



**UNM February 3<sup>rd</sup>, 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 and 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
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- House Appropriations and Finance Committee (HAFC)
    - Tuesday, January 26<sup>th</sup>, higher education department and institutions hearing
      - ❖ Higher Education Subcommittee created
    - Saturday, January 30<sup>th</sup>, committee adopted budget
    - Tuesday, February 2<sup>nd</sup>, 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
        - Possible legislation:
          - HB 119 Temporary Gross Receipts Increase (Lujan)
          - HB 120 Tax Withholding Changes (Lujan)
          - SB 184 Recovery Investment Bonding Act (M.Sanchez)
          - SB 185 Sell Bonds to Avoid Salary Reductions (M.Sanchez)
          - SB 91 Delay Educational Retirement Contributions (Smith)

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.

Spong 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 spong 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.

- Set to go to the House Floor
- Capital Outlay
  - SB 113 General Obligation Bond Projects (GOB) (Cisneros)
    - UNM Supports DFA recommendation
  - SB 182 CAPITAL OUTLAY REVERSIONS FOR SOLVENCY (Cisneros)
- UNM Priorities
  - HB 246 UNM Bachelors to Medical Degree Program (BAMD)
    - (Picraux) HEC/HAFC-HEC
- UNM Regents Confirmations
  - Emily “Cate” Wisdom
  - J.E. (Gene) Gallegos
  - James H Koch
- February 3rd, deadline for introduction bills
- February 18<sup>th</sup>, Session ends (noon)
- February 10th, 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/>