



Creation of the State Budget

The creation of the New Mexico state budget officially begins in mid-June when the State Budget Division of the Department of Finance and Administration sends budget request instructions to state agencies. It ends when the General Appropriation Act becomes law and is implemented by agencies.

Before the Session

Agencies submit their budget requests no later than September 1 to both the Department of Finance and Administration and Legislative Finance Committee. Agencies must provide information on actual and expected revenues and expenditures for the previous, current, and upcoming fiscal years. The budget requests must also include an information technology plan.

From September through December, the executive and legislative staffs separately analyze the requests and develop the governor's and Legislative Finance Committee's budget recommendations. New Mexico is one of five states in which both the governor and a legislative agency propose a comprehensive state budget. Also during the fall, economists from the Legislature and executive develop a consensus general fund revenue estimate. Like most states, New Mexico must balance its budget each year. New Mexico also plans for unexpected shortfalls by maintaining a reserve fund.

State law requires the governor to submit a budget to the Legislative Finance Committee and each member of the Legislature no later than January 5 in even-numbered years and no later than January 10 in odd-numbered years. The Legislative Finance Committee finalizes its budget recommendations in December.

During the Session

On the first day of the legislative session, a General Appropriation Act reflecting the executive recommendation is introduced in the House of Representatives. The members of the House Appropriations and Finance Committee, where the bill traditionally starts, begin consideration with a side-by-side comparison of the legislative and executive proposals. The transportation section, sometimes along with other

sections, is duplicated in separate legislation and considered by a separate House committee, then rolled into the House Appropriations and Finance Committee Substitute for the General Appropriation Act for consideration by the full House. Another, small piece of the state budget – funding for the legislative session itself and most operations of the Legislature – becomes the “feed bill” and is passed separately, usually in the first few days of the session.

Substantive Sections of General Appropriation Act

- 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.

Generally, the Senate committee amends the House bill and submits it to the full Senate. Legislative leadership appoints a conference committee to negotiate the differences between the House and Senate and draft the final version.

The governor may sign the General Appropriation Act

into law, veto the entire bill, or veto specific items, a privilege called a “line-item veto.”

The state constitution limits the appropriations in the General Appropriation Act to those expenses “required under existing law.” Various one-time capital outlay projects or tax bills that might generate additional revenue are among those items that would not be included in the General Appropriation Act.

Following passage of the General Appropriation Act and before May 1, agencies are required to submit operating budgets – their spending plans – to the State Budget Division. The Legislative Finance Committee also receives copies of the agencies’ operating budgets.

For More Information:

- The constitutional provisions related to the development of the state budget include Sections 16 and 22 of Article IV and Section 7 of Article IX.
- The LFC budget recommendation is available online: https://www.nmlegis.gov/Entity/LFC/Session_Publications
- The General Appropriation Act and related legislation is available by year through the legislative bill finder: https://www.nmlegis.gov/Legislation/Bill_Finder