



Statement by

**The Honorable Michelle Lujan Grisham
Governor of New Mexico**

before the
**U.S. House of Representatives
Committee on Financial Services**

on
**The Need For Financial Aid to America's States and
Territories During the Pandemic: Supporting First
Responders, Assisting Schools in their Efforts to Safely
Educate, and Preventing Mass Layoffs**

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Office of the Governor

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Madam Chair, honorable committee members, thank you for the opportunity and the time. As you know, the pandemic has unleashed economic devastation in states all across the country. The wave of financial pain threatens to swamp states like New Mexico, despite our healthy fiscal posture prior to the arrival of COVID-19. We labored for years here to diversify our economy, strengthen our overall financial position and improve our long-term budget outlook. But much of that progress was undone in only a few short and brutal months, and we face a long, difficult road back. Indeed, New Mexico and other energy-producing states have experienced not only pandemic-related budget shortfalls but a collapse in the global oil market. These dual economic crises have created a revenue gap that threatens to swallow essential services so many depend upon, everything from education to small business support, child welfare to health care services and more.

The fiscal impact of the pandemic is three-fold: We have already spent more than \$400 million on direct COVID-19 costs, including the purchase of PPE and testing supplies, and those costs continue to mount. We face indirect costs as state agencies and businesses adapt to a COVID-positive world; these costs for K-12 public schools alone total more than \$520 million. And we face the exponential loss of revenue due to the economic downturn, which compounds the other two. These three expenses are tied together, and we cannot emphasize one over another, and let me be clear: These are not static data-points. The pandemic is ongoing; the storm is raging. And those winds of fiscal damage are not dying down.

In all, New Mexico faces a nearly 20% decline in general fund revenues year-over-year. A \$4 billion budget shortfall is a line-item in Washington, but in New Mexico it's the difference between healthy, well-fed families and the alternative, for our current fiscal year and the next. Even with a record level of state revenue prudently set aside in reserves, the fiscal crisis threatens to touch New Mexicans in every corner of our state who rely on state programs and local-level programs powered by federal funds, so many of whom have already struggled to find and maintain work, to provide for their children and stay safe from the virus. States like mine that have taken tough and proactive measures to blunt the spread of COVID-19 must be able to use federal assistance to replace and backfill lost revenues or else make drastic, difficult cuts to essential services. Our effective, life-saving response to the pandemic cannot be left as a millstone around the necks of New Mexico workers, families, local governments and small business-owners who have already given and lost so much.

Small business revenue in our state is down 21 percent this year. Many have furloughed or laid off workers – and of course some have closed their doors for good. Our small businesses skew smaller than the national average, meaning they cannot take on more debt, meaning grants are much more effective than loans. My administration, in partnership with our state Legislature, has delivered more than \$400 million for small business support programs, sustaining hundreds of jobs – and still there are businesses and workers needing more. We were one of the first 7 states in the U.S. to operationalize every emergency unemployment funding stream made available, and we have delivered more than \$2 billion in assistance – but this has depleted our trust fund, and we will need help in sustaining these lifelines. New Mexico has the highest per-capita rate of Medicaid enrollment in the U.S., and the enrollment numbers have only grown amid the pandemic – federal assistance is essential to protect and strengthen our health care coverage and delivery infrastructure in this urgent moment when care is more important than ever. The hundreds of millions in CARES Act funds we have passed through to local governments and tribes in our state are a patch, not the cure, and these local governments – and my state government – still face an uphill climb.

We will all, I know, tighten our belts in the coming months and years. Indeed, so many states, including New Mexico, already have. But these cost-cutting measures will not be enough to weather the storm. An umbrella is not enough protection in a hurricane. And the rubber will meet the road in homes all across states like mine, where families, children and workers may be left without. States and local governments need more funding and more flexibility. Already this year, New Mexico has demonstrated how federal funding can be expeditiously delivered to those who need it most, but we need to expand the toolbox and fill it – and refill it. This is what government is for: The health and economic crises battering New Mexico and the U.S. require an all-hands-on-deck, whole-of-government approach.

New Mexicans' lives and livelihoods depend on essential state- and local-level services. Without them, the suffering of the economic crisis will be prolonged, and the recovery we all desperately want will be significantly slower and more painful for all. Madam chair, as you and the honorable members of this committee know, the best way, and perhaps the only effective way to combat this pandemic in a comprehensive and integrated way, is through a nationwide strategy with strong leadership. Again, thank you for the time and I look forward to answering whatever questions you may have.