



# Legislative Finance Committee **FINANCE FACTS**

Understanding State Financial Policy

## The General Fund

The general fund is the primary state fund from which the ongoing expenses of state government are paid. Collections of general and selective sales taxes and personal and corporate income taxes typically make up 60 percent of the revenue. More than half the fund is spent on public schools and higher education, with another quarter of the money spent on health and human services.

### Money In

About 40 percent of general fund revenue is attributable to general and selective sales taxes. The largest of these is the gross receipts tax. Other smaller sales taxes include the compensating tax, insurance premium tax, and excise taxes on tobacco, liquor, motor vehicles, and gaming.

Income taxes are the second-largest source of general fund revenue, historically making up about 25 percent of the total. More than 80 percent of that is personal income tax collections.

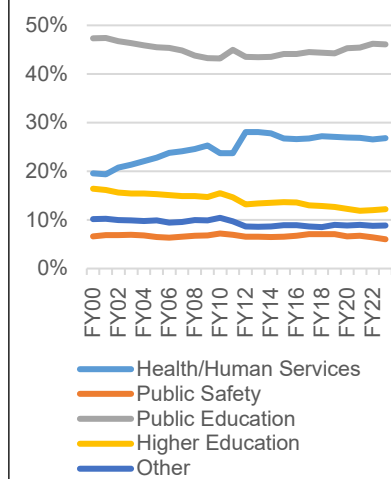
Energy-related revenues, typically 17 percent of the total, are the next largest source of general fund revenue. These include severance taxes, revenue payments from the federal government for leasing mineral rights, and income generated by the State Land Office.

About 11 percent of general fund revenues are attributable to investment earnings. This includes substantial income from the state's land grant and severance tax permanent funds and a much smaller amount from earnings on balances held in the state treasury.

A number of other small revenue sources contribute to the general fund. These include revenue sharing from tribal gaming facilities, license fees, reversions of unspent funds from state agencies, and numerous miscellaneous receipts.

While severance taxes and other direct revenue from oil and gas activity make up 17 percent of general fund revenue, the industry also influences gross receipts and income tax collections, and up to 40 percent of all general fund revenue is related to the oil and gas industry.

**General Fund Revenue Sources**



### Money Out

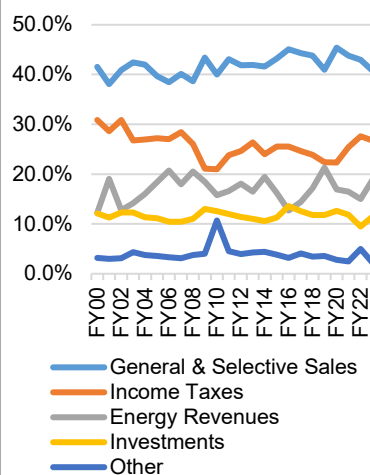
Public education typically receives the largest share of state general funding (around 45 percent) and higher education generally receives 14 percent, making education the biggest recipient of state general funds. Health and human services historically receives about 26 percent of the general fund budget, leaving 15 percent for the rest of state government.

However, while the general fund is the primary source of state funds for ongoing operations, the total budget includes significant levels of federal funds and smaller amounts of other state funds. When all revenue sources are considered, the share of the budget for public schools, primarily state-funded, drops to 23 percent. With federal funds, higher education receives about 16 percent of the total state budget.

The share for health and human services, the recipient of billions in federal Medicaid matching dollars, is close to 50 percent when all revenue sources are included.

Transportation is a major of state government that receives no general fund appropriations. Transportation is funded primarily by the state road fund and federal revenue.

**General Fund Revenue Uses**



### For More Information:

- Consensus revenue estimates and general fund tracking reports can be found at [https://www.nmlegis.gov/Entity/LFC/Revenue\\_Economic\\_Reports\\_and\\_Tax\\_Policy](https://www.nmlegis.gov/Entity/LFC/Revenue_Economic_Reports_and_Tax_Policy).
- *Finance Facts* on general fund reserves and the General Appropriation Act can be found at [https://www.nmlegis.gov/Entity/LFC/Understanding\\_Government\\_Finances](https://www.nmlegis.gov/Entity/LFC/Understanding_Government_Finances).
- Details on state expenditures may be found in the *Post-Session Fiscal Review* and LFC budget recommendations at [www.nmlegis.gov/Entity/LFC/Session\\_Publications](http://www.nmlegis.gov/Entity/LFC/Session_Publications).
- The general fund is created in Section 6-4-2 NMSA 1978.