

## **The Basics**

The 2020 legislative session will begin on Tuesday, January 21, 2020. It will be a 30-day session, in which the Constitution of New Mexico limits the bills that the legislature may consider to budget and revenue bills and bills from the last session that were vetoed by the governor. Of course, we will consider much more than that, as any bill that receives a special message from the governor is also germane. Over the past decade, the average number of bills introduced in a 30-day session has been about 700. Nearly 200 bills have already been prefiled for the 2020 legislative session. Not all of those bills received a message, but it does give you a sense of how busy a 30-day session can be.

## **The Budget**

The number-one priority in any short session is developing a budget for state government. This includes all state government agencies, public safety and public and higher education. In fact, those last two items —

public and higher education — usually account for over one-half of the total budget. I will get back to education in a moment.

Last year's state budget was about \$7.7 billion, which represents an increase of 18.6 percent from the previous year's budget. Much of that increase was made possible because of \$1.2 billion in additional revenue, mostly due to increased oil and gas activity in the southeastern corner of the state.

The most recent revenue estimates for this year indicate that we will have just shy of \$800 million in new revenue. As is the case every year, that number will be revised once the session gets under way. While having additional revenue is undeniably a good thing, it is worth pointing out that the oil and gas industry can be volatile, and we almost certainly will not enjoy millions of dollars in new money for too much longer. In fact, some analysts are cautioning that the continued growth of oil and gas production may already be showing some signs of slowing down.

The point here is that the legislature's job this year will be to craft a responsible budget. The responsibility to spend wisely comes with the job of being a legislator, but that pressure grows when new money is available, as individuals, groups and agencies all come to the legislature looking for more funding.

### **Executive and Legislative Budget Recommendations**

Over the past few days, Governor Michelle Lujan Grisham and the Legislative Finance Committee have unveiled the executive and legislative budget recommendations, respectively. The good news is that both sides say that their recommendations are not too far apart. For example:

- both budgets call for increasing the state budget; the governor's proposal is seeking an 8.4 percent increase in spending levels, while the legislature is proposing a more modest 6.5 percent increase;

- both budgets include funding — hundreds of millions of dollars — for an early childhood trust fund;
- the governor's budget calls for a four percent pay raise for teachers and a three percent pay raise for other state employees, while the legislative budget proposal seeks three percent pay raises for both teachers and other state employees; and
- Governor Lujan Grisham is requesting \$26 million for low-income child care assistance, but the legislative proposal is only seeking an additional \$1 million.

### **Other Issues**

The legislature will be busy this year, as there are already a number of proposals either introduced or being discussed that could take up a significant amount of time. Here are some of the big ones.

- Recreational marijuana — Governor Lujan Grisham has signaled that she will provide a message authorizing the consideration of a bill to legalize, regulate and tax the use and sale of recreational marijuana. She formed a task force to look at the issue over the summer and has been supportive of its work. A bill to legalize recreational marijuana passed the House last year but died in the Senate.
- Public Employees Retirement Association, known as "PERA", solvency — the governor is supporting a bill to revamp the state's retirement system. Currently, the PERA has about \$6.6 billion in unfunded obligations. The proposed measure would gradually increase employee and employer contributions and would tie cost-of-living adjustments to the performance of investments made by the PERA fund. The bill is also supported by some other Democratic leaders but is unpopular with some public employees and

retirees. Both Governor Lujan Grisham and the legislature have included some funding in their budget proposals to help the state's pension funds move closer to solvency. The legislative request is for \$150 million to assist both the PERA and the educational retirement system. The governor's request is for \$76 million for only the PERA.

- Free college — the governor also announced a proposal to make college free to New Mexico residents through the New Mexico opportunity scholarship. Estimates state that it will cost about \$35 million per year to do so. The opportunity scholarship would effectively cover any tuition and fees not paid by federal grants or the lottery tuition scholarship. It's worth pointing out that while the governor included \$35 million for this in her budget proposal, the legislative proposal did not include any funding for it.

- Public education — one of the big issues from the last session was a lawsuit charging New Mexico with failing to meet its constitutional obligations regarding public education. In the fall of 2018, a judge sided with the plaintiffs and gave the legislature and the governor until this past spring to make changes. In response, the legislature made large increases in the money appropriated to public education, as well as making some sweeping statutory changes. Critics of those changes say that they still don't do enough, and in my experience, it is almost impossible to make sweeping changes without having to revisit some things. It's just a hunch, but I would say that we will probably revisit public education changes.

Numerous other issues, including early childhood education and care, renewable energy and public safety, will also be discussed. As always, introduced bills will be as diverse as New Mexicans themselves.

The work of the 2020 legislative session will set the stage for the new decade. We must create a responsible budget and develop sound policy to ensure New Mexico's continued success.