



## KENTUCKY LABOR CABINET

**Andy Beshear**  
Governor

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Lieutenant Governor

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**Jamie Link**  
Secretary

**Vickie L. Wise**  
Deputy Secretary

July 30, 2021

***Via Electronic Mail***

Hon. Jason Petrie, Chair  
House Appropriations and Revenue Committee  
Legislature Research Commission  
Room 300, Capitol  
Frankfort, Kentucky 40601

***Courtesy of***

Jennifer Hays  
[Jennifer.Hays@lrc.ky.gov](mailto:Jennifer.Hays@lrc.ky.gov)

**Re: Unemployment Insurance Report-Second Quarter of 2021**

Dear Representative Petrie:

I am in receipt of your July 22, 2021 request for a quarterly report regarding the status of the Unemployment Insurance Trust Fund. At the outset, your Office has clarified that this quarterly report has not been provided to the Interim Joint Committee on Appropriations and Revenue since the Second Quarter of 2016. This Office will provide this report on quarterly basis per your request and KRS 341.240.

As a result, please see the report of the UI Trust Fund for the Second Quarter of 2021. As discussed more fully herein, on July 22, 2021, Governor Beshear authorized full payment of Federal Unemployment Account ("FUA") loan balance of the FUA loan advance requested during the COVID-19 pandemic. Accordingly, the existing loan balance is \$0.00.

**A. Financing**

Beginning in June of 2020, the Kentucky Office of Unemployment Insurance, on behalf of Governor Andy Beshear and in accordance with KRS 341.595, requested FUA loan advances as directed in Title XII of the Social Security Act and Unemployment Insurance Program Letter (“UIPL”) No. 22-02 and No 22-02 Change 1.

These FUA loan advances were requested and received from June 2020 through the end of December 2020, in order to continue paying unemployment benefits to eligible Kentuckians during the COVID-19 pandemic period. The 2020 FUA advances totaled \$505,731,673.91.

The federal Emergency Unemployment Insurance Stabilization and Access Act of 2020 (“EUISAA”) granted states a short-term waiver of interest on state trust fund advances from March 18, 2020 through December 31, 2020. The Continued Assistance for Unemployed Workers Act of 2020, expanded the short-term waiver of interest on state trust fund advances through March 14, 2021 and the American Rescue Plan Act of 2021 (“ARPA”) further expanded the interest waiver through September 6, 2021. Therefore, no interest payment is due on the FUA loan advances received during 2020.

**B. Status of Unemployment Insurance Fund**

FUA advances received during 2020 totaled \$505,731,673.91. On December 18, 2020, Governor Beshear directed \$203 million of the state’s CARES Act funds to help shore up Kentucky’s unemployment insurance trust fund, out of which \$51.5 million was directed to pay for reimbursing employer unemployment charges. This money helped public schools, universities, governmental entities and nonprofit employers eliminate unplanned expenses related to Covid-19, in addition to adding a boost to the trust fund.

This additional funding from the Governor, along with the 4th quarter 2020 and 1st quarter 2021 unemployment contribution collections, allowed the trust fund to rebound to a sustainable level where no additional FUA advances have been needed during 2021 to date. Nor does the Office of Unemployment Insurance, based on current projections, forecast a need for any advance for the remainder of 2021. In addition, Kentucky House Bill 382 passed during the 2021 legislative session, authorized up to \$575 million of the state’s ARPA funds to pay off the 2020 Title XII advances. The Kentucky Title XII advances in the amount of \$505,731,673.91 were paid off on July 22, 2021.

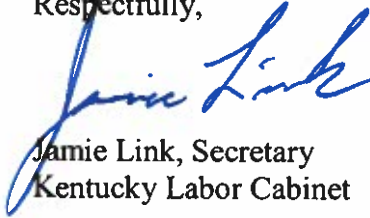
**C. Surcharge**

As a result of legislation enacted by the Kentucky General Assembly in 2021 (HB 413), the surcharge assessment under KRS 341.614 was suspended for calendar year 2021. In addition, no interest was assessed during 2020 or 2021 on Kentucky’s Title XII advances. Kentucky’s Title XII advances have now been paid in full and satisfied, therefore no surcharge assessment will be needed in 2022.

**D. Cap Efforts**

Kentucky employers were not assessed any federal unemployment tax act (“FUTA”) credit reductions on their IRS form 940, during 2020, and we do not expect any credit reductions for 2021. If eligible under federal law, KRS 341.595(2) requires an application to obtain a cap on the federal unemployment tax credit reduction. As the original Title XII advances have been paid in full, the cap on credit reduction is no longer needed.

Respectfully,



Jamie Link, Secretary  
Kentucky Labor Cabinet