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HB 247 Would Alter State's Jobless-Aid Programs

By Andrew Webb

Journal Staff Writer

A bill working its way through the New Mexico Legislature would create a \$150 million State Unemployment Trust Fund, interest from which would be used for back-to-work programs.

House Bill 247, sponsored by Rep. Mimi Stewart, D-Albuquerque, would also slightly increase unemployment benefits and make permanent half a dozen adjustments made to the state's unemployment insurance program in 2003.

Those changes included reductions to employer contributions.

"I have been working with business, labor and a bipartisan group of legislators to lower taxes and increase benefits for four years," Stewart said. "This bill puts our 2003 reforms into law permanently."

The 60-page bill was passed unanimously by the House last week and is now in the Senate Corporations and Transportation Committee.

Greater Albuquerque Chamber of Commerce president and CEO Terri Cole said the fund would help the Department of Labor provide improved "return-to-work" services, such as basic job and so-called "soft" skills training, such as workplace conflict resolution, appearance and personal responsibility.

"We think this proposal is win-win for both business and the unemployed," she said. "It will make the new rates we negotiated four years ago permanent; and, for the unemployed, not only will their benefits be increased slightly, but we'll do a heck of a lot better job in the future of assisting people at getting back to work."

If the bill fails, Cole said, unemployment contributions paid by employers will go up and benefit increases enacted in 2003 will expire this year.

Effects

The proposed legislation would make the following changes to state unemployment benefits:

- Increase the weekly benefit amount to 53.5 percent of the recipient's average weekly wage. That amount is now 52.5 percent. The proposal would increase the average weekly benefit amount in New Mexico from \$238 to \$242.

- Increase the dependent allowance benefit from \$15 to \$25 for each qualifying child under the age of 18, up to four children.

It would also make permanent several changes affecting employers, implemented with sunset clauses in 2003, including:

- A reduced tax contribution schedule for employers that would be in effect until 2010 or longer; and

- A lower rate for startup businesses that have been in operation for less than 36 months. And it would solidify changes to benefits, such as:
- Allowing an employee to voluntarily quit employment because of domestic abuse and receive benefits; and
- Allow an employee to search for part-time work or return to full-time school in lieu of searching for a new full-time job.

In his Fiscal Impact Report for House Bill 247, Legislative Finance Committee analyst David Lucero wrote that the bill would provide an additional \$12.8 million in additional annual benefits to unemployed workers and reduce employer contributions by about \$24.5 million annually.

An in-state fund

The proposed State Unemployment Trust Fund would be kept in state, and interest proceeds would be earmarked to fund work-force training programs and other administrative needs of the New Mexico Department of Labor.

Labor Secretary Betty Sparrow Doris said annual federal funding for efforts aimed at getting unemployed New Mexicans back into the work force has dwindled from \$15 million four years ago to just over \$11 million last year. The state had to kick in an additional \$3 million in 2006 to keep programs afloat, she said.

Employers in New Mexico and most other states pay into unemployment funds managed by the federal Department of Labor in Washington, D.C. New Mexico's fund is worth about \$550 million—enough to cover unemployment benefits for years and considerably beyond the federal government's recommended per capita balance, Stewart said.

Furthermore, any interest generated by that fund is automatically put back into the fund, not disbursed to the state.

Under her proposed legislation, a portion of overall employer contributions would be routed to the \$150 million fund. Interest generated by the fund—a Legislative Finance Committee analysis of the bill estimated that interest could reach \$8 million annually—would be directed to the Department of Labor.

The money would be redirected for about three and a half years to build the \$150 million fund, after which all employer contributions would then be directed back to the federally managed fund. Employer contribution amounts would not be changed by the creation of the fund, and Stewart and Sparrow Doris both said the Federal Department of Labor would allow the redirection of some funds.

Other states

A dozen states, including Idaho, Nebraska and North Carolina, have created similar in-state funds to help cover the cost of back-to-work and job training, Sparrow Doris said.

The State Investment Council, which already manages about \$14.5 billion in state permanent funds, endowments and other pools of money for cities, schools and other agencies, would manage this new fund under the proposed legislation. The bill says it would be managed like the \$9 billion Land Grant Permanent fund.

But State Investment Council spokesman Charles Wollmann said that type of investment, which expands beyond traditional stocks and bonds to long-term alternatives such as real estate and private equity, might not suit the Department of Labor's plans.

The State Investment Council would work with legislators and the department to clarify their plans for the fund, he said.

The LFC's Lucero wrote in his analysis that more attention should be given to how, exactly, the interest from the fund is spent by the Department of Labor.

Sparrow Doris, who was named to the post by Gov. Bill Richardson effective Jan. 2, recently acknowledged shortfalls in management oversight and infrastructure that recently caused computer and phone systems relied on by unemployed benefit seekers to fail.