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HOUSE MEMORIAL 51

57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025

INTRODUCED BY

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and Micaela Lara Cadena and Elaine Sena Cortez

A MEMORIAL

REQUESTING THAT THE CONSENSUS REVENUE ESTIMATING GROUP
INVESTIGATE AND REPORT ON THE IMPLICATIONS OF STATIC SCORING
AND DYNAMIC SCORING ON FISCAL POLICY PROPOSALS.

WHEREAS, accurate economic evaluation is critical to
maintaining New Mexico's balanced budget, as required by the
state constitution, and to ensuring that tax and budgetary
decisions do not create unintended fiscal shortfalls; and

WHEREAS, static scoring estimates the revenue impact of a
fiscal policy change by assuming that taxpayers and businesses
do not significantly alter their behavior in response to the
change, holding economic output constant and focusing only on
direct revenue effects; and

WHEREAS, dynamic scoring takes into account how tax policy
changes may influence broader economic activity, such as

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1 employment, investment and consumer spending, which in turn can
2 affect the tax base and overall revenue collections; and

3 WHEREAS, while dynamic scoring provides a more
4 comprehensive view of the long-term economic effects of tax
5 policy, it has been shown to introduce greater uncertainty due
6 to the need for economic modeling and assumptions about
7 behavioral responses; and

8 WHEREAS, New Mexico relies on fiscal impact reports to
9 assess the revenue and budgetary implications of taxation and
10 spending proposals, and these reports are typically based on
11 static scoring methods that do not account for macroeconomic
12 feedback effects; and

13 WHEREAS, dynamic scoring, which considers changes in
14 economic activity resulting from fiscal policy changes, has
15 been utilized in the past in New Mexico, including a two-year
16 dynamic scoring pilot project authorized by House Bill 28 in
17 2003 for proposals with fiscal impacts exceeding ten million
18 dollars (\$10,000,000); and

19 WHEREAS, concerns regarding the complexity and uncertainty
20 of dynamic scoring have been raised, including from the
21 consensus revenue estimating group, so that its use was
22 discontinued following the analyses of former Governor
23 Richardson's sponsored tax cuts by the department of finance
24 and administration at the time; and

25 WHEREAS, the legislative finance committee's fiscal impact

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1 reports have noted difficulties in using dynamic scoring for
2 budget forecasting, highlighting the uncertainty surrounding
3 the magnitude and timing of economic effects beyond direct
4 fiscal impacts; and

5 WHEREAS, federal agencies, such as the congressional
6 budget office and the joint committee on taxation, have
7 incorporated dynamic scoring under congressional rules,
8 reflecting an ongoing debate about the role of dynamic scoring
9 in fiscal policy analysis; and

10 WHEREAS, previous research, including a 2014 study by the
11 university of New Mexico bureau of business and economic
12 research on corporate income tax changes, has demonstrated
13 challenges with using dynamic scoring in quantifying economic
14 behavior changes resulting from tax policy adjustments; and

15 WHEREAS, New Mexico has undertaken significant tax policy
16 changes in recent years, including reductions in gross receipts
17 tax rates and reductions in personal income tax collections,
18 necessitating a clear understanding of the potential revenue
19 implications under both static and dynamic scoring models;

20 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF
21 REPRESENTATIVES OF THE STATE OF NEW MEXICO that the consensus
22 revenue estimating group staff be requested to undertake a
23 review of literature and a study of the implications of static
24 and dynamic scoring on fiscal policy proposals, including both
25 taxation and spending and receipts; and

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1 BE IT FURTHER RESOLVED that on or before September 1,
2 2025, the consensus revenue estimating group staff report their
3 findings and any recommendations to members of the legislative
4 finance committee, including examples of the application of the
5 two scoring methods on specific examples of revenue changes and
6 spending proposals, which examples shall include the dynamic
7 effects of eliminating or reducing the personal income tax
8 along with a commensurate reduction in state spending and
9 significant additional highway project construction spending
10 with commensurate additional state revenue collections; and

11 BE IT FURTHER RESOLVED that copies of this memorial be
12 transmitted to the governor, the secretaries of taxation and
13 revenue, finance and administration and transportation, the
14 chair of the senate finance committee, the chair of the house
15 appropriations and finance committee and the director of the
16 legislative finance committee.