



For immediate release  
Oct. 17, 2008

Contact: Gilbert Gallegos  
(505) 476-2217

## **Governor Bill Richardson Outlines Plan to Cut State Spending**

*PLAN WILL BALANCE BUDGET WITHOUT INCREASING TAXES – NO NEED TO TAP RESERVES OR REDUCE SERVICES*

SANTA FE -- Governor Bill Richardson today responded to the global financial crisis and its effect on state revenue by outlining a fiscally responsible plan to immediately freeze certain spending and reduce operating expenses by 5-percent, saving \$114 million. Overall, the Governor's plan, if adopted by other state officials and the Legislature, could save as much as \$440 million.

Governor Richardson's plan includes an aggressive effort to identify \$200-\$300 million in stalled capital projects. The Governor will work with the Legislature to cut those stalled projects and shore up state revenue without raising taxes, tapping cash reserves or cutting services to New Mexicans.

The Governor directed his Cabinet Secretaries to move forward on his plan to curb spending after receiving confirmation today that revenue for the ongoing 2009 budget year will be about \$344 million lower than previous estimates, and \$200 million less than FY 09 budgeted expenditures. State revenue has dropped as a result of the ongoing financial crisis on Wall Street and the corresponding drop in oil and gas prices.

"New Mexico is still outperforming the national economy, and is much more financially sound than many other states where people are being laid off to balance the budget," Governor Richardson said. "But the reality is that the global financial crisis is hitting us all, and we must tighten our belts and budget responsibly.

"We will balance the state's budget. And we will do it without raising taxes, without tapping into the \$600 million in cash reserves, and without reducing services for New Mexicans," Richardson said. "We can accomplish this by taking simple steps like reducing expenses and eliminating capital outlay projects that are not moving forward."

The Governor today directed all executive agencies under his control to take immediate action to cut costs and to develop longer-term plans to reduce spending – saving \$114 million. The Governor also called upon legislative and judicial leaders to follow his example and help reduce

this year's operating costs by another \$16 million. Those steps, combined with an aggressive effort to cut stalled capital outlay projects, could save the state as much as \$440 million.

The Governor is making every effort to ensure that funding for education stays in the classroom; however public schools and higher education institutions are advised to develop a strategy for reducing next year's budget.

The Governor directed executive agencies under his control to take the following action:

- Immediately freeze non-essential overtime and exempt employee annual leave buy-outs
- Effective Nov. 15: Freeze all hiring and pay increases
- Plan for 5 percent cuts in agency budgets for non-essential operations and miscellaneous expenses, including:
  - Contracts
  - Grants
  - Care and support services
  - In-state travel
  - Out-of-state travel
  - IT equipment
  - IT exempt inventory
  - Office supplies

The Governor also directed Cabinet Secretaries to implement new policies for making the best possible use of every tax dollar by conserving energy and reducing waste, which would save \$2 million.

Finally, the Governor directed executive agencies under his control to identify \$5-\$10 million in potential cuts from what is referred to as the Junior Budget bill passed last session. The Governor asked agencies to target money not directly related to core services, or that only serve a narrow sector of the population.

Governor Richardson is calling for the deauthorization of several capital outlay initiatives previously passed by the Legislature to free up additional funding. For example, there are \$63 million in capital projects that are more than three years old and have not moved forward. There is another \$168 million in projects -- valued at less than \$100,000 each -- that are not moving forward.

The Governor directed the Department of Finance and Administration to reevaluate existing capital projects and identify delayed initiatives around the state. The Governor will work with legislators and local governments to provide closer oversight of their outstanding capital projects. Those projects that are stalled, under-funded, or not up-to-date in their financial reporting will be identified for potential cuts.