

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2022 REGULAR SESSION**

MEASURE

2022 BR NUMBER 1097

HOUSE BILL NUMBER 144-SCS 1

TITLE AN ACT relating to unemployment insurance and declaring an emergency.

SPONSOR Representative Russell Webber

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS
 LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: Employment Services

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2021-2022	2022-2023	2023-2024	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(\$128.1 million)		
EXPENDITURES	\$242,703,900			
NET EFFECT	(\$242,703,900)	(\$128.1 million)		

() indicates a decrease/negative

PURPOSE OF MEASURE: The purpose of the measure is to suspend the unemployment insurance taxable wage base at \$10,800, freeze employer contribution rates to Schedule A, and prohibit a surcharge assessment for calendar year 2022. The Proposed Senate Substitute retains the original provisions and appropriates \$242,628,900 in Federal Funds to the Unemployment Trust Fund for fiscal year 2021-2022.

FISCAL EXPLANATION: This measure would retroactively reduce the 2022 taxable wage base from \$11,100 back to the 2021 base of \$10,800. A \$300 reduction per employee is estimated to impact taxable wages by \$401 million. The average contribution rate using Schedule C is projected to be 2.32%, therefore, the Unemployment Insurance Trust Fund contributions would decrease by approximately \$9.3 million.

Unemployment Trust Fund 2022 contributions are predicted to be \$444.5 million under Schedule C, and \$325.7 under Schedule A. Freezing the 2022 contribution rates at Schedule A is estimated to negatively impact the trust fund balance contributions by \$118.8 million. Employers have already received notification of the current 2022 taxable wage base and schedule. To recalculate rates and mail over 100,000 notices to employers would cost an additional \$75,000.

The rate schedule employers follow depends upon the trust fund balance. If the balance is low, the rate schedule will be higher. By setting a lower rate schedule in 2022, the balance of the trust fund could push employers into a higher rate schedule in future years.

There is a six month lag in wages. The first and second quarter taxable wages for calendar year 2022 will be reported in the third and fourth quarters of calendar year 2022, therefore, all of the fiscal impact on taxable wages for calendar year 2022 would occur in fiscal year 2023.

The appropriation contained in the Proposed Senate Substitute restores the fund balance to pre-pandemic levels.

DATA SOURCE(S): University of Kentucky, Labor Cabinet, and LRC Staff

PREPARER: Sara Rome and Jennifer Hays NOTE NUMBER: 85 REVIEW: JAB DATE: 2/24/2022