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FISCAL IMPACT REPORT

ORIGINAL DATE 09/22/11

SPONSOR Stewart LAST UPDATED _____ HB 44

SHORT TITLE Unemployment Council Recommendations SB _____

ANALYST Aledo-Sandoval

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		\$3.8	\$7.6	\$11.4	Recurring	Federal Funds

(Parenthesis () Indicate Expenditure Decreases)

Conflicts with HB31, SB37
Relates to HB19, SB29

SOURCES OF INFORMATION

LFC Files

Responses Received From
Workforce Solutions Department (WSD)

SUMMARY

Synopsis of Bill

House Bill 44 restructures the unemployment advisory committee, creating a new 9 member State Unemployment Advisory Council. Members are eligible to receive per diem and are defined as public employees within the meaning of the Tort Claims Act. The Council is charged with presenting recommendations to the Legislature and the Governor no later than November 1 annually for the furtherance of the purposes of the Unemployment Compensation Law and for any changes necessary to maintain the soundness of the unemployment compensation fund.

Current advisory committee members not appointed under the requirements of the bill would no longer be members of the council effective January 1, 2012.

FISCAL IMPLICATIONS

The Council is required to meet at least four times per year and members of the council receive per diem and mileage. The WSD estimates that for FY12, the per diem expenses will be \$2,280 + mileage @ .40 per mile. For FY13, the Department estimates \$3,040 + mileage @ .40 per mile.

SIGNIFICANT ISSUES

Membership of the Council and appointing authorities would be:

The secretary or the secretary's designee would serve as an ex-officio voting member. The remaining eight members would be appointed to ensure representation of the state's demographics, including geographic distribution, gender and ethnic diversity, as follows:

- (1) two members appointed by the president pro tempore of the senate;
- (2) two members appointed by the minority leader of the senate;
- (3) two members appointed by the speaker of the house of representatives; and
- (4) two members appointed by the minority leader of the house of representatives.

In preparing its recommendations, the council is to consider the following objectives:

- (1) refining the formula for determining contribution rate schedules that determine an employer's contribution to the unemployment compensation fund each calendar year;
- (2) reevaluating and restructuring the contribution rate schedules and the employer experience rating banding within each contribution rate schedule;
- (3) adding a ceiling and floor mechanism that adjusts if the unemployment compensation fund reaches a high balance or is near insolvency; and
- (4) determining a target unemployment compensation fund balance or ratio.

Members of the current advisory committee are appointed by the secretary must include an equal number of employer and employee representatives who are representative because of their vocation, employment or affiliations and such members representing the general public as the secretary designates.

The WSD notes the objectives set forth in HB 44 will aid it in formulating policies and discussing issues relating to the administration and improvement of New Mexico's unemployment compensation law. The federal government has an advisory council for the same purpose. These advisory councils serve the respective states in the development of UI policies and in discussing problems related to the administration of the UI compensation program. Advisory councils apply analysis to evaluate the respective unemployment compensation programs, including the purpose, goals, coverage, benefit adequacy, trust fund solvency, contribution schedules, funding of administrative costs, administrative efficiency, and any other aspects of the program and make recommendations for improvements.

The WSD states further the advisory council as set forth in HB 44 differs from the councils typically convened in other states. Specifically, HB 44 proposes that House and Senate leadership appoint 8 of the 9 members of the Council. Moreover, HB 44 refers to gender, ethnic, and geographic diversity as the guiding principles for selecting panel members. NMWDS research of other states' councils shows that most states' councils contain representation from stakeholders in the UI system, including the legislature, the executive, employer interests, and employee interests. In addition, the WSD expresses concern that a Council composed almost wholly of individuals appointed by the legislature will not be able to fulfill the desired goals of impartiality and freedom from political influence.

CONFLICT

House Bill 44 conflicts with House Bill 31 and with Senate Bill 37 both of which would create the unemployment advisory council with different membership.

MCAS/svb