

**VETO MESSAGES OF HOUSE BILLS
FORTY-FIFTH LEGISLATURE
SECOND SESSION**

CS/H 2 GENERAL APPROPRIATION ACT OF 2002

February 7, 2002

HOUSE EXECUTIVE MESSAGE NO. 91

I have this day VETOED and am returning HOUSE APPROPRIATIONS AND FINANCE COMMITTEE SUBSTITUTE FOR HOUSE BILLS 2, 3, 4, 5 AND 6, as amended, enacted by the Forty-Fifth Legislature, Second Session, 2002.

It is with a good deal of frustration that I am vetoing this first general appropriations act of 2002.

This frustration stems from the lack of legislative reaction to my clearly expressed concerns. For the past four weeks, I have met with the legislative leadership and have clearly stated the reasonable parameters that would allow for the development of a budget that would adequately fund all of government. Those parameters are based on our current financial position, our future position set forth by the state's revenue estimators, our constant historical need for supplemental funding to fix prior year's underfunding, and my position that I would not spend non-recurring money on recurring expenses.

In other words, I have repeatedly asked for a flat budget, adequate reserves for our future, and responsible Medicaid spending. This budget fails on all three counts.

Medicaid growth is driving our budget. Cost containment measures must be implemented now and permanent reforms instituted next year. Knowing this, I provided the leadership with a specific recommendation to reduce the increase in Medicaid spending. Under my proposal New Mexico would still have a combined benefits and eligibility package that exceeds federal requirements placing it in the position of providing as generous a Medicaid program as our surrounding states. I am still hopeful a responsible Medicaid fix can be accomplished.

From a bottom line point of view, this proposed budget is clearly overspent. In fact, the budget provides for \$78 million in recurring expenditures above our current operating budget. This overspending is done with the knowledge that we only have \$8 million of new general fund revenue. Additionally, there are some critical agencies, such as the Taxation and Revenue Department, Department of Health, and the Department of Corrections that are under-funded.

Given the current trend in Medicaid growth of 10 percent and a modest projected growth in the rest of government of 3.5 percent, this proposed \$78 million increase in base spending will not be sustainable. Our citizens will be faced with future income tax increases and our operating reserves will continue to be tapped to pay annual operating deficits. Just this week, the voters in Bernalillo County clearly indicated that they will not approve an increase in local taxes, and I will not saddle them or the rest of New Mexico with a state budget that guarantees future tax increases.

Finally, the budget contemplates spending virtually all of the revenue received under tobacco settlements on recurring expenses and commits future tobacco revenues (an uncertain funding stream at best) to pay this increase in our spending base. This trend is not acceptable, and I cannot approve a budget that allows it.

The budget is vetoed for three simple but very compelling reasons:

- No realistic attempt has been made to control the growth of Medicaid spending;
- A total of \$78 million has been added to our recurring expenditure base in the face of only \$8 million in new revenue; and
- Approximately \$44 million of tobacco revenue has been earmarked to pay for recurring expenses leaving the tobacco permanent fund depleted.

This is more than a veto of next year's budget; it's also a veto to insure a balanced budget the year after next and the year after that. A government that usually budgets only for today must also show it can budget for tomorrow. The great uncertainties caused by recent events, volatile energy prices and a national recession demand caution, balance and foresight. New Mexico's future will be bright only if we look, plan and budget for it.

In sum, the proposed budget will assuredly produce the following results: first, an unsustainable growth in state government; second, an unavoidable tax hike; and third, a continuing erosion of our precious fiscal reserves.

Throughout the economic expansion of the 1990's the Legislature has consistently expanded Medicaid. Now, faced with an economic recession, we must reign in the growth of this valuable program. A government that adds must also demonstrate it can subtract.

New Mexicans expect their elected officials to both face the hard truths of difficult economic times and make tough responsible budgetary choices. This proposed budget I am vetoing does neither.