

New Mexico



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aking a closer look at tax and budget policies
affecting New Mexico's quality of life

New Mexico Fiscal Policy Project

ADVOCATE'S GUIDE TO THE NEW MEXICO STATE BUDGET



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Other Citizen's Guides:

Citizen's Guide to the New Mexico State Budget

Citizen's Guide to New Mexico's Tax System

Citizen's Guide to Legislative Advocacy in New Mexico



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INTRODUCTION

This guide is designed as a companion to the *Citizen's Guide to the New Mexico State Budget*, which provides a description of the budget development and appropriation process. As that guide explains, the state's budget falls into two categories—the operating budget and the capital budget. The operating budget pays for state programs and services. The capital budget pays for capital outlay projects such as building new schools. This guide deals only with the operating budget, and particularly those programs and projects funded by the general fund.

The operating and capital budgets support the state's "direct" spending. The state also spends money indirectly by granting credits, deductions and exemptions from the tax code. Many tax expenditures are put in place as economic incentives, others help low-income families and seniors. The state is not required to keep track of the cumulative costs of these expenditures—even though 2008 estimates showed that the state spent about \$5 billion this way.¹ This guide is written for people who are interested in advocating for general fund monies to use for operating and programmatic purposes.

If you're interested in getting state funding to physically build something in your community—say, a community center or a new park—that money would have to come from the capital budget. Advocating for funds from the capital budget is a very different process, and is not covered in this guide. But if you want the Legislature to fund a community program, such as an after-school program at an existing community center, then this guide is for you.

Some Tips for Using This Guide

Words that appear in boldface are defined in the yellow *Technical Terms* and *Bud-*

get Basics boxes. Words that appear in boldface and italic (first use only) are defined in the "Budget Speak" section on page 22. All of the acronyms used in this guide are written out below. Online resources are listed on page 27.



Acronyms

DFA – Department of Finance and Administration

GAA – General Appropriation Act

HAFC – House Appropriations and Finance Committee

HB 2 – House Bill 2

LFC – Legislative Finance Committee

LCS – Legislative Council Services

LESC – Legislative Education Study Committee

SBD – State Budget Division (of the DFA)

SFC – Senate Finance Committee

GENERAL GUIDELINES

When advocating for funding from the state **operating budget**, there are a few key issues to keep in mind. First is the **anti-donation clause** of the New Mexico state constitution. This clause essentially prohibits direct **appropriations**, donations or subsidies from the state to any person, association, nonprofit, corporation, or other private entity.² Appropriations for projects or programs must be made to state or local government entities; they cannot name a non-government entity as a recipient. So if you're advocating for funding for the after-school program we cited in this guide's introduction, that funding cannot go directly to your nonprofit organization, neighborhood association or service club. The funding can, however, go to a state or city entity that may then

contract with your group to actually implement the program, although that cannot be explicitly stated in the appropriation.



We'll say more about the anti-donation clause later, but the main point here is that it is a good idea to work closely with the government agency, for example the Human Services Department, that will receive the funding. If the stars align, the agency may include your proposal in their budget request. Even if the agency does not support

your funding proposal, you should make sure that its staff is aware of the request.

Another key issue to keep in mind is that there is more than one way of appropriating state money. The three main options for program and project funding are: 1) through an increase to an agency's base budget, 2) through a line-item appropriation in the "**junior**" bill, or 3) through a special, **non-recurring appropriation**. The first is the most difficult appropriation to get, as an increase to the agency's base budget in the **General Appropriation Act** usually results in a permanent, recurring increase to the agency's budget. The easiest is the second option—a line-item appropriation in the "junior" bill, though there is no guarantee that there will be a junior bill in any given year.

Technical Terms

General Appropriation Act (GAA) – The primary annual appropriations bill that provides spending authority for the ongoing operations of all state agencies. Also referred to as House Bill 2 or HB2. (See "Understanding the GAA," page 18)

Junior bill – An appropriations bill that is not the GAA but provides appropriations for all three branches of government. Appropriations are generally for specific projects within agencies rather than general program funding.

Omnibus appropriations bill – A bill pertaining to, including, or dealing with numerous funding items at once.

Your chances of success are best if you can get your funding request into the agency budget request and then into both the executive and legislative budget recommendations. To do so successfully is difficult. A funding request may be made as a stand-alone bill, but unless the bill is rolled into the General Appropriations Act, a “junior bill,” or some other **omnibus appropriation bill**, it is not likely to pass the Legislature

intact. Remember, too, that a stand-alone bill must have a legislative sponsor. It’s best if you can get a senator and a representative to sponsor companion bills.

These types of appropriations and processes for getting appropriations into different bills will be explained further in the rest of the guide.

Finally, it’s important to remember that even though

budgeting decisions are ultimately made by the Legislature and the governor, you may be working primarily with their staffs. Throughout the budget development process, staff must prepare the analysis for and justification of all budget proposals. The better the staff members—particularly in the various budgeting offices—understand the proposal, the better the information they can provide to legislators and the governor.

GETTING STARTED

For best results, you’ll want to make sure you:

- Understand your issues;
- Have your facts and figures together;
- Ask for what you really need;
- Identify other citizen allies;
- Make sure the agency is informed; and
- Try to get the governor and key legislators on board.

Before you begin talking with state agencies or legislators, you need to have a clear and convincing argument for the increased funding or new program. This most likely will mean doing some research. Be clear not only about the amount of funding required but also the benefits of providing that funding. The best proposals can link

funding to outcomes or some sort of concrete result. (Citing research and/or evaluation studies may be helpful in this respect.) Your research should also tell you how much funding is reasonable.

In general, the best approach is to have a clear goal, a reasonable funding request, definable benefits, and solid talking points you and your supporters can use to advocate for the proposal.

You may also want to build a coalition of like-minded advocates. The power of many groups supporting the same proposal is considerable. Not only does it show that there is broad

interest in the issue but it also means that the same message is coming from many sources. Ideally, the state agency that will receive the funding will support your cause. But even if they can’t support it, you don’t want your request to surprise them. Of course, you’ll also need allies at the Roundhouse. Ideally, you would have both the governor and several legislators promoting your cause.



Where to Begin

As mentioned, your best chance for success is if your proposal is included in the agency budget request and then in both the executive and legislative budget recommendations that are presented to the Legislature at the beginning of the session. While it's difficult to get into either budget recommendation—not to mention both—the success rate if you do is great. Proposals that are approved through the executive and/or legislative budget formulation process generally get much more consideration during the appropriations process than other proposals.

When to Begin

One of the most important guidelines for budget advocacy is to *start early!* The legislative session may begin on the third Tuesday in January, but effective budget advocacy begins much sooner.

One of the first things you can do is invite your state

representatives to visit your program or community in which a program is needed. During a visit, you can give them a first-hand, tangible idea of what you hope to accomplish.

As discussed in the *Citizen's Guide to the New Mexico State Budget*, state agencies start developing their budget requests in June, six months before the legislative session begins. This is the best time to start advocating for additional funding, program enhancements, or funding for new programs. You'll want to provide information about your request to the agency's management and staff, and the governor's staff. This is also the time to discuss any changes you or your coalition would like to see not only in funding for an existing program, but also regarding the number of staff and performance measures for that program.

These early conversations are also the best time to tell your story. Thinking about your request as a story

will help you develop your message. Some questions to keep in mind are: What is the compelling reason that your proposal should be funded among all the other competing proposals for funding? Who will this help? Who will be hurt if the funding isn't provided? Why should anyone care?

Another opportunity is during the spring, when the Legislature begins its cycle of **interim committee meetings**. Having your issue on the agenda of the relevant committee to be discussed during the interim is very powerful. To request an opportunity to present to a legislative committee, you'll need to write a letter to the committee chair. Be sure to send a copy to the Legislative Council Services (LCS) staff member assigned to that committee or, if you're requesting time at Legislative Finance Committee (LFC) or Legislative Education Study Committee (LESC) hearings, send a copy to the respective directors.

Technical Terms

Interim committee meetings – Legislative committees that meet several times between May/June and December in order to review issues and develop budgetary and other recommendations for the upcoming session. The schedule for the interim committees can be found on the Legislature's website. (See "Resources" section, page 24.)

If you do get a chance to testify at a committee, follow these general guidelines:

- Keep your presentation brief;
- Be clear about the amount of funding requested; and
- Highlight what the funding would achieve, such as improved service levels, better performance, and/or the number of people who would benefit.

Have a one-page handout for the committee that summarizes the proposal. Your presentation and handout should be consistent so that members can clearly follow between the handout and your discussion. Be prepared for questions. If you don't know an answer, never make one up. Say to the committee that you don't have the requested information and that you will get back to them. Then make

sure you follow up and get the relevant information to the committee.

During the interim period, you should also be trying to meet with both high- and low-ranking staff members from the agency, governor's office, and Legislature. There is also great value in having the professional staff in the legislative and executive budget offices understand the proposal even if they cannot directly support it.

The budget formulation process takes place from September through December. The official executive and legislative budget development process starts on Sept. 1, when agencies submit their requests to the Department of Finance and Administration (DFA) and the LFC. The LFC then holds public hearings on every

agency's budget. During the LFC summer meetings, different programs and projects of agencies may have been reviewed and discussed. However, at the hearings that begin in September an agency's complete budget request for the next fiscal year is presented and reviewed. Getting on the agenda to testify during these hearings is difficult, but the LFC often sets aside one afternoon of hearings for testimony from advocates on budget issues. (For more detail on the budget formulation process, see the *Citizen's Guide to the New Mexico State Budget*.)

By the time an agency's budget request is heard publicly at one of the fall LFC hearings, the preliminary budget decisions have probably been made by the committee. This is why it's important to provide

Budget Basics

Addressing a Committee

Protocol requires that all comments are first directed to the chair of the committee. When testifying, always start by addressing the committee chair and the members with "Mr./Madam Chair and members of the committee." Clearly identify yourself and your organization. When answering questions, always begin the answer by saying "Mr./Madam Chair" regardless of who asked the question. You can also add the name of the member asking the question such as "Madam Chair and Representative Jones." A fallback is always "Mr. Chair and members of the committee." Not only does this comply with legislative protocol, but it also gives you some time to breathe and think before you answer the question. At the end of the testimony always thank the chair and the members for the opportunity to present to them.

information a month or so before the hearing to supportive legislators, particularly LFC members, and the LFC analyst for that agency, and to testify at LFC meetings during the summer. Some change is possible based on discussion at the hearing, but for most budget issues, the decisions have already been made.

The executive branch does not have a published schedule for when it makes its internal budget decisions, nor does it hold public hearings. The best approach is to provide information to the governor's and State Budget Division (SBD) staff soon after the Sept. 1 deadline for agency budget submissions. Ideally, in both cases the information you provide during the fall will

be a follow-up to the initial contacts you made during the summer. However, the fall still presents opportunities to get your request into the budget recommendations.

Often it is difficult to know if your work during the interim and the budget formulation process has been successful because the executive budget is not released until a few

days before the session begins the following January, and the legislative budget is only released once the session has officially begun.* Attending the last day of the LFC's December budget hearing is useful since the final recommendations are voted on publicly. In general, final budget decisions are closely held until the budgets are released.



Budget Basics

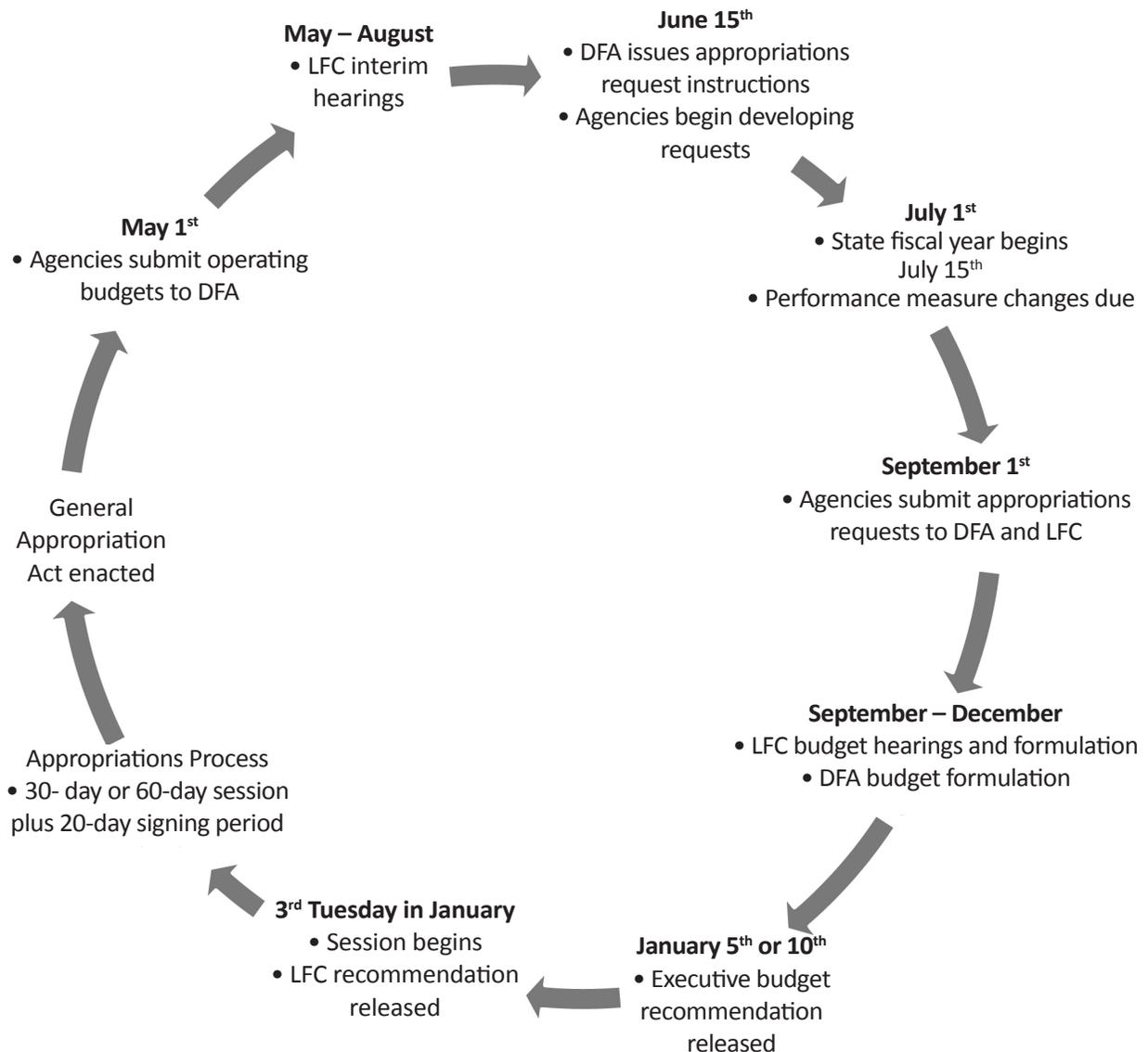
It's Often a One-Way Street

The executive and legislative staff members of the respective budget offices are often not able to discuss the agency budget requests that they are reviewing during the budget formulation process. The agency may be able to share with you what it has requested, but the availability of that information can vary. During the session, staff of the House and Senate appropriations committees also may not be able to tell you much about the status of certain appropriations. Regardless, it is still valuable to provide information to or meet with executive and legislative budget office staff as well as provide information to legislative committee staff. While they may not be able to share information with you, they can use the information you provide to help analyze the requests before them.

* The Executive budget recommendation is released either on January 5 for 30-day sessions or January 10 for 60-day sessions. The LFC budget recommendation is generally released at the same time but does not have to be released until the first week of the session.

Graph I

The Operating Budget Cycle



Technical Terms

Reverting or non-reverting appropriation – Determines whether appropriations can remain available until spent or if they will be returned to the general fund (or other fund) at the end of the fiscal year (or other designated appropriation period). (See “Budget Speak,” page 23, for examples of bill language.)

STAND-ALONE BILLS: “MAKING AN APPROPRIATION”

Since it is difficult to know before the start of the legislative session whether your proposal has been included in either budget recommendation, it's a good idea to work with legislators to ensure that your budget proposals are introduced as individual bills during the session. Hundreds of these “stand-alone” bills are introduced every session. They can be incorporated into the final budget bill by House Appropriations and Finance Committee (HAFC) and Senate Finance Committee (SFC), but generally only if there is a lot of lobbying and support behind them.

In order for a bill to be introduced, it must be supported by a legislative member. So, prior to the session, work with a legislator and the Legislative Council Service to draft the bill to be proposed. Review the bill draft carefully to make sure that the following is correct:

- Purpose of the appropriation;
- Dollar amount;
- Time frame for the appropriation (one fiscal year or longer);
- Name of the agency receiving the appropriation;
- Whether it is **reverting or non-reverting** funds; and
- The phrase “making an appropriation” is included in the bill title.

It's an excellent idea to prepare a budget for the funding request. This budget should break down how the money will be spent and should be given to the LFC, the DFA, and the affected agency for use in preparing their analyses of the bill. This is where your research will pay off because you'll be able to clearly state not only the amount of funding required but also the benefits of providing that funding. If possible, meet with the legislative and executive budget analysts as well as the

appropriations committee analysts to explain the proposal.

All bills that include an appropriation will be sent to HAFC and SFC for consideration and review. So once these stand-alone appropriations bills are introduced, try to meet with the analysts for these committees and explain the need for the appropriation. Given all the demands on the analysts' time, you may not be able to have an in-person meeting. In this case, provide written information about the proposed appropriation.

Remember, stand-alone appropriation bills rarely pass the Legislature with the appropriation intact. Regardless of whether the bill funds a new or existing program, expect the appropriation to be removed before the bill is passed. Virtually all successful appropriations that start out in stand-alone bills ultimately

Budget Basics

The Anti-Donation Clause

Since the state constitution prohibits making appropriations to or for non-government entities, the appropriation language must be crafted very carefully. If the appropriation is enacted and the receiving government agency cannot fulfill the purpose of the appropriation itself, it will generally contract out the work through a 'request for proposal' (RFP). A very specific purpose statement in the appropriation allows the agency to craft a very specific request for proposal, which can increase the chances of the organization that requested the appropriation actually receiving the contract.

pass as appropriations either in the GAA, the “junior bill,” or another omnibus appropriation bill.

Most often these stand-alone bills are “tabled” by HAFC or SFC, which means the bill is

essentially dead. Sometimes, the bill is passed, but with the appropriation taken out of the bill. In this case, the committee report on the bill will generally say that it is “striking the appropriation” which means the appropriation is de-

leted from the bill. A bill that passes without the appropriation means that the program or project is authorized by the Legislature but either no funding is available to implement it, or the funding request is amended into the GAA.

TRANSPARENCY AND THE BUDGET PROCESS

There is very little transparency in the budget process. The executive and legislative budget recommendations provide fairly comprehensive information about the proposed operating budgets. However, proposals for **special appropriations** tend to be listed in spreadsheets with short, cryptic descriptions. Once the legislative appropriations process starts, there is less and less transparency.

Few materials are handed out at appropriations hearings during the session. Sometimes committee staff can give you a copy of some of the material that was handed out during the post-hearing meetings. Difference sheets that show the differences between the legislative and executive recommendations are not always readily available. Often the spreadsheets that the committees use to track budget decisions are made available only on a select basis. Unfortunately, rather than committing to

the regular dissemination of public information, the system favors those who have good connections. The State Budget Division receives the committee information in order to analyze all the appropriations actions for the governor. However, this information is usually kept internal to the division; it is sometimes made available to the agencies; and is rarely made available to outside groups.

Basically, it never hurts to ask the staff of the legislative committees, agency, or SBD about the status of a particular proposal. Just know that the availability of information is inconsistent.

Tracking the Budget Process

This lack of transparency makes tracking budget decisions very tricky,

particularly since the appropriations process focuses on increases or decreases to operating budgets. This can make it difficult to know the total amount of funding that is being proposed for an agency.



Another problem is that most large agencies roll many divisions and programs into one program budget. Without getting the information directly from the agency, it is impossible to tell how much funding for a particular program is included in the overall agency budget. Increases to a particular project or division are listed separately from the GAA

on spreadsheets; the only thing that you will see in the GAA is that the overall budget for the program was increased. Unless there is **explanatory language** for the program’s appropriation that specifies how much funding is designated for a particular project, there is no way of knowing from the GAA. However, you can glean some information about the nature of an appropriation based on which section of the GAA it is placed in.

Even beyond transparency issues, closely tracking the legislative process may be one of the most difficult aspects of advocacy, especially if your group does not have a full-time lobbyist. Once the session begins, there is a

structure for budget hearings with certain deadlines throughout the session. However, within that, there can be endless changes in schedules. Be prepared for “legislative time”—meaning, don’t expect bills to proceed as scheduled. A hearing that is scheduled for two o’clock may begin at five o’clock. Likewise, the discussion of a particular agency’s budget or on a particular bill may be moved from the last item on the schedule to the first just as the hearing begins. Make sure to get copies of the HAFC and the SFC schedules and check frequently for updates. Attending the hearings is important because there are generally no minutes or reports describing action taken by the committees.* Often

you won’t know whether your proposal has been included until the committee releases its version of the GAA.

HAFC hearings on the budget start the first week of the session during a 60-day session, and a week before the session begins during a 30-day session. In the 2008 session, the SFC also held a few hearings during the week before the session began.

When considering the executive and legislative recommendations for agency program budgets, HAFC will generally vote for the recommendation with the lower funding amount. There are exceptions, of course, such as funding for social service programs when

Technical Terms

Explanatory language – The language included in a program’s appropriation in Section 4 of the GAA can specify how much funding is designated for a particular project or require that an agency take certain action before some portion of its funding is released. If funding amounts are specified for a particular project in explanatory language, it means that the funding cannot be used for any other purpose. However, explanatory language that includes a specific funding amount is also vulnerable to a line-item veto. If the language is vetoed, the funding is also vetoed. Using explanatory language is therefore a double-edged sword. It can be helpful in clarifying how much funding is going to a program or project but it is also risky because it makes the funding a veto target. Funding that is included in an agency’s base budget in Section 4 and not spelled out in explanatory language cannot be vetoed.

* One exception is the “subcommittee reports” prepared by subcommittees of HAFC to report their recommendations on agency budgets to the full HAFC committee. Subcommittees tend to hear the budgets of small agencies and boards and commissions. Copies of these reports are generally not made public, but should be available upon request.

many advocates and citizens affected by the program are present during the budget hearing. Regardless of how HAFC votes in the initial hearings, these amounts can change during the negotiations throughout the process.

The SFC does not take public votes on an agency's budget. The SFC generally waits for the House to pass its version of the GAA and then makes changes to the House version through a formal amendment process. Be vigilant—the SFC

amendment process is only two to three days long. If your proposal was not included in the House bill, this is a clear opportunity to try to get it into the Senate version of the bill. You must find a senator to sponsor your amendments. Having several senators submit the same amendment can help. SFC and LFC staff members provide assistance during the process. SFC will meet to vote on

amendments and will release a spreadsheet showing only those amendments that have been accepted.



LOCATING AND WATCHING BILLS

Daily schedules for committee hearings, as well as House and Senate floor action, are all posted to the legislative website every evening for the next day. In checking House and Senate floor schedules, look at the Third Reading of Legislation section. This shows the bills that are likely to be voted on that day. The Temporary Calendar in the House indicates which bills have made it through the committee process and have been sent to the House for a full vote. Bills on the temporary calendar will likely be heard in the House on the next legislative day. However, last-minute changes are always possible and during the last few days of the

session committee schedules may no longer be posted on the web and bills are no longer placed on the temporary calendar.

The Legislature's bill locator is an incredibly useful tool, and is updated every evening. Not only does it give information on where a particular bill is in the process, it can also give an indication of a bill's likelihood of being passed. In general, the more committees a bill is referred to, the less chance it has of passing. This is not always true, of course, but can be used as one indicator of the bill's likely success. Note that the locator will not be updated to show committee action

on a bill until the committee report on the action it took has been accepted by the House or the Senate. This means that HAFC may have taken action on Monday but the locator will not be updated until Tuesday night after the House accepted the HAFC report on the bill.

My Roundhouse is a web feature that allows you to create an individualized list of bills that are of interest to you. You will receive a system-generated email every time action on your bills has been taken. (See "Resources," page 24.)

There are very specific deadlines for getting the

GAA through the legislative approval process. The timelines are established in the Legislature's Joint Rule 9-1. The House generally introduces the General Appropriation Act (HB 2) and then must transfer the bill to the Senate by the 16th day of a 30-day session or the 35th day of a 60-day session. The Senate must act upon it by 21st day of a 30-day session or the 50th day of a 60-day session. The Act must then be approved by both chambers and transmitted to the governor by the 24th day of a 30-day session or the 54th day of a 60-day session. The deadlines are all based on calendar days, and include weekends and holidays.

FOLLOW-UP

Your work is not done even if your proposal was included in a budget bill or as a stand-alone bill, and passed by the Legislature. At this point, you need to contact the governor's office, agency and State Budget Division staff and support the governor's signing of the bill or, in case of the budget bills, urge the governor not to veto the item. The danger of a line-item veto is only present if your proposal is spelled out separately in a line item in the bill or included in the explanatory text within an appropriation. Funding that has been added to an agency's

base funding in Section 4 of the General Appropriation Act and is not described in explanatory text is generally safe from the governor's line-item veto.

Be Appreciative

Whether you receive what you requested or not, thank everyone involved. The budget process is complex and involves many competing priorities. So if your request for \$50,000 got cut to \$25,000 it often means that someone had

to fight to get the request considered and then fight to maintain even the lower level of funding. Don't focus on what you didn't get or start discussing proposals for the next session immediately. Allow some time for everyone to recover from the session and then start the cycle over again.



Budget Basics

Understanding Fiscal Years

Fiscal Year – New Mexico's fiscal years runs from July 1 to June 30. The fiscal year is named for the calendar year in which the fiscal year ends. For example, the fiscal year ending on June 30, 2010 is called FY10, even though it began during 2009.

Actual Year – The "actual year" is the fiscal year that just ended the previous June. For example, when the FY10 budget was being developed, the "actual year" was FY08.

Current Year – The "current year" is the fiscal year that began this past July and will end this June. For example, in developing the FY10 budget, the "current year" was FY09. The current year's budget is also called the "operating budget."

Budget Year – The upcoming fiscal year that will start the next July. For example, when developing the FY10 budget, the "budget year" was FY10.

Track the Proposal Implementation

Keep in touch with the implementing agency throughout the fiscal year to see how your funding proposal is being implemented. This is particularly important for new initiatives, which can take some time to get started, or for special appropriations for particular projects. While the fiscal year for the budget that just passed will not begin until July 1, funding for special appropriations is generally available before the start of the fiscal year. Therefore, an agency could begin work on a project funded through a special appropriation almost immediately after the GAA is enacted. If the agency is unsure whether the funding is available, check with the State Budget Division, which has responsibility for establishing agencies' budgets as enacted in the GAA.

Knowing how the proposal was (or was not) implemented is helpful in developing the next round of requests. If an agency hasn't spent the funds received for a particular project or program by the time the next legislative session arrives, it is difficult to request additional funds for the project or program.

Budget Basics

The Timing of Revenue Estimates

How much money the state will have to spend in the upcoming fiscal year is an important question for anyone interested in influencing the state budget. While changes in the amount of money the state has available may not influence the dollar amount of your request, it's a good idea to know whether the appropriators have more money to spend than expected or less. This can affect their mood and decision-making. How you approach appropriators and staff may vary depending on the revenue picture.

The *Citizen's Guide to the New Mexico State Budget* discusses the revenue forecasting process. Here it is important to know the approximate timing of revenue forecasts. The forecasts are presented at either LFC or HAFC hearings and officially released by the DFA. The testimony by DFA and LFC can be informative and copies can be obtained from the two agencies.

Summer forecast – Used as a guideline for the budget development process that begins in September.

October forecast – Provides updated information that is used to finalize the DFA and LFC budget recommendations.

December forecast – Used for the appropriations process during the session.

Mid-session forecast – Generally done before the General Appropriation Act is released by the HAFC, to make sure that estimated revenues can support the proposed level of spending.

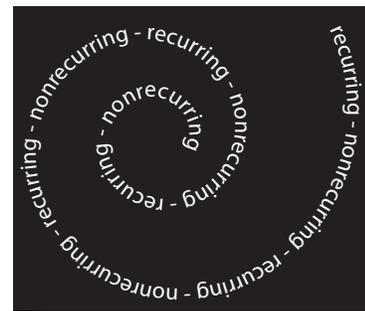
Budget Basics

To Recur or Not to Recur?

One of the most confusing aspects of the budget process is the question of whether a specific appropriation is recurring or non-recurring. A **recurring appropriation** is an ongoing appropriation that is built into an agency's base budget for the next fiscal year. Agency program appropriations in Section 4 of the GAA are always recurring. A **non-recurring appropriation** is a one-time appropriation, sometimes for a special project, that is not included in an agency's ongoing base budget.

The confusion arises mostly with special appropriations and appropriations in "junior" bills. These are usually line-item appropriations for specific projects. The source of funds for these appropriations usually—but not always—determines whether the appropriation is recurring or non-recurring.

Recurring revenue is revenue that the state has a reasonable expectation of collecting in the next fiscal year as well as future fiscal years. Recurring general fund revenue sources include gross receipts taxes, personal income taxes, and corporate incomes taxes.



Non-recurring revenue is one-time revenue that usually results when general fund revenue collections in the current year are higher than the current year's appropriations. These extra funds are then made available for one-time appropriations in the next fiscal year. This includes special, supplemental, **deficiency**, and capital appropriations.

Special appropriations are almost always funded with non-recurring revenues. Appropriations in the "junior" appropriation bill have been funded with a mix of recurring and nonrecurring revenues. During the appropriations process, the Legislature generally treats special appropriations as non-recurring and "junior" bill appropriations as recurring.

The Department of Finance and Administration (DFA), however, has the final say in deciding whether these appropriations are recurring or non-recurring. At some point after the appropriations bills are enacted, the DFA will make the decision. In the past, regardless of the source of funding, some special appropriations have been determined to be recurring and many junior appropriations have been determined to be non-recurring.

The safest approach is to assume that these appropriations are non-recurring until you find out otherwise. The DFA does not always publicize its decisions, but you can always contact the affected agency or the State Budget Division of DFA, which will have the official list of recurring/nonrecurring decisions.

UNDERSTANDING THE GAA

Understanding where funds appear in the General Appropriation Act is important because the different sections of the act determine the nature of the appropriation—most importantly, whether it is a recurring appropriation or a non-recurring appropriation for which you must advocate again in the next budget cycle. It can be useful to understand that the GAA is primarily an expenditure plan. The Act does not show the total amount of revenue available to the agencies that collect non-general fund revenue (e.g., fees) and/or receive federal funds. Rather, the Act shows how much has been authorized for spending. An agency may collect more revenue than it is authorized to spend.

This portion of the guide provides an overview of the general structure of the GAA as it has appeared in the last five years. There can be variations, but understanding the general structure should help you understand each section even if numbered differently in different years.

Section 1

Section 1 officially designates the “short title” of the Act. Although the official short title is “The General Appropriation Act of [year],” legislators and budget staff will more often refer to the Act as “House Bill 2.”

Section 2

Section 2 defines terms used in the Act. Read this section

through at least once to understand the terminology, especially that for the general fund and federal funds.

Section 3

This is mainly a technical section. The provisions fall into two general categories: the first explains the structure of the Act; the second directs the Department of Finance and Administration and state agencies on overall implementation of the Act and includes some agency-wide authority restrictions. Of particular note is DFA’s responsibility to track overall revenue collections, either general fund or other (e.g., fees). If non-general fund revenues are not on track to meet appropriated expenditures, DFA is authorized to take action to reduce

1 2 3 4 5	AN ACT MAKING GENERAL APPROPRIATIONS AND AUTHORIZING EXPENDITURES BY STATE AGENCIES REQUIRED BY LAW. BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO: Section 1. SHORT TITLE.--This act may be cited as the "General Appropriation Act of 2008". Section 2. DEFINITIONS.--As used in the General Appropriation Act of 2008:
1 2 3 4	AN ACT MAKING GENERAL APPROPRIATIONS AND AUTHORIZING EXPENDITURES BY STATE AGENCIES REQUIRED BY LAW. BE IT ENACTED BY THE LEGISLATURE OF THE THE STATE OF NEW MEXICO: Section 1. SHORT TITLE.--This act may be cited as the "General Appropriation Act of 2008".
15 16 17 18 19 20 21 22 23 24 25	E. "full-time equivalent" or "FTE" means one or more authorized positions that alone or together receives or receive compensation for not more than two thousand eighty-eight hours worked in fiscal year 2009. The calculation of hours worked includes compensated absences but does not include overtime, compensatory time or sick leave paid pursuant to Section 10-7-10 NMSA 1978; F. "general fund" means that fund created by Section 6-4-2 NMSA 1978 and includes federal Mineral Lands Leasing Act receipts and those payments made in accordance with the federal block grant and the federal Workforce Investment Act, but excludes the general fund operating reserve, the appropriation contingency fund, the tax stabilization reserve and any other fund, reserve or account from which general appropriations are restricted by law; G. "interagency transfers" means revenue, other than internal service funds, legally transferred from one agency to another;

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hundred thousand dollars (\$4,300,000) from the tobacco settlement program fund for breast and cervical cancer treatment and for medicaid [sic] program expenditures.” This language describes the source of funding and also requires that an unspecified amount of that funding be used for breast and cervical cancer treatment and the rest for general Medicaid expenditures. The agency could not use the funding for other purposes without getting a change in the language in a subsequent appropriations bill.

to review these to understand how the agency is measuring success for certain activities. However, the performance measures included in the bill are chosen by the Legislature so it is possible that they are not the measures of most importance to the agency. Most large agencies track many more measures than are included in the bill. The full list of measures reported by agencies to DFA and LFC are included in the published DFA and LFC budget recommendations.

part of an agency’s ongoing budget and the funding is usually non-recurring. The projects funded in this section should be for one-time or pilot projects, though this is inconsistent. There are many agencies that have received non-recurring funding for a specific activity each year for many years. Special appropriations language is generally very broad and provides the agency a lot of freedom in implementation.

Unless otherwise specified, special appropriations are available for two fiscal years—the fiscal year during which the GAA is enacted and the next fiscal year. This means

Program appropriations also include performance measures. It may be useful

Section 5

Special appropriations are generally not considered to be

Item	General Fund	Other State Funds	Intrnl Svc Funds/Inter-Agency Trnsf	Federal Funds	Total/Target
1 Subtotal					8,174.4
2 INDIAN AFFAIRS DEPARTMENT: ← Agency					
3 (1) Indian affairs: ← Budgeted Program					
4 The purpose of the Indian affairs program is to serve as the coordinating agency for intergovernmental					
5 and interagency programs concerning tribal governments and the state.					
6 Appropriations:					
7 (a) Personal services and					
8 employee benefits	1,273.0				1,273.0
9 (b) Contractual services	367.7				367.7
10 (c) Other	1,919.0	538.9			2,457.9
11 Authorized FTE: 15.00 Permanent					
12 The other state funds appropriation to the Indian affairs program of the Indian affairs department					
13 includes five hundred thousand dollars (\$500,000) from the tobacco settlement program fund for tobacco					
14 cessation and prevention programs for Native American communities throughout the state.					
15 The general fund appropriation to the Indian affairs program of the Indian affairs department in the					
16 other category includes four hundred ten thousand dollars (\$410,000) for the leadership institute and					
17 summer policy academy at the Santa Fe Indian school. ← Explanatory Language					
18 Performance measures: ← Performance Measures					
19 (a) Output: Number of capital projects over fifty thousand dollars					
20 (\$50,000) completed and closed					60
21 (b) Output: Number of capital outlay process training sessions					
22 conducted for tribes					10
23 (c) Output: Percent of grants and service contracts with more than two					
24 performance measures					100%
25 (d) Output: Number of capital outlay projects under fifty thousand					

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An example of a page from Section 4 of the GAA.

that a special appropriation enacted in the FY09 GAA is available for the remainder of FY08, as well as all of FY09. This is important to know, because many agencies do not budget this money until the beginning of the next fiscal year even though they could be starting the project in the current fiscal year. If you want your project to start as early as possible, work with the agency that received the appropriation and DFA to get the appropriation budgeted as soon as possible.

Section 6

Appropriations in this section are for both supplemental and deficiency appropriations, although the specific line items do not always indicate which type. One way to tell is to look at the DFA and LFC budget recommendations, where the two categories are separated. You can also contact the affected agency.

Deficiency appropriations can be of interest because they may indicate budget pressure on particular programs in the current and upcoming fiscal year. However, they can also result from fiscal mismanagement, so using the fact that an agency required a deficiency appropriation as an argument for more funding in the current or upcoming budget year should only be used if the reasons for the deficiency are based on the needs of the program and not

administrative problems in managing the budget.

Supplemental appropriations can be of interest because they also may indicate budget pressure on particular programs. Advocates for a particular program may want to see whether, if an agency received a supplemental in the current fiscal year, that agency also received an increase for the upcoming fiscal year. Again, the same caveat as for deficiency appropriations applies. It is important to distinguish whether the need for a supplemental appropriation resulted from program needs or problems managing the budget.

Section 7

This section provides appropriations for all major information technology (IT) projects planned by state agencies. It is often a combination of new appropriations and extensions of prior appropriations. Extensions are usually for projects that are still running and have not used up the original appropriation but for which the appropriation period is expiring. Appropriations in this section are generally from the “computer systems enhancement fund” unless other funds are specified. The computer systems enhancement fund is funded by the state general fund and does not represent a

different revenue source for IT projects. For accounting purposes, general fund monies for information technology projects are transferred to this separate account.

Section 8

This section provides appropriations for salary increases at all state agencies except public schools. The public school compensation increases are included in the “state equalization guarantee” section of the Public School Support appropriation in Section 4. After the bill is enacted, DFA distributes the compensation increases to agencies. Therefore, in years where salary increases have been enacted, an agency’s recurring budget will equal its Section 4 appropriation plus its share of the Section 8 appropriation.

Note that compensation increases can eat into agencies’ programmatic budgets for two reasons. First, the appropriation may not fully cover the cost of the salary increases because the increases are calculated almost a full year before they are implemented. Second, the appropriation only provides funding to cover the costs of those employees paid by the general fund. Agencies that have employees paid by fee revenue or federal funds often cannot raise fees or increase federal funding to cover the

compensation increases and therefore must absorb the cost of the increases.

Sections 9 and 10

These sections provide budget adjustment authority to agencies for the current and upcoming fiscal years. Budget adjustment authority includes general authority for agencies to increase budgets based on non-general fund revenues and to move funding between categories of spending. It also includes specific authority for

agencies to address situations that go beyond the general authority provided. Advocates should pay attention to this authority if they are proposing funding that would go to one agency and then be transferred to different agencies. It is important to ensure that the receiving agencies have the correct authority to adjust their budgets to accept the transfer of funds. Work with the affected agencies if your proposal involves anything like this. Note that agencies can bring grant funds from non-state entities into their

budgets under general authority provided in Section 3.

Sections 11 and beyond

These sections tend to be technical sections that provide the state authority to bring in reserve funds if revenues fall short for that particular fiscal year and other technical items. However, it is important to take a look at what is in these sections, because across-the-board appropriation reductions (known as **sanding**) may be included in these sections as well.

BUDGET SPEAK

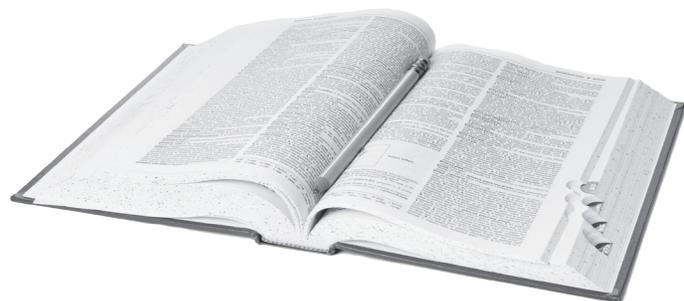
Appropriation – Legal authorization provided in statute to state agencies to spend public funds passed by the Legislature and enacted by the governor.

Budget – A plan of financial operation that includes an estimate of proposed expenditures for a given time period and the source of revenue to finance the expenditures. Usually the time period is for one year.

Budgeted Program – See “Program.”

Deficiency Appropriation – An appropriation to cover an agency’s deficit due to overspending its budget in the previous fiscal year.

General Appropriation Act (GAA) – The primary annual appropriations bill that provides spending authority for the ongoing operations of all state agencies. Also referred to as “House Bill 2” or “HB 2.”



Junior Bill – An appropriations bill that is not the GAA but provides appropriations for all three branches of government. This is where “member-designated” funding is usually found—each legislative member is usually given a specific amount of money to spend on any project that he or she chooses.

Non-recurring Appropriation – An appropriation that is only available on a one-time basis. The appropriation is not included

in an agency's ongoing operations and will not be included in the agency's budget that forms the base for the next year's appropriation. The executive makes the final determination on which appropriations outside of those made in Section 4 of the GAA are recurring or non-recurring. (See "To Recur or Not to Recur" section, page 17.)

Omnibus Bill – A bill pertaining to, including, or dealing with numerous items at once.

Operating Budget – The working budget for an agency based on the enacted appropriations for that fiscal year.

Program/Budgeted Program – A set of activities undertaken in accordance with a plan of action, organized to realize identifiable goals and objectives. The "programs" used for budgeting purposes can be broad categories.

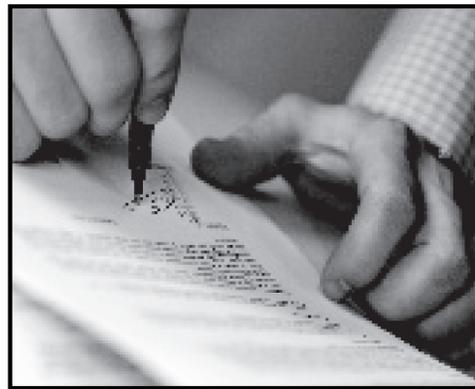
Recurring Appropriation – An appropriation for ongoing operations of an agency that will form the base of the agency's appropriation for the next fiscal year. After all bills containing appropriations are enacted, the executive makes the final determination on which appropriations outside of those made in Section 4 of the GAA are recurring. (See "To Recur or Not to Recur" section, page 17.)

Reverting or Non-reverting Language – Determines whether unspent appropriations can remain available until spent or if they will be returned to the General Fund (or other funds) at the end of the fiscal year (or other designated appropriation period).

Reverting language reads: "Any unexpended balance of the appropriations remaining at the end of fiscal year xxxx shall revert to the ____ fund." Non-reverting language reads: "Any unexpended balance of the appropriations remaining at the end of fiscal year xxxx shall not revert." This language can either be included in the introductory language of the section in which the appropriation is included

(e.g., Section 5 of the GAA) or directly within the appropriation itself.

Sanding – Action by the Legislature to reduce general fund appropriations on an "across-the-board" basis, though some exceptions to the reductions are possible. Sanding is usually applied to the General Appropriation Act though sometimes also applied to "junior" appropriation bills. It usually occurs in order to bring the total spending in the GAA, any junior bill, and other stand-alone appropriations bills within the legislative targets for total spending. Occasionally called "shaving." See Section 11 of the 2006 GAA or Section 15 of SB 190 (2005 Session "junior" bill) for examples of sanding.



Signing Period – The New Mexico Constitution provides the governor 20 days after the last day of the session to sign bills passed during the last three days of the session. Bills passed prior to the last three days of the session must be signed or vetoed within 72 hours.

Special Appropriation – An appropriation to an agency for a specific purpose rather than general operations. Usually for a one-time purpose and funded out of non-recurring revenues. (See "To Recur or Not to Recur" section, page 22.)

Supplemental Appropriations – An appropriation to resolve projected budget shortfalls for the current fiscal year.

RESOURCES

Budget Information

Executive Budget Recommendation

<http://budget.nmdfa.state.nm.us> - under "Current Issues"

Legislative Finance Committee Budget Recommendation

<http://legis.state.nm.us/lcs/lfc/lfcapprec.aspx>

DFA and LFC Staff Contacts

DFA: <http://budget.nmdfa.state.nm.us> - under "Staff Directing and Assignments"

LFC: <http://legis.state.nm.us/lcs/lfc/lfcstaff.aspx>

LFC Post-Session Review

<http://legis.state.nm.us/lcs/lfc/lfcfiscal.aspx>

Summary of budget action and major legislative changes resulting from the most-recently completed session. Usually released within a month or two after the end of the session.

Under "Post Session Fiscal Review."

Historical List of General Appropriation and Capital Outlay Bills

<http://legis.state.nm.us/lcs/misc/Historical%20List.pdf>

Bill and chapter numbers for GAA, "junior" bills, and capital outlay bills back to 1996

State Budget Act: 6-3-1 through 6-3-25 NMSA 1978

DFA Appropriations Request Instructions

<http://budget.nmdfa.state.nm.us> - under "Appropriation Request"

LFC Budget Guidelines

On LFC website under "Information for State Agencies" - choose "Budget Guidelines"

Legislative Session Information

Agendas and Calendars

<http://legis.state.nm.us/lcs/agecalendars.aspx>

Bill Finder

<http://legis.state.nm.us/lcs/BillFinder.aspx>

As of the 1996 session, search by bill number, key word, etc. Useful for tracking bills during the current legislative session. Also useful in looking at bills from previous sessions to see if similar bills have been introduced in the past.

My Roundhouse (Bill Watcher)

<http://www.nmlegis.gov/lcs/myroundhouse/>

Session Dates

<http://legis.state.nm.us/lcs/lcsdocs/sessionsdates.PDF>

Dates of the upcoming session and for the most recently completed sessions
Opening day, deadline for bill introduction, end of signing period (pocket veto),
effective date of legislation

Session Publications

<http://legis.state.nm.us/lcs/sessionpub.aspx>

Listed under each session

- Session Highlights (LCS version of Post-Session Review)
- Effective dates for individual bills
- Subject Index - bills listed by general area. For example, all bills affecting agriculture. Good resource to find out whether a bill has been introduced in prior sessions, etc.
- Capital Outlay Appropriations

Interim Committee Reports

<http://legis.state.nm.us/lcs/reports.aspx>

Other

General Fund Revenue Testimony

<http://board.nmdfa.state.nm.us/> - under "General Fund Information" - choose
"Testimony"

Index to Revenue Sources of New Mexico; Legislative Council Service; revised July 2007.

<http://legis.state.nm.us/lcs/misc/Index%20to%20Revenue%20Sources.pdf>

LFC Newsletter

<http://legis.state.nm.us/lcs/lfc/lfcnewsletter.aspx>

LFC Understanding Government Finances series

<http://legis.state.nm.us/lcs/lfc/lfcfinancefacts.aspx>

Online Statutes (Conway Greene)

<http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2>.

Includes NM Constitution and statutes, but not the session laws.

BUDGET ADVOCACY CALENDAR

April	May	June	July
<ul style="list-style-type: none"> – Interim legislative committee hearings begin for most committees (usually the LFC) 	<ul style="list-style-type: none"> – (1st) Agencies submit their enacted operating budgets for the fiscal year starting in July to DFA – Start outreach to interim legislative committees if want to testify – Interim legislative committee hearings begin (for some committees) 	<ul style="list-style-type: none"> – Interim legislative committee hearings begin (for some committees) – (15th) Agencies begin developing their budget request; meet with agency staff – (30th) State’s fiscal year ends 	<ul style="list-style-type: none"> – (1st) State’s fiscal year begins
		– Summer revenue estimate is made	
– May-August: Provide information about your funding request to legislators, the governor’s →			
August	September	October	November
	<ul style="list-style-type: none"> – (1st) Agencies submit appropriations requests to DFA and LFC – Executive and Legislature begin developing their budget recommendations – LFC’s public hearings begin (check schedule for “advocate’s day”) – Provide information about your funding request to the State Budget Division 	<ul style="list-style-type: none"> – October revenue estimate is made for finalizing the budget recommendations 	
← office and the LFC			
December	January	February	March
<ul style="list-style-type: none"> – LFC has its final hearing – The December revenue estimate is made 	<ul style="list-style-type: none"> – Executive budget recommendation is released – HAFC begins budget hearings – Legislative session begins on the third Tuesday – LFC budget recommendation is released – SFC begins budget hearings 	<ul style="list-style-type: none"> – Mid-session revenue estimate is made – HAFC releases the GAA – SFC amendment process for the GAA – 30–day session ends in late February; governor has 20 days to act on legislation passed in last three days 	<ul style="list-style-type: none"> – 60–day session ends in late March; governor has 20 days to act on legislation passed in last three days

Endnotes

1 Calculation by NM Voices for Children from estimates from NM TRD Tax Research Unit

2 New Mexico State Constitution, Article 9, Section 14 and Article 4, Section 31



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