

CITIZEN'S GUIDE TO THE NEW MEXICO STATE BUDGET

HOW THE STATE SPENDS MONEY AND WHY IT MATTERS

2014



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New Mexico Fiscal Policy Project Staff

Veronica C. Garcia, Ed.D. Executive Director

James Jimenez, MPA Director of Policy, Research and Advocacy Integration

Gerry Bradley, MA Senior Researcher and Policy Analyst

Armelle Casau, Ph.D. Research and Policy Analyst

Bill Jordan, MA Senior Policy Advisor/Government Relations

Sharon Kayne Communications Director

Amber Wallin, MPA Research and Policy Analyst/SFAI Fellow

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Other Citizen's Guides

Citizen's Guide to New Mexico's Tax System

Advocate's Guide to the New Mexico State Budget

Citizen's Guide to Legislative Advocacy in New Mexico

A New Mexico Citizen's Guide to Children's Issues



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INTRODUCTION

When you create a budget for your family, it reflects your family's priorities and values. Housing, utilities, and food will undoubtedly be at the top because these are basic to your quality of life. Family vacations and entertainment expenses will almost certainly rank much lower as luxuries instead of necessities.

Government budgets also reflect priorities and values—those of the policy-makers who create the budgets and, hopefully, those of the people who elected them. The government's budget determines who will benefit the most from the government's limited resources.

Most government spending benefits every citizen almost every day. Every time you drive on a road or highway, travel by airplane, visit the park, deposit money in the bank, borrow a library book, or send your kids off to school, you benefit from government spending. Even before you leave the house for work, you've benefited. Police and firefighters protect you. Garbage collectors take your trash away. Even the grids of pipes and wires that bring water and electricity into your home were paid for, at least in part, by the government. Government spending provides the services and infrastructure that make our modern way of life possible.

In addition, most Americans believe that as a society, we have a collective duty to extend a hand to those who need extra help. Over the last century this has included providing Social Security and health care for our senior citizens;

job training, food, child care assistance, and more for our low-income families; and health care for children whose parents cannot afford it. While the federal government covers some of these programs, the states also spend money to help those who need it. But how are those decisions made?

This guide seeks to de-mystify the state budget by reviewing the technical elements of the budget and budget process. The companion guide, *Advocate's Guide to the New Mexico State Budget*, provides suggestions for advocates on how to promote their priorities throughout the budget process. Another companion guide, *Citizen's Guide to New Mexico's Tax System*, explains more fully where the state gets its money.

This guide focuses on the operating budget—the annual spending for ongoing programs and services that affect the lives of every New Mexico resident. The state also has a capital budget, which funds things like building schools and community centers. The two budgets are developed through two distinct processes with different time frames and revenue limits. This guide does not examine the capital budget process.

Some Tips for Using This Guide

Words that appear in boldface are defined in the *Technical Terms* and *Budget Basics* boxes. All of the acronyms used in this guide are written out in the box on the following page.

HOW THE STATE SPENDS MONEY

Funds and Budgets

Just like a family's budget, state budgets are limited by two constraints: the amount of money coming in on a regular basis (income) and the amount of money that can be borrowed. You may also split the money in your family budget into different funds for different purposes. For example, you may have an 'entertainment fund' that you keep separate from your 'living expenses fund.'

New Mexico has more than one fund and more than one budget. Laws govern what money can go into which fund and how each fund can be spent. The **general fund** is the state's most flexible pool of money because it can be used for any legal public purpose. Other sources of revenue, such as **federal funds** and **permanent funds**, are earmarked for particular services and programs.

Because the general fund supports the state **operating budget**, which is the focus of this guide, it is the only fund we will discuss in detail. Some of the other funds are listed below.

Technical Terms

General Fund – Money used for operating programs and services like public school education.

Permanent Funds – Pools of money earned mostly from the state's natural resources and interest on the investment of the funds.

Reserve Fund – A "rainy day" fund for use when revenues are much lower than expected or for unanticipated spending needs.

Road Fund – Money for building and maintaining transit systems, road and highways from revenue source such as gasoline taxes.

Unemployment Insurance (UI) Trust Fund – Money used to pay unemployment benefits to workers who have been laid off. Employers support the fund through the payment of insurance premiums.

Federal Funds – Federal money that supports specific programs such as Medicaid. This money does not go into the general fund but is part of the operating budget.

Acronyms

DFA – Department of Finance and Administration

FIR – Fiscal Impact Report

FY – Fiscal Year

GAA – General Appropriation Act

HAFC – House Appropriations and Finance Committee

HB2 – House Bill 2

LFC – Legislative Finance Committee

LCS – Legislative Council Services

SBD – State Budget Division (of the DFA)

SFC – Senate Finance Committee

General Fund Revenue Sources

The vast majority of general fund revenue comes from taxes. The state collects excise and gross receipts taxes on the sales of goods and services, personal and corporate income taxes, and severance taxes on the extraction of natural resources from state land (primarily crude oil, natural gas, and coal). A very small amount

of revenue comes from gaming compacts with tribal casinos and fees (such as hunting permits). For a more complete picture of state revenue sources, see the companion publication *Citizen's Guide to New Mexico's Tax System*.

Technical Terms

Operating Budget – The budget that determines recurring spending, such as operating programs and services like public school education, and some nonrecurring spending. Operations money comes from the state general fund and from federal funds.

Capital Budget – The budget used for nonrecurring spending, such as building schools and community centers. This spending is referred to as “capital outlay” and can be borrowed, often through the issuing of bonds.

Current Services Budget – The amount of money needed to offer the current level of services. The amount must increase every year because of population growth and inflation.

Tax Expenditure Budget – An accounting (usually annually) of the cumulative cost of all tax expenditures (tax credits, deductions, and exemptions).

Direct Spending

The state spends money both directly and indirectly. Indirect spending means the state has chosen to forego collecting certain tax revenues by enacting tax credits, exemptions, and deductions. Because New Mexico does not have a **tax expenditure budget**, indirect spending is not considered when the state budget is built. Indirect spending—or spending through the tax code—is explained in greater detail in our *Citizen's Guide to New Mexico's Tax System*.

Direct spending—the money spent on public services and programs such as education, public safety, and transportation—must be approved annually by the Legislature and enacted by the Governor in the General Appropriation Act (GAA).

The general fund is currently over \$5.8 billion. Prior to the recession, it approached \$6 billion, but state's revenue collection fell sharply between 2009 and 2011.

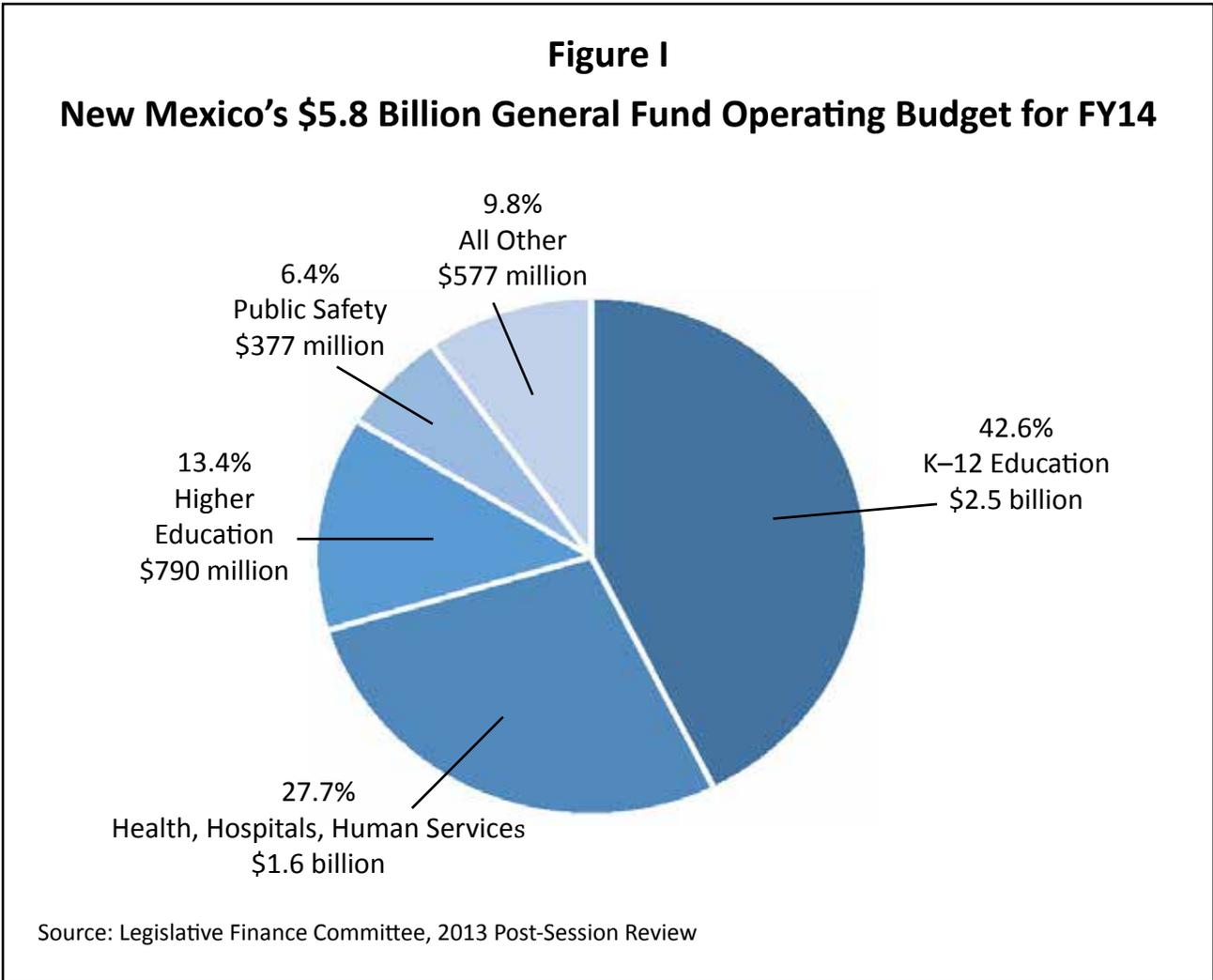
General fund expenditures are expected to keep up with current services—that is, we want to be able to offer the same levels of services year after year. That means the **current services budget** should grow by about 5 percent annually in order to keep up with inflation (which is

at 3 percent) and population growth (2 percent). We'll also have to retain the current level of government employees in order to continue to serve the same number of public school students, Medicaid recipients, state prisoners, etc.

It is seldom the case that public priorities become *less* expensive. This is because most of the costs of state-provided services are driven by personnel costs and population increases.

Public K-12 education is a good example of a program that grows every year in ways that usually require increased funding.

Our state constitution requires that the annual state operating budget be balanced—meaning we can't spend more money than we collect.¹



WHY IT MATTERS

Most Americans believe in the “American Dream”—that, given the right work ethic and enough determination, anyone can achieve just about anything. While the idea of “equal opportunity” is very appealing, the reality is that not everyone starts off life with the same assets. Children who do not get enough nutritious food or receive adequate health care can fall behind their peers. Children who grow up in households plagued by chronic stress or who lack enriching experiences may not build the brain architecture that makes success in school possible.

A child who lacks key supports like these is a child who is less apt to grow up to be a contributing member of society. There are exceptions, of course, but as a rule children who start out behind stay behind. This is more than just a personal tragedy. Society as a whole loses out when human potential is lost.

A society that values its children is a society that makes available the support systems that families need in order to raise healthy children. This is simply a way of offering a collective hand to those who might need it. It’s a way of making sure no one gets left behind.

Unfortunately, when looking at the federal spending policies of the last four decades, it’s clear that American children have become a lower a priority while the wealthy and powerful few have become a bigger priority. This has required the states to fill the funding void for things like education.

Many states—New Mexico included—have embraced the trickle-down policies of the federal government and have given tax cuts to the wealthy and to corporations in the hopes that it will aid in job creation. Aside from tax cuts being a dubious economic development strategy, they also rob the state of the revenue needed to adequately fund the programs and services—such as education, health care, and public safety—that really do create jobs and improve the quality of life for all.

State Spending, the Private Sector, and the Economy

Many people think of government spending as separate from the state’s economy, which people tend to see as driven entirely by private-sector business. But the two are very closely linked. In fact, the vast majority of state spending ends up in the private sector either directly or indirectly—directly when the state purchases goods (like raw building materials, paper, computers, etc.) and services (con-



struction crews, school bus drivers, etc.), and indirectly through the paychecks of public employees (teachers, public safety officers, etc.). The Medicaid program is a good example of direct government spending. Just 3 percent of Medicaid funds go to the administration of the program. The vast majority pays the salaries of private-sector doctors, nurses, and their many technicians and staff members, helps maintain and stock private-sector hospitals and doctor's offices, and goes to pharmacies, pharmacists, and their support staff. The list goes on.

Even though a public employee's paycheck comes from state revenue, most of it is spent in the private sector on things like rent or mortgage, groceries, gas, car insurance, entertainment, and just about everything else we use and enjoy in our daily lives.



In this way, the state plays an enormous role in the economy. Just like the national economy, the state's economy moves in cycles, and is susceptible to depressions and recessions. During a recession, the state collects less money in the way of taxes because business is sluggish, unemployment goes up, and people's salaries are frozen or their work hours are cut back. As more people lose their income, more come to need the very social services that those declining tax revenues are funding. State universities and colleges also experience higher enrollment as people seek to develop new skills or earn a degree. Unlike the federal government, however, states cannot run on deficits by spending more money than they take in.

During an economic downturn states are tempted to cut back on their spending, but that only makes the recession worse.² When the state takes huge amounts of money out of the economy, that economy is weakened. Businesses that have contracts with the state lose out, and may have to lay off workers. As unemployment goes up, personal spending goes down.

Budget Basics **The Cost of Education**

Public education is the largest share of the state's operating budget. That's because of the way we fund education, not the overall amount we spend on it. (Our per-pupil spending places us in the middle of the 50 states.) In most states, education is funded primarily with local (city and county) property taxes. New Mexico's funding system is much more centralized, with the vast majority coming from state income and gross receipts taxes. Hawaii is the only other state with such a centralized tax system.

HOW THE BUDGET IS BUILT

STEP ONE: THE BUDGET RECOMMENDATION PROCESS

In most states and in the federal government, the executive branch develops a budget proposal that is considered and revised by the legislative branch. The executive branch has significant power in a budget process structured like this because its document frames the budget debate. While the legislative branch has the power to appropriate—that is, to authorize spending—the detailed review and analysis that is contained in the executive budget proposal reinforces the executive branch’s ability to steer the debate. Not so in New Mexico.

New Mexico is one of the few states in which both the executive and the legislative branches produce budget proposals. The Legislature has its own committee that independently develops a budget proposal based on the same agency requests that are submitted to the governor’s office. This structure significantly increases the power of the Legislature in the budget process; the Legislature is not simply adjusting the governor’s budget, but is suggesting its own priorities.

The operating budget is made up of the separate budgets of the state’s various agencies. Each state agency may have separate program budgets within their overall budgets. For example, the Human Services Department (HSD) oversees the Medicaid program, and the Medicaid program has its own budget within the HSD’s budget. However, in some agencies

many programs are combined into one budget. For example, the Children, Youth and Families Department (CYFD) oversees the state’s foster care program, but that program does not have its own budget—the foster care program is simply part of a larger program budget within the CYFD.

In general, the state budget process is a base-plus system. That means next year’s operating budget will use the agencies’ current budgets as a planning base. Funding can be added to (or subtracted from) this base. While these base expenditures are rarely reviewed in detail, several factors influence the overall funding levels provided for different agencies. They include:

- Available revenues;
- Price increases in programs that deliver

Technical Terms

Fiscal Year – The revenue and budget year for the state. New Mexico’s fiscal year starts on July 1 and ends the following June 30. The fiscal year is named for the calendar year in which the fiscal year ends. For example, fiscal year 2014 (which began July 1, 2013) ends on June 30, 2014. Fiscal year 2014 is abbreviated as FY14.

services that are considered mandatory, such as Medicaid and corrections;

- Changes in service levels as a result of population changes, such as increases or decreases in college enrollment;
- Increases in state employee salaries and benefits;
- Increases to meet commitments made in prior budget years, such as honoring collective bargaining agreements;
- Replacement of lost federal funds for programs that the state wants to continue; and
- Executive and legislative initiatives to either expand existing programs or create new programs based on newly identified priorities. These reflect the moral values and priorities of the governor and legislators—and are where citizens can and should exert their influence.

State agencies begin developing their budgets more than a full year in advance of the **fiscal year** in which the budget will be used. This means that agencies are beginning to formulate their budget proposals for the next fiscal year before the start of the fiscal year for the budget that was just enacted. For example, agencies started developing their budget proposals for

fiscal year 2014 in June 2013—one month before fiscal year 2014 even begins. This makes estimating spending needs difficult.

The State Budget Division (SBD) of the Department of Finance and Administration (DFA) releases budget preparation instructions to state agencies every year on June 15, as required by state law. Larger agencies often start developing their budget for the upcoming fiscal year even earlier. Agencies must submit their budget requests on September 1 to the governor (via the SBD) and the Legislative Finance Committee (LFC).

At this point, the SBD and the LFC begin separate budget development processes that will result in two independent budget recommendations. However, during this time, there is often close coordination between the two staffs on technical issues related to the budget.

Forecasting Financial Weather

In order to develop a budget proposal, the governor and Legislature must have an idea of how much money will be available. So they rely on **revenue estimates**. The amount of money available for agency budgets can vary from

Technical Terms

Revenue Estimates – An educated guess as to how much money will be available for the state to spend in an upcoming year. In New Mexico, revenue estimates are released every quarter.

Consensus Forecasting – The process used to enable experts from different departments to come up with an agreed-upon revenue estimate that is given to both the executive and legislative branches.

year to year as a result of economic conditions, changes in tax law, and other factors. While the estimates are based on tried-and-true forecasting methods, they are also uncertain. Economic conditions can change between the time the budget is developed and when it is implemented. State agencies must always be ready to adjust their budgets based on actual revenue collections versus what was estimated six or twelve months before.

New Mexico has a **consensus forecasting** process to ensure that both the governor and Legislature use the same estimates in developing their budget recommendations. The forecasting group provides consensus estimates for general fund revenue.

The group that creates the consensus revenue estimates is made up of career economists from the DFA, the Taxation and Revenue Department, the Department of Transportation, and the LFC. The group generally meets four times a year and their estimates are used both during the budget development process and during the legislative session.

This forecasting group also tracks ongoing revenue collections to monitor whether enough money is coming in to support the current general fund budget.

Developing the Executive Budget

The governor must submit the executive budget recommendation to the Legislature in early January. The governor's budget recommendation usually takes the form of two separate documents: the *Budget in Brief* and the *Executive Budget Recommendation*.

The *Budget in Brief* is usually released during the first week of the legislative session. It highlights the governor's major priority areas for the budget and includes **nonrecurring** appropriations, such as special projects and upgrades to information technology. The *Executive Budget Recommendation* is released earlier and contains the **recurring** operating budget recommendations for every state agency.

The State Budget Division does not conduct public hearings regarding the executive budget. The governor may choose to indicate some of his or her priorities through press releases and public appearances, but the overall executive budget development process is almost entirely internal. SBD staff members review the agency requests for both recurring operating expenses as well as nonrecurring expenses. The SBD's staff develops its own recommendations regarding proposed funding levels. These are reviewed within the DFA and approved recommendations are then presented to the governor.

Technical Terms

Recurring (appropriation) – Funding for ongoing operations of an agency that will form the basis of the agency's budget for the next fiscal year.

Nonrecurring (appropriation) – Funding that is only available on a one-time basis.

The governor makes the final decision on all budget recommendations. The recommendations can be either general or very detailed depending on the governor. Some governors approve budget recommendations in large blocks—such as “the judiciary,” “boards and commissions,” etc.—based mostly on staff recommendations, while others review and approve the budget for every agency. Each governor also decides how much state agencies will be involved in final budget decisions. Under some governors, agencies know the final recommendations and can appeal decisions before the budget is released. Under other governors, agencies will not know the final recommendations until the budget is officially released.

When the *Executive Budget Recommendation* is released, paper copies must be provided to members of the Legislature and each agency. Limited paper copies are made available to the public, but an electronic version is available online (see Resources, page 19).

Developing the Legislative Budget

The Legislative Finance Committee, which is an interim, bipartisan, bicameral committee, conducts public hearings as part of its budget development. The LFC holds monthly meetings from September to December to review each agency’s budget request. The LFC staff reviews the agency budget requests and prepares pre-

liminary recommendations for both recurring and nonrecurring appropriations. These are reviewed internally and then provided to the members of the LFC in preparation for the public hearings. At the public hearing, the person who heads each agency presents their agency’s budget request to the Committee. LFC budget hearings rarely allow for public comment. Public lobbying for budgetary issues must begin

much earlier in the budget process. For more on advocating for budgetary issues, see the companion publication, *Advocate’s Guide to the New Mexico State Budget*.

The Committee makes its final decisions in December, after which no changes are made. The budget recommendation is generally known as the *LFC Recommendation*. Paper copies are provided to the

Legislature and the governor. Few paper copies are available to the public, but an electronic version can be found online.

The LFC must release its budget recommendation no later than the first week of the legislative session. Recommendations are usually broken into three volumes: Volume I is the policy discussion and issue overview, and it includes recommendations for nonrecurring funding; Volume II includes the recurring operating budget for every agency; and Volume III provides data to back up the recommendations.



STEP TWO: APPROVING THE STATE BUDGET

When the Legislature meets in January, it has two separate budget recommendations to consider—the one the Legislative Finance Committee developed and the one proposed by the governor. To assist the Legislature in its review, the staffs of the LFC and the State Budget Division meet and prepare “difference sheets.” These sheets look at the differences between the two budget recommendations for each agency as well as each budgeted program within each agency. Difference sheets are presented at public hearings to the two committees that hold hearings on the budget proposals—the House Appropriations and Finance Committee (HAFC) and Senate Finance Committee (SFC).

A bill must be introduced before the Legislature can officially consider the budget proposals. This is traditionally done in the House of Representatives. That bill—the General Appropriation Act—is referred to as **House Bill 2** (or HB2) and is usually introduced during the first week of the legislative session. This initial draft is based on the executive budget recommendation and is not broken out into specific agencies, but overall areas such as “legislative branch,” “judiciary,” and “health and human services,” instead.

This is because the initial HB2 is merely a first draft that will be amended several times during the session.

House Budget Hearings

As with all legislation, a bill does not go to the full House or Senate for a floor vote until it has been through at least one committee. The HAFC will hold hearings on every agency budget. At these hearings, the LFC and SBD budget analysts discuss the differences between the two recommendations. The agency head will present its request and stand for questions. There is usually no scheduled time for public comment, although occasionally an outside group or individual advocate will be allowed to speak. Advocates and citizens must talk one-on-one with members of the HAFC if they wish to try and influence the budget.

Budget Basics

House Bill 2 Deadlines

Every movement of the budget process is governed by deadlines established by legislative joint rule. The legislative chamber that initiates the General Appropriation Act (usually the House) must transfer the bill to the other chamber within a certain allotment of days; that legislative chamber also must act upon it within a certain time frame; the GAA must then be approved by both chambers and transmitted to the governor by another predetermined deadline. Usually this process takes one or two months, depending on whether it is a short or long legislative session.

The HAFC will usually vote to adopt one of the two budget recommendations, possibly with modifications. If there are outstanding questions or particularly complicated budgets, the Committee may table the budget decision—meaning that it will review the budget internally and take a final vote later. The last of these HAFC meetings is often called “catch-up, clean-up.” This is the meeting in which all the budget decisions are finalized, including those that had been tabled. Agency representatives and interested groups also attend this hearing, in case the Committee has questions.

Once HAFC finalizes its recommendations, the original HB2 is substituted with a revised bill to reflect these recommendations. At this point, other stand-alone appropriations bills are incorporated into HB2. These include: The Education Appropriation Act; The Department of Transportation Appropriation Act; The State Fair Commission Appropriation Act; the Department of Game and Fish Appropriation Act; and a bill for public employee salary increases if they are proposed. All these bills will have

had separate hearings before being reported to HAFC and added to HB2.

Hundreds of other stand-alone appropriations bills will be introduced, but if the funds proposed in them are not included in HAFC’s version of HB2, there is little likelihood that these stand-alone bills will receive any further consideration by HAFC. An exception is in years where there is enough funding for a **“junior” appropriations bill**. In these cases, HB2 will go to the House floor for approval. Only rarely are amendments made from the floor. Usually it is passed “as is” and sent on to the Senate for consideration.



Budget Basics

“Junior” Appropriations Bills

A “junior” appropriations bill provides funding for specific projects or initiatives by agency, though some of this funding can be added to existing agency programs. These bills usually incorporate funding proposals included in many stand-alone appropriations bills that have already been introduced, but can also include entirely new proposals. Such bills generally result from additional general fund revenue that is available above and beyond that used for the General Appropriation Act.

The Senate Committee Process

The Senate budget process starts before HB2 has been received from the House. The Senate Finance Committee also holds budget hearings, however, in contrast to HAFC, the SFC often only hears the budgets of major agencies and those agencies headed by elected officials (such as the Secretary of State's office). At these hearings, the LFC and SBD budget analysts and the agency heads are present. The format may follow that of HAFC hearings, but often the discussion focuses more on question-and-answer sessions with the agency. There is usually no scheduled time for public comment, although occasionally an outside group or individual advocate will be invited to present. As with the HAFC, advocates and citizens wishing to influence the budget must talk one-on-one with members of the committee. At these hearings, the Committee will not vote to adopt specific budget recommendations. SFC withholds all public decisions until it receives HB2 from the House.

Once HB2 is sent to the SFC, the Committee initiates the amendment process. Amendments can be proposed by senators and the governor. A group or individual can propose an amendment, but a senator must sponsor it in order for it to



be considered. The public amendment process is usually limited to a 72-hour period. Staff of the SFC and LFC help legislative members and outside groups enter amendments into the official database. The SBD enters amendments on behalf of the governor. SFC staff review the amendments, the SFC considers them internally and then votes to adopt amendments at a public hearing. However, there is no public discussion of individual amendments and often a list of proposed amendments is not publicly available.

Once the SFC finalizes its budget decisions, it releases its version of HB2. Instead of a substitute bill, it usually takes the form of proposed amendments that replace all the sections of the bill containing appropriations.

Budget Basics

Why Some Sessions are Longer than Others

The full Legislature meets only once a year. In odd-numbered years, the session lasts 60 days, during which all types of legislation are considered. In even-numbered years, the session lasts 30 days, during which only the following types of bills are supposed to be considered: fiscal and revenue bills; bills from the previous session that were vetoed by the governor; and bills introduced by special message of the governor.

Conference Committees

Once the SFC amends HB2, it's no longer the same bill that was passed by the House. The House can do one of three things: accept the amendments; ask the Senate to withdraw their amendments; or send the bill to a Conference Committee where members from the House and Senate work to develop a compromise bill. Due to recent legislation, all conference committees held for the purpose of discussing public business are open to the public. (Ex-

cluded from this rule are meetings dealing with personnel, adjudicatory, or investigative matters, as well as proceedings related to ethics and conduct or to a caucus of a political party.) In general, the compromise bill will include elements from both bills but occasionally entirely new appropriations are included during this process. Once the Conference Committee finalizes its recommendations, it releases its version of HB2, which again takes the form of proposed amendments that replace all the sections of the bill containing appropriations.

STEP THREE: FINAL PASSAGE AND THE GOVERNOR'S ACTION

The Conference Committee version of HB2 then goes to the House and Senate floors for approval—or final passage—by majority vote. At this point, amendments from the floor are prohibited by Joint Rule. Once both the House and Senate approve HB2 it is sent to the governor for his or her signature. If the bill is passed any time before the final three days of the legislative session, the governor only has three days to act on the bill. If the governor does not act within that time frame, the bill is automatically enacted. If the Legislature sends the bill to the governor during the last three days of the session, the governor has a 20-day signing period after the close of the session to act on the bill.

In New Mexico, the governor has line-item veto power over appropriations bills. This means that the governor can strike out individual appropriations as well as language in the bill.

Unless the Legislature overrides the veto through a two-thirds vote of both chambers, these vetoes are final. While the Legislature has the sole power to appropriate, the veto gives the governor the power to take away or reduce appropriations. However, there are limits to the governor's line-item veto power, but these limits are beyond the scope of this guide.

The governor receives recommendations for line-item vetoes from his or her staff, the SBD, executive branch agencies, and other interest groups. Once the governor makes final decisions on line-item vetoes and signs the bill, the General Appropriations Act is enacted. If the bill is enacted during the 20-day signing period when the Legislature is already out of session, a veto override is possible if the Legislature calls itself back into an extraordinary session.³

STEP FOUR: IMPLEMENTING THE BUDGET

Even though the budget has been enacted, it cannot be implemented until it is translated into an operating budget for each agency. While this may seem straightforward, given that agencies' budgets were already appropriated in the General Appropriations Act, establishing an operating budget can take up to two months. This is because most agencies must translate the appropriated program budgets into division-level budgets. Also, the GAA often includes modifications to agency budgets such as salary increases and across-the-board reductions to general fund appropriations. In the past, other modifications have included reductions for new purchasing agreements and telecommunications rate reductions. Agencies often also revise their federal funding amounts in the operating budgets. Therefore, an agency's final operating

budget will often look slightly different from the direct appropriations provided to the agency in the GAA. Operating budgets pass through the Department of Finance and Administration for final approval and must be in place before the start of the new fiscal year.

There is currently no public document that shows agency-specific operating budgets as finally implemented. A higher-level overview of the enacted operating budget is always available through the Legislative Finance Committee's *Post-Session Review*, which is a summary document usually published a month or two after the end of the legislative session. The DFA occasionally provides an overview in its general fund report.

CONCLUSION

Although there are specific processes and time lines for developing the state budget, watching it in "real time" may seem confusing and messy. But consider what your family budget process would be like if every member of the family had an equal voice in setting the family priorities and budget. There would probably be many heated discussions around the dining-room table before compromises and final decisions were made. This is what has to happen when the 112 legislators and one governor meet each year and try to develop a budget for the state that reflects the needs, priorities, and values of all New Mexicans.

The budget process isn't perfect but it does provide a structure for discussion and consensus-building about the best use of the state's dollars to serve New Mexicans.

A companion guide, *Advocate's Guide to the New Mexico State Budget*, provides more information on how you can become involved in helping to set the state's budget priorities. It is available as a pdf at www.nmvoices.org.

Endnotes

1. New Mexico Constitution, Article IX, Section 7
- 2 “50 Herbert Hoovers,” Paul Krugman, *New York Times*, Dec. 29, 2008; http://www.nytimes.com/2008/12/29/opinion/29krugman.html?_r=1&scp=8&sq=krugman+hoover&st=nyt
- 3 New Mexico Constitution, Article IV, Section 6

RESOURCES

NM Legislature www.nmlegis.gov/lcs/

Governor’s Office www.governor.state.nm.us

State Budget Division http://nmdfa.state.nm.us/Budget_Division.aspx

LFC Recommendation www.nmlegis.gov/lcs/



New Mexico Voices for Children

625 Silver Ave. SW, Suite 195 • Albuquerque, New Mexico 87102

505-244-9505 • www.nmvoices.org

