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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/24/18

SPONSOR Hall/Dodge/Townsend LAST UPDATED 2/5/18 HB 129/aHSIVC

SHORT TITLE Biennial Budget Pilot Project SB \_\_\_\_\_

ANALYST Romero

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		No Fiscal Impact				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

### SUMMARY

#### Synopsis of HSIVC Amendment

The House State Government, Indian and Veterans Affairs Committee amendment includes asking the evaluation team to include number and “amount” of supplemental and deficiency appropriations requests by each agency.

#### Synopsis of Original Bill

House Bill 129 creates a four-year pilot project with two budget cycles to determine if biennial budgeting will enhance the budget process. Agencies that will participate in this pilot include the Department of Finance and Administration (DFA), the Legislative Finance Committee (LFC), Regulation and Licensing Department, and other state agencies with less than \$5 million annual operating budget. For purposes of conducting the pilot, the bill modifies existing statutory language.

The bill establishes an evaluation team composed of LFC and DFA staff to monitor and report on the biennial budget pilot program including:

1. Submitting a plan for administering the pilot program to DFA, LFC, and the Legislative Council by September 1, 2018.
2. Determining a baseline data on:
  - a. performance measures;
  - b. number of budget analysts employed by agencies, including job titles and hours spent by each employee on budget preparations;
  - c. estimated cost of printing, postage, and other supply costs for budget preparation;
  - d. overtime or compensation time provided to employees for budget preparation;
  - e. number of budget hearings attended by agency employees;
  - f. number, type and amount of budget adjustment requests submitted by each agency program; and

- g. number of supplemental and deficiency requests made by program.
- 3. Identify baseline data changes resulting from biennial budgeting
- 4. If funding is available, contract with the National Conference of State Legislatures for external consultation
- 5. Report and consult regularly with an LFC subcommittee
- 6. By September 1 of each pilot year, submit an annual report to the LFC, Legislative Council, and the Governor with updates from the pilot program comparing each participating agency’s performance measures and budget preparation costs and any changes to staffing as a result of biennial budgeting
- 7. Submit a final report to the LFC, Legislative Council, and Governor by August 2023 including:
  - a. a recommendation whether to continue biennial budgeting;
  - b. change recommendations to biennial budgeting;
  - c. expansion recommendations; and
  - d. modification recommendations

The biennial budget process for participating agencies would be implemented by the below schedule:

Odd-Numbered Years	
Deadline	Budget Activity
January 10	Governor submits biennial budget recommendations for participating agencies to LFC and the Legislature.
May 1	Participating agencies submit operating budgets for the next two fiscal years to DFA.
June 15	DFA sends supplemental and deficiency budget forms to participating agencies.
September 1	Participating agencies must submit supplemental and deficiency budget forms to LFC and DFA.

Even-Numbered Years	
Deadline	Budget Activity
January 10	Governor submits supplemental and deficiency recommendations for participating agencies to LFC and the Legislature.
June 15	DFA sends biennial budget forms to participating agencies.
September 1	Participating agencies must submit biennial budget form to LFC and DFA

**SIGNIFICANT ISSUES**

Currently, executive and legislative agencies devote considerable time and expense to prepare, approve and implement annual budgets for small state departments that might be reduced through a biennial budget process. Small agencies are currently required to produce an annual budget request volume, submit it to DFA and LFC attend up to three legislative hearings and one executive meeting on the request, reply to questions about the request from DFA and LFC

analysts, and submit annual operating budgets to DFA to implement the adopted budget. Additionally, staff in both DFA and LFC review the annual requests in detail, prepare and edit text and budget recommendations, and prepare and edit appropriation amounts for the General Appropriation Act. This is a labor-intensive process that yields little benefit for many agencies whose budgets do not change substantially from year to year or for which changes could be handled more efficiently through supplemental budget requests midway in a biennium.

A biennial budget process should not result in inflexible budgets for small agencies. During session in the middle of a biennium, they might still receive appropriations for across-the-board pay increases or for other across-the-board increases provided in the General Appropriation Act, as well as be allowed to submit requests for supplemental appropriations if contingencies arise that were not anticipated when the biennial budget was prepared.

There are several possible advantages of biennial budgeting:

1. The Legislature and Executive would devote more time to consideration of major policy issues confronting the state by reducing time devoted to crunching numbers and holding hearings on small agency annual budgets.
2. Reduction of time devoted to number crunching would free up resources for oversight of all agencies by the LFC and DFA.
3. Biennial budgeting may reduce government spending by reducing the need to process volumes of paper for annual budget requests and the need for overtime, per diem, supplies and other costs related to annual budget preparation.
4. Biennial budgets would increase predictability for state agencies by providing long-term commitments to programs and policies.

## **TECHNICAL ISSUES**

The bill references Section 6-3-21 NMSA 1978 in which the governor must submit a budget recommendation by January 10 in even-numbered years. However, Section 6-3-21 NMSA 1978 states the recommendation must be submitted by January 5.

On page 6 line 23, between “number” and “of” consider including “and amount”.

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Business Unit	Agency
11200	Legislative Finance Committee
11400	Senate Chief Clerk
11500	House Chief Clerk
11700	Legislative Education Study Committee
11900	Legislative Building Services
13100	Legislature
11900	Legislative Building Services
20500	Supreme Court Law Library
20800	New Mexico Compilation Commission
21000	Judicial Standards Commission
30800	State Auditor
34000	Administrative Hearings Office
34100	Department of Finance and Administration
35400	New Mexico Sentencing Commission
35600	Governor
36000	Lieutenant Governor
36900	State Commission of Public Records
37800	Personnel Board
37900	Public Employee Labor Relations Board
39400	State Treasurer
40400	Board of Examiners for Architects
41700	Border Authority
42000	Regulation and Licensing Department
44600	Medical Board
44900	Board of Nursing
46400	State Brd of Lic for Engin & Land Surveyors
46900	State Racing Commission
47900	Board of Veterinary Medicine
49000	Cumbres and Toltec Scenic Railroad Comm
49100	Office of Military Base Planning and Support
52200	Youth Conservation Corps
53800	Intertribal Ceremonial Office
60300	Office of African American Affairs
60400	Comm for Deaf and Hard-of-Hearing Persons
60500	Martin Luther King, Jr. Commission
60900	Indian Affairs Department
64500	Governor's Commission on Disability
66800	Office of the Natural Resources Trustee
76000	Parole Board
76500	Juvenile Parole Board
94000	Public School Facilities Authority