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Viewpoint Viewpoint

NM Voices' Publications:

Special Reports

- Minority/Majority: A Profile of New Mexico's Children 2003 (A Kids Count Special Report)
- The Bare Bones Budget Report (summary)
- The Bare Bones Budget Report (full report)
- The Economic Impact of Increasing Food Stamp Utilization
- New Mexico Kids Count Data Book 2003

Policy Briefs

- Policy Brief #1: The Low Income Comprehensive Tax Rebate
- Policy Brief #2: Health Insurance for Low-Income Children
- Policy Brief #3: Benefits of Tax Rebates and Credits
- Policy Brief #4: Medicaid Look Back Periods Are Barriers to Health Insurance for Children
- Policy Brief #5: Parents' Health Insurance Benefits Children
- Policy Brief #6: Early Childhood Education
- Policy Brief #7: Taxation of Low-Income New Mexico Families
- Policy Brief #8: Strengthening the New Mexico Economy Through Unemployment Insurance Reform
- Policy Brief #9: The Impact of Medicaid on New Mexico's Economy
- Policy Brief #10: The Invisible Caretaker - Grandparents as Parents in New Mexico

From the Fiscal Policy Project:

- New Mexico Tax Basics: The Personal Income Tax Cut: What it Means to You

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!

An Extraction Tax Windfall Will Not Save Us From Bad Tax Policy

The full implications of the income tax cut enacted in 2003 are becoming apparent. This year the state budget is \$83 million poorer as a result (for a complete analysis of the income tax cut and its impact on the state budget see the Winter/Spring 2004 issue of Viewpoint, available on our website at www.nmvoices.org).

What could be done with the \$360 million that will be lost to our state's annual budget in 2007 – and every year thereafter – when the income tax cut is fully phased in? Child poverty could be reduced by almost one third. 40,000 children could be lifted from poverty simply by funding a state earned income tax credit patterned after the federal Earned Income Tax Credit (EITC). \$360 million would fully fund free public pre-school for *every* New Mexican child, aged two through four, not already attending Head Start or another public pre-school program. *Who says we cannot build a New Mexico that enables every child to thrive?*

This year's additional tax revenue from higher-than-expected oil and gas prices is good news for New Mexico's budget. The increased "extraction" tax revenue that results from these increased prices could mean more money into the General Fund for essential services, which would soften the impact of the income tax cuts implemented in 2002. But, as Senator Ben Altamirano (Chair,

(Continued on page 2)

The Spirit of Youth

As parents, we at New Mexico Voices for Children think a lot about how best to raise our children to be caring, responsible and engaged adults. It is also our mission, as an organization, to work to make New Mexico a place where our children, and all children, can thrive. On June 25th at our annual Amy Biehl Youth Spirit Awards, New Mexico Voices for Children will honor and celebrate thirty-nine young people between the ages of 13-26 from across New Mexico who are our models for the type of young adults we hope our own children will become. Their empathy and activism is an antidote to the self-absorption and apathy that characterizes so much of our culture.

We established the Amy Biehl Youth Spirit Award ten years ago to honor Amy Biehl, a 26 year old Fulbright scholar who was killed in South Africa while conducting voter registration for that country's first all-race election that ended the policy of apartheid. Ms. Biehl was a graduate of Santa Fe High School. Nominees for this award embody the spirit of civic engagement and activism that so motivated Ms. Biehl.

*Amy Biehl Youth Spirit Award
 June 25, 2004
 11:30 a.m. - 1:30 p.m.*

*Representative J. Paul Taylor to
 receive the 2004 Voice for
 Children Award*

(Continued on page 3)

New Mexico Voices for Children is proud to have received the **2004 Public Health Advocate Award for an Organization** from the New Mexico Public Health Association (NMPHA).

The award was presented at the annual NMPHA convention held in Gallup, New Mexico in April.



New Mexico Voices for Children announces its new Fiscal Policy Project (FPP), headed by our Director of Research, Kelly O'Donnell, Ph.D. The FPP will provide comprehensive and timely analysis of New Mexico's fiscal and tax policy.

Legislative Finance Committee) points out in the June issue of the LFC Newsletter, oil and gas prices rise and fall unpredictably: "Anyone with more than a few years experience with state finances can tell a story about the pain and stress of coping with [spending] cuts forced by a slowdown in the energy industry." He points out that in 1986, oil prices dropped from \$30/barrel to \$10/ barrel in four months, causing a special legislative session to reduce spending and suspend income tax rebates. In other words, extraction tax revenues can't be counted on as a primary source of funding for state services. The services provided by our state budget — public education, healthcare, and corrections, for instance – need a more stable base of funding.

The reality is income taxes fund a very large percent of New Mexico's General Fund. In fiscal year 2004, 26% of General Fund money came from income taxes. Now, with a significant reduction of income taxes, we have undermined the predictability of our tax revenue. Unlike revenue from extraction taxes, revenue from personal income taxes is stable and predictable. As a consequence of the personal income tax cut, New Mexico no longer has enough reliable and predictable revenue to consistently fund state services. The Medicaid program was a casualty of the income tax cut in the last legislative session funded at \$40 million less than was actually needed just to maintain enrollment and services at 2003 levels.

Energy resources are a tremendous asset to New Mexico. Our extractive industries — oil, gas, and coal, primarily — strengthen our economy by providing jobs and tax revenue in counties such as San Juan, Rio Arriba, McKinley, Roosevelt, Chaves, Eddy, and Lea that need them most. Extraction taxes are popular with state lawmakers because most of New Mexico's energy resources (and the taxes on them) are "exported" to other states: oil and gas taxes are paid, in large part, by companies and energy consumers outside New Mexico. However, because extraction tax revenues are impacted by energy prices, which tend to be volatile, they can be very difficult to predict. New Mexico's extraction tax revenue depends primarily on the prices and production levels of natural gas and oil. A ten-cent change in the price of natural gas translates to a roughly \$12 million change in annual state revenue. An unexpectedly warm or cold winter can cause natural gas prices to fall or rise by a dollar or more in just a matter of weeks.

This year, actual prices for oil and natural gas exceeded those built into the revenue estimate, so the state received over \$50 million more in revenue than had been assumed when this year's budget was being built. What the windfall might look like next year is almost impossible to predict. There is a real chance of another, even larger, extraction tax windfall next year. But how big a windfall? And how long will the higher prices last?

New Mexico is fortunate to have severance tax revenue, but relying on it to fund a large share of the state's regular, annual expenses is a gamble – one that New Mexico and other states that rely heavily on oil and gas to fund state government, have already learned can go either way.

When it is fully phased in, the 2003 state income tax cut will reduce general fund revenue by about 8%, or over \$360 million. This dramatic reduction in revenue, if not made up for with higher taxes elsewhere, will necessitate cuts in state services such as public education and healthcare for the elderly and disabled. A lucky spike in oil and/or gas prices could help offset or disguise the magnitude of New Mexico's structural deficit in the short run. However, as with any gamble, there are at least as many bad years as there are good ones. Strong oil and gas prices may allow New Mexico to ignore its underlying, long-term revenue problem this year; but to do so will only worsen the inevitable revenue crisis when oil and gas prices come back down to earth.

("Spirit" continued from page 1)

Nominees for the 2004 Amy Biehl Youth Spirit Award

Baudelia Alday
Kjirstin Alton
Alberto Belmares-Ortega
Amber Bippes
Corinna Bohren
Cuc Bui
Keisha Cadena
Analisa Campos
Richard Chavez
Charlotte Chinana
Jenny Christensen
Nicole Cox
Jessica Druxman
Jacqueline Gomez

Tiffany Hartley
Anisha Imhoff-Kerr
Pamela Jewell
Sarah Madigan
Lindsay Marisol Enyart
Luisely Melecio-Zambrano
Jessica Midkiff
Vanessa Monge
Dennis Paiz-Ramirez
Van Pham
Cherita Price
Samy Qarmout
Ronadel Ronquillo

Helen Ruiz
Philip Salazar
Rebecca Schreck
Kirsten Sharp
Moneka Stevens
Jonathan Stevenson
Ilene Strain
Mary Thompson
Melinda Uszuko
Catalina Vicente
Tristan Wiley
Claire Williams



Over the past year, these young people have worked with organizations like Habitat for Humanity, the League of Young Voters, La Raza Unida and many others to promote international peace, register young people to vote, decrease hunger, mentor youth, assist seniors and more.

In addition to recognizing youth leadership, we are committed to developing it. Through the Amy Biehl Youth Spirit Award we honor the contributions and leadership of our youth for their positive engagement in their communities. Through our Youth Link program we develop young people as effective policy advocates, nurturing not only their civic engagement, but also their participation in the political process. Youth Link provides training and mentoring for youth to develop the skills needed (such as coalition building, community education and mobilization, and public speaking) for effective policy analysis and policy advocacy. This program has trained hundreds of youth since it's inception in 1994. During the 2004 legislative session 64 youth educated their legislators on the need for continued funding for comprehensive tobacco prevention programming, and the need for bullying prevention policies in all schools, among other issues.

Too many youth are unattached to the larger world. They do not see the difference they can make, and do not understand the power of their vote, or of their voice. New Mexico Voices for Children takes seriously our responsibility not only to be a voice *for* children but to be a voice *with* them. We hope to see you on June 25th, celebrating youth spirit in New Mexico.



Planned Giving Opportunity

Including New Mexico Voices for Children in your planned giving provides you the opportunity to help New Mexico's children and families. Generally, planned gifts are made through a bequest in a will; a charitable trust or annuity; or a gift of real estate, personal property (stocks or bonds), or life insurance. Often, a planned gift provides a means for an individual to make a larger gift than originally thought possible. And often current income and estate taxes can be reduced. Planned gifts can be designated by the donor directly to New Mexico Voices for Children or through an endowment. For more information on Planned Giving, please contact Felicia Griffin, Director of Development at (505) 244-9505 ext. 21.

Amy Biehl Youth Spirit Award

Join us at the
Sheraton Old Town
June 25, 2004
11:30 a.m. - 1:30 p.m.

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.

Tickets to the luncheon are available now. Call 244-9505 to reserve your seat.



Newsletter

- In this issue:*
- An Extraction Tax Windfall Will Not Save Us From Bad Tax Policy
 - The Spirit of Youth

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