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Bombshell LFC Report Details Mismanagement of Unemployment Insurance at State Department of Workforce Solutions

“State has made \$250 million in benefit overpayments since the start of the pandemic”

LAS CRUCES – The Legislative Finance Committee (LFC) today received a report from LFC staff detailing significant mismanagement of unemployment insurance (UI) benefits and claims at the New Mexico Departments of Workforce Solutions. According to [the report](#), the department made an estimated \$250 million in UI benefit overpayments during the pandemic. Further, inadequate oversight and a misinterpretation of local and federal laws led to inaccurate calculations of taxes and benefits.

“I understand that the COVID-19 pandemic placed an unprecedented burden on the department and its staff as unemployment claims surged to historic levels,” said **Senator Crystal Diamond** (District 35-Doña Ana, Hidalgo, Luna, and Sierra), a member of the Senate Finance Committee. “At the same time, we must address this massive mismanagement of taxpayer dollars and hold the responsible parties accountable. Overpayments, erroneous calculations, and widespread fraud have led to an insolvent unemployment insurance trust fund. If the fund is not replenished and if New Mexicans do not return to work, our local businesses will yet again be facing higher taxes.”

Following the Governor’s economic shutdown, New Mexico’s unemployment rate skyrocketed to 12.5 percent in July 2020, with 197,000 New Mexicans filing for UI benefits. The surge prompted the state to borrow \$278 million from the federal government to pay claims and by waiving the work search requirement, LFC staff determined that the state “contributed to a disincentive for claimants to look for work.”

“This is yet another example of the executive creating a huge problem and the Legislature having to step in and fix it,” added **Senator Diamond**. “Based on the State Auditor’s report, we know there was poor oversight, inadequate training, and inaccurate interpretations of federal guidelines. The Governor is responsible for the actions of her departments and New Mexicans deserve to know what she is doing to ensure this never happens again.”

Other findings in the LFC report include:

- The large and growing backlog of uninvestigated claims may take more than a year to address at the department’s current pace.

- New Mexico's recovery rate of overpayments fell to less than 20 percent in FFY20.
- Fraud rates have more than doubled since 2018.
- Identity theft associated with government benefits increased more than 500 percent from 2019 to 2020 in the state.

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