

FOR IMMEDIATE RELEASE
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Contact: Matt Garcia-Sierra
m.garciasierra@nmlegis.gov
505-205-5486 (cell)

House GOP Calls on Governor to Convene a Special Legislative Session to Proactively Address the Looming State Financial Crisis

Santa Fe, NM— New Mexico’s budget is experiencing major upheaval from the recent oil market crash and the response to COVID-19. State revenues are plummeting, and many small businesses and their employees are facing untold consequences as New Mexico is on the brink of a major economic and fiscal crisis.

House Republican Leadership, in a letter delivered today, are strongly urging the Governor to take extraordinary action to reconvene the Legislature to ensure the current and next year’s budgets are balanced and to provide relief to the families and businesses in New Mexico that are being negatively impacted by the efforts to contain the spread of COVID-19. With oil and gas revenues accounting for 45 percent of current state revenues, the dramatic decline in oil prices could result in a budget shortfall of \$500 million to \$1 billion. For every dollar the price of oil drops in the markets, New Mexico revenues are reduced on average by \$22 million. Oil prices have been hovering around \$22 per barrel in recent days, which is \$30 per barrel lower than the original price per barrel projections the Legislature used in building New Mexico’s record-breaking operating budget in February.

The House Republican Leadership is asking the Governor to take immediate action to quickly and proactively produce for New Mexicans a balanced budget and assist those most affected by restrictions being placed on New Mexico’s economic activities by calling a Special Legislative session:

1. Convene the revenue consensus group of various executive and legislative branch economists to develop updated state revenue estimates for both Fiscal Years 2020 and 2021.
2. Establish a working group of DFA staff, LFC staff, and legislative leaders to explore specific areas within the state budget where budget savings and fund sweeps can be made quickly for the current fiscal year.
3. Develop a new budget plan for Fiscal Year 2021 which is based on limiting state spending to meet those agreed upon new revenue estimates.
4. Due to the uncertainty whether a recession will occur this year and not knowing how long oil prices will stay depressed, commit to preserving state reserves at adequate levels in order to keep these reserves available for a potentially longer-term budget crisis that may extend beyond Fiscal Year 2021. This will also help to protect our bond rating going forward

5. Closely monitor the actions of the President and Congress in enacting a likely economic stimulus package and develop a comprehensive plan which blends both state and federal fiscal actions to ensure New Mexico's immediate economic problems are mitigated as best as possible.
6. Consult with small business leaders across the state to determine the current economic challenges these businesses are experiencing and develop a detailed proposal to provide needed financial assistance to ensure these employers can resume their normal activity once the COVID-19 crisis has passed.

House Republican Leadership suggests the following budget considerations to protect the future for New Mexico:

- Holding spending to 2020 levels until new revenue estimates can be established, at which time we can budget spending to match these new revenues.
- Roll back new funds and programs that didn't exist prior to the 2020 budget session before considering cuts to programs that New Mexican's currently rely on.
- Match the federal government's accommodations to allow tax filers up to ninety days to pay their tax bills without penalty or interest.

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State of New Mexico
House of Representatives
STATE CAPITOL
Santa Fe

March 19, 2020

The Honorable Michelle Lujan Grisham
Governor State of New Mexico
State Capitol
490 Old Santa Fe Trail, Room 400
Santa Fe, New Mexico 87501

Dear Governor:

First, let it be said that House Republicans understand the unprecedented and critical nature of this health crisis. We also recognize the honest attempts by the administration to curb potential health risks to New Mexico residents. We believe, however, that the extraordinary restrictions on New Mexico's private sector will have long term economic effects that must be addressed.

The double-edged sword of the actions taken to protect New Mexicans from COVID-19 and rapidly declining oil prices are increasing economic uncertainty across our state; not to mention the devastating impact on state government as revenues are plummeting.

We are writing to request that you call for a special session of the State Legislature as soon as possible in order to start addressing these economic and fiscal challenges. We believe it to be incredibly important to include the State Legislature in these extremely important decisions before they are made. The gravity of these decisions, and the effects on our constituents demands our involvement.

Your new mandates on the private sector will have even greater impacts on New Mexico businesses, many of which survive on a very small profit margin. To these small businesses, cash flow is vitally important. Closing their doors temporarily could result in the permanent closure of thousands of businesses across New Mexico. The mandated closing of various commercial establishments is not a temporary inconvenience, rather, this decision will likely threaten their long-term viability. These small businesses provide hundreds of thousands of jobs for New Mexicans, as well as provide a major portion of state revenues through gross receipt tax collections and income tax payments. Who knows how this will effect tax collections that are due April 15th, only 5 days after the restrictions are set to be relaxed.

Many businesses and residents cannot comply with aspects of this shut down for practical, logistical or safety reasons, and there doesn't appear to be any way for a business to request a variance despite their inability to comply. For instance, hotels in Carlsbad and Hobbs are full to capacity with month-to-month tenants. Many of these workers spend 16 hours a day working in close quarters on crews larger than 30 people, and now they cannot eat in one of the few local restaurants. We must consider all circumstances.

The current bust in oil prices must also be addressed since oil and gas revenues account for 45 percent of current state revenues. As you know, every dollar the price of oil declines, state revenues fall by a yearly average of \$22 million. With oil prices now at \$22 per barrel, which is \$30 per barrel below what current budget projections are based upon, we could easily be facing a shortfall of \$500 million to \$1 billion or more if these oil prices continue. If we include the loss of revenues from gross receipts and income taxes as well as losses from the retail sector, that number will grow exponentially. With a 20% increase to the state budget in the last two years, this looming budget crisis must also be addressed.

Thankfully, the President is pursuing a \$1 trillion economic stimulus package to help struggling businesses and individuals. Hopefully, this stimulus will provide sufficient relief for New Mexico's small businesses and their employees who are experiencing unprecedented economic difficulties. Calling a special session of the State Legislature is a now more necessary than ever to ensure that we have done our part to secure New Mexico's economic future.

To prepare for this special session, we encourage you to take the following immediate actions:

1. Convene the revenue consensus group to develop updated state revenue estimates for both Fiscal Years 2020 and 2021.
2. Establish a working group of DFA staff, LFC staff, and legislative leaders to explore specific areas within the state budget where budget savings and fund sweeps can be made quickly for the current fiscal year.
3. Develop a new budget plan for Fiscal Year 2021 which is based on limiting state spending to meet those agreed upon revenue estimates.
4. Due to the uncertainty whether a recession will occur this year and not knowing how long oil prices will stay depressed, commit to preserving state reserves at adequate levels in order to keep those reserves available for a potentially longer-term budget crisis that may extend beyond Fiscal Year 2021. This will also help to protect our bond rating going forward.
5. Closely monitor the actions of the President and Congress in enacting a stimulus package and develop a comprehensive plan which blends both state and federal actions to ensure New Mexico's immediate economic problems are mitigated as best as possible.
6. Consult with business leaders across the state to determine the current economic challenges those businesses are experiencing, and develop a detailed proposal to provide needed financial assistance to ensure those employers can resume their normal activity once the COVID-19 crisis has ended.

The special session should include every option to protect New Mexico's future, nothing should be off the table. These options should include, but not be limited to:

1. Holding spending to 2020 levels until new revenue estimates can be established, at which time we can budget spending to match these new revenues.
2. Roll back new funds and programs that didn't exist prior to the 2020 budget session before considering cuts to programs that New Mexican's currently rely on.
3. Match the federal government's accommodations to allow tax filers up to ninety days to pay their tax bills without penalty or interest.

It is fair to say New Mexico has never faced such a challenging time in our history as we try to address the spread of COVID-19 as well as the effects of rapidly declining economic activity and crashing oil prices. Tough decisions lie ahead that will have monumental consequences. These decisions must be made with the State Legislature's participation. We look forward to your response to our request for a special session of the State Legislature.

Respectfully yours,



James G. Townsend
Republican Leader



Rod Montoya
Republican Whip



Candy Spence Ezzell
Republican Caucus Chair