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Don't Cut Spending, Bishops Tell Gov.

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New Mexico's Roman Catholic bishops waded into the debate over how to close the state's estimated \$433 million budget deficit Wednesday, urging Gov. Bill Richardson and legislators to repeal a 2003 income tax cut instead of cutting services they say would hurt the poor.

The New Mexico Conference of Bishops, in a letter sent to the Journal, added its voice to a coalition of public employee unions and social advocacy groups opposing spending cuts.

Repeal of the income tax cut would restore about \$400 million annually in state revenues, nearly as much as the state deficit this fiscal year and the one projected for the coming year. However, the repeal is opposed by Richardson and business groups, which say a repeal would be a big blow to taxpayers and the already struggling economy.

"We are deeply concerned about cuts that would hurt the elderly, the poor, the children, our schools, in order to meet the budget," Diocese of Las Cruces Bishop Ricardo Ramirez said Wednesday. "We often see that when there are cuts in spending, it's usually the little people who are affected."

Top-ranking lawmakers have agreed with Richardson that tax increases, along with tax credits and exemptions, won't be on the table, in part because of the difficulty of changing the state's tax code in the midst of a fiscal year.

Also, while called "top-bracket" income tax cuts, the 2003 cuts affected residents with joint taxable incomes as low as \$24,000.

Business groups say the income tax cuts have allowed residents to pump more money into the state's economy. A repeal would be an economic blow to the state at a time when businesses are already hurting, said Beverlee McClure, president of the Association of Commerce and Industry of New Mexico.

"You can't find a company in the private sector right now that hasn't had to cut at least 3 to 5 percent," McClure said.

Richardson, who pushed the income tax cut through in his first year as governor, met again Wednesday with legislators, whom he is expected to call into special session on the deficit sometime next month.

The governor sat in on Wednesday's meeting between administration officials and a bipartisan group of legislators. He said later that the two sides made progress but remain at loggerheads on whether proposed spending cuts should include public education.

Neither he nor lawmakers have proposed any tax increases to deal with the deficit and so far are considering only spending cuts and complicated bonding and budget adjustments.

Richardson wants shallower cuts in spending than lawmakers and no cuts in K-12 school money.

"Right now, there is no middle ground," Richardson told reporters at a Wednesday press

conference in Santa Fe. "They've dug their heels in and I've dug my heels in. The gap is significant."

One more meeting will be held Oct. 5, but Richardson said the odds of breaking the impasse are "50-50."