F I S C A L   I M P A C T   R E P O R T

		ORIGINAL DATE	1-29-06		
SPONSOR	Stewart	**LAST UPDATED**	2/16/06	**HB**	482/aSFL#1
SHORT TITLE	UNEMPLOYMENT CONTINGENCY RATES & DATES			**SB**	
				ANALYST	Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

This bill conflicts with SB19 "LOWER CERTAIN UNEMPLOYMENT CONTRIBUTION RATES", which is currently "on hold" while it is evaluated to be germane.

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION
LFC Files

Responses Received From
Labor Department

SUMMARY

Synopsis of SFL#1 Amendment

The Senate Floor amended HB482 to include elements of SB019. The Senate Floor amendment seeks to provide an employer contribution rate of 0.0% for employers with a reserve ratio of 15% or higher, provided the employer has been subject to benefit charges for the 36-month period preceding the contribution date. The 0.0% rate applies only to tax schedules 0, 1, 2, and 3.

The fiscal impact of this amendment will reduced the unemployment compensation fund $70.0. The Labor Department estimates that there is an administrative impact of $150.0 for enhancements to the information technology system.

<u>Synopsis of Original Bill</u>

HB482 amends Laws of 2005, Chapter 3, Section 11 to remove the contingency and effective date for certain enhanced unemployment benefits and replaces it with an effective date of January 1, 2008.

The contingency stated in effect that if the unemployment compensation fund is less than two and one-half percent of total payrolls then the enhanced benefits would expire.

The effective date for benefits to expire is the January 1st following the certification that the unemployment compensation fund fell below the contingency of less than two and one-half percent of total payrolls.

This bill declares an emergency

FISCAL IMPLICATIONS

<u>The Labor Department contributed the following statement:</u>
In the event of a severe economic downturn between now and 2008, the expanded benefits and lower tax rates may diminish the state's benefit trust fund, requiring the state to borrow money from the U.S. Department of Labor and to pay interest on the borrowed funds at the t-bill rate. The contingency was included in the original bill to ensure that sufficient funds are available for payment of benefits during recessed or depressed economic periods.

SIGNIFICANT ISSUES

The contingency was in effect in calendar year 2004 but was set at 3.75 percent and in December 2004 the unemployment compensation fund "trigger" was reached. The "trigger was revised by the Laws of 2005, Chapter 3, Section 11; to be "if the unemployment compensation fund fell below 2.5 percent of total payrolls".

There has been a concern by New Mexico Voices for Children that the trigger mechanism is not a good measure of the solvency of the trust fund. NM Voices believes the trigger may be reached prematurely before January 1st 2008, which is the scheduled date the enhanced benefits are to expire.

<u>New Mexico Labor Market Report – December Issue:</u>
"New Mexico's seasonally adjusted unemployment rate dropped to 4.8 percent in December 2005, down from 5.1 percent in November. This is the lowest the state's unemployment rate has been since the summer of 2001. A year ago New Mexico's unemployment rate was 5.6 percent. The national unemployment rate was 4.9 percent in December 2005." "New Mexico's rate of over-the-year job growth was 2.2 percent in December. Jobs have been added in all 13 of the state's industries, with little evidence to be found of any under-performing industries. Overall, the state has added 17,500 jobs over the last year and we rank 10th highest for job growth among the states."

With more New Mexicans working and contributing to the fund and fewer unemployed workers drawing from the fund, as well as, the overall job growth in the top 10 of all states, the solvency of the trust fund should be safe in the near term.

Based on the latest available data New Mexico's unemployment trust fund has been deemed among the most fiscally sound in the nation. The September 2005 Unemployment Trust Fund balance remains healthy at approximately $560.7 million.

ADMINISTRATIVE IMPLICATIONS

This bill has no fiscal implications beyond those described in the original legislation.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB19 titled "LOWER CERTAIN UNEMPLOYMENT CONTRIBUTION RATES", is currently "on hold" while it is evaluated to be germane. SB19 amends also amends the Unemployment Compensation Law.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo.

DL/nt:mt:yr