

Context and Introduction: Unprecedented Revenue in Uneasy Times

The Greater Albuquerque Chamber of Commerce works with government, business, and community partners to promote and develop a welcoming business environment and thriving, diverse economy in New Mexico. Our goal is to make our city and state a great place to start and grow a business and a safe, exciting place to work and raise a family. Prior to each legislative session, the Chamber's Board of Directors approves a policy agenda – presented herein – that is consistent with our organization's mission and work. During each session, our team of lobbyists and policy experts works on behalf of the business community to advocate for this agenda, and the Chamber produces a nightly newsletter – the "Legislative Roundup" – to keep our investors and partners up to speed on the latest activity in the Roundhouse.

The 2022 legislative session will commence under intriguing circumstances. On one hand, never before have lawmakers and the Governor had so much money to spend. Revenues are projected to rise by a staggering \$1.6 billion (a 21% increase), driven largely by strong energy prices and production. The Governor and Legislative Finance Committee each plan to increase year-over-year state spending by 13-14%, en route to a record-sized budget of nearly \$8.5 billion. With over \$2 billion in additional one-time state and federal funding to spend, as well as reserves projected to top 30% of recurring appropriations, scarcity of resources will not be a problem at the Roundhouse this year.

On the other hand, America remains mired in the COVID-19 pandemic, with New Mexico currently facing high daily case counts and one of the nation's highest death rates. Businesses that have survived the pandemic now face persistent workforce shortages and disrupted supply chains. Consumers and businesses alike face higher prices, with inflation at a 40-year high. In addition to economic uncertainties, violent crime in Albuquerque is at record-breaking levels – 117 homicides last year – and both homelessness and drug overdose deaths are rising. And, in a public school system that has perennially struggled to produce strong academic results, students have fallen further behind.

Employers are on precarious footing. As such, the Chamber will oppose policies making it harder or costlier to do business in New Mexico. Instead, to improve economic competitiveness, now is the time to reduce gross receipts taxes and address tax pyramiding, overhaul our transportation infrastructure, lead in the production of hydrogen energy, and fully fund the incentives and marketing necessary to develop skilled workers, attract visitors, and recruit companies.

To address violent crime, the Legislature must change the law to keep dangerous defendants behind bars pre-trial, crack down on the illegal possession and use of firearms, and fund the aggressive recruitment of officers and prosecutors. Creating penalties for stolen vehicle chop shops and organized retail crime will help stop auto theft and shoplifting. And, building out the Gateway Center for the homeless in Albuquerque, allowing the use of fentanyl testing strips, and constructing a new children's psychiatric center at UNM will all help address specific behavioral health needs.

To battle "learning loss," the Chamber supports increasing students' time – and the share of education dollars spent – in the classroom, and we believe public charter schools should have access to funding for high-quality facilities.

With key challenges on our doorstep that impede broad-based economic growth, and no shortage of money to address them, the Chamber urges lawmakers to focus this session on attacking crime, reducing homelessness, and improving public education – all while supporting businesses and developing target industries.

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Spending

- **Recurring Priorities:** Focus new spending on the replacement of one-time appropriations of mostly federal money for recurring needs during the pandemic, allocated over the past two years to state agencies, public schools, and the Medicaid program. Prioritize other recurring spending on tax relief for consumers, families, and businesses; salary increases and other talent pipeline development programs in key workforce areas – especially health care, public safety, and education; and extended learning in public schools.¹
- **Non-recurring Priorities:** Prioritize available non-recurring money on road and highway projects across New Mexico, broadband expansion, water infrastructure upgrades, economic development incentives (LEDA and JTIP), tourism marketing, assistance for hospitals and health care workers during the pandemic, tax rebates for working families, hydrogen energy development, and full funding of the Lottery Scholarship.
- **Salary Increases:** Provide salary increases for teachers (the Governor and Legislature have each proposed 7% raises) and state workers, including substantial targeted raises for hard-to-recruit public safety positions, such as state police officers, correctional officers, judges, and district attorneys.
- **Large-Scale Infrastructure:** Focus statewide capital spending (over \$1 billion in available severance tax and general obligation bonds) on large-scale infrastructure projects (roads, water, buildings, etc.) that have a significant economic impact, address a particular public policy problem, and that local governments often cannot afford themselves.²

Saving

- **Tax Stabilization Reserve and Early Childhood Endowment Fund:** Preserve the basic structure of the tax stabilization reserve “rainy day” fund and early childhood endowment fund, both of which collect excess oil/gas revenue and provide a strong fiscal safety net for the state budget.³
- **Reserves:** Maintain total budget reserves of between 30% and 35% of recurring spending.

Economic Growth and Job Creation

Taxes and Regulations

- **GRT Rate Reduction:** Reduce New Mexico's gross receipts tax rate by **at least** ¼ percentage point.
- **No Local GRT Increases:** Pass legislation preventing local governments from raising local GRT rates, which would nullify benefits to consumers of state-level rate reductions.⁴
- **GRT Pyramiding:** Enact significant reductions in gross receipts tax pyramiding across New Mexico's economy; provide as much as \$50 million in pyramiding relief for New Mexico businesses.

¹ The LFC and Governor are proposing a roughly 13-14% increase in recurring spending, far higher than in a typical year, but nowhere near the total amount of “new money” available (\$1.6 billion, or a roughly 21% increase). Of the 13-14% proposed increase, more than half would be allocated to backfilling one-time appropriations in recent years with recurring dollars, according to the LFC.

² The LFC reports nearly \$2 billion in unexpended capital outlay funds from past appropriations for over 3,600 capital projects.

³ Distribution of excess severance tax and federal mineral leasing payments to the TSR and ECE funds has reduced general fund dependence on oil and gas revenue.

⁴ Between 2002 and 2020, combined local-state GRT rates in New Mexico's major cities have climbed dramatically (from about the 6-6.5% range to near or over 8%), driven by local governments increasing the local GRT rate.

- **One-Time Tax Rebate:** Use non-recurring funding to provide a one-time rebate payment to working families.³
- **Social Security Tax Repeal:** Discontinue the policy of taxing Social Security income in New Mexico.⁵
- **Angel Investment Tax Credit:** Make the Angel Investment Tax Credit refundable and support its expansion.
- **Military Retiree Income Tax Deduction:** End the taxation of military retiree income in New Mexico.
- **No Tax Increases:** Enact no tax increases, recognizing the extraordinary challenges that businesses, workers, and families continue to face during the pandemic, as well as the presence of unprecedented state revenues.⁶
- **Higher Costs on Employers:** Oppose attempts to impose new regulatory mandates and raise operational costs on businesses in New Mexico, whether in the form of new employee leave requirements, higher taxes, increases to various rates, or additional exposure to lawsuits.
- **Employer Retirement Plan Mandate:** Oppose legislation requiring employers to offer certain IRS-qualified retirement plans to its employees, and if not, mandate their participation in a state-run retirement plan.
- **No Increase in Wage/UI Rates:** Oppose attempts to raise the minimum wage or unemployment insurance rates.

Growth: Incentives and Marketing

- **Job Training and Expansion:** Appropriate \$13 million total for the Job Training Incentive Program (JTIP), in alignment with the Governor's recommendation.⁷
- **Relocation, Growth, and Competitiveness:** Maintain a closing fund for economic development projects (LEDA) of over \$50 million, in alignment with the Governor's recommendation.
- **"New Mexico True" Advertising:** Provide \$15-20 million to the State's Tourism Department for advertising to attract visitors to New Mexico (in addition to funding for meeting/event recruitment and hospitality workforce development).
- **Reshoring and Economic Development Marketing:** Support the Economic Development Department's request for at least \$2.5 million to market the state's economic opportunities to target industries and attract more foreign direct investment and international trade.

Energy

- **Hydrogen Energy Hub:** Pass legislation establishing the legal and regulatory framework for hydrogen energy development in New Mexico, including tax benefits to encourage investment in this cleaner form of energy, as part of the State's effort to make New Mexico a hub nationally for hydrogen energy production. Invest at least \$150 million in projects that convert natural gas to hydrogen.
- **Oil and Gas Production:** Oppose the imposition of onerous regulations (including a ban or moratorium on hydraulic fracturing), additional taxes, or significant new fees on oil and gas production, upon which New Mexico's budget and economic outlook are heavily dependent.

⁵ Think New Mexico is proposing legislation that would eliminate the tax on social security income for 90% of New Mexico seniors (excluding the top 10% of earners). The Chamber would also support this approach.

⁶ This should include no increase to the corporate income tax rate, the preservation of single sales factor apportionment for manufacturers, and a preservation of the current capital gains tax deduction. There should also be no increase to personal income tax rates, which would make it harder to attract and retain professionals and skilled workers in key industries like health care, hurt the middle class, and specifically raise costs on small businesses.

⁷ The Executive is requesting \$6 million in the NM EDD base budget and a \$7 million special appropriation.

- **Environment Amendment:** Oppose a Constitutional amendment relating to a person’s right to clean air, water, and land; this has always been – and remains – an important policy priority, but enacting a new Constitutional right on this subject would likely lead to endless and costly lawsuits that would impact the state’s fiscal and economic health and hamper wise policymaking on energy and environment matters.
- **Clean Fuel Standard:** Support efforts to reduce the carbon intensity of transit fuels through the implementation of a credit program for entities that refine, blend, make, or import fuel.
- **No Movement toward a State-Level Public Utility:** Oppose legislation designed to explore or enact the creation of a public power utility in New Mexico.

Infrastructure

- **Highways and Roads:** Appropriate \$350 million in funding for state highway construction and another \$150 million for local road projects, airport upgrades, road equipment purchases, and charging station construction.
- **Broadband Expansion:** Support an increase in funding to extend high-speed broadband coverage statewide, and pass legislation allowing dark fiber installed by utilities for transmission projects to be used to expand broadband access for public benefit purposes.
- **Key Capital Projects:** Secure appropriations for economic development projects in Albuquerque, including the widening of Paseo del Norte on the West Side (\$15 million), the continued revitalization of the historic Rail Yards (\$26 million), and development of the Rail Trail project in Downtown Albuquerque (\$10 million).⁸

Higher Education and Workforce Development

- **Key Workforce Gaps:** Support funding and initiatives designed to ease workforce shortages in key fields across the state, especially health care and education, including but not limited to the following items:
 - \$15 million in general obligation bonds to CNM to support the construction of Skilled Trades and Applied Technologies Facilities in the Albuquerque metro area, which would be built with input from local industry partners and meet acute workforce needs and economic development goals
 - \$4 million to expand Project ECHO at UNM, bringing the very best health care and other expertise to underserved parts of the state in an efficient manner
 - \$4 million for the UNM Health Sciences Center healthcare simulation center expansion project
 - At least \$1.9 million in increased funding for nursing and medical residency projects (a 15% increase)
 - At least \$1.7 million to expand teacher pipeline programs
 - At least \$60 million to hospitals to cover COVID-related labor costs
 - Funding to expand the number of nurse educators at New Mexico colleges and universities
- **Lottery and Opportunity Scholarships:** Infuse the Lottery Scholarship Fund with one-time funding to fully cover full-time students’ tuition at NM higher education institutions; increase funding for opportunity scholarships.
- **Entrepreneurship:** Support a \$1.5 million request for the CNM Ingenuity Venture Studio, which will employ skilled entrepreneurs to develop, invest in, and spin out multiple startup companies in the local company, as well as a \$1.5 million special appropriation to NM EDD for a new bioscience business incubator.
- **Technology Research Collaborative:** Secure \$25 million in funding over 5 years to support the commercialization of new technology developed at our research universities and national laboratories.

⁸ These projects, identified as top priorities by the City of Albuquerque, could be funded using state capital outlay money or federal recovery/infrastructure allocations to our city and state.

- **Community College Technology Collaboration:** Secure \$15 million to continue an effort by community colleges to adopt a new student information system, which will improve student experiences (with admissions, financial aid, registration, learning, etc.), improve data reporting and accountability, and reduce operating expenses.

Public Safety and Behavioral Health

Pre-Trial Release, Monitoring, and Detention

- **Rebuttable Presumption of Pre-Trial Detention:** Change New Mexico law to presume that a person arrested for violent or other serious crimes is a danger to the public and should be held in jail prior to his/her trial, unless the defendant can convince the judge in the case that he/she would not, in fact, pose a threat to public safety if released. Covered crimes should include, at a minimum, crimes of violence; felonies involving the use of a firearm; felonies involving great bodily harm; and felonies committed by repeat offenders, those on court-ordered supervision, or those who have engaged in witness intimidation or tampering.⁹
- **Pre-Trial Monitoring:** Increase funding for the pre-trial monitoring of released defendants in Bernalillo County, such that all forms of monitoring are robust and effective at (a) preventing those who are released from committing new crimes and (b) encouraging compliance with court orders and appearance at hearings. Require defendants with GPS devices to be monitored around-the-clock, with swift notification of violations being reported to the proper authorities.

Violent Crime Intervention and Criminal Penalties¹⁰

- **Gun Possession During Crimes:** Increase penalties for the possession or display of a firearm during the commission of a crime, particularly drug transactions.
- **Gun Safety:** Make threatening mass violence a crime, and expand the prohibition of guns at schools.
- **Felon in Possession of a Firearm:** Increase penalties for the possession of a firearm by a felon when the prior felony is a serious violent offense, and provide for the forfeiture of firearms used to commit a felony.
- **Aggravated Fleeing:** Increase the penalty for aggravated fleeing when this extremely reckless behavior results in injury or death.
- **Second Degree Homicide:** Increase the penalty (from fifteen to eighteen years) and abolish the statute of limitations for second degree murder.
- **Violence Intervention Program:** Secure Violence Intervention Program (VIP) funding, designed to use focused deterrence strategies to reduce group-member involved homicides, shootings, and aggravated assaults.
- **Organized Retail Theft:** Support legislation providing for the aggregation of the market value of shoplifted property over a period of time and establishing thresholds for felony organized retail crime.
- **Chop-Shop Operations:** To help prevent auto theft, create penalties for operating stolen vehicle “chop shops.”

⁹ Data from a recent study by the University of New Mexico show that two released defendants per day are arrested for committing a new crime in Bernalillo County, and every other day, a released defendant is arrested for committing a new violent crime. Every two-and-a-half months, a released defendant is arrested for a heinous 1st degree felony crime.

¹⁰ Establishing a rebuttable presumption of detention for those arrested for serious crimes and items above relating to increasing penalties for the unlawful possession/use/display of a firearm, doing away with the statute of limitations for second degree murder, and increasing the penalty for aggravated fleeing are part of a violent crime reduction package long supported by the Chamber and District Attorney Raúl Torrez, with additional strong support coming this session from Governor Lujan Grisham, Mayor Tim Keller, and bipartisan lawmakers.

- **Metal Theft:** Increase penalties for the theft of copper and other metals from homes and businesses.

Additional Officers, Technology, and Equipment/Facilities

- **Officer Recruitment and Retention:** Support the Governor’s plan to create a \$100 million fund to assist in the recruitment and retention of police officers – a proposal that is expected to add 1,000 law enforcement officers statewide over the next 10 years.
- **Prosecutorial Staffing:** Support a more than 7% increase (approx. \$2 million) in the operating budget for the Bernalillo County District Attorney, to cover the cost of crime analysts, coders, investigators, victim advocates, and prosecutors who have been doing important crime-fighting work under soon-to-expire special appropriations or outside grants and to add 15 prosecutors to handle the increased workload associated with the ill-advised decision of the 2nd Judicial District Court to essentially do away with the grand jury (in favor of preliminary hearings) as a mechanism for launching criminal cases.
- **Data Sharing:** Increase funding for the implementation of HB 267 – past legislation supported by the Chamber – that would improve data sharing within the criminal justice system (as well as the integration of health-related data), ensure the usage of a statewide identifier for those involved in the justice system, and track defendants who are “high-frequency utilizers” of the justice and health systems.
- **Capital Investments:** Support law enforcement agency funding requests for automated speed enforcement technology in Albuquerque (\$2 million), significant renovation of the Albuquerque Police Department’s main facility and police academy (\$30 million), a new State public safety facility near I-40 on Albuquerque’s west side (\$21 million), and additional upgrades to public safety radio communications statewide (\$20 million).

Homelessness, Behavioral Health, and Drug Use

- **Gateway Center:** Support a \$30 million capital request from the City of Albuquerque to renovate and fully build out the Gateway Center, a new day-and-night shelter and coordinated service center that will provide resources and help to those who are homeless, including behavioral health treatment and housing assistance.
- **Affordable Housing, Homeless Services:** Support funding requests from the Homeless Coordinating Council – which includes Bernalillo County, the City of Albuquerque, and the University of New Mexico – for programming and capital projects designed to address the housing and behavioral health needs of those who are unhoused.
- **Fentanyl Test Strips:** Change state law to allow fentanyl test strips to be possessed and used by individuals to determine whether an illegal drug is laced with fentanyl.¹¹
- **Diversion Programs:** Establish a law enforcement assisted diversion program (LEAD) within the New Mexico State Police, and support the expansion of other proven diversion programs for low-level criminal offenders.
- **Children’s Psychiatric Center:** Support a request for \$40 million in general obligation bonds to construct a new children’s psychiatric center at the University of New Mexico.
- **Behavioral Health Services:** Support a \$3 million increase in state Medicaid funding for behavioral health services, as well as behavioral health provider rate increases totaling \$1.2 million.

¹¹ Having testing equipment alongside an illegal drug is currently considered possession of drug paraphernalia under New Mexico law. Fentanyl overdoses are now the primary killer of young adults aged 18 to 45, killing more young adults than COVID-19, car accidents, and suicide in the last two years, according to data analysis by the non-profit Families Against Fentanyl.

- **Public Charter School Facilities:** Make it easier – and more equitable – for charter schools to access funding for school facility construction, purchase, leasing, and improvements; appropriate state dollars (whether from the PSCOC, general fund, or elsewhere) to a revolving loan fund to finance charter school facilities.
- **Extended School Year:** Given the learning loss that occurred during the COVID-19 pandemic as a result of school closures, fund extended learning programs like K-5 Plus statewide and require greater school district and charter school participation. Allow for reasonable flexibility that still maintains the efficacy of well-structured extended learning.¹²
- **Personal Finance Course Requirement:** Join twenty-three other states in requiring New Mexico high schoolers to take a course in personal finance and economics in order to graduate.
- **Classroom vs. Administrative Spending:** To ensure more education dollars make it to the classroom, limit the growth of administrative spending by school districts to either the CPI or the overall percentage increase in education spending by the Legislature in a given year, whichever is lower.
- **Early Childhood Education Services:** Continue the expansion of pre-K, early pre-K, and home visiting programs in New Mexico, and increase compensation for early childhood workers as part of an effort to further professionalize and expand the early childhood workforce.

Other Topics

- **Health Care:** Oppose attempts to push private health insurers out of the health care system, in favor of costly and additional government involvement and control at the state level.

¹² The LFC's extended learning proposal would require the participation of all schools, but allow half of the extra learning time to come in the form of increased instructional hours/day, rather than just additional days.