



OFFICE OF LEGISLATIVE AUDITOR
Fiscal Note

Fiscal Note On: SB 423 SLS 20RS 179
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 15, 2020 11:22 AM Author: WHITE, B
Dept./Agy.: St. George Transition District; East Baton Rouge Parish
Subject: Creates St. George Transition District; Taxation Analyst: Steven Kraemer

SPECIAL DISTRICTS OR SEE FISC NOTE LF RV Page 1 of 1
Provides for the city of St. George Transition District. (gov sig)

Purpose of Measure: This measure allows East Baton Rouge Parish (Parish) to continue collecting a 2% sales tax in the area of the proposed City of St. George (City), which will be used by the Parish to provide services to the City (for up to one year after incorporation). In addition, this measure also creates the St. George Transition District (District) to assist the City with ultimately collecting its own sales tax to provide services within the City. This measure also makes the City/District liable for its proportionate share of certain Parish outstanding debt and unfunded liabilities; and allows the Parish and the City/District to enter in to a formal agreement for the Parish to provide municipal services.

Note: The incorporation of the City of St. George was approved by voters on October 12, 2019. Currently, there is litigation pending challenging the incorporation.

Table with 7 columns: EXPENDITURES, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, 5 -YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

Parish expenditures within the boundaries of the City/District of St. George will initially continue at current levels (provided the Parish and the City/District of St. George formally agree to the continuance of services by the Parish). As the City/District assumes the provision of services and obligations, their expenditures will increase as the Parish's expenditures decrease.

An official with the Parish indicated that if the City/District is incorporated, expenditures will be decreased to operate within the new revenue stream (see revenue section below).

The bill requires the City/District to be liable for its proportionate share of certain outstanding Parish debt secured by the 2% parish tax and its proportionate share of certain unfunded parish liabilities, including pension plans and other post-employment plans (OPEB).

Debt: An official with the Parish indicated that the debt secured by the 2% sales tax is related to immovable/movable property. This official indicated that drainage improvements, for which the Parish borrowed \$10 million, are partially located in the City/District, and that it is unclear what movable property, if any, will be transferred to the City/District. Therefore, it appears that City/District may be liable for an undetermined portion of the outstanding debt for the drainage improvements and for an indeterminable amount of debt on movable property depending on what movable property is transferred to the City/District.

Unfunded Liabilities: The Parish passed an ordinance providing a methodology to determine the City/District's share of the pension liability. An official with the Parish indicated that the City/District's portion may be \$48.1 million under the ordinance, but that this estimate will have to be updated in future in accordance with the ordinance. This official also indicated that the City/District's share of the OPEB liability has yet to be determined. Therefore, it appears that the City/District's exact portion of unfunded liabilities is currently indeterminable as the OPEB liability has not been determined and because additional actuarial work would need to be done to determine the portion of the liability related to only those employees/retirees who provided services within the City/District of St. George.

REVENUE EXPLANATION

Parish sales tax revenue generated within the boundaries of the City/District of St. George will continue at current rates, initially. As the City/District imposes its own tax, its revenue will increase as the Parish's revenue decreases. Information from the Parish indicates that the 2% sales tax in the bill could generate \$43 Million in Fiscal Year 2021, increasing annually by 1% (note: this was calculated prior to COVID-19). The Parish will stop receiving this revenue no later than one year after the City's incorporation.

Senate Dual Referral Rules
13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of Michael G. Battle
Michael G. Battle
Manager, Advisory Services