



# FINANCE FACTS

Understanding State Financial Policy

## Creation of the State Budget

In New Mexico state government, the creation of the state budget officially begins in mid-June when the State Budget Division of the Department of Finance and Administration sends budget request instructions to state agencies. It ends when the General Appropriation Act becomes law and is implemented by agencies.

### Before the Session

Agencies submit their budget requests no later than September 1 to both the Department of Finance and Administration and Legislative Finance Committee. Agencies must provide information on actual and expected revenues and expenditures for the previous, current and upcoming fiscal years. The budget requests must also include an organizational chart, strategic plan and information technology plan.

From September through December, the executive and legislative staffs separately analyze the requests and develop the governor's and Legislative Finance Committee's budget recommendations. New Mexico is one of five states in which both the governor and a legislative agency propose a comprehensive state budget to the full Legislature. Also during this time, economists from the Legislature and executive develop a consensus general fund revenue estimate. The estimate tells lawmakers how much they can appropriate. Like most states, New Mexico

must balance its budget each year. New Mexico also plans for unexpected shortfalls by maintaining a reserve fund.

State law requires the governor to submit a budget to the Legislative Finance Committee and each member of the Legislature no later than January 5 in even-numbered years and no later than January 10 in odd-numbered years. The Legislative Finance Committee finalizes its budget recommendations in December.

### During the Session

On the first day of the legislative session, the executive *Budget in Brief* and the Legislative Finance Committee *Budget Recommendations* are made public. Simultaneously, a General Appropriation Act reflecting the executive budget recommendation in summary is introduced in the House of Representatives. Other state budget bills, including one reflecting the finance committee recommendation, might also be introduced the House or Senate or both. The members of the House Appropriations and Finance Committee, where the bill traditionally starts, begin consideration with a side-

by-side comparison of the legislative and executive proposals. Some sections of the recommendation are duplicated in separate legislation and considered by other standing House committees. Those bills, including the Education Appropriation and the Highway and Transportation acts, are then rolled into the House Appropriations and Finance Committee Substitute for the General Appropriation Act for consideration by the full House. Another, small piece of the state budget – funding for the legislative session itself and most operations of the Legislature – becomes the “feed bill”

and is passed separately, usually in the first few days of the session.

The Senate Finance Committee holds separate hearings on the budget requests and sometimes introduces its own state budget bill. Generally, however, the Senate committee amends the House bill and submits it to the full Senate. If the House and Senate versions differ, and they usually do, legislative leadership appoints a conference committee to negotiate the differences and draft the final version.

The governor may sign the General Appropriation Act into law, veto the entire bill, or veto specific items, a privilege called a “line-item veto.”

Not all appropriations are made through the budget bill. The New Mexico Constitution limits the appropriations in the General Appropriation Act to those expenses “required under existing law.” Various one-time capital outlay projects or tax bills that might generate additional revenue are among those items that would not be included in the General Appropriation Act.

Following passage of the General Appropriation Act and before May 1, agencies are required to submit their operating budgets, the plans on how they will spend the appropriated funds, to the State Budget Division. The Legislative Finance Committee also receives copies of the agencies' operating budgets.

### General Appropriation Act Layout

Section 1:	Short Title
Section 2:	Definitions
Section 3:	General Provisions - guidance for implementation of the act.
Section 4:	Recurring appropriations and performance targets for the daily operation of state agencies, public schools and higher education institutions for the next fiscal year.
Section 5:	Special nonrecurring appropriations for various programs or projects in government.
Section 6:	Supplemental appropriations for the current fiscal year and for deficiencies from the previous fiscal year.
Section 7:	Appropriations for significant information systems and language extending or reauthorizing certain projects.
Section 8:	Compensation appropriations for public employees.
Section 9:	Additional budget adjustment authority for the current fiscal year.
Section 10:	Specific budget adjustment authority for the upcoming fiscal year.
Section 11:	Authority to transfer money from the general fund to other funds.
Section 12:	Authority for the Department of Finance and Administration to move funds from reserves to the general fund in case of a shortfall
Section 13:	Severability - authority for the bill to remain in effect even if part of the bill is found invalid.

#### For More Information:

- The constitutional provisions related to the development of the state budget include Sections 16 and 22 of Article IV and Section 7 of Article IX.
- The General Appropriation Act and related legislation is available by year through the legislative bill finder: <http://legis.state.nm.us/lcs/BillFinder.asp>.