



DARYL G. PURPERA,
CPA, CFE

Report Highlights

Effect of COVID-19 on Local Government Revenues

Audit Control # 40210001
Performance Audit Services • May 2020

Why We Conducted This Audit

We estimated the impact on Louisiana local government revenues from sales taxes, ad valorem taxes, severance taxes, and mineral royalties due to social distancing and falling energy prices stemming from COVID-19. We performed this work to enable federal, state, and local officials to anticipate budget adjustments that local governments will need to make and to develop plans to balance local budgets by spending cuts, tax increases, loans, and disaster grants.

What We Found

We estimate that parish governing authorities, municipalities, school boards, and sheriffs will collectively experience revenue losses in sales, ad valorem, and severance taxes and mineral royalties ranging from \$404.7 million to \$1.1 billion (2.3% to 6.9%) during fiscal years 2020 and 2021, with an average total loss of \$787.5 million (4.6%).

These losses would be between 1.0% to 2.8% of total local government revenues from all sources, or 1.4% to 4.0% of general revenues (which excludes grants and charges for services). These estimates are based on assumptions that the number of people employed in Louisiana will decrease by 197,000 to 317,000 (as distinguished from unemployment claims) and will take two to five years to recover, along with other specific assumptions about different sectors of the state's economy, as explained in Appendix A of the report.

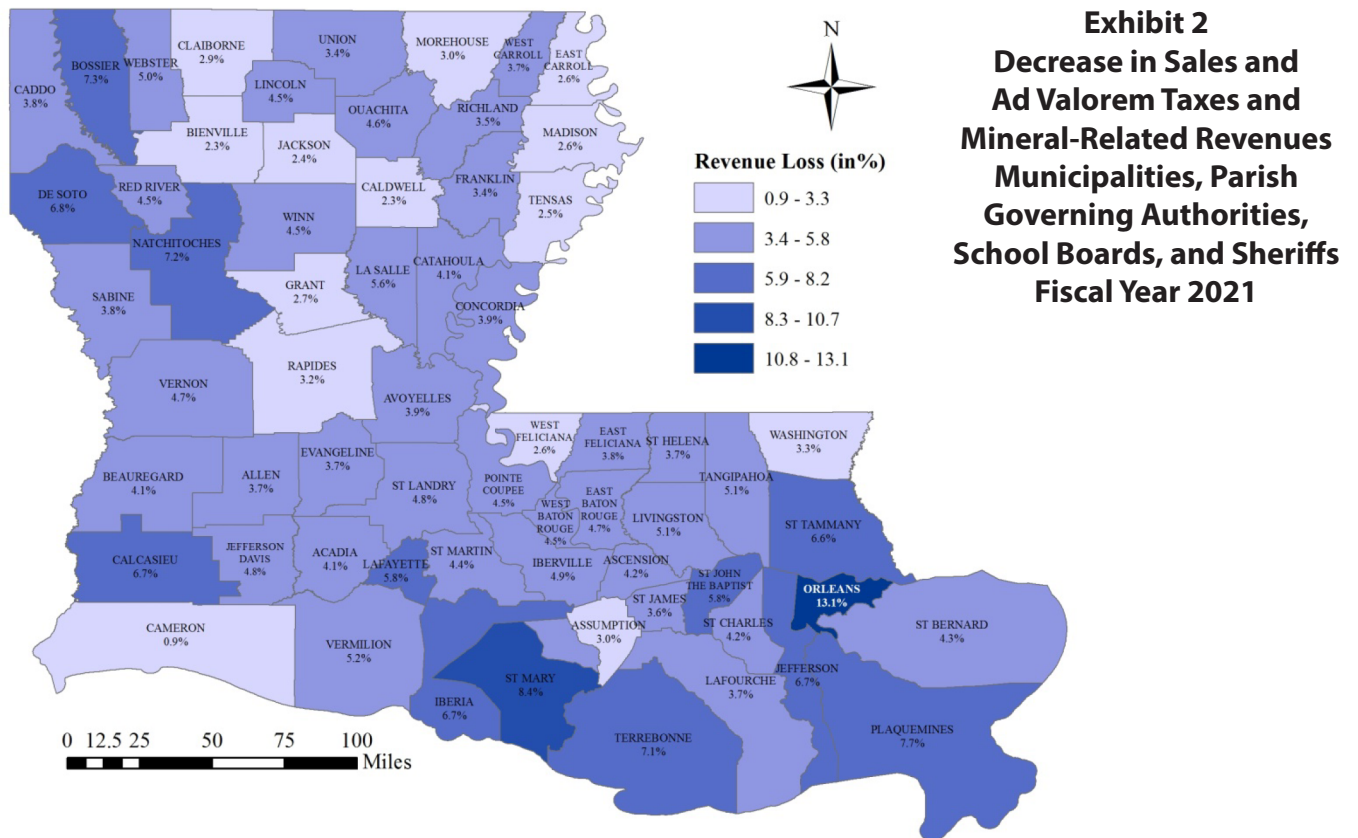
Exhibit 1 on the next page shows our forecast for tax collections under the baseline scenario, as well as our forecast under the average, pessimistic, and optimistic scenarios. Exhibit 2 shows the impact in percentage terms by parish for fiscal year 2021, and Appendices B and C to the report show the effects for all scenarios by parish and local government entity type.

Continued on next page

Effect of COVID-19 on Local Government Revenues

Exhibit 1				
Estimated Effects of Social Distancing and Energy Market Weakness on Local Government Ad Valorem and Sales Taxes and Mineral-Related Revenues				
Scenario		Fiscal Year 2020	Fiscal Year 2021	Total
Without Covid-19 and Oil Shock	Collections	\$8,743,657,389	\$9,006,735,371	\$17,750,392,760
	Effect	\$0	\$0	\$0
With Covid-19 and Oil Shock (Average)	Collections	8,503,097,887	8,459,843,725	\$16,962,941,613
	Effect	-240,559,502	-546,891,645	(\$787,451,147)
With Covid-19 and Oil Shock (Pessimistic)	Collections	8,438,156,372	8,173,564,301	\$16,611,720,673
	Effect	-305,501,017	-833,171,070	(\$1,138,672,087)
With Covid-19 and Oil Shock (Optimistic)	Collections	8,571,302,337	8,774,406,286	\$17,345,708,623
	Effect	-172,355,052	-232,329,084	(\$404,684,136)

Source: Prepared by legislative auditor's staff using data sources summarized in Appendix A.



Source: Prepared by legislative auditor's staff using data from the sources described in Appendix A.