

**State of New Mexico**  
*Office of the Governor*

**Susana Martinez**  
*Governor*

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**GOVERNOR SUSANA MARTINEZ INTRODUCES FISCAL YEAR 2013  
BUDGET**

*With the State's Financial House Back in Order, Governor Invests in Key Areas to Improve Education, Make  
New Mexico's Economy More Competitive*

**SANTA FE** – Today, Governor Susana Martinez announced her Fiscal Year 2013 budget proposal, which continues the Governor's commitment to responsible budgeting while calling for targeted and significant investments in important priorities for New Mexico's children and families.

"I am proud to announce to New Mexicans that our fiscal house is back in order," said Governor Martinez. "A year ago, we made a commitment to balancing our budget without raising taxes, while protecting core priorities like classroom spending and health care for those most in need. Thanks to responsible budgeting and an intent focus on cutting excess costs in government, we are now able to take another step forward by making important investments in the education of our children, as well as economic reforms to improve New Mexico's long-term fiscal health and ability to compete for jobs."

Just fourteen months ago, reserves for FY11 were projected to total just 3.5 percent of the state budget by the end of that fiscal year, and the state was facing a staggering structural budget deficit. After significant cost-cutting measures that included selling the state's luxury jet, reducing the number and salaries of political appointments, placing a moratorium on state vehicle purchases, renegotiating state office leases, eliminating hundreds of unused or unnecessary cell phones, and passing a budget that critically assessed funding needs throughout state government, New Mexico closed FY 2011 with general fund reserves at well over 9 percent of the state budget, and FY12 reserves are also projected to finish at nearly the same level.

Expressing appropriate caution given the still-fragile state of the economy, Governor Martinez's executive budget proposal maintains funding for most agencies at the current level. It continues the fiscal responsibility that has allowed the state to regain its financial footing, but includes significant proposals that will further improve New Mexico's education system, help to put New Mexicans back to work and provide healthcare and essential services to those who need them most. The Governor's FY 2013 budget includes:

Approximately \$97.2 million in new funding to support the needs of New Mexico's classrooms and public school students. Roughly \$40 million of this new funding would be committed to core services such as textbooks and transportation. Among another \$30 million, the Governor is proposing a \$17 million investment in early childhood reading initiatives in order to identify students who are struggling to read in early grades and get them the help they deserve before they get to the fourth grade. In addition, her budget calls for a \$5.5 million initiative to help the state's lowest-performing schools improve their student achievement, while rewarding those schools that are showing the greatest student progress. She is also proposing \$4.2 million on initiatives to better prepare students to graduate from high school and enter college. The remainder is attributed to additional contributions that New Mexico's teachers will not have to make into their retirement.

Approximately \$55 million to be used to reduce or eliminate the gross receipts tax burden for up to 40,000 New Mexico small businesses, and stop the double- and triple-taxation of goods that is commonly known as "tax pyramiding" that has stifled the state's construction and manufacturing sectors. New Mexico has been ranked dead last in terms of its ability to attract new economic investment, and these measures would help the state better compete for jobs and grow our private sector. This funding also includes the Governor's two proposals to aid our veterans. One is a \$1,000 tax credit to any New Mexico employer who hires a returning veteran. The other is a personal income tax exemption for 25 percent of our veterans' pensions. Furthermore, the Governor proposes a tax credit to attract businesses that engage in high-technology research and development to our state.

Nearly \$42.5 million in new funding for Medicaid services and program improvements, which includes an additional \$8 million to prevent the closure of nursing homes in New Mexico due to federal Medicare cuts.

The budget also includes an additional one-year moratorium on the purchase of new vehicles, with an exception for critical health and public safety needs. In addition, higher education institutions would begin operating under a new funding formula that moves away from allocating resources based on input measures such as courses begun and campus square footage, and instead allocates resources based on outcome measures such as degrees completed, ability to close the achievement gap, and graduates who are prepared to enter the workforce New Mexico needs.

Given the stable condition of the state budget, state employees will not have an additional 1.75% of their annual pay shifted toward their retirement in FY13.

“We faced an enormous challenge last year to put our state back on the path toward stability and prosperity,” Governor Martinez continued. “We will always face challenges to balance responsible spending with the need to fill key priorities such as education, economic development, and the well-being of all New Mexicans. However, we have made great strides over the last year and I am confident that this budget proposal will continue to strengthen New Mexico while responsibly planning for a better and brighter future for our children and families.”

The Governor’s \$5.61 billion budget proposal, which represents an increase in state spending of 3.6%, can be found online on the Governor’s website at [www.gov.state.nm.us](http://www.gov.state.nm.us). Below is a copy of the letter that the Governor provided at the front her budget recommendation.

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To the People of New Mexico:

I am pleased to report to you that New Mexico’s financial house is back in order.

Just one year ago, our state was facing a staggering structural budget deficit of roughly \$450 million. This deficit was created by years of overspending by state government, a deep economic recession, and the fact that federal stimulus money that had been used to plug budget holes in areas like Medicaid and public education had dried up.

With a dangerously low level of money in the state’s savings account, some were tempted to simply raise taxes to temporarily increase revenue – at the expense of jobs that would have been lost as a result. Others were tempted to cut education for our kids or important health care services and programs. I viewed these as unacceptable options for our families and instead proposed to balance the budget by cutting the waste and excess and responsibly forcing government to live within its means.

I am proud to have signed a bi-partisan budget that reduced the bloated bureaucracy in state government without raising taxes on New Mexicans, while protecting classroom spending and basic healthcare services for the most vulnerable among us. Cost cutting started at the Governor’s residence and stretched throughout the administration. We sold the state’s luxury jet, reduced the number and salaries of political appointees across state government, put in place a moratorium on new vehicle purchases, saved on the renegotiation of office space leases, and eliminated hundreds of unused or unnecessary cell phones, email accounts and state vehicles. These efforts and the efforts of agencies across government to save taxpayer dollars in other ways resulted in significant savings in our budget, which were reverted to the state’s coffers. I am thankful for the commitment shared by everyone in the administration to do more with less.

We have also beefed up our reserves to protect against future budget shortfalls. On June 30th, 2011, New Mexico closed FY11 with General Fund reserves at well over 9% of the state budget, substantially higher than the projected amount of 3.5% that had been forecast just fourteen months ago. As a result of responsible budgeting and projected increases in some of our revenue sources spurred by our efforts to get New Mexico's economy moving again, reserve levels for the current fiscal year are projected to remain at approximately 9% once again.

Not only is New Mexico better prepared for these uncertain economic times, but we now have an opportunity to responsibly allocate a limited amount of "new money" toward important priorities for New Mexico children and families, as part of the budget for FY13. In this budget proposal, I aim to continue the fiscal responsibility and sound budgeting that has allowed us to regain our state's stable financial footing. We maintain the current funding level for most state government agencies, but call for increased investment in educating our children, reforming our tax code to create jobs, and protecting health care for those most in need.

We all know that our children will succeed if we can teach them to read well, graduate high school, and adequately prepare for college and the work force. That is why I am proposing \$97.2 million in new funding to support the needs of our classrooms and children in our public schools. Approximately \$40 million of this new funding is devoted to ongoing needs for core services like textbooks and transportation. \$30 million will fund important education reforms like reading programs for young children, college preparedness and high school graduation initiatives, rewards for our most effective teachers and schools, and significant financial support for students and schools that are struggling and in need of greater attention and help. The remainder is additional contributions that New Mexico's teachers will not have to make into their retirement.

In addition, New Mexico has been ranked last in terms of competitiveness for new economic investment in the United States, in part due to a gross receipts tax structure that makes it hard for small businesses to grow and hire new workers. Now that we have additional recurring revenue and in order to encourage job creation, I am proposing to use approximately \$55 million to reduce or eliminate the gross receipts tax burden for up to 40,000 (roughly half) of our state's small businesses and to stop the job-killing double and triple taxation of goods that hurts New Mexico's construction and manufacturing sectors. And in order to support some of our greatest heroes, I propose two new programs. The first would allow a \$1,000 tax credit to any New Mexico employer who hires one of our returning veterans. The second would allow an exemption from income tax for 25 percent of the pension income of our veterans. Furthermore, my budget calls for a tax credit to attract businesses that engage in high-technology research and development to New Mexico, along with the high-paying jobs that would come with them.

Finally, to support those most in need and keep our families safe, I propose \$45.2 million in new funding for Medicaid services and program improvements, \$8 million of which would go to prevent the closure of nursing homes in New Mexico due to federal Medicare cuts, as well as

additional funding in the areas of public safety, corrections, and key programs within the Children, Youth, and Families Department.

In summary, at this point in time last year, the challenges we faced in addressing the state's budget crisis were enormous. But we met those challenges by working together and sharing sacrifices along the way. Today, we can share in the optimism of a balanced budget and the ability to invest in educating our children and laying the foundation for a competitive economy that can create much-needed jobs for our workers. With these priorities in mind, I am confident we can work together to enact lasting change for the benefit of our children and families.

Sincerely,

A handwritten signature in black ink that reads "Susana Martinez". The signature is written in a cursive style with a large, stylized initial "S".

Susana Martinez

Governor

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