



**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 RSPSPs)
      - 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
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- 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

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- 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 24<sup>th</sup>, 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 the Governor on 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.**

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## Capital Outlay

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

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

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### *Proposed Legislation Status – Regular Session*

\*For a listing of all bills please visit our website at <http://govrel.unm.edu/>

\*Regular session deadline for Governor signature is March 10<sup>th</sup>, 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 the Governor on 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
- 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 the Governor on 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 the Governor on 03/08/10
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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 the Governor on 03/10/10
  - SB 85 School Leadership Institute (Kernan)
    - Creates a school leadership institute for public education school administrators
    - Passed
    - Signed by the Governor on 03/08/10
  - HB 8 Development Training Funds (Lujan)
    - Concurred – Passed
    - Signed by the Governor on 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 the Governor on 03/08/10
  - HB 79 Tobacco Settlement Fund Distribution (Tripp)
    - Passed
    - Signed by the Governor on 03/08/10
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***Proposed Legislation Status – Special Session***

\*Special session deadline for Governor signature is March 24<sup>th</sup>, 2010.

- **Revenue Enhancement Legislation**

- 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 the Governor on 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 the Governor on 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.
  - Signed by the Governor on 3/24/10; Line Item Vetoed:
    - The Food Tax and the increased requirements for the Low-Income Tax Rebate.
      - The veto creates a \$68 million revenue gap the Governor plans to replace with stimulus and state reserves funds.
        - Section 14 of HB 2 (2010)- this section essentially says that if revenue estimates drop below the appropriated amount, the Department of Finance and Administration is required to proportionately reduce allotments from the amount that is short. *(Please see below)*

- HB 2 General Appropriation Act (2010), Section 14

**Section 14. AUTHORITY TO REDUCE ALLOTMENTS.--**

A. During fiscal year 2011, the department of finance and administration shall regularly consult with the legislative finance committee staff to compare revenue collections with the revenue estimate. If a general fund consensus revenue forecast projects that revenues and transfers to the general fund, including all transfers authorized pursuant to Section 15 of the General Appropriation Act of 2010, will be insufficient to meet general fund appropriations for fiscal year 2011, the governor, with the approval of the state board of finance and after review and an opportunity to comment by the legislative finance committee, shall reduce general fund allotments to all agencies, funds, programs and other recipients that receive a general fund appropriation in Section 4 of the General Appropriation Act of 2010, pursuant to the following guidelines:

(1) the aggregate of all the reductions in allotments shall equal the amount of the projected deficit;

(2) the reductions shall apply proportionately to all agencies, funds, programs and other recipients, and to all programs and categories within agencies, that receive a general fund appropriation in Section 4 of the General Appropriation Act of 2010, except that no reductions shall be made in the allotments for the medicaid programs or the developmental disabilities support program;

(3) if a reduction in an allotment for personal services and employee benefits necessitates a reduction in salaries, the agency is authorized to temporarily reduce salaries in the amount of the reduction;

(4) if a subsequent general fund consensus revenue forecast released during fiscal year 2011 projects revenues to increase above the previous forecast, the allotments shall be increased to reflect the new forecast, up to the amount of the original appropriations;

(5) if a subsequent general fund consensus revenue forecast released during fiscal year 2011 projects revenues to decrease further from the previous forecast, allotments shall be further reduced pursuant to this subsection; and

(6) expenditures of the appropriations made to legislative agencies in Laws 2010, Chapter 1, Subsection A of Section 3 and 4, 5, 7 and 8 shall also be reduced in accordance with the provisions of this subsection.