

March 10, 2010

Dear Friends, Neighbors and Constituents,

Hard Times: Hard Choices ... Again

The results of the Special Session are in, and no one likes them--- but they could have been much worse. Hard times demand hard choices and I actually think we rose to the occasion. We were dealing with a \$600 million estimated shortfall, which some say will be much higher in a few months, and acting in the wake of a busted budget deal at the end of the regular session. Primary campaigns are in full swing, and partisan divides widening by the minute. Yet we managed to come up with a budget that will fill the gap by:

- cutting \$162 million in spending
- eliminating several thousand positions from state agencies
- increasing new revenue by \$238 million
- using the final \$200 million in federal stimulus money

The final product is a state budget for FY 11 that weighs in at \$5.35 billion, down from this year's budget of \$5.7, and the previous year's at \$6.1 (THAT seems like an eternity ago).

Where are the Cuts?

Public education suffered a cut of about 1.8%; Higher education was at 3.5%, and other state agencies also at 3.5%

Early childhood and pre-kindergarten was slated for a huge cut until part of the revenue from the cigarette tax was earmarked for that purpose (see below).

These cuts may seem minimal, looking at the percentages, but they are very real. They come on top of last year's reductions including furloughs and lower checks for state employees who now contribute more to their pensions. And they compound cuts in the health and human services areas which closed clinics, reduced payments and restricted access to vital services.

During the regular session the Senate wanted even deeper cuts, and the House wanted more taxes. Going into the Special Session Democratic leaders reached a tentative compromise, subject to approval by each chamber's caucus. That template became the session's starting point. But the ending point was a little different.

The Tax Package

The final tax package included :

- a one-eighth cent increase in the state's 5 percent gross-receipts tax on goods and services. We started with a proposal for a half cent which passed the House in the regular session, and reduced that significantly.
- elimination of a personal income tax loophole that currently allows wealthier New Mexicans to take a double deduction for state and local taxes from their tax liability.
- A local option food tax that will average 2%. This is significantly less than the 8% food tax proposed in the thirty day session that discriminated between types of food.
- Expansion in the number of out-of-state businesses subject to the compensating tax (That's a tax that compensates for the fact that non-New Mexico companies don't pay GRT) .This will help local businesses compete with larger out-of-state corporations.
- A low-income tax rebate that will help the poorest New Mexico families
- A cigarette tax increase of 75 cents, (from the current 91 cents per pack to \$1.66 per pack) One third of the proceeds go to early childhood and pre-kindergarten programs.
- A tax amnesty bill that will forgive interest and penalties during a six-month period in 2011 and which is estimated to bring in approximately \$5.3 million.

Most of the items on this list were presented as an omnibus revenue package. I thought it far better than the combination plate we were presented with at the beginning of the session. It included at least one tax that would hit higher income earners as well as those on the bottom. However, it included others I didn't support. I had particular reservations about the food tax - I preferred one which taxed only soft drinks and junk food. In the end, I voted for the bill, along with almost all of the Democrats, because it provides a long-term, diverse revenue stream which helps avoid deeper cuts in core state programs including education, health care and public safety.

None of the Republicans in the Senate voted for the tax increases, with the exception of Sen. Sue Beffort who voted for the cigarette tax. A profile in courage.

Cigarette Tax Finally Passes

Soon smokers will be paying 75 cents more per pack for their cigarettes, if the Governor signs the bill I carried to passage on the floor of the Senate on the final day of the special session. This is

something I've long supported as it encourages people to quit smoking and discourages young people from taking up smoking. An estimated \$11 million from the increased tax will go to funding early childhood care and education programs.

Please contact Governor Richardson and urge him to sign this tax measure into law. Email Gov. Bill Richardson via a form on his website (<http://www.governor.state.nm.us/emailchoice.php?mm=6>) or call 505-476-2200.

Health Care Reform News

The Governor signed two good health care measures on Tuesday, one setting a medical-loss ratio for insurance companies and the other preventing insurance companies from using gender to rate premiums. Read the article I wrote for Primetime New Mexico on my blog at <http://senatorfeldman.typepad.com>. Also, if you want to see my interview with Loureen Mills during the regular session go to <http://reportfromsantafe.com/dfeldman020710.html> Surprisingly, it is still relevant.

Haiti, Shingles and the Passing of Some North Valley Friends

Dr. Suzanne Brown, a friend and, more recently, a legislative analyst, has gone to Haiti for two years to help heal the devastation from the recent earthquake. She's been there before, as a medical missionary, during the 1980s. If you want a reliable way of contributing go to <http://mcc.org/haitiearthquake>. Thank you Sue.

Free shingles vaccines for those over 60 who are uninsured, underinsured or who cannot afford the co-pay, are available the Medicine Chest at 1123 Candelaria NW. (Call 344-2335 to see if supplies are still available) or First Choice Community Health Care at 2001 N. Centro Familiar SW Shingles are nasty.

I wrote a tribute to four North Valley activists and friends who passed away during the past two months: Smokey Sanchez-Davis, Bea Gutierrez, Agnes Miera and Alfredo Garcia. If you know them, you might want to check it out on my blog at

http://senatorfeldman.typepad.com/senator_dede_feldmans_blog/2010/03/honoring-four-north-valley-activists-who-recently-died-beatrice-gutierrez-smokey-sanchez-davis-alfre.html

Thanks again for all your input in the past few months.

Senator Dede Feldman