



## PRESS RELEASE

May 11, 2007

FOR IMMEDIATE RELEASE

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### Report: Tax Changes Leading to State Budget Squeeze

ALBUQUERQUE—Over the past five years, changes in the state's revenue sources have made the state budget less stable, and unless something changes, we're headed for leaner times.

That's the message in a new report, "**Revenues in New Mexico: The Five Year Path to a Revenue Squeeze,**" from the Fiscal Policy Project, a program of New Mexico Voices for Children.

The state's revenue growth increased dramatically between FY 2003 and FY 2008, due largely to the spike in gasoline and natural gas prices. But gas prices began to level out in FY07 and are expected to remain stagnant through FY08. Meanwhile, the state Legislature enacted deep cuts in the top income tax rate and capital gains taxes, which will result in a \$400 million revenue loss in FY08.

Income tax is considered a stable revenue source, but the severance taxes collected from oil and natural gas are not, because they fluctuate over time. Revenues from the severance tax are more closely linked to gasoline prices than to production output. "The problem is, revenue from the severance tax has come to represent a larger share of the state's economy," said Fiscal Policy Project Director Gerry Bradley. "But as an unstable revenue source, it puts the state budget at risk."

New Mexico's state revenue growth slowed to just 1.2% in FY07 and is expected to be just 3% in FY08. Given that the state's population growth is expected to be 1.1% annually, and the inflation rate 3%, state revenue needs to grow at least 4% if the state is to maintain the current level of services.

The entire report and the executive summary are available here: [www.nmfiscalpolicyproject.org](http://www.nmfiscalpolicyproject.org)

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The Fiscal Policy Project is a program of New Mexico Voices for Children and is made possible by grants from the Center on Budget and Policy Priorities, the Economic Policy Institute, the Annie E. Casey Foundation, the Public Welfare Foundation, the W.K. Kellogg Foundation, and the McCune Charitable Foundation.

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