

The fiscal impact of SB 5 on local governments would be none to minimal.

There would be no or minimal direct fiscal impact on Kentucky cities and counties, positive or negative, due to HB 106. The bill would not require a change in ordinances or regulations. The bill might require some changes to written policies or signage, at minimal cost. The bill does not contain any penalties for cities or counties if they do not comply nor does it require enforcement or citation for failure to comply. Litigation is always a possibility, but is not expected against local governments nor expected to be significant if it occurs. Most local governments would not have to do anything to comply with the bill.

However, it is possible local governments could experience a moderate to substantial indirect negative financial impact from HB 106. Other states that have passed similar legislation have suffered financial loss because some large corporations reduced jobs expansion, conventions chose other locations, and concerts and special events cancelled plans. For instance, very soon after North Carolina passed HB 2, a law passed to require transgender people to use the bathroom that corresponds to the gender on their birth certificate, PayPal and Deutsche Bank cancelled a total of 650 jobs in two North Carolina cities. If the same were to happen in Louisville and Lexington, those cities would lose between \$500,000 and \$1 million in annual payroll tax revenues alone. The Chambers of Commerce of Raleigh, North Carolina and Asheville, North Carolina blame HB 2 for loss of 1500 jobs. The NBA, NCAA and ACC all pulled games or championships from Charlotte, North Carolina because of passage of HB 2. Greensboro, North Carolina said it lost out on \$15 million due to the NCAA's decision to move games out of the state. Both Louisville and Lexington have hosted NCAA games in recent years. Similar losses could reduce occupational license tax and transient room tax revenues in those cities. It is possible the legislation would cast Kentucky in a bad light by the business community, resulting in some cities losing potential businesses looking to expand or relocate.

A specific cost impact can't be estimated at this time, in large part because it is unknown how this legislation would affect opinions and choices within the business community. If the legislation garners as much national attention as North Carolina's HB 2, then the negative impact could be quite substantial, particularly for our larger cities that draw more regional and national companies and events.

Data Source(s): Kentucky League of Cities; National Council of State Legislatures website; web based search of newspaper reports

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