



Viewpoint Viewpoint

LEGISLATIVE WRAP-UP

After a cuts-only approach, lawmakers sought some balance

It was clear long before the 2010 legislative session got underway that lawmakers would face some tough decisions. The Legislature had met in a special session in the fall of 2009 to patch a \$500 million revenue hole for the FY10 budget. All indications were that the revenue picture wasn't going to improve any time soon, and by the time January 2010 rolled around, the state was looking at another \$600 million revenue shortfall for the new fiscal year.

One key factor had changed, however. During the special session of 2009, Governor Richardson made it clear that the Legislature was not to raise any new taxes. The shortfall would have to be dealt with entirely by budget cuts. By the time that special session had ended, it was clear that a cuts-only approach would be disastrous.

New Mexico Voices for Children was working with an alliance of organizations called Better Choices New Mexico that had been pushing for a balanced approach to the budget problem. We believed that a cuts-only approach would hurt working families by paring back on the very services that families were needing more and more due to the recession. We also believed—and numerous economists agree—that a cuts-only approach would actually delay the state's economic recovery.

The recession wasn't the only reason the state was facing a revenue cliff. Several tax cuts—namely a personal income tax cut passed in 2003 that slashed the top tax rate in half—had made the state too reliant on revenue

from unstable sources like oil and natural gas. In addition, the state had handed out millions in tax exemptions and subsidies to corporations. Since corporations and the New Mexicans with the highest incomes had received the most benefit from the tax cuts, we fought to make sure that they were asked to sacrifice now that times were tough. We were only partly successful.

Among the tax increases for which we advocated were: rolling back the 2003 income tax cuts; adding a small surtax on the highest incomes; closing a deduction for state and local taxes that mostly benefitted high-income earners; and requiring out-of-state corporations to pay income tax on their New Mexico profits. We also advocated for some targeted tax increases, such as taxes on liquor, tobacco, and capital gains income.

The House passed a reasonable budget, minimizing cuts with some revenue increases, which included enacting a surtax on high incomes and eliminating the state and local tax deduction. Their plan also called for increasing the rate of the overall sales tax—called the gross receipts tax (GRT). Broad-based taxes like the GRT fall hardest on families with the lowest incomes, because they must spend most or all of their paychecks on day-to-day necessities.

Only one tax increase had any traction in the Senate—a bill to reinstate the GRT on most food items. Even worse than raising the GRT rate, a food tax is deeply regressive, meaning it hits the people who can least afford it the hardest on basic necessities. It drew extensive criticism from advocates for low-income families and a very vocal segment of the public.

As many of you might know, the two chambers failed to reach an agreement before the session came to a close. A compromise was reached for the special session that followed shortly thereafter. It included some victories for working families, as well as some losses.

New Mexico Voices for Children

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VICTORIES

MEDICAID FUNDING State leaders worked hard to safeguard Medicaid from major budget cuts. They were helped in part by the increase in the federal match that was included in the 2009 federal stimulus package. While Medicaid did suffer minimal cuts, it fared better than many other critical programs. Also, the recent passage of the landmark health care reform by Congress will mean more Medicaid funding for states—especially New Mexico.

DEDUCTION FOR STATE AND LOCAL TAXES Filers who itemize on their federal tax return may deduct the state and local taxes paid from their taxable income. Most states require itemizers to add back that deduction on their state income tax return. New Mexico was one of the last states to close this loophole, which serves no real economic development purpose and disproportionately benefits those with higher incomes because they are more likely to itemize.

FOOD TAX Reinstating the local tax on food was the most controversial legislation that was floated, but lawmakers agreed to keep it at a very low level—just 2 percent on average, or about a third of the overall GRT rate. While this was preferable to the

food tax bills that had been considered during the regular session, it was not a revenue solution that we could be enthusiastic about. The Governor wasn't enthusiastic about it either, eventually vetoing it.

75-CENTS-A-PACK TOBACCO TAX Studies have shown that increasing taxes on tobacco products decreases smoking rates in adults and youth. Small, incremental increases do not have this effect, but a large increase—such as 75 cents per pack—does. While the Legislature passed this tax increase, it was only to be in effect for four years. The Governor made the increase permanent.



State Capitol

LOSSES

INCREASE IN THE GRT As part of the overall revenue package, the Legislature increased the GRT by an eighth of a cent. This is a small increase compared to the quarter cent previously proposed, but it will still have a bigger impact on low-income families than on anyone else.

SMALL INCREASE IN LICTR The state's Low-Income Comprehensive Tax Rebate (LICTR) helps the poorest of the poor by counteracting the regressive taxes that hit them hardest. The LICTR rate was given a modest raise in conjunction with the increase in the GRT rate and the 2 percent tax that was reinstated on food. However, when the Governor vetoed the food tax, he also vetoed the LICTR increase to make up for some of the lost revenue.

FUNDING FOR EARLY CHILDHOOD CARE & EDUCATION Of the more than \$30 million that will be raised from the tobacco tax increase, \$11 million was set aside by the Legislature for early childhood care and education programs. This funding would have protected these critical programs from deep budget cuts for another year. Unfortunately, the Governor redirected that money elsewhere.

NO NEW FUNDING FOR CHILDCARE ASSISTANCE When the state budget got tight, the Children, Youth and Families Department started a waiting list for parents with incomes over 100 percent of the federal poverty level. That means that a single parent with one child would earn too much at a minimum-wage job to qualify for assistance with their childcare expenses.

W.K. Kellogg Foundation: They're Grrreat!

The W.K. Kellogg Foundation—yes, the same Kellogg that makes Frosted Flakes and other fine breakfast products we all grew up with—has awarded NM Voices a nearly \$1.5 million grant! The three-year grant will allow us to expand our early childhood advocacy work and connect it to K-12 education. Specifically, we will direct our efforts toward promoting quality accessible early childhood care and education programs as a way to improve New Mexico's K-12 test scores and graduation rates—especially for minority children. Programs like pre-K, Head Start, and high quality childcare have been proven to increase a child's academic success, making them far more likely to do well, graduate, and attend college.

New Mexico's single largest expenditure is on K-12 education, but even an investment of that magnitude can be too little too late if our kids don't start school ready to learn. Investment in the first five years of childhood—when at least 80 percent of the brain is developing—is key to success in school and later in life. What's more, fewer and fewer families can survive on one paycheck, but quality childcare is extremely expensive. High quality, affordable early education and development programs prepare kids for school



Frosted Flakes icon Tony the Tiger

and allow parents to work so they can support their families. Both of these are essential to our state's economy.

Established in 1930, and based in Battle Creek, Mich., the W.K. Kellogg Foundation supports children, families and communities as they strengthen and create conditions that propel vulnerable children to achieve success as individuals and as contributors to the larger community and society. Grants are concentrated in the U.S., Latin America and the Caribbean, and southern Africa. Please visit www.wkcf.org.

Spotlight on Staff

Many of our staff members have long tenures with the organization, but none of them longer than our Finance Director **Ron Valek**. Ron was hired over a decade ago—back when Jerry Ortiz y Pino was our executive director. Ron's background was actually in anthropology and archeology, but he's contented himself with digging through our finances instead of ancient burial sites. Ron gets his outdoor fix by bike riding, hiking and camping. His family tree includes a daughter, son, and a grandson. Ron also makes a mean green-chile corn bread for staff pot-lucks.

Brand-new to NM Voices is **Troy Martinez**, who came on board in mid-March as our Chief Operations Officer. He'll be working closely with Ron and Executive Director Eric Griego helping keep our grant files in order and get our reports in on time, among other duties. A native of Bernalillo, Troy comes to us from the direct services world, having devoted much of his career to PB&J Family Services. It's too soon to tell what Troy's culinary specialty may be, but we're delighted to have him on board.

Save the Dates

6TH ANNUAL FAME & SHAME AWARDS

It's the red carpet event of the season! Join us and youths from across the state to shame Hollywood for its portrayal of smoking in youth-rated movies and shower the winners of the Youth Advocate of the Year Awards with fame! This fun Oscar-style event is **Saturday, May 8**, 4:30 to 7:30 pm, at the historic KiMo Theatre, 423 Central Ave. NW, in Downtown Albuquerque. Admission is free! Presented by NM Voices for Children's Youth Link program and the NM Media Literacy Project with funding from the NM Department of Health's TUPAC program. Visit www.fameandshame.com for more information.



Fame & Shame 2009

2ND ANNUAL SPIRIT OF HOPE CELEBRATION

Join New Mexico Voices for Children in honoring Alice King, Patty Jennings, and Amy Biehl by giving awards in their names to New Mexicans who are making a difference in their communities and the state. This year's gala will be **Saturday, September 25**, 2010, 6:30pm, at the Albuquerque Museum. We'll post further details on our website as they are nailed down, including the process for submitting nominations for the awards.

New Mexico Voices for Children

Spotlight on the Board

After serving graciously for more than ten years as Chair of the New Mexico Voices for Children Board of Directors, **Nancy Jo Archer** has stepped down from that role. She continues to serve on the Board—as she has for two decades—as well as advocating to improve the well-being of New Mexico’s children and families. Nancy Jo was serving on our Board and the Board of New Mexico Alliance for Children and Youth back in 1991 when we merged with that organization to form The Coalition for Children, Youth and Families. She has seen our organization grow tremendously since then.

Nancy Jo has also been the executive director of Hogares for more than 25 years. Hogares provides comprehensive therapeutic services for children and their families such

as treatment foster care, placement assistance for families adopting special-needs children, and behavior treatment and management. “She has given her heart and soul to New Mexico Voices for a very long time,” said another long-time Board member, Polly Arango.

Besides her passion for improving the lives of children, Nancy Jo is a lover of classical music, good books, and her little dogs. This native New Mexican also likes to travel with friends to see plays and enjoy good restaurants when her busy schedule allows.

Anne Simpson, M.D., was elected to succeed Nancy Jo as Chair in January of this year. She joined the NM Voices Board in 2006. Like Nancy Jo, Anne is a talented and active individual. She is an Associate Professor with the



Nancy Jo Archer

Department of Internal Medicine/ Division of Geriatrics at the UNM School of Medicine, as well as Director of the Institute for Ethics at UNM’s Health Sciences Center, Chair of the Bio-Ethics Committee at the University Hospital, and a Medical Director for Manzano Del Sol Long Term Care Facility.

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