



OFFICE OF THE MAYOR  
LOUISVILLE, KENTUCKY

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GREG FISCHER  
MAYOR

February 20, 2019

Tara Purvis  
Independent Insurance Agents of Kentucky  
13265 O'Bannon Station Way  
Louisville, Kentucky 40223

Dear Ms. Purvis:

I appreciate the concerns raised by your letter. Raising taxes is not a decision I take lightly. Our city faces a significant, \$65 million budget challenge driven largely by the increasing state pension obligation, and we have two options: devastating cuts or new revenue. Cities in Kentucky have limited options for raising new revenue; the insurance premium tax is the only one that can be increased in time to generate revenue to address the immediate FY20 budget deficit of \$35 million.

It's incorrect to suggest there will be no public input or vote; in fact, that is already underway, and we are encouraging people to share their views with Metro Council, which will vote on the proposal. It's also incorrect to suggest Louisville is a "pace setter," given that other cities, including Covington, Newport, Goose Creek, Shively, and West Buechel have a higher rate.

Our ability to recruit and retain businesses and talented professionals and maintain our city's momentum is contingent upon us being able to provide city services, like public safety, paved roads, accessible sidewalks, great parks, libraries, as well as the quality of life investments our competitor cities are making. We cannot let this pension obligation from the state slow our momentum. Devastating cuts are NOT a path to prosperity – new revenue is a must.

Enclosed with this letter you will find a fact sheet with more information on this budget crisis.

Sincerely,

Enclosure

Greg Fischer  
Mayor

[WWW.LOUISVILLEKY.GOV](http://WWW.LOUISVILLEKY.GOV)

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Fischer Administration | 2.13.2019

## Louisville faces devastating budget shortfall because of \$65M general fund gap

### THE CHALLENGE

- Despite a growing economy, Louisville Metro Government continues to face significant budget challenges because of an expected \$65 million general fund gap over the next four years.
- Louisville Metro Government has proven it is an efficient operation, and the city is seeing good growth in revenue, but that growth is dwarfed by increased pension requirements from the state retirement board.
- That amounts to \$86 million in FY19, up from \$77 million in FY18, and is expected to grow to \$97 million in FY20, then to \$136 million in FY23.
- The estimated gap for FY20 is \$35 million, which reflects the additional \$10 million pension bill for FY19, another \$10 million for FY20, along with \$15 million from increased healthcare costs and lower-than-projected revenues.

### ACTIONS ALREADY TAKEN TO ADDRESS SHORTFALL

Anticipating challenges from the Frankfort-mandated pension costs, the Fischer administration implemented several cost-saving measures last year, including:

- Eliminating 49 positions in the FY19 budget.
- Adopting new fees, including implementing an EMS cost recovery fee increase that will generate \$1.9M annually and bring LMG fees into greater alignment with similar services.
- Implementing a hiring frost, only approving vacant positions and reclassifications if certain essential function criteria are met, including whether the vacancy would require overtime or is mandated.
- Limiting spending on travel, training, technology, office supplies, subscriptions & assigned vehicles.

### OPTION 1: DEVASTATING CUTS TO SERVICES

- Governmental services would have to be cut to match our levels of funding. This would severely affect all areas, but predominantly personnel, as staff comprise about 70 percent of our budget -- and primarily public safety, as it makes up approximately 60 percent of the operating budget.
- The specific potential cuts include staffing reductions in nearly every department, including police, fire and emergency services, as well as closing library branches, fire stations, health clinics, community centers, pools and city golf courses. Other potential cuts include eliminating all Metro funding for Brightside and the Belle of Louisville, making the Louisville Zoo independently operated, turning Youth Detention Services back over to the state, and eliminating all Neighborhood Development Funds allocated by Metro Council and External Agency Funds allocated to local nonprofits for arts and social and community services.

### OPTION 2: RAISING NEW REVENUE

- An increase in the city's tax rates on five types of insurance premiums from their current five percent to 12.5 percent in FY20 and FY21, 13.5 percent in FY22 and 15 percent in FY23 will entirely resolve the city's budget gap for the coming year and beyond. Auto would be excluded from this increase.
- This plan would increase the average family's premium tax by about \$12 - \$13 a month, or 40 cents per day.
- This plan represents the best option for the city's future, given that options for raising revenue are extremely limited.



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## ABOUT THE INSURANCE PREMIUM TAX

- Louisville Metro's insurance premium tax is currently set at 5% and can be increased by Metro Council without any statutory caps.
- Each percentage increase would generate an estimated \$12 million in revenue annually if all lines of insurance are equally increased. This assumes that all suburban cities will implement the same rate as Louisville Metro as the suburban cities keep their own revenues.

**HOW YOU CAN STOP THESE CUTS:** Contact your council member to share your view.

District #	Councilmember (click name to send email)	Phone number
1	<a href="#">Jessica Green</a>	502-574-1101
2	<a href="#">Barbara Shanklin</a>	502-574-1102
3	<a href="#">Keisha Dorsey</a>	502-574-1103
4	<a href="#">Barbara Sexton Smith</a>	502-574-1104
5	<a href="#">Donna Purvis</a>	502-574-1105
6	<a href="#">David James</a>	502-574-1106
7	<a href="#">Paula McCraney</a>	502-574-1107
8	<a href="#">Brandon Coan</a>	502-574-1108
9	<a href="#">Bill Hollander</a>	502-574-1109
10	<a href="#">Pat Mulvihill</a>	502-574-1110
11	<a href="#">Kevin Kramer</a>	502-574-1111
12	<a href="#">Rick Blackwell</a>	502-574-1112
13	<a href="#">Mark Fox</a>	502-574-1113
14	<a href="#">Cindi Fowler</a>	502-574-1114
15	<a href="#">Kevin Triplett</a>	502-574-1115
16	<a href="#">Scott Reed</a>	502-574-1116
17	<a href="#">Markus Winkler</a>	502-574-1117
18	<a href="#">Marilyn Parker</a>	502-574-1118
19	<a href="#">Anthony Piagentini</a>	502-574-1119
20	<a href="#">Stuart Benson</a>	502-574-1120
21	<a href="#">Nicole George</a>	502-574-1121
22	<a href="#">Robin Engel</a>	502-574-1122
23	<a href="#">James Peden</a>	502-574-1123
24	<a href="#">Madonna Flood</a>	502-574-1124
25	<a href="#">David Yates</a>	502-574-1125
26	<a href="#">Brent Ackerson</a>	502-574-1126