

amendments

to the

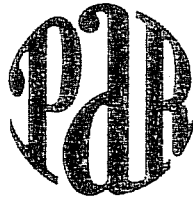
Louisiana Constitution

Out of Print



Voter's
Guide

Sept. 11, 1982



The Public Affairs Research Council of Louisiana, Inc. (PAR) is a private, nonprofit, citizen-supported research organization which studies the most pressing problems of state and local governments in Louisiana and, based on its research, recommends ways of solving them.

PAR's primary purpose is to make factual and well-researched information on governmental issues available to Louisiana citizens, the news media and public officials.

Though most PAR studies conclude with specific recommendations for solving state problems, the organization does no lobbying, believing that the soundest way to achieve political progress is through deep-rooted public understanding and support. Successful implementation of needed reforms has come about through knowledgeable citizens influencing public officials.

PAR relies on the contributions of more than 5,500 members to finance its research and public information programs.

Membership in PAR is open to any interested citizen. For further information about PAR and its research program, write: President, Public Affairs Research Council of Louisiana, Inc., P.O. Box 3118, Baton Rouge, Louisiana 70821.

PRICE:

35 cents per copy
plus state and local
sales tax.

(Bulk rates available.)

See back cover for order blank.)

ORDER FROM:

PAR

300 Louisiana Avenue

P.O. Box 3118

Baton Rouge, LA 70821

(504) 343-9204

Constitutional Amendments: The List Gets Longer

On September 11, 1982, Louisiana voters will decide on eight proposed constitutional amendments. All require a constitutional change to achieve their objective.

The eight current proposals bring to 16 the number of amendments presented to the voters since adoption of the 1974 constitution. Voters approved all eight of the previous amendments.

The following table shows voting on previous amendments to the 1974 constitution. The lengthening list of amendments indicates Louisiana may be reacquiring the amending habit.

<u>Date</u>	<u>Number of Amendments</u>		<u>Average Percent of Registrants</u>	
	<u>Proposed</u>	<u>Approved</u>	<u>Voting</u>	<u>Approving</u>
Nov. 7, 1978	1	1	29.9%	18.2%
Oct. 27, 1979	3	3	37.5	23.8
Nov. 4, 1980	4	4	55.7	38.0

All eligible voters should participate in decisions to change their basic law. The purpose of this *Guide* is to help voters make informed decisions.

NOs. 1 and 3 PROPERTY TAX EXEMPTIONS FOR FUEL INVENTORIES

Two proposed amendments would exempt fuel stockpiles from the property tax. Amendment No. 1 would exempt all types of fuel inventories of electric utilities. Amendment No. 3 would exempt coal and lignite stored for industrial uses generally, including generation of electricity by public utilities.

NO. 1 Fuel Tax Exemption for Electric Utilities

PURPOSE: To provide a property tax exemption for inventories of materials, boiler fuels and other energy sources used by public utilities to generate electricity.

LEGAL CITATION: Act 942 of 1981 amending Article VII, Section 21 (C).

PURPOSE: To provide a property tax exemption for inventories of coal and lignite used for various industrial or manufacturing purposes as well as for boiler fuel, gasification, feedstocks or processing.

LEGAL CITATION: Act 943 of 1981 amending Article VII, Section 21 by adding Paragraph (G).

BACKGROUND: The federal Fuel Use Act of 1978 stopped the building of new oil- or gas-fueled boilers which will force many industries to convert to coal or lignite. Louisiana's industry and electric utilities depend heavily on natural gas and, to a lesser extent, on oil as a boiler fuel and for other manufacturing processes.

Conversion to coal or lignite is necessary to assure the state of a future industrial energy base. Capital investment conversion costs are substantial and firms will face an additional cost in the property tax on coal and lignite inventories. No property tax is paid on natural gas because it is used as it is delivered, but a firm switching to coal or lignite would have to stockpile a 30-to 90-day supply.

Cost of fuel for a typical coal-fired electric generating utility would approximate \$80 million a year, based on its use of two million tons of coal at \$40 a ton. A 60-day inventory taxed at an average of 80 mills on 25% of value would yield about \$270,000 in local revenues and increase the cost per ton used by 13 cents. The tax for a manufacturing plant would be eight cents a ton because of a lower assessment rate—15% of value. Manufacturers would use less coal or lignite than a utility, and so their exemption would have less impact on local revenues.

Several coal-fired electric plants now operate in Louisiana and one major manufacturer has converted to coal. In addition, electric utilities using natural gas must stockpile oil as a backup fuel in case gas supplies are interrupted. In 1980, electric utilities stored oil or coal in 12 parishes and paid \$1.1 million in property taxes on those inventories. Information on other industrial coal inventory taxes is not available but costs are assumed to be small.

COMMENT: Louisiana's future economy depends on developing alternatives to natural gas for generating electricity and other industrial purposes. If alternative fuels required stockpiling, users would pay a tax not imposed on gas. These proposed amendments are designed to facilitate conversion to other fuels by removing that tax.

Taxes on coal and other fuel supplies will add a small amount to fuel costs which will be passed on by electric utilities to their residential and industrial customers in and outside of the taxing parish. Other industries may or may not be able to pass on the cost. The local tax revenues could be significant to the relatively few parishes where major stockpiles of fuels would be maintained.

Most local governments would lose little in current taxes as a result of these proposed amendments but they would be prevented from taxing a potential tax base—coal and lignite inventories.

NO. 2 TAX ASSESSMENT FREEZE ON CERTAIN BUILDING IMPROVEMENTS

PURPOSE: To permit local governments to give property owners an incentive to improve or develop their existing buildings in downtown, historic or economic development districts by freezing property assessments for five years at the value before the improvement.

LEGAL CITATION: Act 944 of 1981 amending Article VII, Section 21 by adding Paragraph (G).

BACKGROUND: A number of cities have created special districts to redevelop downtown, historic or other special areas. Buildings in these areas often are deteriorated and not used to their optimum. Assessments on such buildings reflect their depreciated economic values. Refurbishing older buildings can be a speculative venture since the income potential from improvements may be delayed until the whole area develops. Under present law, major improvements increase the assessed value of the property, thereby increasing taxes paid by the property owner.

This proposal would allow the State Board of Commerce and Industry, with approval of the governor and the affected city or parish government, to contract with property owners in established districts to assure their assessed values would not be raised for five years after they improve the property.

The amount of potential local tax losses is unknown. However, local governments now provide services for these areas and collect fewer tax dollars because of their deterioration. Redevelopment of such areas would increase property values and generate increased business activity, thereby producing more local revenue.

COMMENT: If property owners were encouraged to participate in local redevelopment plans who otherwise would not,

long-run benefits to the local governments could exceed lost revenues due to the freeze on assessments. The exemption would be limited in duration and location, and the final decision in each case would be made locally.

NO. 3 TAX EXEMPTION FOR COAL AND LIGNITE STOCKPILED FOR INDUSTRIAL USE

(See discussion on page 2.)

NO. 4 REMOVE HOMESTEAD EXEMPTION ON CITY TAXES IN NEW ORLEANS

PURPOSE: To increase local revenues for New Orleans by removing the homestead exemption from certain city property taxes, effective January 1, 1983.

LEGAL CITATION: Act 880 of 1982 amending Article VII, Section 20 (A) (3).

BACKGROUND: The homestead exemption was first granted in 1934, but has not been applied to municipal taxes except in New Orleans. It now exempts homeowners from paying property taxes up to \$75,000 of fair market value (\$7,500 assessed value). New Orleans is the only municipality in the state which cannot levy a property tax on the full assessed value of owner-occupied homes. In earlier years, the state fully reimbursed the city for its tax losses from the homestead exemption, but the present state revenue sharing program covers less than half of the city's tax losses.

This proposal would remove the homestead exemption from four city property taxes now totaling 35.73 mills on the current assessed value—a city general property tax (13.81 mills), two fire and police taxes (5.92 mills) and a bond interest and redemption tax (16 mills). The homestead exemption would still apply to any state, school, levee district, special district, Orleans Sewerage and Water Board and Audubon Park Zoological Garden taxes.

Homeowners in New Orleans presently have the lowest property tax burden of any major city in the United States. A home worth \$30,000, which now is not taxed, would have a city tax bill of about \$107 if this proposed amendment is approved. This proposal would raise city tax bills by a maximum of \$268 a year at current rates on homes valued at \$75,000 or more in 1983.

Renters, who comprise 60% of the city's households, pay city property taxes indirectly through their rents. On the other hand, 70% of the city's homeowners paid no property taxes in

1982 because their homes are fully covered by the homestead exemption. Homestead exempt property is presently assessed at \$287 million—23% of the city's total assessed value.

Removing the homestead exemption would increase city general tax collections by \$4 million a year and police and fire tax collections by \$1.7 million. The bond tax millage would be adjusted to collect the same amount of money.

COMMENT: New Orleans is at a disadvantage compared to other Louisiana cities because it cannot levy property taxes on the first \$75,000 of value of owner-occupied homes. Correcting this inequity would permit the city to collect about \$6 million a year in added revenues.

The proposal must be approved by voters statewide and in New Orleans to be ratified.

NO. 5 REFUNDING STATE DEBT AT HIGHER INTEREST RATES

PURPOSE: To give the state more flexibility in debt management by allowing its indebtedness to be refunded at higher interest rates if the purpose is to lengthen the time for repayment.

LEGAL CITATION: Act 881 of 1982 amending Article VII, Section 6 (A).

BACKGROUND: Refunding means to replace existing bonds, notes or other debt with new obligations. Traditional reasons for refunding are to take advantage of lower interest rates, or to rearrange, extend or consolidate the repayment schedule because of some problem or inability to repay the debt.

Present economic and bond market conditions do not fit the traditional pattern. Interest rates on long-term investments are higher than for short-term investments. Because of the state's reluctance to sell its long-term bonds at unreasonable interest rates, a 1981 act authorized the state to issue short-term notes (two years) to meet cash needs, and to convert these notes into long-term bonds (usually 20 to 25 years) when the market improved. However, the constitution prohibits refunding at a higher interest rate. For example, the state might be paying 8.5% interest on short-term notes; if the rate on long-term bonds dropped from 12% to 8.6%, the state could not refund the notes into bonds even though 8.6% would be a good interest rate for long-term bonds.

The proposal would permit the state to use short-term notes when interest rates on such notes are lower than for long-term bonds and to convert the notes to long-term bonds when

interest rates are more favorable, even though the long-term interest rates were higher than interest rates for short-term notes.

A companion act, No. 738 of 1982, would provide statutory authority to implement the proposed amendment.

COMMENT: This amendment is part of a package of bills enacted in 1982 designed to give the state more flexible debt management ability in coping with changes in the bond market. The greater flexibility, if used prudently, could enable the state to lower its costs of borrowing.

NO. 6 REPEAL CONSTITUTIONAL DEDICATION OF FIRST-USE OR SIMILAR TAX

PURPOSE: To allow flexibility in the use of proceeds of a tax the state might impose on gas originating in the outer continental shelf (OCS).

LEGAL CITATION: Act 882 of 1982 repealing Article IX, Section 9.

BACKGROUND: The first amendment to the 1974 constitution, ratified in 1978, dedicates proceeds of the first-use tax or any other "new or alternative tax" imposed on use of gas produced beyond the state's territorial jurisdiction. The U. S. Supreme Court declared the first-use tax to be unconstitutional in May 1981 and so the dedication of this particular tax no longer applies. However, an attempt may be made to impose a tax on use or transportation of OCS gas which might overcome the constitutional defects of the first-use tax. The governor's Coastal Wetlands Environmental Levy (CWEL), defeated during the 1982 regular session, would have taxed gas and oil produced in the OCS and Louisiana's coastal wetlands and transported by pipeline through the wetlands.

If CWEL or a similar tax were enacted on OCS gas, proceeds might be subject to the present constitutional dedication. This dedication requires that 75% of the first collections up to \$500 million go into a permanent trust fund, and interest earnings from the trust plus collections over \$500 million have to be used to pay off state debt ahead of schedule. The remaining 25% of collections is dedicated to financing capital projects to preserve and maintain Louisiana's coastline.

There is a statutory dedication [R.S. 47:1351 (A) (2)] which is the same as the constitutional dedication, but there is no companion proposal to repeal this statutory dedication.

COMMENT: In 1978, proponents of the present constitutional provision argued that the potential new source of state

money from the first-use tax should be constitutionally earmarked to prevent unwise spending. The dedication is meaningless today unless a similar tax is successfully imposed.

The present dedication of the first-use or a similar tax has defects. One goal is to achieve a debt-free state, but that is unlikely since reducing debt increases the state's ability to incur more debt. The portion dedicated to preserving the state's coastline gives this project a priority over other state needs. However, the state still lacks specific information as to the extent of the problem of the eroding coastline, how best to deal with it and the cost.

NO. 7

AUTHORITY OF CIVIL SERVICE REFEREES

PURPOSE: To authorize the Civil Service Commission to allow referees to decide appeals by state employees contesting their firing or other disciplinary action in order to reduce the heavy backlog of appeals.

LEGAL CITATION: Act 883 of 1982 amending Article X, Sections 8 and 12.

BACKGROUND: The constitution grants the Louisiana Civil Service Commission exclusive authority to hear and decide all appeals by civil service employees who claim they were unfairly fired or otherwise disciplined by their supervisors, and allows the commission to appoint referees whose only function is to take testimony.

The commission's caseload has increased dramatically in the past five fiscal years. The number of appeals filed rose from 217 in 1978 to 483 in 1982, while the backlog of cases pending action rose from 97 to 467. The Civil Service Commission is a part-time lay body which heard an average of eight appeals in its regular two-day meetings each month in 1981.

The commission and Department of Civil Service have tried to speed the procedure by hiring more referees. Before additional referees were hired at the end of 1981, the average time to resolve an appeal was about 18 months, and the time was increasing steadily. Resolving an appeal now takes approximately a year.

Referees conduct public hearings, record the proceedings, prepare recommended findings of fact and write proposed opinions for the commission. The commission makes the final decision but, in most cases, without conducting a detailed review of the testimony. However, a state appeals court ruled recently that the method of review used by the commission

was unconstitutional. The court held that the commission must independently decide all disputed points in every appeal. The proposed amendment would resolve the situation by authorizing referees to decide cases.

COMMENT: Allowing qualified referees to hear and decide civil service appeal cases would accelerate the appeals process, and reduce and possibly eliminate the backlog of cases. The proposed procedure could free the commission from its overwhelming caseload and allow it to pursue its oversight function of the entire state civil service system. The commission would still have authority to hear and decide cases. Parties in a case also could request commission review of a referee's decision.

NO. 8 PROPERTY SOLD AT TAX SALES

PURPOSE: To authorize the Legislature to require that the owner of property sold at a tax sale would have to pay costs incurred by a subsequent purchaser, including maintenance costs, in order to redeem the property.

LEGAL CITATION: Act 884 of 1982 amending Article VII, Section 25 (B).

BACKGROUND: If an owner fails to pay the taxes on his property, the property can be sold at a tax sale. However, under present law, the former owner can redeem the property within three years after the date of the tax sale by paying the sales price, plus a 5% penalty and interest at the rate of 1% per month until redemption. The former owner does not have to reimburse the purchaser for any improvements made to the property during the three-year period. Consequently, some purchasers allow properties to deteriorate during the three-year period because they fear losing their investment.

If the amendment is adopted, legislation could be enacted to require the delinquent property owner to reimburse the purchaser for the costs of maintenance or improvements.

COMMENT: The purchaser of property sold at a tax sale now has little incentive to improve or even maintain the property bought. If the delinquent owner reclaims the property, the purchaser simply loses any funds spent. The purpose of the proposed amendment is to give the purchaser an incentive to improve the property during the waiting period so that it can be used rather than deteriorate.

Voter's Checklist

<u>Yes</u>	<u>No</u>	<u>Ballot Number</u>	<u>Subject</u>
<input type="checkbox"/>	<input type="checkbox"/>	1	Property tax exemption on all types of fuel stockpiled by electric utilities
<input type="checkbox"/>	<input type="checkbox"/>	2	Freeze on tax assessments of certain improved buildings
<input type="checkbox"/>	<input type="checkbox"/>	3	Property tax exemption on coal and lignite stockpiled for industrial use, including electric utilities
<input type="checkbox"/>	<input type="checkbox"/>	4*	Remove homestead exemption on city taxes in New Orleans
<input type="checkbox"/>	<input type="checkbox"/>	5	Allow refinancing of state debt at higher interest rates
<input type="checkbox"/>	<input type="checkbox"/>	6	Repeal constitutional dedication of first-use or similar tax
<input type="checkbox"/>	<input type="checkbox"/>	7	Allow referees to decide appeals of state civil service employees
<input type="checkbox"/>	<input type="checkbox"/>	8	Give owners incentive to improve property acquired at a tax sale

*Requires approval in New Orleans as well as statewide.

ORDER FORM FOR PAR'S VOTER'S GUIDE TO THE 1982 AMENDMENTS

Name _____
 Company _____
 Address _____
 City _____ State _____ Zip _____
 No. ordered _____ Amount enclosed _____

PRICE LIST

1 - 10 copies35 cents each
 11 - 50 copies30 cents each
 51 - 100 copies25 cents each
 101 or more copies . .20 cents each
 (Add state and local sales tax)

Please Mail Order Form
and Payment to:

PAR
 P.O. Box 3118
 Baton Rouge, Louisiana 70821