2010 Regular Legislative Session Summary

- Most recent economic consensus reporting predicts a $900 million shortfall between FY10 and FY 11
- FY 11 Legislative Finance Committee (LFC) and Department of Finance and Administration (DFA) Solvency Recommendations:

  ➢ LFC Recommendation:
    - Budget proposed based on a 2% compensation reduction
    - Instruction and General (I&G) Reduction – Includes the 2% compensation reduction
      - Main Campus 6.2%
      - Health Sciences Center 7.6%
        - Tobacco Settlement 10% (Funds both I&G and RPSPs)
    - Tuition Credit 6% in-state and 15% out-of-state
    - BR & R reduced by 50%
    - Tuition Waivers reduced by 5%
    - Special Projects reduced on average by 9.9%
    - 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 recommendations are $26.0 million
    - 4-Year Institutions assume 104% of cuts
    - $200.0 million gap
      - LFC recommendation included a possible 2% salary reduction to help fill gap
      - Both recommendations assume revenue enhancement legislation to produce $200.0 million in new revenue

  ➢ House Appropriations and Finance Committee (HAFC) Proposed Budget:
    - Difference between LFC and DFA is $19.4 million
    - Instruction and General (I&G) Reduction
      - Main Campus 2.4%
      - Health Sciences Center 3.7%
    - Tuition Credit 4% across-the-board
    - Fully fund workload
    - Adopts LFC recommendation for research and special projects but gives the institutions flexibility to allocate the reductions
    - Proposed budget $5,426.0 billion and is based on raising proposed tax generating revenue by $340 million
    - $317.0 million gap to be filled with revenue enhancement legislation
Senate Finance Committee (SFC) Proposed Budget:

- Replaced legislation (SB 246 (Ingle) Public Employee Pension Contribution Increase) to temporarily increase for FY 11 public and education employee retirement contributions by 1.6%, on top of the 1.5% employees started contributing to as of July 1, 2009, HB 2 also included a compensation decrease of 1%. The 1.6% was taken out in SFC, the 1.0% was increased to 1.43% and it stayed in the budget at the end of the regular.

- Instruction and General (I&G) Reduction with a 1.43% Compensation Decrease
  - Main Campus 2.5% + 1.43% = 3.93%
  - Health Sciences Center 4.8% + 1.43% = 6.23%

- Tuition credit 5% across the board
  - 4% additional to 2-year colleges

- Removed HAFC add-backs to Research and Public Service Projects (RPSPs)

- Proposed budget $5,276.9 billion and is based on raising tax generating revenue by $180.0 million.

- Cuts spending by $120.0 million from the House budget

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**2010 Special Legislative Session Summary**

*Special session deadline for Governor signature is March 24th, 2010.*

- HB 2 General Appropriation Act of 2010 (Saavedra)
  - Instruction and General (I&G) reduction
    - Main Campus 3%
    - Health Sciences Center 3.7%
    - Tobacco Settlement 6.3% (funds both I&G and RPSPs)
  - Tuition credit 5% across the board
    - 4% additional to 2-year colleges
  - Research and Public Service Projects (RPSPs) decrease
    - Main Campus average 9.4%
    - Health Sciences Center average 4.8%
  - Passed
  - Signed by governor 03/24/10 (Partial Veto)

The original LFC appropriation recommendation required several measures to close the gap between appropriations and revenue, one of those measures included a 2% reduction to compensation for state employees and education workers as well as making adjustments to vision and dental benefits, these measures did not pass.

In the regular session a bill was proposed in the senate to temporarily increase for FY 11 public and education employee retirement contributions by 1.6%, on top of the 1.5% employees started contributing to as of July 1, 2009, HB 2 also included a compensation decrease of 1%. The 1.6% was taken out in SFC, the 1.0% was increased to 1.43% and stayed in the budget at the end of the regular session and it was removed in the special session. Therefore, instead of a 4.1% decrease in salary and benefits, it will stay at the 1.5% employee contribution through FY11.

In conclusion, UNM went from an LFC 2% compensation reduction, a 1.6% increase to the employee ERB contribution, along with an I&G decrease for Main campus of 6.2% and a 7.6% for HSC. To no compensation reduction, and a decrease to the I&G of only 3.0% for Main Campus and a 3.7% for HSC.

3/25/2010
Capital Outlay

- 2010 (SB 1) Capital Projects General Obligation Bond (GOB) Act (Cisneros):

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Original LFC Recommendation</th>
<th>SB1 – Signed by the Governor 03/19/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biology Building Renovate and Expansion</td>
<td>$3,800,000</td>
<td>$3,800,000</td>
</tr>
<tr>
<td>Chemistry Building Renovate</td>
<td>$15,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>College of Education Collaboration Teaching Building</td>
<td>$0</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Carrie Tingly Hospital Building</td>
<td>$18,500,000</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Health Science Education Building</td>
<td>$0</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>UNM-Los Alamos Science Labs Renovate/Equipment</td>
<td>$750,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>UNM-Gallup Zollinger Library Construct</td>
<td>$1,400,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>UNM-Taos Research Center &amp; Library</td>
<td>$0</td>
<td>$2,000,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$39,450,000</strong></td>
<td><strong>$43,950,000</strong></td>
</tr>
</tbody>
</table>

Proposed Legislation Status – Regular Session

*For a listing of all bills please visit our website at [http://govrel.unm.edu/](http://govrel.unm.edu/)
*Regular session deadline for Governor signature is March 10th, 2010.

- **Revenue Enhancement Legislation**
  
  Passed
  
  - HB 120 Tax Withholding Changes (Lujan)
    - Requires quarterly withholding payments from Pass-Through Entities
    - Passed House Floor 42-25-3
    - Concurred – Passed
    - Signed by Governor – 03/08/10

  Died or Failed
  
  - HB 9 Income Tax Surtax (Sandoval)
    - Raises Personal Income Tax by 1.5% above $133,000 for individuals
    - Passed House Floor 36-32-2
    - Died in Senate Corporations & Transportation Committee than referred to Senate Finance Committee
  
  - 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
    - Died in Senate Finance Committee
  
  - HB 270 Add Back Certain Tax Deductions (Stewart)
    - Adds State and Local Taxes into net income
    - Failed on House Floor 33-34
    - House voted to re-consider, on the House calendar – Died in the House
- SB 121 Increase Cigarette Tax (B. Sanchez)
  - Increases the excise tax rate on cigarettes by .50 cents a pack and adjust distribution to beneficiaries
  - Died in Senate Corporations & Transportation Committee
- SB 10 Narrow Food Tax Deduction to Staple Foods (B. Sanchez)
  - Died in House Business & Industry Commerce
- SB 30 Cigarette Tax Increase & Distribution (Feldman)
  - Died in House Taxation & Revenue Committee
- SB 122 Higher Income Taxpayer Surtax (B. Sanchez)
  - Increases state income tax rate on individuals making $100 K/Couples making $160 K
  - Died in Senate Corporations & Transportation Committee
- SB 184 Recovery Investment Bonding Act (M.Sanchez)
  - 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.
  - Died in Senate Finance Committee
- SB 185 Sell Bonds to Avoid Salary Reductions (M.Sanchez)
  - Died in Senate Finance Committee

- Capital Outlay

  Passed

- SB 182 CAPITAL OUTLAY REVERSIONS FOR SOLVENCY (Cisneros)
  - Reverts $130 million in Severance Tax Bonds back to the general fund
  - Concurred – Passed
  - Signed by Governor- 03/10/10

- Educational Retirement Board Related Bills

  Passed

- SB 91 Delay Educational Retirement Contributions (Smith)
  - Delays .75% employer increase to the ERB by one year
  - Concurred – Passed
  - Signed by Governor- 03/08/10

  Died or Failed

- SB 246 Public Employee Pension Contribution Increase (Ingle)
  - 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).
  - Died in Senate Finance Committee
- 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.
• Died in Senate Committees Committee

• Other Related Legislation

Passed

- SB 134 Military Veteran Lottery Scholarships (Payne)
  - Allows military veterans to receive a legislative lottery scholarship
  - Passed
  - Signed by Governor- 03/10/10
- SB 85 School Leadership Institute (Kernan)
  - Creates a school leadership institute for public education school administrators
  - Passed
  - Signed by Governor- 03/08/10
- HB 8 Development Training Funds (Lujan)
  - Concurred – Passed
  - Signed by Governor- 03/08/10
- HB 38 Public Project Revolving Loan and Fund Projects (Lundstrom)
  - Authorizes NMFA to make loans for public projects
  - Concurred – Passed
  - Signed by Governor- 03/08/10
- HB 79 Tobacco Settlement Fund Distribution (Tripp)
  - Passed
  - Signed by Governor- 03/08/10

Proposed Legislation Status – Special Session

*Special session deadline for Governor signature is March 24th, 2010.

• Revenue Enhancement Legislation - Passed

- HB 3 Cigarette Tax Increase & Tribal Stamp (Chasey)
  - Temporary increases by 4 years the excise tax rate on cigarettes by $0.75 cents a pack and adjusts the distributions to the current beneficiaries; new beneficiaries are 5.11% public education, 7.11% Children Youth and Family Department early childhood programs, so that the revenue from the increase goes to the State’s general fund.
  - Passed
  - Signed by Governor 03/24/10
    - Line-item vetoed to make the increase permanent
    - Line-item vetoed distributions from the net receipts attributable to the cigarette tax to:
      - County and municipality recreational fund
      - County and municipal cigarette tax fund,
      - Public Education Department in fiscal year 2011 for early childhood programs
      - Children, Youth and Families Department in fiscal year 2011 for early childhood initiatives.
HB 5 Severance Tax Bond Projects (Trujillo)
- Appropriates or reauthorizes STB’s to statewide projects
- Passed
- Signed by Governor 03/19/10

SB 10 Increase Low-Income Comprehensive Tax Rebate (Cisneros)
- (Bills SB 12 and SB 13 were substituted into the final SB 10)
  - SB 12 Food Tax, Gross Receipts and Distributions (Cisneros)
  - SB 13 Federal Deductions as State Taxable Income (Ortiz y Pino)
    - These three bills would generate over $200 million in both FY11 and FY12. The bills would increase Gross Receipts Tax by .125% and repeal the state food tax deduction. Changes to income tax reporting and deductions were also included.
  - Line Item Vetoed 3/24/10
    - The Governor vetoed the Food Tax Repeal and the increased requirements for the Low-Income Tax Rebate.
  - Signed by Governor 3/24/10