

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

**August 7, 2020
House Chambers and Video Conference Meeting
Santa Fe**

The first meeting of the Revenue Stabilization and Tax Policy Committee for the 2020 interim was called to order by Representative Javier Martínez, chair, on Friday, August 7, 2020, at 10:12 a.m. in the House Chambers and by video and audio conference via an online platform.

Present

Rep. Javier Martínez, Chair (In-Person)
Sen. Clemente "Memé" Sanchez, Vice Chair
(In-Person)
Sen. Pete Campos (In-Person)
Rep. Christine Chandler (In-Person)
Rep. Doreen Y. Gallegos (Online)
Sen. Roberto "Bobby" J. Gonzales (In-Person)
Rep. Susan K. Herrera (In-Person, attending
as a guest)
Rep. Antonio Maestas (In-Person)
Rep. Rod Montoya (Online)
Sen. George K. Munoz (Online)
Rep. Jim R. Trujillo (Online)
Sen. Peter Wirth (Online)

Designees

Rep. Micaela Lara Cadena (In-Person)
Sen. Nancy Rodriguez (Online)
Sen. Bill Tallman (Online)

Absent

Rep. Jason C. Harper
Sen. Gay G. Kernan
Sen. Mark Moores
Sen. William E. Sharer
Sen. John Arthur Smith
Rep. James R.J. Strickler

Rep. Abbas Akhil
Rep. Eliseo Lee Alcon
Rep. Cathrynn N. Brown
Sen. William F. Burt
Sen. Jacob R. Candelaria
Rep. Brian Egolf
Rep. Tim D. Lewis
Rep. Patricia A. Lundstrom
Rep. Andrea Romero
Rep. Angelica Rubio
Rep. Patricio Ruiloba
Rep. Larry R. Scott

Sen. Elizabeth "Liz" Stefanics
Rep. James G. Townsend
Sen. James P. White
Sen. Pat Woods
Rep. Martin R. Zamora

Guest Legislator

Sen. Shannon D. Pinto (In-Person)

Staff

Pam Stokes, Staff Attorney, Legislative Council Service (LCS)
Ric Gaudet, Researcher, LCS
Rebecca Griego, Records Officer, LCS
Anthony Montoya, Staff Attorney, LCS
Joanne Vandestreek, LCS

Handouts

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

Friday, August 7

Revenue Tracking: Preview of Fiscal Year 2020 Actuals and Fiscal Year 2021 Estimates (10:26 a.m.)

Dawn Iglesias, chief economist, Legislative Finance Committee; Stephanie Schardin Clarke, secretary, Taxation and Revenue Department (TRD); and Debbie Romero, acting secretary, Department of Finance and Administration, presented to the committee an update of the state's fiscal and economic health. Handouts for the presentations can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/7/2020&ItemNumber=1>.

Answers to questions and comments from committee members followed the presentation (11:42 a.m.) and included the following.

- Moody's Analytics predicted that New Mexico's gross domestic product would recover to pre-COVID-19 levels by 2022. However, employment levels are not expected to recover for four to five years.
- The annual gross receipts tax (GRT) "holiday" prior to the start of the school year typically costs about \$4 million but will probably cost significantly less this year.
- Many state agency positions have been unfilled for more than two years. Those positions will be deleted from the list of unfilled positions soon. Agencies have already used their vacant positions to cut their budgets, so it will be much harder to

- make further cuts for fiscal year 2022.
- TRD data from the GRT, personal income tax and corporate income tax will be initially released in mid-August, but that data will be revised after accounting for 60-day accruals and delayed reporting.
 - Parents of schoolchildren who decide not to work in order to help their children attend school remotely will not be counted in the state's unemployment statistics. They will be reflected as a reduction in the state's labor force. Those choices fall disproportionately on women and people of color.
 - The amount of oil stored nationally affects prices. It will take some time for the current oversupply of oil to be reduced. In the Permian Basin, which includes a portion of New Mexico, the rate of drilling new oil wells has dropped by 70 percent since the beginning of the year. Until the price of West Texas Intermediate crude oil reaches \$50.00 per barrel, very few new wells will be drilled in the state.
 - Getting accurate data about the labor force contraction is difficult. However, the Workforce Solutions Department publishes timely data regarding claims for unemployment compensation, which shows that 51 percent of recent unemployment benefit claimants are female.
 - Recently enacted legislation will provide loans to small New Mexico businesses, and a new grant program announced by the administration will provide \$50 million for local governments to disburse to businesses throughout the state.

TRD Update (12:31 p.m.)

Secretary Schardin Clarke and Mike Baca, chief information officer, TRD, presented an update of TRD activities to the committee. The handout for the presentation can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=8/7/2020&ItemNumber=2>.

Answers to questions and comments from committee members followed the presentation (1:23 p.m.) and included the following.

- The TRD is allowing seniors to make appointments with the Motor Vehicle Division and other divisions to conduct business in person. The department is also allowing in-person appointments on a case-by-case basis. However, most of the TRD's contact with the public is still being done remotely.
- The TRD currently has a 22.4 percent vacancy rate. In January 2019, the agency-wide vacancy rate was close to 30 percent. Classified employees at the department are generally working the same number of hours as they were before the COVID-19 pandemic began.
- The transition to destination-based sourcing for determining the GRT rate has been progressing. Many issues still need to be resolved about how certain industry services will be sourced, but beginning July 1, 2021, the state will switch to destination-based sourcing. This will allow local governments to start collecting a portion of the GRT

- from online sales.
- The TRD is currently unable to fill vacant positions because of the state government hiring freeze. Prior to the hiring freeze, the TRD was facing difficulty filling vacancies because wages were not always competitive with other industries.

Adjournment

There being no further business, the meeting adjourned at 1:40 p.m.