



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 2020/2021 Budget Address to Hardin Fiscal Court 28 April, 2020

KRS 68.240 requires the Judge/Executive to present Fiscal Court by the 1st of May each year a proposed budget of appropriations balanced against estimated receipts for the upcoming fiscal year. Just prior to this meeting you were provided copies of my \$41.5M 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 Hardin County's citizens 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 near perfection.

Preparing our annual budget each year is always challenging. Meeting our needs with the limited resources we receive is always difficult. Our elected and appointed leaders throughout Hardin County Government continue to be innovative stewards of these resources. Their thrifty approach in the delivery of the services they provide allows us to present to you a structurally balanced FY 2021 budget based on current sustainable income equating to anticipated costs.

However, the increasing demands imposed on us, coupled with rising costs and stagnate revenue sources, will make the budgets for subsequent fiscal years' more difficult to balance. And while increases to pension fund payments were suspended for Fiscal Year 2021 due the COVID-19 pandemic; the continuing large annual increases to future state mandated pension payments will make future budgets years even more challenging.

As we have stated numerous times, it is very difficult for Hardin County Government to absorb these pension payment increases because we include only "must have" expenditures in our budgets. We don't operate "good to have" or "nice to have" programs or services that 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 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.

On a positive note, not having a local income tax supporting our county budget makes us far less vulnerable to the revenue challenges other counties and cities will experience due to the economic impact of COVID-19 on their communities. Since Hardin County Government does not have an occupational tax, we have not experienced such a direct and dramatic change in revenue caused by the Coronavirus response. However, we do receive significant funding thru the state and their revenue is greatly suffering from the recent impacts of COVID-19.

And while we are on the topic of taxes, let me remind us Hardin County does not impose insurance premium taxes, restaurant or hotel taxes, or 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 in this proposal are carefully calculated estimates for both income and expenditures. They are well thought-out, fine-tuned projections based on analysis of historical trends and years of experience.

Let me stress that these estimates also include revenue projections. Many only view 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 expectations, then expenditure limits must also be reduced midstream.

While this budget is very lean, 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. And the Fiscal Year 2021 budget I'm proposing to you today **does not use any tax rate hikes or fee increases to make it balance.** So, what are some of the specifics of this proposed budget?

As you know, 2 years ago the state legislature decided to drastically increase local government's mandated contributions to the state pension system. Our annual contributions were scheduled to increase up to 12% each year for numerous years in a compounding method until the contributions fully funded the system. Fiscal Year 2021 would have been the 3rd consecutive year of compounding increases; meaning it would have been a 36% increase compared to FY 2019.

However, in response to the impact of COVID-19 on local governments, the Kentucky General Assembly suspended the planned 12% annual increase to local government pension contributions for fiscal year 2021. The suspension of this increase relieves Hardin County Government from a \$385,000 increase to the remaining \$3.2 million payment now budgeted for the new fiscal year.

As a result, as I mentioned earlier, there are no increases to tax rates or fees used to balance my Fiscal Year 2021 budget proposal. However, it is anticipated the 12% cumulative annual increases to pension fund payments will restart with the following fiscal year and most likely will result in future tax increases for the following years to meet the General Assembly's demands on local governments.

While funding for the Jail continues to be a drain on the county's budget due to decades of inadequate funding from our state government; increases in this proposed budget for operating the county's detention center requires only a 1.7% increase over last year's amount - less than the rate of inflation. I commend Jailer Josh Lindblom and his staff for the fabulous job they do with the limited resources available to them. Their innovation and can do approach is stretching resources and maximizing results.

This budget proposal projects Hardin County Jail expenses at just under \$9M; approximately \$150K more than this current year. To balance the Jail's budget, a \$2.5M 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 costs. This \$2.5M county subsidy is about 1/3 of the \$7.6M in property taxes the Fiscal Court will receive. As a reminder, no one is jailed for violating county or city ordinances. These prisoners violated state law.

For the second year in a row, the county's Solid Waste Fund will NO LONGER need to be subsidize by the General Fund budget. This is due in large part to completing the annual debt payments on a substantial 20 year bond issuance used to fund some of the initial construction and development of the Pearl Hollow Landfill. This, combined with contracting out landfill management and operations at the beginning of this current fiscal year, relieved the county government from hundreds of thousands of dollars in future construction projects, erased the county's annual subsidy to the cost of landfill operations, and provided a reliable positive annual cash flow to the county government from the landfill contract.

Additionally, earlier this year Hardin County Government established a public, public, private partnership with Red River Waste Solutions to collect, transport, and dispose Fort Knox's commercial waste; thereby providing significant savings to Fort Knox and a positive cash flow to Hardin County Government. The proposed Solid Waste Fund budget reflects a positive balance over \$900K.

Also, within this budget proposal, the Hardin County Road Department receives almost \$3.75M in funding; approximately 1/3 more than the current fiscal year. This is due primarily to \$600K obtained late last year from the Bevin administration's "discretionary funds" that we will use for road resurfacing projects, plus almost \$300,000 in Road Department reserves we will utilize for bridge replacement work and resurfacing projects.

With that said, the Road Fund's annual **reoccurring** revenue continues to be \$600K less than it was just five years ago when the Kentucky General Assembly dramatically reduced the state's gasoline tax; the road department's primary funding source. This has caused a 40% reduction in **reoccurring** annual asphalt work for what will now be the 6th straight year.

And we were just informed last week, due to the dramatic decline in both fuel prices and fuel usage throughout the Commonwealth, the state will cut another \$250K from our annual county and municipal road aid payments for FY21. Combined with the 2015 reductions in road funding, this amounts to a 50% reduction in annual asphalt work on county roads compared to 2015 amounts.

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 funding. 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 \$2.7M to operate the county-wide 911 system. Our decision 2 years ago to move 911 fees from the landline phone bills to the property tax statements allowed our 911 center to become self-sufficient; meaning it no longer needs to be subsidized by the General Fund.

Changing our collection method not only allows 911 operations to be self-sustaining, but it also made possible a significant upgrade to our emergency communications. These improvements markedly enhanced our connectivity with first responders and greatly assists with preparations for the Next Generation of 911; thereby keeping Hardin County on the leading edge of 911 services.

Other areas of interest in this budget proposal include over \$1M being allocated from the General Fund to support the Hardin County Library System. As we have discussed numerous times, Hardin County is one of a handful of counties supporting library services directly from its General Fund. The vast majority of Kentucky county libraries are supported by a local library taxing district.

Hardin County Animal Care and Control is funded at nearly \$875K for the year. The income generated for Animal Care and Control is derived from \$280K in fees and some very generous community donations. This leaves a gap in funding of \$600K required to be supplemented from the county's General Fund tax revenue.

I would also like to point out this proposal includes a 2% cost of living increase to employee pay in addition to their annual step increase for longevity. This is the first time in over 10 years that employees will receive an increase of over 1%. In fact, 3 of those 10 years they received no increase.

Also noteworthy and included in this budget proposal is our decision earlier this calendar year to move the county from our self-insured model for employee health insurance, to joining the state's health insurance plan. Implementing this decision increased the annual cost to county government by \$285K over last year's costs. However, continuing with our self-insured approach would have resulted in half of this increase due to rate increases and our utilization trends.

Shifting to the state health insurance plan provides employees viable opportunities to also insure their family members, plus it increases plan options available to them at reduced costs. The county government will now benefit from a more predictable and stable annual health insurance cost each year, and the employees have a more affordable and stable outcome as well.

To summarize, my proposal is a very lean overall budget of \$41.5M, including \$37.4M for operations plus \$4.1M of state funded BRAC infrastructure improvements. It is a structurally balanced budget; meaning current expenses are truly balanced with current income. No programs or service are being reduced. No increase to tax rates or fees were utilized to balance my proposal. Hardin County remains the lowest county wide taxed county in the Commonwealth.

However, on the down side, even with the proposed 2% Cost of Living increase, Hardin County employees continue to be paid significantly less when compared to similar sized counties.

County roads are crumbling due to the gross underfunding from the state legislature for the last 5 years.

Our library continues to be one of the smallest and most poorly funded per capita in Kentucky. And deferred building repairs and maintenance are a looming issue.

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

Huge state mandated increases to local government pension fund contributions are strangling county government's finances.

And because our state's leaders refuse to address the inequity imposed on Hardin County regarding the collection of occupational taxes, an issue facing just a handful of counties, Hardin County is severely handicapped in assisting with the attraction of economic development opportunities for our county.

With all that said, you now have my proposal for Hardin County Government's next budget year. I suggest the following schedule for your review and ultimate approval of the county's Fiscal Year 2021 budget:

- The Resources and Community Support Committee meets on May 5th to consider the proposed budget.
- Schedule the required Public Hearing for the use of Local Government Economic Assistance and County Road Aid funds, along with potential first reading of the Budget Ordinance, for the May 12th meeting of Fiscal Court.
- Schedule second reading and adoption of the Budget Ordinance for the June 9th meeting of Fiscal Court.
- This will leave the rest of June as a buffer should more time be needed to resolve any budget issues that may develop during discussions.