

Before we begin, let me say that the thoughts and prayers of every New Mexican are with the people of Haiti during this terrible disaster.

What we don't hold in riches, we have in generosity and I would like to encourage our citizens to do all they can to help those in such great need.

(PAUSE—WAIT FOR SILENCE)

Lt. Governor Diane Denish, Speaker Ben Lujan, Senate Pro-Tem Tim Jennings, distinguished members of the New Mexico Legislature, and the State Supreme Court, members of our Congressional Delegation, honored guests, including New Mexico's First Lady Barbara Richardson and my fellow New Mexicans.

In an effort to save time and money, I was tempted to deliver my speech using Twitter. But sending out 168 Tweets is probably overkill. So, here I am.

I'm sure you will agree that this year – more than any other – represents a defining moment for us all.

How we respond to tough times like these is a test of who we are as a people.

For sixteen months now, New Mexico has felt the full impact of the worldwide economic storm.

Each of us knows someone who has been hurt by this recession—a family member who has lost his job, a small business barely making payroll, seniors who have delayed retirement, or a friend whose home is on the brink of foreclosure.

Perhaps more than any other time in history, New Mexicans need and are relying on state services – from workforce training and access to healthcare, to the delivery of unemployment benefits.

And they recognize the crucial role our education system plays in charting the path for personal improvement, and competitiveness in a changing economy.

So, while we continue to cut spending and look for ways to make government more efficient, we must not turn our backs on our most vulnerable citizens, nor should we be reckless with budget cuts and reverse the progress we've made during the past seven years.

I want New Mexicans to know that we have been and will continue to be good stewards of their money.

New Mexico has always been fiscally responsible.

Unlike Washington, New Mexico cannot run a deficit, nor overspend.

We must have a balanced budget.

And we have balanced the budget every single year.

And in the past, when we had extra resources, some were tempted to spend our cash reserves---- but I refused.

I insisted we hold reserves at a minimum of ten percent of overall spending – at one point that was six hundred and fifty -million dollars in our savings account.

That savings benefited us all when the national economy spiraled downward.

We have also grown our state's Permanent Funds, which are recovering after the financial meltdown.

Those funds are back up to \$13.4 billion dollars – \$4 billion dollars higher than they were under my predecessor.

During the past year, we saw a nineteen -percent return on our investments.

And over the last seven years, we cut taxes by more than one billion dollars – much of it went straight into the pockets of working New Mexico families.

However, despite balancing our budget every single year, building a sensible savings account, and investing wisely in our future, we face a serious revenue shortfall.

The national and global recessions have taken their toll on our economy and, just like forty-eight other states, New Mexico must respond.

After a period of strong economic growth—with incomes jumping by thirty percent, and a thirty-nine percent growth of GDP between 2003 and 2008—the global recession has hurt our efforts to keep up that pace.

The good news is unemployment in New Mexico is still lower than the national level, and we continue to attract new jobs.

But many New Mexicans are out of work, and many more are doing more with less pay.

We must never forget them as we grapple with the tasks before us.

I am proposing a responsible and fair approach to balance our budget deficit.

We have already cut hundreds of millions of dollars in state spending.

While we can make more targeted cuts, it is important to note that most state agencies have been cut to the bone.

Any further cuts would mean certain lay-offs, closing facilities and ending public services when our citizens need them most.

But I also believe that increasing taxes – alone – is irresponsible and not the answer to balancing the budget.

I will not give anyone a blank check to raise taxes and over-burden hard-working New Mexico families.

Nor should we roll back important tax cuts and incentives that we've used to create jobs and open New Mexico for business.

Our efforts to build a high wage, high-tech economy must continue—most urgently now in this time of job loss and economic turmoil.

To be fair and responsible we need to take the middle path, a balanced approach that combines targeted spending cuts and short-term revenues with strong accountability measures.

Like our citizens, this administration has tightened its belt since this recession began:

- I implemented a hiring and salary freeze more than a year ago, and we currently have three thousand vacancies in state government.
- I eliminated positions and cut salaries of exempt state employees—those appointed by me—by two percent. Now one hundred and ten exempt positions are vacant.
- I ordered five furlough days for about seventeen thousand employees
- I froze one hundred and fifty million dollars in stalled capital outlay projects—both mine and yours—and I urge this body to eliminate those projects.
- And we have cut state agency budgets by seven percent on average.

None of these measures were popular, but all were necessary.

My budget plan for the next fiscal year reduces spending by five hundred and ten million dollars through the following measures:

- First, make permanent the two hundred and eighteen million dollars in cuts we made during the special session and by executive order.
- Second, reduce costs by another one hundred and fifty-eight million dollars – by cutting spending across state government.
- Third, eliminate stalled capital outlay projects and end the practice of double dipping.

- Last, streamline and merge government functions, based on recommendations from my Committee on Government Efficiency. By consolidating agencies, as well as boards and commissions with overlapping functions, we can save at least twenty-five million.

I want to thank former Governor Garrey Carruthers for leading this government efficiency effort.

I also want to thank former Governor Toney Anaya for taking on the critical job of overseeing the federal stimulus money flowing into New Mexico.

As we look to raise revenue to help us through this crisis, I will only support a temporary revenue increase that—automatically expires in three years or less.

I will also oppose any tax increase that hurts our efforts to keep the state economically competitive and create new jobs – such as:

- Increasing personal income taxes
- Rolling back our capital gains tax cuts or
- Decreasing business tax incentives or credits that are working to create jobs

Nor will I support reinstating the food tax.

We cannot ask working New Mexicans to pay more for groceries when too many are struggling to make ends meet.

Even in a time of shortfall, I insist that education must remain our top investment.

Let me also be very clear, budget cuts are not an excuse for cutting quality, for rolling back accountability, for lowering our standards, or for giving up our responsibility to educate our children.

We have invested more than one billion dollars in classroom spending—much of that for professional teacher salaries tied to increased accountability.

We rank third in the nation for percentage increase in average teacher salaries in the last decade and we've moved from forty-sixth to thirty-seventh in salary ranking.

And over that time, we have moved from sixty-seven percent of core courses being taught by highly qualified teachers, to ninety-eight percent.

Our investment in Pre-K and full-day kindergarten is paying off.

New Mexico PreK graduates scored higher on early math and literacy skills than children who did not participate.

And last year when the first class of full-day kindergarteners entered the third grade, and took their first round of standardized tests, they far outperformed third graders from previous years.

But I want us to go much further.

I want New Mexico to be the first state in the nation to have a Hispanic Education Act.

We will be held accountable for results-- by creating an annual report card on the status of Hispanic Education.

We will increase parental and community involvement and close the achievement gap.

We are also bringing back ten thousand dropouts to complete their education as part of our Graduate New Mexico initiative.

Through aggressive interventions into low-performing schools, we are going to make sure more of our young men and women enter the workforce with the skills to get better-paying jobs.

I will also continue my strong support for innovative charter schools.

I believe the increased choices and competition charter schools provide is healthy for our state.

That is why I will fight any move to place moratoriums on new schools.

Finally, while we have seen a positive return on our investment, we must always be accountable for taxpayer money and safeguard our limited educational resources.

To that end, I propose that all local school boards receive financial training to ensure they can hold schools accountable for the money they spend.

I also want school boards to establish strict policies and procedures to prevent the abuse of credit and purchase cards.

We must do all we can to stop fraud and abuse in our schools.

I would like to recognize the work of the Legislative Finance Committee and State Auditor Hector Balderas in uncovering, investigating, and prosecuting these abuses.

My bottom line is this: I don't want to cut teacher salaries and I don't want to cut classroom spending.

If we have to cut education spending, we should start with the bureaucracy and district administrations.

Together, we've passed significant ethics reforms —setting strict campaign contribution limits, providing public financing for judicial posts, and capping gifts to candidates, employees and officials.

But, several vital reforms have been put off for too long:

- Whistleblower protections to shield employees from retaliation for reporting fraud, waste or abuse.
- Disclosure by any contractor wishing to make a bid on a state project of any campaign contribution of two hundred and fifty dollars or more over the last two years.
- A ban on candidates doing taxpayer-funded, public service announcements.

- An end to the revolving door where legislators this year become lobbyists next year. Just like we did for state officials.
- A ban on campaign contributions by corporations, state contractors or lobbyists.

If we as elected officials want the public trust, then we must trust our people.

I believe we need an independent, bi-partisan, citizen-led ethics commission.

This commission must be able to investigate, discipline, fine, or censure, not just public officials or state employees, but also contractors and lobbyists.

Forty-one other states have such a commission.

New Mexico needs one too.

Our road to long-term solvency cannot depend on the whims of the oil and gas market.

It must be built on the revenues generated by creating thousands of high-paying jobs in emerging sectors of our economy---such as alternative and renewable energy, aerospace, high tech, advanced research and development, media and others.

Nothing is more important for our families, nothing is more important for our state.

At the beginning of my administration, I asked this legislature to “give me the tools,” and we will get the jobs.

Today, I’m pleased to report that those tools---like targeted tax incentives to attract innovative companies offering high wage jobs---are paying off.

We have successfully recruited Fortune 500 companies like Hewlett Packard, Schott Solar, Fidelity Investments, who are creating six thousand high-paying jobs in New Mexico.

But those incentives are working equally well to recruit medium-sized companies to rural New Mexico.

For instance, we have announced:

- Two hundred jobs at PreCheck in Alamogordo
- Six hundred jobs at Signet Solar in Belen
- Forty jobs at Sunland Peanuts in Portales
- Twenty jobs at eSolar in Sunland Park
- Three hundred and eighteen jobs at the New Business Conference Center in Silver City
- Fifty jobs at the Northern New Mexico Wood Business Park in Las Vegas

And just last week one hundred and fifty new jobs at Johnson Plate and Tower Manufacturer in Santa Teresa

And in the next few weeks I will be announcing new companies offering hundreds of jobs in Gallup and Roswell.

I'm pleased to report that Spaceport America is ahead of schedule and under budget.

As we speak four hundred and sixty-seven new workers are on the job constructing the first commercial spaceport in the world, with one hundred and fifty to three hundred more hires expected over this year.

The Spaceport is fulfilling its promise of inspiring young men and women to study math and science, developing our southern and statewide economy, and expanding tourism.

For those who doubt if the Spaceport will bring in business, you should know that Virgin Galactic has over forty two million dollars deposited for more than three hundred reservations.

The demand is there.

New Mexico will get its return on investment.

To make sure New Mexico remains competitive against Virginia, Florida and Texas, I'm asking this body to pass legislation allowing participants to assume the risks of spaceflight.

A singular bright sector in our economy throughout the state remains the Film industry.

Today, more than ten thousand direct and indirect jobs and thousands of New Mexico businesses are tied to the film industry, including over two hundred and fifty new businesses started here.

More than one hundred and thirty major movie and television productions have been made in New Mexico during this administration, bringing over \$3 billion dollars in economic impact and generating hundreds of millions in state and local tax revenues.

These film and TV productions bring new dollars and showcase not just the attractions of Albuquerque or Santa Fe, but also the charm of New Mexico's great small towns and pueblos---like Stanley and Roy, Santa Ana and San Ildefonso, Willard and Madrid, Carrizozo and Chimayo, Pecos and Tijeras, as well as Cochiti and To'Hajilee.

And while New Mexico does not provide the most generous film incentives in the nation, we do provide the most effective ones.

We have built a global reputation as both a leader and a preferred production location due to our talented workforce, experienced management, and unmatched natural beauty.

Indeed, with two more Golden Globe awards going to the New Mexico film "Crazy Heart" this past Sunday night, New Mexicans continue to prove that we make some of the finest films in the world.

Due to our past efforts, and given the direction the industry is moving in, we have a unique opportunity over the next twelve to eighteen months to make this industry an integral part of our state's economy along with ranching, oil and gas, and other core sectors.

And with more than twelve thousand New Mexico students around the state currently preparing for a career in film and media production, our commitment to this industry is our commitment to their future.

Next, we will continue to keep our responsibility to protect our communities.

We have thrown the book at drunk drivers: mandating ignition interlocks for every offender, running statewide super-blitzes, cracking down on bars that overserve, and opening a twenty-four hour hotline.

I'm proud to report that since 2003 our alcohol involved fatalities have decreased by almost thirty percent, and remain the lowest in state history. New Mexico is no longer in the top ten states for alcohol-involved fatalities.

This session, I'm proposing new legislation to continue our fight against DWI and Gang Violence.

Specifically, I will once again push for tougher penalties for gang crimes and criminal gang recruitment and I will close loopholes in our DWI laws that allow offenders to skip out of mandatory jail time.

Last session we passed smart legislation to help victims of domestic violence take time off to get a protection order, and granted law enforcement new tools to fight stalking.

I'm proposing that the task force that authored that legislation and dozens of other Domestic Violence initiatives become permanent in statute.

I would like to also recognize and thank First Lady Barbara Richardson for her tireless work to end Domestic Violence in our state.

Next, I am calling for a statewide ban on the use of hand-held cell phones for talking or texting while driving.

We must get the message across to drivers: Put down your phones and focus on the road. You're putting people's lives at risk.

Perhaps the greatest area of partnership between this Legislature and my Administration has been in making New Mexico the Clean Energy State.

Others, like California, have tried to claim that title.

But I believe we've earned it-- passing an aggressive renewable portfolio standard, creating the Renewable Energy Transmission Authority, and creating the most comprehensive package of clean energy tax incentives in the nation.

Just last session we went further, with new initiatives to train our Green Jobs workforce, to establish new districts for renewable energy financing, and to expand solar market development tax credits.

This year we must build on that progress by doubling the incentive for solar electricity producers who locate in our state.

In last year's State of the State, I announced the creation of the Green Jobs Cabinet to create a statewide strategic plan for clean energy, clean technology development and job creation.

Through the work of that cabinet, we have developed ambitious goals:

1. Be the leader in renewable energy export.
2. Be the center of the North American Solar Industry
3. Lead the nation in green grid innovation
4. Be a center of excellence for green building and energy efficiency
5. Have a highly skilled clean-tech workforce

On each of these, we have made tremendous progress

In terms of exporting: New Mexico will soon be home to the Tres Amigas super Station—connecting America's three main power grids—and enabling our state to export renewable energy to customers in the US, Canada and Mexico.

In terms of solar manufacturing: we are now the new home to Emcore, Signet Solar and are the international headquarters for Schott Solar.

And we will soon be announcing one of the world's largest solar generation plants in Eastern New Mexico.

For Green Grid: Our green grid collaboration among our national labs, utilities and research universities is being built.

As a testament to its potential for innovation, we are proud to count a new partner --the Government of Japan.

But we must do more.

Coal-fired energy plants remain a major source of energy at home and at work, but pump far too much pollution into our skies.

We must demand responsible actions by industry, and we must also give them the tools to do it.

That's why I'm proposing three bills: one to punish those who repeatedly and grossly pollute our air, another to enable coal companies to initiate carbon storage, and a global warming cap and trade bill to create market mechanisms, for reducing pollution and rewarding efficiency.

We kept the Valle Vidal wild and protected the largest publicly owned area of Chihuahuan Desert grassland, the Otero Mesa.

We also opened four new state parks to the public—Eagle Nest Lake, Vietnam Veterans Memorial, Mesilla Valley Bosque, Cerrillos Hills and authorized the creation of Pecos Canyon State Park.

To continue our legacy of conservation, I am proposing the passage of the Natural Heritage Conservation Act to fund efforts to protect forests and watersheds, working farms and ranches, as well as habitat restoration and management.

I also ask this legislature to address three more important issues:

1. Our tax code is hitting too many homeowners with unfair increases—sometimes two or three times as much as their neighbors—I will send this legislature a proposal to move us toward a fair and equitable property tax system.
2. Our tribal communities have over one billion dollars in critical infrastructure needs. I believe its time to dedicate modest recurring

3. It's time to fully extend Domestic Partnership rights. A committed couple, who agrees to spend their lives together, deserves equal protection under the law. And as I've said before and I will say again--As a state whose diversity is its strength, we cannot accept discrimination in any form.

While we have accomplished much together, there have been times where we have stood far apart--when we stood behind bully pulpits pointing fingers, instead of sitting side-by-side at the table solving problems.

I may have even been wrong, once or twice. (Don't push it)

Heading into this session, I urge everyone in this chamber to consider the following words from the late Governor Bruce King.

When asked what his legacy would be, he said "I guess just getting New Mexico to realize that if we were going to be successful, we were going to all work together and be one large family."

I believe in this time of need, if we are to succeed, we must work together, maybe even as a family.

Our state cannot afford inaction and stalemate.

We must act, and act responsibly.

As I reflected on how I wanted to conclude this State of the State (don't clap yet!), I thought back to how it all began during the campaign eight years ago.

I remember as we went town to town, and door to door, trying to explain what we wanted to accomplish.

Cynics and critics told us what we couldn't do:

We can't use money from the Permanent Fund to invest in school classrooms.

We can't hold school districts accountable by forcing them to shift dollars from administration to the classroom.

We can't invest one billion dollars in modern public school buildings.

But we did.

We can't hold polluters accountable for their effect on the environment, or create new parks, or set aggressive renewable energy standards.

But we did.

We can't build a film industry—or a spaceport—or a modern commuter rail.

But we did.

We can't lower taxes for working families, or improve access to health care for kids, or raise the minimum wage.

But we did.

We can't start a Pre-Kindergarten program, or expand full-day kindergarten, and we can't get junk-food out of our schools.

But we did.

We can't invest one billion dollars into modern and safe highways, curb Domestic Violence and there is absolutely no way you can reduce drunk driving.

But we did.

If there is one thing I know about the people of New Mexico, it's that if we can get past our beliefs that something is too difficult, or too far out of reach, then we can accomplish great things.

Ladies and Gentlemen, *New Mexico will recover.*

Nuevo Mexico va a recuperarse.

It's going to take hard work and shared sacrifice.

We will need to remember to believe in ourselves, and never forget to believe in each other.

As I said in the beginning of this address, how we respond to these tough times is a test of us as a people.

Let our response in these extraordinary times, be as extraordinary as our people.

Que Dios Nos Bendiga.

May God Bless us All.

Thank you.

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