

Can you ever have too much cash? ** \$40 million surplus has Lehigh County officials debating how much is needed in reserve.

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As officials in Northampton County argue over the best use for millions in budget surplus, Lehigh County is sitting on its own stash of more than \$40 million that officials say is tucked away for a rainy day.

Just what should be done with the surplus has been the subject of long-running debate within Lehigh County.

To some, such as Democratic County Executive Don Cunningham, keeping the money on hand represents sound fiscal management and enables the county to maintain a stable tax rate for years to come.

"Our job as managers of the money, or at least our job as I see it, is to create stability," he said. "You want to avoid ... the increases and decreases and provide stability. The best thing you can do for a business, and I would argue a resident, is to tell them what their taxes will be for the next five years and we have done that."

Others believe the county is hoarding money that rightfully belongs to taxpayers who have been overcharged.

"I don't think the county needs to hold that much in reserve," said Republican Commissioner Dean Browning, who campaigned last year on the need for a tax decrease. "It's not the county's money, it's the taxpayers' money."

Much of the surplus was created in 2003 after taxpayers were socked with a 70 percent tax increase. To ward off future double-digit hikes, the previous administration created a "tax relief fund," meant to keep a stable mill rate after years of fluctuations. That fund totals about \$16 million.

The "stabilization fund" was also created in the wake of that unpopular increase as commissioners sought a way to consolidate three separate funds containing reserve money. That money -- about \$20 million -- can only be touched with the approval of the commissioners, who would need to pass an ordinance to tap into the fund.

An additional \$15 million was left over from last year's budget. The administration has used \$8 million of that surplus to help balance the current budget.

According to Director of Administration Tom Muller, the county would use the surplus in the event of an emergency, such as a major bridge or building repair or a cut in state or federal funding. Operating the government without the surplus would be "lunacy," he said.

"That money is set aside for a rainy day," he said.

In making his case, Muller cited the Government Finance Officers Association, which recommends "... that general-purpose governments, regardless of size, maintain unreserved fund balance in their general fund of no less than 5 to 15 percent of regular general fund operating revenues, or of no less than one to two months of regular general fund operating expenditures."

The \$43 million on hand now is about 10 percent of the overall \$400 million budget.

But about \$300 million each year comes from the state and federal governments, leaving only about \$100 million to collect from taxpayers. Browning and others have argued that the reserve should be based on the \$100 million.

At that level, an acceptable surplus would be \$5 million to \$15 million, far below the \$43 million on hand.

"The \$20 million in the stabilization fund is an adequate reserve," Browning said. "There isn't a need for more than that."

Both sides of the debate agree that a refund of all but the stabilization money would amount to about \$100 per taxpayer.

But each has a different idea about how important that money might be.

"That's what I call the tank-of-gas model," Cunningham said. "Buying everyone an extra tank of gas would be helpful in the short term, but if we can use it to regionalize our police, make our streets safer and reduce the cost to local government for public safety, that will ultimately benefit people more than a one-time rebate would."

Cunningham has proposed using a small portion of the surplus for his "Safe Streets" program that would put extra police

officers in high-crime areas of the county and a regional crime center.

To Browning, it should be up to individuals to decide how their money is spent.

"For the senior citizen in Allentown, that's one month's electric bill, or a phone card for a child away at college," Browning said. "Even if it's only a tank of gas, it's the taxpayer's money and it's their right to determine what is important to them, not the county's."

Last week, Cunningham said he has not yet tapped into the tax relief fund, but plans to over the next three years to balance the budget without tax increases. The county executive promised no increase in taxes during that time.

As for using the surplus money for major repairs and open space purchases, Browning said those are long-term expenses that should be paid for with long-term bonds, paid back over many years.

"By using the tax relief fund for those things, you are asking current taxpayers who have paid the taxes that built up the surplus to bear the brunt of those costs for future taxpayers who will enjoy the benefit," he said.

A similar battle has played out in Northampton County, where two county councilmen have introduced legislation to give taxpayers a rebate.

Northampton County has about \$48 million in unrestricted surplus and councilmen Lamont McClure and Charles Dertinger have proposed refunding about \$7.7 million to taxpayers. The county's budget is about \$341 million.

The ordinance on the rebate is scheduled to be heard tonight, but County Executive John Stoffa has promised to veto it. The county is facing tens of millions of dollars in projects this year and the rebate money would likely be taken back in future tax bills, Stoffa has said.

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Abstract (Document Summary)

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