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FISCAL IMPACT REPORT

ORIGINAL DATE 1-26-2006

SPONSOR Campos LAST UPDATED _____ HB _____

SHORT TITLE Forest Workers' Compensation Fund SB 286

ANALYST Dearing

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$4,200.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

SUMMARY

Synopsis of Bill

Senate Bill 286 appropriates \$4,200,000 from the general fund to create an entirely new fund established for the purpose of contributing toward the workers' compensation insurance premiums for those forest workers that have earned a "safety certification." The initial, non-recurring appropriation would create this fund, to be administered by the Insurance Division of the Public Regulatory Commission. All premiums to be paid by these "safety certified" forest workers would be paid from this established fund over a three-year period beginning July 1, 2006, and ending June 30, 2009.

FISCAL IMPLICATIONS

The appropriation of \$4,200,000 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at June 30, 2009 shall revert to the general fund.

According to the Public Regulatory Commission, it is in large part up to the discretion of the Superintendent of Insurance as to how much of the \$4.2 million appropriation to spend during the three-year period.

SIGNIFICANT ISSUES

According to the Energy, Minerals & Natural Resources Department (EMNRD), New Mexico's workers' compensation insurance rates are higher than other western states. Currently, workers' compensation insurance premiums for forest workers are \$79 per \$100 of payroll, which increases the per-acre cost to land managers who are working on forest and watershed health projects. While New Mexico requires all of its forest worker contractors to carry workers' compensation insurance, many New Mexico forest workers are currently uninsured due to these premium costs.

A "Forest Worker Safety Certification Program" has been created and will offer a forest worker safety certificate to any woods worker who completes the required training courses. In return, forest workers who complete the certification program will be eligible for lower insurance rates, offered by the Public Regulation Commission as a "state specific code". The state specific code will bring rates for safety certified workers down to \$50 per \$100.

This bill will bring rates down another 20% to a competitive level with out of state contractors, which is around \$30 per \$100 of payroll. Employers and workers who are safety certified will receive a price-break on their premiums. At the year-end audit where premiums are calculated based on actual payroll, payments will be made from the Insurance Division trust to the carriers. Workers' compensation rates are based on a three-year average, so three years of incentives will be sufficient to stabilize the pool size and establish the lower rates.

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

Although not stated in the bill, it is our understanding that the purpose of this bill is to promote the logging of dead trees in order to reduce the threat of forest fires in New Mexico. This effort is currently impeded by high workers compensation costs for logging in New Mexico. A non-profit New Mexico organization called the Forest Guild has been working in cooperation with the Insurance Division and the National Council on Compensation Insurance to design a safety certification program and a corresponding new workers' compensation logging classification that will have a substantially lower premium rate than logging in general.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

There is a possibility that this bill violates the anti-donation clause of the New Mexico Constitution, New Mexico Constitution, Article IV., Section 31, Appropriations for Charitable, Educational, etc. purposes.

ALTERNATIVES

Increasing the contract service fees paid to those individuals performing forest clearing activities in order to decrease the premium to payroll ratio to levels in-line with other western states.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Workers' Compensation Insurance premiums for "safety-certified" forest workers would not be subsidized over the July 1, 2006-June 30, 2009 interval.

POSSIBLE QUESTIONS

Does this bill violate the anti-donation clause of the New Mexico Constitution, New Mexico Constitution, Article IV., Section 31, Appropriations for Charitable, Educational, etc. purposes?

PD/mt:nt