



MEDIA RELEASE

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Mayor Jacobs Presents FY2020-2021 Budget Proposal – No Tax increase

KNOXVILLE, Tenn.—Knox County Mayor Glenn Jacobs today presented his Fiscal Year 2020-2021 Budget proposal to the Knox County Commission and taxpayers via video that was posted online. Because of the COVID-19 pandemic, Mayor Jacobs will not host his budget tour to the individual county districts.

Mayor Jacobs unveiled a responsible budget that featured an overall \$849 million spending plan with no property tax increase. The budget, which is of \$4 million less than the current year, enables the continuation of county services and many of the amenities this community has come to expect.

“This has been a difficult budget to put together,” said Mayor Jacobs. “Such a major drop in revenue means many of the things we wanted to do, had hoped to do, took a backseat to ensure the continuation of more critical county services.”

This is the first time in over a decade the County’s budget has decreased year-over-year. The decrease comes from a \$10 million year-over-year reduction in local option sales tax revenue; \$850 thousand decrease in gasoline tax revenue; almost \$800 thousand less in hotel/motel tax revenue; and fewer dollars coming from the courts and fee offices. These losses are connected to the COVID-19 pandemic as the health department forced businesses to close.

As a result of this revenue loss, there are some difficult things in this budget including the implementation of a hiring freeze, suspension of salary increases and elimination of work travel. Because of the stock market’s recent drop, Knox County was also forced to contribute an extra \$400,000 to the County’s three defined benefit pension plans and draw \$3.7 million from the rainy day fund to balance the budget—savings to cover three months of operating costs are still in the fund.

“I am grateful, as always, for the service, hard work and dedication of Knox County employees, and now also for the sacrifices they have made during this pandemic,” said Mayor Jacobs. “Despite these hardships, good work is still going to get done.”

Some budget highlights include:

- Step raises for eligible Knox County School employees and funding for the three new elementary schools proposed last year (Lonsdale, Adrian Burnett and Northwest) as well as additions to Brickey-McCloud and Sterchi Elementary schools.

- \$4.3 million appropriation from the County General Fund to supplement the current school budget including \$750,000 to support the kindergarten intervention program, the Knox County Education Foundation (formerly Great Schools Partnership) and the second year of the School's literacy program.
- A provision for libraries to purchase more than 4,000 downloadable audiobooks and eBooks as well as 100 educational Launchpad tablets.
- Engineering & Public Works will receive more \$77 million for continued infrastructure improvement projects and safety improvements to dangerous roads and intersections, despite the major shortfall in gasoline tax revenue.
- Parks and Recreation will receive funds to repair buildings, fences and other park structures; resurface several playgrounds; and work with the Appalachian Mountain Bike Club to continue maintenance for the county's 29-mile trail system.
- Defined Service Contracts will be funded at the same level as the current budget.

Mayor Jacobs will be available for press today at 10:30 a.m.

A full transcript of the budget presentation follows.

Hello and thank you all for joining me for the Fiscal Year 20-21 proposed budget presentation.

Normally, I would be presenting this address in front of a live audience with hundreds of people in attendance. But the past couple of months have been anything but normal.

There are a lot of things I wanted to say and, quite frankly, I struggled over the proper words. So, I'm just going to lay it out here. And I'm not going to sugar coat it. This budget is not pretty. This isn't the budget I wanted to be unveiling today.

But, it is the budget we have to have right now. It's fiscally responsible and provides the essential services Knox County residents need and many of the amenities we have all come to expect from our government.

Do we want more? Of course, we do!

But we must address our needs first before we get to our wants. That's what this budget does. It's designed to responsibly carry us through the next 12 months.

As you know, Knox County—and the world—is in a different place today than it was when I presented last year's budget. The economic fallout from the COVID-19 pandemic has forced us to shift our strategy from expansion to preservation.

For some perspective, our budget has jumped an average of almost \$25 million in each of the last four years. Even as recently as February of this year, we were on pace to present a budget with a \$30 million increase.

The pandemic changed all that. The money just isn't there anymore.

This year, I am proposing an overall budget—including schools, our general fund, and the Sheriff's Office—of \$849 million. Instead of \$30 million more, that's \$4 million less than the current budget.

Despite inflation and a growing population, this is the first time in a decade the budget has decreased year over year.

Here's just a brief snapshot of what we're looking at: a \$10 million year-over-year reduction in local option sales tax revenue; an \$850,000 decrease in gasoline tax revenue; almost \$800,000 less in hotel/motel tax; a \$2.5 million reduction in business tax; and fewer dollars from the courts and fee offices.

All of this is unheard of. It simply doesn't happen.

Traditionally, we budget for a one-and-a-half percent increase in property tax revenue. I'm not doing that this year. Although there IS more property on the tax rolls, there is also a good chance that more property owners won't be able to pay because of a loss of personal income or business revenue.

In this proposal, there is some good. And there is some bad. So let's go ahead and knock the bad out of the way, first.

Last year, because of record sales tax revenue, Knox County Schools received its largest year-over-year increase in history--\$22 million dollars. This year, that increase is only a little more than \$1 million. In addition, we expect Tennessee lawmakers to reduce the State's budget in the coming months which we fear will hurt schools even more. If that does happen, I remain committed to working with Governor Lee and our delegation to ensure our public schools receive the funding they are due. Let's hope it doesn't come to that.

We also expect to lose almost a \$1 million in gasoline tax revenue. We use that money to pay for road maintenance and improvements. That means we have some tough decisions ahead when it comes to prioritizing infrastructure improvements. As always, the focus remains on safety first and we'll move on from there.

On the expenditure side, because of the stock market's recent drop, we will be forced to contribute an extra \$400,000 to the County's three defined benefit pension plans. Luckily, those plans are closed to new participants, but we are required by law to cover them when the market performs more poorly than forecast.

Although we hate to dip into our savings, we plan on drawing down \$3.7 million from the rainy-day fund. This decision allows us to balance the budget while still leaving 3 months of operating costs in the fund.

If you think about some of the great things that happened in the community during the past year, images of Garth Brooks, the USA Cycling National Championships and Bassmaster Classic, likely come to mind. VisitKnoxville recruited and delivered each of these major events to our community.

Unfortunately, the tourism industry, which funds the Hotel-Motel Tax and subsequently VisitKnoxville, has borne the brunt of the pandemic. That means VisitKnoxville is looking to lose at least \$300,000 this year – and possibly more.

In addition to all this bad fiscal news, we had hoped to be reporting the progress important programs that like All4Knox, the Knox County Church Network, and others were making battling the opioid and drug epidemic. Their work goes on, but, unfortunately, it has been hindered by the pandemic. Likewise, before all this hit, we were in talks with the City and the State to partner on a Regional Psychiatric Emergency Facility. Sadly, those talks are now on hold and funding for this vital project has dried up.

The last piece of bad news hits very close to home for me. I am talking about Knox County employees. My co-workers. I would be remiss if I did not thank them for their hard work and dedication. I am grateful for their service and the sacrifices that you have made during this pandemic.

As you know, last month, we furloughed a large part of our workforce. Though this was done to help offset revenue loss and, hopefully, avoid permanent layoffs, it was still the hardest thing I've had to do since taking office.

In addition, we implemented a hiring freeze, cut work travel, and suspended salary increases, all of which are reflected in this budget for the time being.

As mayor, my own salary is increased yearly through a state mandate. I don't think it's right to take a raise when I'm asking all the other hardworking employees of Knox County to forego theirs. So, I am donating this money to create a scholarship that will benefit a Knox County employee's child who attends the Tennessee College of Applied Technology Knoxville.

Now, enough with the doom and gloom.

I am pleased to say that I am not raising your property taxes. Many of us are struggling to make ends meet and it wouldn't be right to demand more money from our neighbors who are having a hard-enough time supporting their own families. I believe that just as people must live within their means, so should our government. More money going to government means less money for private investment, less money for consumer spending, and less money available for small businesses to make payroll, all of which are vital as we begin an economic recovery. During my campaign, I said I wouldn't raise taxes and I stand by that. With unemployment on the rise and more small businesses failing daily, now is certainly NOT the time to raise taxes.

Although gasoline tax is down, Engineering & Public Works will still receive more than \$77 million for continued infrastructure improvement projects and, importantly, safety improvements to dangerous roads and intersections. In addition, earlier this year, we set aside \$2.65 million for flood mitigation in the areas hit the hardest by the unprecedented rainfall of the last couple of years. And we continue to explore partnerships with the City of Knoxville and the State of Tennessee for projects that will benefit all of us.

A lot like roads, it is important that we keep our parks in good order as neglect and repairs will ultimately cost us more than timely maintenance. This budget allocates \$100,000 to the park improvement fund. This money is used to repair buildings, fences, and other structures at our parks, some of which have fallen into disrepair over the years. We are also providing \$300,000 to resurface a number of playgrounds. And, \$39,000 to work in conjunction with the Appalachian Mountain Bike Club to continue maintenance throughout the county's 29-mile trail system.

I am pleased that the County's Defined Service Contracts will be funded at the same level as the current budget. Our partners who receive these dollars do good work and deliver services more effectively, and at a much lower cost, than the County could provide.

They provide shelter and health care for children, families, veterans, and seniors. They offer a safe place for the most vulnerable, work to help those overcoming barriers of language or disability, and support persons struggling with addiction, mental health issues or the stigma of incarceration.

I'm talking about the Emerald Youth Foundation, the Mental Health Association of East Tennessee, the Free Medical Clinic, Helen Ross McNabb, The Boys and Girls Club, Big Brothers and Big Sisters, Disabled American Veterans and the Metro Drug Coalition – just to name a few. All of them are paramount to our community's success.

Also, key to our defined services contracts are the collaborations with our economic development partners, like the Knoxville Chamber, the Path to Prosperity, and The Development Corporation.

For example, these organizations recently helped support the expansions of Kelvion, Forsenius, Sitel, Reiley Foods, Axle Logistics, CMC Steel, MultiColor Corp and Verana Health. They also helped welcome new businesses including Booze Allen Hamilton and VW Innovation Hub.

Now that's a good start, but we can always use more.

I believe the key to our economic future is the innovation sector. Our region boasts several unique, world-class assets that will help us dominate this arena: The Oak Ridge National Laboratory, the University of Tennessee, and the Tennessee Valley Authority. This trifecta gives us a high-tech research and development package that is unmatched virtually anywhere else in the world.

The other key to our economic future is workforce development. A world-class workforce requires a world-class education system.

And that leads us to schools. Although it's much less than I'd like to see, this budget does include step raises for eligible Knox County School employees. It also still provides funding for Lonsdale, Adrian Burnett, and the new Northwest Elementary School, as well as additions to Brickey-McCloud and Sterchi Elementary schools.

Despite whatever cuts may come from the state, at the County level, we are committing \$4.3 million to supplement the current school budget, including funding for the kindergarten intervention program, the Knox County Education Foundation (formerly the Great Schools Partnership), and the School's literacy program.

Speaking of literacy. Under this proposal, the library system will be able to enhance its collection of books, magazines, newspapers, streaming services, digital content, and subscription databases, as well as purchase 100 Launchpad tablets filled with educational apps for children.

Because of the efforts of the library system, Knox County Schools, and our many other partners, Read City USA continues to be a success, promoting literacy and a love of reading in our community.

This year, we challenged the community to collectively log more than 500,000 reading hours, or to Read Around the World 20 times in 2020. Even though we're only about halfway through the year, we've reached over 60% of the way to our goal and have less than 200,000 hours to go. Thank you to everyone who has participated—all 11,000 of you!

I am also grateful for our Read City USA Student Ambassadors and liaisons from public, private, and home schools. Because of them, the Reading Gives You Wings Book Drive netted over 11,000 books. And, yes, I'm certain of that number because we counted every single one of them!

Big thanks to the Allergy, Asthma and Sinus Center; Denark Construction; Friends of the Library; Hiatt Magical Vacations; Knox County Schools Partners in Education; Mobile Beats Entertainment; Outpatient Diagnostics; Stowers Cat; and Zack Ballinger for sponsoring the Read City USA 2020 school grants.

There is no doubt that we are well on our way to becoming the best-read community in America.

In closing, I look forward to County Commission's approval of this budget with the understanding that this proposal is a working document.

We have done our best to generate what we think are reasonable revenue projections, but this is an unprecedented situation—and one from which government is not immune. There's a chance we will come before County Commission a number of times over the fiscal year to amend the budget in case conditions worsen or if they improve. My hope is that our assumptions and projections are too conservative and amendments to the budget will be positive—that's what we've aimed for, anyway. But the world has quickly become a most uncertain place and there are no guarantees that this will be the case.

But there is one thing that I will guarantee: Knox County will get through this and we will be stronger than before.

William Ellery—a signer of the Declaration of Independence—said “Difficulties are meant to rouse, not discourage. This human spirit is to grow strong by conflict.” Whether it has been a war, an economic crisis, or a pandemic, this country has seen its share of conflict and adversity. Americans have always risen to the occasion.

More than anyone else, Tennesseans have always risen to the occasion.

And we will again.

Here in Knox County, we will survive, we will persevere, we will overcome, and, ultimately, we will thrive.

That's what we do.

Just like this budget, it might not be pretty for a while, but we're going to be okay. And then we're going to be good.

And then we will be great.

Thank you for watching.

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