



# 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's 2019/2020 Budget Address to Hardin Fiscal Court 23 April, 2019**

KRS 68.240 requires the Judge/Executive to present the Fiscal Court by the 1<sup>st</sup> of May each year a proposed budget of appropriations or expenses balanced against estimated receipts or income for the upcoming fiscal year. Just prior to the start of this meeting you were provided copies of my \$42M proposal; thereby meeting my statutory obligation.

This proposal was prepared in consultation with all department leaders throughout county government. The Treasurer (Lisa Pearman) and I, along with her staff, carefully made each calculation, estimate, and projection. I would like to take this opportunity to thank the leaders of our county departments for their excellent job each and every day in providing outstanding services to the citizens of Hardin County in a very efficient cost conscious manner. And I especially thank Treasurer Lisa Pearman and her staff for the countless hours of tedious work required in processing documents, tracking transactions, and accounting for our resources all year along - to virtual perfection.

Preparing our annual budget each year is always challenging. Meeting our needs with the limited resources we receive is always difficult. However, we certainly once again performed the proverbial "pulling a rabbit out of the hat" this time, to present you a structurally balanced FY 2020 budget based on current sustainable income equating to our anticipated expenditures. Houdini, the magician not the goat, could not perform a more difficult feat.

The steadily increasing demands imposed upon us, coupled with rising costs and stagnate revenue, will make the following fiscal year's budget even more difficult to balance. And any visible light at the end of the tunnel is certainly emanating from the state's pension train coming at us head on. The continuing huge annual increases in employee pension costs imposed upon local governments by our state's leaders, combined with NO new sources of revenue, will make future budget years far more challenging to balance than this year's Houdini act.

It is very difficult for Hardin County Government to absorb these pension payment increases because we only include "must have" expenditures in our budgets. We don't operate "good to have" or "nice to have" programs or services we can reduce. Many cities and counties fund parks and recreation programs, tourism and economic development activities, or even entertainment programs and venues to which they may make spending 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 receive income or occupational tax proceeds. We are among just a few counties in Kentucky not collecting these taxes. As you know, Kentucky's political leaders refuse to address this inequity impacting our county while other counties greatly benefit from this revenue source. Hardin County continues to struggle year after year due to the inaction of our state's legislators.

Hardin County also does not impose insurance premium taxes, restaurant or hotel taxes, or any fire district taxes. Additionally, we are one of a handful of 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 carefully calculated estimates for both income and expenditures. They are well thought-out, fine-tuned estimates based on analysis of historical trends and years of experience. There is very little "fluff or wiggle room".

Let me stress that these estimates also include revenue projections. Many only consider budgets from the spending side of the equation and give little thought to the income side. But as we all know, you can't spend what you don't have. Unless of course you're the Federal Government.

Therefore, if income falls short of estimates during the year, then expenditure limits must also be reduced midstream.

While this budget is very lean for operating the county government, it is also good news for the taxpayer. Hardin County Government is certainly squeezing your tax dollars about as tight as anything can be squeezed.

With that said, what does next year's budget contain?

The annual 12% maximum increase in retirement payments levied by the Kentucky General Assembly resulted in an additional \$300K payment for the fiscal year we are finishing this June. The budget year presented to you today includes an additional pension payment increase of \$330K added to last year's \$300K increase; making the FY 2020 Hardin County Government's pension payment \$630K more than the payment made just two years earlier in FY 2018.

Our budget in the following fiscal year, FY 2021, will see yet another state ordered \$370K increase added to the previous two increases resulting in a total increase of \$1M for that year. And the next year it could increase another \$410K; producing an anticipated \$1.4M total increase over a 4 year period. And who knows where this will end.

Summing up the impact of these increases, our county's pension payments for FY 2018 were approximately \$2.5M. In FY 2022 they are projected to be \$4M! And this doesn't include pension payments for the County Clerk and Sheriff offices that are in separate budgets.

This in effect is another state tax imposed on counties to pay for decades of our state legislature's mismanagement; both the House and the Senate – both Republicans and Democrats.

To help address the state's required \$330K increase to our county government's pension payments in FY 2020, I am forced to budget an estimated \$290K increase in revenue derived from the so called "4% increase" to annual county property taxes to be approved later this summer. This is essentially a **Kentucky General Assembly - Mandated Local Tax Increase**. And you might note, the "4% property tax revenue increase" is not enough to fund all of the 12% annual increases in pension fund payments.

Jail operations are yet another state ordered drain on the county's budget due to decades of inadequate funding from our state government. This proposal projects Hardin County Jail costs at \$8.8M; approximately the same as this current year. To balance the Jail's budget, a \$2.4M transfer payment from the county's General Fund to the Jail Fund is required.

The result is Hardin County taxpayers subsidizing 27% of the Jail's expenses. This \$2.4M county subsidy is about 1/3 of the \$7.4M in property taxes the Fiscal Court will receive. Included in the \$8.8M of Jail expenses are inmate medical costs forecasted at nearly \$1.3M and food costs of \$750K. As a reminder, no one is jailed for violating county or city ordinances. These prisoners violated State law.

The proposal provided you today allocates just over \$5.6M for solid waste operations, including operating the county's landfill. For the first time in a decade, the county's General Fund will NOT need to subsidize solid waste operations. This is primarily due to completing significant annual debt service payments on a 20 year old bond issuance used to fund some of the initial construction and development of the Pearl Hollow Landfill. Solid waste and landfill operations are now fully funded through user fees and state grants.

Within this proposal the County Road Department receives \$3M in funding, practically the same as the current year. However, this is \$600K less than five years ago when the Kentucky General Assembly dramatically reduced the state's gasoline tax; the road department's primary funding source. The result was over a 40% reduction in annual asphalt work for what will be the 5th straight year.

Let me remind you, not a penny of your 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. Sadly, the General Assembly once again failed to take actions this year to curtail the rapid decline in the condition of our state and county roads.

Also included in this budget proposal is almost \$2.4M to operate the county-wide 911 system. Our recent change in how we collect 911 fees not only allows 911 operations to now be self-sustaining, but it also makes possible a significant upgrade to our emergency communications system. This \$2 Million upgrade, paid over the next 5 years, enhances our 911 dispatch services, provides more reliable communications with first responders throughout the county, and greatly assists with preparations for the Next Generation of 911 in the near future. Hardin County 911 continues on the leading edge of 911 services in Kentucky.

Our proposed budget does NOT include any other significant capital projects. Included are only a minimal investments for upgrading methane gas collection activities at the landfill and for updating our fleet of vehicles and equipment. This budget includes funding to replace 2 tractors, 2 bush hogs, one wood chipper, and one truck and chassis to be refitted with an existing dump bed at the Road Department. Also included is 1 vehicle replacement for Building and Grounds, 1 vehicle replacement at the Detention Center, replacing a supervisor's vehicle at EMS, and the rebuild of 2 ambulances for EMS. As you are aware, rebuilt ambulances using an existing "box" mounted to a new cab and chassis can be accomplished for less than 3/4's of the cost of buying a brand new ambulance.

Other areas to note in this budget proposal include:

- Almost \$1.4M to support the operations of the Hardin County Sheriff. This is approximately 1/3 of the Sheriff's total budget.
- \$943K is allocated for the funding of the Hardin County Library System. As mentioned before, Hardin County is one of a handful of counties supporting library services directly from its General Fund. The vast majority of Kentucky counties are supported by a local library taxing district.
- Over \$185K to conduct general and primary elections occurring during the next fiscal year. The state mandates these costs be paid by the county. Cities and school boards do not share in election costs. The county pays all the elections expenses even in elections where no county offices are being voted on. The state does provide a small reimbursement per precinct, per election amounting to about 13% of the election's total cost.
- The state also mandates Hardin County Government to provide \$180K in direct funding to the State's PVA Office in Hardin County, plus provide office space and utilities at no cost to the PVA.
- Hardin County Animal Care and Control is funded at nearly \$800K for the year. The income generated for Animal Care and Control is derived from \$180K in fees and almost \$100K in very generous community donations. This leaves a gap in funding of just over \$500K required to be supplemented from the county's General Fund tax revenue.
- Other budgeted expenditures include \$50K in support for our local Drug Courts, \$50K to fund the Rocket Docket program, \$50K to keep our Dead Animal Removal program operating, and \$95K in Litter Abatement Grant funding to assist our Jailer in helping to keep our community clean.

To summarize, my proposal is a very lean overall budget of \$42M, including \$35M for operations plus \$7M of state funded BRAC related infrastructure improvements. It is a structurally balanced budget; meaning current expenses are truly balanced with current income.

This budget, while extraordinary tight, does maintain all existing programs and services. The 12% state mandated increase to the county's matching pension fund contributions brings the county's match for hazardous duty employees to almost 40% of their salary and over 24% in county matching contributions for the pensions of non-hazardous duty employees.

The cumulative impact of these required increases brings our total pension payments to approximately \$3.2M; up about \$330K from the previous year. These 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 imposed upon us.

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

In a nutshell:

Hardin County employees continue to be paid significantly less across the board when compared to similar sized counties. This is especially true with our paramedics and EMTs who are among some of the lowest paid in the region.

County employees are not provided any assistance with the cost of family health insurance. While state employees enjoy family healthcare benefits, our state's legislative restrictions on local revenue makes it impossible for county government to provide employees with even basic family health insurance.

County roads are crumbling due to the gross underfunding from the state legislature for the last 5 years. Kentucky state legislators continue to neglect this statewide issue. Meanwhile the maintenance and resurfacing of our county roads continues to fall further and further behind.

Our county library continues to be one of the smallest and most poorly funded per capita in Kentucky. And deferred facility maintenance and repairs are mounting concerns.

Dramatic annual state imposed pension payment increases are strangling county government operations. Again, for decades our state's leaders kept their heads in the sand regarding this issue and to date they continue to avoid making the bold decisions necessary to cure the disease rather than just simply treating the symptoms. Both legislative bodies and both political parties are equally to blame.

Our state continues to be one of the most centralized controlled states in the Nation, rather than empowering local governments to solve local issues.

And because our state leaders refuse to address the inequity imposed on Hardin County regarding the collection of a county occupational tax, an issue facing just a handful of counties, Hardin County Government is severely handicapped in assisting in the attraction of economic development opportunities for our county. This is primarily due to the lack of our ability to provide economic enticements or incentives for recruitment and our inability to provide the required infrastructure improvements.

You now have my proposal for Hardin County Government's Fiscal Year 2020 Balanced Budget. Houdini the magician would be amazed at our results. But I'm afraid a year from now Houdini the goat may very well be eating our lunch at budget time, as the pension train runs over us all.

I suggest the following schedule for your review and ultimate approval of the county's FY 2020 budget:

- The Resources and Community Support Committee meets on May 7<sup>th</sup> to consider the proposed budget.
- Schedule the Public Hearing required regarding the use of Local Government Economic Assistance and County Road Aid funds, along with potential first reading of the Budget Ordinance, for the May 14<sup>th</sup> meeting of Fiscal Court.
- Schedule second reading and adoption of the Budget Ordinance for the May 28<sup>th</sup> meeting of Fiscal Court.
- This will leave the month of June as a buffer should more time be needed to resolve any budget issues that may develop during discussions.