PRELIMINARY FISCAL IMPACT REPORT

ORIGINAL DATE 03/16/09
SPONSOR HAFC **LAST UPDATED** **HB** 840/HAFCS

SHORT TITLE Expenditure Limit In Governor Election Years **SB**

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Response From
Tourism Department

No Response From
Department of Finance and Administration

SUMMARY

Synopsis of Bill

The House Appropriations and Finance Committee Substitute for House Bill 840 amends Section 6-3-6 NMSA 1978 to change the "50 percent rule" for state budgets. Currently, statute restricts the expenditures for any state agency to one-half of its appropriation or approved budget, whichever is less, within the fist six months of odd-numbered years. The Substitute for HB 840 would apply the 50 percent restriction to fiscal years in which there is a gubernatorial election, which would be every four years. The bill maintains current exemptions, such as those agencies whose operations are more efficiently measured by periods other than a fiscal year, including the New Mexico State Fair and the Intertribal Ceremonial Office.

In addition to the exception for capital outlay already contained in the statute, the bill adds a provision for the Department of Finance and Administration to allow expenditure of more than one-half of the appropriation or approved budget for those programs for which the level of expenditures are significantly determined by factors beyond the agency's control. Such expenditures include, but are not limited to, those that are population-driven and correlated non-discretionary items. The bill lists the number of enrollees in Medicaid or inmate populations at correctional institutions as examples.

"State agency" means any department, institution, board, bureau, commission, district or committee of government of the state of New Mexico and means every office or officer of any of the above.

FISCAL IMPLICATIONS

The years in which most state operating budgets would have to adhere to the 50 percent rule would decrease from every other year to every four years.

SIGNIFICANT ISSUES

House Bill 840/HAFCS would ensure that a new governor and other state elected officials entering office in the middle of a fiscal year (January) would have sufficient budget to run the office for the remainder of the year. Other state elected positions that are elected in the same year as a gubernatorial election include the Secretary of State, State Auditor, State Attorney General, Land Office, and State Treasurer. Under this bill, these budgets would be held to the 50 percent rule in the year of a governor's election.

DFA reports that the agency has had issues with implementing the 50 percent rule for agencies that have 'nondiscretionary' type expenditures and are population driven. For example, Corrections Department may see a sudden population increase that exceeds the per inmate expenditure level in the budget. These expenditures cannot be controlled as the state is required to feed and clothe the inmates as well as provide security and medical care. The facility may not be able to maintain expenditures in the first half of the fiscal year.

The central policy issue is whether the current statute provides a fiscal discipline and ensures accountability -- for both agencies with elected officers and those without elected leadership -- by requiring them to adhere a schedule of using only 50 percent of their operating budget the first six months every two years, or, whether the same requirement every four years as proposed by this bill would yield the same objective.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Non-exempted state agencies would be required to adhere to spending 50 percent or less of their operating budgets in odd-number fiscal years.

MA/svb