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Viewpoint

Legislative Wrap Up: Misplaced Priorities

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A complimentary copy of all reports and policy briefs is available to all NMVC members. If you are not a member, please use the enclosed envelope to join today!

This legislative session, more than any in recent memory, was a shell game. Look at the total picture and you will see multiple examples where small gains in one area were wiped out by decisions in another area. The result? Child poverty and New Mexico's dismal ranking as a healthy, hopeful place to raise children will not change in the foreseeable future.

Let's start with tax policy. Low and middle-income families were given tax relief of about \$61 per family. The top 1% of tax-paying families were given a tax break worth about \$7,000 this year (it will be worth \$13,000 when the personal income tax cut passed in 2003 is fully phased in in 2008). The Governor can now claim he gave a tax break to everyone. Not quite true. The very poor are left out of the newest tax cut. And those who got it may soon wish they hadn't. But who really benefited?



To really understand the impacts of the tax policy decisions made during this legislative session requires an examination of the tax side (a \$61 benefit for low-income

families vs. a \$7,000 benefit to wealthy families), as well as the spending side. Calculate what low-income families also lost because the money that went out of the budget in tax cuts was not available to fund healthcare and education, for example.

Medicaid funding is a case in point. Those families in the \$61 dollar tax cut bracket are the ones most likely to rely on Medicaid for healthcare for their children or elderly parents. This year's underfunding of \$12 million comes on top of \$40 million cut last year, and those same families are looking at additional healthcare expenses (supplies, such as diapers, no longer fully covered for their disabled children; prescription drugs not covered; increased co-pays) of hundreds – to potentially thousands - of dollars. Clearly a net loss for many, many of New Mexico's families.

Another Medicaid shift and shaft happened when \$4 million which could have been invested in Medicaid will be used for the State

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Coverage Initiative. This will provide health insurance – through employers – to some low-income adults, though not nearly as many as the Governor claims. And what a Faustian bargain: reduce benefits for children in order to provide them to some low-income adults. Do we call that one a win or a loss?

And how does the calculation look if you add in a few more pieces of the puzzle? Funding for childcare assistance (needed by lower-income working parents to be able to hold a job) was reduced by \$3 million. As a result, 1,100 families will lose their assistance. And 1,900 children will be affected. On the other hand, pre-K got \$4 million that will serve about 1,000 4-year old children. The \$61 won't stretch to cover lost child care assistance – it won't even cover a week of child care.

Well, at least business did all right. The tax reductions they received (too numerous to list here) will enable them to improve their short-term bottom line. But the loss of the \$5 million in these tax breaks that could have been invested in healthcare and education will come back to haunt business, too. As the business community frequently reminds us, our economy cannot function effectively without an educated, productive workforce. Policymakers never even finished funding full-day kindergarten (an initiative passed several years ago). Now, they've also given us an under-funded pre-kindergarten initiative. And an under-funded public education system: the 1.25% raise given to public school employees won't begin to keep pace with the increased health insurance rates and greater contribution to their retirement fund they will have to pay. One of the keys to improved educational outcomes for kids is experienced teachers – and the teacher salary increases aren't enough to ensure that we will be able to hold on to our most experienced teachers.

We all understand what's really going on here. Politics. The Governor wanted to be able to make certain claims that enhance his state and national profile. But the entire legislature should be held accountable for its participation in irrational policymaking. How about this for one step forward, two steps back: they invested \$2 million to cover the medical costs of brain injuries....and then refused to pass a helmet law (an ounce of prevention, anyone?). Or this: little additional funding for youth suicide prevention in the state with the nation's highest youth suicide rate (most suicides are committed with a gun), but a new law this session makes it easier for young people to carry a concealed weapon by reducing the age for a carry license from 25 to 21 years old.

The end results of our policy process need greater scrutiny by all of us – advocates, policymakers, citizens - and the media. We need to connect the dots between all the tax and spending policy decisions and ask ourselves – and our representatives - hard questions. In the end, it's not about the headlines, the political trade-offs, the compromises sold to us as "inevitable", the cost-shifting. It's about our priorities. It's about the children.

Become a Member

Add your voice to ours.

Join New Mexico Voices for Children to address the urgent needs of New Mexico's children.

Please return the enclosed membership form today.

For more information, call Felicia Griffin, Director of Development at 505-244-9505 ext. 21.

Amy Biehl Youth Spirit Award

**SAVE THE DATE:
JUNE 24, 2005**

This year's key note speaker is Linda Biehl, Amy Biehl's mother. The Amy Biehl Youth Spirit Award recognizes New Mexican youth who are working for positive change in their communities, the state and or the world.

The nomination deadline is April 15th. Please nominate a young person between the ages of 13 and 26. Tickets to the luncheon are available now. Call 244-9505 ext 21 for a nominatin packetor to reserve you seat.

What Could Have Happened But Didn't

There were important opportunities this legislative session to improve the health of the state budget and the health of New Mexicans. Unfortunately, too many wrong choices were made, and too many of the wrong priorities prevailed. The \$360 million that is being siphoned out of the state budget in tax cuts for higher-income families could have bought our way out of a lot of problems. Child poverty could have been reduced by almost one-third. \$360 million could have fully funded free public preschool for *every* New Mexican child aged two through four. That's a lost opportunity now, but we can save \$160 million if the policymakers freeze further implementation of this tax cut next year – and that money, properly spent, can still go a long way.

Because of changes made to tax policy in the last few sessions – most notably, the dramatic reduction in the top rate of the personal income tax – the money generated each year for the state budget (through tax

collections) is now not enough to pay for the essentials. This is called a “structural deficit” (see the Fall 2004 issue of Viewpoint on our website for further discussion of this problem). Until tax policy is fixed, this will be a permanent problem and practically guarantees cuts in what should be fundamental priorities, including a quality public education system, dignity and basic comfort for the disabled and elderly, healthcare for children.

The problem can be most easily fixed by stopping any further reduction of the top rate of the personal income tax. If policymakers freeze further implementation of the income tax cut (i.e., the top income tax rate would stay where it is now at 5.8% instead of being reduced further), there will be about \$200 million less money in the state budget every year; if they do not freeze it, there will be \$360 million less.

Where Do We Go From Here...

We are available to make presentations about tax and budget issues in your community or to your organization – and to teach you to make your own presentations. For more information, call Cheryl Gooding, Communications Director, at 244-9505x33.

A significant step in the right direction was taken this session. The Governor slowed implementation of his tax cut for higher income families. The work many of us did – in private meetings with policymakers and through the media – to make the connection between the money lost due to the tax cut and under-funding of healthcare, education, child care subsidies and other essential needs – paid off. As a result there will be \$15 million more in the state budget in 2006 – and \$31 million more the year after that. Still, it won't be enough to pay for the basics and we can expect deeper program cuts next year. We believe regular, open debate is healthy and essential for a democracy and we intend to continue to do our part to keep the debate about our state's tax policies and budget decisions alive throughout the year.

In the coming year New Mexico Voices for Children will be advocating for fair, sane tax policy: stopping the tax cut give away to families who need it the least, and using that money to invest in healthcare and education; making our tax and budget policymaking more open, or transparent. These are decisions that affect the quality of life for every New Mexican. They should be made in the sunshine, with plenty of opportunity for public input, just like all other public policy decisions.

We hope you will participate. It's critically important that we all advocate for enough money to provide for the fundamental priorities. That means advocating for the right tax policies. We can start with the basics: millions of dollars are taken off the table before the budget is even debated. Every year, we should be looking at the whole budget, not just the current spending.

Visit our website for updates and to view all of our policy papers. Please join us. Together we can continue to make a difference.

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