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FISCAL IMPACT REPORT

ORIGINAL DATE 02/16/09

SPONSOR Sanchez, B. **LAST UPDATED** _____ **HB** _____

SHORT TITLE Unemployment Payment Waiting Period Exemption **SB** 506

ANALYST Peery-Galon

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
	(\$750.0)	(\$1,500.0)	Recurring	Unemployment Insurance Trust Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non- Rec	Fund Affected
Total		\$100.0		\$100.0	Nonrecurring	Unemployment Insurance Base Grant

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Workforce Solutions Department (WSD)

State Personnel Office (SPO)

Department of Finance Administration (DFA)

Attorney General's Office (AGO)

SUMMARY

Synopsis of Bill

Senate Bill 506 amends Section 51-1-5 NMSA 1978, Unemployment Compensation-Benefit Eligibility Conditions. If an individual is in training or attending school on a full-time basis with the approval of the division the one-week waiting period for benefits will not apply if the individual is attending a course of training that, as found by the division, is given in increments with no increment lasting longer than seven consecutive days.

FISCAL IMPLICATIONS

WSD reported there will be costs associated with implementing system modifications to the computer system, estimated at between \$50 - \$100 thousand. The department does not have a baseline estimate for the number of individuals who may claim benefits under this provision. Assuming the department receives 5,000 weeks of claims with an average benefit payment of \$280 per week, the department will pay out approximately \$1.5 million in benefits each year.

SIGNIFICANT ISSUES

WSD reported as the balance of the unemployment insurance trust fund decreases, by operation of law, tax contribution rates increase. The reduction in the trust fund of \$1.5 million each year may eventually result in the implementation of higher tax rate schedules, thereby increasing costs to employers.

Employer taxes are collected by WSD and deposited in the federal treasury in an unemployment insurance (UI) trust fund. New Mexico's UI trust fund is among the most solvent in the United States. The balance of New Mexico's UI trust fund was \$553.3 million at the end of FY08. The Legislature in 2007 approved the creation of a state UI trust fund. WSD is diverting \$150 million of the UI trust fund to the state UI trust fund over a 3.5 year period. The principle of the state UI trust fund is invested by the State Investment Council. Interest earned can be used to help support activities related to unemployment or employment security. Funds from the state UI trust fund are available to transfer to the UI trust fund if needed.

SPO and DFA noted the proposed legislation appears to delete and then add the same language in a more comprehensive manner, thus eliminating ambiguities that may have been associated with the deleted section. The proposed legislation provides that the one-week waiting period for unemployment benefits does not apply if the individual is attending school full-time, or is in a specific, division-approved training program on a full-time basis with no increment of training lasting longer than seven consecutive days.

RELATIONSHIP

Senate Bill 506 has a relationship with House Bill 20 and House Bill 637.

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