



Presentation to the Legislative Finance Committee

*Celina Bussey
Cabinet Secretary*

August 19, 2015

Workforce Innovation & Opportunity Act (WIOA)

Purpose of the Workforce Innovation and Opportunity Act

- Reauthorizes the Workforce Investment Act of 1998 that was due for reauthorization since 2003.
- Repeals and replaces the Workforce Investment Act.
- Reauthorizes and enhances the Adult Education and Family Literacy Act.
- Amends the Wagner-Peyser Act of 1933.
- Amends and reauthorizes provisions in the Rehabilitation Act of 1973.

Workforce Innovation & Opportunity Act (WIOA)

Changes to the Workforce Development System

Workforce Boards

- Reduces the number of required board members at both the state and local level.
- Boards remain a business majority with a business chairperson.

Workforce Plans

- Requires one unified *State Plan* to meet the requirements for each of the core programs; State workforce grant program, Adult Education, employment services under Wagner-Peyser, and Vocational Rehabilitation.

Workforce Innovation & Opportunity Act (WIOA)

New Core Programs

Adult Basic Education (currently lives at HED):

- WIOA recognizes that the core purpose of adult education is to prepare individuals with the skills and knowledge needed to succeed in postsecondary education and the workforce.

Department of Vocation Rehabilitation (currently lives at PED):

- WIOA aims to increase the access of people with disabilities to the workforce system.

Workforce Innovation & Opportunity Act (WIOA)

Changes to the Workforce Development System

- Eliminates 15 programs.
- Restores the 15 percent funding reservation at the state level to allow states the flexibility to address specific needs.
- Applies one set of accountability metrics to every federal workforce program under the bill.

Workforce Innovation & Opportunity Act (WIOA)

Changes to Training and Employment Services

- Eliminates the “sequence of services” and merges “core and intensive activities” into a combined “career services”
- Includes options for pay-for-performance training contracts for adults and youth
- Includes requirements for implementation of industry or sector partnerships and career pathway strategies
- Increasing the ability to use on-the-job training (reimbursement rates up to 75 percent for eligible employers), incumbent worker training (may use up to 20 percent of local funds), and customized training.

Workforce Innovation & Opportunity Act (WIOA)

New Emphasis on Out-of-School Youth

- Focuses youth program services on out-of-school youth, high school dropout recovery efforts, and the attainment of recognized postsecondary credentials
 - 75% of youth funds must be expended on out-of-school youth
 - 20% of youth funds must be expended on work-based activities

Workforce Innovation & Opportunity Act (WIOA)

Simplifies Performance Accountability Measures

- Establishes new performance accountability measures that apply across all core programs to assess effectiveness of state and local areas in achieving positive outcomes for individuals served by the programs.
 - 6 Performance Indicators for Adult, Dislocated Worker and Youth
 - Includes a measure for credential achievement or measureable skills gain
 - Includes an “effectiveness in serving employers” measure

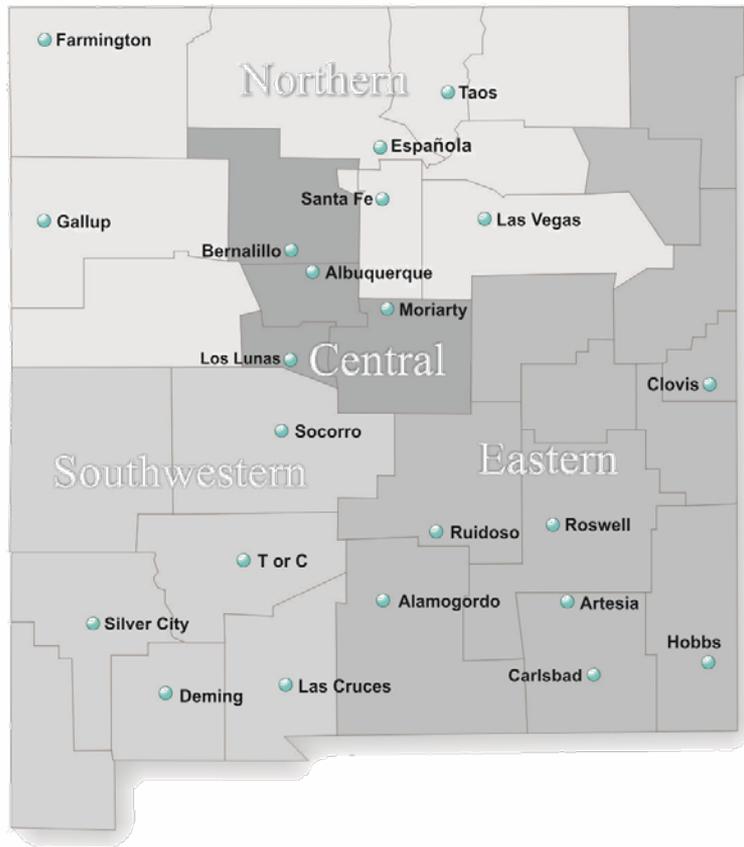
Workforce Innovation & Opportunity Act (WIOA)

Implementation Timeline

- July 1, 2015 –WIOA provisions in effect
- July 1, 2015 – WIA State and Local plans continue to apply for first full program year under WIOA
- July 1, 2015 – Current WIA performance measures remain in effect for the first full program year under WIOA
- January 2016 – Estimated timeline for finalizing Federal WIOA Regulations
- March 3, 2016 – State Unified Plan submission for July 1, 2016 implementation
- July 1, 2016 – New performance measures go into effect including those for eligible training providers

NM Workforce Connection and WIOA

New Mexico Workforce Connection



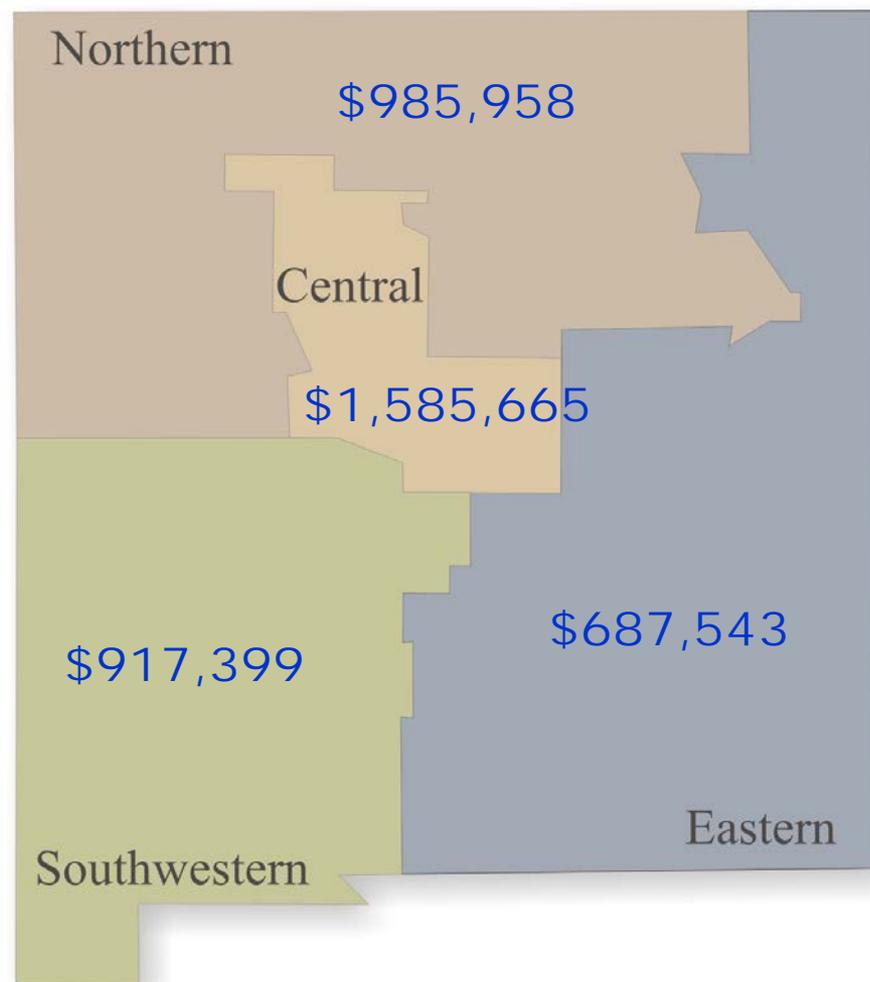
Local one stops established to provide a variety of workforce development programs & services

- NM Workforce Connection Centers
- Central Area Workforce Development Board
- Eastern Area Workforce Development Board
- Northern Area Workforce Development Board
- Southwestern Area Workforce Development Board

Workforce Innovation & Opportunity Act (WIOA)

Adult Funding

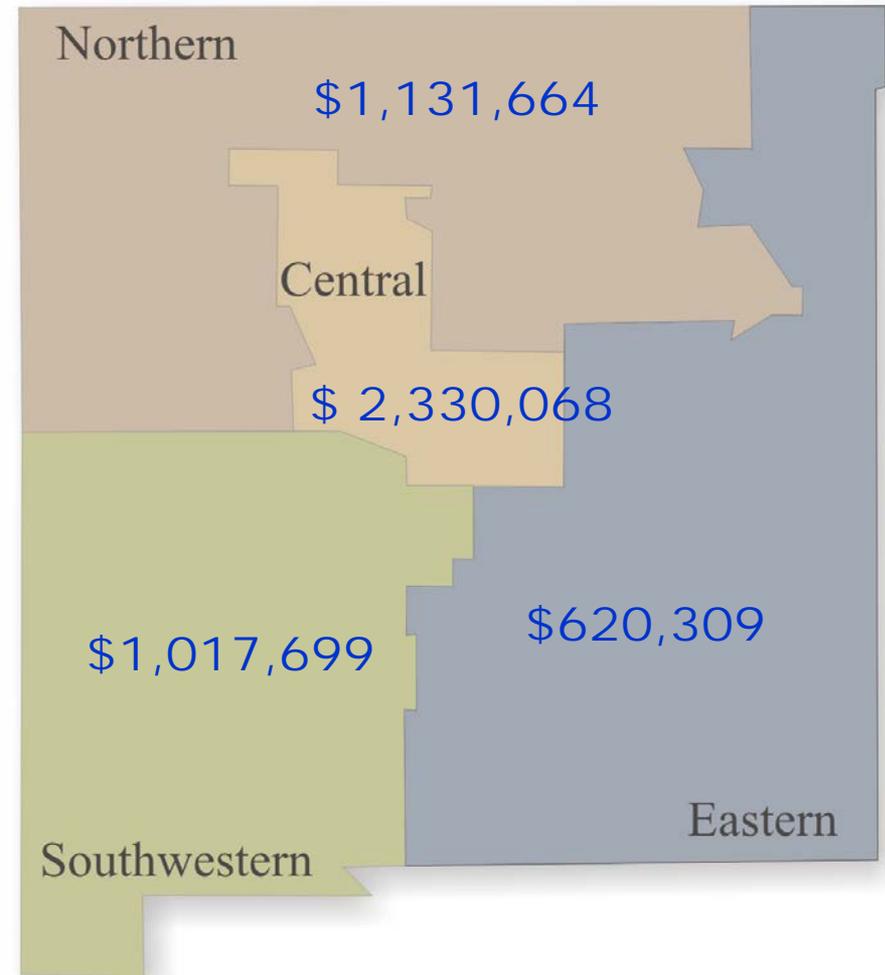
- WIOA Adult funding provides Career Services and Training Services to individuals 18 years or older that need assistance to gain or retain employment.
- Program Year 2015 – July 1, 2015 through June 30, 2016
- Service Providers:
 - SER Jobs for Progress (Northern and Central)
 - HELP NM Inc. (Southwestern)
 - Eastern NM University-Roswell (Eastern)



Workforce Innovation & Opportunity Act (WIOA)

Dislocated Worker Funding

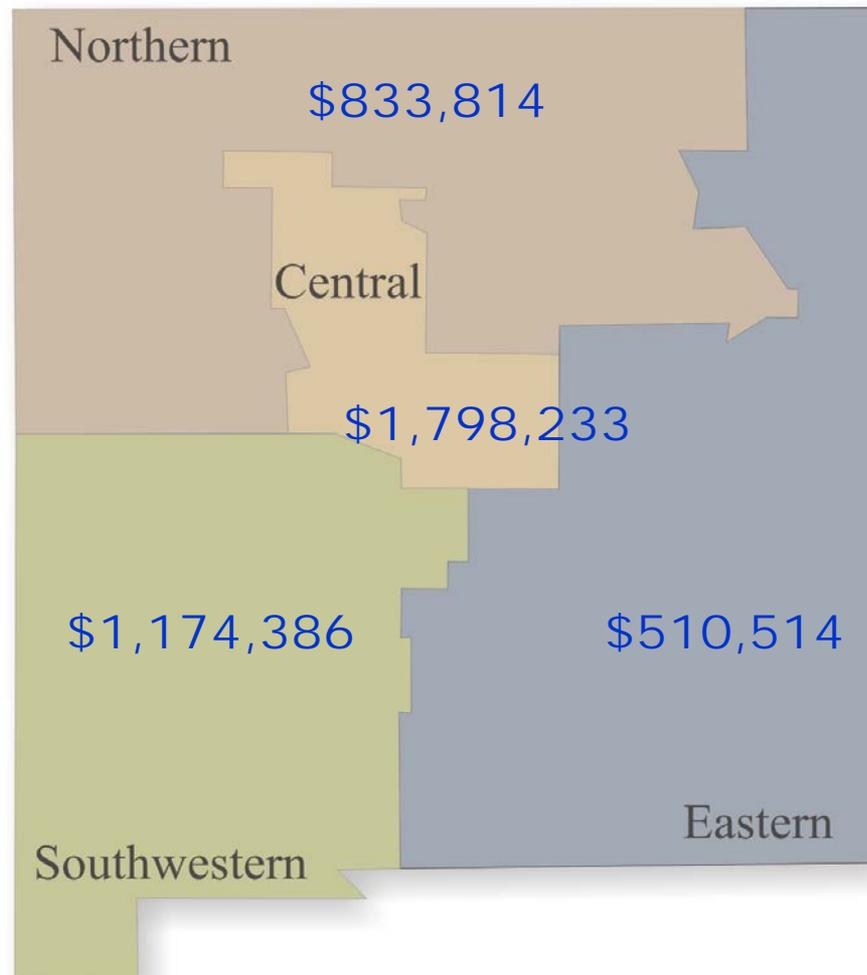
- WIOA Dislocated Worker funding provides Career Services and Training Services to individuals that have lost their jobs and need assistance to become reemployed.
- Program Year 2015 – July 1, 2015 through June 30, 2016
- Service Providers:
 - SER Jobs for Progress (Northern and Central)
 - HELP NM Inc. (Southwestern)
 - Eastern NM University-Roswell (Eastern)



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Youth Funding

- WIOA Youth funding provides service and activities to support youth 14-24 facing barriers to educational and employment achievement
- Program Year 2015 – July 1, 2015 through June 30, 2016
- Service Providers:
 - HELP NM Inc.-YOUTH (Northern and Southwestern)
 - Youth Development Inc. (YDI) (Central)
 - Families and Youth Inc.(FYI)-YOUTH (Southwestern)
 - Alamo Navajo School Board-YOUTH (Southwestern)
 - Region IX Education Collaborative (Eastern)



Workforce Innovation & Opportunity Act (WIOA)

YOUTH ALLOCATIONS	Total Allocation
Central	1,798,233
Eastern	510,514
Northern	833,814
Southwestern	1,174,386
Total	4,316,947

ADULT ALLOCATIONS	Total Allocation
Central	1,585,665
Eastern	687,543
Northern	985,958
Southwestern	917,399
Total	4,176,565

DISLOCATED WORKER ALLOCATIONS	Total Allocation
Central	2,330,068
Eastern	620,309
Northern	1,131,664
Southwestern	1,017,699
Total	5,099,740

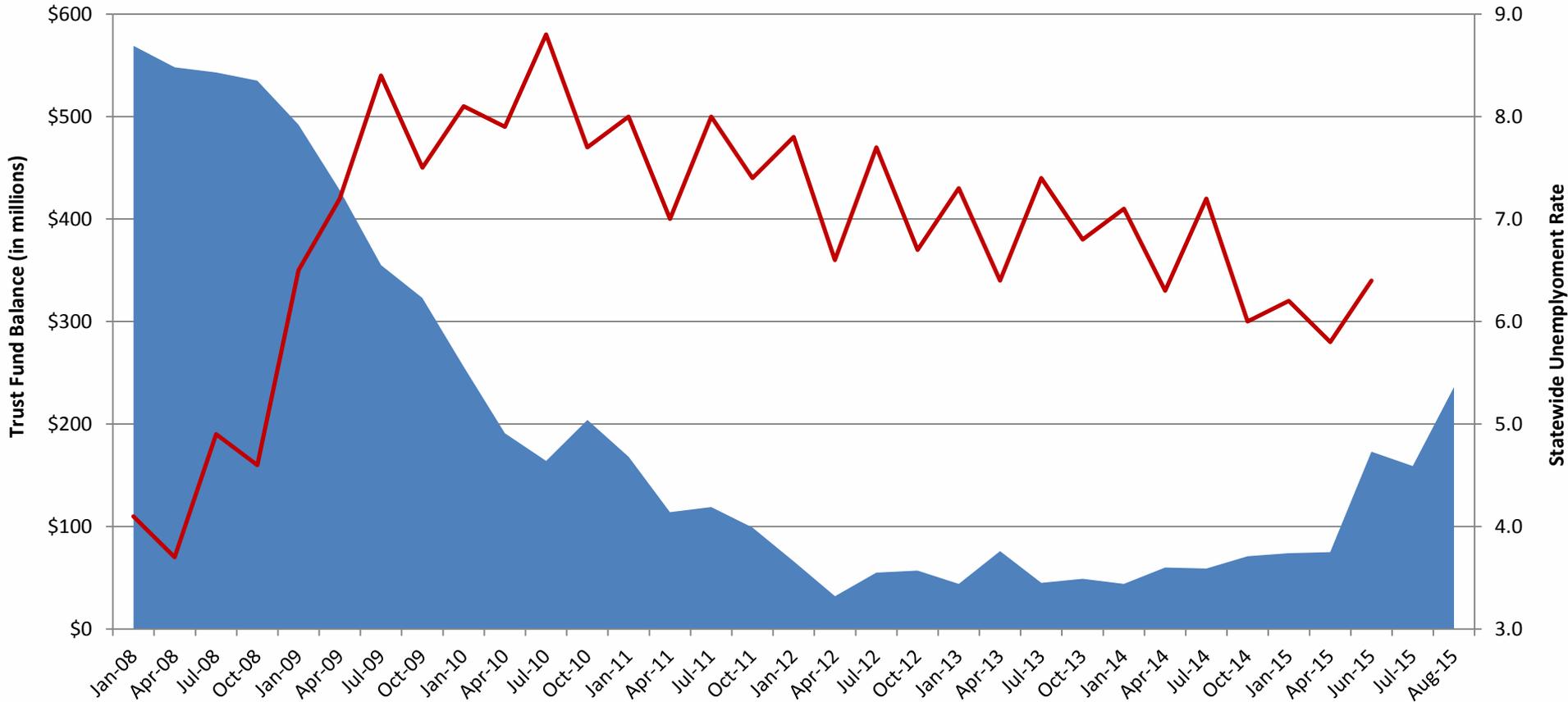
Unemployment Insurance

At a Glance:

- Statewide unemployment rate for June 2015 was **6.4%**.
- **12,500** individuals currently certifying for benefits every week in New Mexico.
- Approximately **1,000** initial claims are filed every week for Unemployment Insurance.
- As of today, the number of all the 2016 experience-rated employers that are currently active is **37,667**.
- The trust fund balance as of August 11, 2015 was **\$236,587,745.86**

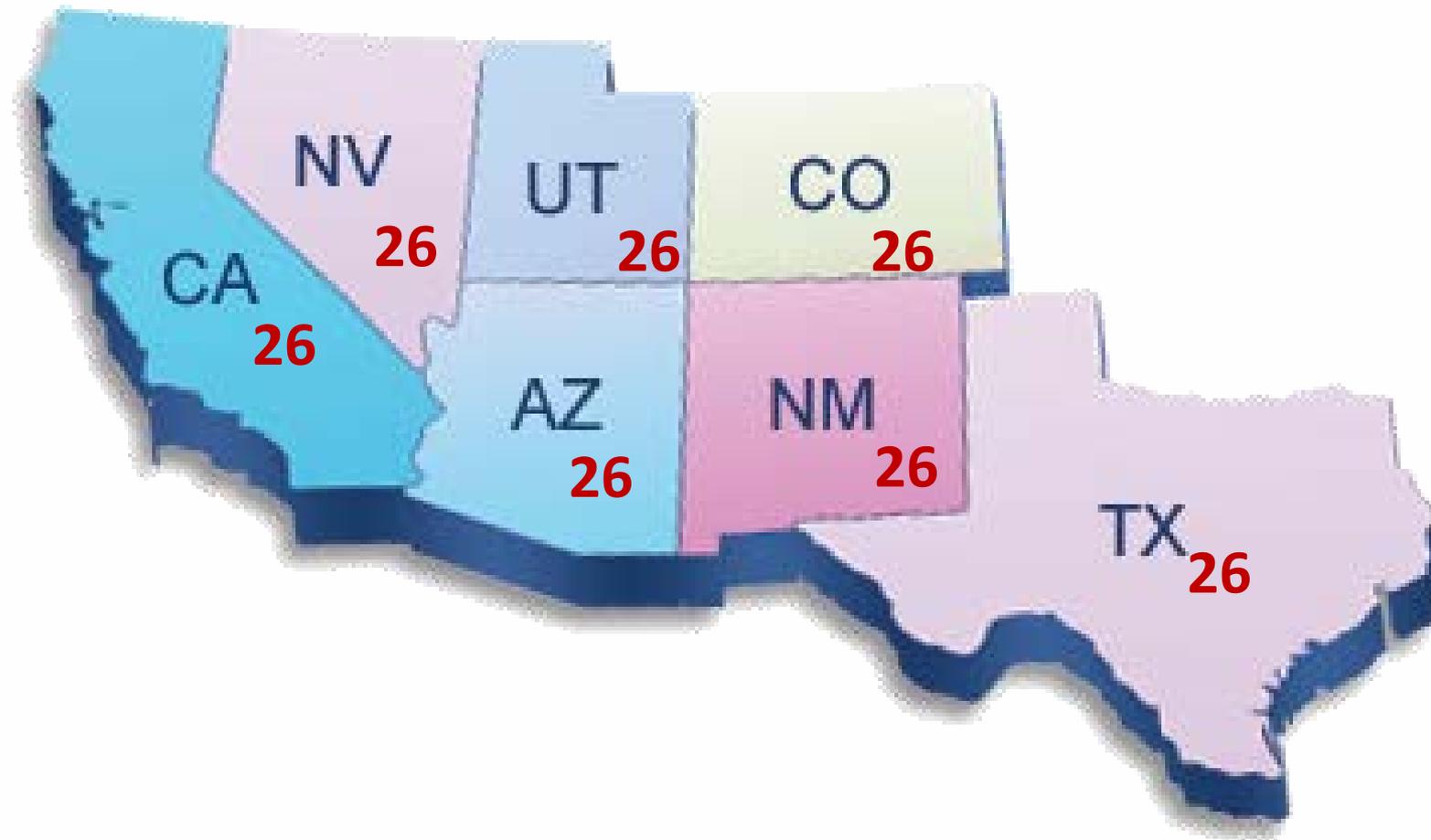
Unemployment Insurance – Trust Fund

NM Unemployment Insurance Trust Fund



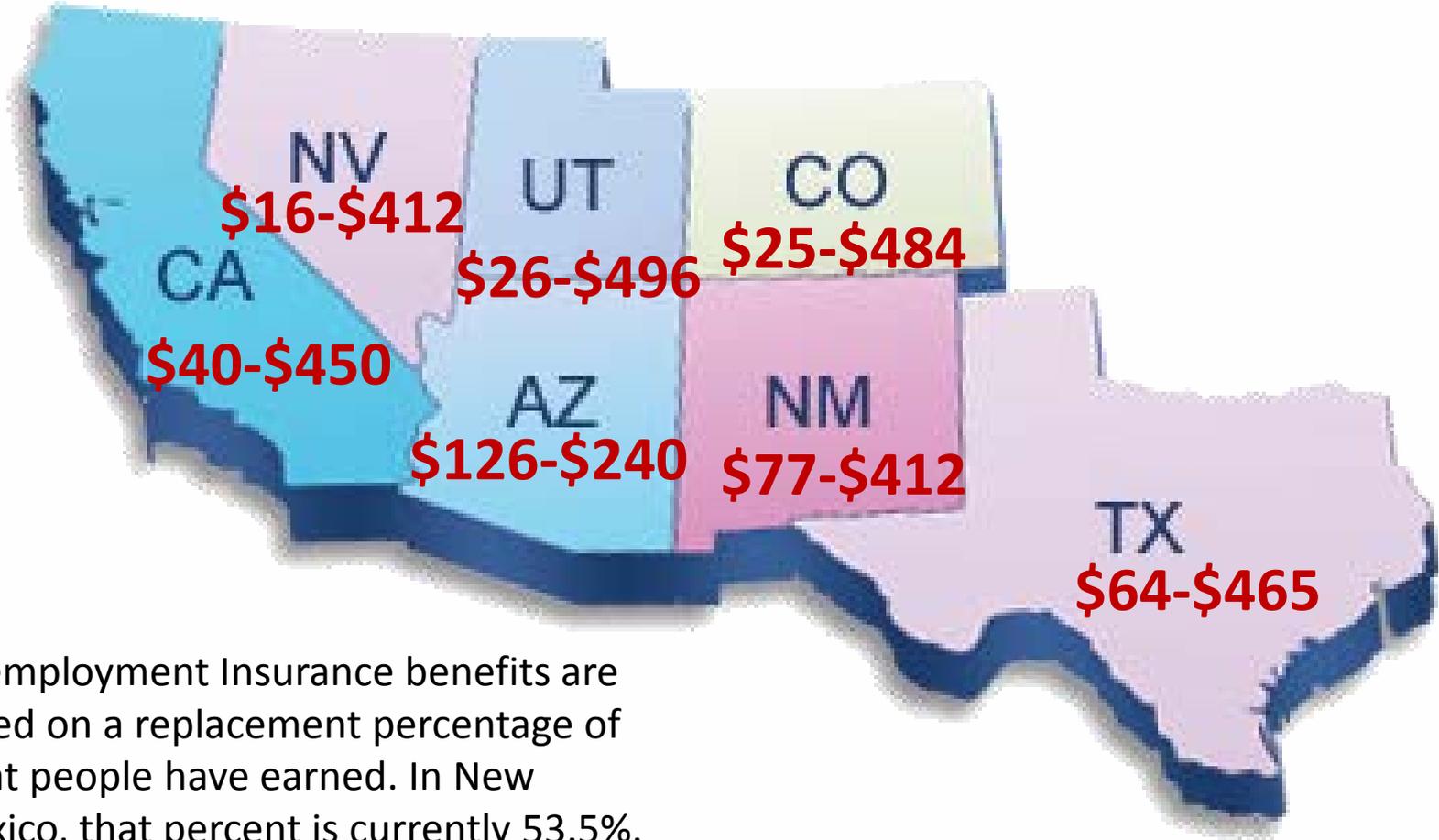
Unemployment Insurance-Regional Information

Maximum Weeks of Benefits:



Unemployment Insurance-Regional Information

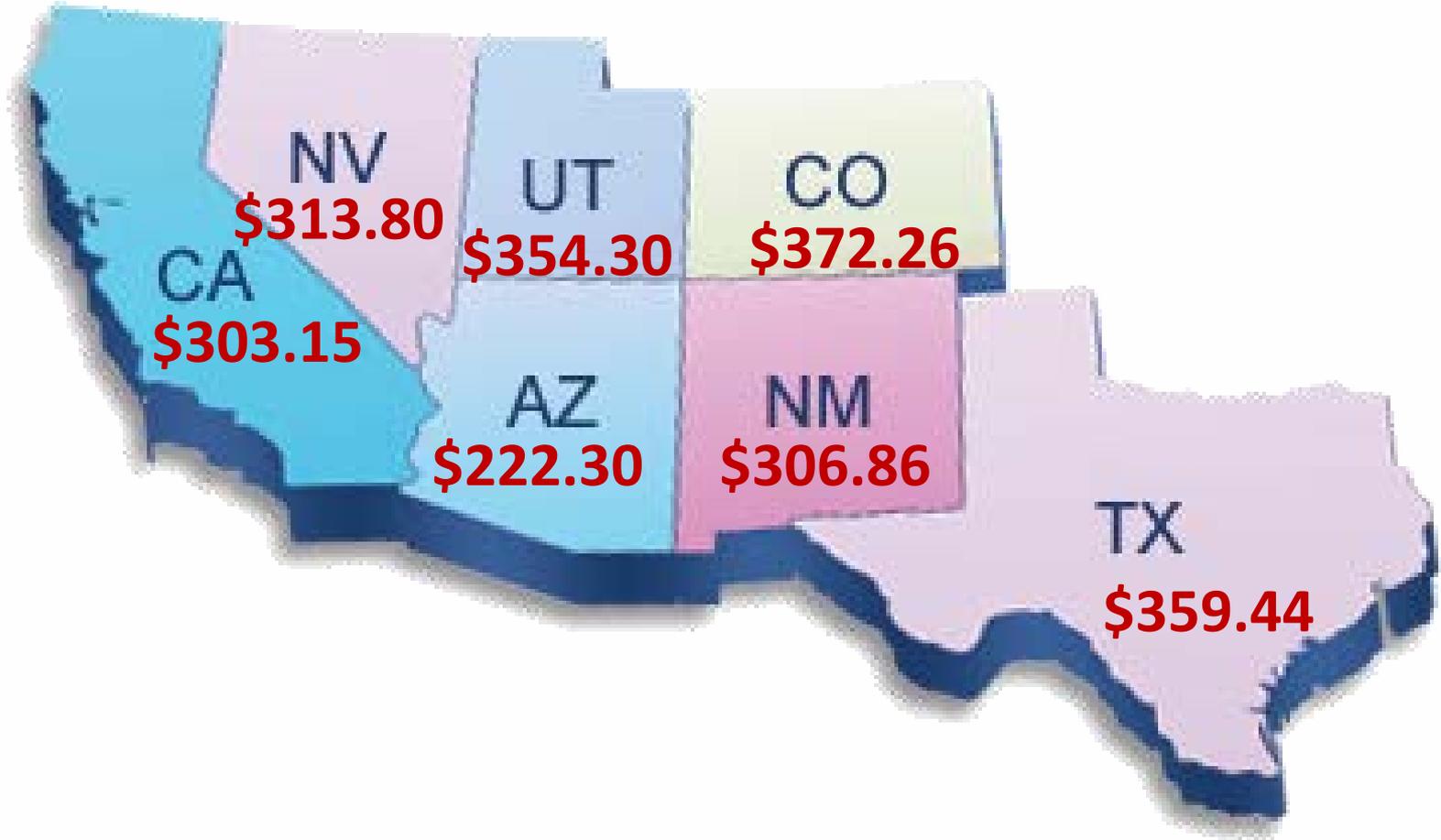
Maximum and Minimum Benefit Amount:



- Unemployment Insurance benefits are based on a replacement percentage of what people have earned. In New Mexico, that percent is currently 53.5%.

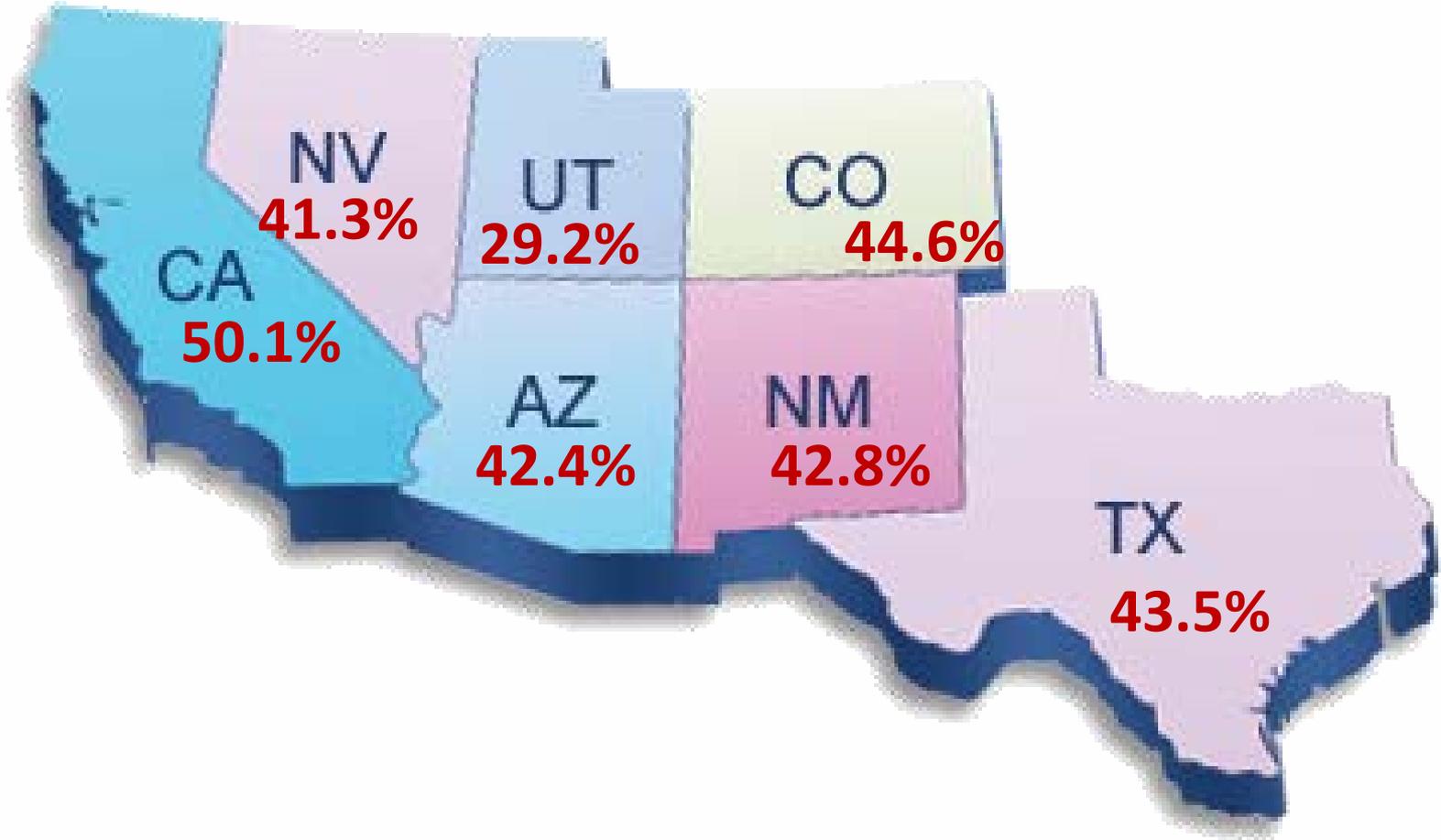
Unemployment Insurance-Regional Information

Average Benefit Amount (1Q 2015):



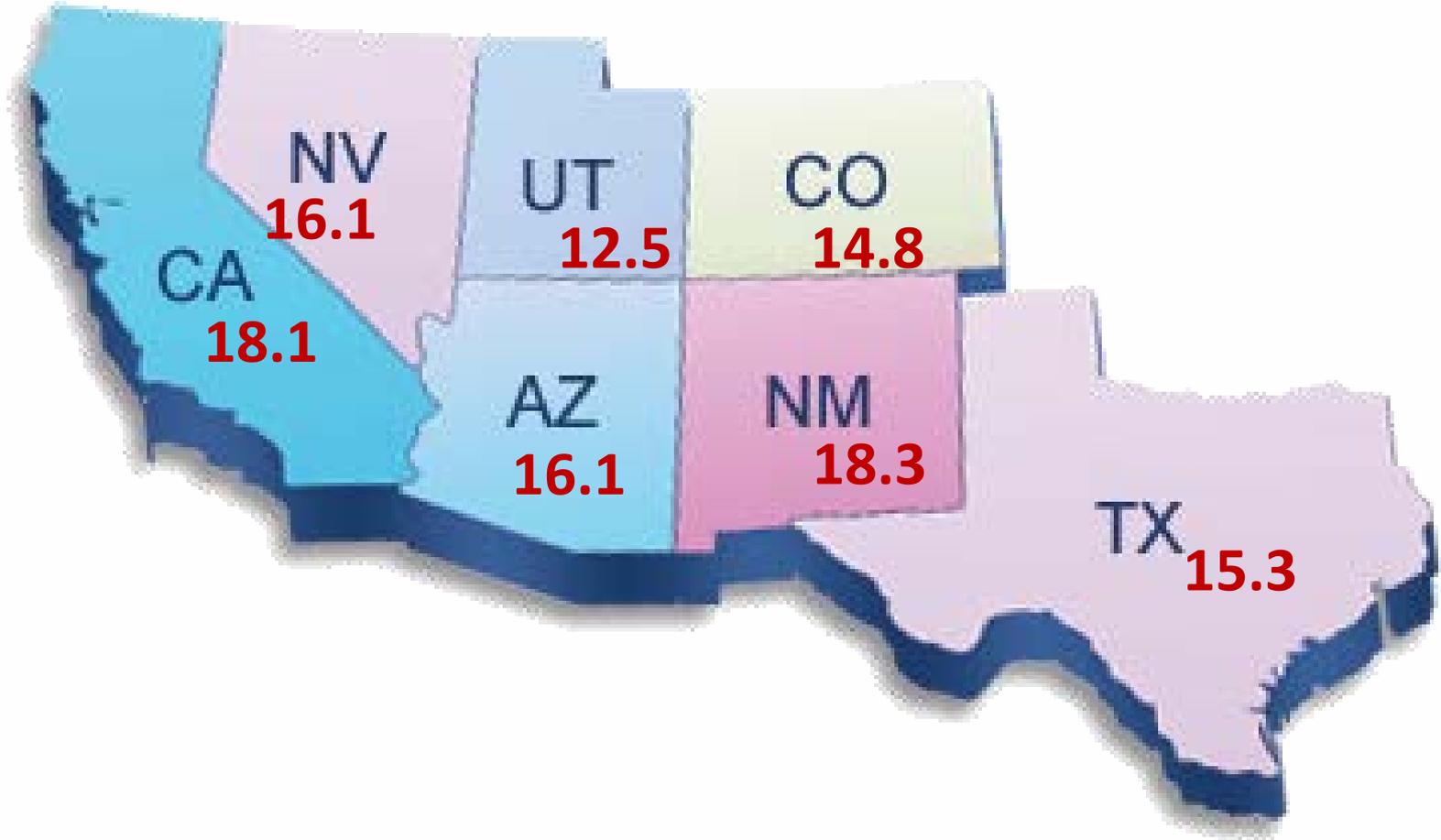
Unemployment Insurance-Regional Information

Exhaustion Rates (1Q 2015):



Unemployment Insurance-Regional Information

Average Duration in Weeks (1Q 2015):



Unemployment Insurance Tax Basics

Taxable Wage Base

- A “taxable wage base” is the annual amount of wages paid by an employer to an employee that are subject to state Unemployment Insurance taxes.
- New Mexico’s taxable wage base fluctuates each year and is set by formula.
- For 2015, employers will pay their Unemployment Insurance tax rate based on the first \$23,400 of each employee’s salary.
- For example:
 - An employer paying the minimum tax rate of 0.33% will pay \$77.22 per employee.
 - An employer paying the maximum tax rate of 6.4% will pay \$1,497.60 per employee.

Unemployment Insurance Tax – Old Rating System

Prior to
2011

2011 and
2012

2013 and
2014

Tax Schedule that should have
been in effect since 2008.

Employer Experience Rating	SCHEDULE 0	SCHEDULE 1	SCHEDULE 2	SCHEDULE 3	SCHEDULE 4	SCHEDULE 5	SCHEDULE 6
10.0% and over	0.03%	0.05%	0.1%	0.6%	0.9%	1.2%	2.7%
9.0-9.9%	0.06%	0.1%	0.2%	0.9%	1.2%	1.5%	2.7%
8.0-8.9%	0.09%	0.2%	0.4%	1.2%	1.5%	1.8%	2.7%
7.0-7.9%	0.10%	0.4%	0.6%	1.5%	1.8%	2.1%	2.7%
6.0-6.9%	0.30%	0.6%	0.8%	1.8%	2.1%	2.4%	2.7%
5.0-5.9%	0.50%	0.8%	1.1%	2.1%	2.4%	2.7%	3.0%
4.0-4.9%	0.80%	1.1%	1.4%	2.4%	2.7%	3.0%	3.3%
3.0-3.9%	1.20%	1.4%	1.7%	2.7%	3.0%	3.3%	3.6%
2.0-2.9%	1.50%	1.7%	2.0%	3.0%	3.3%	3.6%	3.9%
1.0-1.9%	1.80%	2.0%	2.4%	3.3%	3.6%	3.9%	4.2%
0.9-0.0%	2.40%	2.4%	3.3%	3.6%	3.9%	4.2%	4.5%
(-0.1)-(-0.5)%	3.30%	3.3%	3.6%	3.9%	4.2%	4.5%	4.8%
(-.05)-(-1.0)%	4.20%	4.2%	4.2%	4.2%	4.5%	4.8%	5.1%
(-1.0)-(-2.0)%	5.00%	5.0%	5.0%	5.0%	5.0%	5.1%	5.3%
Under (-2.0)%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%

Unemployment Insurance Tax – New Rating System

Benefit Ratio:

Benefits Charged Against Employer Account (3-year. period) X Reserve Factor
Employer's Average taxable payroll (3-year. period)

New Employers:

Starting in 2015, new contributing employers have a rate that is the greater of their industry average Unemployment Insurance Contribution rate or 1%.

Unemployment Insurance Tax – 2015 Overview of Taxes

Distribution of Employers Across Tax Rates

Rate	Count	
0.33	24,441	61%
>0.33-1.39	2,053	5%
1.40-2.39	1,595	4%
2.40-3.39	1,289	3%
3.40-4.39	1,079	3%
4.40-5.39	881	2%
5.40-6.39	4,526	11%
6.4	4,531	11%
Total	40,395	100%

- Total revenue received to date since January 1, 2015 (Quarter 1 and Quarter 2 taxes) is approximately \$205M.

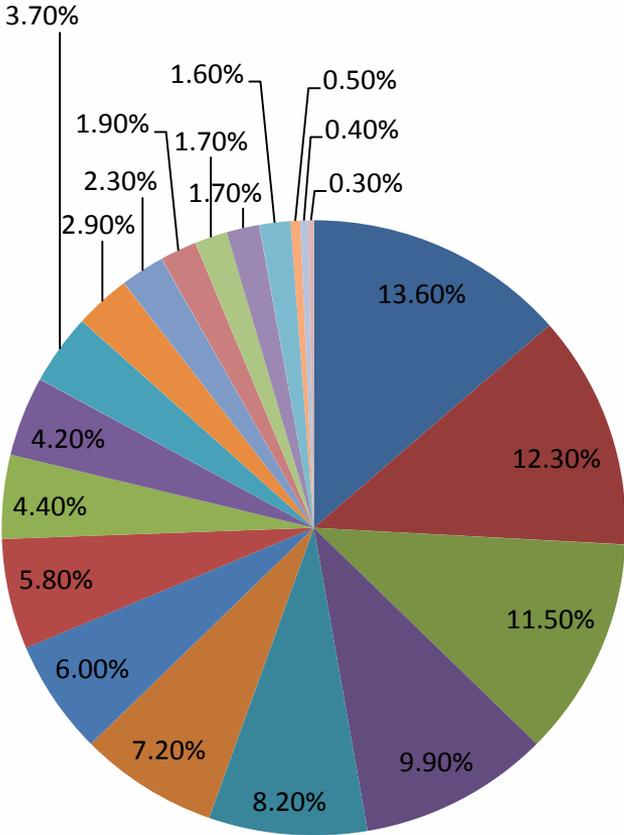
Unemployment Insurance Tax – 2016 Prelim Analysis

Distribution of Employers Across Tax Rates

2016 Contribution Rate	Count	%
0.33	23,883	63.4%
>0.33-1.39	2,018	5.4%
1.40-2.39	1,545	4.1%
2.40-3.39	1,265	3.4%
3.40-4.39	1,005	2.7%
4.40-5.39	811	2.2%
5.40-6.39	3,867	10.3%
6.4	3,273	8.7%
Total	37,667	100%

Unemployment Insurance Tax – 2016 Prelim Analysis

- Professional, Scientific and Technical Services
- Health Care and Social Assistance
- Construction
- Retail Trade
- Other Services, except Public Administration
- Accommodation and Food Services
- Administrative and Support and Waste Management and Remediation Services
- Wholesale Trade
- Real Estate and Rental and Leasing
- Finance and Insurance
- Manufacturing
- Transportation and Warehousing
- Mining, Quarrying, and Oil and Gas Extraction
- Agriculture, Forestry, Fishing and Hunting
- Information
- Educational Services
- Arts, Entertainment, and Recreation
- Utilities
- Public Administration
- Management of Companies and Enterprises



Unemployment Insurance Tax – 2016 Prelim Analysis

Industry: NAICS (20 sectors)	Number of employers	Tax Rate 2015	Tax Rate 2016	Tax Rate change %
Agriculture, Forestry, Fishing and Hunting	701	2.22	2.09	-6%
Mining, Quarrying, and Oil and Gas Extraction	862	1.74	1.93	11%
Utilities	182	1.23	1.18	-4%
Construction	4,318	2.98	2.68	-10%
Manufacturing	1,405	2.31	2.14	-7%
Wholesale Trade	2,188	1.77	1.74	-2%
Retail Trade	3,717	1.8	1.62	-10%
Transportation and Warehousing	1,096	1.93	1.83	-5%
Information	642	2.25	2.09	-7%
Finance and Insurance	1,569	1.63	1.45	-11%
Real Estate and Rental and Leasing	1,666	1.52	1.42	-7%
Professional, Scientific and Technical Services	5,139	1.6	1.53	-4%
Management of Companies and Enterprises	114	1.45	1.37	-6%
Administrative and Support and Waste Management and Remediation Services	2,275	2.32	2.22	-4%
Educational Services	641	1.63	1.52	-7%
Health Care and Social Assistance	4,639	1.74	1.63	-6%
Arts, Entertainment, and Recreation	586	1.8	1.66	-8%
Accommodation and Food Services	2,713	1.69	1.57	-7%
Other Services, except Public Administration	3,076	1.53	1.36	-11%
Public Administration	138	3.26	3.08	-6%
Total and weighted avg	37,667	1.92	1.78	-7%

Unemployment Insurance Tax – 2016 Prelim Analysis

2016 -2015 tax rate changes by employer size for all the experience-rated employers (active)

Employer Size*	N of employers	Tax Rate 2015	Tax Rate 2016	Tax Rate change %
Firms with 1 to 4 employees	21593	1.52	1.39	-9%
Firms with 5 to 9 employees	6578	2.15	2.03	-6%
Firms with 10 to 19 employees	4415	2.49	2.35	-6%
Firms with 20 to 99 employees	4177	2.75	2.64	-4%
Firms with 100 to 499 employees	808	3.02	2.83	-6%
Firms with 500 employees or more	96	2.65	2.51	-5%
Total and weighted avg	37667	1.92	1.78	-7%

*Census categories

Employer Scenario #1

QTR	Benefit Charges	Taxable Payroll
2011-03	\$5,790.00	\$97,652.01
2011-04	\$5,730.00	\$43,624.32
2012-01	\$1,639.92	\$88,007.02
2012-02	\$488.00	\$48,834.02
2012-03	\$0.00	\$69,316.39
2012-04	\$0.00	\$58,416.75
2013-01	\$0.00	\$113,545.14
2013-02	\$0.00	\$127,421.74
2013-03	\$0.00	\$110,566.09
2013-04	\$0.00	\$60,688.29
2014-01	\$1,363.41	\$114,682.02
2014-2	\$302.99	\$119,148.45
TOTAL	\$15,314.32	\$1,051,902.24

Benefit Ratio	Reserve Factor Fixed as 4	Calculated Contribution rate	Contribution Rate	Calculated Excess Claims Rate (ECR) when applicable.	Excess Claims Rate	Total Contribution Rate
Benefit charges/taxable payroll	Multiply times 4	Benefit Ratio X Reserve Factor	Range of 0.33% - 5.4%	Difference between the calculated rate and 5.4 X 10%	Apply the maximum limit of 1% to the calculated ECR when applicable.	Contribution Rate + ECR if applicable.
0.0146	4.0000	5.82%	5.40%	0.04%	0.04%	5.44%

For 2016, approximately \$13,600 in benefit charges fall off. Because there were not a great deal of benefit charges incurred during last half of 2014 and first half of 2015, this employer's rate drops substantially from 5.44% to 0.56%.

Employer Scenario #2

QTR	Benefit Charges	Taxable Payroll
2011-03	\$4,502.81	\$392,449.61
2011-04	\$5,404.00	\$268,226.85
2012-01	\$1,815.32	\$427,973.10
2012-02	\$1,730.67	\$367,575.39
2012-03	\$856.72	\$277,408.92
2012-04	\$4,764.00	\$232,965.02
2013-01	\$5,161.00	\$482,071.94
2013-02	\$397.00	\$427,770.66
2013-03	\$4,872.99	\$218,601.52
2013-04	\$5,178.11	\$239,527.12
2014-01	(\$180.94)	\$482,119.38
2014-2	\$4,817.36	\$808,782.75
Total	\$39,319.04	\$4,625,472.26

Benefit Ratio	Reserve Factor Fixed as 4	Calculated Contribution rate	Contribution Rate	Calculated Excess Claims Rate (ECR) when applicable.	Excess Claims Rate	Total Contribution Rate
Benefit charges/taxable payroll	Multiply times 4	Benefit Ratio X Reserve Factor	Range of 0.33% - 5.4%	Difference between the calculated rate and 5.4 X 10%	Apply the maximum limit of 1% to the calculated ECR when applicable.	Contribution Rate + ECR if applicable.
0.0085	4.0000	3.40%	3.40%	0.00%	0.00%	3.40%

For 2016, this employer's benefit charges slightly increased, but because they had such an increase in their taxable payroll, their rate drops from 3.4% to 1.64%.

UI Benefits – Recent Policy Discussions

2015 Legislative Session

- HB 482 Reduce Some Unemployment Benefits, sponsored by Representative Larrañaga.
- Introduced legislation, started discussion about New Mexico's benefit package and potential areas for reform.

UI Stakeholders Meeting

- NMDWS convened the Unemployment Insurance Stakeholders Meeting on June 16, 2015.
- Discussed UI program, benefits and taxes, and potential areas for reform.

Attachment to the Workforce – “60% Rule”

Table 1 – Claimant’s characteristics by eligibility rule, 2014 data.

	60% eligibility rule			WBA*26 weeks		
	%	Mean	Median	%	Mean	Median
Age		39.3	37		41.2	40
Gender						
- Female	40.52			43.55		
- Male	55.79			55.15		
- NA	3.69			1.30		
Education						
- Less than High School	25.04			14.46		
- High School	50.52			58.18		
- College or more	16.42			24.8		
- NA	8.02			2.56		
AWW High quarter		421	369		788	615
AWW Base Period		149	132		586	462
Potential duration		21.1	21.3		26	26
Maximum Benefit Amount (MBA)		4638	4105		7914	8554
Weekly Benefit Amount (WBA)		219	197		304	329

Attachment to the Workforce – “60% Rule”

Table 2 – Industry sector of claimant’s last employer by eligibility rule, 2014 data.

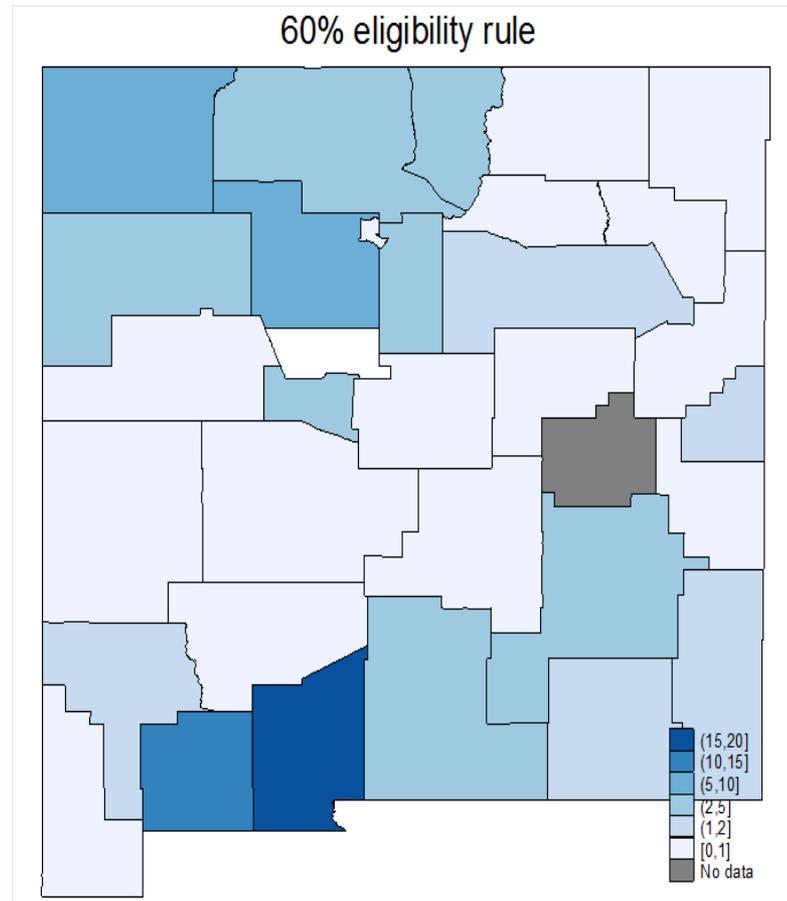
Last Employer's Industry (20 sectors)	60% eligibility rule		WBA*26 weeks	
	N	%	N	%
Agriculture, Forestry, Fishing and Hunting	884	12.1	1,102	2.7
Mining, Quarrying, and Oil and Gas Extraction	100	1.4	1,141	2.8
Utilities	9	0.1	133	0.3
Construction	1,296	17.7	6,156	15.0
Manufacturing	273	3.7	1,962	4.8
Wholesale Trade	373	5.1	1,306	3.2
Retail Trade	665	9.1	4,547	11.1
Transportation and Warehousing	158	2.2	1,442	3.5
Information	91	1.3	1,007	2.5
Finance and Insurance	79	1.1	943	2.3
Real Estate and Rental and Leasing	101	1.4	613	1.5
Professional, Scientific and Technical Services	508	7.0	2,882	7.0
Management of Companies and Enterprises	8	0.1	196	0.5
Administrative and Support and Waste Management and Remediation Services	599	8.2	2,976	7.2
Educational Services	197	2.7	1,364	3.3
Health Care and Social Assistance	537	7.4	5,144	12.5
Arts, Entertainment, and Recreation	275	3.8	914	2.2
Accommodation and Food Services	633	8.7	3,575	8.7
Other Services, except Public Administration	203	2.8	1,238	3.0
Public Administration	251	3.4	1,633	4.0
NA	68	0.9	891	2.2
Total	7,308	100	41,165	100

Attachment to the Workforce – “60% Rule”

Table 4 – Claimant’s distribution by eligibility rule and county of residence, 2014 data.

County	60% eligibility rule		WBA*26 weeks	
	N	%	N	%
Bernalillo County	1,718	23.51	12,940	31.43
Catron County	5	0.07	33	0.08
Chaves County	134	1.83	990	2.40
Cibola County	56	0.77	494	1.20
Colfax County	49	0.67	252	0.61
Curry County	70	0.96	603	1.46
De Baca County	-	-	16	0.04
Dona Ana County	1,003	13.72	3,850	9.35
Eddy County	88	1.20	795	1.93
Grant County	75	1.03	465	1.13
Guadalupe County	17	0.23	81	0.20
Harding County	1	0.01	10	0.02
Hidalgo County	14	0.19	53	0.13
Lea County	91	1.25	648	1.57
Lincoln County	51	0.70	295	0.72
Los Alamos County	10	0.14	113	0.27
Luna County	662	9.06	1,034	2.51
McKinley County	267	3.65	1,368	3.32
Mora County	37	0.51	125	0.30
Otero County	134	1.83	777	1.89
Quay County	11	0.15	117	0.28
Rio Arriba County	154	2.11	909	2.21
Roosevelt County	27	0.37	200	0.49
San Juan County	394	5.39	2,368	5.75
San Miguel County	71	0.97	518	1.26
Sandoval County	371	5.08	2,775	6.74
Santa Fe County	298	4.08	2,319	5.63
Sierra County	58	0.79	179	0.43
Socorro County	38	0.52	262	0.64
Taos County	274	3.75	1,038	2.52
Torrance County	36	0.49	251	0.61
Union County	2	0.03	40	0.10
Valencia County	167	2.29	1,358	3.30
Out of State	925	12.66	3,889	9.45
Total	7,308	100	41,165	100

Chart 1 - Claimant’s percentage distribution by county, 2014 data (percentages computed excluding out of state claimants).



Contact Information

The New Mexico Department of Workforce Solutions

www.dws.state.nm.us

Twitter (twitter.com/NMDWS)

NMDWS official YouTube channel
(youtube.com/user/nmdws)