

**MINUTES
of the
FIFTH MEETING
of the
REVENUE STABILIZATION AND TAX POLICY COMMITTEE**

**December 5, 2023
State Capitol, Room 322
Santa Fe**

The fifth meeting of the Revenue Stabilization and Tax Policy Committee for the 2023 interim was called to order by Senator Benny Shendo, Jr., chair, on Tuesday, December 5, 2023, at 9:13 a.m. in Room 322 of the State Capitol in Santa Fe.

Present

Sen. Benny Shendo, Jr., Chair
Rep. Derrick J. Lente, Vice Chair
Rep. Micaela Lara Cadena
Sen. Pete Campos
Rep. Christine Chandler
Rep. Doreen Y. Gallegos
Sen. Ron Griggs
Rep. Jason C. Harper
Rep. Susan K. Herrera
Sen. Harold Pope
Rep. Larry R. Scott
Sen. Elizabeth "Liz" Stefanics
Sen. Peter Wirth

Designees

Rep. Ambrose Castellano

Absent

Sen. Craig W. Brandt
Sen. William F. Burt
Rep. Mark Duncan
Sen. George K. Muñoz
Rep. Linda Serrato

Sen. Katy M. Duhigg
Rep. Joanne J. Ferrary
Rep. Yanira Gurrola
Sen. Antonio Maestas
Rep. Alan T. Martinez
Rep. Rod Montoya
Rep. Kristina Ortez
Sen. Gerald Ortiz y Pino
Sen. Shannon D. Pinto
Sen. Antoinette Sedillo Lopez
Sen. William E. Sharer

Special Advisory Members

Rep. Cynthia Borrego
Sen. Linda M. López
Sen. Joshua A. Sanchez
Sen. Bill Tallman

Guest Legislator

Rep. Tara L. Lujan

Staff

Pam Stokes, Senior Staff Attorney, Legislative Council Service (LCS)

Ric Gaudet, Researcher, LCS

Rebecca Griego, Records Officer, LCS

Sonya Snyder, Committee Coordinator, LCS

Clinton Turner, Research and Fiscal Policy Analyst, LCS

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and posted on the legislature's website.

References to Webcast

The time reference noted next to each agenda item in this document is cross-referenced to the webcast of the committee meeting, which can be found at www.nmlegis.gov, under the "Webcast" tab. The presentations made and committee discussions for agenda items can be found on the recorded webcast for this meeting.

Tuesday, December 5

Welcome and Introductions (9:13 a.m.)

Senator Shendo welcomed members, staff, presenters and those attending in person and on the webcast. Members of the committee introduced themselves.

Revenue Tracking (9:17 a.m.)

Ismael Torres, chief economist, Legislative Finance Committee (LFC); Jennifer Faubion, economist, LFC; and Brendon Gray, economist, LFC, discussed the LFC's revenue tracking for the current fiscal year. Ms. Faubion discussed recent state revenue forecasts, budget trends, legislative changes affecting state revenues, volatility trends of revenues and tax expenditures. Mr. Gray discussed the economic outlook for the nation and for New Mexico, including labor force participation and unemployment levels and economic recovery trends for various ethnic, gender and income groups. Mr. Torres discussed fiscal year 2024 revenue tracking, in

anticipation of upcoming revenue estimates performed by the Consensus Revenue Estimate Group in mid-December. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=1>.

Approval of Minutes

On a motion duly made and seconded, the minutes of the November 20-21, 2023 meeting of the committee were approved without changes.

Potential Capital Outlay Initiatives (10:43 a.m.)

Mr. Torres and Cally Carswell, fiscal analyst, LFC, discussed the capital outlay process in the state, including possible changes to improve the process. Mr. Torres discussed the volatile nature of capital outlay funding, possible bond rating downgrades if the state increases severance tax bonding capacity and the lack of planning for funding capital projects as severance tax revenues decline. Ms. Carswell discussed the \$5 billion in unspent capital outlay funds, construction industry barriers to capital project success and the dilution of project success due to huge amounts of state money being spread among thousands of underfunded projects. She also discussed possible solutions to the problem, including setting earlier deadlines for capital outlay requests, setting up a dedicated infrastructure division within the Department of Finance and Administration and reducing debt capacity and streamlining capital outlay funding. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20120523%20Item%202%20Capital%20Issues%20and%20Options.pdf>.

Municipal Legislative Priorities (11:49 a.m.)

Alison Nichols, director, Policy, New Mexico Municipal League (NMML), and Tim Johnson, director, Public Safety, NMML, discussed priorities of the NMML for the upcoming legislative session. Mr. Johnson discussed public safety legislative requests of municipalities, including the distribution of 10 percent of health insurance premium surtax revenues to the Emergency Medical Services Fund, the expansion of workers' compensation coverage for first responders and state funding to cover public safety agencies' fees for the state public safety radio communications network. Ms. Nichols discussed municipalities' desire to increase funding to the Water Project Fund so local governments can access more funding for critical water projects, to distribute all motor vehicle excise tax revenues to road funds and to eliminate the three percent fee imposed by the Taxation and Revenue Department (Tax & Rev) for administering tax collection for local governments. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20120523%20Item%203%20NMML%20Legislative%20Priorities.pdf>.

County Legislative Priorities (1:36 p.m.)

Joy Esparsen, executive director, New Mexico Counties (NMC), discussed priorities of the NMC for the upcoming legislative session, which include increased funding for firefighter recruitment and retention; emergency medical services; the Reach, Intervene, Support and Engage program; the County Detention Facility Reimbursement Fund; prisoner transport and extradition; county detention officer recruitment and retention; and courthouse construction and renovation. Other legislative priorities include the need to reform the state health benefits plan, increase the salary cap for elected county officials and change the Tax & Rev administrative fee. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=4>.

Overview: Liquor Excise Tax, Cigarette Tax and Tobacco Products Tax (1:58 p.m.)

Mark Chaiken, tax policy director, Tax & Rev, discussed the structure and economics of various excise taxes imposed in New Mexico. He discussed the incidence of and revenues generated from the liquor excise tax, cigarette tax, tobacco products tax and cannabis excise tax. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20120523%20Item%205%20Tax%20&%20Rev%20New%20Mexico%20Excise%20Taxes.pdf>.

Proposal to Increase the Liquor Excise Tax (2:23 p.m.)

Marlene C. Lira, substance use researcher and public health advocate, and Shelley Mann-Lev, public health advocate, discussed proposed legislation that would increase the liquor excise tax. Ms. Lira discussed alcohol abuse in the state and how it affects many aspects of public health. Ms. Mann-Lev discussed proposed legislation that would increase the liquor excise tax on various types of alcoholic beverages but would not increase tax rates for microbrewers, small wineries and craft distillers. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=6>.

Proposals for Committee Endorsement (3:25 p.m.)

Representative Scott presented proposed legislation that would create a new fund to distribute a portion of gross receipts tax revenue to municipalities and counties based on their tax base. The committee did not act on the endorsement. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=12/5/2023&ItemNumber=7>.

Adjournment

There being no further business before the committee, the meeting adjourned at 3:40 p.m.