economic Service fund.

Analysis and impact

Mismatched Revenues and Expenses. Parish officials have said for several years that there is not enough growth in undedicated revenue to meet both rising state-mandated expenses and evolving citizen needs. State-mandated justice and retirement expenses consume over one-third of the Parish’s undedicated revenue. The Parish projects

almost no growth in sales tax receipts and, with only 1.89 mills of undedicated property taxes, increases in property value would not be enough to cover increases in state-mandated expenses, let alone provide new services to constituents.

At the same time, certain dedicated funds have relatively high fund balances: \$4.4 million in the Consolidated Road Lighting Fund, \$6.1 million in the Consolidated Garbage District Fund, \$3.9 million in the Juvenile Services Fund, and \$4.1 million in the Library Fund at the end of 2003.⁸ The two ballot propositions, in conjunction with the accompanying ordinance, effectively redirect and rededicate a portion of future revenues from these areas to other specified areas of need.

Fiscal Impact. The Parish administration estimates that the parishwide levy of one mill would bring in \$2 million. The 2.5 mills levied by the Jefferson Parish Special Services District would bring in \$5 million. Based on current millage rates, the Library Fund would lose 8% of annual revenues; the Juvenile Detention Fund, 12.5%; the Consolidated Road Lighting Fund, 36%; and the Consolidated Garbage Fund, 20%.

The propositions are designed to be revenue neutral and should be so in the first year. What happens thereafter will depend on a number of factors, including the rate at which the Reduced Millages are renewed (which is at the voters' discretion). Voters should be aware that a renewal of expiring millage at the currently authorized maximum would result in a tax increase at that time. This is because the Parish Council's commitment to reduce the millage falls away at its expiration date.

Excessive Dedications. As BGR noted in its report *Emerging Issues: Jefferson Parish Fiscal Outlook*, Jefferson Parish suffers from an excessive dedication of revenues. Only 15% of the Parish's revenue is undedicated. This hampers officials' ability to respond to changing conditions, whether in the form of increased state mandates or an aging popu-

lation. The Parish's future needs might be better met if the Reduced Millages were undedicated, rather than rededicated. However, given the historic reluctance of Jefferson Parish voters to approve undedicated taxes, officials consider the proposed solution more likely to pass.

Unfunded Mandates. The levy of 1.5 mills for the Jefferson Courts and Judicial Service Fund would help to ease pressure on the General Fund, by covering a portion of state-mandated justice expenses. It would also represent a small step toward a more equitable distribution of the tax burden for the criminal justice system, which serves both the incorporated and unincorporated parts of the parish. Currently property owners in the municipalities, which contain 25% of the parish population, contribute very little to the support of the criminal justice system.

Parks. If either or both the propositions fail, improvements to major parks and cultural attractions would be delayed. The projects would only develop as undedicated funds, federal and state grants, or new user fee income becomes available.

BGR Position

For. The problem that the propositions are addressing is caused in part by an excessive dedication of funds. The issue should be addressed head-on by asking voters to undedicate the millages. Nevertheless, the proposed solution is preferable to maintaining unnecessary fund balances in dedicated funds while other needs go unmet.

City of New Orleans Bond Proposition

What it would do

Voters in Orleans Parish are being asked to authorize the City to issue \$260 million worth of general obligation bonds, with the proceeds to be used as follows:

- ♦ \$162.9 million for major and minor streets and related improvements.
- ♦ \$43.545 million for parks and playgrounds, of which \$10 million for playgrounds and related equipment would be distributed equally to all five council districts. A committee appointed by the City Council would advise the executive branch on spending the portion for parks and playgrounds.
- ♦ \$8.1 million for new or existing libraries.
- ♦ \$45.455 million for public buildings.

Under the terms of a 1983 ordinance, the City committed that 1% of the cost of all projects, except minor streets, would be used for public art. The amount dedicated to art would be approximately \$2 million.

The proposition limits the maturity of the bonds to 30 years and the interest rate to 9%. The bonds would be payable from property tax receipts.

Analysis and impact

Tax impact. When voters approve the sale of general obligation bonds, they implicitly agree to pay a property tax sufficient to pay the principal and interest on the general obligation bonds (GO bonds).⁹ The amount is determined each year by the Board of Liquidation, City Debt. Without knowing the amount, schedule, and interest rate of each bond issue, as well as future trends in assessed values, the additional future debt service is impossible to predict precisely.

For purposes of estimating the future tax impact, the Nagin administration is assuming that bonds would be issued in five annual series, beginning in mid-2005 and ending in 2009. The first series would be for \$60 million; the others would each be for \$50 million. The term of the bonds would be 30 years, and the interest rate would be 5.5%. The adminis-

tration has assumed that the assessed value of property in the city will grow by \$50 million a year.

The Nagin administration's estimate of the tax impact has varied significantly and is still fluctuating. Originally the estimate was placed at 8 to 10 mills. It was later lowered to 6 mills as a result of an increase in the assessed value of property in the city. That rate was used for calculations in an information flyer distributed at the kick-off of the bond campaign on October 6, 2004. An October 5 amortization schedule for the bond issue, however, showed no millage increase in the first three years of the issue and a rise over the next three years to 4.2 mills. An October 12 schedule reduced the estimated millage to 3.6 mills.

The downward trend in estimates for tax increases is based on a number of changes in assumptions. These include refinancing of certain existing debt, deferring principal payments, the impact of year 2005 reassessments on the tax base, and contributions of \$2 million a year from the City's general fund to cover debt service.

Although the exact amount is uncertain, the proposed bond issue will require additional taxes. It is also clear that, barring an extraordinary jump in tax collections, the tax increase will be smaller in the first five years than in subsequent years.

This is for a number of reasons. First, annual debt service is lower for the first five years of the bonds, because only a nominal amount of principal is payable through 2010. Second, for the years in question, taxpayers are paying debt service for only a portion of the bonds. The amount payable increases as each new series of bonds is issued over a five-year period. Taxpayers do not begin paying full debt service on all the bonds until 2011.

As noted above, estimates of the additional millage needed to support the bonds vary. The table on page nine sets forth the amounts that would be payable by owners of different types of property for a range of millage increases.

Public Information. BGR is concerned that the public is not receiving the information it needs to make an informed decision. In particular, it is concerned that information on the tax impact obscures the potential cost to taxpayers. For example, an information piece distributed to the public on October 6 would lead property owners to believe that they would pay taxes at a fraction of the amount that the City anticipates that they would pay once all bonds are issued.¹⁰ It could also give the impression that the tax burden extends for only five years.

Also troubling is a claim that "Renters pay NO property tax." Renters should be aware that they pay property taxes indirectly through their rent.

Debt Load. The proposed bond issue is the largest ever proposed by the City, dwarfing the \$150 and \$147.4 million issues approved by voters in 2000 and 1995. Currently the amount of outstanding

general obligation indebtedness is \$518 million.¹¹ According to the Board of Liquidation, the debt limit for the City's general obligation bonds as of December 31, 2003 was \$890 million.

The City already has a significant amount of outstanding debt. Principal and interest payments on GO bonds through 2033 amount to over \$1.1 billion. The annual principal and interest payments hover around \$55 million through 2021 and will increase by about \$1.1 million a year when the final installment of the bonds authorized by voters in 2000 is issued next year. The proposed \$260 million issue would increase the City's annual payments by approximately \$18.7 million.

The proposed bond issue would raise the City's debt level per capita. The level is already high. When Standard & Poor assigned a BBB+ rating to New Orleans' most recent bond issue, the City's "above average" debt level of \$2,776 per capita was

one of the negative factors cited. Moody's Investor Services considered the City's debt as "high but manageable" when it issued a Baa1 rating.

In 2004, property owners paid 28.4 mills to support the City's 2004 GO debt service of \$52.27 million. This means that 38% of property taxes received directly by the city government went to debt service.

Unused bond proceeds. The City has a total of \$97.7 million of unencumbered proceeds from prior bond issues.¹² The City also has voter authorization to issue an additional \$16.3 million, bringing the amount available for capital projects to \$114

Tax Impacts From Varying Millage Increases						
Fair Market Value	Taxable Assessed Value	Annual Tax Increase				
		3 mills	4 mills	5 mills	6 mills	7 mills
Residential, Homestead Exempt						
\$100,000	\$2,500	\$7.50	\$10.00	\$12.50	\$15.00	\$17.50
200,000	12,500	37.50	50.00	62.50	75.00	87.50
300,000	22,500	67.50	90.00	112.50	135.00	157.50
400,000	32,500	97.50	130.00	162.50	195.00	227.50
Residential, Not Homestead Exempt						
\$100,000	\$10,000	\$30	\$40	\$50	\$60	\$70
200,000	20,000	60	80	100	120	140
300,000	30,000	90	120	150	180	210
400,000	40,000	120	160	200	240	280
Commercial Improvements, No Exemption						
\$100,000	\$15,000	\$45	\$60	\$75	\$90	\$105
300,000	45,000	135	180	225	270	315
1,000,000	150,000	450	600	750	900	1050

BGR Calculations

million. The majority of the unencumbered funds are for street projects.

Street and other projects must wend their way through an often lengthy design, bid, and construction process. The City has been able to spend approximately \$50 million a year in capital projects. At that rate, it will be more than two years before additional bond proceeds are needed.

Capital Needs. The City has an aging infrastructure and a history of skimping on routine maintenance of public buildings, and the needs far exceed available resources. The City estimates a current need for over \$1 billion in street repair and \$800 million of non-street capital projects.

Although the need for capital investment is unassailable, determining whether the proposed expenditures meet the community's most pressing needs is more difficult. The list of buildings, major streets, playground, and library improvements was made available to the public less than a month before the vote. The final list of minor street projects was unavailable as this report was written.

The time period for the public to digest and discuss the issue is short. Public participation in the planning process for the City's capital improvement plan might have been more intense had citizens known that a \$260 million bond issue was in the works.

Other Needs. Voters should be aware that there are a number of major capital needs that are not addressed in the plan. One is the cramped, unsafe, and deteriorated juvenile court facility. The juvenile judges have requested \$77.5 million from the City for the juvenile court complex,¹³ but no money is earmarked for repair or as a match for a new facility. Another is the rumored move of City Hall. Ideally, information on these issues, as well as the proposed use of other capital funding sources (such as the 2.5 mills dedicated to the Capital Improvement Fund) would be available before the public voted on the proposed bond issue.

In addition, other public bodies, such as the Orleans Parish School Board, have severe capital needs. Yet there is no attempt to prioritize their needs vis-à-vis those of the City. Given the limited tax base (discussed below), the public would be well served by a more global approach.

Tax Structure. BGR has a number of long-standing concerns that relate to the proposed bond issue. One is the inequitable property tax structure. Under the current system, a large number of homeowners in New Orleans pay no property tax to support the City's bond issue. Should the proposed constitutional amendment to further expand the homestead exemption pass, the tax base would be reduced even more. The nonprofit and other tax exemptions also remove a substantial portion of the City's property from the tax rolls.

Unfortunately, the tax treatment of recent major developments has exacerbated the problem, by exempting such properties from taxes or diverting the future tax revenues from the projects to private purposes. The end result is an ever-increasing tax burden on a small group of taxpayers.

An increase in property taxes will further increase the sometimes large property tax disparity that already exists between the City of New Orleans and most of its suburban parishes. This is a competitive factor that needs to be considered.

Contracting practices. Most of the projects that would be funded by the newly authorized bonds would require architectural and engineering work by consultants selected by the mayor. BGR has voiced concerns about the contractor selection process and would like to see changes that assure an objective, professional selection process.¹⁴

BGR Position:

Against: BGR supports adequate funding of a capital improvement plan. However, the process for the proposed bond issue has proceeded in a hasty fashion that creates uncertainty as to whether

scarce funds are being allocated to the highest priorities. In addition, the marketing material distributed by the City at the opening of the campaign for the bond proposition obscures the potential cost to the public. This creates concern that the public is not receiving reliable information required to make an informed decision.

Endnotes

1. The first \$7,500 of assessed value of eligible property is exempt from parish and, in New Orleans only, municipal property taxes.
2. A bond for deed is a contract to sell real property, in which the purchase price is to be paid by the buyer to the seller in installments and in which the seller after payment of a stipulated sum agrees to deliver the title to the buyer. (RS 9:2941).
3. State of Louisiana Legislative Auditor, "Residential Tax Assessment Practices," April 2003.
4. Constitution, Article X, section 10(A)(2).
5. Constitution, Article X, section 48(A)(2).
6. There are other definitions of eligibility for a ten-point preference having to do with disabled veterans, their spouses and parents, and the surviving spouses and parents of deceased veterans. These definitions do not depend on the veterans' service in wartime as defined by the Constitution and are unaffected by the proposed amendment.
7. *Personnel Administrator of Massachusetts v. Feeney*, 99 S. Ct. 2282, p. 2289 (1979).
8. Jefferson Parish *Comprehensive Annual Financial Report* 2003. Amounts do not include the reserved portion of the fund balance, if any. The budgeted fund balances may be different.
9. General obligation bonds are backed by the full faith, credit, and taxing power of the issuer.
10. The information piece states:
"Our Investment
This plan was designed to limit the burden to taxpayers.
The tax rate will not increase for many New Orleanians.
 Homes assessed below \$75,000 = 0
 Homes assessed over \$75K up to \$100K = additional \$3 per year for 5 years
 Homes assessed over \$100K up to \$200K = additional \$16 per year for 5 years
 Homes assessed at \$400K = additional \$40 per year for 5 years
 Renters pay NO property tax"
11. Official Statement Public Improvement Bonds, Issue of 2004, Appendix F.
12. Unencumbered funds are those unspent and not set aside to pay a design or construction contract.
13. City of New Orleans, *Capital Improvement Program: 2005-2009*.
14. Most recently with *Challenge to a New Mayor: Professional Services Contracting Reform*, January 2002.



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Description of Proposition	BGR Position
Constitutional Amendment No. 2: Homestead Exemption Eligibility	AGAINST
Constitutional Amendment No. 3: Veterans' Preference Expansion	AGAINST
Jefferson Parish Millage Rededications	FOR
City of New Orleans Bond Proposition	AGAINST