

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

**September 22, 2020  
House Chambers and Video Conference Meeting  
Santa Fe**

The second meeting of the Revenue Stabilization and Tax Policy Committee for the 2020 interim was called to order by Representative Javier Martínez, chair, on Tuesday, September 22, 2020, at 10:03 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 (Online)  
Sen. Gay G. Kernan (Online)  
Rep. Antonio Maestas (Online)  
Rep. Rod Montoya (Online)  
Sen. George K. Munoz (Online)  
Rep. James R.J. Strickler (Online)  
Rep. Jim R. Trujillo (Online)  
Sen. Peter Wirth (Online)

**Designees**

Rep. Abbas Akhil (Online, attending as a  
guest)  
Sen. Jacob R. Candelaria (Online)  
Rep. Patricia A. Lundstrom (Online)  
Rep. Larry R. Scott (In-Person)

**Absent**

Rep. Jason C. Harper  
Sen. Mark Moores  
Sen. William E. Sharer  
Sen. John Arthur Smith  
  
Rep. Eliseo Lee Alcon  
Rep. Cathrynn N. Brown  
Sen. William F. Burt  
Rep. Micaela Lara Cadena  
Rep. Brian Egolf  
Rep. Tim D. Lewis  
Sen. Nancy Rodriguez  
Rep. Andrea Romero  
Rep. Angelica Rubio  
Sen. Elizabeth "Liz" Stefanics  
Sen. Bill Tallman  
Rep. James G. Townsend

Sen. James P. White

Sen. Pat Woods  
Rep. Martin R. Zamora

**Guest Legislator**

Sen. Mimi Stewart (Online)

**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, Senior Legislative Librarian, LCS

Sara Wiedmaier, Research Assistant, LCS

**Handouts**

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

**Tuesday, September 22**

**Unemployment Compensation Fund Status and Recent Developments (10:10 a.m.)**

Bill McCamley, secretary, Workforce Solutions Department, and Richard Anklam, president and executive director, New Mexico Tax Research Institute, discussed how the current economic downturn has affected the solvency of the Unemployment Compensation Fund. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/22/2020&ItemNumber=1>.

Answers to questions and comments from committee members followed the presentation (10:31 a.m.) and included the following.

- If money borrowed from the federal government to shore up a state's unemployment compensation fund is not paid back within two years, the federal unemployment compensation tax rate for that state will be progressively increased in order to pay back that loan.
- Employers are being held harmless for one year for having high rates of unemployment compensation claims. Next year, the status of the fund will be the biggest driver of rates that will be set for employers. An employer's claim history going forward will exclude the 12-month period covering the COVID-19 pandemic economic downturn but will include periods prior to that exclusion.

- New Mexico has not opened up its economy early, compared to neighboring states. Arizona and Texas opened early and subsequently were forced to close down again because of a spike in COVID-19 cases.
- Utah and Colorado have done better economically than New Mexico during the COVID-19 pandemic because their economies are much more diversified than New Mexico's.
- There has been some discussion in the governor's tax reform task force to temporarily tax big box stores and large online retailers at a higher rate in order to replenish the Unemployment Compensation Fund. There has also been discussion of borrowing money from the Severance Tax Permanent Fund.
- New Mexico does not have as many resources as its neighbors, including hospital beds. Controlling the spread of COVID-19 infections is critical to being able to reopen the economy safely.
- A federal economic stimulus package to assist states with their financial needs does not appear to be progressing.
- New Mexico could issue revenue bonds to raise money for the Unemployment Compensation Fund, but it is not yet clear whether that route would be advantageous to the state.

#### **Early Childhood Education and Care Funding and Performance Update (11:38 a.m.)**

Jon Courtney, deputy director for program evaluation, Legislative Finance Committee (LFC); Kelly Klundt, principal analyst, LFC; and Dawn Iglesias, chief economist, LFC, discussed updates to early childhood education and care funding and performance metrics. The presentation can be found here:

<https://www.nmlegis.gov/handouts/RSTP%20092220%20Item%20%20LFC%20Early%20Childhood%20Funding%20and%20Evaluations%20overview.pdf>

Answers to questions and comments from committee members followed the presentation (12:13 p.m.) and included the following.

- The state should streamline how it funds home visiting services.
- Many legislators feel that the state has been putting too much money into its reserves. More money should be appropriated for early childhood education, public schools and extended learning programs.
- The state needs to partner with federal and Native American early childhood education providers.

#### **Economic Impact of Legalizing Recreational Cannabis (1:55 p.m.)**

Mr. Anklam and Duke Rodriguez, president and chief executive officer, Ultra Health, discussed the potential economic and fiscal impacts of legalizing cannabis for recreational use in New Mexico. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/22/2020&ItemNumber=3>.

Answers to questions and comments from committee members followed the presentation (2:24 p.m.) and included the following.

- The potential annual market for cannabis in New Mexico is about \$600 million. It is projected that 40 percent of those sales will originate from Texas.
- Tax rates higher than 20 percent of retail value tend to maintain the illicit, unregulated cannabis sales at pre-legalization levels.
- There are societal costs associated with the use of cannabis, regardless of whether its sale is legalized. Most states that have legalized cannabis have found that the increased societal costs are outweighed by its benefits.
- If the Department of Health continues to limit the number of cannabis plants allowed for medicinal purposes, the legalization of recreational cannabis in 2021 will mean that there will be a significant delay in the supply of cannabis available.
- The water requirements for increased cannabis cultivation will be offset by a reduction in other agricultural crops.
- Ultra Health has always had the full cooperation of local governments before it started cannabis cultivation.
- The ancillary economic impacts to New Mexico from the legalization of recreational cannabis include approximately 15,000 new jobs in the state.

#### **Increased Investments in Early Childhood Education (3:15 p.m.)**

Melissa Binder, Ph.D., director, Master of Public Policy Program, and associate professor, Department of Economics, University of New Mexico, discussed projected impacts on long-term educational outcomes from increased investments in early childhood education. The presentation materials can be found here:

<https://www.nmlegis.gov/Committee/Handouts?CommitteeCode=RSTP&Date=9/22/2020&ItemNumber=4>.

A committee member commented that using money from the Land Grant Permanent Fund for early childhood education will provide a better rate of return economically for the state than if the money stays in the fund.

#### **Adjournment**

There being no further business, the meeting adjourned at 3:52 p.m.