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## FISCAL IMPACT REPORT

**ORIGINAL DATE** 01/26/09  
**LAST UPDATED** 02/17/09    **HB** 20

**SPONSOR**    Stewart \_\_\_\_\_

**SHORT TITLE**    Unemployment Weekly Benefit Amount    **SB** \_\_\_\_\_

**ANALYST** Peery-Galon \_\_\_\_\_

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY09	FY10	FY11		
(\$13,150.0)	(\$26,356.0)	(\$13,150.0)	Recurring	Unemployment Insurance Trust Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		Unknown	Unknown	Unknown	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Hunan Services Department (HSD)  
 New Mexico Corrections Department (NMCD)  
 Children, Youth and Families Department (CYFD)  
 Workforce Solutions Department (WSD)

#### No Response Received From

General Services Department

### SUMMARY

#### Synopsis of Bill

House Bill 20 increases the weekly benefit amount paid to unemployment benefit recipients from 53.5 percent to 60 percent of the average weekly wage. The proposed legislation indicates this change will only pertain to FY10 and FY11.

## **FISCAL IMPLICATIONS**

WSD reported there will be minimal costs associated with modifying the department's computer system to reflect the new maximum weekly benefit amount. The costs would be absorbed by the department's federal Unemployment Insurance Administrative Grant.

WSD noted the department projects the cost to increase weekly benefits to the Unemployment Insurance Trust Fund to be approximately \$26.3 million annually. The proposed legislation applies to FY10 and FY11.

Employer taxes are collected by WSD and deposited in the federal treasury in an unemployment insurance (UI) trust fund. New Mexico's UI trust fund is among the most solvent in the United States. The balance of New Mexico's UI trust fund was \$553.3 million at the end of FY08. As the balance of the unemployment insurance trust fund decreases, by operation of law, tax contribution rates increase. The reduction in the trust fund may eventually result in the implementation of higher tax rate schedules, thereby increasing costs to employers.

The Legislature in 2007 approved the creation of a state UI trust fund. WSD is diverting \$150 million of the UI trust fund to the state UI trust fund over a 3.5 year period. The principle of the state UI trust fund is invested by the State Investment Council. Interest earned can be used to help support activities related to unemployment or employment security. Funds from the state UI trust fund are available to transfer to the UI trust fund if needed.

CYFD reported the increase in unemployment premiums would have to be absorbed within the existing budget. It is estimated the increase for FY10 would be \$25.8 thousand and for FY11 would be \$27.5 thousand. CYFD noted it is difficult to predict the number of claims per year and the increase of unemployment premiums for the department.

NMCD reported the proposed legislation could result in a minimal increase in unemployment compensation premiums paid by the department to the Risk Management Division of the General Services Department.

## **SIGNIFICANT ISSUES**

WSD reported that studies show that for every \$1 of unemployment insurance benefits paid, the local economy benefits by \$1.73. Consequently, the \$26.3 million annual distribution would have an economic impact of around \$45.4 million to New Mexico's economy.

HSD reported that any direct payment of unearned income received by applicants for public assistance is subject to consideration pursuant to the federal act. The cash gain due to the unemployment benefit income to the food stamp recipient would be \$1.3 million which would decrease the food stamp benefit received by \$395 thousand, or 30 percent. HSD noted the number of cash assistance recipients affected would be minimal. The reason for this generally households receiving unemployment benefits are not income eligible for cash assistance benefits.

HSD stated the entire unemployment compensation benefit amount of 60 percent of the average weekly wage would be countable income and not subject to income deductions in the eligibility process for public assistance.

**ADMINISTRATIVE IMPLICATIONS**

HSD noted the proposed legislation does not require any change to the delivery or use of data information currently issued from the Workforce Solutions Department and received by the Human Services Department.

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