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New Mexico: Difficult Beginnings and Difficult Ends

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Abstract

In spring 2017, the New Mexico State Legislature faced difficult financial and political challenges. Persistent high unemployment, high poverty, and outward migration combined with weak oil revenues and reduced federal spending has resulted in a steady reduction in General Fund revenues. Shrinking revenues caused state legislators to twice revisit current appropriation levels with the goal of avoiding budget deficits and providing assurances to investor rating agencies. Political discord regarding the appropriate fiscal remedy has made the financial situation more difficult as legislators and the governor debate the need to increase revenues or cut state agency budgets. At the conclusion of regular and special sessions, the legislature enacted a \$6.1 billion budget for the fiscal year beginning on July 1, 2017. The enacted budget reflects a small increase in public school funding (half of one percent) and a decrease in spending for higher education (one percent). Legislators ultimately provided the governor with multiple potential revenue increases. The governor vetoed all such increases opting to approve the use of severance tax bond proceeds from suspended infrastructure projects to balance the operational budget. The proceeds provided just enough to balance the budget leaving only \$24 million in reserve.

Introduction

The story of New Mexico's budget in 2017 is one of difficult beginnings and difficult endings. Falling crude oil prices and persistently high unemployment have resulted in a state revenue trajectory that has been steadily downward. Shrinking revenues have necessitated significant budget adjustments in special and regular sessions. As state government and public education are cut to the bone, the governor publicly ponders state furloughs and government shut downs. Divided government and strained legislative-executive relations make both short- and long-term policy solutions difficult to contemplate and nearly impossible to achieve. Political and financial strife has taken its toll on a population that has seen continuous cuts to state services, strained education systems, and dysfunctional governance.

Demographics

New Mexico is home to just over two million people (2,081,015) as of July 1, 2016. This number represents a decline in population from the previous year; it reflects a growth rate of 1.1 percent since April 2010 (US Census Quick Facts). The population decline represents a disturb-

ing trend; for the last three years more people have been leaving New Mexico than are moving in, or being born in the state. The people who are leaving are young, college-educated workers. The people staying behind tend to be poorer and less educated. The trend does not bode well for long-term economic development or short-term financial stability.

New Mexico is a majority-minority state. Hispanics are the largest demographic in the state comprising 48 percent of the population and 60 percent of all K-12 students in the state (Pew 2017). New Mexico is also home to a relatively large Native-American population including the Navajo Nation, three Apache tribes, and 19 Pueblos. Native Americans comprise 11 percent of the overall state population. Educationally, New Mexicans lag behind national averages as 84.2 percent of New Mexicans are high school graduates and 26.3 percent of New Mexicans have a bachelors degree or higher. By comparison, the United States' average is 86.7 percent and 29.8 percent respectively (US Census Quick Facts). One in five people live in poverty, and one-third of all children live in poverty. And, New Mexicans tend to be multilingual as over one-third of all households speak something other than English at home though less than 10 percent of New Mexicans are foreign born (US Census Quick Facts).

State of the Economy

New Mexico is a state of great beauty, great diversity, significant unemployment, and great poverty. Poverty and a multiyear faltering economy are substantial parts of the economic picture in 2017. While national economic growth has continued at a slow to moderate pace over the last few years, the New Mexico economy has struggled. The state has not regained prerecession total employment levels reached in 2005 (LFC 2017). In fact, the state is still well below prerecession employment levels (Mitchell 2016). A weak labor market has depressed wage and salary growth with average weekly earnings continuing to fall and hourly wages stagnating (LFC 2017). Employment growth fell to 0.4 percent in December 2016 (Figure 1). This leaves New Mexico falling substantially behind other western states and the nation (Figure 2). In January 2017, the New Mexico unemployment rate was 6.7 percent, two percentage points higher than the national average and much higher than the state's western neighbors. The state's weak economic recovery and slow job growth has resulted in out-migration and a smaller labor force (Mitchell 2016). Why has it taken so long for New Mexico's economy to recover? While political leaders debate the answer, economic professionals point to the loss of federal money resulting from decreases in federal spending, the collapse in oil prices, no growth in historically leading areas (such as construction, professional and technical services, and government), and a change in national patterns of economic growth calling for more skilled labor markets (Mitchell 2016).

New Mexico's faltering economy is a two-pronged sword. On one side is high unemployment rates and, on the other, high poverty rates. In spring 2017, New Mexico had one of the worst economies in the country. In June of 2016, WalletHub ranked New Mexico 5th last in the country. As of the June 2016 report, New Mexico was ranked 32nd in GDP growth, 45th in unemployment, and dead last, 51st, in immigration of U.S. knowledge workers (Ortiz 2016).

The failing economy is recognized most poignantly in the state's high poverty levels. In its 2016 Kids Count report released by the Annie E. Casey Foundation, New Mexico ranked 49th in overall child wellbeing. The report found that 30 percent of children in New Mexico lived in poverty, 41 percent lived in single-parent families, and 36 percent had parents who lacked secure employment (Annie E. Casey Foundation 2016).

Figure 1.

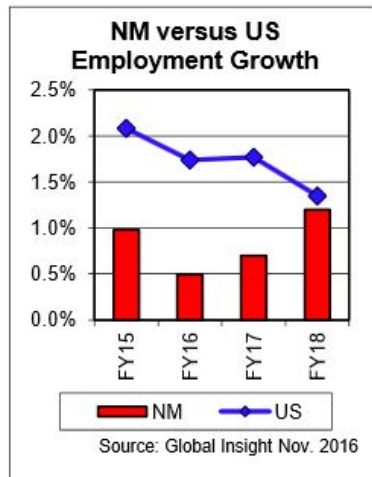
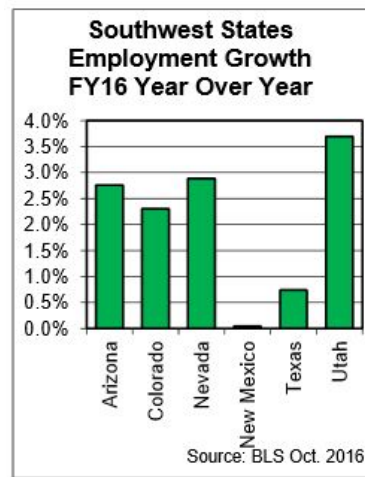


Figure 2.



Unemployment and poverty rates are well documented in the state. What is not well documented and, in fact, what there is great disagreement about, is how best to improve these dismal numbers. The debate has been one of the central themes of the political landscape.

The 2016 Election

The 2016 general election had high stakes nationally and locally as political parties fought for control of the state legislature and several high-profile statewide offices. In the state legislature, partisans wrangled for control of both the House and Senate. In 2014, Republicans had seized control of the New Mexico House of Representatives, while Democrats retained control of the state Senate. The 2016 general election brought about a rematch between state Democratic leaders and Republican Governor Susana Martinez and her political allies. The governor and her financial assistance had been instrumental in swinging the state House of Representatives to the Republican column, and she had been hopeful to achieve a clean sweep of state government in the 2016 election. Despite large expenditures and Republican strength nationally, Governor Martinez did not prevail, instead ceding ground previously gained. In the state legislature, Democrats strengthened their majority in the state Senate and reclaimed control of the state House of Representatives. The governor was successful in one aspect; she was able to help defeat her long-time legislative foe, state Senate Majority Leader Michael Sanchez (D-Belen). Senator Sanchez and his Democratic Senate had presented a consistent stumbling block to the governor through six legislative sessions. His defeat proved a rare victory for Martinez on election night and it came at a substantial cost. Sanchez lost his race to newcomer Republican Greg Baca.

In the state House of Representatives, Republicans had gained a slim majority in the 2014 election. Their tenure in power was short-lived, however, as Democrats reclaimed a solid majority in the 2016 general election. Their success resulted in a House majority of 38 Democrats to 32 Republicans and a Senate majority of 26 Democrats to 16 Republicans (Legislative Council Service 2017).

As Democrats reclaimed control of the state legislature, they also reclaimed an important statewide office, the secretary of state's office. The office had been held for five years by Martinez ally Republican Dianna Duran. In late 2015, Duran resigned after a lengthy criminal investigation and her subsequent guilty plea to charges of money laundering and embezzlement. Duran had faced 65 charges related to her use of campaign funds to finance a gambling habit. Her resignation was part of a plea bargain with the New Mexico Attorney General's office (Santos 2015). The secretary of state's office was temporarily staffed by Martinez appointee Brad Winter, and the position was placed on the 2016 ballot. In a high profile and expensive race, Democrat Maggie Toulouse Oliver, the Bernalillo County Clerk, claimed victory in November 2016 and Democrats regained an important state post.

While "down ballot" races were of great importance in the 2016 election, one cannot ignore the elephant at the top of the ballot. Though Republican candidate Donald Trump prevailed nationally, blue was the color of the moment in New Mexico. New Mexicans provided solid support to Secretary Hillary Clinton; Clinton won New Mexico by more than eight percentage points, and former Governor Gary Johnson garnered nine percent of the state vote. While Democrats were generally successful, there were some interesting exceptions. In a very high profile race, Justice Judith Nakamura, a sitting New Mexico Supreme Court Justice, was challenged by Court of Appeals Judge Michael Vigil for a New Mexico Supreme Court spot. Nakamura was appointed to an open spot on the high court by Governor Martinez in November 2015. Under New Mexico's modified merit selection system, all newly appointed judges face one open partisan election. Nakamura, a Republican, served many years as a Metro Court and District Court judge in the state's busiest judicial district, Bernalillo County. Her challenger, a Democrat, had already successfully won a statewide office in his prior election to the Court of Appeals. Nakamura's narrow victory (52 percent to 48 percent) won her the title of the first female Republican elected to the state Supreme Court. Her election continues the court's female majority (Shepard 2016).

While the secretary of state and state Supreme Court races provided uncertainty and drama to statewide elections, some 2016 elections seemed almost pro forma. In all three of New Mexico's congressional races, incumbents won handily, earning between 63 percent and 65 percent of the vote. New Mexico's two northern congressmen Democrats Ben Ray Lujan and Michelle Lujan Grisham, and southeastern New Mexico's Republican Steve Pearce all defeated their challengers by substantial margins (*New York Times* 2016).

An Eventful Fall 2016

While the presidential election occupied the national stage, New Mexicans wrestled with the effects of a persistently underperforming economy. Low crude oil prices and high unemployment figures resulted in a steady decline in state revenues. By the end of the fiscal year on June 30, 2016, FY16 revenues had fallen eight percent, \$595 million below appropriations, leaving the state facing a deficit in the General Fund operating reserve (LFC 2016). As the new fiscal year began on July 1, 2016, a deficit of \$430 million was projected for 2017 (Krasnow and Oxford 2016). In late September of 2016, Governor Susana Martinez called legislators backed to Santa Fe for a special session to try to plug financial holes in the state budget. The governor also chose to include several hot-button political issues in the session call including the reinstatement of the death penalty, a sentence the state abolished in 2009 (Boyd and Baker 2016). The special session stretched seven days while lawmakers debated budget fixes and criminal penalties. In the end lawmakers adopted a solvency package that included a mix of spending cuts and one-time

fixes, with the hope of covering the budget deficit and generating an estimated \$370.8 million in savings for the fiscal year beginning July 1, 2016. Criminal bills, most visibly the death penalty reinstatement, were debated through the night and passed by the Republican House at a 6:00 a.m. vote. The Democratic-controlled Senate refused to take up the criminal bills and the measures died without Senate consideration.

The temporary budget solution enacted at the special session involved a mixture of draining General Fund reserves, sweeping cash from various cash reserves, funneling Tobacco Settlement Funds into the General Fund, cutting almost all state agency budgets more than five percent, and eliminating several tax loopholes (Terrell 2016). While the special session measures temporarily balanced the books (a requirement of the New Mexico constitution), they did little to assuage the fears of legislative budget leaders or private lenders. In late October 2016, Moody's Investor Service, the national credit rating agency, downgraded the state's AAA rating to AA1. Moody's stated that the downgrade was driven by concern over "the depletion of General Fund reserves" even after the legislative solvency efforts of early October (Boyd 2016).

Shrinking cash reserves, plummeting oil prices and natural gas surpluses, credit downgrades, and an uncertain fiscal future provided the back drop for the 2017 legislative session. The financial tension combined with the political tension of a unified Democratic House and Senate and an uncompromising Republican governor set up a difficult winter and spring in New Mexico politics, and it was mid-winter when the 2017 legislature began its work.

The 2017 Legislature

The New Mexico Legislature is a part-time, unpaid legislature constitutionally required to meet in annual regular sessions. By constitutional mandate, sessions are called to order at noon on the third Tuesday in January (Article 4, Constitution of New Mexico). Legislative sessions in even-numbered years last 30 continuous calendar days; in odd-numbered years, regular sessions last 60 continuous, calendar days.

Though the legislature does not officially begin until January, preparations begin months before with interim legislative committees meeting through the summer and fall. The legislature and the executive develop separate proposed budgets for the upcoming year. Legislative and executive economists and budget officials work together to develop a consensus General Fund revenue estimate. The estimate is used by lawmakers and the executive in the budget development process. The consensus revenue forecast is updated and published regularly. After months of committee testimony and review of executive agency requests, the Legislative Finance Committee finalizes its budget recommendations in December (LFC 2012). The governor presents her budget to the legislature in mid-January. Both the executive and legislative budgets are presented to the legislature. The governor's budget is introduced first traditionally as House Bill 2. The legislature considers the governor's budget, eventually substituting its own budgetary preferences after committee consideration.

In preparing for the legislative session, finance experts and the consensus revenue estimating group worked through the winter trying to develop solid revenue estimates despite shifting economic trends. By late 2016 it became increasingly clear that the budget adjustments accomplished in the October 2016 special session were insufficient. Steadily high unemployment and steadily low oil prices wreaked havoc on previous consensus forecasts. Partial governor vetoes of the special session legislation also contributed to a budget inching toward deficit. With General

Fund reserves already drawn to worryingly low levels, it became clear that the first order of business in January 2017 would be fixing the current year budget.

The 2017 New Mexico State Legislature convened on January 17, 2017. Solid Democratic majorities in the House and Senate were joined by a new Democratic secretary of state and a Republican governor in the last two years of her final term in office. The legislature and the governor came together for the opening gavel, however, proximity did not equal consensus. Faced with a grim financial picture, the branches offered competing and very different solutions to the financial troubles facing the state. Legislators charged with balancing the budget advocated a mixture of tax reform and tax increases, including raising the fuel tax (last raised in 1995), taxing internet sales, taxing junk food, and leveling the playing field with regard to medical deductions (LFC 2017).

The governor announced her vehement opposition to the legislative plan and any tax increase, instead advocating cuts to state worker and teacher pension contributions (forcing employees to pay more and the state to pay a lesser portion), tapping legislative retirement accounts, making additional cuts to universities and the legislature, sweeping school district reserves and various government accounts, and stopping “hold harmless” state subsidy payments to cities and counties that enacted tax increases under the terms of a 2013 tax package (Boyd 2017a). Making things trickier was the need to act quickly and in two phases. First, legislators had to deal with the existing budget crunch and a possible deficit in the current fiscal year. Second, the legislature would need to pass a budget for the next fiscal year (beginning July 1, 2017) against a backdrop of very small reserves, increased costs, and an unimproved fiscal picture.

In the first weeks of the session, the legislature focused on task number one—shoring up the current fiscal year budget (ending June 30, 2017) and refilling dwindling reserves. The legislature accomplished this task within the first week of the session, sending a package of bills to the governor by January 25. The \$216 million solvency package tapped school district reserves and multiple state accounts, plugging an \$81 million dollar current year deficit and bringing General Fund reserves up to 2.3 percent. With three days to act on the legislation, the governor used her line-item veto authority on one of the three bills, as the other two were signed without changes. In the end, the governor approved approximately \$190 million in current year spending reductions, leaving state General Fund reserves at just under two percent (Boyd 2017b).

With task number one complete and fifty days remaining in the legislative session, legislators turned their attention to crafting a budget for Fiscal Year 2018 (beginning July 1, 2017) and to the task of dealing with the substantive issues of the moment.

The Budget: Fiscal Year 2018

In every annual legislative session the legislature has one primary goal—to pass a balanced budget. A difficult task in the best of times, the task was complicated in January 2017 by downward trending revenue forecasts, possibly negative or very small reserve fund balances, and slow employment growth. For the past two years, legislators have had to play catchup (or perhaps “replay”) budget negotiations as expected revenues fell short of expenditures. The legislature has had to reduce expenditures by over \$800 million in two consecutive fiscal years including \$595 million in FY 2016 and a projected \$237 million in FY 2017 (LFC 2017). In a state with an average overall budget of \$6 billion, the necessary reductions have been significant.

Coming into the 2017 legislative session, the Legislative Finance Committee released its Fiscal Year 2018 budget recommendations. The committee recommended recurring General Fund

appropriations of \$6.052 billion. In announcing the recommendations, committee chairman Senator John Arthur Smith (D-Deming) acknowledged the difficulties of the last two years stating that the last 17 months have been among the hardest financially the state has faced. Recognizing that some critical state services are suffering, the committee recommended a slight increase in public school funding (that distributed through the equalization funding formula) and a 25 percent decrease in special public school initiatives. Proposed expenditures for the legislature were flat, judicial agencies were recommended to have a one percent increase and many state agencies were recommended to receive small cuts or flat funding. The committee also recommended a slight decrease in Medicaid, public safety, and higher education and a slight increase for corrections (LFC 2017).

In announcing its budget proposal, the legislature advocated expenditure of \$6.052 billion for FY 2018. Projected revenues for FY 2018 are \$5.929 billion. Much of the last 50 days of the regular session were spent in negotiation with the governor and legislators about how and whether to fill the gap between expected revenues and recommended expenditures. Throughout the session the governor restated her opposition to increasing taxes in any form consistently stating that government should “tighten its belt” (Boyd 2017a). The governor continued to advocate trimming the take home pay of state workers and teachers, tapping a legislative retirement account, cutting school district reserves, and making cuts to state agencies.

At the end of 60 days, the legislature forwarded a \$6.1 billion budget to the governor increasing funding for public schools one-half of one percent though cutting higher education one percent. The budget included \$128 million of expenditures in excess of expected revenues. The legislature made up the extra revenue in a separate budget measure that would raise \$350 million through tax increases on hospitals, gasoline, diesel fuel, vehicle sales, and internet sales. The governor had 20 days after the close of the session to act on the measures. And act she did. From the moment legislators exited the chamber, the governor signaled her intent to veto the budget and the tax increases, vowing to call legislators back into session, chastising them for “failing to do their job,” saying “They actually squandered 60 days and cowed to special interest groups” (Oxford 2017) . In the end, Governor Martinez was good for her word, vetoing the supplemental tax bill and a significant portion of the general appropriations bill including funding for the legislative branch and for all universities and colleges in the state.

The Governor’s Vetoes

Governors and state legislatures have long wrangled over budgetary decisions. In the 2017 legislative session, that wrangling spilled into all aspects of legislative deliberation as Governor Martinez embarked on an unprecedented flurry of vetoes. Martinez had not spared the veto pen in prior sessions. Nonetheless, in the period following the 2017 regular session, she broke all her records, even vetoing bills popular with members of her own party. In the first weeks of the session she vetoed the appropriations bill paying for legislative operations known as “the feed bill.” By the end of January, she vetoed a much publicized industrial research of hemp bill. In the first week of March she vetoed a long list of popular bills including one that guaranteed teachers the right to take contractually agreed upon sick leave days without penalty to their annual evaluation (the current practice under Martinez’s education chief). The teacher leave bill was passed unanimously in the Senate and actually sponsored by House Republicans. The veto of the teacher sick leave bill prompted a Senate vote to override the veto, the first successful Senate override vote of the Martinez governorship. Even though House Republicans had sponsored the bill and voted for

it overwhelmingly, they declined to override their governor in the House override motion (Lyman 2017).

While vetoes are a common piece of every legislative session, in 2017 the vetoes may be the most important story. In total, the governor vetoed 52 percent of all legislation passed by the legislature including all the state funding for all colleges and universities and the entire legislative budget. She also vetoed legislation to raise the minimum wage, to keep guns out of the hands of domestic abusers, to require disclosure of campaign finance “dark money contributors,” and to increase voter participation through the consolidation of multiple elections (Rubel 2017).

Even the process of vetoing bills was contentious this year as Democratic lawmakers challenged the method by which Martinez vetoed legislation, arguing that her failure to provide any explanation violated the constitutional provision requiring that a governor return vetoed bills to the chamber of origin “with his objections” (Constitution of New Mexico). Lawmakers argued that by not stating any objections, the vetoes were invalid. The secretary of state has said she will not chapter the vetoed bills unless instructed to do so by a court (Oxford 2017).

Issues Facing the State

The generation of revenue and the expenditure of funds is the primary focus in any legislative session. Nonetheless, in a 60-day session, all topics are germane, and the 2017 legislature simultaneously considered a multitude of social and economic issues. Notwithstanding the governor, it was a productive session with legislation passed relating to the economy, elections, and public policy.

Economic Issues

The state economy occupied center stage at the 2017 New Mexico legislative session. By any standard, the state economy is struggling with high unemployment, stagnant wages, and record poverty. While the problems are great, the solutions offered seem small and most did not survive the veto process. Democratic legislators touted their major accomplishment of the session as the passage of a bill increasing the minimum wage. That bill eventually fell victim to the governor’s veto. One bill that managed to pass both the legislature and governor was a long-sought after curtailment of the state’s rampant payday lender industry. House Bill 347 effectively eliminated “payday loans,” requiring non-FDIC backed loans to extend at least 120 days and capping interest rates for short term loans at 175 percent. That marks a significant reduction over current practice that allows payday lending rates of up to 1,000 percent (Jennings 2017). Perhaps the most significant effort to encourage economic development that did survive was Senate Bill 308, an act authorizing the Public Regulation Commission to put more money towards efforts to extend high-speed internet access into rural New Mexico and into underserved urban areas (McKay and Boyd 2017). The lack of reliable statewide broadband was identified as an economic development inhibitor by multiple interim legislative committees, and remedying the issue was one of the rare issues drawing both legislative and executive approval.

While state officials struggle with the causes and effects of a weak economy, compromise remains elusive as the governor balks at most means of revenue enhancement. Unfortunately, state universities and colleges, the nominal drivers of economic development, have been asked to bear the brunt of funding cuts. In 2017, higher education budgets were again targeted for cuts. That economic sacrifice will likely influence the economic landscape for some time to come.

Elections, Campaign Finance and Ethics

Like most states, New Mexico has struggled to get voters to the polls. One barrier to voter participation is a large number of elections. New Mexico routinely conducts multiple elections holding separate school board, municipal, special district, and general elections. For most of the state's history, separate elections have been mandated by constitutional provisions, but recent constitutional amendments and court opinions have cleared the path for consolidated elections. A proposal consolidating local elections with larger general elections was one of the bills pocket vetoed by the governor at the end of the 20-day signing period (Rubel 2017). Also related to elections were bills attempting to increase disclosure of political contributions. The 2017 legislature enacted amendments to the state's Campaign Finance Act to deal with the proliferation of independent groups making campaign expenditures. The enactment aimed to increase disclosure of political groups that contribute to candidates, as well as increase candidate campaign limits. The bill, sponsored by new Senate Majority Leader Peter-Wirth (D-Santa Fe), met a similar death at the hand of the veto pen.

On a good note, the legislature finally agreed to a compromise potentially creating a state ethics commission. The proposal was put forward as a constitutional amendment that will go before the voters in the next general election. If passed by a majority of voters, New Mexico would join more than 40 other states that already have an ethics commission on the books (Jennings 2017).

Public Policy

The impact and overuse of solitary confinement in correctional facilities is much debated, and New Mexico counties have paid millions of dollars in recent years to settle lawsuits filed by individuals who were placed in solitary confinement for long periods. Legislation limiting the use of solitary confinement passed the New Mexico Legislature in 2017. The act met the same fate as many, falling to the governor's veto pen (Boyd 2017c). One legislative policy that did gain the governor's favor was a bill aimed at protecting LGBTQ children. Senate Bill 121, sponsored by Senator Jacob Candelaria (D-Abq), bans the practice of "conversion therapy," the widely discredited practice of attempting to change the sexual orientation of minors (Oxford 2017). The bill drew widespread support in both chambers, including the GOP leader in the house. It was ultimately signed by Governor Martinez.

Difficult Endings

New Mexico completed its 2017 regular legislative session in late March, but work on the budget continued. Governor Martinez's vetoes of funding for an entire branch of government (the legislative branch) and all funding to public colleges and universities clearly necessitated the calling of a special session. Her actions also precipitated the filing of multiple legal challenges by the state legislature. Shortly following the governor's vetoes, the Legislative Council, the interim, bipartisan governing body of the legislature, directed its staff to file two legal challenges to the governor's authority. The first, filed in April 2017, was an emergency petition for a writ of mandamus in the New Mexico Supreme Court. In filing the writ the legislature asked the Court to invalidate the vetoes of legislative and higher education funding and to direct the reinstatement of the vetoed funds. In early May, the governor issued a proclamation calling the legisla-

ture into special session in late May. Six days later, a unanimous Court denied the writ, finding the legal issues not ripe for adjudication (Lee 2017).

Though the Court dismissed the legislature's first writ of mandamus, the legislature filed a second alternative writ of mandamus in June 2017. The second petition asked the Court to determine the validity of 10 different vetoes issued earlier in the spring, vetoes returned to the legislature with minimal or no explanation. In the alternative writ, legislators seek to enforce a constitutional provision requiring the governor to state her reasons for vetoing legislation. As of August 2017, the Court has yet to rule on the alternative petition.

Between the first and second legal challenge, legislators returned to Santa Fe for a special session. The first special session, commenced on May 24, 2017, brought legislators back into session to deal with the governor's \$750 million worth of vetoes from the regular session. Legislators were not keen to prolong the fight, and they quickly approved nearly identical budgets (to those vetoed) for higher education and legislative operations. They also passed a variety of revenue bills designed to shore up and balance the budget, passing more than was necessary to provide the governor with a buffet of choices. The governor rejected most of the proposals designed to improve the state coffers, rejecting all attempts to raise taxes. Instead, the governor opted to approve the use of severance tax bond proceeds from suspended infrastructure projects to balance the operational budget. The proceeds provided just enough to balance the budget leaving only \$24 million in reserve (Oxford and Terrell 2017).

It is the deliberations of the legislature and the governor that shape the structure and operation of state government. Though they are the primary architects of public policy in New Mexico, one would be remiss to fail to mention the impact of national events. The 2016 election of a new United States president will undoubtedly impact the state and its residents.

The Trump Effect

A majority of New Mexicans did not vote for President Trump. Nonetheless, his election has the potential to exert a very strong influence in New Mexico. This influence will be felt particularly with regard to the budget and health care, the proposed reduction in federal spending, immigration enforcement, and the proposal to build a border wall.

Efforts by congressional Republicans to repeal the federal Patient Protection and Affordable Care Act have great potential to impact New Mexico. Like most states, New Mexico spends a significant amount of its budget on health care. Unlike most states, Medicaid is the primary provider of that health care. In fact, in New Mexico roughly 900,000 people, of the state's two million, are on Medicaid. And New Mexico leads the nation in the number of children born into Medicaid families (Nathanson 2017). New Mexico expanded Medicaid under the Affordable Care Act expansion provisions and the state had managed to contain rising costs through that participation. Any congressional action that limits Medicaid in the state has the potential to wreak havoc on the state budget.

The new president has also vowed to slash the size of the federal government. In New Mexico, that means jobs as the state has long relied more on federal spending than most states. Two national labs, four military bases, and multiple national parks and monuments rely on federal funding to bring much needed income and jobs to the state. Congressional budget restraints of recent years have taken their toll on the New Mexico economy, and any increase in spending reductions will not help a state with the highest unemployment rate in the nation.

President Trump's views on immigration and the border are well-documented. As a western state with a shared Mexico border, New Mexicans have long crossed the international border on a regular basis and have long welcomed border crossers. Faced with increased threats of immigration enforcement and proposed border walls, several New Mexico cities have considered seeking sanctuary status. Many school districts wrestle with the difficulty of keeping kids in school after rumors of immigration raids. Following a recent episode in Las Cruces, school district attendance dropped dramatically in the days following an immigration raid in a nearby housing area. Administrators rushed to calm parents and children, but school attendance has yet to regain prescare levels (Blitzer 2017).

Conclusion

New Mexico in 2017 faces many challenges and many uncertainties. As New Mexicans wrestle with local budget challenges, endemic poverty, and partisan gridlock, many will have one eye on Santa Fe and one eye on Washington, D.C. Unfortunately, the issues in focus in either location are unlikely to resolve in the foreseeable future.

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