

NM Budget 101

HB2: General Appropriation Act

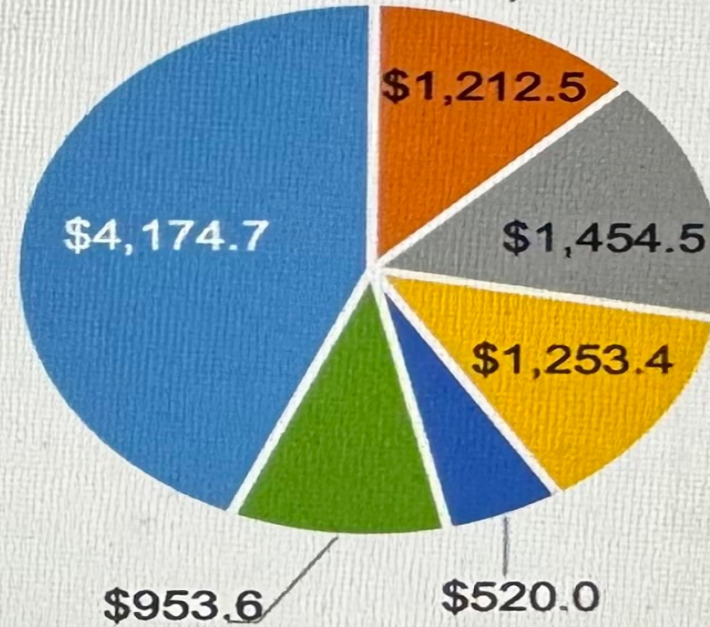
House Bill 2 Substantive Sections

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

N.M. Budget Breakdown: Where does the money go?

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

FY24 Recurring General Fund Appropriations \$9,568.7 (In millions)



- Public Schools
- Higher Education
- Medicaid
- Other Health & Human Services
- Public Safety
- Other

Budget Creation Timeline & Process

Budget Timeline - Interim

- ▶ Mid-June: State Budget Division of DFA sends budget request instructions to state agencies.
- ▶ July/August: Executive Agencies work with Governor's Office related to budget instructions and funding priorities
- ▶ August: Consensus General Fund Revenue Estimate released
- ▶ September 1: All agency budgets must be submitted to DFA and LFC
 - ▶ Actual and expected revenue and expenditures for the previous, current, and upcoming fiscal years.
- ▶ September - December: executive and legislative staffs separately analyze the requests and develop the governor's and Legislative Finance Committee's budget recommendations
- ▶ October: Consensus General Fund Revenue Estimate released
- ▶ December: Consensus General Fund Revenue Estimate released
 - ▶ LFC finalizes its budget recommendations
- ▶ January 5 (even-numbered years) or January 10 (odd-numbered years): Governor required to submit the Executive budget request to the Legislature

New Mexico is only one of five states in which both the governor and the legislative agency propose competing, comprehensive budgets.

Budget Timeline - House of Representatives

- ▶ HB2: General Appropriation Act is introduced on the first day of the Session - just a shell and not used for any real decision making.
- ▶ HAFC uses a side-by-side comparison of the Executive Budget Recommendation v. the LFC Budget Recommendation when adopting committee budget
 - ▶ HAFC always adopts the lower of the two budget recommendations when starting the HAFC Committee Substitute process
- ▶ HAFC forms sub-committees that often do not meet in public to discuss specific agency budgets if there seems to be disagreement amongst committee members
 - ▶ This is your best chance at making changes to the LFC/Executive Budget recommendations! Often these committees are 3-5 people.
- ▶ Under House Rules, HB2 is mandated to be released from the House half-way through the legislative session (15th day in even numbered years, 30th day in odd numbered years)
 - ▶ The Speaker will not bring the budget to the floor unless he is guaranteed enough votes in his caucus to pass it.
- ▶ There is supposed to be some “unspent dollars” remaining for Senate Finance Committee to allocate, but this practice has been abandoned in recent years.

Budget Process - Senate

- ▶ Once the budget passes the House, it is referred to the Senate Finance Committee.
- ▶ Senate Finance Committee uses “amendment process” for changes to HB2
 - ▶ The amendment process is highly dependent on the “unspent dollars” left over from the House version of HB2 - no unspent dollars means few amendments adopted as SFC must cut out spending
 - ▶ There are often at least 1,000 amendments offered on HB2
 - ▶ Amendments focus either on money, language, or both.
 - ▶ There are two committees created - one that deals with language changes and one that deals with money changes.
- ▶ Senate Finance Committee Members “huddle” in the LFC conference room to adopt amendments and make other adjustments.
 - ▶ This process is not public.
 - ▶ Success of amendments is dependent on staff buy-in, public pressure, sponsorship, and status of larger negotiations.

Budget Process - Negotiations

- ▶ Once the budget is out of the Senate, the House can either concur with amendments made, or force a conference committee.
 - ▶ Conference Committee members are often:
 - ▶ Chair of SFC, Chair of Senate Tax, Ranking R on SFC
 - ▶ Chair of HAFC, Vice-Chair of HAFC, Leadership Selection for R serving on HAFC
- ▶ House of Representative priorities can be the basis for rejection of amendments and conference committee
- ▶ Senate priorities are often closely aligned with the Constitutional mandate that appropriations in the General Appropriation Act are limited to those expenses “required under existing law.”
- ▶ Executive budget priorities and what the Governor is and is not willing to sign
 - what are her non-negotiables to getting the bill signed?
 - ▶ Past examples: (1) Opportunity Scholarship, (2) Reads to Lead, (3) LEDA Funding