



General Fund Reserves

Because the New Mexico Constitution requires a balanced budget, state government maintains general fund reserves to cover any shortfalls if revenues are unexpectedly low or expenses are unexpectedly high. These rainy day funds are measured as a percentage of recurring appropriations – planned ongoing spending. The general fund reserves are made up of several distinct accounts: the operating reserve, tax stabilization reserve, appropriation contingency fund, taxpayers dividend fund, and state support reserve fund.

Operating Reserve

Revenues left at the end of the fiscal year are transferred to the operating reserve. If revenues come up short, the governor may transfer money from the operating reserve to cover authorized expenses. The amount the governor can transfer is capped by the Legislature each year in the General Appropriation Act. Once the operating reserve fund hits 8 percent of the prior budget year’s recurring appropriations, the excess must be transferred to the tax stabilization reserve by law.

Excess revenue left in the general fund at the end of the year goes into the operating reserve.



Operating revenues exceeding 8 percent of ongoing appropriations are transferred to the tax stabilization reserve.



Tax stabilization reserves exceeding 6 percent of the previous year’s ongoing spending are transferred to the taxpayers dividend fund.



use if certain circumstances come into play, such as the start-up of a new program moving faster than funded.

Tobacco Settlement Permanent Fund

The tobacco settlement permanent fund was created to hold payments to New Mexico from cigarette companies under the master settlement agreement of 1998. Money in the tobacco settlement permanent fund is invested by the State Investment Council and interest is credited to the fund. The settlement payments are split, with half going to the permanent fund and half spent directly on health and education programs. The Legislature may authorize spending from the fund for a budget shortfall only after balances in all other reserve accounts have been exhausted.

Tax Stabilization Reserve

Money in the tax stabilization reserve may only be appropriated if the governor declares it necessary and only with the vote of two-thirds of both the House and Senate. When the tax stabilization reserve balance reaches 6 percent of the previous fiscal year’s recurring appropriations, state law requires the transfer of the excess funds to the taxpayers dividend fund.

Taxpayers Dividend Fund

If the tax stabilization reserve balance reaches 6 percent of the previous year’s recurring appropriations, the excess is transferred to the taxpayers dividend fund. If the taxpayers dividend fund balance exceeds 1 percent of state personal income tax collection (about \$10 million), the governor must propose a method to refund the balance to the state’s taxpayers in legislation to be considered at the next legislative session.

Appropriation Contingency Fund

The Legislature authorizes revenue going in and out of the appropriation contingency fund. A limited amount of the revenue in the fund can also be spent when the governor declares an emergency. The fund is mostly used to set aside money for

State Support Fund

On the first day of each fiscal year, remaining balances over \$1 million in the public school district general obligation bonds loan fund are transferred to the state support reserve fund. Money in that fund may only be used to augment appropriations to public school districts for the state equalization guarantee distribution.

For More Information:

- The status of the New Mexico’s reserve accounts can be found in the state’s general fund financial summary, which is published on the State Board of Finance’s website: <http://www.nmsbof.state.nm.us/gf/summary/>;
- Statutes governing New Mexico’s general fund reserves include: 6-4-2.1, 6-4-2.2, 6-4-2.3, 6-4-4, 6-4-9, 12-11-24, 22-8-31 NMSA 1978.