



New Mexico governor receives a ‘C’ on fiscal report card

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(The Center Square) – New Mexico Gov. Michelle Lujan Grisham received a grade of C on the Cato Institute’s Fiscal Policy **Report Card** on America’s Governors.

The 15th version of the biennial report was released Monday by Cato, a free-market think tank based in Washington, D.C.

“This report discusses ways that states can respond to today’s budget challenges, including tapping revenues from marijuana legalization and cutting costs by prohibiting public-sector collective bargaining,” Cato said in a press release. “The report also describes how states can prepare for future downturns by building large rainy day funds and creating stable and pro-growth tax bases.”

Governors were ranked on a scale of 0 to 100 on the basis of seven tax and spending variables. Lujan Grisham scored a 51, putting her 21st on the list.

"New Mexico’s spending was relatively flat for Lujan Grisham’s first year in office, but in March this year she approved a budget increasing spending 7.5 percent in 2021," the report said. "The large increase turned out to be ill-timed with the health crisis and recession around the corner. In June, the governor and legislature agreed to roll back some of the increases."

The report also knocked the governor for increasing taxes.

"Lujan Grisham approved substantial tax increases her first year in office despite a large surplus at the time," it said. "She approved raising the top individual income tax rate from 4.9 percent to 5.9 percent in 2021 if state revenue growth is below a specified threshold.

Lujan Grisham did score well – a 78 – on the spending variable as proposed changes in New Mexico’s per capita spending was supposed to increase 2 percent but actually fell 0.2 percent. She scored a 45 for the revenue variable as revenues from tax changes increased 1.2 percent.

She received a 32 for the tax rate variable as New Mexico’s top marginal tax rate is increasing from 4.9 percent to 5.9 percent and cigarette taxes went up 34 cents per pack. Lujan Grisham also approved a budget spending increase of 7.5 percent, imposed a tax on e-cigarettes, and increased taxes on motor vehicles, health care providers and online sales.

"The governor also approved a cigarette tax hike from \$1.66 to \$2.00 per pack, imposed a tax on e-cigarettes, increased motor vehicle taxes, raised taxes on health care providers, expanded the taxation of online sales, and raised other taxes and fees," the Cato report said.

A coalition of pro-business and free-market groups last week called on Lujan Grisham to forgo her taxpayer-funded paycheck of \$174,000 annually due to the state's high unemployment rate. That rate stands at 11.3 percent, sixth highest in the country, and the state has had to borrow millions of dollars from the federal government to pay unemployment benefits.

The New Mexico Department of Workforce Solutions last month said it had paid out \$2 billion in jobless claims since March, depleting the entire fund.

Overall, New Mexico had a \$1.1 billion budget surplus when Lujan Grisham took office in January 2019, but now faces a \$991 million shortfall.

Lujan Grisham's predecessor, Republican Susana Martinez, received an A on the 2018 report card. Martinez was not allowed to run for re-election in 2018. New Mexico's state constitution allows governors to serve an unlimited number of terms, but no more than two consecutively.

The report card uses data from the National Association of State Budget Officers, The National Conference of State Legislatures, the Tax Foundation and the budget agencies of each state and covers the period of January 2018 to August 2020.