

October 24, 2016

SENATE EXECUTIVE MESSAGE NO. 7

The Honorable Mary Kay Papen, President Pro Tempore and
Members of the New Mexico State Senate
State Capitol Building
Santa Fe, New Mexico 87501

Honorable President Pro Tempore Papen and Members of the Senate:

I have this day SIGNED SENATE BILL 9, as amended, without emergency clause, enacted by the Fifty-Second Legislature, Second Special Session, 2016, except the following part or parts, item or items, which I have vetoed pursuant to Article IV, Section 22 of the Constitution of the State of New Mexico:

On page 2, line 14, I have vetoed beginning with the word “The” through the remainder of the line, and all of lines 15 and 16.

On page 4, I have vetoed all of lines 23 through 25.

On page 5, I have vetoed all of line 1.

On page 6, line 9, I have vetoed beginning with the word “The” through the remainder of the line, and all of lines 10 through 12.

On page 7, I have vetoed all of lines 22 through 25.

On page 8, I have vetoed all of lines 1 through 8.

On page 9, I have vetoed all of lines 12 through 16.

On page 10, line 18, I have vetoed beginning with the word “The,” and all of lines 19 through 21.

The oil and gas industry is a significant driver of our state’s economy, employing thousands of New Mexicans and contributing hundreds of millions of dollars to the state. Our budget challenges are the result of the steepest oil and gas price crash of our time.

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About one-third of New Mexico's state government revenues depend upon oil and gas production and the personal income tax, gross receipts tax, and corporate income tax collections that generate them, not to mention other industries that have been impacted. In Fiscal Year 2016, those tax revenues plummeted by as much as \$150 million in our oil and gas producing counties. Thankfully, our state's reserves, which had been responsibly saved over the years for a "rainy day" like this, have helped to soften the blow.

Shortly after the 2016 budget session, I directed our agencies to take steps to trim their spending—reduce travel, leave vacant positions unfilled, and approve less overtime. My directive prepared our agencies to operate with reduced resources and delayed the impact of reduced oil and gas revenues. In August, I again called for our state agencies to do more with less and reduce their spending by 5%. I even urged agencies under legislative and judicial control, as well as other elected entities, to do the same. New Mexicans expect that in times of fiscal difficulty, the state government will tighten its belt so that families and businesses don't have to.

I appreciate our legislature's efforts to close the gap between revenues and expenditures. September's special session required cooperation and sacrifice, as millions of dollars in projects were cut and program resources were pared down.

However, lawmakers opted to spare excess discretionary dollars not spent in the classroom and instead attempted to gut classroom spending and programs designed to identify and assist struggling schools and students. This is not the balanced, thoughtful approach needed to address these difficult times, which is why I have vetoed these cuts. The proposed \$22 million cut to public school improvement programs would have amounted to 22% of all targeted classroom reform programming. These are the programs that provide meals to our students in poverty, place in-demand social workers in middle schools, cover the costs of advanced placement (AP) exams and Preliminary SAT (PSAT) fees, and offer strategic pay increases to our state's top performing teachers—among other initiatives our students and teachers have come to rely on. To make cuts as deep as the legislature proposed in SB9 would be to abandon our goals in education reform, and to abandon our schools and students as they strive to meet them.

Even more shocking is that the legislature chose to cut the education programs that help struggling students in order to preserve the excess money sitting in their legislative retirement fund. For our legislature to go so far overboard shows a stunning lack of commitment to reforming education, improving our schools, and helping students in New Mexico succeed. Nevertheless, I have directed the PED to voluntarily reduce below-the-line spending by \$4.5 million, which is consistent with cuts to other agencies across state government.

While the legislature passed measures that will help our financial position, they left several opportunities on the table. As I have said, we must consider every instance of excess, waste, and inefficiency—the use of state general funds to subsidize local

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governments even as those double-dipping governments raise taxes; prevailing wage laws that inflate the cost of state infrastructure projects; duplicative and redundant health care coverage models; and others. As we watch the oil and gas industry closely, we must be prepared to tackle some of these issues next session, and we must continue to maintain fiscal responsibility in all of state government.

Respectfully yours,

Susana Martinez
Governor

RECEIVED FROM THE OFFICE OF THE GOVERNOR

Time: _____ a.m. p.m.

Date: _____, 2016

By _____
Secretary of State

Time: _____ a.m. p.m.

Date: _____, 2016

By _____
Chief Clerk of the Senate