

Budget Cuts Offer an Opportunity to Invest in New Mexico's Future

By Senator Pete Campos

No legislator looks forward to cutting state spending or raising taxes, but behind the angst and anxiety surrounding the upcoming special legislative session at which many expect those two options to be the *only* options, a unique opportunity awaits New Mexicans.

The legislature and the governor can lead New Mexico through the most troubling economic crisis in decades to a brighter future with a cautious, calculated and compassionate approach to reducing spending and raising revenue. This is not the time to deeply cut spending on schools, health care or public safety programs, nor is it the time to sharply increase taxes on working New Mexicans. It is the time to make some hard decisions to cut spending that is important, but not critical, and to raise millions of dollars in revenue in a way that will not significantly impact our fragile economy.

The budget figures are bleak, but New Mexicans deserve to be given all the hard facts. State general fund revenue for the fiscal year that began July 1 is expected to be just \$5 billion — about what it was in 2005. A true disaster can be avoided by relying on healthy cash reserves and federal stimulus funds to close much of that gap, but, even relying on those extraordinary circumstances, about \$350 million to \$400 million will still have to be accounted for through spending cuts or revenue increases if the state is to maintain a minimal cash reserve of six percent of this year's spending at the end of the fiscal year.

That will not be the end of it, of course. The next few years will likely be just as bleak as the state and national economies recover much more slowly than they deteriorated and undergo a restructuring that results in fewer jobs and reduced consumer spending.

But there is both hope and reason to be optimistic. Much of the weakness in the state's economy is due to the high anxiety among New Mexico's consumers and businesses over what is happening nationally. New Mexicans have reacted to the national crisis by cutting back drastically on spending and investment. This reaction, while wise and understandable, creates a downward spiral: consumer spending is down,

which leads to lower business receipts, which leads to less hiring by business, which leads to less income, which leads back to less consumer spending. As the national economy improves and as state policymakers chart a course toward fiscal prudence, consumer confidence will return, ending the downward spiral.

As legislators, we can do our part by questioning the expenditure of every state dollar in each state agency and program, examining the myriad state accounts that hold public funds, and evaluating every revenue tax and fee and the exemptions to those taxes and fees as we work to reshape New Mexico government to be a leaner, more effective provider of essential education, health care and public safety services. This recession will not last forever, and we should carefully avoid spending cuts that will do lasting damage or the effects of which cannot be relatively easily reversed after a recovery. This does not mean that our decisions will not impact people in tangible ways; we are well past the option of simply cutting the "fat" from government. But cutting administrative costs will be better than cutting program costs; hiring freezes will be better than unpaid furloughs; and cutting programs that serve relatively few people will be better than cutting programs that serve many.

We must not, however, give up on our greatest resource — students. We must continue to improve their potential productivity in the work force so that business will expand in New Mexico.

Increasing revenue must be examined in a similar light as spending cuts. While examining each option — from further tapping the billions of dollars in New Mexico's permanent funds or the wholesale cancellation of capital outlay projects to rounding up the balances in the much smaller funds tucked away in state government, from eliminating some tax breaks to raising some fees — we must look to the future to ensure that we do not significantly and unalterably change consumer or business behavior.

Our challenge is great, but it is time to convert our collective anxiety into the collective energy that we need to deal with that challenge.