January 16, 2015

Director of Research and Technical Activities, Project No. 19-20E
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
director@gasb.org

Dear Director:

AFT New Mexico is submitting comments in response to the Governmental Accounting Standards Board’s (GASB) exposure draft of a proposed statement of accounting standards for tax abatement disclosures (Project No. 19-20E).

AFT New Mexico is a 23,000-member union composed of K-12 teachers, paraprofessionals and school-related personnel, higher education faculty and staff, and early childhood educators. We believe that a world-class education system stands on four pillars: treating educators with professionalism and respect; respecting students as individuals; ensuring students have the opportunity to succeed; and providing sufficient funding for public institutions. Funding, in order to be sufficient, must be equitable and transparent. As part of our work, our members and staff often make use of financial documents that conform with GASB standards. Both in collective bargaining and in the state Legislature, our work requires accurate financial data from state and local governments.

We endorse the thrust of GASB’s proposal to bring transparency to economic development tax expenditures. New Mexico has several major state tax abatement programs that are ostensibly designed to support job creation by companies in the private sector. These programs divert much-needed revenue away from public services at a time when the state most needs to invest in its children. Public school enrollment has steadily risen to more than 330,000, and a larger percentage of those children are now living in poverty. As of 2013-14, however, New Mexico’s public school operating budget, when adjusted for inflation, had dropped 10.4 percent since 2007, from $2.99 billion to $2.61 billion (in 2007-08 dollars). GASB’s proposed rule will bring greater transparency to local and state government financial statements and give the public a better understanding of where tax dollars go.

GASB should, however, improve the rule to require that the full scope of economic development tax abatements in New Mexico be included in state and local government financial statements. For example, the proposed definition of “tax abatement” in the rule would likely exclude tax increment development districts (TIDDs) and abatements such as the state’s film production credit. TIDDs are our state’s version of tax increment financing, and they are especially costly: Instead of diverting a single tax at a single level of government (e.g., property taxes at the local level, as in most states), our TIDDs can divert two taxes (property and gross receipts) at three levels of government (city, county and state). One TIDD alone has been authorized at $500 million, and only a tie vote as the legislative session ended prevented a $690 million TIDD. Obviously, these massive economic development tax expenditures need...
to be captured in your "tax abatement" definition, which too narrowly includes only tax reductions and fails to cite tax diversions.

Besides their high costs—the film tax credit cost $75 million in 2011—these abatements provide no clear reporting on their fiscal impact. The loss of state revenue to tax abatements is especially critical because only two states rely less on local dollars to fund K-12 schools than New Mexico. So as cities and counties struggle to sustain needed services, it is more important than ever for New Mexico’s citizens to be better informed through a fuller accounting of funds diverted from those services toward abatements.

We also endorse the comments of our national affiliate, the American Federation of Teachers, relating to the reporting of long-term costs and company-specific and program-specific disclosure. Company-specific disclosure is particularly important in our state. New Mexico has seen several high-tech manufacturing companies receive large tax abatements and then later relocate to other states. A strong rule requiring governments to disclose the long-term costs of abatements granted to specific companies would help the state avoid more costly mistakes. It would also help the public determine if the costs of a specific abatement outweigh its benefits.

Thank you for the opportunity to comment on these issues.

Sincerely,

[Signature]

Stephanie Ly
President
AFT New Mexico