

Amendments address property issues, public investments

Jeremy Alford
Capitol Correspondent
Published: Friday, October 31, 2008

Last in a series explaining the seven state constitutional amendments on Tuesday's ballot.

BATON ROUGE — How state government should tax homeowners, sell expropriated property and make public investments are at the heart of three proposed constitutional amendments on next week's ballot.

Amendment No. 5 would allow a homeowner who has lost property to the local, state or federal government to enjoy the same homestead exemption on their new home as long as it was purchased to replace the property that was seized or otherwise transferred.

Under the current law, someone who has a homestead exemption on a property they just sold can get the exemption again, but it's based on the value of the new home.

Opponents of the change, such as the New Orleans-based Bureau of Governmental Research, contend municipalities could lose money on property taxes that are usually re-routed for public needs.

"The amendment expands a tax benefit at the expense of local governments," said Janet R. Howard, the bureau's president.

In its own review of the proposed amendment, the Public Affairs Research Council, a nonprofit think-tank in Baton Rouge, says the "potential loss of additional revenues to local governments or the value of the tax break to recipients cannot be estimated."

However, PAR President Jim Brandt said there are indications that any impact would be negligible.

"Because so few homeowners are expected to be affected by this tax break, the fiscal effect would be minimal on governments, but significant for the recipients of the tax break," Brandt said.

Property expropriated by the government also is the subject matter up for debate in Amendment No. 6.

Under current law, private property can be seized by the state and other public authorities if needed to remove a "threat to public health or safety."

If the government does nothing with the property for 30 days, the first right of refusal goes to the original owner. The proposed amendment would delete that constitutional requirement.

Most of Louisiana's public-policy groups are backing the change, arguing that expropriation is an important tool for redevelopment, especially in hurricane-ravaged cities.

Additionally, this amendment can be viewed as a cleanup measure for another 2006 amendment that caused unintended consequences, like the resale of bighted properties.

Barry Erwin, president of a Council for a Better Louisiana, said there also were problems created for properties expropriated because of a threat to public health or safety.

"For one thing, it would seem to require the government to seize property that poses a health or safety risk, correct the problem and then offer to sell it back to the owner that allowed it to get into that condition in the first place," Erwin said. "One could clearly see how this could hamper redevelopment in storm-ravaged areas, but also in neighborhoods anywhere that have large numbers of unsafe properties."

He added that the proposed amendment takes a "necessary first step to ensure that properties that are expropriated because of health and safety risks can be disposed of in ways that serve the best interests of the public."

Amendment No. 7 would allow public money reserved for nonpension, post-employment benefits to be invested in stocks.

According to the PAR review, if the amendment fails, these public funds would still be invested only in low-risk and relatively low-yield investments — like U.S. Treasuries, U.S. government agencies, bank certificates of deposit and investment-grade commercial paper.

Brandt said proponents argue that to create a long-term asset, the trusts must be established and invested in such a way that they would likely grow at a fast pace. The investment options currently allowed for such funds prohibit appropriate growth, he added.

Generally, opposition stems from an unwillingness to take on additional risk, Brandt said, but active management of the investment portfolio would be allowed in the proposed amendment, and this is often touted as a safeguard against the additional risk.