



UNM February 10th, 2010 Legislative Briefing

- Most recent economic consensus reporting predicts a \$900 million shortfall between FY10 and FY 11
- FY 11 Solvency
 - LFC Recommendation:
 - 7.6% cut from FY10 original base, a 3.2% for UNM from FY10 Special Session
 - Tuition Credit (6% in-state, 15% out-of-state)
 - Reduces BR & R reduced by 50%
 - Tuition Waivers reduced by 5%
 - Special Projects reduced on average by 8.8%
 - Full Funding Formula \$10,078,759
 - DFA Recommendation:
 - 3% cuts across the board with full flexibility to FY10 post solvency
 - Difference between LFC and DFA is \$26 million
 - 4-Years assume 104% of cuts
 - \$200 million gap
 - LFC recommends a possible 2% salary reduction to help fill gap
 - Both assume revenue enhancement legislation to produce \$200 million in new revenue

- House Appropriations and Finance Committee (HAFC)
 - Tuesday, January 26th, higher education department and institutions hearing
 - Higher Education Subcommittee created
 - Saturday, January 30th, committee adopted budget
 - Tuesday, February 2nd, Passed out of HAFC
 - Difference between LFC and DFA is \$19.4 million
 - Begins with post-solvency
 - Fully funds workload
 - 4% tuition credit across-the-board
 - 2% decrease to instruction and general (I&G) across-the-board
 - Adopts LFC recommendation for research and special projects but gives the institutions flexibility to allocate the reductions
 - \$317 million gap to be filled with revenue enhancement legislation
 - Friday, February 5th, Passed out of the House, 43-25-2
 - Crossover into Senate Finance Committee

- Revenue Enhancement Legislation
 - HB 9 Income Tax Surtax (Sandoval)
 - Raises Personal Income Tax by 1.5% above \$133,000 for individuals
 - Passed House Floor 36-32-2
 - HB 119 Temporary Gross Receipts Increase (Lujan)
 - Increases Gross Receipts Tax rate to 5.5% in FY11 and back to 5.0% in FY14
 - Passed House Floor 34-32-4
 - HB 120 Tax Withholding Changes (Lujan)
 - Requires quarterly withholding payments from Pass-Through Entities
 - Passed House Floor 42-25-3
 - HB 270 Add Back Certain Tax Deductions (Stewart)
 - Adds State and Local Taxes into net income
 - Failed on House Floor 33-34
 - SB 121 Increase Cigarette Tax (B. Sanchez) SCORC
 - SB 122 Higher Income Taxpayer Surtax (B. Sanchez), SCORC
 - Increases state income tax rate on individuals making \$100 K/Couples making \$160 K
 - SB 184 Recovery Investment Bonding Act (M.Sanchez), SFC
 - Purpose is to provide a mechanism for the state to borrow enough money from its permanent funds to help make up the deficit in the general fund.
 - SB 185 Sell Bonds to Avoid Salary Reductions (M.Sanchez), SFC

The purpose of New Mexico's *three permanent endowment* trust funds is to contribute recurring revenues for the operating budget of the state and to provide resources to various fund beneficiaries:

Land Grant Permanent Fund (LGPF) – is New Mexico's largest endowment and permanent fund. It was established through, and continues to be maintained in part by leasing fees the State charges for 13.4 million acres of mineral resources and 8.8 million acres of surface land, some of the biggest beneficiaries are the New Mexico public schools and public education.

Tobacco Settlement Permanent Fund (TSPF) – established by New Mexico statute during Fiscal Year 2000 as the result of a legal settlement between most states and tobacco companies. The settlement provides ongoing annual payments, which currently go to the State's general fund for government operations.

Severance Tax Permanent Fund (STPF) – established by the legislature as an endowment fund in 1973, to receive severance taxes collected on natural resources extracted from New Mexico lands. The State's severance taxes have historically been used to retire debt from bond issues that have funded various capital projects.

Sponge Bonds – The state can issue short-term notes using severance tax revenues that aren't needed for debt service (paying off debt). Otherwise, the extra money flows into one of the state's permanent funds and can't be spent. They are called sponge bonds because they are "sponging up" cash. The short-term notes would be sold to the state treasurer's office and carry a low interest rate.

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- Capital Outlay
 - HB 226 General Obligation Bond Projects (Trujillo)
 - Passed House Voters and Elections Committee, and currently in House Tax Revenue Committee

- SB 113 General Obligation Bond Projects (Cisneros) Substitute passed SFC
 - UNM Received 29.8% of higher education GOB
 - Biology Building \$3,800,000
 - Carrie Tingly Hospital \$12,000,000
 - Chemistry Building \$10,000,000
 - College of Education Collaboration Teaching Building \$4,000,000
 - Health Science Education Building \$10,000,000
 - Los Alamos Science Labs \$750,000
 - Gallup Zollinger Library \$1,400,000
 - Taos Research Center and Library \$2,000,000
- SB 182 CAPITAL OUTLAY REVERSIONS FOR SOLVENCY (Cisneros)
 - Reverts \$130 million in Severance Tax Bonds back to the general fund
 - Passed Senate Floor 36-4-1

- ERB Related Bills

- SB 246 Public Employee Pension Contribution Increase (Ingle)
 - SCC/SPAC/SFC-SCC [5]germane-SPAC
 - Temporarily increases the public employee contribution to the state retirement funds for FY11 by 2.64 percent and reduces the employer contribution by the same amount. This effectively is a contribution “swap.” The bill retains an exemption for employees making \$20,000 or less as enacted by Laws 2009, Chapter 127. (As according to the FIR (Financial Impact Report) for the bill).
 - A proposed 2 percent salary cut for public employees has not been adopted as one of the measures to cut state expenditures to meet reduced revenue projections for a balanced FY11 state budget. This bill provides an alternative measure. (As according to the FIR Financial Impact Report) for the bill).
- SB 91 Delay Educational Retirement Contributions (Smith), SFC
 - Delays .75% employer increase to the ERB by one year
- SB 260 Alternate Early State Retirement Plans (Eichenberg), SCC
 - Directs the State Personnel Office, the Department of Finance and Administration, the Public Employees Retirement Association, the Educational Retirement Board and the Retiree Health Care Authority to develop alternative early retirement plans for state employees and higher education participants and report those plans to the Legislative Finance Committee.

- Other Cross Over Bills (Please refer to OGCR website for a listing of all bills)

- SB 14 In-State Business Procurement Preference (Keller)
 - Passed Senate Floor
- SB 134 Military Veteran Lottery Scholarships (Payne)
 - Allows military veterans to receive a legislative lottery scholarship
 - Passed Senate Floor (38-0)
- SB 85 School Leadership Institute (Kernan)
 - Creates a school leadership institute for public education school administrators
 - Passed Senate Floor 35-0

- HB 8 Development Training Funds (Lujan)
 - Passed House Floor 66-0
 - HB 38 Public Project Revolving Loan and Fund Projects (Lundstrom) SCORC/SFC
 - Authorizes NMFA to make loans for public projects
 - Passed House Floor 52-0
 - HB 70 Tobacco Settlement Fund Distribution (Tripp)
 - Passed House Floor 43-18
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- UNM Priorities
 - HB 246 UNM Bachelors to Medical Degree Program
 - (Picraux) HEC/HAFC-HEC
- Senate Confirmation
 - Dr. Val Romero-Leggott
 - Senate Rules Committee February 8th, Health Policy Commission
- February 18th, Session ends (noon)
- February 17th, Next Legislative Briefing
- For legislative updates, bill tracking and committee agendas please go to UNM Office of Government and Community Relations website at <http://govrel.unm.edu/>