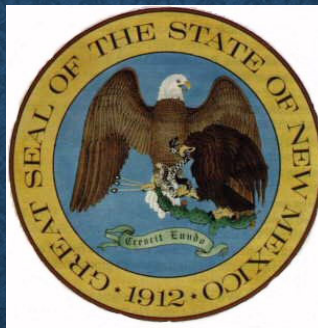


BUDGET BOOT CAMP MODULE 1: THE STATE BUDGET PROCESS



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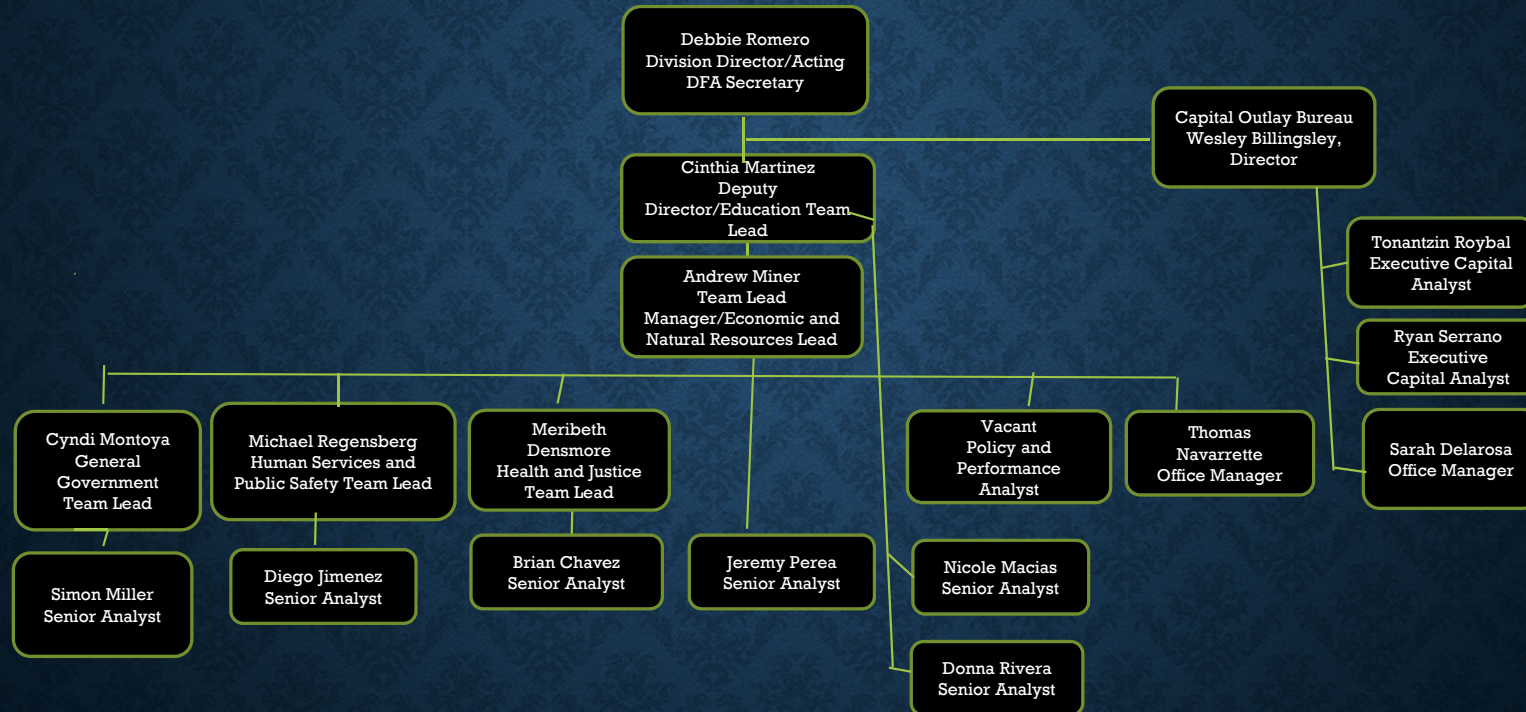
COURSE OVERVIEW

- Targeted for new budget analysts, but everyone wishing to increase their knowledge of state budgeting in New Mexico is welcome
- 1. State Budget Process – Lots of background and context to establish the environment in which budget analysts do their jobs
- 2. The SHARE System – Explanation and demonstrations of creating budget journals and running useful reports, and applications for these
- 3. Budget Management Documents – Authority and types of budget adjustments, nonrecurring appropriations, demonstrations of how to submit
- 4. Budgeting History and Scholarship – How has public budgeting changed over time, how does budgeting differ across states, what influences the budget process?
- SBD holds separate trainings for budget request and operating budget submission – won't get into many details here. Also, new budget system on the way.
- Please type your questions in chat – we have plenty of time
- Please make sure video is off

INTRODUCTION TO THE STATE BUDGET DIVISION

- SBD is the Governor's/Executive Budget Office, part of the Department of Finance and Administration (DFA)
 - Provide budget and policy information, analysis, and recommendations to Executive Branch leadership (i.e. DFA management, Governor's Office, agency heads)
 - Executive budget recommendation
 - Testify at budget hearings
 - Fiscal impact reports and policy recommendations for legislation
 - Manage state budget activities throughout the fiscal year
 - Approve Operating Budget submissions
 - Process Budget Adjustment Requests and other documents
 - Review proposed HR actions and contracts for budget soundness
 - Promote efficiency in government operations and effective use of taxpayer dollars
 - Direct performance management process in collaboration with Legislative Finance Committee
- Only the SBD Director is appointed, all other staff are classified

State Budget Division – September 2020



OTHER STATE BUDGET ACTORS

- DFA Financial Control Division
 - Process general fund allotments
 - Work with SBD and agencies to resolve budget and accounting issues
- Governor's Office and Cabinet Directors
 - Work with SBD and agencies to address Executive budget priorities
- Legislative Finance Committee
 - Legislature's budget office – also produce a budget recommendation
 - Review agency budget activities (including BARs) and performance
- Other legislative committees – House Appropriations and Finance (HAFC), Senate Finance (SFC), Legislative Education Study Committee (LESC)
- Consensus Revenue Estimation Group (CREG) – DFA, LFC, TRD, and DOT economists
- Outside of state government – Advocacy groups, schools, local governments, etc.

THE STATE BUDGET CYCLE

- July/August: Appropriation request preparation by agencies (due Sept. 1 by statute)
 - SBD and Governor's Office may meet with agencies to discuss budget needs and executive priorities
 - SBD and LFC may issue budget guidelines to agencies
 - SBD provides training and instructions, facilitates BRS and PBB system use, troubleshoots technical problems and otherwise assists as needed
- September – December: SBD and LFC prepare budget recommendations
 - LFC holds fall budget hearings for all agencies, discuss their requests
 - Review submissions for technical accuracy, request more info from agencies, meet as needed
 - Finalize and publish recommendations according to executive (SBD) and legislative (LFC) priorities in early January
 - New Mexico is one of only a few states where the executive and legislative branches release concurrent budget recommendations
- October: Agencies request nonrecurring appropriations, Section 4 special language, and budget adjustment authority language for incorporation into executive and LFC recommendations

THE STATE BUDGET CYCLE

- January – March: Legislative session, passage of the General Appropriations Act (GAA)
 - Alternate 60 day (odd years) and 30 day (even years) sessions
 - Budget hearings at House Appropriations and Finance Committee (HAFC) – Committee adopts LFC or executive recommendation or requests reconciliation
 - Concurrently – SFC holds informational budget hearings with selected agencies
 - House passes budget bill (usually HB2) and moves to Senate
 - Executive agencies work with SBD to submit Senate amendment requests, non-Executive branch agencies may request amendments independently
 - Once budget passes Senate and concurred in House, SBD and Governor's Office work together to draft line-item vetoes. Generally, governor may veto appropriations or language, but may not change appropriations or create new language through deletion
- April: agencies prepare operating budget (due May 1 by statute)
 - SBD issues guidelines based on enacted budget and provides training, assists as needed
 - May begin to budget nonrecurring appropriations as authorized in budget bill
- May/June: SBD reviews operating budget submissions for accuracy, prepares and posts budget journals in SHARE by July 1 for use in new FY

USEFUL WEBSITES

- State Budget Division: http://www.nmdfa.state.nm.us/Budget_Division.aspx
 - Executive Budget Recommendation
 - Appropriation Request Instructions and Forms
 - Operating Budget Submission Instructions and Forms
 - Budget Adjustment Request Instructions and Forms
 - Performance Based Budgeting Instructions and Forms
- Legislative Finance Committee: <https://nmlegis.gov/Entity/LFC/Default>
 - Session Publications: Appropriation Recommendations, Policy and Performance Analysis
 - Evaluation Unit Publications (performance and program reviews)
 - Finance Facts and other reference material
- Legislature: <https://nmlegis.gov/>
 - Bill Finder
 - Committee Schedules and Agendas
 - Webcasts

STRUCTURE OF THE STATE BUDGET: ORGANIZATION HIERARCHY

- Business Unit (BU) – state agency
 - 5 digit code in SHARE, often shortened to first 3 digits
 - First number refers to functional group of agencies

1 Legislative Agencies	6 Health and Human Services
2 Judicial Agencies	7 Public Safety
3 General Control	8 Transportation
4 Commerce & Industry	9 Education
5 Natural Resources	

21800 Administrative Office of the Courts
34100 Department of Finance and Administration
46500 Gaming Control Board
66500 Department of Health
77000 Department of Corrections
92400 Public Education Department

- Program code (P-code) – highest division of agency
 - Small agencies only have one P-code, but must have one
 - Budget is appropriated by the legislature at P-code level
 - 4 digit code in SHARE (Pxxx), found in Department field
 - Usually correspond to Divisions in an agency, but some exceptions

DFA P-codes	
P541	Policy Development, Fiscal Oversight and Budget
P542	Program Support
P543	Community Development / Local Govt. Assistance (LGD)
P544	Fiscal Management & Oversight (FCD)

STRUCTURE OF THE STATE BUDGET: ORGANIZATION HIERARCHY

- Fund

- Accounts within agencies that receive revenues and register expenditures
- Every agency has at least one unique fund, some agencies have many
- Funds can have budget in multiple P-codes, revenue and expenditure categories
- Some funds are established in statute and have strictly defined revenues and expenditures
- Legislature does not directly appropriate by fund, but agencies must establish budget in funds, which should roll up to their total appropriated budget
- 5 digit code in SHARE (Fund field), generally first 3 digits denote a high level fund, with last 2 digits (if not zeroes) denoting a lower level sub-fund

Some Environment Dept. Funds	
06400	General Operating Fund
33700	Rural Infrastructure Revolving Loan Fund
33900	Hazardous Waste Fund
99000	Corrective Action Fund

STRUCTURE OF THE STATE BUDGET: ORGANIZATION HIERARCHY

- 10 digit department code (1200000000)
 - Optional: Used by larger agencies to budget by subdivisions of P-codes such as bureaus, units, offices
 - SBD does not control – but department-level budgets must roll up to P-code
- Z-code (ZE5011)
 - Used to budget nonrecurring (one-time) appropriations
 - Created every year after passage of budget bill
 - Also found in department field in SHARE
- A-code (A020074)
 - Used to budget capital projects, regulated by DFA's Capital Outlay Bureau
 - Also found in department field
- Larger agencies may further divide their budgets through such fields as subaccounts or reporting categories as needed

STRUCTURE OF THE STATE BUDGET: REVENUE CATEGORIES

- General Fund (GF). Revenue code 499105
 - State income collected from various sales and income taxes.
 - Most strictly controlled and appropriated by legislature. Cannot increase during the fiscal year.
 - Distributed to agencies by FCD generally in 1/12 allotments
 - “New money”: increased projected GF revenue over previous year estimated by CREG. How to spend it is the subject of intense debate during budget formulation in the legislative session.
- Other State Funds (OSF)
 - Recurring revenue agencies receive from permits, fees, leases, interest income, etc.
 - Agencies have limited authority to increase budget during FY through BARs
 - Many different revenue codes such as Interest on Investments (441201) or Land – Rental or Lease (442103)
- Fund Balance
 - Nonrecurring OSF revenue (amounts sitting in agency special revenue funds)
 - Appropriated as part of OSF total in the budget bill, but budgeted separately in SHARE
 - Budgeted with equity codes such as 325900 (restricted fund balance) or 328900 (unassigned fund balance)

STRUCTURE OF THE STATE BUDGET: REVENUE CATEGORIES

- **Transfer Revenue**
 - Transfers received from various sources – another state agency, another program in same agency, or outside entity
 - Reciprocal transfers
 - Money received to perform a service, generally established through an MOU, grant, etc. Expended as 300 or 400 expense
 - 451909: transfer revenue code if money was originally federal
 - 425909: transfer revenue code for all other original funding sources
 - Nonreciprocal transfers
 - Money received with “no strings attached,” directed transfers by legislature or within agency, often from a segregated special revenue fund to an operating fund
 - 499905: revenue received from another state agency
 - 499906: revenue received from within the same agency
 - Nonreciprocal transfer revenue must balance to a 500 category transfer expenditure (eliminates double accounting)
 - Limited authority to increase during FY, similar to OSF
- **Federal Funds – most common revenue code 451903 (direct grant)**
 - Money received from the federal government through grants or other funding distributions
 - Amounts are listed in the budget bill but technically not appropriated by the legislature
 - Broad authority to increase during FY if agency can show new funds have been awarded

STRUCTURE OF THE STATE BUDGET: EXPENDITURE CATEGORIES

- Appropriated and budgeted by 3-digit category total; agencies spend by 6-digit line items within each category
 - Budget actuals and requested amounts are reported with 6-digit codes to aid in budget planning and recommendations
- Personal Services and Employee Benefits (PSEB – 200s)
 - Costs associated with salaries, employer share of benefits such as insurance and retirement contributions, and costs such as unemployment and workers' compensation
 - 520300: Permanent Full-Time Salaries
 - 521100: Employer Group Insurance Costs
- Contracts (300s)
 - Contract expenses for services performed by various entities – private firms, nonprofits, other agencies
 - 535200: Professional Services Contracts
 - 535400: Agency Audit Contract (dictated by schedule)

STRUCTURE OF THE STATE BUDGET: EXPENDITURE CATEGORIES

- Other Costs (400s)
 - Basically everything else – travel, utilities, supplies, grants, maintenance, etc.
 - Some are fixed costs determined by rate schedules issued by GSD and DoIT

Examples of 400 Category Line Items	
542200 Instate Meals and Lodging	545710 DoIT HCM Assessment Fee
542800 Transportation - Pool	546320 Utilities – Electricity
544100 Office Supplies	547450 Grants to Other Agencies

- Other Financing Uses (500s)
 - Nonreciprocal transfers to other agencies, within agency, or to a component unit
 - 555100: Transfer to another agency
 - 555106: Transfer within the same agency (to another fund / P-code)
 - 555200: Transfer to a component unit of the state (not budgeted in SHARE – universities)
 - Recipient should recognize as transfer revenue

STRUCTURE OF THE STATE BUDGET: FTE AND PERSONNEL COSTS (200s)

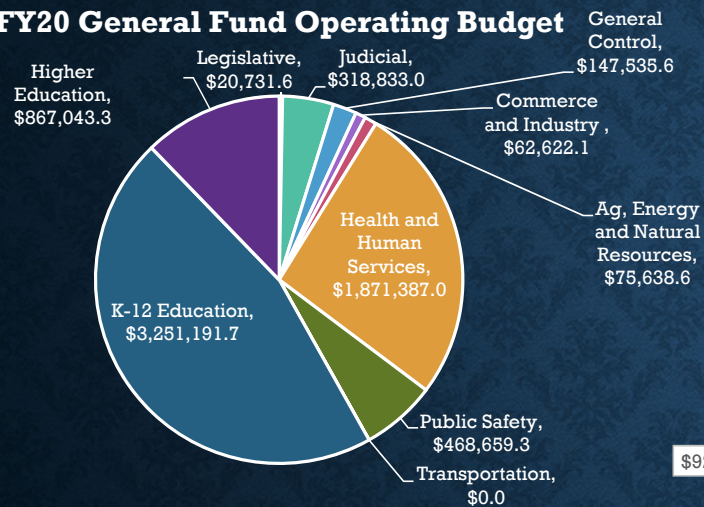
- Types of Full-Time Equivalent (FTE) Positions
 - Permanent (salary line 520300 for full-time, 520400 for part-time): Funding source is stable, not going away, such as general fund or permanent special revenue funds
 - Term (salary line 520200): funded by other sources that may go away from year to year such as federal grants, need to be reauthorized every year based on available budget
 - Temporary (salary line 520500: Positions for fixed period of time (6 months – 1 year), are generally not eligible for all benefits
 - Exempt (salary line 520100: Appointed or elected positions not part of the classified civil service. Do receive benefits, generally grouped with perm positions for FTE counts
- FTE totals are no longer listed in the budget bill but agencies do report them and need to request creation of new positions (except temporary) through budget process

STRUCTURE OF THE STATE BUDGET: FTE AND PERSONNEL COSTS (200s)

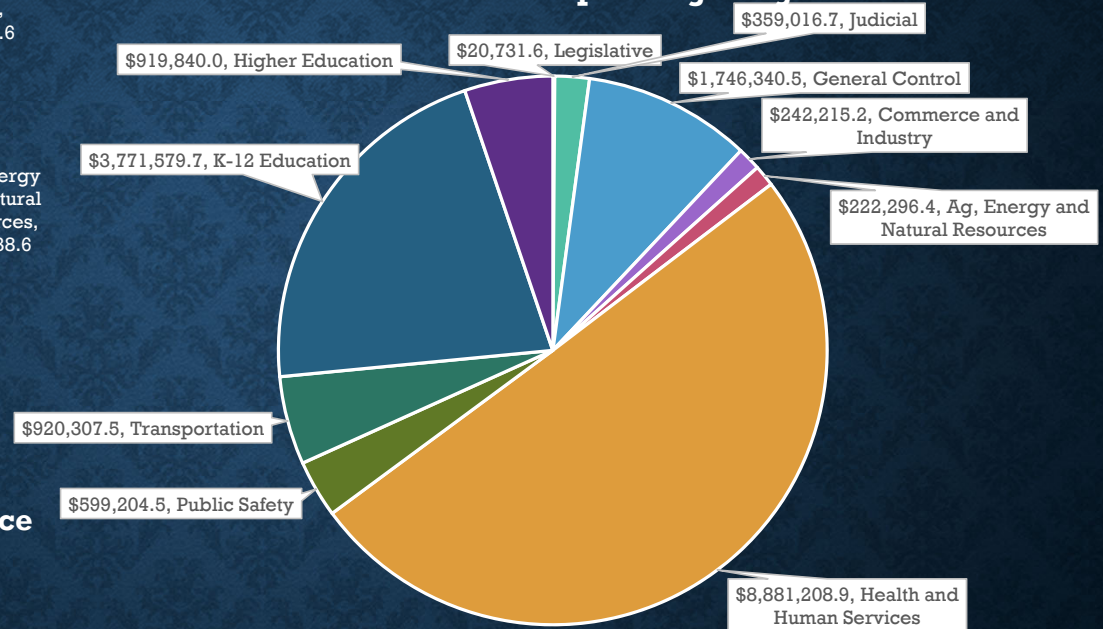
- Certain line item costs are formula-driven and determined by salary costs
 - 521200: Retirement (employer pension contributions)
 - 521300: FICA
 - 521700: Retiree Healthcare
- 521100: Employer insurance costs. Determined by employee insurance plans (single, family, etc.) and salary levels (employees with higher salaries pay a higher percentage of insurance costs)
- Vacancy rates
 - Most agencies should not budget full cost of personnel and benefits for all authorized FTE due to number of vacant positions and turnover
 - Apply a reasonable vacancy rate based on past and current trends to more accurately reflect personnel costs. Apply to salary and related benefit lines.
 - Apply 10% vacancy rate = budget 90% of total projected personnel costs

DIVISION OF THE NEW MEXICO STATE BUDGET

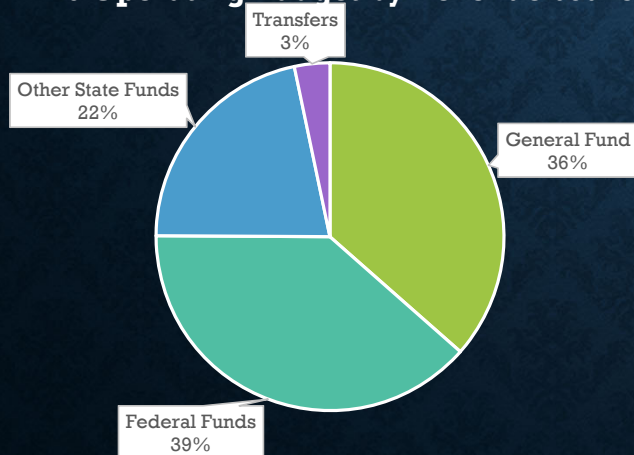
FY20 General Fund Operating Budget



FY20 Total Funds Operating Budget



FY20 Operating Budget by Revenue Source



THE GENERAL APPROPRIATIONS ACT (GAA, HB2)

- Good idea to have 3 GAAs always available: last year, current year, and next year (once passed)
- Sections 1-3: Standard front material, definitions, general provisions, BAR authority for federal increases and other grants
- Section 4
 - Every agency's recurring operating budget by program, broken out by funding source and expenditure category. Dollars truncated to thousands with one decimal point (75.9 = \$75,900)

Item	General Fund	Other State Funds	Intrnl Svc Funds/Inter-Agency Trnsf	Federal Funds	Total/Target
GAMING CONTROL BOARD:					
(1) Gaming control:					
The purpose of the gaming control board is to provide strictly regulated gaming activities and to promote responsible gaming to the citizens of New Mexico so they can attain a strong level of confidence in the board's administration of gambling laws and assurance the state has competitive gaming free from criminal and corruptive elements and influences.					
Appropriations:					
(a) Personal services and employee benefits	3,914.0				3,914.0
(b) Contractual services	75.9				75.9
(c) Other	1,702.1				1,702.1
Subtotal					5,692.0

THE GENERAL APPROPRIATIONS ACT (GAA, HB2)

- Section 4, continued
 - Language may be included to identify source of transferred funds, earmark specific funding, or otherwise stipulate use of funds or powers of the agency

The general fund appropriations to the museums and historic sites program of the cultural affairs department include forty thousand dollars (\$40,000) for educational, historical and cultural programs in ~~Santa Fe, San Miguel, Mora, Colfax and Union counties~~ to commemorate the two hundredth anniversary of the opening of trade along the Santa Fe trail.

- Subset of agency/program's performance measures and approved targets

Performance measures:

(a) Output:	Number of inspections of oil and gas wells and associated facilities	31,000
(b) Outcome:	Number of abandoned oil and gas wells properly plugged	51

THE GENERAL APPROPRIATIONS ACT (GAA, HB2)

- Nonrecurring budget sections (one-time funding)
 - Section 5: Special appropriations generally valid during remainder of current FY and all of next FY. Language details specific purpose, funding in appropriate column.

Item	General Fund	Other State Funds	Intrnl Svc Funds/Inter-Agency Trnsf	Federal Funds	Total/Target
(120) PUBLIC EDUCATION DEPARTMENT		9,000.0			9,000.0
To develop culturally and linguistically appropriate instructional materials and curricula. The other state funds appropriation is from the public education reform fund.					

- Section 6: Supplemental and deficiency appropriations generally valid during remainder of current FY (deficiencies fix holes in previous FYs)

(7) GENERAL SERVICES DEPARTMENT	2,044.5				2,044.5
For prior year shortfalls in the other category of the employee group health benefits program. This appropriation is contingent on convening of the risk management advisory board and monthly reporting to the department of finance and administration and the legislative finance committee on risk and benefit program funds.					

THE GENERAL APPROPRIATIONS ACT (GAA, HB2)

- Nonrecurring budget sections, continued
 - Section 7: IT project appropriations generally valid for remainder of current FY and 2 more years. Usually funded by computer systems enhancement fund (revenue from GF). Funds can't be budgeted/expended until released by Project Certification Committee (PCC)

Item	General Fund	Other State Funds	Intrnl Svc Funds/Inter-Agency Trnsf	Federal Funds	Total/Target
(3) PUBLIC DEFENDER DEPARTMENT To implement an integrated document management system and a redundant storage system for digital archives.		2,140.0			2,140.0

- Appropriations from these sections may be reauthorized through language if not all funding has been spent in allotted period.

(70) STATE ENGINEER
The period of time for expending the three hundred fifty thousand dollars (\$350,000) appropriated from the general fund in Subsection 71 of Section 5 of Chapter 273 of Laws 2019 for salt basin project development matching funds, contingent on matching federal funds secured by the United States bureau of reclamation, is extended through fiscal year 2021.

- Agencies are generally free to budget these appropriations across expenditure categories at their discretion to accomplish the purpose of the appropriation.

THE GENERAL APPROPRIATIONS ACT (GAA, HB2)

- Compensation Section (when included - often Section 8)
 - Contains different appropriations of general fund to provide salary and/or benefit increases to state employees
 - May stipulate different percent raises for different groups of employees
 - Agencies may increase other funding sources to pay for increased costs as well
 - Usually appropriated to DFA, agencies budget as transfers first year, rolled into base budget in future years

A. Sixty-three million eighty-five thousand one hundred dollars (\$63,085,100) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2021 to provide salary increases to employees in budgeted positions who have completed their probationary period subject to satisfactory job performance. Police officers of the department of public safety shall be exempt from the requirement to complete their probationary period. The salary increases shall be effective the first full pay period after July 1, 2020 and distributed as follows:

(1) five hundred twenty-three thousand five hundred dollars (\$523,500) to provide permanent legislative employees, including permanent employees of the legislative council service, legislative finance committee, legislative education study committee, legislative building services, the house and senate, house and senate chief clerks' offices and house and senate leadership with an **average salary** increase of four percent;

THE GENERAL APPROPRIATIONS ACT (GAA)

- Budget Adjustment Request (BAR) Language sections (generally follow all appropriations)
 - 1st section: additional BAR authority specific to certain agencies for remainder of current FY
 - 2nd section: general BAR authority for all agencies and agency-specific authority for next FY
 - Will be detailed further in Module 3

C. the seventh judicial district court may request budget increases up to seven thousand five hundred dollars (\$7,500) from internal service funds/interagency transfers from the administrative office of the courts for court-appointed special advocate operating expenses;

- Transfers section
 - General fund transfers to certain agencies and/or funds, generally not viewed as appropriations to expend the money

(3) CULTURAL AFFAIRS DEPARTMENT 2,000.0
To the rural libraries endowment fund in fiscal year 2020.

HOW TO CITE THE GAA AND OTHER LEGISLATION

Item	General Fund	Other State Funds	Intrnl Svc Funds/Inter-Agency Trnsf	Federal Funds	Total/Target
(120) PUBLIC EDUCATION DEPARTMENT		9,000.0			9,000.0
To develop culturally and linguistically appropriate instructional materials and curricula. The other state funds appropriation is from the public education reform fund.					

- Laws 2020, 2nd Session, Chapter 83, Section 5, Item 120
 - Session is by election cycles, not year. Odd year = 1st session, even year = 2nd session
 - “Session” implies regular session, otherwise “1st Special Session”
 - Every bill receives a chapter number after signed, use this instead of bill number
 - Appropriations may be created in bills other than HB2 (usually one-time), use correct chapter number from corresponding bill when budgeting that appropriation
 - Language may be identified by subsection in parentheses, such as Section 3 (I)

NEW MEXICO STATUTES

- NM OneSource Statute Lookup: <https://nmonesource.com/nmos/en/nav.do>
 - Enter search terms (citation or keyword) and click result from dropdown
- State Budget Statutes: 6-3-1 through 6-3-25 NMSA 1978
- Special Revenue Fund Statutes
 - Important to know statutes detailing sources, eligible uses, and managerial authority (ability to increase budget) associated with each of your agency's special revenue funds



77-2-32. Horse shelter rescue fund; created.

A. The "horse shelter rescue fund" is created as a nonreverting fund in the state treasury. The fund consists of appropriations, gifts, grants, donations and amounts designated pursuant to Section 2 [7-2-30.7 NMSA 1978] of this 2013 act. The board shall administer the fund, and money in the fund is appropriated to the board to carry out the intent of aiding horse rescues and homeless horses in the state.

B. The board shall establish by rule the distribution of funds from the horse shelter rescue fund to horse rescue and retirement facilities registered by the board pursuant to Section 77-2-30 NMSA 1978, taking into consideration the number of horses being cared for in each facility and the need of each facility.

THE ACCOUNTABILITY IN GOVERNMENT ACT (AGA): 6-3A-1 THROUGH 6-3A-10 NMSA 1978

- Establishes performance measure process for each agency in order to connect budget with agency performance
- Each performance measure has a type (output, explanatory, etc.) and a target, with numerical data that can be consistently measured and tracked from year to year
- Data is used by LFC to create agency report cards for public and legislative use (frequently used during legislative session hearings)
- AGA establishes process to revise measures, set targets, and report data each year
- Some agencies have separate performance staff, others have budget staff perform this role – consult your management team

PERFORMANCE MEASURE CYCLE

- June 15: SBD issues guidelines to agencies to request changes to their measures for the next budget cycle year (June 2019: changes for FY21)
- July 15: Agencies submit requested changes to SBD and LFC
 - “Key” agencies must also identify which measures they will report on quarterly in the current FY
- July/August: Agencies, SBD and LFC meet as needed to collaborate on requested changes and strive to come to consensus
- August 15: SBD issues final approved measures to agencies, incorporates changes into performance measure system
- Sept. 1: Agencies include requested targets for approved measures as part of their budget request.
- Legislative session: SBD and LFC analysts meet to discuss their target recommendations and strive to come to consensus
 - Select measures and targets included in GAA

END OF MODULE 1 – THE STATE BUDGET PROCESS

