

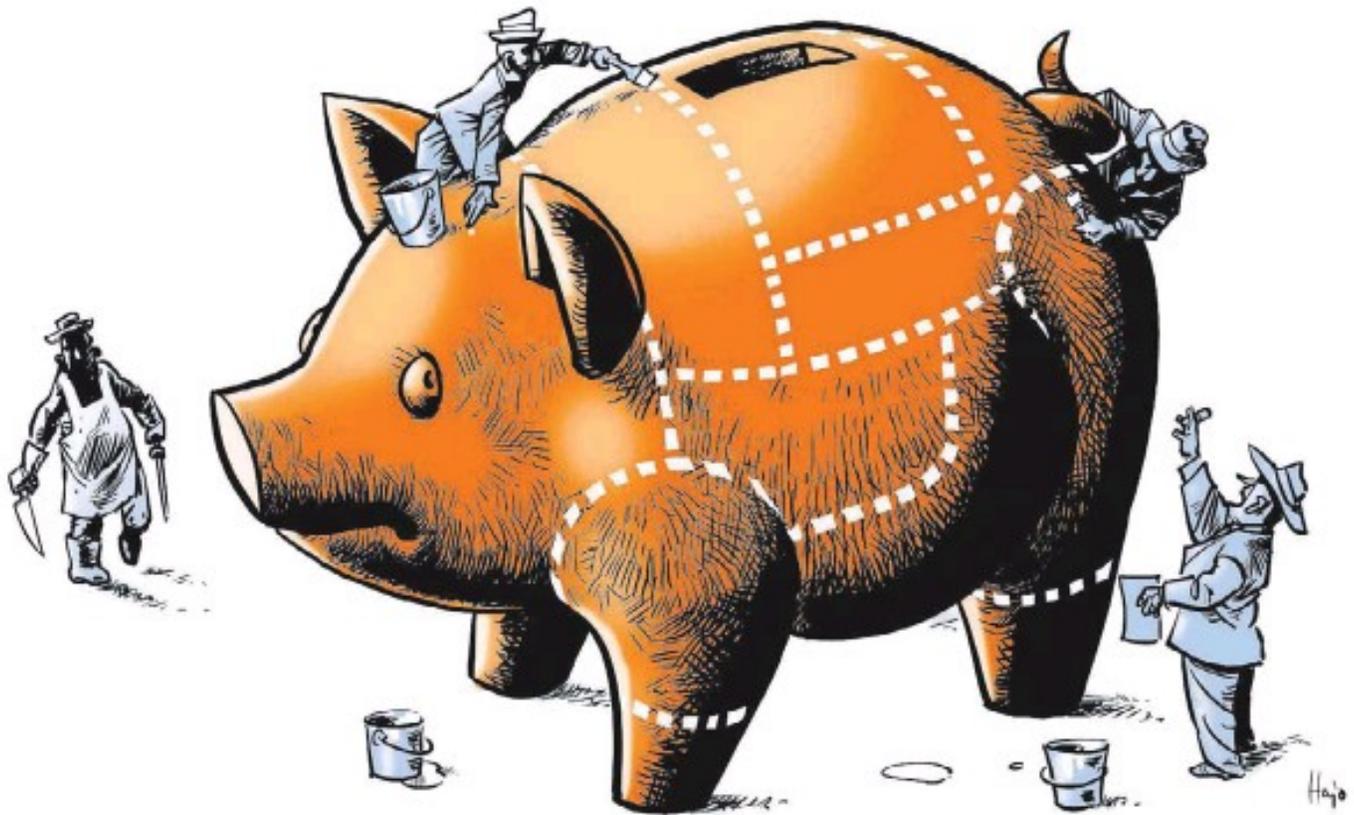
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# Protect our permanent trust fund

## Latest efforts to increase withdrawals will only hurt our children's future

There is more to the permanent fund story than revealed in the recent UpFront column by Winthrop Quigley.



Currently, the permanent funds save every household about \$900 per year in taxes. If the funds go away, households and businesses must make up the difference.

There's good reason that U.S. Sen. Martin Heinrich and former Lt. Gov. Diane Denish support increased distributions from the permanent fund: They both support larger government — especially when it funds crony associations that feed from the government trough.

Over the past five years, the N.M. Sunshine Portal shows that the N.M. Children Youth and Family Department has paid nearly \$4.5 million dollars to vendors with "Pre-K Services" in the contract description.

Denish wants to see "local programs" (meaning more CYFD vendors) tap into these state-controlled funds to "satisfy state standards for accreditation, effectiveness and quality."

The problem is the standards are not well-defined and the funds are often used by these groups to further their own missions and not those associated with our children's educational excellence.

A recent Rand study found that the organizations "did not possess sufficient resources, strong leadership, formalized structures and membership" to deliver results. Even so, most will continue to apply for and receive funds that would be better spent on teachers and in the classrooms.

No one argues we must provide the best educational opportunities for our children, but we have doubled funding for early childhood education since three years ago and New Mexico is still ranked at the

bottom of achievement lists. Who should be held accountable for this failure? And why would we continue to increase funding of a system that is failing?

We need to find solutions to the problems first and then fund those solutions. We should not pour more money into organizations that continue the problem and endanger the permanent funds.

Apparently, Heinrich does not understand the purpose of the permanent funds. He should study the issue carefully before wading into a debate that could directly impact the future of our children and the pocketbooks of New Mexicans.

These funds are not "rainy day funds," but derive revenue from the extractive industries which will one day be exhausted. The permanent funds are designed to provide for our children's educational needs in perpetuity — long past the time our natural resources are depleted.

Even if our natural resources remain plentiful, there could be forces that halt extraction and, thus, stop the flow of resources into the funds.

The Severance Tax Permanent Fund shows clearly the results of it being starved of resources. While this fund is producing about \$180 million for the state's general fund, it is \$200 million smaller than in 2007.

This is a red flag that the fund is in trouble and could die, if the course is not soon corrected.

Distributions from the Land Grant Permanent Fund are currently under debate in public circles. Other states managing similar funds have learned that a five percent annual withdrawal is the magic number to keep a fund growing and producing.

Why five percent? Wise investing will provide returns that are higher when the economy is strong, but as we've recently seen, times are not always good. New Mexico is now withdrawing 5.5 percent and those who would throw our children's future to the wind are advocating withdrawals be increased to 6.5 percent. The good news: 1) This is not a partisan issue. As more people understand the impact of this decision, we are seeing leadership in both parties saying we need to nurture those funds, not decimate them.

2) The permanent funds produced \$60 million more this year than last year, meaning the state has more to invest in education without increasing withdrawal rates.

Permanent fund growth is the key to New Mexico's success, not increased withdrawal rates. We should take appropriate steps now to reduce the bonding capacity of the Severance Tax Permanent Fund to 50 percent and let the Land Grant Permanent Fund revert to its statutory limit of 5 percent withdrawals. Only then can we have confidence in providing for our children's education in perpetuity.

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