

Diversifying and Growing New Mexico's Private Sector Agenda

Greater Albuquerque Chamber of Commerce

52nd Legislature, First Session

Preface to Legislative Proposals

Our goal in 2015 is to build on the solid foundation of success achieved in the last few years to improve New Mexico's business climate and diversify our private sector economy. While our state's economy is yet to fully recover from both the economic recession and federal budget reductions, we have turned the corner. Strong leadership by the Governor and bi-partisan cooperation in the Legislature has resulted in significant reforms to the business tax structure, a balanced state budget, no new tax increases and expanded education and job training funding, among other accomplishments. This pro-jobs, pro-economic development momentum needs to be continued to achieve the full potential New Mexico has to be a vibrant leader in our region and the nation.

The current uncertainty of oil and gas prices, major sources of revenue for the state, forces us to be cautious when dealing with budgetary matters, but it should not deflect us from addressing the state's main priorities during this legislative session. Though we have addressed a number of issues in the state over the last several years, we continue to be faced with the challenges of slow growth and recovery since the recession of several years ago. Our continued dependence on federal government spending cannot continue. Additionally, we continue to trail our surrounding states in terms of economic recovery and job growth. It is incumbent upon all of us to prioritize both our efforts and funding decisions to improve the economy and our public schools despite an uncertain state revenue picture. The reality is that New Mexico government is in a financially sound position and both the Administration and Legislative Finance Committee have presented the same numbers in their budget recommendations, which still allow for an 8% state reserve.

The Chamber's priorities for the legislative session are focused on Right-To-Work as a choice issue that protects workers and on legislation that provides for economic growth and job creation. That includes fully funding LEDA (closing fund) and the Technology Research Collaborative, as well as providing for small business supports-all of which will move the state forward in terms of job creation and economic growth.

Our other critical priority is public education. Efforts to create a healthy economy will be short lived if our children are not provided with a superior education. We must close the achievement gap and lower drop out rates. Education reform and improvement in student

outcomes are critical if the next generation of New Mexicans are to benefit from the state's economic growth and continue that growth for their children.

Finally, but certainly not less important, is the critical need for bipartisanship during the legislative session. Gridlock in past sessions has resulted in failure to move important and needed legislation forward that would benefit the citizens of New Mexico. We have a unique and historic opportunity this session to accomplish our goals, but that is incumbent on all legislators regardless of party affiliation working together to the benefit of the people who sent them to Santa Fe and are depending on them to do the very best they can for New Mexico. All of us have witnessed the truly unfortunate outcome for the country as a whole when the President and United States Congress failed to work together.

We call on Governor Susana Martinez, soon to be House Speaker Don Tripp and Senate Pro Tempore Mary Kay Papen as well as Senate Majority Floor Leader Michael Sanchez, House Majority floor leader Nate Gentry, House Minority floor leader Brian Egoff, and Senate Minority floor Leader Stuart Ingle to set an example for bipartisanship that will move New Mexico forward in addressing and accomplishing the tasks before us. New Mexico and its citizens deserve no less.

STATE FY16 BUDGET

Support

Consensus Revenue Estimating Group projection of \$141 million (2.3% growth) in "New Money" until a new projection agreement is reached*

The New Mexico Consensus Revenue and Estimating Group consists of professional economists at the Taxation and Revenue Department (TRD), the Department of Finance and Administration (DFA), the Department of Transportation (DOT), and the Legislative Finance Committee (LFC) working together to produce the consensus revenue estimate. The majority of general fund revenue comes from general sales or the gross receipts tax at 34 percent, while the second largest revenue source is from personal and corporate income taxes at 24 percent, followed by energy-related revenues at 20 percent. A report issued by the group on December 8, 2014, projected revenue reductions in FY15 of \$120 million and in FY16 of \$141 million, largely due to weakness in oil and gas receipts. They noted that while the revenue outlook is generally positive but weak, it relies on weak oil and gas receipts that may prove pessimistic if prices begin to rise again or optimistic if the unprecedented boom in domestic oil production does not continue. However, in an interesting turn of affairs, the drop in gas prices at the pump has resulted in an increase in discretionary income resulting in an increase in tax revenues. The Chamber supports the consensus projection of \$141M in "new money", which amounts to 2.3% growth.

*The Consensus Revenue Estimating Group will meet again in late January or early February to update their projection. Given the volatility of oil and gas receipts, the consensus revenue projection may very well change resulting in a coinciding change in legislative funding levels during the budgeting process and ensuing negotiations.

Administration and LFC recommended minimum reserves of about 8%

Both the Administration and the LFC have put forward budgets of \$6.29B though there are some differences in how the money should be spent. These budget recommendations allow for about 8% in minimum reserves, which while lower than last year are still somewhat higher than in other states. Additionally, the state has maintained strong reserves thus ensuring that state services will not be compromised should revenue projections decrease. The Chamber applauds both the Administration and LFC for their respective efforts to continue to protect New Mexico's reserves while at the same time increasing spending at about 2.3% targeted to the continuing improvement of education and the state's overall economic well-being.

Administration recommendation of \$4M and LFC recommendation of \$3.3M targeted compensation increases for State Law Enforcement Officers

The Administration has recommended \$4M and the LFC has recommended \$3.3M to implement the second of three phases of a planned increase in compensation for commissioned officers at the Department of Public Safety. Public safety is critically important, but retention can be difficult when officers are not paid competitively for the positions they hold.

Administration and LFC recommendation of at least \$9M for teacher merit pay

The Chamber continues its support for programs, which identify, recruit and reward effective teachers. A quality teacher in the classroom remains the most important factor in how well a child succeeds and those teachers who have excelled in their schools and districts deserve to be recognized. Last year funding was made available to establish a pilot program in which school districts might choose to participate to provide monetary stipends to their district's highest performing and most effective teachers. The program was based on locally designed reward systems with results from the pilot programs used to assist policy makers in determining how to potentially implement a statewide effort to support our most effective teachers. The program was so successful that applications from schools exceeded \$10M while only \$7.3M was available. This year, the Administration and LFC have recommended \$9M in funding for continuation of the program. The Chamber strongly recommends funding at this level.

Administration and LFC language that includes student performance in how teachers are evaluated and promoted

The Chamber has long supported the incorporation of student performance outcomes as a component in the evaluation process for promotion of teachers. During FY14, the Public Education Department (PED) fully implemented the new educator evaluation system. Educators raised concerns about several components of the new system including the use of student test scores believing the evaluation weights student test scores too heavily. According to the LFC, the PED acknowledged teachers' concern with this issue and addressed this concern by providing ongoing training on the evaluation system and creating a teacher-student roster verification system to ensure student test scores are correctly assigned to teachers. The PED-reported evaluation ratings of ineffective and minimally effective for the 2014-2015 school year will be considered when licensure advancement decisions are made. Student growth as measured by test scores still accounts for 50 percent of the evaluation.

The Chamber urges the legislature to continue support for the evaluation system noting that student scores are an important and reliable component in determining a teacher's effectiveness in the classroom. At the end of the day, an effective teacher is the most critical factor in the success of a student.

Oppose

Any tax increases

As the state's economy slowly continues to recover, employment levels are still below pre-recessionary levels and the impact of federal sequestration continues. We must strive in our efforts to grow the economy and create new jobs. The solution can only be found in stimulating private sector growth. Tax increases do exactly the opposite by discouraging businesses from investing and consumers from spending. For this reason we oppose HB58, which proposes a five-cent increase in the gasoline and special (diesel) fuel taxes. Raising taxes is clearly the wrong direction for our state to go and the Chamber will vigorously oppose any such tax increase proposals.

Any use of Permanent Fund or other fund dollars for purposes not intended

The Chamber remains adamantly opposed to any effort to tap into the state's Permanent Funds. These funds were constitutionally established to support the beneficiaries identified in our constitution and to serve as an endowment should our extractive minerals disappear some day. Any effort to amend the constitution that would result in tapping into these funds for purposes not currently specified in the constitution or at distribution rates that would undermine the long-term solvency of these funds must not be allowed to go forward. Additionally, difficult economic times sometimes result in "creative" approaches to state finances that, in the long-term, would be bad fiscal policy for the state. We oppose any such proposals as well.

Reinstatement of Gross Receipts Tax on food sales

As noted above, we remain committed in our opposition to any general fund tax increase. In 2004, the Legislature repealed the gross receipts tax (GRT) on most food items purchased by consumers for home consumption. Since this repeal would have caused a loss of revenue to local governments, the Legislature at the time enacted a “hold harmless” provision that essentially reimbursed them for the loss.

In the 2013 tax reform package, the Legislature decided to phase out the hold harmless reimbursements over a 17-year period and to allow municipalities the option of increasing the local GRT 3/8 of one percent (at 1/8 increments). The municipalities were opposed to this phase out and remain so.

The Municipal League of New Mexico opposes the phase-out of the hold harmless distribution contained in the 2013 session House Bill 641 and is expected to support legislation that would return food to the gross receipts tax base for local gross receipts tax rates, including the 1.225% as well as supporting an increase in the Working Family Tax Credit, a repeal of the Hold Harmless Distribution in one year instead of 17 and a reduction in the state tax rate from 5.125% to 5%.

While the Chamber understands the League’s position and its concern for its members’ budgetary issues, we believe the Legislature’s tax reform actions were fair and balanced and have provided municipalities with the means to largely offset the loss of hold harmless reimbursements. Moreover, the long phase-in period should allow ample time for municipalities to make gradual budget adjustments and to benefit from revenue growth. In addition, placing any GRT on food will disproportionately affect those on fixed incomes and working families ineligible to receive government assistance.

Across the board compensation increases for all state employees

The proposed budget recommendations from both the Administration and the LFC do not include across the board compensations for all state employees. The funding is simply not available to provide such increases for every worker. The Chamber would oppose any effort by the Legislature to add such funding during the budgetary process. Given the fiscal situation this year, any funds provided for across the board raises would require huge shifts in dollars away from critical needs.

CAPITAL FY16 BUDGET-\$230.8M available for NEW capital projects

A total of \$502.9M in Severance Tax Bond (STB) funding will be available for capital projects in the coming year. However, the majority of this funding has been earmarked by statute or by prior legislation. The largest single category use is public schools, followed by local capital projects, higher education institutions and state agencies. One of the issues associated with the capital outlay process is that funding has been spread among so many recipients that critical statewide needs are often unfunded, or they require so many years to gain sufficient funding that they cannot meet the needs for which they were intended. The state will have \$230.8M of available STB funding after earmarks and other commitments. The Administration is recommending the use of \$85M of the available monies to fund two efforts of importance to the state's economic development and its citizens.

Support

Administration's recommendation of \$60M for three years for highway funding of selected major projects while seeking a long-term solution

The Administration is recommending \$60M of Severance Tax Bond proceeds to be earmarked for highway infrastructure projects in the coming year, and a similar amount in each of the following two years. This money can be used to leverage other funding sources to enable completion of large-scale infrastructure road projects around the state. The Chamber recognizes the importance of addressing New Mexico's road issues as both an economic issue for the state as a whole as well as a safety issue for its citizens and urges support for passage of the recommended \$60M in STB funding both in this fiscal year and in the next two fiscal years.

Administration's recommendation of \$25M for LEDA (Closing Fund) if needed to fund it at \$50 million

The administration has recommended the utilization of \$25M in capital outlay funding for the LEDA program as well as an additional \$25M from the general fund. With available total funding of \$50M for the closing fund, New Mexico will have the necessary resources to compete for the most attractive and best businesses opportunities. Investment in local infrastructure leads to new investment and new jobs throughout the state. Due to the New Mexico anti-donation law, many communities are unable to compete with other states that can offer cash incentives to recruit new businesses. Arizona, Texas and Oklahoma all have "deal closing" funds, which are used when a business can demonstrate additional funding is necessary to close a competitive gap relative to other states also competing for the same economic development project. In New Mexico, such funds would have to operate within the confines of LEDA, JTIP or another program that requires substantive contributions of the recipient company. LEDA is the authorizing legislation that requires job retention or creation when state dollars are provided to

local jurisdictions to secure an economic development project. There is a twofold benefit from LEDA funds of both capital investment and job creation. It should be noted that LEDA statutes provide security for governmental aid to address losses to the state where the funds were not attached to any sort of claw back provision. The Chamber strongly supports adequate funding for LEDA (Closing Fund).

Capital Outlay Request for hangar at the Spaceport Authority

The Spaceport Authority is requesting \$4.5M in capital outlay to build a hanger with internal offices, a concrete apron and airfield taxiway to service access to the hangar as well as water, power, wastewater and fiber extensions for the hangar. At this time, no unoccupied hangar space is available at the Spaceport. However, several potential clients with whom the Spaceport Authority is working have indicated they would need such a facility. Given the Virgin Galactic test flight crash late last year and the fact that the ensuing delay in launching from the Spaceport has created fiscal issues for the Spaceport Authority, they are striving to gain new clients in order to address these fiscal issues as well as to implement the Spaceport's overall plans. The Chamber supports the capital outlay request in order to provide a necessary component to attract new clients.

NEW MEXICO PUBLIC EDUCATION

Support

Ending Social Promotion

The Chamber remains strongly committed to ensuring that New Mexico's children are reading at grade level by the end of the 3rd grade. Given that the leading indicator as to whether children will succeed in school has been repeatedly linked to their proficiency in reading at the end of the 3rd grade, it is imperative that we enact, as introduced, HB41 sponsored by Representatives Monica Youngblood and Nora Espinoza and SB66 sponsored by Senator Gay Kernan. This legislation is intended to ensure that all students, parents and teachers are given the tools necessary to succeed in reading. Early screening assessments will assist teachers in identifying students struggling to read, and professional development and support will empower teachers to provide early intervention to assist children in need of additional support so that they may reach grade level proficiency. Additionally, parents will be provided with strategies to help their children become better readers.

For those children who may need an additional year to acquire the necessary and critical reading skills, intervention and retention are also options. For students with special circumstances, there will be alternative criteria for determining proficiency.

At the end of the day, however, we must recognize that it is abjectly unfair to our children to promote them to the fourth grade if they are not ready. Instead, we must ensure that these children are given an additional school year with emphasis on helping them to acquire the necessary and critical reading skills that will determine their entire future

Confirmation of Hanna Skandera as Secretary of Education

It is long past time to confirm Hanna Skandera as Secretary of the Public Education Department. Her excellent work over the last four years and the improvements that have resulted from her leadership and efforts have more than demonstrated her ability to manage public education in New Mexico. We do not need another repeat of the drawn-out confirmation hearings held over the last several years. Politics should not play a role in her confirmation as Secretary of the Public Education Department. Her qualifications and proven long-term successes speak for themselves.

Administration and LFC recommendations for an increase in minimum Level 1 teachers' salaries

The Administration has recommended an increase in minimum Level 1 teachers' salaries from \$32K to \$34K. The LFC has also recommended an increase in minimum Level 1 teachers' salaries raising the amount from \$32K to \$37K. Additionally, the LFC has also recommended setting the minimum Level 2 teachers' salaries at \$45K and the minimum Level 3 salaries at \$55K. The Chamber supports raising Level 1 teachers' salaries in order to remain competitive with surrounding states. However, we are somewhat concerned about the significant cost of the LFC recommendation for across the board minimum salary increases at all three levels and any negative impact that might have on fully funding other important programs necessary to improving education outcomes for the state's children.

Administration recommendation of \$15.5M below the line and LFC recommendation of \$15M below the line for New Mexico Reads to Lead

The Chamber strongly supports the comparable recommendations of the Administration and LFC in funding for the New Mexico Reads to Lead program and appreciates their recognition of the importance of early childhood reading. The ability to read well at the third grade level is a barometer for success in not only a child's remaining education years, but throughout their life. This funding will provide for reading coaches, and professional development for teachers, administrators, reading coaches and parents as well as interventions for struggling students. Reading K-3 short-cycle assessment systems will be available in both English and Spanish. It has been shown that districts that participated in the Reads to Lead program increased the percentage of students proficient in reading by 7.8 percentage points with some districts experiencing double-digit growth.

LFC recommendation of \$27.2M and Administration recommendation of \$22.2M in below the line funding for Kindergarten-Three-Plus

Funding for K-3, which is strongly supported by the Chamber, will provide for extension of the school year for K-3 students with an emphasis on literacy and math common core standards instruction. We support this effort to provide K-3 students with a greater opportunity to focus on improving their reading skills as well as additional classroom time to work on other common core education areas. At the end of the day, every dollar spent and opportunity provided to focus on reading and other basic core curriculum subjects during these early primary years will pay off with multiple dividends in later school years.

LFC recommendation of \$21M and Administration recommendation of \$21.M for Pre-Kindergarten

Both the Administration and the LFC have recommended \$21M for Pre-Kindergarten. The Chamber concurs with and supports their recommendations. This funding, which will provide access to all districts and charter schools that have requested funding for PreK programs, has proven both popular and successful in improving both literacy and numeracy. The value of PreK and its importance in determining a successful long term student outcome can never be overstated and it is critical that all districts and schools within those districts have an equal opportunity to meet the needs of PreK aged children in their respective communities. The Chamber continues to strongly support Pre-K initiatives.

Administration recommendation of \$27M and LFC recommendation of slightly over \$25M to similarly fund "below the line" initiatives line for New Mexico Graduates Now, Teacher and School Leader and Training Programs, Interventions and Support for Students, Struggling Schools and Parents, and STEM

The Chamber has long supported identifying and providing additional funding to struggling schools, which we believe is the only way to help students in those schools reach proficiency. Initiatives funded "below the line" mean this funding is not distributed through the funding formula. Rather, these funds are used in a more targeted fashion to reach those schools and students most in need. Additionally, these funds require a higher degree of accountability in terms of results. The Chamber supports "below the line" funding, especially for the purposes outlined in these proposals.

\$3M for New Mexico Graduates Now as recommended by both the Administration and the LFC

The Chamber strongly supports provision of these dollars, which will provide funding for expansion of regional early college high school start-ups, access for all tenth graders to take the PSAT, additional AP teacher professional development, online AP programs and test fee waivers

for lower income students and a myriad of other programs that will enhance our students education making them better prepared for their final high school years as well as college.

Recommendations by both the Administration and LFC of at least \$9M in funding for Teacher and School Leader Programs and Supports for Training, Preparation, Recruitment and Retention.

The Chamber supports this funding, which will provide for school districts and charter schools to develop plans to recognize highly effective and exemplary educators and principals with increased pay and will provide incentives for educators and principals to strive for excellence to the benefit of their students while also increasing retention of these high performing teachers and principals.

Funding recommendations by the Administration for \$12.5M and LFC for \$10.5M for Interventions and Support for Students, Struggling Schools and Parents

These funds will be used to continue opportunities for districts and charter schools to participate in the UVA School Turnaround Program, to pilot dropout and truancy prevention programs, to continue Web EPSS development, monitoring and training and to continue the Principals Pursuing Excellence mentoring program. These interventions and supports have provided tools to schools, principals and teachers that have resulted in improvement in students reaching their goals and in participating schools increasing their letter grade by 1 to 3 grades. The Chamber urges support for this funding given the proven successful outcomes for schools and students.

Administration and LFC recommendations of \$2.5M for STEM

Science, Technology, Engineering and Math commonly known as STEM are critical core areas in our children's' education. If New Mexico's students are to compete in the workforce, they must be well prepared in all the STEM fields. Our state and even the nation as a whole lag behind other countries in these core areas and we must strive to ensure that funding for STEM is maintained. The Chamber strongly supports funding for STEM, which provides for the STEM Teacher Initiative that focuses on improving math and science education in New Mexico as well as providing for professional development opportunities for STEM teachers.

Administration recommendation of \$4.8M for Teachers Pursuing Excellence and for Teacher Supplies

The Chamber supports the Administration's request for \$2.3M for Teacher Supplies and \$2.5M for Teachers Pursuing Excellence for a total recommendation of \$4.8M. The funding for teacher supplies will allow each teacher to have an additional \$100 available through a Public Education

Department issued debit card with which to purchase additional necessary supplies for their classroom. The Chamber recognizes that despite some funding provided by their local schools, teachers have had to use personal funds to meet the needs of their classrooms. We believe that no teacher should have to reach into his or her own pocket in order to ensure that the basic necessities of their students and classroom are met. We urge support for this funding.

The Chamber also urges support and funding for the Teachers Pursuing Excellence program. The Public Education Department has requested funding to be used for mentoring. Teachers with more experience and better outcomes with their students would mentor those teachers who are struggling. Likewise, principals with more experience and better outcomes at their schools would mentor principals at less successful schools. Mentoring in this way has been demonstrated to be successful in assisting both teachers and principals facing a variety of challenges with resultant improvement in outcomes for students.

Administration initiative to suspend drivers' licenses for habitually truant high school students while providing support to improve attendance

The Chamber has long supported addressing truancy issues recognizing that students who are absent from the classroom are much less likely to graduate from high school. We strongly urge passage of SB85 sponsored by Senator Craig Brandt and legislation being drafted in the House sponsored by Representative Jimmie Hall and Representative Larry Larranaga.

During the 2012-2013 school years, over 48,633 of New Mexico's students had more than 10 unexcused absences within the school year. That is a huge number of young people who are likely to eventually drop out of school and face living in poverty. It is incumbent upon all of us to support dropout prevention and truancy reduction in an effort to increase graduation rates, decrease the number of dropouts and to prepare students for success in college or in a career. Otherwise, we are essentially dooming the future of our state's most valuable asset, its children.

This legislation will provide habitually truant students with multiple opportunities and supports to correct their behavior while also holding them accountable for their attendance choices. If a high school student continues to habitually miss school, his or her driver's license or permit will be suspended. It should be noted that driver's license or driver's permit suspensions are an option only when all else has failed and the student chooses to remain a truant despite every opportunity to modify their choices. We do not see this as a punitive measure, but rather as an intervention to motivate students to make better choices that will prepare them for a successful and meaningful future.

Acceleration of advancement track through licensure system for highly effective teachers and creation of a pathway for teachers to more quickly become principals

Teachers' advancement through the three-tier licensure system is heavily based on experience and the level of higher education attained. Effectiveness in the classroom is not a primary consideration. The Chamber believes that teachers distinguishing themselves through their performance should have the opportunity to advance more quickly. We support passage of HB76 sponsored by Representative Dennis Roch and SB91 sponsored by Senator Mark Moores. This legislation creates a professional pathway for teachers that use both subjective and objective measures to rate teachers. The bill would allow teachers who receive "highly effective" or "exemplary" ratings based on effectiveness to progress more quickly through the three-tier system.

The Chamber also supports SB153 sponsored by Senator Wilson-Beffort and HB71 sponsored by Representative Tim Lewis, which would provide teachers with a professional pathway to become principals within three years rather than waiting six years, as is currently the case. The legislation would allow teachers who have attained a Level II teaching license and have a minimum of three years experience to become principals if they have completed or are enrolled in an administrator preparation program. Passage of this legislation would make New Mexico more competitive with our surrounding states where teachers can become principals in only two or three years. Given that our state is currently not competitive with our neighboring states, we are losing some of our best and brightest to these other states.

Adjunct teacher licensure

New Mexico has many individuals, whether from our national laboratories or businesses throughout the state, who possess solid content knowledge and expertise in numerous fields. This legislation allows content experts to be licensed to teach in our public schools on a part-time basis. Strict criteria have been set to ensure that only fully qualified individuals could be hired as adjunct teachers. The Chamber supports this legislation, which is currently being drafted and will be sponsored in the House by Representative Conrad James and in the Senate by Senator Ron Griggs. Districts would have the flexibility to meet their staffing needs and students would have increased access to content experts who will broaden their knowledge.

Oppose

Increasing Public Education Commission powers and duties

The Chamber stands in very strong opposition to any form of legislation that would establish the State Education Commission (PEC) as an entity independent of the Public Education Department. We also strongly oppose vesting the PEC with any form of rule making authority or any expansion of its authority as related to charter schools. The Public Education Commission is in the Constitution as an advisory body to the Public Education Department, which has the sole authority to render a final decision on all policy matters. The Secretary of Education must have final authority over all decisions within the Public Education Department. There can be no satisfactory outcome for public education in general and charter schools specifically when one entity, which has the responsibility to manage public education including charter schools can be

superseded in the decision process by an otherwise advisory commission. We oppose HB74 sponsored by Representative Christine Trujillo and any other legislation attempting to change existing language as relates to the PEC or to the authority of the PED.

ECONOMIC DEVELOPMENT

Support

Right-To-Work

The Chamber has been a proponent of Right-To-Work legislation for many years and is 100% behind this legislation that will protect New Mexico's workers. We believe that it is commonsense and a bedrock principle that people should not have to pay dues or fees to any organization that they don't want to. It is a basic right to choose issue. New Mexico workers should be able to choose whether or not they want to join a union or pay union dues. As the Governor noted, "it is fundamentally wrong to require membership in a union in order to get a job...or to take money from the paychecks of workers by force."

Additionally, New Mexico's failure to have Right-To-Work laws in place has hurt our economy by making it difficult to compete with our neighboring states in attracting new businesses to the state and in retaining or expanding existing businesses already located here. The Bureau of Economic Analysis found that states that protected their workers with this law showed a 43% gain in total employment from 1990 to 2011. States without a Right-To-Work law only grew employment by an average of 19%. The facts simply do not support the unions' argument in opposition to Right to Work.

We urge passage of HB75 sponsored by Representatives Dennis Roch, Candy Spence Ezell and Andy Nunez that would enact Right-To-Work legislation to the benefit of New Mexico's economy and its citizens. It is simply the right thing to do.

Administration recommendation of \$50M and LFC recommendation of \$30M to fund LEDA (Closing Fund)

The Chamber strongly supports the Administration and LFC recommendations for funding LEDA (Closing Fund) from the General Fund as well as the Administration's recommendation for \$25M in capital outlay funding and urge passage of this funding. As we noted earlier, investment in local infrastructure leads to new investment and new jobs throughout the state. Due to New Mexico's anti-donation law, many communities are unable to compete with other states that can offer cash incentives to recruit new businesses. Arizona, Texas and Oklahoma all have "deal closing" funds, which are used when a business can demonstrate additional funding is necessary to close a competitive gap relative to other states also competing for the same economic development project.

In New Mexico, such funds would have to operate within the confines of LEDA, JTIP or another program that requires substantive contributions of the recipient company. LEDA is the authorizing legislation that requires job retention or creation when state dollars are provided to local jurisdictions to secure an economic development project. There is a twofold benefit from LEDA funds of both capital investment and job creation. It should be noted that LEDA statutes provide security for governmental aid to address losses to the state where the funds were not attached to any sort of claw back provision.

Administration recommendation of \$7M and LFC recommendation of \$5.5M for JTIP

The Administration recommended funding adds \$1.5M to the base budget for JTIP and includes the requested \$5.5M JTIP special appropriations. The LFC recommended funding adds \$1.4M to the base budget and also includes the \$5.5M JTIP special appropriations. The Economic Development Department (EDD) reports that the unobligated JTIP fund balance is gone. This leaves the program with obligated funds they cannot provide and no money to award additional training funds for new jobs. At the January meeting, EDD was forced to only commit to three months in funding for three companies recruited to New Mexico based on JTIP funding. The Chamber urges the legislature to act quickly to fund JTIP at the full recommended funding levels.

Administration recommendation of \$1.5M and LFC recommendation of \$2M in marketing funding for Tourism Department

The Administration is recommending \$1.5M in new funding for the Department of Tourism for the New Mexico True advertising Campaign. LFC is recommending \$2M in new funding. With a record number of visitors to New Mexico over the last several years and tourist spending in our communities having increased by 24% since 2010, the Chamber recommends passage of this additional funding for the very successful New Mexico True advertising campaign. The New Mexico True advertisements, initially targeting West Texas, Arizona, and Colorado, expanded to Chicago, New York, and farther into Texas (including Dallas and Houston) during FY15. The Tourism Department plans to use any increase in funding for FY16 to either enter the San Francisco market or increase advertising in New York and add a limited campaign in Los Angeles. The agency will also hire a contractor to perform an advertising effectiveness study in the second half of FY15. The dollars spent by tourists in New Mexico play an important role in sustaining and improving the state's over all economy.

No indemnity/medical benefits under workman's compensation if worker's injury or death resulted from alcohol/drug use at the time

Last year the Chamber supported legislation that would disqualify a worker from all worker's comp benefits payable, indemnity or medical, when the worker's injury or death was a result of

intoxication from alcohol or drugs in any degree. Disqualification would also occur if the worker refused to submit to or provide the results of a post-accident test for alcohol or drugs. This is a safety issue not only for the worker, but also for those working with and around that worker. Nor do we believe that employers should be required to pay for an injury or death for which the worker is responsible due to drug or alcohol use. We remain in support of such legislation.

Administration recommendation of \$1.8M for the Spaceport Authority

As a result of last year's Virgin Galactic test flight crash, delays will reduce launch and visitor revenues for the New Mexico Spaceport Authority. While the Spaceport Authority remains active in its pursuits of additional clients and income sources, the very real possibility exists that they may be unable to continue operation, without layoffs, prolonged furloughs or suspended contracts until launches begin. The Authority is requesting \$1.8M in special appropriations, which if unused will revert to the General Fund, in order to continue operation in the event they are unable to meet their budget. The Chamber supports this appropriation. To do otherwise would risk the future of the Spaceport.

Administration recommendation of \$500K plus additional non-recurring and capital outlay and LFC recommendation for \$850K for New Mexico MainStreet programs

The Chamber supports the recommendations of the LFC and administration for recurring funding for New Mexico MainStreet programs. For every state dollar invested in the state's MainStreet program since 1986, MainStreet districts saw private sector investment of \$21.89 in building rehabilitation and \$22.55 in new construction according to a report by a consultant hired by the National Trust for Historic Preservation. Additionally, from 1986 to July 2013, MainStreet districts gained 3,200 net businesses and nearly 11.3 thousand net new jobs. The report also estimates that the program costs taxpayers only \$1,127 per new job, making it one of the most cost effective job creation programs in New Mexico.

Administration recommendation of \$500K for The New Mexico Partnership

The New Mexico Partnership is contracted by the New Mexico Economic Development Department to be the one stop shop for locating and expanding businesses in New Mexico. The Partnership offers a coordinated approach and a formal network of economic developers to simplify the site selection process by providing information and support regarding incentives, workforce training programs, and real estate sites and buildings.

TAX POLICY

Support

Increasing both thresholds and caps for Angel Investment Tax Credit to attract investment

The Chamber supports legislation to expand the existing Angel Investment Tax Credit by raising the maximum individual investment threshold from \$100,000 to \$250,000 as well as increasing the overall cap on the credit from \$750,000 to \$2 million. The legislation also extends the sunset date. We supported the original legislation to create the Angel Investment Tax Credit and believe that the threshold and cap increases will encourage Angel investors, be they individuals or investment funds investing in start-up companies, to make both larger investments and more investments in these new small businesses.

Technology Jobs Tax Credit

The Chamber continues its strong support for the Technology Jobs Tax Credit. A number of years ago, the Chamber supported passage of the Technology Jobs Tax Credit and the Research and Development Small Business Tax Credit. We support combining these two tax credit incentives and increasing the percentage of new investment for which the tax credit can be taken as well as enhancing the benefits related to the creation of new technology-related jobs and infrastructure investment in the State. Most helpful is making the credit refundable in order to help those companies that engage in early R and D activities, which usually have limited tax liability against which to take the credit. We urge passage of this legislation.

Headquarters Incentive

The Chamber supports legislation that would provide for existing companies with headquarters operations in New Mexico to qualify for the single sales factor category for tax purposes. The language would also apply to those companies who move their regional or national headquarter operations to the state. We must continue to strive to expand New Mexico's economy. This legislation would aid in both retention of existing companies and recruitment of new ones.

Small Business Growth Incentive

The Chamber supports legislation that would provide for Personal Income Tax (PIT) abatement for small businesses. Essentially, the deduction would start at 100% for the smallest businesses and would gradually phase out for larger businesses. It is expected that a ceiling target in the \$200,000 to \$350,000 range for the final phase-out would be included. Small business income would include partnerships, S corps and sole proprietorships, as long as the taxpayer is actively involved using federal law definitions for that. It takes time for just launched businesses to show a profit. Some measure of tax relief in the early years when small businesses are

struggling would help ensure their success, which benefits the state in terms of economic development and job creation. Most small businesses file taxes under their personal income tax, hence the need for relief in the form of a PIT abatement. The basic structure is a deduction from taxable income of a portion of active, small business income.

Renewable Energy Tax Credit

The Chamber supports legislation that would increase the amount of electricity that may be produced by qualified energy generators that will be eligible for the renewable energy production tax credit. Production tax credits for solar are maxed out through 2022 and all of the available credits for wind are claimed from 2016 to 2020. 794 MW of wind capacity and 232 MW of solar capacity have been installed through 10 wind and 21 solar projects as a result of the renewable energy tax credit with more capacity efforts moving forward. However, projects that comprise 712 MW of wind capacity and 65 MW of solar capacity are on the waitlist for the tax credit with applications under review. There is a growing concern that such a backlog, combined with the tax credits reaching their cap, could dampen momentum in the growth of the renewable energy industry in the state. The New Mexico legislature capped the credit at 2,000,000 MWh of production per year for wind and at 500,000 MWh of production per year for solar. Solar projects hit the cap this year. Wind projects are projected to reach the cap in 2016. This situation is of considerable concern and we urge passage of legislation to increase the cap.

Re-enactment of the GRT deduction for trade support companies

The Chamber supported the initial legislation, which provided for a GRT deduction for trade support companies and again unsuccessfully supported efforts in the last two years to extend the sunset clause for this very successful initiative. This legislation authorizes a five-year gross receipts tax deduction for a trade-support company first locating in New Mexico within 20 miles of a port of entry on or after July 1, 2014 but before July 1, 2021, and employing at least two employees in New Mexico. A “trade-support company” is defined as a customs brokerage firm or freight forwarder. This specific tax deduction was instrumental in the increase in the number of companies that relocated to the Santa Teresa border crossing area and the resultant economic development that has occurred there. The Chamber urges re-enactment of the GRT deduction.

Independent Tax and Revenue Hearing Officers

The Chamber supports legislation to move hearing officers on tax and revenue matters from the Tax and Revenue Department to the Department of Finance Administration (DFA) in order to provide for independence during these hearings. Motor vehicle implied consent hearings would also be moved to the DFA. The state has been criticized for the appearance of unfairness during these hearings because the hearing officers who adjudicate tax disputes are employees

of the Tax and Revenue Department, which is a party to the dispute. The Chamber believes that creation of a truly independent hearing officer to review these cases will correct that concern.

HB94 Sales from directed energy and satellite-related inputs may be deducted from GRT

This legislation provides that sales to the Department of Defense by a qualified contractor of research and development services and directed energy and satellite-related inputs may be deducted from gross receipts. The Chamber has supported this legislation for several years as a critical economic development and tax policy bill that would promote new technology, enhance the viability of existing directed energy and satellite projects, attract new projects and employers to the state, and increase high-technology employment opportunities.

Oppose

Unitary Corporation combined tax reporting

The Chamber has long opposed Unitary Corporation combined tax reporting. This legislation will require unitary corporations (related corporations in the same line(s) of business) to file New Mexico corporate income tax returns on a combined basis. Such corporations would no longer be allowed to file on a federal consolidated basis. It would increase state corporate income taxes for a number of in-state businesses with out-of-state affiliates. They also would not be able to file as stand alone corporations, which would also result in a tax increase.

HIGHER EDUCATION

Support

Administration recommendation of \$2.5M and LFC recommendation of \$5M to provide funding to the Higher Education Endowment

Along with recommending \$2.5M non-recurring for the Higher Education Endowment Fund, the Administration is again calling for reforms in the Higher Education Endowment Fund process. The Chamber supports the reforms promoted by the Governor to create a process whereby the universities will compete for the funds as well as ensure that the Endowment funds are properly matched and used for their intended purpose, i.e. to create endowed chairs in science, health, mathematics and associated critical fields. We need to attract better professors and researchers in order to attract better students and achieve more innovation. If the statutes are re-written, universities would come before a board to justify the use of their funds to ensure, for example, that the funds will not go to increased salaries, but will be used to create a new endowed chair.

The Chamber supports the Administration and LFC recommendations to provide funding for endowed chairs through a, hopefully enacted, reform process which will require competition and focus the funds on recruiting researchers, scientists and professors whose work can aid economic development especially in the high-tech arena and through association with the national laboratories.

Administration recommendation of \$1M for Technology Research Collaborative

We support the Administration funding request of \$1M to the Technology Research Collaborative (TRC). Two years ago, the Chamber actively supported passage of the enabling language that created the collaborative. This year we believe it is imperative that the Legislature fund the collaborative in order to provide dollars to enterprising projects with commercial potential that result from the partnership of researchers at New Mexico's laboratories, universities and the private sector. High-tech businesses and the jobs they create are critical to the future economic success of New Mexico and are most likely to be successful when developed through the partnerships supported and funded through the collaborative.

Additionally, the Economic Development Department (EDD) has been invited to apply for an Office of Economic Adjustment (OEA) grant offered through the Department of Defense (DOD) to assist states affected by changes in DOD budgets. If awarded this first year grant, the EDD will be eligible to apply for additional grants to assist the state in diversifying business and to help commercial suppliers used by the DOD to stay in business. The TRC Board has approved leveraging 10% of the funding they receive as a match for these additional grants, which will be used to fund early stage companies to ensure their success in making it to the market place. This is a huge opportunity for the state to create new jobs and sustain existing ones to the benefit of New Mexico's citizens. However, without funding for the TRC, the matching funds will not be available and this economic development opportunity will be lost. The Chamber strongly urges inclusion of TRC funds in the final budget.

Administration recommendation of \$6.5M for the Lottery Scholarship Fund

The Chamber supports the Administration's recommendation of \$6.5M in non-recurring funds to preserve the Lottery Scholarship for New Mexico students. An investment in our students is an investment in our future. Additionally, both the Administration and the LFC have recommended an additional \$11M non-recurring to cover special program shortfalls in the Student Financial Aid program.

PUBLIC SAFETY

Support

Two-Tiered Driver's License

The Chamber strongly supported this legislation during the last two sessions. Representative Pacheco has again introduced legislation having pre-filed HB32, which is very similar to that introduced in prior years, but this version also provides for state-issued identification cards in addition to driver's licenses. The bill establishes a two-tiered system for both driver's licenses and identification cards and also provides for a one-year restricted temporary license or ID card for certain foreign nationals. The Tax and Revenue Department under which Motor Vehicles falls will have set-up two distinctly different driver's licenses and identification cards that differentiate between those meeting federal requirements for official federal purposes and those that do not.

According to the National Conference of State Legislatures' December 23, 2013 publication, regarding enforcement of the federal "Real ID Act", there are four phases consisting of a three-month warning followed by enforcement. Phase one affects entry into Homeland Security Headquarters (January-April 2014); phase two affects entry into restricted federal facilities and nuclear power plants (April-July 2014); phase three affects semi-restricted areas of federal facilities (October-January 2015); and, phase four affects entry into commercial aircraft and will not be implemented any sooner than January 2016. While entry into commercial aircraft may be a year or more in the future, it must be noted that a significant number of workers in New Mexico – at our labs, universities, defense contracting companies, etc. – will likely be affected if New Mexico is non-compliant (which we currently are, our extension having expired). It is also important to understand that the entire purpose of the federal effort to require valid identification before boarding an airplane or entering a federal facility is to protect the public safety. This issue can and should be resolved.

Return to work for police officers

The Chamber supports Mayor Richard Berry of Albuquerque in his efforts to seek passage of "return-to-work" legislation for retired officers to address current and upcoming shortfalls in the number of officers on the police force. Recent reductions in the force of some 20% and the potential loss of another 200 officers due to phased-in changes to retirement benefits that will reduce some of their benefits if they retire after July 1, has left all of us concerned. Berry has already approached the City Council asking for some \$900,000 through the summer to provide pay increases for officers who are willing to delay retirement for at least one more year. The legislation the Mayor is seeking in Santa Fe is to allow retired officers to work without giving up their pensions and he has offered to make compromises by limiting the number of officers who can participate and placing a phased-in sunset on the legislation. Berry noted that experienced officers are needed given that Albuquerque will soon begin carrying out police reforms required

under a settlement agreement with the U. S. Department of Justice. The New Mexico Municipal League has expressed full support for the proposed return-to-work legislation noting that smaller cities are facing similar challenges.

Providing more money to protect New Mexico's children (protective services)

The Administration has recommended expenditure of \$8.2M and the LFC has recommended \$14M to provide funding for the Protective Services Program (PSP) of Children, Youth and Family Service (CYFD). The PSP, which is responsible for intervening when a child has been mistreated, is struggling with an increased need to provide protective services for children and families throughout the state. The PSP is in need of a significant increase from the General Fund for additional employees, foster care and support, and funding to pilot several family support services and child custody sites statewide. Currently, the average monthly caseload is 21.8 for permanency planners and 14.5 for investigators, which far exceeds national recommendations. The funding for additional personnel would result in a decrease in caseload for permanency planners and investigators. The Chamber supports this additional funding for protective services and urges inclusion during the final legislative budget process. As citizens of New Mexico, we have an obligation to the state's children

Increased penalties for repeat DWI offenders

The Chamber has supported toughening DWI laws for many years and we continue that support this year. DWI remains a chronic problem in our state with increasing incidents in which multiple offenders continue to be arrested again and again for driving while under the influence. In a number of cases, drivers under the influence have harmed innocent citizens as well as themselves. It is time for the Legislature to enact tougher penalties as well as provide treatment for repeat offenders. Offenders should receive longer jail terms for repeat offenses and DWI convictions should count when felony offenders are being sentenced for other crimes.

CONSTITUTIONAL AMENDMENT

Support

Non-Partisan Judicial Elections

The Chamber supports a joint resolution for a constitutional amendment that would create non-partisan judicial elections. We support continuing the existing nomination selection process whereby a bipartisan judicial commission selects a handful of candidates through a rigorous process, and the Governor appoints who he/she feels is the most qualified applicant from that list. But, rather than having the appointed judge then run in a partisan election, we believe the election should be non-partisan in nature. It makes little sense to have a merit-

based process that is designed to mitigate the influence of partisan politics in the selection of our judges be so quickly influenced-and often undone-by a partisan election soon after. We do not, at the present time, propose any changes to the current process of having judges who win their first election then stand for retention in subsequent elections. At the end of the day, we simply feel the public, including the business community, would have much more confidence in our judicial system if we enact changes to make the process of selecting judges more merit-based and less partisan.

TELECOMMUNICATIONS

Support

Bi-partisan legislation that would streamline traditional telephone service regulation to enhance consumer choice and promote investment in newer technologies for the state's largest incumbent providers

The Chamber supports the bi-partisan SB193 Telecommunications Regulatory Parity Act sponsored by Senate Majority Whip Michael Padilla, Representative Sarah Maestas Barnes and Representative Jim Smith that would place all traditional phone companies under the same set of regulations. Currently small rural, midsize and large companies operate under different sets of regulations with large companies having the least flexibility. The bill will create more opportunity for private investment in New Mexico broadband by holding telecommunications companies operating in New Mexico to an equal level of regulation. The bill accomplishes this by overhauling a 1985 telecommunications law that was passed well before widespread adoption of the Internet and wireless communications, while ensuring that all incumbent phone carriers are equally regulated by the more modern 1999 Rural Telecommunications Act.

The modern telecommunications marketplace is dynamic and ever changing driven largely by new technology. This marketplace has evolved from single companies providing landline telephone service, heavily regulated by government, to a free market place full of new offerings and a multitude of competitors many of which are unregulated. Increasingly, consumers are moving away from traditional landline telephone service.

The "old" or traditional telephone companies are engaging in competition for new services such as wireless and broadband. However, traditional phone service provided by these companies remains heavily regulated in New Mexico but under different sets of regulation depending on the size of the company. Moreover, cable companies and other "new" providers of traditional telephone service are unregulated.

This legislation is not aimed at deregulating traditional telephone service provided by the traditional companies. It simply seeks to place one uniform set of regulations in place for all landline telephone service provided by traditional providers. In other words, it seeks parity in

regulatory treatment among the traditional providers. The PRC would retain regulatory oversight using the same rules for everyone. Moreover, any proposed increases to residential rates would first have to be approved by the PRC.

MINIMUM WAGE INCREASE

The Chamber's position on a state-wide minimum wage increase is that if such an increase is passed, we support ensuring that the resulting increase will not make New Mexico less competitive than surrounding states in the region and that it is written in such a way as to protect small businesses.

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