Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2015 Regular Session

Part I: Measure Information

Bill Request #: 1480
Bill #: HB 406
Bill Subject/Title: AN ACT relating to unemployment insurance for military spouses.
Sponsor: Rep. C. Howard
Unit of Government:XCityXCountyXUrban-CountyXCharter CountyXConsolidated LocalXGovernment
Office(s) Impacted: Any
Requirement: X Mandatory Optional
Effect on Powers & Duties: X Modifies Existing X Adds New Eliminates Existing

Part II: Purpose and Mechanics

This bill would allow an employee to qualify for unemployment benefits if the employee voluntarily leaves employment to accompany his or her spouse who has been reassigned by the military to a different base or duty station that is at least 100 miles from the employee's current home. Current law allows these benefits if the spouse is reassigned to a different state, and the other state provides similar benefits.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The fiscal impact of HB 406 on local government is expected to be a minimal increase in costs.

Local governments would be impacted only to the extent that the local government employs the spouse of a reassigned military service person.

An employee in this situation who moves <u>out of state</u> to accompany a reassigned spouse would already be covered under current law, if the other state provides similar benefits.

The proposed change will primarily apply to those persons whose spouses are currently stationed at Ft. Campbell or Ft. Knox and who are transferred to the other base (still assigned within Kentucky). Another smaller potential group impacted would be the spouses of military persons stationed in Kentucky but not at Ft. Campbell or Ft. Knox, who are assigned to a new duty station.

The Department of Military Affairs has previously indicated that the entire group of employees whose spouses would be impacted based on this proposed change would be small. Of that group, those who are employed by local or municipal governments would be smaller yet.

The fiscal impact on local governments is expected to be negative and minimal, and would occur only to the extent that any unemployment benefits paid to a claimant/spouse result in an increase in the unemployment compensation expense of the local government. Most local governments utilize a "reimbursement" account for unemployment insurance claims, where the locality pays to the unemployment trust fund any amount that was paid on its behalf in the form of unemployment benefits. A smaller number of local governments utilize an unemployment compensation account similar to that used by most businesses, where a contribution rate is determined based on the claims "experience" of the local government.

A local government using the "reimbursement" method would be liable immediately for any expenses incurred for unemployment compensation paid. A local government using the "experience" method may see an increase in its unemployment tax rate, and incur a corresponding increase in unemployment expense if its tax rate increases.

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