

**Ruben R. Baca**  
**November 1, 2016**

## **New Mexico Notes**

The Governor called a Special Session for the Legislators to deal with a massive budget deficit and three crime bills that were added to the Call. Here is a summary of the very contentious session.

### **SB 2**

After quickly agreeing unanimously to increase the funding level for the special session in the “Feed Bill” (SB 12), senators turned their attention to SB 2, known as the “Tobacco Settlement Fund Bill.” SB 2 is one of the most important bills of the special session because it provides the source of funding needed to balance the state budget that just ended in the red on June 30, 2016. The Senate had little to no issue with amendments put on by the Republican-led House, which generated about \$17 million in additional revenue to help offset the massive budget deficit. The House found some extra money within places like the Legislative Council Service and the Art in Public Places program and incorporated those additional cuts into SB 2. The Senate first adopted all the House amendments and passed SB 2 on a voice vote, concurring with the House.

### **SB 6**

Next on the Senate agenda was SB 6, another important solvency bill which originally accelerated the phase-out of the food and medical hold harmless provisions for local governments that were put in place a few years ago to help protect municipalities and counties from the shock of losing gross receipts tax revenue from the elimination of taxes on food and medical services. In addition, SB 6 sought to change the way certain out-of-state sellers are taxed, restrict an existing health practitioners tax deduction so it does not apply to hospitals, and the bill also imposed a cap and limited eligibility for the High Wage Jobs Tax Credit. However, House Republicans led the way in modifying the legislation. Specifically, the House amendments removed the accelerated phase-out of the hold harmless provisions, removed the Senate changes to the gross receipts tax and compensating tax definitions affecting out-of-state sellers, and it also removed the Senate imposed cap on the High Wage Jobs Tax Credit. House Republicans had already backed off of the idea reducing the value of the film tax credit before the bill passed the House. In addition, the bill intercepts \$1.5 million that automatically flows into the PERA Retirement Fund each year. Senate members had no problem supporting the House amended version of SB 6 and concurred with the House on a voice vote.

## **SB 9**

**This bill was the cornerstone of the solvency package and was heavily debated during the special session. As Senator John Arthur Smith (D-Grant) testified on the Senate floor, the big point of contention between the Senate and the House was over the desire of House Republicans to cut state university budgets by an additional six to eight percent. Senators held their ground and insisted on a five percent cut. Senators prevailed, and a five percent cut is in the final version. Another point of contention was over whether or not public school district cash balances should be part of the “Sweeps” process. The Senate wanted \$25 million swept up for the state’s general fund. However, House Republicans and Senate Democrats ultimately agreed to let that issue go, and there are no public school system cash balances being swept up at this time. House Republicans also increased the across board cuts for most state agencies from five to five and a half percent. The Senate accepted all the House amendments and voted on a voice vote to concur with the House version of SB 9.**

**And then, unexpected by many viewers in the gallery and lawmakers on the Senate floor, Sen. Clemente Sanchez (D-Cibola) made a motion to “Sine Die,” which formally adjourns the Senate for the session. After a futile attempt by Senate Republicans to stop the motion on a rules technicality, a voice vote was taken on the motion to sine die. The motion carried by a vote of 22 – 16. Unknown to those watching the action in the Senate gallery, the House had gotten wind of the Senate plans to adjourn, and the House passed a motion to sine die as well thirty minutes before the Senate did the same. And with that, the special legislative session was officially concluded. Lost in the quagmire of policy and budget debates were all the crime related legislation, as well as other pieces of legislation.**

## **What They Did**

### **Budget Reduction Bill**

- **Capital Outlay Projects: Delaying and/or cancelling 119 projects which are not or won't be shovel ready: \$90 million**
- **Authorizing the state to tap all of the \$226 million Tobacco Fund. \$131 million transfers immediately to FY16**
- **Sweeps from government accounts: \$96 million**
- **Agency cuts: Variable for Executive Branch, average is 5.5%; 3% for Judicial Branch; 2.5% for Legislative Branch; CYFD and Department of Public Safety exempt from cuts**
- **Higher Education: 5% cuts for all institutions; non-instructional programs only**
- **Public Schools: 1.5% cuts**
- **PED "Below the Line" education reform programs cut \$22M**
- **Public School Cash Balances exempt from cuts**

**Total budget cuts: \$320.8 million versus projected \$450 million deficit**

### **Economic Development Incentives**

- **JTIP and LEDA remain intact. LEDA is partially funded by capital outlay but no change in funding level**
- **High Wage Jobs Tax Credit - Loophole for eligibility closed; no cap which would have made the tax credit ineffective**
- **No delay on Corporate Income Tax Credit implementation; no delay on Single Weighted Sales Factor implementation; Both remain intact**
- **No tax increases**
- **No delay on Film Tax Credit; remains intact**

### **Tax Reform Package (SB6)**

- **Food and medical hold harmless phase-out remains intact**
- **Change gross receipts tax and compensating tax definitions to include out of state sellers, otherwise known as the Amazon Bill - failed to pass the House**
- **Restrict healthcare practitioners deduction to health care practitioners**
- **Reduced the money going into the legislative retirement fund from \$200,000 to \$75,000 per month; \$1.5 million intercepted each year**
- **New Mexico Medicaid Insurance Pool remains intact. There are no changes in it resulting from this session**
- **\$ 1.5 million to CYFD for home visiting programs added**

### **Crime Bills**

- **Three Strikes Bill passed the House and received no hearing in the Senate**
- **Intentional Child Abuse Resulting In Death passed the House and received no hearing in the Senate**
- **Death Penalty Reinstatement for murderers of children, law enforcement and corrections officers passed the House and received no hearing in the Senate**

**Governor Susana Martinez Statement issued this statement after the Special Session adjourned:**

### **On The Budget:**

**“These budget bills are necessary to help alleviate the fiscal challenges we face as a result of the steepest oil and gas crash of our time.”**

**“I'm pleased that, at the end of the day, legislators chose not to raise taxes, strip our job creation programs, or peel back vital improvements to our tax code and business friendliness. Instead, we tightened our belts so that our families don't have to.”**

**“But we must recognize that these budget bills fall short and continue to leave behind a significant projected shortfall for both this year and next.”**

**“I am also disappointed that, at many points in the budget conversation, legislators simply put election year politics ahead of making tough decisions. I believe that posturing prevented us from reaching an agreement prior to calling the special session and resulted in budget legislation that leaves a lot to be desired.”**

**“For example, it defies logic that legislators would vote to protect excess money in their personal legislative retirement accounts while cutting education funding for programs designed to help struggling students and schools.**

### **On Crime:**

**“Michael Sanchez has said that the Senate is often the place where bills go to die. It is sadly also the place where victims and their families are often left voiceless, discouraged, and disrespected by those who are supposed to represent them. To not even grant a hearing or a vote on these crime bills reeks of arrogance and cowardice.**

### **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.**

**On behalf of the New Mexico Petroleum Marketers Association, we want to wish all of you a very Merry Christmas and prosperous New Year!**