

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 SB 171 would 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 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 SB 171 resulted in a decrease in the rate to, for example, .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 relates to SB 171 as introduced. There is no prior introduced version to compare in Part III.

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

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