

**Close Tax Loopholes, Enact Modern Tax Code
to Meet Our Moral Obligations and End Fiscal Crisis**

By Senator Pete Campos

One of the most difficult tasks we face in crafting a balanced budget is rebuilding New Mexico's budget "reserves", the stash of cash that helps state government get through unexpected economic downturns and keeps the state's credit rating high.

Rebuilding the budget reserves — the goal is to have a cushion of between five percent and 10 percent of the amount of money we spend each year — is critical for a couple of reasons. First, the cushion works much like our family's emergency savings account; it helps us get through those tough times when our income suddenly falls short of what we expected. Second, a healthy cash cushion is one of the things that Wall Street examines when the state wants to borrow money; the better the state's reserves, the better our bond rating and the better interest rate we get when we borrow money.

Healthy cash reserves help New Mexico get through unexpected emergencies and save taxpayers money when the state borrows money. But, currently, the cash reserves are projected to be a dangerously low 1.8 percent of spending for the fiscal year that ends June 30 — well below the target of five percent to 10 percent.

How do we build up reserves when money is tight? How do policymakers justify saving hundreds of millions of dollars to build up the reserves at the same time we're cutting important state services?

The answer is that we cannot justify it. We cannot justify building cash reserves by cutting state programs any more than a family living paycheck to paycheck can justify building up their emergency savings account by slashing their grocery budget. It's important to both maintain or even expand state programs and build cash reserves. Just as families who are able to do both are less stressed and better able to cope with small emergencies — like replacing an aging water heater or a broken washing machine — state taxpayers will breathe a sigh of relief when policymakers make this a priority.

We can do both by closing tax loopholes and modernizing our tax code, restoring fairness and raising the revenue New Mexico needs to meet its obligations. Even as state government continues to become more efficient, we must fulfill our moral obligation to educate our children, provide health care to those who cannot afford it and keep our communities safe.

Doing all of that, and doing it right, costs money. Doing only part of it, or doing it wrong, will eventually cost us a fortune.

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