

The background of the slide is the New Mexico state flag, which features a yellow field with a red sunburst in the center. The sunburst has 13 rays, representing the original 13 colonies. The flag is shown in a slightly draped or waving manner, with a blue sky visible in the upper left corner.

# New Mexico Budget 101

August 16, 2023

**New Mexico Voices for Children**

Bill Jordan, Government Relations Officer

Paige Knight, Senior Research & Policy Analyst

[www.nmvoices.org](http://www.nmvoices.org)

A group of diverse children are playing outdoors in a park-like setting. They are smiling and blowing bubbles. The background is a soft-focus green and brown, suggesting trees and grass. The overall mood is joyful and carefree.

**Our mission is to  
champion public  
policies that improve  
the well-being of  
New Mexico's  
children, families,  
and communities.**



# Why NMVC works on tax and budget policy


# Agenda

A silhouette of a person carrying a child on their shoulders, both with arms raised, against a sunset background. The person is standing in a field with mountains in the distance. The sun is low on the horizon, creating a warm, golden glow.

- **State budget overview**
- **Executive & legislative budget creation process**
- **Advocating for funding**
- **Improving transparency and equity in the budget**
- **Q&A**



# Our State Budget

A silhouette of a woman holding a young child against a sunset sky. The woman is on the right, holding the child on the left. The sky is a mix of blue, orange, and purple, with some clouds. The overall mood is warm and intimate.

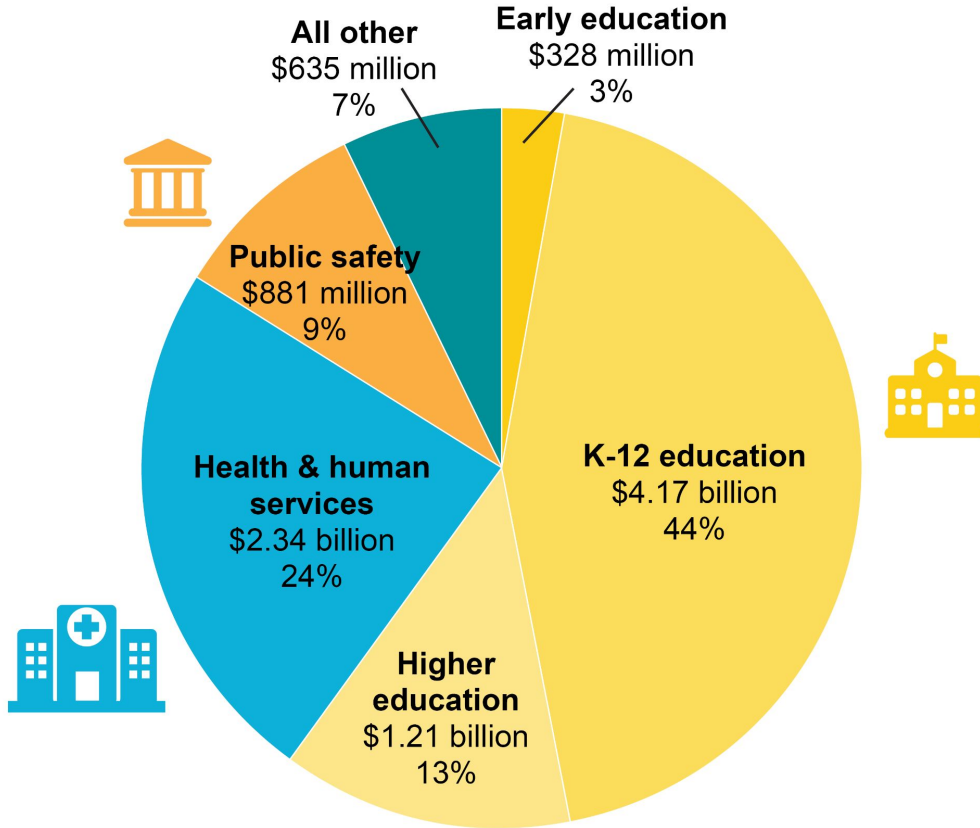
**Our state budget is a reflection of what we value most and an illustration of the kind of communities we wish to create.**

# What makes a good budget?

- Adequately funds our priorities and the needs of families and communities statewide
- It is balanced
- Recurring revenues are adequate to meet recurring expenditures
- Sustainability

# How New Mexico funds state government

FY2024 General Fund Operating Budget (\$9.57B)



The state budget helps drive our economy because the money flows right into our communities.

The state budget helps our economy by:



paying wages and salaries for teachers, first responders, judges, and others;



purchasing goods like computers, office supplies, squad cars, building materials, and more; and



purchasing services like IT, health care, upkeep of state buildings, and more.



# Our budget at work

More than 21,000 teachers in nearly 1,000 public schools educate more than 308,000 students.



More than 26,000 children receive child care assistance so they are safe while their parents work.



More than 250,000 of New Mexico's hard-working families get more than \$100 million in tax rebates thanks to the Working Families Tax Credit.



8 museums and 7 historic sites – all overseen by the state – welcome 855,000 visitors a year.



Each year, 5 million visitors enjoy 34 state parks – 191,600 acres of land and water that are managed by the state.



# Direct vs. Indirect Spending

- Indirect spending = the state has chosen not to collect certain tax revenue (i.e. tax credits, exemptions, deductions)
- A tax expenditure budget is how we keep track of how much this indirect spending costs





# **State budget development process**

# Who's in charge of the budget?

## Executive Branch

- Governor
- Secretary of Department of Finance and Administration (DFA)

## Legislative Branch

- Legislative Finance Committee (interim)
- House Appropriations and Finance Committee (HAFC)
- Senate Finance Committee (SFC)



# 1



**It starts with state agencies:**

In June, the Department of Finance and Administration (DFA) issues budget request instructions to state agencies for the next fiscal year.

# 2



**Each agency requests money for the services they provide:**

By September, agencies submit their budget requests to the governor (via DFA) and the Legislative Finance Committee (LFC).

# 3



**Those many small budgets become two versions of one big budget:**

The governor and DFA develop the executive budget, while the LFC holds budget hearings & formulates their own, independent budget.

# 6



**The two budgets become one bill:**

The initial budget must be introduced as a bill before the Legislature can officially consider the proposals. That bill – the General Appropriation Act – is referred to as House Bill (HB) 2.

# 5



**Differences are noted in the two budgets:**

At the start of the legislative session, the DFA & LFC prepare “difference sheets” which are presented at a public hearing to the appropriations committees in the House and Senate.

# 4



**The two versions are made public:**

In early January, the executive budget recommendations are submitted to the Legislature and made public, as are the LFC budget recommendations.

# 7



**Two groups of lawmakers meet and discuss the budget:**

There are two committees that hold hearings on the budget proposals – the House Appropriations & Finance Committee (HAFC) and Senate Finance Committee (SFC).

# 8



**The first group makes changes and votes on the revised bill:**

HAFC holds hearings on every agency budget, votes on any modifications, and finalizes its recommendations. The full House votes on the revised HB 2 and it is sent to the Senate.

# 9



**The second group also makes changes and votes on the revised bill:**

The SFC holds hearing for only major agencies. It considers proposed amendments, finalizes its budget decisions, and passes its amended version of HB 2 to the Senate floor for a vote.

# 12



**The Governor signs – or vetos – the final budget:**

Once approved, HB 2 is sent to the governor to sign. The governor has either three days or 20 days after the session to act, depending on when the bill was passed. The governor also has line-item veto power.

# 11



**A vote is held on the compromise budget:**

The conference committee version of HB 2 goes to the House and Senate floors for approval by majority vote. Amendments are prohibited at this point.

# 10



**Both groups work out a compromise:**

If the House does not accept the Senate amendments, a conference committee is appointed where members from both chambers develop a compromise bill, which is released as a new version of HB 2.

# What informs an agency request?

- Statutory responsibilities
- Governor's policy and political agenda
- Cabinet secretary's policy agenda
- Legislators' priorities
- In what areas is the agency underfunded?
- Advocate and constituent priorities/needs



**Budget Advocacy**  
*& improving the budget  
process*



# **There are three main options to get program or project funding in the budget**

- 1. Increase the agency's base budget in the GAA (HB2)**
  - a. To fund a 'new' project**
  - b. To increase the amount of an existing line item**
- 2. A line-item appropriation in the "junior" bill**
- 3. Through a special, non-recurring appropriation**

# For best results, you'll want to:

- Understand your issues
- Have your facts and figures (& stories!) together
- Ask for what you really need
- Identify other allies
- Research & know the opposition
- Have a solid communications/messaging plan
- Get in sync with the agency... the need & the cost
- Get the support of the governor and key legislators

# Stand-alone bills: “Making an appropriation”

- If it’s not in the LFC or Executive budget, a request may also be made as a stand-alone bill with the goal of being rolled into the GAA or a “junior bill”
  - Best to have a senator & representative sponsor companion bills
- Bill should include: purpose, dollar amount, time frame, agency receiving appropriation, whether it’s reverting or non-reverting, and the phrase “making an appropriation”
- Prepare a budget for the funding request

# **Additional tips for budget advocacy**

- **Now is the time to advocate - January is too late**
  - **LFC**
  - **LESC**
  - **All other committees**
- **Make the case to agency staff before September 1**
- **Lobby the Governor's staff**
- **Lobby interim committees throughout the summer**
- **LFC drafts the initial budget for the Legislature**
- **HAFC has a lot of influence to amend the LFC budget**
- **SFC tweaks the budget but doesn't substantially change it**

# In a year with “new revenue” the finance committees will often have a “Junior Bill”

## In a Junior Budget bill:

- Each lawmaker is given the opportunity to add one-time funding to the budget.
- That funding is often at risk of a governor’s veto because it wasn’t a priority for the budget bill and because it is seen as likely to require continued funding in future years.
- For that reason, the best projects for funding in the Junior Bill are one-time studies, time-limited contracts and other one-time expenditures.

# Why is the LFC so powerful?

- Legislators don't have staff, but LFC members have a lot of LFC staff available to help them in their work
- Even though other interim committees hear about issues from the public, the LFC rarely takes public comment or allows advocates or the public on their agenda
- While other committees hear about the funding needs, only the LFC has the power to get money in the budget...
- Lawmakers not on LFC have very little say in the budget until the final weeks or days of a session

# Why is the LFC staff so powerful?

- They write the FIRs on ALL legislation
- The LCS rarely if ever weighs in on the merits of legislation, but the LFC weighs in on every piece of legislation
- The power of the LESC has decreased
- The LFC has effectively wrestled the education budget away from HEC & SEC
- LFC has dozens of staff while other committees have few staffers
- The staff works at the direction of lawmakers, but they have a LOT of influence over budget decisions
- The LFC has resisted providing funding for other interim committees, effectively keeping the power to themselves

# The changes that we hope will come with a new LFC Director

- More transparency in the budget process
- More opportunity for public input and advocacy
- While David Abbey was called the most powerful unelected person in the state, this transition provides lawmakers the opportunity to rethink the scope of that position.
- An approach to the budget that begins with the NEEDS of the state instead of the funding available
- A more prominent role for the principles of equity in both tax and budget policy



A large group of children, many wearing yellow t-shirts with a circular logo, are sitting in a circle on a light-colored tiled floor. In the center of the circle is a large, light-colored mosaic of an eagle with its wings spread. Below the eagle, the word "MUNDUS" is visible on a banner. The children are engaged in various activities, some wearing colorful masks (green, orange, red, purple, blue, yellow) and some lying on their backs. The overall atmosphere is one of community and shared activity.

**We're all in this together!**

# Additional Resources

- [nmvoices.org](https://nmvoices.org)
  - State Budget Guide and Advocate's Guide to the Budget
    - Additional tips, definitions, and understanding the GAA
- NM Voices will host a Tax Policy 101 Training September 13th at 2:00pm.
- New state revenue estimates: LFC - August 23rd

A close-up photograph of a yellow fabric with red wavy stripes, possibly a flag or banner. The fabric is draped and folded, creating a sense of movement. The word "Questions?" is written in white, bold, sans-serif font in the center of the image.

**Questions?**