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FISCAL IMPACT REPORT

ORIGINAL DATE 3-2-09

SPONSOR HHGAC LAST UPDATED _____ HB 452/HHGACS

SHORT TITLE Budget Transparency Act SB _____

ANALYST Aubel

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

FY09	FY10	FY11	3 Year Total Cost	Recurring or Non- Rec	Fund Affected*
	\$1,000.0 to \$3,000.0			Non- Recurring	General Fund (DoIT for IT System)
	\$750- \$1,000.0	\$750- \$1,000.0		Recurring	General Fund (DoIT for IT System Operations)
	\$50.0			\$50.0	General Fund (DFA)
	Indeterminate See Below	Indeterminate See Below	Indeterminate See Below	Non- Recurring	General Fund (DFA)

(Parenthesis () Indicate Expenditure Decreases)

*Federal funds may also be available to help fund this project.

Conflicts with SB 159

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Information Technology (DoIT)

Department of Higher Education (HED)

No Response From

Department of Finance and Administration (DFA)

Other Response From

New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

The House Health and Government Affairs Committee Substitute for House Bill 452 would enact the Budget Transparency Act, requiring the Secretary of the Department of Finance and Administration to coordinate with the Secretary of the Department of Information Technology to develop a searchable budget database that would be accessible on the Department of Finance and Administration's Internet website. The bill requires DFA to develop and maintain the databases for local governments, which is defined as an incorporated municipality or a county. The intent is to enable access to budget information for state and local governments that would be on website display forty-five days after the adoption of the general appropriation bill for state budgets and forty-five days after the adoption of local government budgets, beginning in fiscal year 2012. To the extent possible, searches in the state's database shall also search prior state databases and current and prior budget databases of the local governments.

FISCAL IMPLICATIONS

HB 452 does not contain an appropriation for implementing this extensive database. According to DoIT, significant costs would be involved to define the database software and hardware that could accommodate the budget data for web application. Assuming the intent is to provide budget transparency to include transaction level information through the State's SHARE (Statewide Human Resource, Accounting, and Management Reporting) system, the agency estimates system development and implementation would cost between \$1 million and \$3 million plus an additional recurring cost of \$750 thousand to \$1 million per year for system operation, support, and maintenance.

DFA previously suggested a \$50 thousand appropriation from the general fund would enable the agency to contract for a study to determine what program requirements, software applications and hardware considerations are necessary to accomplish this project and the cost to implement it. The study would provide the Legislature and the executive with a rational and detailed project description, which could be assessed as part of the information technology (IT) plan in the 2010 Legislative Session.

The bill requires DFA to maintain and test the local government budget database, with the budget for each local government accessible through clearly visible links on the budget database website. It is unclear if the bill means links to the local governments' websites or links to a local government section within the DFA-hosted website. DoIT suggests that most local governments in New Mexico would not have the resources to provide an outward facing database that links to a central State of New Mexico website. The bill does not make an appropriation to DFA to maintain and test the local government budgets on the database, which most likely represents an indeterminate increase over current process requirements.

SIGNIFICANT ISSUES

According to the Americans for Tax Reform Center for Fiscal Accountability, the Federal Funding Accountability and Transparency Act of 2008 has prompted governors, state constitutional officers, legislators, think tanks, and taxpayer groups to launch their own efforts to increase transparency in government spending by creating single searchable online databases for government expenditures. The HHGAC Substitute for HB 452 follows in this same vein.

To achieve this objective of greater transparency through a searchable database, Dolt points out that the bill requires the agencies to use existing resources to implement the Act. Constructing an outward facing database and populating the data will require technical expertise, enterprise application support, data center hardware and software resources, and staff to ensure the data is properly loaded in the database. It is uncertain how the agencies would be able to execute the intent of the bill without additional funding.

DFA provided the following background information in response to HB 452:

The Local Government Division of the Department of Finance and Administration has budget and fiscal oversight over local public bodies, i.e. 33 counties, 103 incorporated municipalities and 300+ special districts. There is no common accounting and budget software that they use as is the case with state agencies. The Division is currently in the process of a major effort to update budget forms that rely on Excel spreadsheets. The local public bodies would be better served by having a database application for submitting their budgets and financial reports as they are required to do by statute.

Having a web-accessible database for state and local government budgets would increase the efficiency of the Department of Finance and Administration to provide state and local government budget information and would preclude interested citizens from having to go through the process of applying for information requests. It also provides quick access for other agencies such as federal, New Mexico Finance Authority, councils of governments, etc. Having a web-accessible budget database would provide Department of Finance and Administration staff with a powerful updated research tool.

ADMINISTRATIVE IMPLICATIONS

DoIT notes that the department has a statutory framework (Laws 2007, Chapter 290, Section 6, Subsection C, Paragraph 12) that assures Information Technology (IT) requests are thoroughly evaluated and ranked with other IT requests within available funding. Formal consideration for this IT request by the Department of Information Technology (DoIT) was not sought. In addition, the project has not been vetted by the legislative IT and Telecommunications Oversight Committee.

CONFLICT

HB 452 now conflicts Senate Bill 159, which was a duplicate of the original bill.

TECHNICAL ISSUES

Responding agencies raise various questions regarding the clarity of budget information covered by the bill and what entities, as follows:

HED:

The bill does not clearly define what budgets are included: operating budget, capital outlay budget, special appropriations, and appropriations contained in enacted legislation, etc. When proposing a piece of legislation that is related to budget information, defining these areas may be of some importance.

Additionally, current definition would only pertain to local governments such as incorporated municipality or a county as defined under Section 2. This would not include any special districts, school districts, or other subdivision of the state. However, section 3.A. and B may imply that the database would display all appropriations of state and federal money, which would encompass HED and public schools.

HB452 substitute does not explain how the system will treat multiple year appropriations. Nor does it offer insight as to how changes enacted through budget adjustment requests and/or actions of the Board of Finance will be handled.

DoIT:

The Act does not define “budget.” From the context of the bill, it is not clear if the intent is solely for State of New Mexico General Appropriation Act appropriations, other State appropriations, or inclusive of other budgetary funds such as grants. Furthermore, in regards to local governments, budgets are based on multiple sources, of which State of New Mexico appropriations may play only a small role.

ALTERNATIVES

The public can now access Legislation through the NM Legislative website in various searchable formats. The website also has a search feature. URL: <http://www.nmlegis.gov>

The Secretary of State’s website also provides public access to all signed and chaptered bills (Law) including appropriations. URL: <http://www.sos.state.nm.us/>

Further more, public entities are subject to the Freedom of Information Act and information is available through that avenue.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The public will continue to access State of New Mexico appropriations through the web using other alternatives.

MA/mt