

WITH EDITS

DRAFT: August 18, 2023

To: Co-Chairman Earl Jones
Co-Chairman Jason Nemes

From: Tax Subcommittee

As specified in 2021 HB 314, the Louisville Metro Comprehensive Review Commission was established to submit their findings and recommendations to Kentucky Legislative Research Commission regarding the review of the accomplishments and insufficiencies of the consolidated local government model. The Commission designated subcommittee to review the taxing powers and funding of Louisville Metro Government, the suburban cities, and special service districts within the consolidated local government jurisdiction, i.e., Jefferson County.

The members of the tax subcommittee are Representative Ken Fleming, Senator Michael Nemes, Shelby Somervell of GLI, Mayor’s appointee Marianne Butler, and Councilwoman Cindi Fowler.

This report provides a summary of the findings based on data submitted by Dr. Paul Coomes, University of Louisville Emeritus Professor of Economics, Dr. Matthew Ruther, Associate Professor of Urban and Public Affairs, and Dr. William Hoyt, University of Kentucky Professor of Economics.

Overall, the presentation from Dr. Hoyt on July 14, 2023, shows that the total government revenues per capita in Louisville is near the bottom in comparison with our sister cities -- Birmingham, Nashville, Memphis, Lexington, Indianapolis and Cincinnati. Nashville has the highest revenue per capita. Louisville remains as the bottom of every chart in terms of total taxes per capita and percentage of earnings. In return, Louisville also spends less per capita on residents than our sister cities.

Louisville Metro Government has county-wide service responsibilities and taxing powers. However, Jefferson County also has 83 cities, seven suburban fire districts and three special taxing districts. However, for the purposes of this report, as agreed upon by the Commission, Jefferson County Public Schools was excluded, but TARC and the Urban Services District (the former City of Louisville) were included.

1. Population Shift

Over the past two decades, population has shifted from the USD to areas in the County that are not incorporated, while the suburban cities posted slight population growth. See charts below:

Population Growth in Jefferson County, Last Two Decades

	2000	2010	2020	Growth 2000-2020	
City of Louisville/USD	256,231	244,498	246,161	-10,070	-3.9%

Suburban cities	140,290	143,821	149,987	9,697	6.9%
Formerly unincorporated area	297,083	352,777	386,884	89,801	30.2%
Total	693,604	741,096	782,969	89,365	12.9%

Source: US Census Bureau; with estimates for unincorporated area by Dr. Ruther.

Population Density, persons per square mile

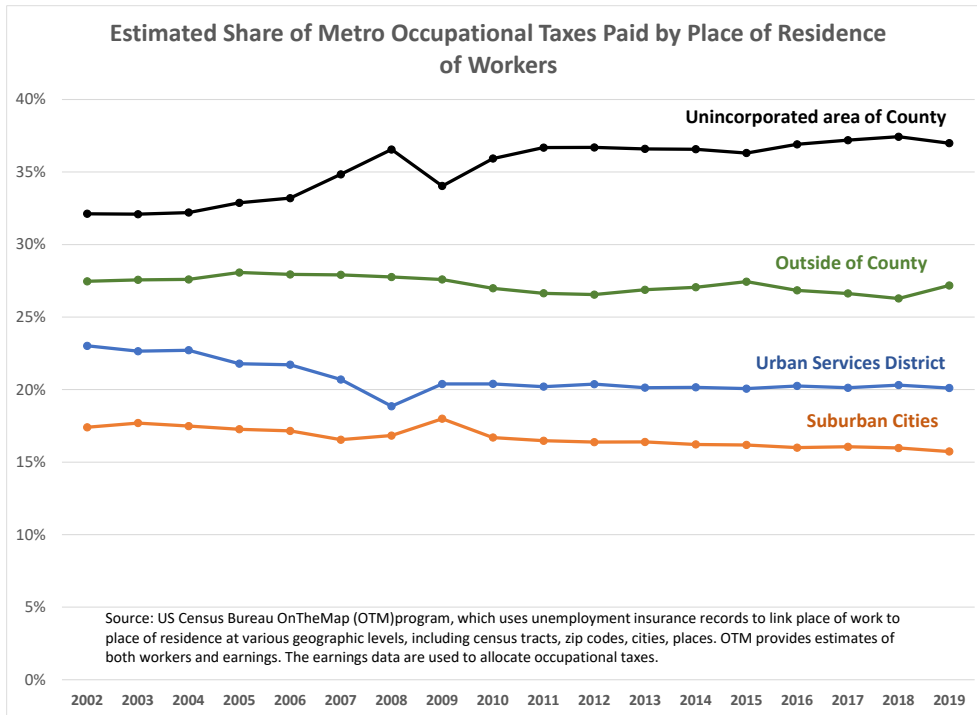
	Land Area	2000	2010	2020
City of Louisville/USD	61	4,189.5	3,997.7	4,024.9
Suburban cities	70	1,999.9	2,050.2	2,138.1
Formerly unincorporated area	267	1,114.0	1,322.8	1,450.7
Jefferson County total	398	1,742.7	1,862.1	1,967.3

It should be noted that Metro Louisville is in the middle of the bell curve in comparison to our sister cities in terms of population growth. Above Cincinnati, Birmingham, and Memphis - on par with Indianapolis and slightly below Nashville and Lexington.

2. Tax and Revenue Distribution

- a. Capital Expenditures
- b. ** If we are going to include this information -- we need to list the projects.

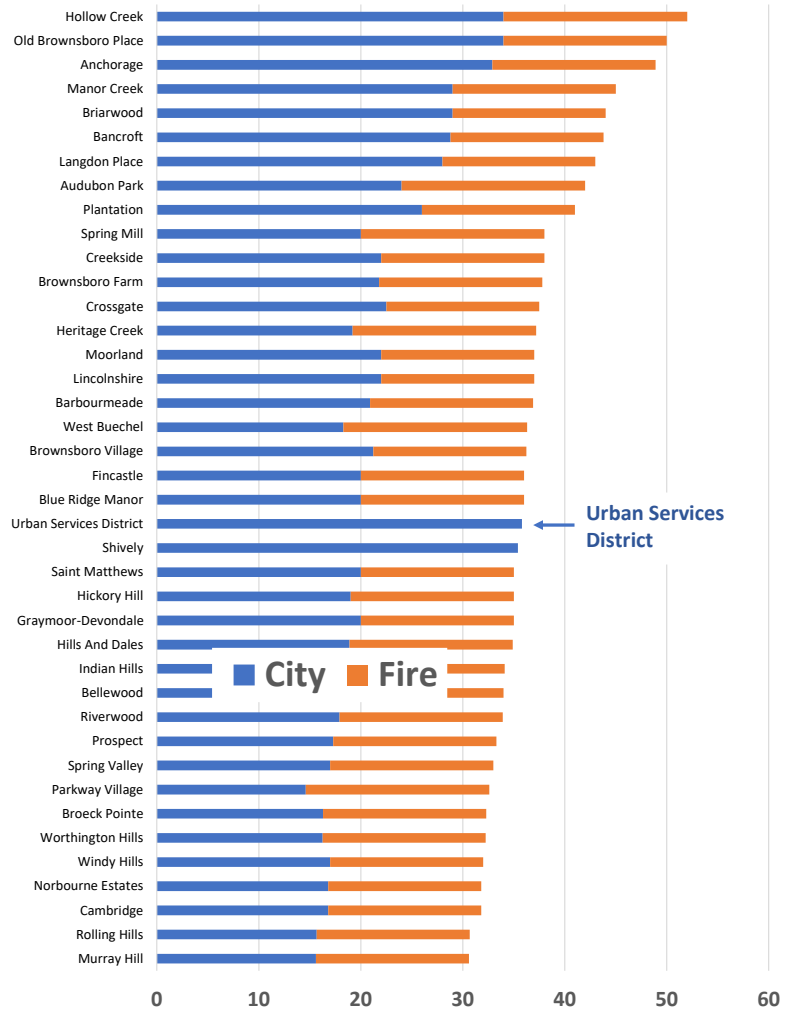
Of the \$330,572,660 collected through occupational taxes in FY 21, \$304,316,867 were for Metro Government with the remainder going to small cities. See the chart below which only goes to FY 19:

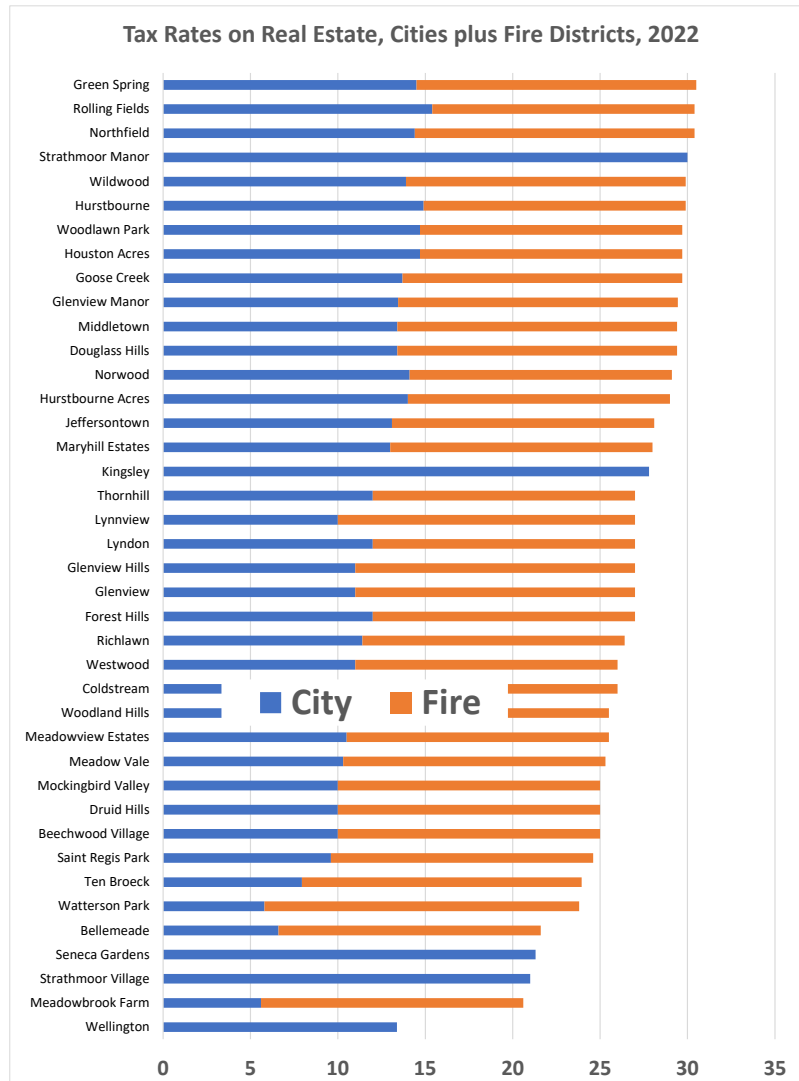


As you can see from the chart, the makeup of the residents paying occupational tax in Jefferson County has remained relatively unchanged since the creation of merged government.

- c. Property tax rates vary widely among the 83 suburban cities and the USD. Real estate is taxed at a rate of 0.358% in the USD. The suburban city rates range from 0.056% to 0.354% in addition to a Fire District tax ranging from 0.10% to 0.20%. Residents in Lynnview also pay a garbage fund of 0.10% and Downtown property owners pay an additional 0.745%. Residents also pay an insurance premium tax. In the USD and unincorporated areas the rate is 5%. The suburban city rate varies with rates from 5% to 12.5%.
- d. See the charts below on City and Fire taxes combined:

Tax Rates on Real Estate, Cities plus Fire Districts, 2022





- e. The USD is not sustaining itself with the current tax rate structure. At the time of merger, the USD was to levy a property tax rate sufficient to pay for fire, solid waste management, and street lights in the USD. However, in the last fiscal year, the USD ran a deficit of \$14 million, which was covered by a Metro General Fund. The argument for the annual subsidy is that many nonresident commuters and visitors benefit from USD services, and therefore should share in the costs. It should also be noted that at the time of merger, the City of Louisville was the only beneficiary of the dividend from the Louisville Water Company since they are wholly owned by the City of Louisville. Today, that dividend of \$20million is put into the General Fund and many former county facilities now have "free" water -- the jail, police stations outside the USD, the Hall of Justice, metro parks and golf courses, etc... But for merger, and but for the forefathers of the City of Louisville having such insight, is that money available today.
- f. Suburban cities are self-sustaining and the services of these incorporated entities provide sanitation, road maintenance, street lighting, landscaping and other services. However, many cities maintain a police department, with seven having

police budgets between \$1 and \$10 million. The other suburban cities contract out their police services and/or rely on LMPD only.

3. Fire

- a. The Urban Services District is still served by the Louisville Fire Department, with its four districts. It is largely funded by property taxes levied on USD residents and businesses, and in FY22 had a budget of \$75.5 million.
- b. Outside the USD, the County is served by seven suburban fire districts, with one exception – the City of Shively, which has its own fire department.

4. Emergency Medical Services

- a. Metro EMS, which is nominally a countywide service, primarily serves the USD and Shively with 11 units while suburban Fire/Ems districts have 28 units. Metro EMS is funded by countywide taxes while suburban districts are funded by property owners within the district.
- b. Since merger in 2003, the suburban fire districts have merged creating a larger geographic size for each new department as well as a larger budget. To fund EMS, the districts appealed to the State to get a Certificate of Need therefore having the ability to raise property tax rates another \$0.10 per \$100 valuation. This brought the Fire District tax up to between \$0.16 and \$0.20. The days of a volunteer district are over for the most part with all district having a professional staff cross trained in fire and medical emergencies.
- c. Total revenues to the suburban Fire and EMS districts were \$107 million in FY21. This is larger than the combined revenues of all 83 suburban cities.
- d. All EMS units are dispatched by the central MetroSafe agency downtown. Units are called based on location and availability. Units are routinely called to cross jurisdictions. See the chart below on EMS runs:

Transport Rate as Share of Dispatches								
Dispatches	Dispatched to Anchorage	Dispatched to Fern Creek	Dispatched to Highview	Dispatched to Jeffersontown	Dispatched to Okolona	Dispatched to PRP	Dispatched to St. Matthews	Dispatched to Urban Services District (plus Shively and Fairdale)
Originating in Anchorage	63.9%	47.2%	36.9%	60.0%	31.0%	26.5%	43.5%	41.5%
Originating in Fern Creek	15.8%	62.2%	53.8%	62.7%	56.6%	36.3%	27.2%	50.8%
Originating in Highview	9.1%	48.2%	54.9%	45.9%	52.6%	35.8%	20.9%	35.5%
Originating in Jeffersontown	33.3%	47.9%	41.1%	56.3%	41.9%	26.7%	41.2%	50.2%
Originating in Okolona	12.2%	50.2%	51.0%	44.8%	62.0%	44.5%	30.4%	41.9%
Originating in PRP	5.6%	32.1%	23.5%	30.8%	79.4%	44.6%	26.3%	37.6%
Originating in St. Matthews	53.8%	48.4%	37.5%	52.7%	43.8%	20.6%	66.9%	53.9%
Originating with Metro EMS	30.1%	54.1%	45.7%	56.9%	76.4%	55.0%	36.8%	60.1%

e. Source: MetroSafe database. Shively and Fairdale have fire departments, but not EMS, and so are served primarily by Metro EMS.

5.

6. Roads

- a. Metro Public Works is responsible for all paving and sidewalk repairs outside of the 83 suburban cities. The suburban cities receive state municipal road aid dollars, based on their population sizes. Metro Government received state municipal and county road aid dollars, and uses these to maintain roads throughout the County. Public Works evaluates paving conditions regularly, and budgets paving dollars according to streets and roads in the worst conditions. The construction of new lanes, shoulders, and turning lanes is handled through the annual capital budget of Metro Government.

- b. Jefferson County as a whole is greatly disadvantaged by the state's "formula of fifths" that redistributes almost one-half of its gas tax revenues back to counties and cities. This law was passed in 1946, and allocates most of the funds based on rural land area and rural population, rather than vehicle traffic. Metro and the suburban cities could double their annual allotment by reforming this anachronistic formula to reflect where the people live and vehicles travel. The current formula is: 1/5 rural population, 1/5 rural miles, 2/5 rural land area and 1/5 distribution.
7. TARC
- a. Since merger in 2003, TARC's revenues from local occupational and net profits taxes have risen from \$32 million (\$52 million in today's money) to \$72 million. Adjusting for inflation, those tax revenues have risen 38 % since merger.
 - b. Meanwhile, since merger bus ridership has dropped 65 percent, and the number of buses in circulation has dropped 23 percent.
 - c. Challenges facing TARC:
 - low gas cost equates to low ridership
 - more workers working remotely from home
 - bus pattern is still a wheel and spokes approach making it difficult or impossible for a worker to get from Valley Station to work at UPS in a reasonable amount of time.
 - difficult to hire and retain CDL drivers