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FISCAL IMPACT REPORT

SPONSOR Campos **ORIGINAL DATE** 2/08/07
LAST UPDATED _____ **HB** _____
SHORT TITLE _____ **SB** 572
ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$400.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Energy, Minerals & Natural Resources Department (EMNRD) Workers' Compensation Administration (WCA)

SUMMARY

Synopsis of Bill

Senate Bill 572 appropriates four hundred thousand (\$400,000) from the general fund to Workers' Compensation Administration for expenditure in fiscal year 2008 to continue a program to reduce workers' compensation premiums for safety-certified forest workers.

FISCAL IMPLICATIONS

The appropriation of four hundred thousand (\$400,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall revert to the general fund.

This bill will not have fiscal implications to the Forestry Division.

The annual cost of the program for education and certification, including one FTE to administer the program is \$400,000 for FY 08. Annual recertification is not considered in this

appropriation. The WCA expects the recertification of forest workers to be a recurring annual expense.

SIGNIFICANT ISSUES

New Mexico's workers' compensation insurance rates for forest workers have traditionally been higher than any other state. In 2005, employers paid \$79 in premiums for every \$100 of payroll, which increases the per-acre cost to land managers who are working on forest and watershed health projects. New Mexico insurance carriers determined in 2005 less than \$100,000 of payroll was reported for the classification that includes forest workers. This means that most of New Mexico's forest workers are operating without insurance coverage or avoid workers' compensation insurance premiums by keeping their company size to three or fewer employees.

With funding assistance from the USDA Forest Service, the New Mexico Forest Worker Safety Certification Program was created in 2005 to train forest workers in safe work practices. A new class code for Certified Forest Workers was created, entitling certified forest workers to reduced workers' compensation insurance premiums. The new rate is \$30 for every \$100 of payroll. This is a 60% reduction from the 2005 rate. Since March 2006, 240 New Mexico Forest Workers have been trained and certified through this program. It is estimated that an additional 300 forest workers await training.

Funding from the 2006 Legislature filled an immediate need by supporting training sessions in English and Spanish, recertification courses, and education and outreach initiatives. Funding from the 2007 legislative session in combination with existing resources from the USDA Forest Service, will meet the demand for forest worker safety trainings for approximately 300 forest workers; as well as continue the annual recertification courses for currently certified workers, and provide inspection and oversight of certified workers in the field. The appropriation will increase the pool of insured forest workers in New Mexico leading to stabilized lower rates.

PERFORMANCE IMPLICATIONS

This bill will directly benefit the Forestry Division's efforts in developing a stronger and safer forest-based workforce, protect homes from wildfire and restore forest and watershed health, and create a sustainable wood supply for manufacturing of value-added forest products.

Performance implications would include the training, education and certification of 300-400 New Mexico forest workers for FY 08 and recertification on a continuing basis.

ADMINISTRATIVE IMPLICATIONS

This bill would increase the workload of the WCA and require at least one FTE to administer the program.

This bill has no impact on the Workers' Compensation Act; therefore, it would not have to go before the Workers' Compensation Advisory Council.

TECHNICAL ISSUES

There was an original appropriation for \$200,000 in HB 2 to the Department of Insurance for the forest workers program in FY 07.

ALTERNATIVES

Instead of a general fund appropriation, an appropriation from the workers' compensation administration fund could be made.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

If this bill is not enacted, a vast majority of New Mexico forest workers will not be covered by workers' compensation insurance and costs for treating New Mexico's forests and watersheds will remain high.

DL/csd