



## Frequently Asked Questions: City of Albuquerque Budget Deficit

### Q: What is at stake?

A: The ability to address the crime epidemic and create a safe community, as well as continue to provide essential services. For the past several years, Albuquerque's crime rates have been at a historical high and top national rankings on a per capita basis. Public safety agencies are facing budget challenges, including a shortage of offices at the Albuquerque Police Department. We are faced with a choice: own up to the financial reality or continue years of uncertainty about the resources that are required for public safety and to protect our kids.

### Q: Why does the City have a budget deficit?

A: The City is facing a structural budget deficit for four main reasons:

- **Gross receipts taxes (GRT) have been flat:** Our City never meaningfully recovered from the Great Recession nearly 10 years ago. Accordingly, growth in revenues has been much lower than expected each year since. During the same time period, the city cut GRT rates twice at a cost of \$37 million a year.
- **The State has been taking away funding:** The City is losing \$300 million over 15 years to the State of New Mexico in Food and Medical Hold Harmless distributions. Albuquerque is one of the few cities left in the state that has not compensated with its own GRT increase despite years of repeated warnings from the Legislature.
- **Insurance costs have been rising:** The City faces a possible double-digit percentage increase in medical benefit costs, one of the single largest expenses in the budget. Additionally, the City's risk fund is in a negative net position despite annual payments (highlighted by then-Auditor Keller last year) due to police violence settlements dating back 8 years.
- **DOJ Settlement Agreement:** The costs of complying with the Department of Justice Settlement Agreement are nearly \$4 million per year.

### Q: What has the City done to cut costs?

A: The City has spent the last several years doing what it could to balance the books without addressing the structural deficit. This has included cost-cutting measures that have included restructuring city departments, eliminating vacant positions, leaving other positions open for vacancy savings, shifting insurance costs to employees, cutting wages and requesting state money during the legislative session.

### Q: What choices are available to address the deficit?

A: All options are on the table and include:

- Generate recurring revenue through the proposed GRT increase, a property tax increase, and/or a gas tax.
- Patch together piecemeal increases to admissions and license fees.
- Make drastic reductions in services such as park maintenance or operations of senior centers and community centers.
- Furloughs, wage cuts or shifting the cost of benefits to employees.

**Q: What's next?**

A: The Mayor's Budget Deficit Initiative began with the "budget call," which asked all City departments to propose cost-cutting and revenue generating measures. Department-by-department briefings are in progress. Meanwhile, the City Council is considering its legislative choices.

**Q: Why now?**

A: Our City's public safety challenges require urgent attention, and that requires funding. Typically any cost cutting or revenue enhancement changes to the city operating budget takes a minimum six months to take effect. Various deadlines regarding state regulations around ability for the New Mexico Tax and Revenue department to be able to incorporate tax changes, City departments to initiate and administrate fee changes and cost changes all require significant lead times.

**Q: Can the public vote on this?**

A: Yes, if the City Council so chooses. The City Council's vote also does not prevent the increase from going to the voters in the future.

**Q: What is the timeline?**

A: Timing is a very serious consideration. Any tax increases that require a public vote would significantly delay impact. Due to recent state law changes in the election code, the public may not be able to vote on this until March 2020. If there is an affirmative vote for any tax increase or revenue generating initiative, the City would not be able to utilize those funds until after the New Mexico Tax and Revenue department could implement the changes. That may not occur until as late as July of 2020. Thus, the city would have to wait almost three years to deal with our public safety crisis.

**Q: Does the public support special elections?**

A: In 2015, 75.8% voters voted to reduce the number of special elections.

**Q: What would a special election cost?**

A: A special election, whether by mail or in person, would cost \$700,000 - \$900,000. Additionally, delayed implementation would cost at least \$30 million in foregone revenue that could be used right away for public safety.

**Q: When was the last time the City raised taxes?**

A: Almost twenty years ago. GRT was actually cut twice in the last decade.

**Q: What would a tax increase mean for the everyday person?**

A: For every \$100, it would mean an increase of 38 cents.

**Q: How would Albuquerque's GRT rate compare to other large cities?**

Albuquerque's GRT would still be lower than that of Santa Fe and Las Cruces.

**Q: How can the public get involved?**

A: We are one city and must all come together to face these challenges head on. The budget will shape the future of our City. At the Transition Capstone event, Mayor Keller brought together 750 community members to give their feedback. We are continuing the conversation and you can join us by visiting [www.cabq.gov](http://www.cabq.gov) and clicking on the "Get Involved" button on the homepage.