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GOVERNOR

**WAYNE PROPST**  
CABINET SECRETARY

February 18, 2025

To: Cabinet Secretaries, Agency Directors, and Chief Financial Officers

From: Wayne Propst, Cabinet Secretary, Department of Finance and Administration

CC: Dr. Andrew Miner, State Budget Division Director, DFA  
Dan Schlegel, Chief of Staff, Office of the Governor  
Charles Sallee, Director, Legislative Finance Committee

***Re: FY26 Budget Adjustment Request Authority***

Budget adjustment request (BAR) authority for state agencies and the process for requesting BARs is established in 6-3-23 through 6-3-25 NMSA 1978. This process is rooted in the determination that the Legislature should grant agencies limited authority to adjust budgets during the fiscal year owing to the part-time nature of New Mexico's Legislature. In recent years legislators have expressed growing concern over certain patterns related to BARs, such as large transfers out of or into the personal services and employee benefits category or the large number of BARs submitted in the first months of the fiscal year. To address these concerns yet preserve broad BAR authority which has been in place for many years and is indispensable to the effective administration of government, the Department of Finance and Administration (DFA) has agreed to the following practices for FY26:

**Category Transfer BARs**

General category transfer authority among the personal services and employee benefits, contracts, and other costs categories will be included in the General Appropriations Act for FY26. However, during the first quarter of FY26 (July – September 2025), agencies are directed to limit such BAR requests to only those that fix errors with operating budgets in the enacted General Appropriation Act (GAA).

Otherwise, if during this period an agency believes it needs to submit a category transfer BAR to meet critical agency needs and/or to ensure the continuation of critical services to the public, it should submit a request to its DFA and Legislative Finance Committee (LFC) Analysts. DFA and LFC staff will consider such requests jointly after meeting with the submitting agency and determine whether an exception should be granted.

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Please note that this limitation to category transfers does not apply to the following:

- BARs exclusively involving federal funds
- Agencies whose operating budgets are funded exclusively through non-general fund sources

Budget Increase BARs

In FY26 agencies will maintain unlimited authority to increase federally funded budgets dependent upon updated available revenue.

Generally, in the past agencies have had authority to increase amounts appropriated in the GAA from other state funds or interagency transfers by 5% above the totals listed in Section 4, if increased revenue is available. Agencies will retain this authority in FY26; however, if agencies believe they need to budget an increase in excess of 2.5% during the first half of FY26, they should submit a request to their DFA and LFC Analysts. DFA and LFC staff will review such requests with the agency collaboratively to determine if an increase above 2.5% in the first half of the fiscal year is warranted.

Agencies may still submit budget adjustments as specified for each agency in the GAA.

If you have any questions, please contact your DFA budget analyst or Dr. Andrew Miner, State Budget Division Director.