



Hardin County Government

Judge/Executive Harry L. Berry

P.O. Box 568, Elizabethtown, Kentucky 42702

*The Commonwealth's
Premier County
To Live, Work, and
Raise a Family*

Judge/Executive Harry L. Berry 2018/2019 Budget Address 24 April, 2018

KRS 68.240 requires the Judge/Executive to present a proposed budget and estimate of receipts to the Fiscal Court by the 1st of May each year. Just prior to the start of this meeting copies of my proposal were provided you, thereby meeting my statutory obligation.

Preparing our annual budget each year is always challenging. Meeting the needs we have, with the limited resources we receive, is always a difficult task. However, significantly increasing demands imposed upon us this year, coupled with our rising costs and stagnate revenue, makes this next budget an even higher mountain to climb.

And even that is not the worst news. Due to the dramatic increases in employee pension costs projected for the next several years, combined with NO new sources of revenue, will make future budgets even more challenging to balance.

It will be very difficult for Hardin County Government to absorb these pension increases, because we only include "must have" programs in our budgets. We don't possess the luxury of "good to have" or "nice to have" programs to cut. Many cities and counties fund parks and recreation programs, tourism and economic development activities, or even entertainment programs and venues to which they can make funding adjustments. They are able to afford these "good to have" programs because they impose local income taxes - often referred to as occupational taxes.

Hardin County does not have an occupational tax. We are just one of a few Kentucky counties not collecting these taxes. We also do not impose an insurance premium tax, a restaurant or hotel tax, or any fire district taxes. Additionally, Hardin County is one of a very few counties without a library taxing district. **Hardin County is, in fact, the lowest county-wide taxed county in Kentucky.** As a result, our county budgets are very barebones.

Like any budget, the amounts are estimates. However they are well thought-out, fine-tuned estimates based on analysis of historical trends and years of experience. There is very little fluff or “wobble room”.

If asked to provide a visual description of this proposed budget, I would respond - “it looks a lot like a person wearing spandex athletic clothing - that is one, perhaps even two sizes too small.”

This budget is tight. But that is also the good news for the taxpayer – we are squeezing their dollars about as tight as you can squeeze anything.

So what does next year’s budget contain?

Less than 2 weeks ago the Kentucky General Assembly capped, at a 12% increase, the county’s matching contributions to employee pension plans for the next budget year - instead of the 50% increase originally indicated. This cap essentially creates a phase-in of pension contribution increases for the next 10 years.

The mandated 12% increase in retirement payments results in nearly a \$300,000 increase to the county’s proposed budget. Without this phase in, the additional increase would have been well over \$1 million. Our budget in the following fiscal year will potentially see yet another \$300,000 increase, plus this current increase, for a total of almost a \$600,000 increase for that year. And the year after that, it could increase another \$300,000 to a \$900,000 total increase - and so on.

To help address this state mandated \$300,000 increase to pension fund payments, I am budgeting an estimated \$250,000 increase in revenue derived from a 4% increase to county property taxes to be approved later this summer when property tax rates are normally addressed. I refer to this as the – **General Assembly Mandated Local Tax Increase.**

As a result, due to the Kentucky Legislature’s significant pension funding hike, NO cost of living increase can be provided to county employees in the new fiscal year. Only normal step increases for longevity are included in this budget proposal.

Regarding Jail operations, another state mandated drain on the county’s budget due to decades of inadequate funding from the General Assembly, expenditures are projected at \$8,740,250 in this proposal. This is a \$575,000 or 7% increase over the current year. To balance the Jail’s budget, a \$2,350,000 transfer from the county’s General Fund is required. This is a \$100,000 increase from the general fund as compared to the current year.

This results in Hardin County taxpayers subsidizing 27% of the Jail’s operation costs. Included in the \$8,740,250 of Jail expenditures are medical costs forecasted at \$1,250,000 and food costs of \$740,000. As a reminder, no one is in jail for violating county or city ordinances. These prisoners violated State law.

My proposal also includes \$5,718,550 for solid waste expenses, including operating the county’s landfill. This is an increase of \$323,000 compared to the current year. The county’s General Fund will subsidize solid waste operations by \$325,000, a slight increase from the current year’s projection of \$292,000.

The County Road Department is allocated \$2,920,000 in my proposal, a little less than this year’s current budget and over \$600,000 less than four years ago; just before the Kentucky General Assembly dramatically reduced the state’s gasoline tax, the primary source of funding for the County’s Road Department.

Just as a reminder, not a penny of property taxes go toward the maintenance of county roads - or state roads for that matter. Proceeds from the motor fuels tax, commonly referred to as the gasoline tax, is virtually the sole source of road maintenance funding for the county and the state. The General Assembly chose to take no actions this year to curtail the rapid decline in the condition of state and county roads.

Included in this budget is \$2,180,000 for operations of the county-wide 911 system. Our recent change in the method for funding our 911 operations eliminated a \$100,000 annual deficit previously subsidized by the county's General Fund, thereby preventing further overall budget reductions.

Some of the funding derived from the new method of collection also allows for debt service payments on a \$2M - five year loan to provide gravely needed upgrades of our 911 emergency communications system. This would not have been possible without the new collection method for 911 fees.

There are NO new capital projects included in my proposal and only a minimal amount of investments for updating our fleet of vehicles and equipment. This budget includes funding earmarked to replace 2 dump trucks and a wheeled front end loader at the Road Department, the replacement of 1 ambulance for EMS, and 1 vehicle replacement at the Detention Center.

Other areas to note in this budget proposal include:

- \$1,350,100 to support the operations of the Hardin County Sheriff. This is approximately 1/3 of the Sheriff's total budget.
- \$920,000 is allocated for the funding of the Hardin County Library System. As mentioned before, Hardin County is one of a hand full of counties supporting library services directly from its General Fund. The vast majority of Kentucky counties are supported by a local library taxing district.

- Almost \$190,000 to support general and primary elections occurring during the next fiscal year. The state mandates these costs to be paid by the county. Cities and school boards do not share in election costs. The county pays these elections expenses even in elections where no county offices are being voted on. The state does pay a small reimbursement per precinct, per election that amounts to about 13% of the election's total cost.
- Hardin County Animal Care and Control is funded at \$705,000 for the year. The income they generate is estimated at just over \$200,000, leaving a \$500,000 supplement required from the county's General Fund.
- Hardin County Government is mandated to provide \$180,000 in direct funding to the State's PVA Office in Hardin County, plus provide office space and utilities at no cost to the PVA.
- Other budgeted expenditures include \$50,000 in support for our local Drug Courts, \$50,000 to fund the Rocket Docket program, \$50,000 to keep our Dead Animal Removal program operating, and \$95,000 in Litter Abatement Grant funding to assist in keeping our community clean.

To summarize, my proposal is a lean budget including an operational budget of \$33.5M plus almost \$21M of BRAC related infrastructure improvements for a total county budget of \$54.4M. It is a structurally balanced budget, meaning current expenditures are truly balanced with current revenues.

This budget, while extraordinary tight, does maintain all existing programs and services. The 12% increase mandated by the state to the county's matching pension fund contributions rates brings the county's match for hazardous duty employees to over 35% of their salary and over 21% in county matching contributions for the pensions of non-hazardous employees. The cumulative impact of these increases brings our total funding estimated for pensions to almost \$2.8M; up almost \$300,000 from the previous year's estimates.

These pension payment increases will be partially funded by a 4% increase to the county's property taxes to be approved later this summer. The Kentucky General Assembly has not provided any other source of income for the county to derive the funding necessary to meet these costs; costs the State has mandated.

Reductions in personnel, to the scale necessary to offset these increases, would dramatically reduce already barebones staffing levels, and would cause unpalatable reductions in key services and/or create hazardous working conditions.

At the end of the day, Hardin County still remains the lowest county-wide taxed county in Kentucky!