

The Office of Inspector General for the City of New Orleans (OIG) conducted an evaluation of the funding structure of the New Orleans Municipal Court (Court). The purpose of the evaluation was to determine (1) the full cost of the Court from 2008 through 2015; and (2) how the City of New Orleans (City), State of Louisiana (State), and Court allocated resources to achieve the goals and objectives of the Court. The objectives of the evaluation were to:

1. document all sources of revenue and expenditures related to the Court each year from 2008 through 2015;
2. determine whether the City and Court followed applicable laws and policies regarding funding the Court and budgeting public funds; and
3. determine whether the Court developed performance measures that enabled judges, City Councilmembers, and State legislators to determine if the Court had the financial resources it needed to achieve its mission and objectives.

Municipal Court cost \$4.7 million to operate in 2015, approximately 20 percent more than it cost to operate in 2008. The OIG found that laws governing the Municipal Court's funding structure failed to establish clear lines of funding responsibility. The City was legally obligated to fund most Court staff positions, but the law also allowed the Court's self-generated revenues to be used to fund these positions if the City failed to meet this obligation. As a result, the City and the Court shared responsibility for funding in a way that limited transparency and impeded rational financial and operational planning. In addition, expecting the Court to fund a significant portion of its own expenses increased the risk of impeding defendants' due process rights.

Although state statutes required the City to fund the Court's non-judicial payroll, the Court and the City agreed that the Court was responsible for the difference between the City's allocated amount for payroll and actual payroll expenses. Both entities treated this difference as money "owed" to the City, resulting in deficit spending by the Court. Budgeting deficit spending in this manner is prohibited by the Louisiana Local Government Budget Act, which requires political subdivisions to balance their budgets.

The City and Court also exchanged money through informal arrangements, which contributed to a lack of transparency regarding how the Court was funded and resulted in inconsistent accounting records. For example, the City and the Court

recorded amounts for Court contributions to payroll that differed by as much as \$900,000 in a single year.

The evaluation includes the following findings:

- The City and Court's shared responsibility for funding (1) contributed to informal financial arrangements inconsistent with standard financial practices, and (2) created a potential impediment to due process.
- Municipal Court performance reporting did not allow decision-makers to evaluate its performance or assess the Court's financial needs.

Municipal Court judges have argued that fewer citations for minor municipal offenses in recent years have reduced court revenues, while additional programming and the processing of state misdemeanor cases have increased the Court's workload and expenditures. However, the Court did not provide evidence to support these assertions, and the limited performance measures it tracked provided insufficient information by which to assess the Court's financial needs, its efficiency, or its performance.

Based on these findings, the OIG made the following recommendations:

- The City should fund Municipal Court operations through a general fund appropriation. The City and Court should increase the transparency of their financial practices, and the City should lobby the state legislature to repeal laws creating fees to fund Municipal Court operations.
- The Court should develop and report performance measures that are capable of providing information that describes the financial needs of the Court.

The pending consolidation of Municipal Court and Traffic Court in 2017 provides the courts an opportunity to create efficiencies and improve transparency in the funding structures of both entities. The total cost for operating the Municipal and Traffic Courts included both the \$4.7 million cost of Municipal Court in 2015 and the cost of Traffic Court, which the OIG previously calculated at \$5.5 million as of 2012. The consolidation should improve both the effectiveness and the efficiency of the combined Court; establishing a baseline and determining impediments to efficiency in both Courts is a necessary first step.