

## ***WN17 Summer New Mexico Article - final***

***New Mexico is struggling with a very anemic economy*** which has not recovered since the 2008 recession.

The oil and gas industry and its royalties paid to the state is the main revenue source for the state, and both of these revenue sources are in a very depressed state. But there is some good news — the Department of Finance reports the revenues coming into the state have increased by about 2%, and that is encouraging.

New Mexico's 2017 60-Day Legislative session ended on March 18<sup>th</sup> with very little to show of any kind of leadership from the Administration or the legislators to try and stimulate this very weak economy with any kind of job growth. Instead, they played partisan politics and the blame game. There was never an agreement on a budget to run state government, which is the constitutional responsibility of the Legislature. The budget presented for the Governor's consideration was not balanced, falling some 130 million dollars short of the goal. Moreover, cash reserves were a paltry 1.3% to fill the gaps that the Legislature passed, a massive 300 + million dollars including a tax increase along with the budget. Knowing the Governor would veto most of the provisions of this bill, the Democratic leadership of both houses staked out their position early on and stuck to it. They made it clear they wouldn't do more budget cutting and they would raise taxes instead. The Republican leadership in the Senate mostly went along with the Democratic majority. The Governor made it clear that she would not sign any tax increases. The House Republicans supported her stance. The Governor stated to the Legislature that she would line item veto the budget bill, and she also vetoed HB 202, titled Tax of Businesses without physical presence. The bill was substituted in the Tax committee to include new tax increases to fund the budget. The message for the Veto from the Governor was that HB 202 purported to be an attempt at comprehensive tax reform, but is another to accomplish it. *"From the beginning, I have said that I will not raise taxes and yet the Legislature continues to try to force tax increases on New Mexico families and small businesses. I have also said many times that I will consider truly comprehensive tax reforms that result in a simpler, more stable, and more predictable tax code, HB 202 does not do this. This legislation was sent to my desk to accompany the budget that left a deficit of about 156 million dollars. That revenue was expected to be raised through this bill by raising the gasoline tax by \$.10 per gallon; unduly placing the burden of resolving our budget crisis squarely on the backs of our families."* It also raises and makes more regressive the Motor Vehicle Excise tax, the Special Fuels tax, and creates two high-dollar fees, among other attempts to raise revenues. This bill would hit lower income and middle-class New Mexico families the hardest. This bill would have diverted the PPL Fee to the General Fund and would force everyone to seek private insurance solutions — and insurance is not an easy thing to find.

We are now headed to a special session where I hope some sort of agreement will be worked out between the Legislature and the Governor. Just for the heck of it, if you add up all the tax increase bills that were introduced in the House, this session would add up to one billion dollars - and that is just the House side. The Governor also pocket vetoed HB63, the local option gasoline and special fuels bill that passed the House and the Senate, just like it did in 2014. I guess they thought that the Governor had changed her mind.

The New Mexico Legislature sued Republican Governor Susana Martinez and has petitioned the New Mexico Supreme Court to rescind Martinez's line-item vetoes on spending that would "effectively abolish" state institutions of higher education and upset the balance of powers between branches of government outlined in the state's constitution. The Governor believes the line-item budget vetoes are within her responsibilities to approve a balanced budget, and clarified this week that she has every intention of funding state universities once lawmakers return to the state capitol. The Supreme Court has called for oral arguments on May 15 and we will see what is decided.

### **NMPMA Convention and Trade Show**

The New Mexico 2017 Convention and Trade will be held August 21-23 at the Sandia Resort Casino, 30 Rainbow Road NE, Albuquerque, NM 87113. Please mark your calendars.