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SENATE MEMORIAL 8

**57TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2025**

INTRODUCED BY

Pete Campos

A MEMORIAL

REQUESTING THE STATE AUDITOR TO CONVENE A WORK GROUP TO STUDY FINANCIAL OVERSIGHT AND CAUSES OF DEFICIENCY APPROPRIATION REQUESTS AND MAKE RECOMMENDATIONS TO IMPLEMENT RECOMMENDATIONS OF THE STATE AUDITOR'S OFFICE RELATED TO DEFICIENCY APPROPRIATION REQUESTS.

WHEREAS, during the 2024 regular session of the legislature of the state of New Mexico, the state auditor was asked to review state agency deficiency appropriation requests due to the increasing frequency and magnitude of those requests, which creates opportunity costs for the use of appropriated funds; and

WHEREAS, following an informal work group meeting with legislative finance committee staff, the government accountability office of the office of the state auditor

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1 reviewed financial audits and collaborated with staff from the  
2 legislative finance committee and the department of finance and  
3 administration to gather additional information related to  
4 deficiency appropriation requests; and

5 WHEREAS, a transparency report by the state auditor's  
6 government accountability office showed that state agency  
7 deficiency appropriation requests increased by one hundred  
8 thirty-seven million five hundred thousand dollars  
9 (\$137,500,000) from 2014 to 2024, signaling a troubling trend  
10 in state agency financial management practices, including some  
11 that may require budgetary enforcement measures to prevent  
12 recurrence; and

13 WHEREAS, the report also revealed that in some cases state  
14 agencies failed to provide justifications to the department of  
15 finance and administration for deficiency appropriation  
16 requests and some agencies bypassed the department's formal  
17 deficiency request process entirely; and

18 WHEREAS, it was also noted that justifications offered by  
19 departments for deficiency appropriation requests were often  
20 linked to causes including over-expenditures, improper  
21 reversions, long-standing hidden deficits, failure to adhere to  
22 budget authority and unpaid expenditures from prior years; and

23 WHEREAS, the increasing number of deficiency appropriation  
24 requests is a concern for all state financial oversight  
25 entities, including the state auditor, as it may signal

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1 noncompliance with laws and regulations; and

2 WHEREAS, current statutes and rules do not adequately  
3 address modern fiscal concerns and there is a lack of clarity  
4 with respect to authority and responsibility over different  
5 aspects of budget management; and

6 WHEREAS, several statutes that address warrants and  
7 overpayments; budgetary controls and penalties; and other  
8 budgetary controls conflict with other statutes, some of which  
9 date back to when New Mexico was not yet a state; and

10 WHEREAS, most of these statutes became law before the  
11 state adopted the current SHARE financial management system,  
12 and workaround methods had to be developed to allow financial  
13 processes and payments to take place within that system; and

14 WHEREAS, key recommendations from the office of the state  
15 auditor's government accountability office's transparency  
16 reports include modernizing, clarifying and planning for the  
17 future of practices and budgetary framework statutes and  
18 include:

19 A. to improve transparency it is recommended that:

20 (1) the department of finance and  
21 administration and the legislative finance committee  
22 collaborate to improve the transparency of deficiency  
23 appropriation requests during budget hearings;

24 (2) in the absence of direct links between  
25 financial statements and deficiency appropriation requests,

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1 state agencies and oversight entities work together to provide  
2 clear explanations for the public on the reasons for  
3 shortfalls;

4 (3) the department of finance and  
5 administration and the legislative finance committee require  
6 state agencies to provide more written details and supporting  
7 documents for deficiency appropriation requests in their annual  
8 budget submissions; and

9 (4) if state agencies fail to submit the  
10 required information for review of deficiency requests, the  
11 legislature consider withholding funding for those requests;

12 B. the addition of more audit procedures, which  
13 would provide for the office of the state auditor to require  
14 independent public accountants to conduct additional state law  
15 compliance procedures with respect to entities that submit  
16 deficiency appropriation requests, to allow public review of  
17 how the appropriations affect financial statements;

18 C. to enhance review processes it is recommended  
19 that:

20 (1) the legislature and governor consider  
21 whether to continue funding deficiency appropriation requests;

22 (2) if deficiency appropriation requests are  
23 funded, a more formal process be used, which would include  
24 increased rigor, transparency, accountability and performance  
25 metrics related to budget and appropriation adherence; and

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1 (3) the department of finance and  
2 administration and state agencies prepare for the possibility  
3 that deficiency appropriation requests will not be granted by  
4 the legislature and develop strategies to address deficit  
5 balances when requests are not granted;

6 D. required review of penalties for budget  
7 violations, including:

8 (1) the legislature's, department of finance  
9 and administration's and independent accounting firms' review  
10 of Chapter 6, Article 10 NMSA 1978, related to expenditure of  
11 funds and penalties for violations of budgetary controls;

12 (2) the legislature's and the department of  
13 finance and administration's review of whether additional  
14 measures are needed to enforce budgetary discipline, given the  
15 fact that current law only considers penalties for violations  
16 such as the failure to close the year with a positive fund  
17 balance; and

18 (3) consideration of whether the state should  
19 update the SHARE financial management system and conduct a  
20 thorough review and update of all financial-related statutes  
21 before updating the system; and

22 E. a required review of laws related to budget  
23 adjustments and oversight to improve state budgetary controls  
24 and to strengthen the effectiveness of the state's budgeting  
25 process;

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1           NOW, THEREFORE, BE IT RESOLVED BY THE SENATE OF THE STATE  
2 OF NEW MEXICO that in recognition of the need for more  
3 transparent, accountable and legally compliant fiscal  
4 management processes and budgetary oversight of operations that  
5 lead to deficiency appropriations, the senate support the  
6 implementation of the office of the state auditor's  
7 recommendations and support a comprehensive study to improve  
8 financial oversight and address the root causes of deficiency  
9 requests; and

10           BE IT FURTHER RESOLVED that the office of the state  
11 auditor be encouraged to convene a work group, including  
12 representatives from the legislative finance committee, the  
13 department of finance and administration, the office of the  
14 state treasurer and other members of the executive branch, to  
15 draft legislation for the legislative finance committee's  
16 endorsement; and

17           BE IT FURTHER RESOLVED that legislation proposed by the  
18 work group should be developed with consideration of the  
19 proposed reforms recommended by the state auditor and focus on  
20 increased transparency in budget hearings, the implementation  
21 of stronger compliance and enforcement mechanisms and inclusion  
22 of a more centralized department of finance and administration  
23 oversight function; and

24           BE IT FURTHER RESOLVED that copies of this memorial be  
25 transmitted to the governor, the secretary of finance and

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1 administration, the director of the legislative finance  
2 committee and the office of the state auditor.

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