University of Kentucky

Gatton College of Business and Economics

Institute for the Study of Free Enterprise

New study estimates the early economic impact of COVID-19 in Kentucky

- **More than 300,000 Kentuckians lost their jobs due to the spread of COVID-19 and ensuing restrictions on commerce in March and April**
- **The CARES Act provided $13 billion in funds to the state of Kentucky since the start of the pandemic, disbursed across multiple programs**
- **This study uses the latest available public data to estimate the fiscal and economic impact from the spread of COVID-19 and responses to it**

While much has been discussed about the national and international economic impact of COVID-19, the virus' local economic impact has transformed lives and the ways individuals earn livelihoods at very personal levels. Using the latest publicly available data, University of Louisville's Emeritus Professor of Economics Paul Coomes estimates the short-term, current impact of COVID-19 on Kentucky's economy at the state, local, and industry level.

Coomes documents the fiscal and economic damage of the virus in Kentucky. He notes, that of the 1,947,000 jobs reported in February, 326,000 had vanished by April, a 16.8 percent decline. Of this decline, 21 percent came from restaurants and bars alone. However, by September, the state economy recovered about two-thirds of net job losses. Coomes notes that of those that were unemployed and received benefits during this period, most earned less at their former jobs than was disbursed through unemployment insurance due to the federal supplement of $600 per week to the existing state safety net, which may have slowed the return to work for some recipients. He also documents that state and local government were able to close their 2019-2020 fiscal year with roughly the same revenues as 2018-2019, contrary to early fears. He notes that future budgets for FY21, however, are conservative and based on largely pessimistic economic outlooks for the rest of 2020.

The CARES Act disbursed at least $13 billion dollars to Kentucky. Coomes documents where that money was spent and the impact of those expenditures. However, he is careful to observe that, "while the huge federal dollar flow into Kentucky is undeniable, the net economic impact is less certain."

Coomes continues to outline three reasons for this, noting, "first, we do not know how many of the reported retained jobs were actually at risk due to the shutdown, as no doubt many businesses were simply seeking liquidity in the face of great uncertainty about the length of the shutdown and the severity of the recession. They may simply return the money unused. Second, we will not know until 2021 how many businesses had their loans forgiven versus those that had to pay the money back with interest (of one percent). Third, some businesses will use the funds to temporarily keep workers on the job, but furlough them after the loan money runs out if economic conditions remain poor; thus, the PPP program simply delays the unemployment for a few months."