



August 13, 2020

The Honorable Andy Beshear
Governor
Commonwealth of Kentucky
700 Capitol Avenue, Suite 100
Frankfort, Kentucky 40601

Governor Beshear,

Since March, employers across the Commonwealth have been working together to keep our fellow Kentuckians safe and flatten the curve of the COVID-19 pandemic. Together, Kentucky's business and nonprofit communities have stepped up and answered the call to help battle this disease and prevent the spread.

Since March, some employers have permanently closed their doors, others have retooled their operations to produce essential PPE, many have been forced to lay off employees, and almost all have endured some sort of temporary, mandated closure. The business and nonprofit communities have worked together to do their part, and now they need help.

The mandated closures and added restrictions have created an unprecedented rise in unemployment insurance (UI) benefits claims due to layoffs from the pandemic. Kentucky's UI Trust Fund carried a balance of about \$618 million entering the pandemic, but this fund quickly dwindled down to zero with Kentucky leading the nation in UI claims, resulting in the request for a federal loan of \$825M to ensure claims could continue to be paid. It also created an unprecedented cost for nonprofits who self-insure (reimburse the state) for their unemployment insurance claims.

As a coalition of both for-profit and nonprofit employers across Kentucky, we write to you expressing our shared concern regarding the stability of Kentucky's UI trust fund and costs facing self-insured/reimbursing nonprofit employers. After the 2008 recession, employers were subject to a large assessment that lasted many years. This new federal loan will undoubtedly lead to an even bigger increase on businesses starting in January, as the UI numbers over the last five months are much greater than those during the recession.

To ease this concern, we are requesting a portion of Kentucky's CARES Act allocation for a much-needed infusion into the UI trust fund to help offset a large assessment on our businesses and nonprofits who are already struggling for survival, as well as address the needs of nonprofit employers who self-insure. In addition, we have also asked Kentucky's federal delegation for at least partial forgiveness of our federal loan, as we try to lessen the blow to Kentucky employers.

With this loan, Kentucky employers will move from the best rate, Schedule A, to the worst rate, Schedule E in 2021. Moving to Schedule E, Kentucky employers will face large tax increases—some for as much as 2,000 percent—if steps are not taken to find new ways to ease this burden.

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As we enter in the sixth month of the pandemic, it is clear many more Kentucky businesses will not survive due to mandated closures, decreased patronage, lost revenue, increased costs and many other issues. Hitting employers with a massive tax increase come January 2021 is truly “kicking us while we are down.” Worse, Kentucky’s unemployment rate will remain high if more businesses are forced to close their doors.

Several weeks ago, a cabinet official told the Program Review and Investigations Committee that the repayment of the \$825M loan lies solely “on the back of employers.” We do not want to be the sole carrier of a burden we did not ask for. We are asking for your help because we know we are stronger together.

Collectively, we ask you to use any CARES Act money that is yet to be allocated and give a much-needed infusion to the UI Trust Fund and include any costs of self-insured nonprofit employers not covered by the CARES Act or future legislation. This is critical as we work together to rebuild our economy and get Kentuckians back to work.

Sincerely,

Agribusiness Association of Kentucky
American Pharmacy Services
Association of Independent Kentucky Colleges
and Universities
Commerce Lexington
Greater Louisville Inc.
Kentucky Association of Counties
Kentucky Chamber
Kentucky Coal Association
Kentucky Grocers & Convenient Stores
Association

Kentucky Hospital Association
Kentucky Nonprofit Network, Inc.
Kentucky Pharmacists Association
Kentucky Propane Gas Association
Kentucky Restaurant Association
Kentucky Retail Federation
Kentucky Telecom Association
NKY Chamber of Commerce
Northern Kentucky University