



# Viewpoint Viewpoint

## LEGISLATIVE WRAP-UP

### Lawmakers choose program cuts over increasing revenues

To truly understand the 2009 legislative session, one must go back to 2003 when state leaders approved large income tax cuts that included New Mexico's wealthiest residents. NM Voices for Children decried these tax cuts for several reasons. First, they made the state's tax system much less progressive. A progressive tax system is one in which those who earn the most pay the most. We also warned that the cuts created an unstable state budget, especially for core programs like education and health care for kids.

By collecting less in personal income taxes, the state had to rely more on extraction taxes—the taxes from oil and natural gas production. Personal income taxes grow with the population and the economy, and are, therefore, a relatively more stable source of revenue. Extraction taxes are based on an ever-decreasing supply of oil and gas, and, worse yet, are subject to global price fluctuations over which we have no control.

Fast forward to the summer of 2008. Oil had reached an unheard-of \$140 a barrel. Revenue estimates looked very good. So good, in fact, the governor called a special session so lawmakers could figure out what to do with all the surplus money and to finally implement his 2002 campaign promise of health coverage for all kids. The Legislature was inclined to give away much of the surplus in the form of rebates—particularly since a nationwide recession was starting to hit home. At NM Voices, we urged them to allocate more funding

for Medicaid and child care—which they did. Then, almost as quickly as it had skyrocketed, the price of oil collapsed. Now the state was looking at a budget shortfall—not just for the current fiscal year, but for the next several years.

To be responsible, shortfalls in a current budget must be handled with budget cuts. Not so with future budgets. Given that tax cuts had lowered the state's revenue by \$1 billion—and the state was looking at a half-billion dollar shortfall—good sense might dictate that those tax cuts be revisited. Unfortunately, the only solution acceptable to all was to cut spending—even though history has shown us that spending cuts are not the way to jump-start the economy. The \$20 million that had been appropriated in the special session to cover more kids was the first to go. The federal economic recovery package helped defer deeper cuts in the short term, but will do little to shore up future budgets. In the end, spending was cut by 10 percent. Or, more specifically, direct spending was cut.

There is another form of spending that the state rarely considers cutting. While every line in the \$5.5 billion operating budget is scrutinized, another \$5 billion in annual expenses goes completely unnoticed. It's the \$5 billion in tax credits, exemptions and deductions that have been passed over the years. Unlike 41 other states and the federal government, New Mexico does not track these expenditures.

This is not to say that all tax incentives are bad things. Some of them achieve very laudable policy goals. Tax credits assist working families with the burdensome cost of child care; other exemptions and deductions attract green businesses to New Mexico. The problem is not that the exemptions exist, but that they are seldom reviewed to determine if they are a good investment or just a wasteful loss of revenue.

# New Mexico Voices for Children

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## SOME WINS

**CHILD CARE ASSISTANCE** It took many years, but the eligibility level for child care assistance finally got back up to 200 percent of the federal poverty level last August. Thanks to federal stimulus money, child care got the funding it needed to continue assisting these families.

**UNEMPLOYMENT INSURANCE BENEFITS** Given the current economy, the biggest win for struggling families was an increase in weekly unemployment benefits. For the next two years, displaced workers will receive 60 percent of their average salary in unemployment insurance (UI) benefits instead of the current 53.5 percent. This will put \$52 million into our local economy. Since this money comes out of the UI trust fund, it was not affected by the budget shortfall.

**MEDICAID FOR KIDS** Despite the tight budget, one of our top priorities—health care for kids—got a 7 percent increase over last year, which will allow the Human Services Department to continue to enroll eligible kids. The state will not, however, receive all of the federal funding it could have. This funding was increased as part



## SOME NON-STARTERS

**INCOME TAX CUT ROLLBACK** A couple of bills were introduced that would have rolled back—at least temporarily—the income tax cuts of 2003. None of them got any traction.

**CORPORATE INCOME TAX REFORM** This legislation would have required multi-state corporations to pay corporate income tax (CIT) on the profits they make here in New Mexico. We're one of just two Western states that perpetuate this costly loophole.

**CIGARETTE TAX** A \$1 per pack increase on cigarette taxes would not only raise \$33 million in new revenue, it would prevent some 20,000 New Mexico youth from taking up smoking—saving money and lives down the line. It went nowhere this session.

**TIDD REFORM** Although SunCal's bid for TIDD revenues got most of the media attention on this subject, there were attempts to reform our TIDD statute so it does not put so much state revenue at risk. Unfortunately, legislators lacked the political will to enact reforms.

**TAX EXPENDITURE REPORT** This bill would have required the state's Taxation and Revenue Department

of the economic recovery package passed by Congress, and for an investment of just \$15 million more we could have drawn down at least another \$150 million in matching funds.

**CAMPAIGN CONTRIBUTION LIMITS** Big money from powerful sources is playing a larger and larger role in our political campaigns. And with money comes influence. This legislation limits how much money a candidate can receive from a single source.

**RACIAL PROFILING** Thanks to the work of ally organizations, legislation to prohibit racial profiling by law enforcement officials was passed. Minorities are vastly over represented in our criminal justice system, due in large part to racial profiling. This disparity starts with arrests and affects everything from whether juveniles are released into their parent's custody to the length of sentence they receive—even when they commit the same crimes as their white counterparts.

**REPEAL OF THE DEATH PENALTY** While we did not work directly on the death penalty repeal, it was a huge win for New Mexico for many reasons. For starters, minorities are over-represented on death row. Also, the appeals process is far costlier than a sentence of life in prison, and the money we save can be spent on the best crime prevention program there is: education.

to create an annual report detailing the \$5 billion in tax expenditures so that the governor and Legislature could consider them as part of the budgeting process. The bill went nowhere. New Mexico is one of only nine states to lack such a report.

As always, we owe our gratitude to our many ally organizations and numerous legislators for their hard work on and dedication to these important issues. We can always count on Rep. King and Sen. Lopez to fight for child care assistance, and they went to bat on the issue again this year. Rep. Stewart carried the bill that increased UI benefits, Rep. Cote carried the racial profiling legislation, and Rep. Cervantes, Sen. Wirth and Sen. Feldman all worked hard on the campaign contribution limits.

Big thanks also go out to Rep. Miguel Garcia and Sen. Lopez for championing a rollback of the 2003 income tax cuts, Sen. Wirth for his corporate tax reform bill, Rep. Gonzales for his bill to raise the tax on cigarettes, and Sen. McSorley, Sen. Fischmann, and Rep. Barela for their work on TIDD reform. And, finally, thank you to the Coalition to Repeal the Death Penalty and Rep. Chasey for their many years of hard work on the repeal, to Gov. Richardson for signing the bill, and to all of you who called in, urging him to do so.

# New Mexico Voices for Children

## National Report Quantifies Impact of Voices' Work

Because we are an advocacy group, the work we do for New Mexico's children and families isn't always easy to quantify. We can't tell you how many kids were fed, slept in warm beds, or got better grades in school as a result of the legislation we helped pass. But the work we do regarding the state's tax and budget systems, and child- and family-friendly public policies, does have a very real impact, and you don't even have to take our word for it.

The National Committee for Responsive Philanthropy (NCRP) took a look at the work that 14 New Mexico advocacy groups—including NM Voices for Children—have done over the last several years. The resulting report, *Strengthening Democracy, Increasing Opportunities*, concludes that every dollar invested in our advocacy work reaps more than \$157 in benefits for New Mexico's children and working families. That's an excellent return on investment!

Among the benefits cited in the report are reforms to unemployment insurance, the raise in the minimum wage, and the creation of the working families tax credit, which is a state-level earned income tax credit that lifts thousands of families out of poverty every year.

The NCRP report also reveals the progress of these initiatives:

- ✓ Between 2003 and 2008, we worked to raise state-level child care assistance by \$13.5 million, which benefited 22,000 children.
- ✓ Between 2001 and 2007, we won an increase in the annual state and federal Medicaid allocation by \$800 million. This increase allowed 25,000 more kids to get the health care they need.

✓ Between 2003 and 2007, NM Voices also helped secure funding to raise eligibility levels for the State Children's Health Insurance Program (SCHIP) to 300 percent of the federal poverty level. This allocation benefited at least 25,000 children and adults.



The report is posted on the NCRP's website ([www.ncrp.org](http://www.ncrp.org)). We also have copies of it at the office. We think it makes for interesting reading!

## SAVE THE DATE!

Our annual Gala is set for October 23, 2009, at the Embassy Suites in Albuquerque. While most of the details are still in the works, we do know we'll be honoring youths with the Amy Biehl Youth Spirit Awards for their community service work. We'll also honor community members with the Alice King and Patti Jennings Awards for their work to improve the lives of New Mexico's children. We'll keep you posted via our eVoices updates and online at [www.nmvoices.org](http://www.nmvoices.org).

## Be a Virtual Voice

We wouldn't be nearly as successful at improving public policies, conducting research, and engaging youth through our programs without your voice and your support. We need your voice when policymakers are voting on legislation that will impact children and working families. Our eVoices make it easy to speak up.

eVoices is a brief, once- or twice-weekly email that brings you the latest research and data regarding the well-being of children and working families, action alerts regarding imminent legislation or other political action, and pertinent community events. We will never sell, share or give out your email address, and you can opt out at any time.

We need your financial support to pay for the work that cannot be paid for with our other funding sources. This includes meeting with policymakers to educate them on important issues, and urging them to sponsor or vote for legislation that supports children and working families—all of which is extremely important to our success. Your support also allows us to make our publications available to a wider audience, maintain our programs and website, and much more.

We know times are tough and that making a large contribution seems riskier these days, so please consider making a small monthly donation. You can even set it up to automatically bill your credit card.

Please visit our website and sign up for eVoices and a small, monthly donation. Two easy ways to make your voice count!

**[WWW.NMVOICES.ORG](http://WWW.NMVOICES.ORG)**

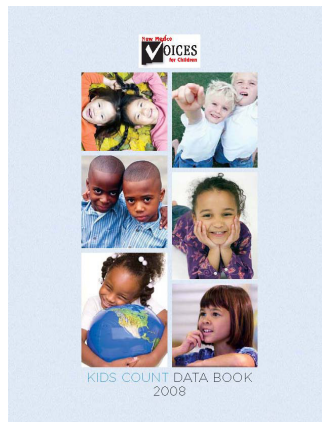
# New Mexico Voices for Children

## Recent Publications

**2008 NM KIDS COUNT** This annual data book tracks indicators of child well-being disaggregated by county, with an essay on the need to update the formula that determines the official poverty level with the Basic Family Budget.

### ***New Mexico's Revenue Crisis***

The revenue forecast presented in December 2008 showed New Mexico in the grip of a crisis. General fund revenues have fallen below the level they were in fiscal year 2008 (FY08), and this trend is expected to continue through FY11. The revenue level of FY08 will not be sufficient to maintain the current level of services,



such as health care, public safety, and K-12 educational programs.

### ***Medicaid: An Integral Part of New Mexico's Economy***

Medicaid is good medicine for New Mexico. Besides the benefits of

keeping some of our most vulnerable populations healthy, Medicaid also boosts our economy. The federal funds that Medicaid injects into the state translate into job creation and billions in related economic activity.

### ***The Economic Impact of Increasing Food Stamp Utilization by New Mexico Families***

Just over 60 percent of the New Mexico families with children that qualify for Food Stamps receive them. Raising the rate of utilization to 80 percent would bring more than \$40 million in federal funding, which would create more than \$42 million in new economic activity and more than 900 jobs.

All of our publications are available online at [www.nmvoices.org](http://www.nmvoices.org)



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