

HB 482 Adjust Some Unemployment Benefits

- In 2013, to address the impending insolvency of the Unemployment Insurance (UI) trust fund, the legislature reformed UI contribution rates. The new rate calculations became effective January 2015. About 30 percent of employers have seen significant increase and are struggling with the new rates.
- In 2008, the State UI Trust Fund balance was \$557 million. As of 2/17/15, it was \$86 million. It is estimated to reach \$155 million at year end, which is inadequate according to the U.S. Department of Labor (USDOL).
- There are currently 36 states that are insolvent. Most are borrowing from the feds to cover the shortage in their funds; some, like Texas, are bonding the deficit.
- The USDOL estimates the NM Trust Fund would be inadequate at \$400 million. It will take several years to reach that amount without any other recessionary conditions. Achieving that level could be more difficult given the potential for continued layoffs in the oil and gas industry.
- New Mexico's benefit structure has not been addressed for many years. By taking action NOW, there would be a savings to the fund of about \$38 million with claims filed after 7/1/15. This will replenish the fund faster giving some relief to employers in future years.
- This bill does not change the maximum allowed number of weeks (26) nor does it change the dependent care allowance.
- Adjustments to the benefits will bring New Mexico more in line with other states. Currently, NM Unemployment benefits are based on the lesser of 26 times the weekly benefit amount for an individual or 60 percent of their total wages in their base period. Proposed changes:
 - Reduction in weekly benefit amount and state maximum benefit amount from 53.5 percent to 45 percent, an 8.5 percent reduction;
 - Reduction of the total wage factor from 60 percent to 33 percent
- The total wage factor formula is used in 29 states, but the majority of those states use 33 percent. NM is an outlier and by far, the highest of all states using the formula. Here are some nearby state percentages for comparison:
 - AZ and CO: 33 percent;
 - Wyoming: 30 percent;
 - Utah: 27 percent;
 - Texas: 24 percent.

At the 33 percent level contained in this legislation, New Mexico would have the same or better unemployment benefits than our neighboring states.

- The proposed change to the wage factor will ONLY affect those who have less attachment to the workforce, i.e. those who work for a short period of time, go out and collect UI benefits until they are exhausted, and return to work to start the cycle over. It does NOT impact those who have been steadily employed and lose their job through no fault of their own.