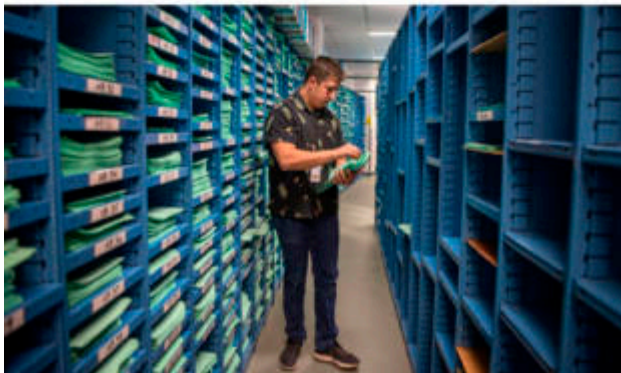


‘Investing for tomorrow and delivering today’

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Published: Monday, January 6th, 2020 at 12:01pm

Updated: Monday, January 6th, 2020 at 10:16pm



Proposed spending increases would, clockwise from top left: create a college scholarship program, fund road improvements, hire more State Police officers and increase pay for state workers and teachers.

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SANTA FE – New Mexico state spending would surge significantly for the second consecutive year under a budget proposal unveiled by Gov. Michelle Lujan

Grisham on Monday that would boost state spending by \$596.3 million – or roughly 8.4% – over current levels.

The nearly \$7.7 billion spending plan includes a proposed 4% salary increase for New Mexico teachers and more money for school districts with a large number of low-income students, as the state continues to grapple with the fallout of a landmark legal ruling about its public education system.

It would also provide additional dollars to hire 60 new State Police officers, create a New Mexico Opportunity Scholarship that would benefit an estimated 55,000 college students and expand funding for child care assistance and prekindergarten programs statewide.



“This budget consists of both bold investments and prudent decisions that continue to fix what was left broken, addressing urgent needs and strategically investing in sustainable improvements over the long term – all at once,” Lujan Grisham said in a statement. “We are investing for tomorrow and delivering today.”

Overall, nearly half of the state spending increase proposed by the first-term Democratic governor for the budget year that starts July 1 would go toward education programs, from early childhood through higher education.

K-12 public school spending would increase by roughly \$200 million – after going up in this year’s budget by \$446 million – under Lujan Grisham’s plan.

Sen. Steven Neville, R-Aztec, said the governor’s spending plan bears some similarities to a competing plan crafted by the influential Legislative Finance Committee that will be released later this week.

“We’re kind of in the same ballpark when it comes to getting teachers better compensation and those kinds of things,” Neville told the Journal.

Spending increase

New Mexico’s general fund spending is rising after several years of budgetary belt-tightening. Here is a look at recent growth by fiscal year:

2016 \$6.2 BILLION	2019 \$6.3 BILLION
2017 \$6.1 BILLION	2020 \$7.1 BILLION
2018 \$6.1 BILLION	2021* \$7.7 BILLION

SOURCE: LEGISLATIVE FINANCE COMMITTEE
* REPRESENTS RECOMMENDED SPENDING LEVEL

But he said there could be more disagreement about Lujan Grisham’s push to cover tuition expenses for all qualifying college students, and he expressed concern about whether

current oil production levels can be sustained.

\$797M in 'new' money

Overall, New Mexico's recent spending growth comes after several cash-lean years and is being fueled largely by record-breaking oil production in the state's southeastern corner. The oil boom drove state revenue levels to an all-time high last year and has generated an estimated \$797 million in "new" money for the coming budget year.

Under Lujan Grisham's plan, some of that money would be set aside in cash reserves in case projected revenue levels do not materialize.

However, part of the state's budgetary windfall would be spent on one-time expenditures, including \$320 million to set up a new early childhood endowment fund and \$200 million for road projects around the state, which could include further improvements to highways in and around the oil-rich Permian Basin.

In addition, \$76 million would be earmarked as part of a plan to shore up one of New Mexico's two large pension funds, the Public Employees Retirement Association.

Sen. John Arthur Smith, D-Deming, chairman of the Senate Finance Committee, said the total spending amount proposed by Lujan Grisham is higher than under the legislative plan.

But he said the elevated reserve levels would give the state a cushion if oil prices fall or if an economic recession were to hit.

"Hopefully, we can ride out a downturn if we have to," Smith said.

Finance and Administration Secretary Olivia Padilla-Jackson, the governor's top budget official, said the spending plan strikes a balance between funding critical current needs and making investments for future years.

"This is probably the largest investment in education as a whole that we've made in the state," Padilla-Jackson told reporters.

But she also described the budget recommendation as a prudent plan, pointing out that only about 75% of the additional money expected to be available in the coming fiscal year would be spent, with the rest set aside in reserves.

Budget is priority

New Mexico's 30-day legislative session starts Jan. 21, and passing a balanced budget will top lawmakers' to-do list once the session begins.

While some lawmakers have urged spending restraint, there's also expected to be ample pressure to increase spending with the state's coffers bulging.

That's likely to be the case in education, as some advocates have argued the state has not gone far enough to address a landmark July 2018 ruling that New Mexico was not meeting its constitutional requirement to provide an adequate education to all students.

That's despite taking steps last year that include 6% pay raises for teachers and school administrators, increasing starting teacher pay to \$41,000 annually and expanding a K-5 Plus program that allows qualifying schools to extend their school year into the summer.

While teachers would again get the biggest salary increase under Lujan Grisham's latest budget recommendation, state workers would receive 3% raises and professors and other higher education employees would receive 2% salary increases.

Meanwhile, the budget plan does not account for potential changes to New Mexico's tax code or the possibility of the state legalizing recreational marijuana use and taxing its sales. Both those ideas have been proposed for the coming session.

New Mexico state spending increases proposed by Gov. Michelle Lujan Grisham would bump up pay levels for teachers and state workers, fund road improvements statewide, create a new college scholarship program and hire more State Police officers.