For immediate release

Dec. 19, 2014

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Analysis: Operating St. George May Require Tax Increases

The proposed city of St. George would immediately run into a cash shortfall, likely requiring an increase in property taxes to pay for daily operations and to build new schools, says a report by accounting firm Faulk & Winkler for the Baton Rouge Area Foundation and the Baton Rouge Area Chamber (BRAC).

The Foundation and BRAC engaged Faulk & Winkler to compare an operating budget proposed by St. George organizers with the estimated cost of running the city, and to analyze the cost of an independent school system that organizers say is the reason for creating a city out of unincorporated areas in South Baton Rouge.

The purpose of the report is to inform residents of East Baton Rouge Parish.

Faulk & Winkler concluded that St. George government would have to increase property taxes by at least 20.5 mills, with about half to cover an operating deficit of $12.6 million per year and the rest to build new schools.

At 20.5 mills, a person with a house assessed at $350,000 after a homestead exemption would pay $720 more in property taxes each year.

Here’s how it breaks down.

Operating a city

Since a petition to incorporate St. George was started in 2013, East Baton Rouge Parish has annexed large commercial enterprises, including the Mall of Louisiana and L’Auberge Casino. Annexations have reduced sales taxes available to run St. George.

Organizers of St. George were expecting $80.8 million in revenues per year for operations. Faulk & Winkler estimate the actual budget would be $51.2 million. Most of the downward adjustment is attributed to $29.6 million in revenue lost to annexations.

As a result, St. George’s expected surplus of $20.5 million would instead be a deficit of $9 million.

Faulk & Winkler did not analyze St. George expenses because sufficient detail was not available in the St. George budget summary. But the accountants did review existing obligations of city-parish government.
They found St. George may have to pay its share of $1.35 billion in legacy costs on the books of East Baton Rouge Parish government. Faulk & Winkler estimate St. George’s portion would be $106.8 million, or $3.6 million per year for three decades, not including inflation.

This $3.6 million would increase St. George’s operating deficit to a total $12.6 million per year.

Paying for the total deficit would require new property taxes of 11.5 mills. On a house assessed at $350,000 after a homestead exemption, 11.5 mills is $400 in annual property taxes.

“State statutes preclude adoption of a budget with a deficit in equity; therefore, the deficit will require resolution through an increase in revenue or a decrease in expenditures, or some combination of these options. In our experience, any decrease in expenditures will have a marginal effect. Generally, an increase in revenue is achieved by the imposition of additional taxes,” the accountants write.

Building schools

Meanwhile, the new city would face a second financial burden. There aren’t enough schools and related facilities to handle the number of students expected in the system. Faulk & Winkler calculate that a St. George school district would have to spend $141 million on facilities right away, paying for new buildings with 9 mills in new property taxes over 20 years. That equals about $320 in property taxes for a house assessed at $350,000 after taking a homestead exemption.

Operating expense considerations:

- St. George organizers have anticipated an operating budget of $564 per person, which is significantly below the average of $1,152 for cities with similar populations.

- Organizers propose a public protection budget of $3.1 million, or $29.57 per person. Average public security spending by cities with similar populations reviewed was $223 per person.