



## ANNEX 1 to the **FIRE SERVICES REPORT 2020**

**Additional data relating to the Fire Services Report 2020, *Objective 1, creating a tax fairness plan, while promoting a positive economic impact and maintaining necessary funding found in the 2015 strategic plan: (pages 4-11)***

This annex provides a data supported view of the difference in sales tax adjustment for inflation verses property tax. To do this the House Price Index for St. Tammany Parish was used to show how housing values changed year to year in comparison to annual Consumer Price Index inflation.

Why this matters?

There is a misconception that Fire Districts who roll forward millages after reassessment are taking a “money grab” or are not living within a budget because other government agencies often with smaller Parish Wide millages do not roll forward and take just the “growth”. It is stated that “the growth should be enough without further burdening tax payers, etc.”

Growth comes from new development, new homes, businesses or expanding inventory as it relates to property tax. Growth as it relates to sales tax, comes from more consumers purchasing goods or more goods being purchased by consumers generally. Clearly, inflation is completely separate from growth. Growth can trigger inflation, but they are separate. Inflation simply happens when the same goods increase in cost.

Inflation impacts all sectors, including government. Fire Districts must buy many of the same goods that any business would, and will have to account in budgeting for inflationary costs.

Why this matters?

Those taxing bodies like fire districts, that rely almost exclusively on property tax for funding, have only the roll-forward to account for inflation, and only every four years when reassessment is completed. Additionally, these taxing bodies, like fire districts are receiving the funds from growth in the rears. Meaning the services are provided a year or more before payment is received. This further strains budgets based on the growth and demands. Conversely, those taxing bodies that receive sales tax receive funds real time, sales tax automatically adjusts for inflation and growth real time, therefore, reducing the need for a roll-forward at reassessment to cover inflationary expense.

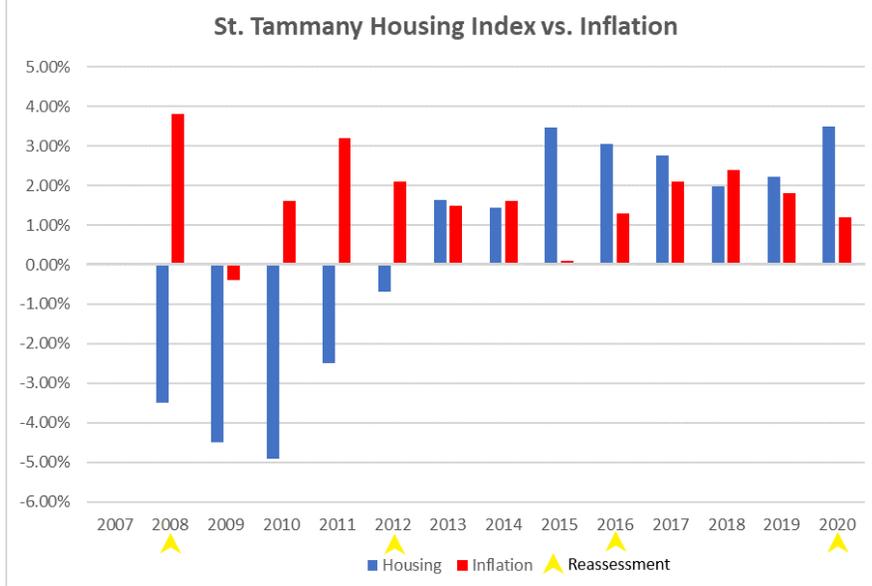
In order to illustrate how this happens the charts on page 2 were created using data from the All-Transactions House Price Index for St. Tammany Parish, LA Vintage: 2021-02-23, Annual chart.<sup>1</sup> Inflation data was taken from the Federal Reserve Bank of Minneapolis, Inflation calculator, consumer price Index.<sup>2</sup> These two charts use the concept of Price indices. These are created to help calculate the percent change in prices over time. To convert the money spent on a basket of goods or homes to a price index, economists arbitrarily choose one year to be the base year, or starting point from which to measure changes in prices. The base year, by definition, has an index value equal to 100. This sounds complicated, but it is really a simple math technique. \$100,000 was selected for this example but the percentage is the same regardless of the number of zeros used. The Base Year is 2007 at \$100,000, you will note that over 4 reassessment cycles, 2008, 2012, 2016 and 2020, there was only a 7.15% increase total for inflation not realized until 2020 and only if you would have rolled forward every reassessment. For sales tax it was 20.09% just for inflation, and



## ANNEX 1 to the FIRE SERVICES REPORT 2020

was received real time throughout the year; however, the fire districts were losing dollar value due to inflation even with a roll forward in the three reassessment cycles before 2020. If you look at the years prior to and including 2007, the actual net increase for inflation is 3.4% for property tax and 24.66% for sales tax. This is why the argument about there is “growth, so no need to roll forward” is false. Sales tax increased with growth, plus adjusted for inflation, and it happened real time. Property tax had growth but lost purchasing power due to inflation. Additionally, the growth was only realized the following year for new construction and at reassessment every four years. These factors require the fire districts to roll forward to capture some purchasing power back at reassessment that other taxing bodies receiving sales tax do not. For additional reference, from 2010 to 2020, St. Tammany Fire Districts had an increase in call volume of 31.32%, this is in addition to adding or increasing other services like Fire Prevention, pre-incident plans, community events, and standbys that have all significantly increased in the same time period. These increases represent growth and require additional revenue from growth to fund.

Year	Housing	Property Tax Value	Inflation	Sales Tax Value
2007	0.00%	\$ 100,000.00	0.00%	\$ 100,000.00
2008	-3.50%	\$ 96,500.00	3.80%	\$ 103,800.00
2009	-4.50%	\$ 92,157.50	-0.40%	\$ 103,384.80
2010	-4.92%	\$ 87,623.35	1.60%	\$ 105,038.96
2011	-2.50%	\$ 85,432.77	3.20%	\$ 108,400.20
2012	-0.69%	\$ 84,843.28	2.10%	\$ 110,676.61
2013	1.63%	\$ 86,226.23	1.50%	\$ 112,336.76
2014	1.45%	\$ 87,476.51	1.60%	\$ 114,134.14
2015	3.47%	\$ 90,511.94	0.10%	\$ 114,248.28
2016	3.05%	\$ 93,272.55	1.30%	\$ 115,733.51
2017	2.76%	\$ 95,846.87	2.10%	\$ 118,163.91
2018	1.98%	\$ 97,744.63	2.40%	\$ 120,999.84
2019	2.22%	\$ 99,914.56	1.80%	\$ 123,177.84
2020	3.49%	\$ 103,401.57	1.20%	\$ 124,655.98
<b>Increase from 2008</b>			7.15%	20.09%
<b>Prior to 2008 Reasses</b>			3.40%	24.66%
<b>3.4% increase verses 24.66% over 4 reassessment cycles</b>				





## ANNEX 1 to the **FIRE SERVICES REPORT 2020**

### Summary

Although the comparison of property tax and sales tax provided is illustrative only, it gives a clear data-based assessment of the very different circumstances local governments operate under depending on their funding sources. There are significant differences between taxing bodies who operate solely on millages (property tax) and those who have both millage and sales tax. “A good property tax is stable, efficient, and fair...an effective property tax can be a valuable instrument for the common good.”<sup>3</sup> Property taxes are highly visible and therefore transparent, property taxes are a good tax.<sup>4</sup> Yet, the high visibility of property taxes brings attention and focus to those government services that are exclusively funded by them, mostly because of the higher levy and the need to roll-forward to the voter approved maximum to account for inflation. Meanwhile those government services that have sales tax enjoy a largely “hidden levy, that are withheld at the source or added to cash transfers”<sup>5</sup>, not very transparent. Sales taxes get very little attention compared to property taxes as a result.

Property taxes are collected in the rears and are normally only adjusted every four years during reassessment. At reassessment is the only opportunity to capture an adjustment for inflation if property values increase and only following a very transparent and complicated process of rolling forward. Sales tax rolls-forward automatically with inflation with no provision to collect less when they do. In addition, sales tax growth is captured immediately not in the rears like property tax. Those who receive sales tax and property tax will rarely need to roll-forward to the voter approved maximum for inflation since the sales tax they receive helps cover this. Those who have only millages will generally need to roll-forward at reassessment to cover inflation.

“Fire districts fulfill a governmental purpose essential to the public health, safety and protection of citizens and property...,”<sup>6</sup> and must ensure that they are providing that service sufficiently, based on community risk. This must be done following national standards, best practices, state and Federal laws, and in accordance with voter approval. Adequate funding is a foundational requirement for the provision of this essential service.

For additional analysis, a 10-year millage analysis of the Sherriff’s Office, School Board, Assessor and Fire District’s is provided as an attachment<sup>7</sup>. This illustrates how little of a difference rolling forward generally makes overall. The average over 10 years is between 1.06% and 0.65% difference from those who generally do not roll forward to try and offset inflation. The Assessor has their “office expenditures” fee they levy, which from 2015 to 2021 averaged \$370,498.28 and increased yearly by an average of 13.39%<sup>8</sup>. The Sheriff and School Board have significant other sources of revenue besides Property or Sales tax. Both have Sales Tax that increased on average 3.69% each year from 2011-2020. The Sheriff’s office saw an average increase annually of \$422,270.42 over 10 years and the School Board saw an average increase annually of \$3,378,163.33 over 10 years<sup>9</sup>. Also attached is analysis of possible mileage rate adjustments for each Fire District and City of Covington Fire if a Parish wide ¼ percent Fire sales tax was used to offset millage rates.

# ANNEX 1 to the FIRE SERVICES REPORT 2020



## References

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<sup>1</sup> <https://www.fhfa.gov/PolicyProgramsResearch/Research/Pages/wp1601.aspx> (HPI Downloadable Data page, Counties, St. Tammany Parish)

<sup>2</sup> <https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913->

<sup>3</sup> <https://www.lincolinst.edu/publications/books/good-tax> (A Good Tax Legal and Policy Issues for the Property Tax in the United States, Joan Youngman, March 2016, Lincoln Institute of Land Policy)

<sup>4</sup> <https://www.lincolinst.edu/publications/books/good-tax> (A Good Tax Legal and Policy Issues for the Property Tax in the United States, Joan Youngman, March 2016, Lincoln Institute of Land Policy)

<sup>5</sup> <https://www.lincolinst.edu/publications/books/good-tax> (A Good Tax Legal and Policy Issues for the Property Tax in the United States, Joan Youngman, March 2016, Lincoln Institute of Land Policy)

<sup>6</sup> <https://www.legis.la.gov/Legis/Law.aspx?p=y&d=97608> (LA. RS 40:1501 A. (4))

<sup>7</sup> [https://www.latax.state.la.us/Menu\\_AnnualReports/AnnualReports.aspx](https://www.latax.state.la.us/Menu_AnnualReports/AnnualReports.aspx) (Annual Reports)

<sup>8</sup> <http://www.legis.la.gov/Legis/Law.aspx?d=91086> (As Invoiced by St. Tammany Parish Government)

<sup>9</sup> <http://www.stpsb.org/Budgets/2019-2020/1920FinancialStatement.pdf> (pg. 134) Table 9

# ANNEX 1 to the FIRE SERVICES REPORT 2020



St. Tammany Parish Wide Property Tax 10 Year Analysis						
SHERIFF	Millage Rate	Gross Collected	R.S 11:82 Pensions	Total	% Increase	
2011	11.66	\$ 18,541,476.51	\$ -	\$ 18,541,476.51	Start	
2012	11.66	\$ 19,480,928.98	\$ -	\$ 19,480,928.98	4.82%	
2013	11.66	\$ 19,986,937.84	\$ -	\$ 19,986,937.84	2.53%	
2014	11.66	\$ 20,726,772.05	\$ -	\$ 20,726,772.05	3.57%	
2015	11.66	\$ 21,345,033.88	\$ -	\$ 21,345,033.88	2.90%	
2016	11.25	\$ 22,039,862.41	\$ -	\$ 22,039,862.41	3.15%	
2017	11.66	\$ 23,568,771.08	\$ -	\$ 23,568,771.08	6.49%	
2018	11.69	\$ 24,186,595.73	\$ -	\$ 24,186,595.73	2.55%	
2019	11.69	\$ 24,973,044.17	\$ -	\$ 24,973,044.17	3.15%	
2020	11.14	\$ 26,253,830.45	\$ -	\$ 26,253,830.45	4.88%	
<b>Averages</b>	<b>11.57</b>	<b>\$ 22,110,325.31</b>	<b>\$ -</b>	<b>\$ 22,110,325.31</b>	<b>3.78%</b>	

SCHOOL	Millage Rate	Gross Collected	R.S 11:82 Pensions	Total	% Increase	
2011	68.45	\$ 108,198,474.76	\$ 2,988,982.87	\$ 105,209,491.89	Start	
2012	68.18	\$ 113,912,375.65	\$ 3,146,829.38	\$ 110,765,546.27	5.02%	
2013	68.18	\$ 116,871,307.97	\$ 3,228,569.88	\$ 113,642,738.09	2.53%	
2014	68.18	\$ 121,197,325.85	\$ 3,348,076.13	\$ 117,849,249.72	3.57%	
2015	68.18	\$ 124,812,565.63	\$ 3,447,947.13	\$ 121,364,618.50	2.90%	
2016	66.41	\$ 130,104,318.98	\$ 3,594,131.81	\$ 126,510,187.17	4.07%	
2017	65.41	\$ 132,216,294.89	\$ 3,652,475.15	\$ 128,563,819.74	1.60%	
2018	64.41	\$ 133,264,858.98	\$ 3,681,441.73	\$ 129,583,417.25	0.79%	
2019	64.41	\$ 137,598,182.24	\$ 3,801,149.78	\$ 133,797,032.46	3.15%	
2020	62	\$ 147,620,454.67	\$ 4,078,015.06	\$ 143,542,439.61	6.79%	
<b>Averages</b>	<b>66.38</b>	<b>\$ 126,579,615.96</b>	<b>\$ 3,496,761.89</b>	<b>\$ 123,082,854.07</b>	<b>3.38%</b>	

Assessor	Millage Rate	Gross Collected	R.S 11:82 Pensions	Total	% Increase	
2011	2.73	\$ 4,315,285.48	\$ -	\$ 4,315,285.48	Start	
2012	2.71	\$ 4,527,767.65	\$ -	\$ 4,527,767.65	4.69%	
2013	2.71	\$ 4,645,379.21	\$ -	\$ 4,645,379.21	2.53%	
2014	2.69	\$ 4,781,778.74	\$ -	\$ 4,781,778.74	2.85%	
2015	2.69	\$ 4,924,417.18	\$ -	\$ 4,924,417.18	2.90%	
2016	2.6	\$ 5,093,682.62	\$ -	\$ 5,093,682.62	3.32%	
2017	2.6	\$ 5,255,505.71	\$ -	\$ 5,255,505.71	3.08%	
2018	2.59	\$ 5,358,739.47	\$ -	\$ 5,358,739.47	1.93%	
2019	2.59	\$ 5,532,988.27	\$ -	\$ 5,532,988.27	3.15%	
2020	2.47	\$ 5,881,015.57	\$ -	\$ 5,881,015.57	5.92%	
<b>Averages</b>	<b>2.64</b>	<b>\$ 5,031,655.99</b>	<b>\$ -</b>	<b>\$ 5,031,655.99</b>	<b>3.37%</b>	

FIRE	Millage Rate	Gross Collected	R.S 11:82 Pensions	Total	% Increase	
2011	29.55	\$ 41,350,105.91	\$ 1,142,296.68	\$ 40,207,809.23	Start	
2012	29.38	\$ 43,119,328.65	\$ 1,191,171.45	\$ 41,928,157.20	4.10%	
2013	28.9	\$ 43,928,597.08	\$ 1,213,527.49	\$ 42,715,069.59	1.84%	
2014	28.55	\$ 47,261,357.74	\$ 1,305,595.01	\$ 45,955,762.73	7.05%	
2015	29.37	\$ 49,625,785.72	\$ 1,370,912.33	\$ 48,254,873.39	4.76%	
2016	29.3	\$ 52,921,524.23	\$ 1,461,957.11	\$ 51,459,567.12	6.23%	
2017	29.3	\$ 53,967,269.35	\$ 1,490,845.82	\$ 52,476,423.53	1.94%	
2018	29.3	\$ 55,753,684.20	\$ 1,540,195.53	\$ 54,213,488.67	3.20%	
2019	29.3	\$ 57,540,523.68	\$ 1,589,556.97	\$ 55,950,966.71	3.11%	
2020	28.65	\$ 62,303,960.30	\$ 1,721,146.90	\$ 60,582,813.40	7.65%	
<b>Averages</b>	<b>29.16</b>	<b>\$ 50,777,213.69</b>	<b>\$ 1,402,720.53</b>	<b>\$ 49,374,493.16</b>	<b>4.43%</b>	

Source: [https://www.latax.state.la.us/Menu\\_AnnualReports/AnnualReports.aspx](https://www.latax.state.la.us/Menu_AnnualReports/AnnualReports.aspx) (Annual Reports)



All St. Tammany Fire Districts Millage Reduction Analysis with 1/4 Percent Sales Tax									
FIRE	2020 Number	2020 Gross	2020 Net Revenue	Parish Wide Tax	Total Fire	Total Fire	Total Fire	.25% sales tax in	New Fire Millage
Description	Total Millage	Tax Revenue	After Pension	.25 cent sales tax	% of 2020 Net Rev	Gross per mill	Net per mill	Mill Equivalents	Rates w/ Sales Tax
Fire Dist 1	33.65	\$ 21,423,509.58	\$ 20,746,993.57	\$ 4,779,654.78	23%	\$ 636,657.05	\$ 616,552.56	7.75	25.90
Fire Dist 2	20.62	\$ 5,464,458.42	\$ 5,293,751.33	\$ 884,632.24	17%	\$ 265,007.68	\$ 256,728.97	3.45	17.17
Fire Dist 3	34.95	\$ 1,724,084.75	\$ 1,669,287.68	\$ 435,714.39	26%	\$ 49,330.04	\$ 47,762.17	9.12	25.83
Fire Dist 4	25.38	\$ 16,160,545.67	\$ 15,655,008.73	\$ 2,878,355.64	18%	\$ 636,743.33	\$ 616,824.62	4.67	20.71
Fire Dist 5	29.68	\$ 1,077,920.75	\$ 1,043,626.51	\$ 356,493.59	34%	\$ 36,318.08	\$ 35,162.62	10.14	19.54
Fire Dist 6	18.98	\$ 600,115.25	\$ 580,978.49	\$ 303,679.72	52%	\$ 31,618.30	\$ 30,610.04	9.92	9.06
Fire Dist 7	19.74	\$ 923,755.79	\$ 894,572.87	\$ 356,493.59	40%	\$ 46,796.14	\$ 45,317.77	7.87	11.87
Fire Dist 8	32.25	\$ 1,352,005.51	\$ 1,308,964.26	\$ 343,290.12	26%	\$ 41,922.65	\$ 40,588.04	8.46	23.79
Fire Dist 9	35	\$ 966,373.57	\$ 935,608.07	\$ 264,069.33	28%	\$ 27,610.67	\$ 26,731.66	9.88	25.12
Fire Dist 11	40.3	\$ 1,678,415.21	\$ 1,625,589.87	\$ 290,476.26	18%	\$ 41,648.02	\$ 40,337.22	7.20	33.10
Fire Dist 12	24.5	\$ 7,143,395.64	\$ 6,919,617.30	\$ 1,280,736.23	19%	\$ 291,567.17	\$ 282,433.36	4.53	19.97
Fire Dist 13	28.71	\$ 3,789,380.16	\$ 3,671,200.70	\$ 396,103.99	11%	\$ 131,988.16	\$ 127,871.85	3.10	25.61
CFD (See Notes)	9.43	\$ 2,869,703.00	\$ 1,540,289.81	\$ 633,766.38	22%	\$ 304,316.33	\$ 163,339.32	3.88	5.55
CFD NOTES:	\$ 1,329,413.00	City Genral Fund							
	\$ 1,540,289.81	FD millage							
	2021 \$ 2,869,702.81	Total Budget							