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# Unemployment Insurance : Where Are We Headed in 2012?



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**Celina Bussey**  
**Cabinet Secretary**

**July 14, 2011**

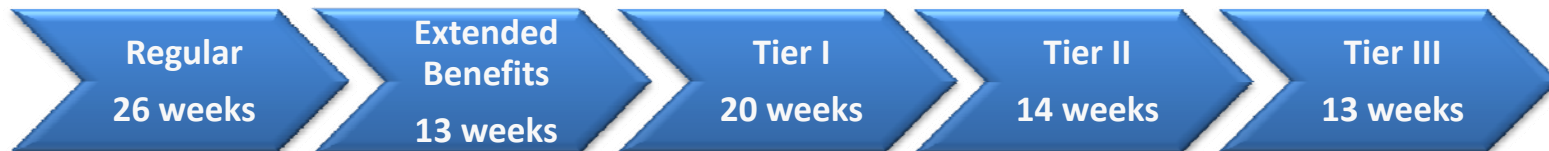
# Unemployment in New Mexico

- The May 2011 statewide unemployment rate was 6.9%. The rate has dropped for three months in a row.
- Out of a total labor force of 944,000 people, approximately 66,000 are unemployed.
- Approximately 46,000 people are certifying for unemployment insurance (UI) benefits every week.

# Maximum UI Benefits & Federal Extensions

In New Mexico, claimant can be eligible for a maximum of **86** weeks.

- **Regular UI=26 weeks** (paid out of trust fund)
- **100% federally-funded extensions include:**
- **Extended Benefits (EB)=13 weeks** (3-month average>6.5%)
- **Tier I=20 weeks**
- **Tier II=14 weeks**
- **Tier III=13 weeks** (3-month average>6%)

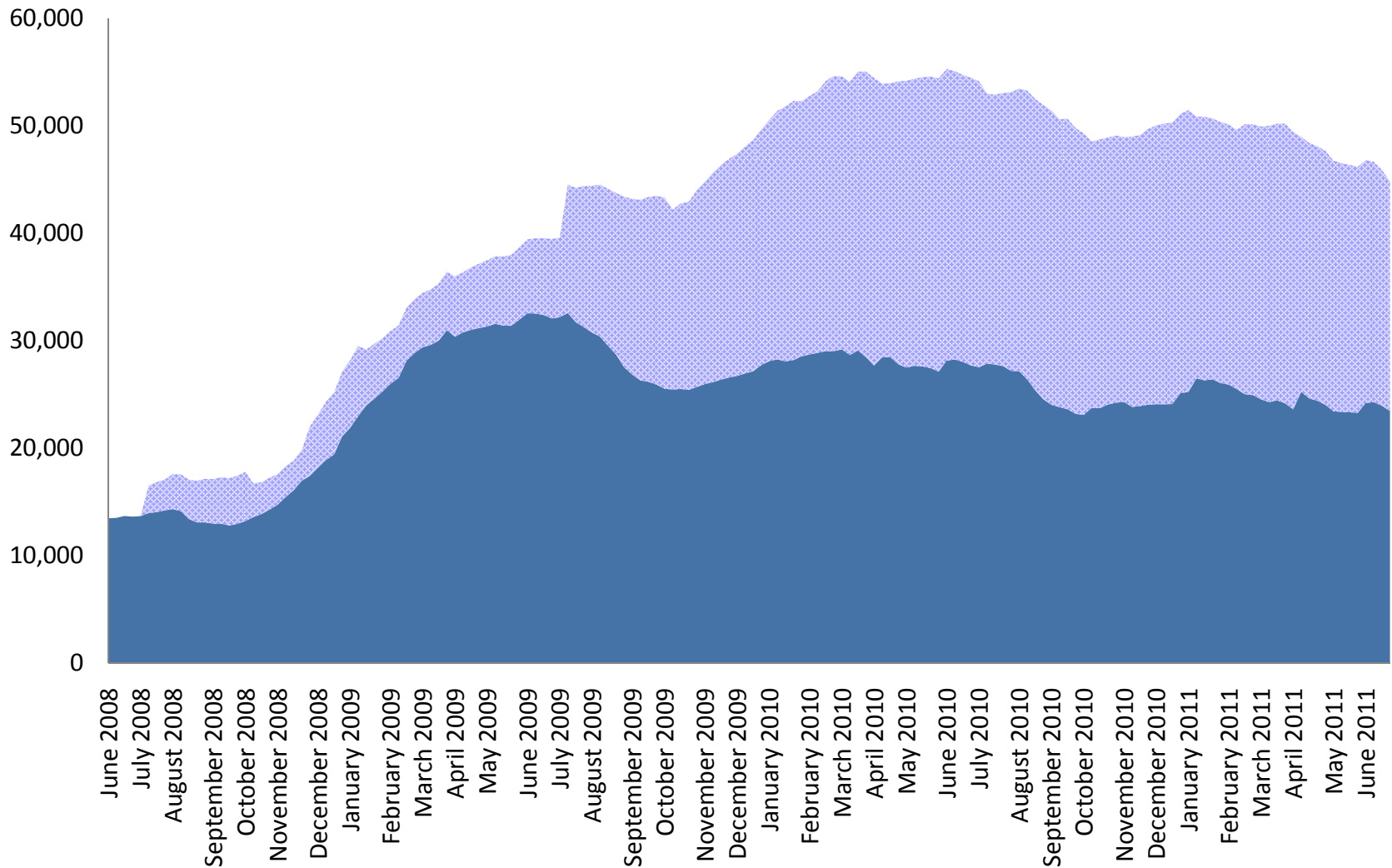


## Maximum UI Benefits & Federal Extensions

- In the last two months, New Mexico has “triggered off” the following benefits:
  - **High Unemployment Period benefits (HUP)=7 weeks** (3-month average >8%)
  - **Tier IV=6 weeks** (3-month average>8.5%)
- Before triggering off these benefit levels, the maximum number of benefit weeks was 99, and now the maximum number of weeks is 86.

# Increase in Unemployment Insurance Claims

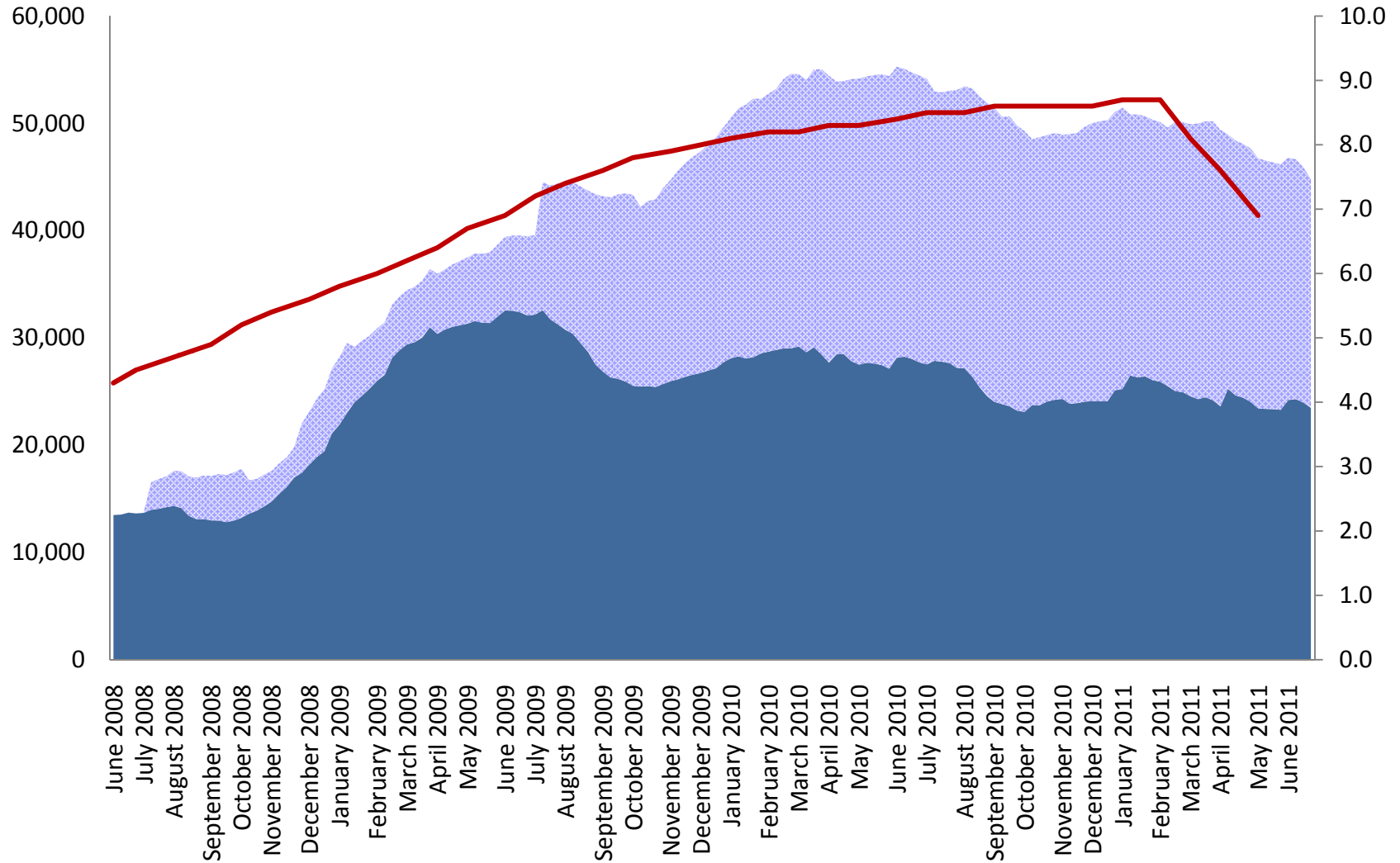
Claims Certified Each Week



■ Regular Claims Certified    ■ EUC Tier I-IV & EB Claims Certified

# Increase in Unemployment Insurance Claims

Claims Certified Each Week



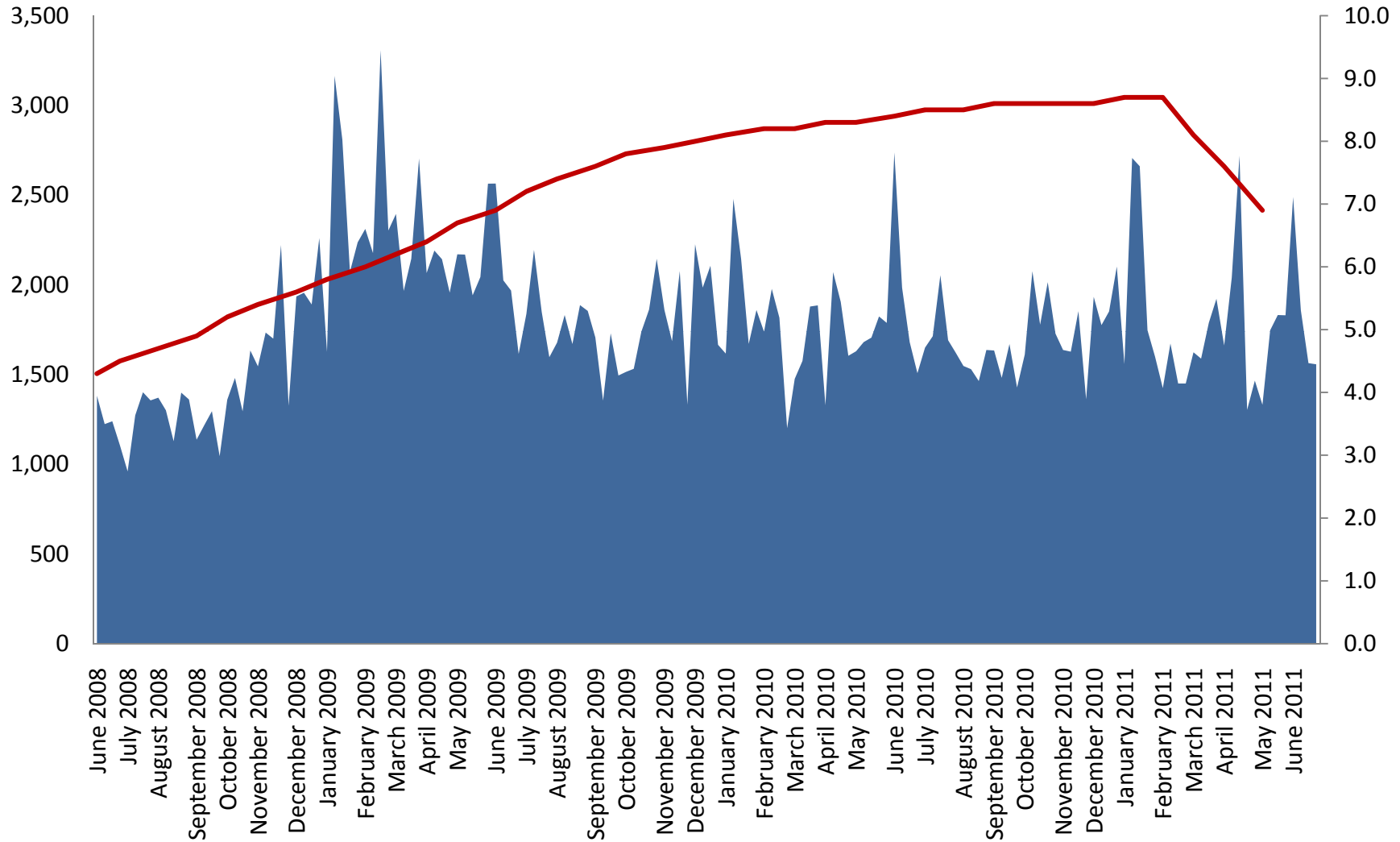
Regular Claims Certified

EUC Tier I-IV & EB Claims Certified

Seasonally-adjusted Unemployment Rate

# Increase in Unemployment Insurance Claims

Initial Claims Filed Each Week



Initial Claims

Seasonally-adjusted Unemployment Rate

# Unemployment Insurance Claimants-Benefit Type

For the week ending July 2, 2011:

Benefit Type	# of Claimants
Regular (26 weeks)	18,581
EB/HUP (13 weeks) <small>*New Mexico officially triggered off of HUP benefits July 9, 2011, reducing the number of EB weeks from 20 to 13.</small>	8,256
Tier I (20 weeks)	1,860
Tier II (14 weeks)	4,582
Tier III (13 weeks)	4,002
Tier IV (6 weeks) <small>*Although NM triggered off of Tier IV in June 2011, claimants who on Tier IV at that time could “phase out” and receive the total Tier IV weeks.</small>	916





## Unemployment Insurance Claimants-A Quick Profile\*

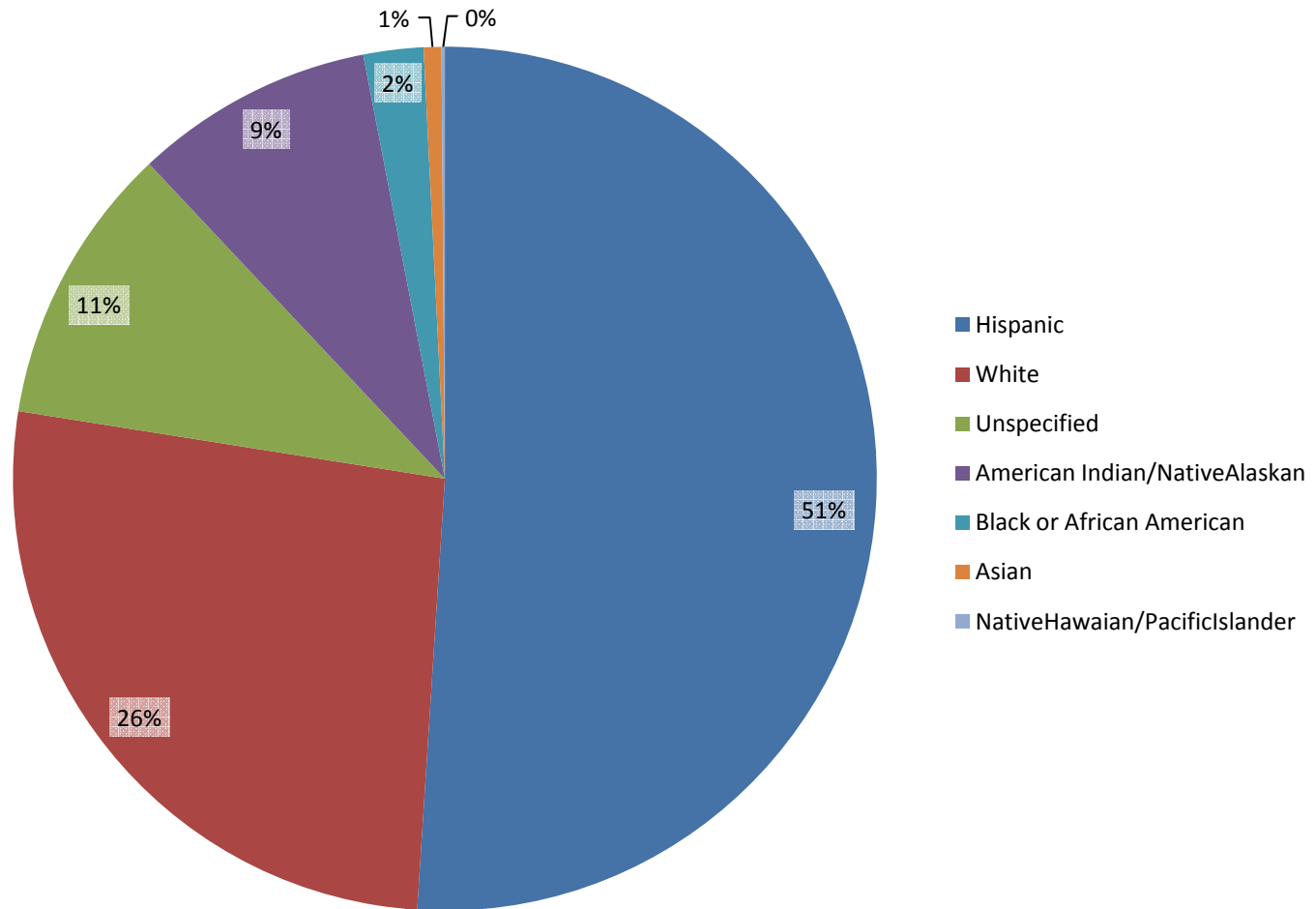
For the week ending July 2, 2011:

- **93%** of those claiming New Mexico benefits reside in New Mexico.
- Approximately **57%** of claimants do not have dependents and **40%** reported 1-3 dependents. **3%** of claimants reported having 3 or more dependents.
- **55%** of claimants are male.
- Approximately **58%** of claimants are between the ages of 26-50. **10%** of claimants are 25 or younger.

\*Please note: These statistics are based on self-reported data from the UI Claims and Benefit System.

# Unemployment Insurance Claimants-By Race/Ethnicity

For the week ending July 2, 2011: (Self-reported data)



# Unemployment Insurance Claimants-By County

For the week ending July 2, 2011:

COUNTY	NUMBER OF CLAIMANTS
Bernalillo	13,434
Catron	40
Chaves	936
Cibola	442
Colfax	257
Curry	389
De Baca	8
Dona Ana	3,206
Eddy	509
Grant	305
Guadalupe	108
Harding	6
Hidalgo	69
Lea	511
Lincoln	246
Los Alamos	89

COUNT	NUMBER OF CLAIMANTS
Luna	817
McKinley	1,227
Mora	156
Otero	685
Quay	160
Rio Arriba	889
Roosevelt	175
San Juan	2,075
San Miguel	547
Sandoval	2,807
Santa Fe	2,423
Sierra	137
Socorro	257
Taos	913
Torrance	304
Union	28
Unknown	173



# UI Trust Fund Solvency

- July 1, 2010, the trust fund balance was \$124.9M.
- In October 2010, \$117M was transferred from the State Unemployment Trust Fund. The ending trust fund balance in October 2010 was \$201.5M.
- As of July 5, 2011, the trust fund balance was **\$129M.**
- Approximately \$745,000/day is paid out in benefits. This was as high as \$1M/day in 2009.
- The trust fund is funded by quarterly contributory employer contributions and is used to pay the first 26 weeks (Regular UI) of benefits.

# UI Trust Fund Solvency-Reserve Ratio

- Pursuant to NMSA 1978, § 51-1-11, the contribution rate is determined by the following:

TRUST FUND BALANCE

= FUND RESERVE RATIO

TOTAL ANNUAL PAYROLL

- Since 2005, the fund reserve ratio has not been in effect. The contribution rate schedule was frozen at Schedule 0 from 2005-2010. The rate schedule was frozen at Schedule 1, effective 01/01/2011.

# UI Trust Fund Solvency-Reserve Ratio

- Using the June 30, 2011 trust fund balance and 2010 total annual payroll:

$$\frac{\$133,132,686}{\$21,818,681,028} = 0.61$$

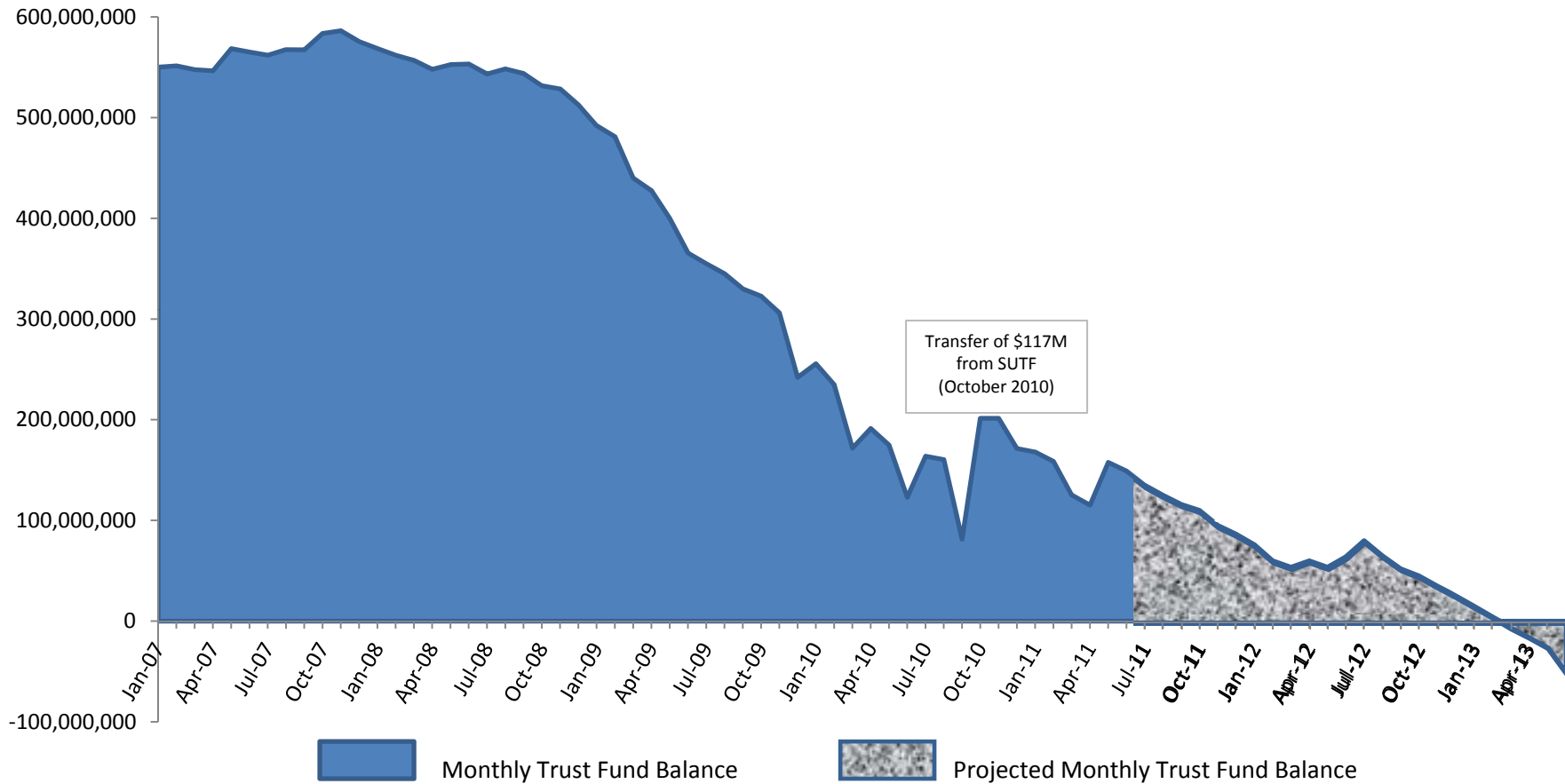
- This fund reserve ratio would result in a Schedule 5 for 2012.

# UI Employer Contribution Rate Schedules

From Schedule 0 to 6	UI Employer Contribution Rate	2011 Estimated Average Contributions per Employee	Difference Between Schedule 1
Schedule 0	0.03 – 5.4%	\$274.37	-
Schedule 1 <small>*Effective 1/1/2011</small>	0.05 – 5.4%	\$324.93	-
Schedule 2	0.1 – 5.4%	\$351.00	+\$26.07
Schedule 3	0.6 – 5.4%	\$491.92	+\$166.99
Schedule 4	0.9 – 5.4%	\$536.93	+\$212.00
Schedule 5	1.2 – 5.4%	\$581.94	+\$257.01
Schedule 6	2.7 – 5.4%	\$645.66	+\$320.73

- This information is based on estimated contributions divided by the number of employees in the state to obtain an estimated average of contributions per employee.
- It is not intended to portray an actual amount but to give an idea, based on estimates using past history, of what could be expected in the increased contribution amounts. Since individual employer rates are computed annually using actual information pertinent to each employer, contributions paid, benefits charged and the average annual payroll, there could be a difference between the average employer contribution and the actual employer contribution.
- The standard rate schedule for all new employers for four years is 2.0%. Employers eligible for a computed rate, which is based on their experience history, are assigned a rate for each calendar year based on the schedule in effect for that year.

# Unemployment Trust Fund Solvency



Assumptions: NM annual unemployment rate held constant at 8.3% for 2011, 7.87% for 2012, and 7.64% for 2013, and Schedule 1 held constant for employer contributions. Insolvency projected March 2013.



# UI Trust Fund-Projections

- The major projections factors include: employer contributions, benefits paid out, and the unemployment rate.
- Projections created during the 2011 legislative session forecasted insolvency in March 2012.
- New projections have been run and because of higher actual contributions, less benefits paid out than projected, and a major drop in the unemployment rate, the current forecasted insolvency date is March 2013.

# UI Trust Fund-Projections By Schedule

## SCHEDULE 1

0.03-5.4%

	PREVIOUS PROJECTION	CURRENT PROJECTION
Insolvency Projected	-\$8.9M by 3/31/2012	n/a
Solvency Regained	+\$5.5M by 6/30/2012	n/a
Insolvency Projected	-\$7.4M by 9/30/2012	n/a
<b>End of 2012 Balance</b>	<b>-\$38.6M</b>	<b>\$28.3M</b>
Insolvency Projected	n/a	-\$2.7M by 3/31/2013
Solvency Regained	n/a	+\$18.7M by 6/30/2013
<b>6/30/2013 Balance</b>	n/a	<b>\$18.7M</b>

# UI Trust Fund-Projections By Schedule

## SCHEDULE 2

0.1-5.4%

	PREVIOUS PROJECTION	CURRENT PROJECTION
Insolvency Projected	-\$8.9M by 3/31/2012	-
Solvency Regained	+\$16.5M by 6/30/2012	-
<b>End of 2012 Balance</b>	<b>-\$14.6M</b>	<b>\$43.4M</b>
Insolvency Projected	-	-
Solvency Regained	-	-
<b>6/30/2013 Balance</b>	-	<b>\$42.9M</b>

# UI Trust Fund-Projections By Schedule

## SCHEDULE 3

0.6-5.4%

	PREVIOUS PROJECTION	CURRENT PROJECTION
Insolvency Projected	-\$8.9M by 3/31/2012	n/a
Solvency Regained	+\$64.3M by 6/30/2012	n/a
<b>End of 2012 Balance</b>	<b>\$89.6M</b>	<b>\$112.7M</b>
Insolvency Projected	n/a	n/a
Solvency Regained	n/a	n/a
<b>6/30/2013 Balance</b>	n/a	<b>\$156.9M</b>

# UI Trust Fund-Projections By Schedule

## SCHEDULE 4

0.9-5.4%

	PREVIOUS PROJECTION	CURRENT PROJECTION
Insolvency Projected	-\$8.9M by 3/31/2012	n/a
Solvency Regained	+\$73.4M by 06/30/2012	n/a
<b>End of 2012 Balance</b>	<b>\$109.4M</b>	<b>\$135.5M</b>
Insolvency Projected	n/a	n/a
Solvency Regained	n/a	n/a
<b>6/30/2013 Balance</b>	n/a	<b>\$194.5M</b>

# UI Trust Fund-Projections By Schedule

## SCHEDULE 5

1.2-5.4%

	PREVIOUS PROJECTION	CURRENT PROJECTION
Insolvency Projected	-\$8.9M by 3/31/2012	n/a
Solvency Regained	+\$81.2M by 6/30/2012	n/a
<b>End of 2012 Balance</b>	<b>\$126.4M</b>	<b>\$158.3M</b>
Insolvency Projected	n/a	n/a
Solvency Regained	n/a	n/a
<b>6/30/2013 Balance</b>	n/a	<b>\$232M</b>

# UI Trust Fund-Projections By Schedule

## SCHEDULE 6

2.7-5.4%

	PREVIOUS PROJECTION	CURRENT PROJECTION
Insolvency Projected	-\$8.9M by 3/31/2012	n/a
Solvency Regained	\$104.1M by 6/30/2012	n/a
<b>End of 2012 Balance</b>	<b>\$176.3M</b>	<b>\$193.2</b>
Insolvency Projected	n/a	n/a
Solvency Regained	n/a	n/a
<b>6/30/2013 Balance</b>	n/a	<b>\$293.4M</b>

# US DOL Loans

- **No interest loans, Cash-flow loan**
    - Must be repaid in full by October 1 of the calendar year in which the advance is made.
    - Even when fully repaid, interest will be charged retroactively if another loan is taken out in the last quarter of the same calendar year.
  - **Interest-bearing loans**
    - Interest (4.6375% in 2009) must be paid from non-federal revenue (general fund) due on:
      - the first day of following fiscal year,
      - the last day of the succeeding tax year if or loan made in the last 5 months of the fiscal year
      - the day after second advance taken
    - Effect on FUTA rates (Federal Unemployment Tax Act)
      - The FUTA rate is 6.2%; however, New Mexico employers get 5.4% credit when employers pay timely, the state laws conform to USDOL standards, and the state is current on all loans. The actual net FUTA rate for employers is 0.8% (6.2% minus 5.4%).
      - If the loan and interest is not repaid, FUTA increases by .3% for the second year and each subsequent year with an outstanding balance.
      - Additional FUTA charges may apply loan not repaid by January 1 of third and fourth year, and other charges may apply after the fifth year.
    - New stringent solvency and funding effort criteria in effect in 2014.
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# Tobacco Settlement Fund

- Per HB2, up to \$30M may be transferred during fiscal year 2012 from the Tobacco Settlement permanent fund to the benefit account of the unemployment trust fund.
- The transfer is contingent upon certification by NMDWS that there will be insufficient amounts to pay benefits and that NMDWS can repay the loan by June 30, 2012.
- The transfer is contingent on review by the Legislative Finance Committee and approval by the State Board of Finance.

# Overpayments and Fraud

- UI overpayments can occur for various reasons including: appeal reversals, claimant error, incorrect wage reporting, agency error, and fraud.
- Fraud is a type of overpayment when false information is knowingly given or information is withheld resulting in benefits that should have never been received.
- Overpayments can be collected via: lump sum payment; payment plan; liens; state tax intercepts; wage garnishments; and from future UI benefits.

# Overpayments and Fraud- USDOL Reports

- NMDWS' overpayment rate, including fraud and non-fraud, for 2009 was 6.61% or \$22.5M.
- The fraud rate for 2009 was 4.93% or \$16.8M.
- USDOL will release 2010 overpayment data this August.

# Overpayments and Fraud- Initiatives

## STAFFING

- The NMDWS Benefit Payment Control Unit is charged with the detection, establishment, and collection of overpayments.
  - Currently, the NMDWS Benefit Payment Control (BPC) unit has: 5 investigators; 1 unit administrative assistant; and 1 unit supervisor.
  - NMDWS is in the process of hiring 3 additional investigators and 1 office clerk.
  - The 3 additional investigators will assist with the cross-matches on the New Hire Directory and benefit/wage records.
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# Overpayments and Fraud- Initiatives

## **OVERPAYMENT AUTOMATION PROJECT**

- The Overpayment Automation Project will be an integrated part of the UI Claims & Benefits System, which will be implemented March 2012.
  - The primary cause of UI fraud is the failure to report new wages. The Overpayment Project will allow for cross-matches with the National Directory of New Hires and earlier detection of wages and continued UI certification.
  - The Overpayment Automation Project will allow for the ability to set-up collection plans, overpayment reporting, etc.
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# Workforce Investment Act

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# The Workforce Investment Act

NMDWS is the State Administrative Entity responsible for oversight of Workforce Investment Act activities:

- Monitoring (Fiscal and Program)
- Technical Assistance
- Policy Development
- Training
- Data Collection and Reporting

# Funding Flow Chart



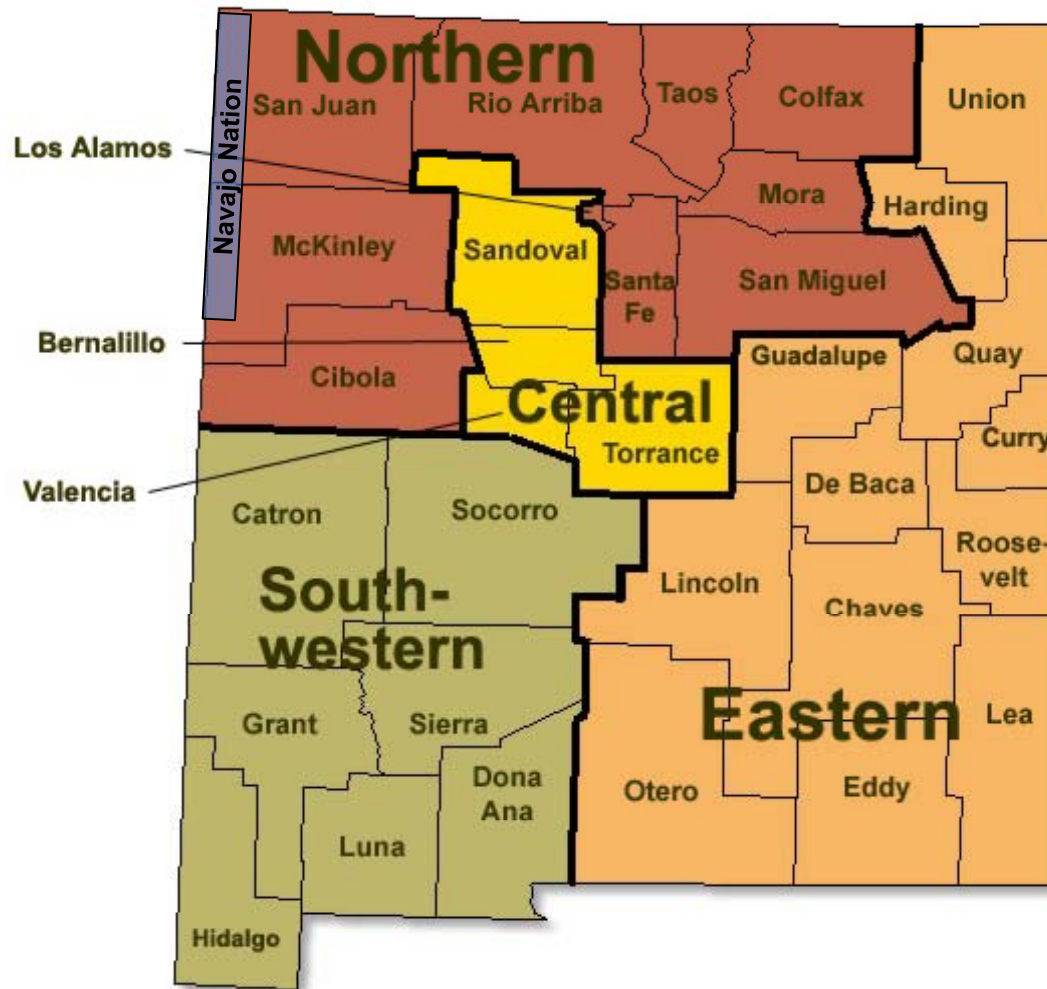
Local Workforce Development Boards



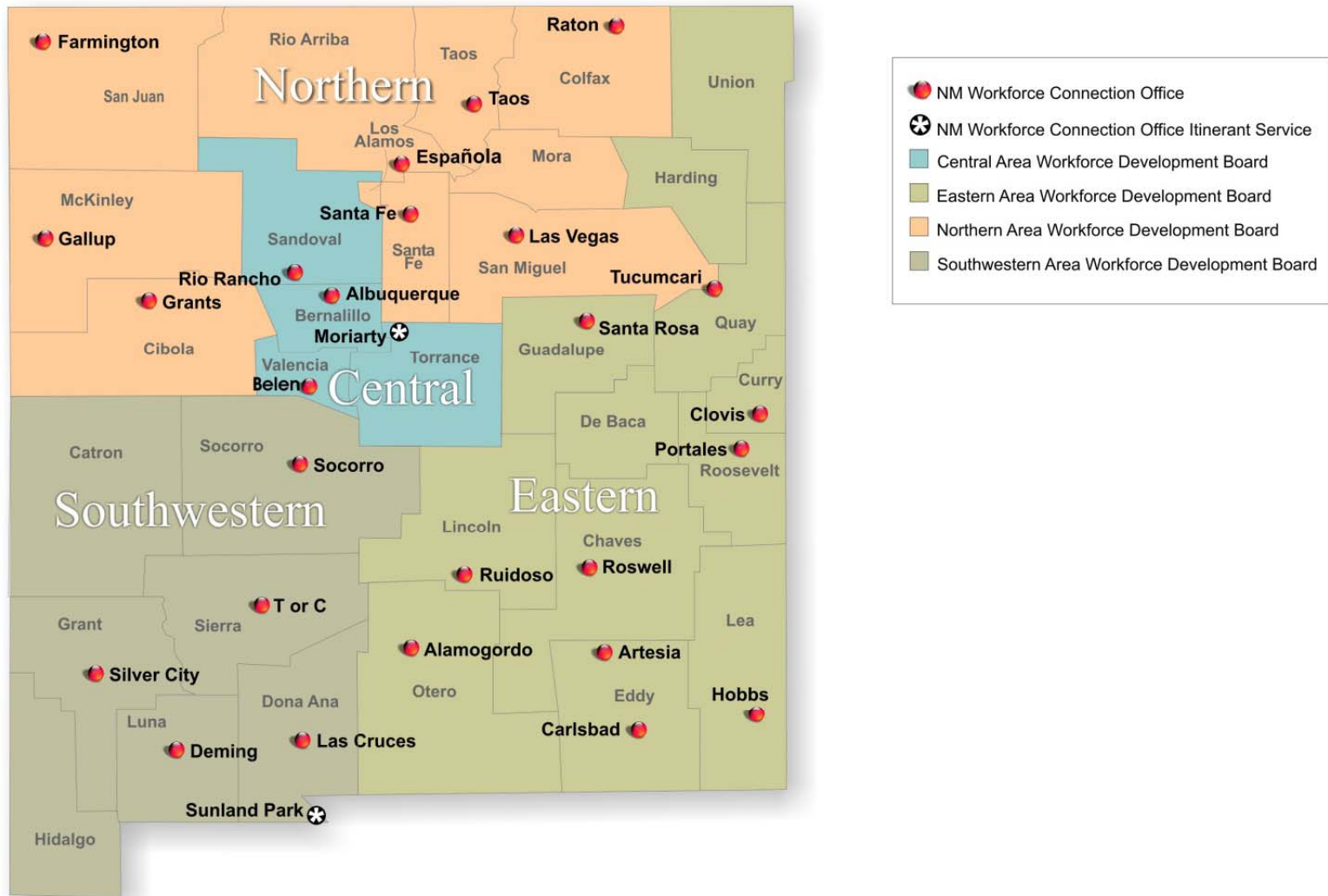
# State Workforce Development Board

- Appointed by the Governor
- The State Board's responsibilities include:
  - Development of the state plan;
  - Review of local workforce development boards' plans;
  - Designation of local workforce areas;  
and
  - Development and review of annual report.

# Workforce Regions



# NM Workforce Connection Centers



# Local Workforce Board Functions

Local Workforce Board functions, per WIA, include but are not limited to the following:

## Select and contract for:

- **One-stop Operator** – provide oversight and operational direction of NM Workforce Connection Business and Career Centers.
- **Administrative Entity** – perform administrative functions on behalf of the local boards
- **Fiscal Agent** – perform fiscal functions on behalf of the local boards and local Chief Elected Officials (CEO)
- **Adult, Dislocated Worker and Youth Providers** – deliver program service and activities directly to participant

# Local Workforce Board Functions

Other Local Workforce Board Functions:

## **Develop local workforce area budget**

- Set priorities for the expenditure of local administrative and program funds within their region.
- Direct training funds based on local area need and targeted industry within their region.

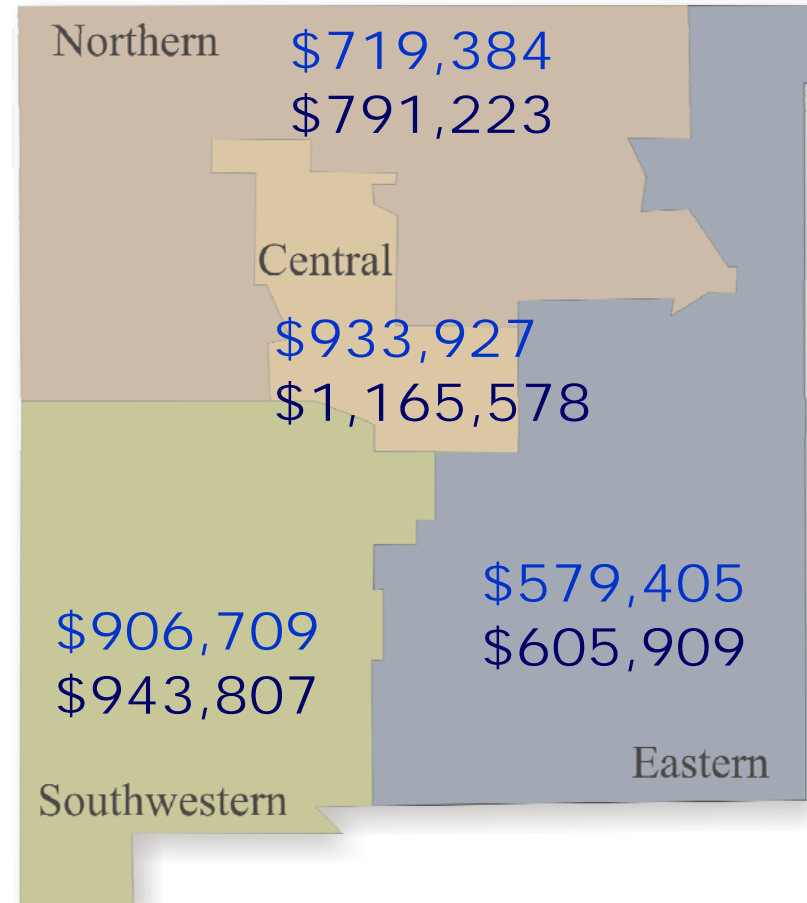
## **Develop Local Strategic Plan**

- Coordinate workforce investment activities with economic development strategies and develop employer linkages.
- Develop and execute MOUs with NM Workforce Connection Business and Career Center partners relating to the services and operation of the Center.

## Workforce Investment Act- Adult Funding

WIA Adult funding provides core, intensive and training services to individuals 18 years or older.

- FY 11 Adult Allocation - **\$3,139,425**
- FY 12 Adult Allocation - **\$3,506,517**



Navajo Nation

FY11 Adult Allocation – \$402,003

FY12 Adult Allocation – \$415,857

## Workforce Investment Act- Dislocated Worker Funding

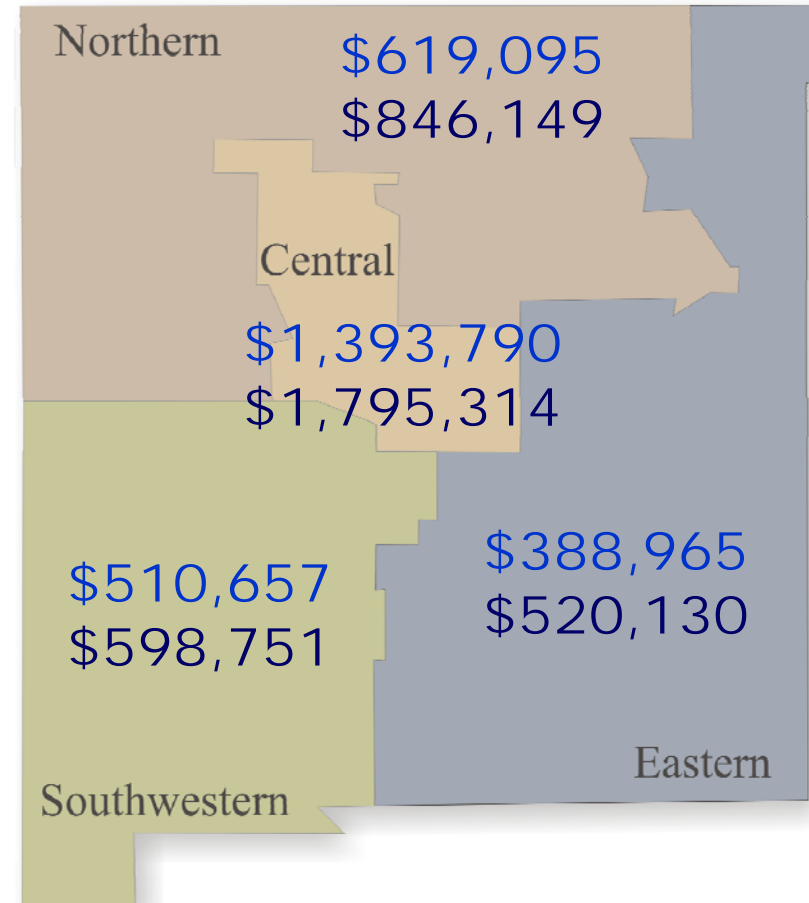
WIA Dislocated Worker funding provides core, intensive and training services to individuals that have lost their jobs and need assistance to become reemployed.

- FY 11 Dislocated Worker Allocation - **\$2,912,507**
- FY 12 Dislocated Worker Allocation - **\$3,760,344**

Navajo Nation

FY11 Dislocated Worker Allocation – \$157,404

FY12 Dislocated Worker Allocation – \$223,605



# Workforce Investment Act- Youth Funding

WIA Youth funding provides service and activities to support youth 14-21 that are low income and facing barriers to educational and employment achievement.

- FY 11 Youth Allocation - **\$3,263,778**
- FY 12 Youth Allocation - **\$4,036,045**

Navajo Nation  
FY11 Youth Allocation – \$446,728  
FY12 Youth Allocation – \$500,841

