



State of New Mexico

Office of the Governor

Bill Richardson

Governor

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Governor Bill Richardson proposes responsible, balanced budget

Santa Fe - Governor Bill Richardson today outlined his budget priorities for state government. The executive budget recommendations include \$90 million in new funding for New Mexico's public schools, while balancing the budget and maintaining healthy reserve levels.

"This budget plan builds on the impressive successes we experienced during the past year - creating better schools, better jobs and putting more money in the pockets of New Mexicans," Governor Bill Richardson said. "We will continue to cut the fat from state government, enabling us to pay for our top priorities, such as recruiting and retaining the best teachers and providing health care to the most vulnerable citizens.

"I am committed to reigning in runaway Medicaid costs through a combination of administrative efficiencies, cutting down on fraud and implementing necessary cost controls. Additionally, I am proposing selected revenue enhancements. This strategy preserves health care for more than 400,000 New Mexicans. It will continue to serve some 267,000 kids. The recommendation provides for accountability and effective cost containment, while continuing the Governor's commitment to preserving health care, especially for the most vulnerable segments of our population: kids and senior citizens."

The governor's budget builds on the impressive success experienced during 2003. The plan pays for New Mexico's top priorities - education, building a high-wage economy, managing water and natural resources, public safety and caring for children.

The governor is also preparing a complete capital budget that reflects his policy priorities. It will include recommendations for items such as capital funding for charter and vocational schools, higher-education initiatives and water projects.

Governor Richardson's plan for public schools includes funding for school reform efforts, such as a new three-tiered salary structure for teachers, more accountability and student testing. The governor's budget provides enough money to give teachers a 4 percent bonus, which comes on the heels of a 6 percent pay raise the governor approved for the current school year. All other educational employees will get a 2 percent bonus.

The budget proposal also recommends a 4 percent bonus for higher-education faculty; 2 percent bonus for non-faculty employees; 2 percent pay increase for state employees. Finally, in his continued effort to recruit and retain quality law enforcement officers, the Governor has called for a 5 percent pay raise for State Police.

Governor Richardson's budget plan, which must be submitted to the Legislature on January 1, will be released to the public on Friday, Jan. 2.

A summary of the plan is attached.

BUDGET SUMMARY

Responsible budget

- Governor Richardson's budget plan builds on the impressive success experienced during 2003.
- The plan pays for New Mexico's top priorities – education, building a high-wage economy, managing water and natural resources, public safety and caring for children.
- Governor Richardson is recommending a balanced budget.
- The budget would increase by 4.7 percent over the current fiscal year – from \$4.108 billion to \$4.3 billion.
- Unlike the LFC budget recommendation, which calls for a 5.1 percent increase and dips into reserves, the governor's budget plan is balanced keeps greater reserve levels.
- Reserves increase to \$386 million – or about 9 percent of overall appropriations.

Taxpayer Dollars Saved

- Implement Phase II of New Mexico Performance Review
- Preliminary estimated savings of \$63.6 million to \$79.1 million
- Additional productivity gains valued between \$4.5 million and \$13.1 million

Paying for priorities – Improving Education

- Total Public School Support: \$90 million in new dollars.
- More than 50 percent of new dollars goes to teacher salaries and educator quality programs.
- Cost of “opening the doors”: \$46 million in General Fund money
- \$31 million in reform money will be put in an education “lock box,” and saved to pay for future reform initiatives.
- Cost of school reform in FY 05: \$43 million in Education Reform money
 - \$17.1 million for 3-tiered licensure system
 - \$2.7 million to strengthen teacher and administrator quality initiatives, including the Governor's Commission on Teaching and the New Mexico Leadership Academy
 - \$4.4 million to strengthen Indian Education, including increasing the numbers of Native American teachers and administrators
 - \$520,000 to strengthen Rural Education programs
 - \$625,000 to expand Charter schools and Vocational high school opportunities
 - \$300,000 to expand kindergarten and early childhood programs
 - \$4.5 million to fully implement New Mexico's Student Assessment System
 - \$10.3 million to expand New Mexico's Educational Accountability efforts.
 - \$1.8 million to expand youth and family support initiatives, including the Family and Youth Resource Act; reduce bullying, and support adult GED programs.
 - \$800,000 to reduce student truancy and dropout rates in New Mexico schools

Paying for priorities – Building a Stronger Economy

- Fully implement the second year of the 2003 personal income tax cut
- Pursue specific tax-reform initiatives – during 2004 legislative session, and during the interim

- Implementing the Governor’s “Invest New Mexico” infrastructure investment plan, including reform of the capital outlay process
- Sustain efforts in business marketing and recruitment, including \$350,000 to replace federal fiscal relief funds from FY 04.
- Investing in workforce training and in-plant training, including \$8 million in non-recurring money to the Development Training Fund.
- Expanding efforts in the Film Division of the Economic Development Department
- Fund the New Mexico Film Advisory Board, the Certified Communities Initiative and \$1 million for marketing efforts of the New Mexico Department of Tourism
- Expand efforts at the Trade Division of the Economic Development Department
- Continue \$400,000 in special appropriation to help protect New Mexico’s military from closure

Paying for priorities – Managing our Water and Natural Resources

- Nearly \$200 million to manage New Mexico’s water, natural resources and provide more and expanded parks.
- Implement the new State Water Plan
- Address compact compliance and adjudication by hiring new water masters to oversee water administration; assuring full compliance with federal mandates in the Pecos River Basin and continuing adjudication work on the lower Rio Grande.
- Funding for ongoing WATERS database initiative
- Fund and expand forest thinning and community fire protection
- Continue to develop and manage the state’s Energy Plan

Paying for priorities – Protecting the Safety of Our People

- Overall budget recommendation is more than \$500 million to support the criminal justice system.
- 5 percent pay increase for State Police, which enables the state to recruit and retain the most qualified law enforcement.
- Expand the Fight Against DWI and Domestic Violence through training of all public safety officers on domestic violence issues and increasing efforts to arrest and prosecute DWI offenders.
- The Department of Public Safety will work to get rid of drug labs and process evidence faster to support criminal prosecution.

Paying for priorities – Caring for our Children

- More than \$800 million to support New Mexico’s children, in addition to spending on public schools and higher education.
- Provide about \$55 million to match federal Medicaid funding for health care services. Child immunization will continue to be a priority.
- Expand child care services by changing requirements so more New Mexico families qualify for assistance.
- Expand adoption services and terminate a longstanding consent decree by increasing funding for adoption programs.

Facing Medicaid Challenges: Hard truths, tough choices

- Introduce the “Medicaid Cost Containment Package of 2004”
- The package includes the following strategies:
 - Improve program administration and management
 - Increase coordination with private insurance
 - Promote disease prevention
 - Manage prescription drug expenses
 - Improve care management for high cost and chronically ill patients
 - Control long-term care costs
 - Restructure provider reimbursement levels and purchasing arrangements.
- Using a combination of cost savings, aggressive efforts to eliminate fraud and revenue enhancements, Medicaid will preserve health care for more than 400,000 New Mexicans, including 267,000 children.
- None of the recommendations will impact eligibility.
- General Fund recommendation is \$462.4 million
- Medicaid will require a net increase of \$30 million after considering cost savings, cutting fraud and revenue enhancements.
- General Fund revenue enhancements totaling \$25.7 million
- Recommendation includes streamlined benefits, tightened enrollment processes, increased co-pays and other cost-sharing approaches (especially for higher-income recipients).
- Increased funding for behavioral health services and for utilization management services of \$5.7 million in General Fund (\$16.6 million in federal funds).
- Increase of \$979,200 (\$1.7 million in federal funds) to hire 65 additional Income Support division positions that are needed to implement an administrative change to certify Medicaid eligibility.
- Recommend \$40.6 million of General Fund cost containment measures.
- Recommend \$22.2 million of General Fund program changes, resulting in savings.

Salaries

- 4 percent bonus for teachers
- 5 percent pay raise for State Police
- 4 percent for higher education faculty; and 2 percent for non-faculty positions
- 2 percent pay raise for state employees
- 2 percent bonus for non-certified, educational employees
- LFC recommended 1 percent pay increases and 1 percent in bonus money