Local Government Mandate Statement
Kentucky Legislative Research Commission
2019 Regular Session

Part I: Measure Information

Bill Request #: 950

Bill #: HB 317

Document ID #: 3310

Bill Subject/Title: AN ACT relating to re-employment assistance.

Sponsor: Representative Russell Webber

Unit of Government: **X** City **X** County **X** Urban-County Unified Local Government
X Charter County **X** Consolidated Local

Office(s) Impacted: ______

Requirement: **X** Mandatory ___ Optional

Effect on Powers & Duties: **X** Modifies Existing ___ Adds New ___ Eliminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 317 would amend KRS 341.380 to reduce unemployment benefits from 1.3078% of a worker's total base period wages to 1.0555%. The bill would also raise the trust fund balance below which the allowable weekly benefit rate may not exceed the prior year's maximum weekly benefit rate by more than a certain percentage, and makes other adjustments.

HB 317 would have a minimal but indeterminable positive fiscal impact on local government employers. Overall, the legislation would reduce the amount paid to unemployed workers, which would reduce premium costs to cities. Unemployment insurance rates are charged as a percentage of payroll. The Kentucky Association of Counties (KACo) reports that in the 4th quarter of 2018, it had more than 22,000 county and related entity employees covered under its unemployment insurance program, with a total eligible payroll (for the quarter) of $184,962,978. Total benefits paid in 2018 were $1,086,836. If a reduction in unemployment benefits lowers the amount county employers must pay in to the system, then it will have a positive fiscal impact on the counties, although the size or monetary value of the impact is not determinable.

The Kentucky League of Cities (KLC) reports that HB 317 would also have a minimal positive financial impact on Kentucky cities. Three-hundred plus cities and city-related entities purchase unemployment insurance through the KLC. Approximately three-quarters of the cities currently pay 0 percent of their payroll for unemployment insurance to KLC. That's because they've not had to take out funds and/or investment returns have outpaced demand. Those cities would stay at 0 percent of payroll slightly longer if the benefits were reduced.

Approximately 0.10 percent of KLC unemployment insurance customers pay 0.5 percent of total payroll in unemployment insurance. Cities reported an average payroll of about $3.35 million in FY 2017. At 0.5 percent, their cost would be about $17,000. If HB 317 resulted in a decrease in the rate to, for example, 0.25 percent of payroll, the cities would save roughly $8,500 per year on average.

If a reduction in unemployment insurance benefits resulted in unemployed workers returning to work more quickly, then local governments that impose an occupational license tax could potentially reap additional revenue; however, reducing the amount of money a family has to spend could potentially negatively impact the local economy, causing a decrease in tax revenue and/or an increase in demand for local social services.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II, above, applies to HB 317 as introduced. There is no prior introduced version of the bill to compare in Part III.

Data Source(s): Kentucky League of Cities; Kentucky Association of Counties

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 2/20/19