THE UNIVERSITY OF NEW MEXICO

Accounting for State Appropriations

Prepared by

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2/9/16

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STATE APPROPRIATIONS

State Appropriations at UNM are funds received from the state for specific purposes. This funding comes with a variety of guidelines, and is subject to laws that control how it is spent.

Not all State Appropriations funding has the same type of guidelines. Instruction and General (I & G) appropriations are for education and the support of education. Other state appropriations are for other, specific projects, and may have different guidelines.

As a general rule, state appropriations are considered unrestricted funds. This means the appropriation is not set up in the accounting system with a Fiscal Monitor. Even though the appropriations are considered unrestricted for accounting purposes, there are restrictions placed on the usage of the funds.

The Main & Branch Campus budgets include $222 million dollars in state appropriated funds for fiscal year 2015-2016. Of this, $213 million is I&G funds, or 96% of the Main and Branch Campus appropriations. The HSC budgets include $99 million dollars of state appropriations of which $66 million, or 67%, is I&G funds.

	State Appropriations for 2015-2016 Fiscal Year	Instructional and General Portion	Instructional and General Percentage
Main Campus	$201,101,300	$ 192,500,200	96%
Health Sciences Center	$ 99,368,700	$ 66,216,200	67%
Branch Campuses	$ 20,972,000	$ 20,972,000	100%
Total UNM	$321,442,000	$ 279,688,400	87%

Appropriations that are not I&G are for Research and Public Service Projects, and are referred to as RPSPs. RPSPs and some I&G projects are line items in the General Appropriations Act. Each of these line item programs have special reporting requirements and must be separately tracked.

There are three types of state appropriations: recurring operating funds, non-recurring operating funds, and capital funds. When you receive new appropriations, contact your respective Budget Office (see Appendix 9) for guidance on setting up the appropriation in Banner.

RECURRING VERSUS NON RECURRING FUNDS

As a general rule, the section of the general appropriation act where your appropriation resides dictates if your appropriation is recurring or non-recurring. If your appropriation is non-recurring, you may have only one year in which to spend the funds. Your budget office can assist you in determining the length of time you have to spend your non-recurring appropriation.

Be aware, even if your appropriation is a 'recurring' appropriation a future legislature could eliminate your appropriation as one legislature cannot commit future legislatures to expenditures.

Additionally, the Governor of New Mexico has line-item appropriation veto authority. It is possible for the legislature to fund an appropriation and for the Governor to remove it via line-item veto.

REVERSION OF FUNDS

Occasionally the state will take back (revert) some of the money that was appropriated for a program. The guidelines on when this will occur are complex and may vary from year to year. A program may have to return unspent or unencumbered funds. If you have specific questions, please contact your Budget Office (see Appendix 9).

BUDGETING ISSUES

Departments can help keep State Appropriations properly reported. A unique program code is used for all state appropriations at the Health Sciences Center. If a department wishes to change the indices for state appropriated programs, it should contact the appropriate budget office prior to any modifications. The funds must stay in the correct program code when they are adjusted. Ideally, the funds should stay in the same index for the duration of the fiscal year.

When State appropriations are adjusted during legislative sessions, the budget office is the area that tracks the changes. Upon the conclusion of the bill signing period and after the Higher Education Department finalizes the compensation distribution, the budget office provides detailed information to UNM Banking to ensure your indices receive the appropriate distribution amounts from the state.

Adjustments can include, but are not limited to: compensation increases, operating expense increases, programmatic cuts, and elimination of the appropriation. Additionally, the legislature will sometimes “sand” or “shave” appropriations. Sanding and shaving are across the board cuts to all appropriations within the particular section of the appropriations act. Typically sandings are small cuts. An example of a sanding is a .01% across the board reduction in appropriations. A shaving is a large cut, such as a 5% across the board reduction in appropriations.

FACILITIES & ADMINISTRATIVE COSTS (F&A)

At this time, F&A expense is only assessed on HSC appropriations. New recurring state appropriations to HSC are assessed 6% F&A of which 5% is retained at the HSC and 1% is transferred to Main Campus. For more specific information, contact your Budget Office (see Appendix 9).

F&A is not charged on Main Campus or Branch Campus state appropriations at the present time.

SPENDING STATE APPROPRIATIONS

State appropriations must be spent within the guidelines given by the state, often referred to as legislative intent.

When spending state appropriations, it is important to be aware of the associated guidelines and restrictions. General State guidelines are found in Appendix 7.

COST SHARE

Generally Cost Share from state appropriations is not allowed. Cost Share expense may be permissible if it agrees with the legislative intent of the appropriation. If Cost Share expense is being contemplated, contact your Budget Office for more information. Cost Share expense is unusual with State Appropriations funding.

SPENDING GUIDELINES

Some general accounting guidelines apply to State Appropriations spending. These are particularly noteworthy:

- Alcohol cannot be charged to an index with State Appropriations funding.
- Lobbying costs cannot be charged to an index with State Appropriations funding.

PAYROLL FRINGES

State appropriations can be broken down as follows:

State Appropriations

I&G funding:

For Non-Self Supporting Instructional and General Units (or units with I&G Pooled revenue sources posted to account code 1640) use Pooled Fringe Benefits.

For Self Supporting Instructional and General Units (or units with revenue sources posted to account codes 0720 or 0740) Fringe Benefits are budgeted and charged to the same index as the labor expense.

Line Item Appropriations:

May be in any program code based on the purpose or intent (units with revenue sources post to account codes 0720 or 0740) Fringe benefits are budgeted and charged to the same index as the labor expense.

Most I&G fringe benefits are in the Non-Self Supporting I&G category on both campuses. When an employee is paid with these I&G funds, the payroll fringe expense does not hit the same index as the employee's salary, but is expensed to a central pooled I&G index.

When an employee is paid with self supporting I&G funds, the payroll fringe expenses will be directly charged to the index charged the salary expense.

On the rare occasions an I&G program receives a line item appropriation, the budget office requests an estimated program budget. The fringe benefits necessary for the salary expenses are placed into the pooled fringe benefit indices at HSC. Main campus line item appropriations that fall within I&G are treated as self-supporting programs, where the fringe benefits are expensed in the same index as the labor expense.

When an employee is paid with a non I&G special line item appropriations, the payroll fringe expense is budgeted and expensed to the same index as the employee's salary.

STATE REPORTING EXPLAINED

Programs that receive line item appropriations must provide programmatic data to the state. This process is coordinated by the Higher Education Department (HED). The data must be updated annually on forms provided by the HED. The HED has made changes to the forms and reporting requirements over the years and may change again at any time. The University Budget Offices work proactively to ascertain when changes will be implemented in order to inform the programs of upcoming changes in reporting requirements and deadlines.

For the last two years, existing and continuing programs have been required to complete project close forms for the prior fiscal year and project start forms for the next fiscal year. New programs complete only the project start forms.

Examples of some these forms and related definitions are in Appendices One through Five.

In addition to the required yearly reporting, programs with state appropriated line items are subject to additional review by the Legislative Finance Committee (LFC), Department of Finance Administration (DFA), and HED. The reviews can be programmatic, financial, or both. They can occur at any time and the format will vary.

FINANCIAL REPORTING ISSUES

UNM has set up their accounting system with the complex State reporting requirements in mind. When the correct index is used, with the correct program and fund code having been assigned, the reports required by the state are relatively easy to compile.

APPENDIX 1-PROGRAM PERFORMANCE REPORT INSTRUCTIONS

1.	The following forms and instructions are from the Higher Education Department (HED): ***Please submit these reports to the HSC Budget Office by July 15th***
2.	The follow required forms are provided in Word and Excel formats: ➢ ***HED Closing Report FY15*** *Includes: Program Overview, Objectives, Results and Next Steps (Word document -- narrative format)* ➢ ***HED Closing Form FY15*** *Includes: Program Objectives, Performance Measures, Targets and Results, Budget to Actuals Comparison, and Budget History (Excel workbook)* ➢ ***HED Opening Report FY17****– Includes: Program Overview, Justification, and Expected Outcomes (Word document -- narrative format)* ➢ ***HED Opening Form FY17*** *– Includes: Project Categorization, Program Objectives, Performance Measures, Targets, Expected Results and Budgets (Excel workbook)* *** Please note some items are already completed for you or indicate that the HSC Budget Office will complete them for you prior to submission to the HED.*
3.	All Programs must have clearly defined missions, goals, objectives, performance measures, and targets – measure related forms are provided in Excel form template and include: ➢ *Project Close-out Objectives Sheet* ➢ *Project Close-out Performance Measurement Sheet* ➢ *Project Start Objectives Sheet* ➢ *Project Start Measurements Sheet* Institutions are required to submit annual program performance reports on progress made in meeting their target measures related to their goals and objectives as well as the timely expenditure of funds. Certain appropriations must be reverted to the General Fund if not expended by the end of the specified fiscal year, unless indicated otherwise in the appropriating legislative bill.
4.	*The above reports and forms* are to be submitted to the HSC Budget Office no later than **July 15th,** via email as electronic file(s) to dgathings@salud.unm.edu

Questions? Contact Desiree Gathings, via email dgathings@salud.unm.edu or via phone 505-272-0904, or Vanessa Hawker, via email vhawker@salud.unm.edu or via phone 505- 272- 2584.

RESEARCH AND PUBLIC SERVICE PROJECT
FY 2015 Program Close-out Report

INSTITUTION: ____________________

PROJECT TITLE: ____________________

PROJECT CONTACT NAME/TITLE: ____________________

PROJECT CONTACT NUMBER: ____________________

APPROVAL SIGNATURE: ____________________

APPROVAL TITLE: ____________________

Summary View

1. **Please include an executive summary for this project.**

2. **What are the objectives or targets and results of this project?**

3. **What impact did this project have on the college or university?**

Program View

4. **What impact did this project have State-wide?**

5. **What is the current status of this project?**

6. **What were the major concerns with this project?**

7. **What would you do differently or describe proposed improvements, changes or issues identified if this project is funded in the future?**

8. **What are the key lessons learned from this project?**

Success Factors:

9. **Please explain how your program or special project contributes and enhances the total institutional awards granted?**

10. **Define the purpose of the program or special project and how it will affect enrollment and/or degree production and graduation rates?**

11. **Please explain how your program addresses the workforce demand needs especially in the areas of Science, Technology, Engineering, Mathematics and Health?**

12. **Please explain how your program or special project contributes to meeting the workforce demand of the state and overall global workforce demands of the nation and abroad?**

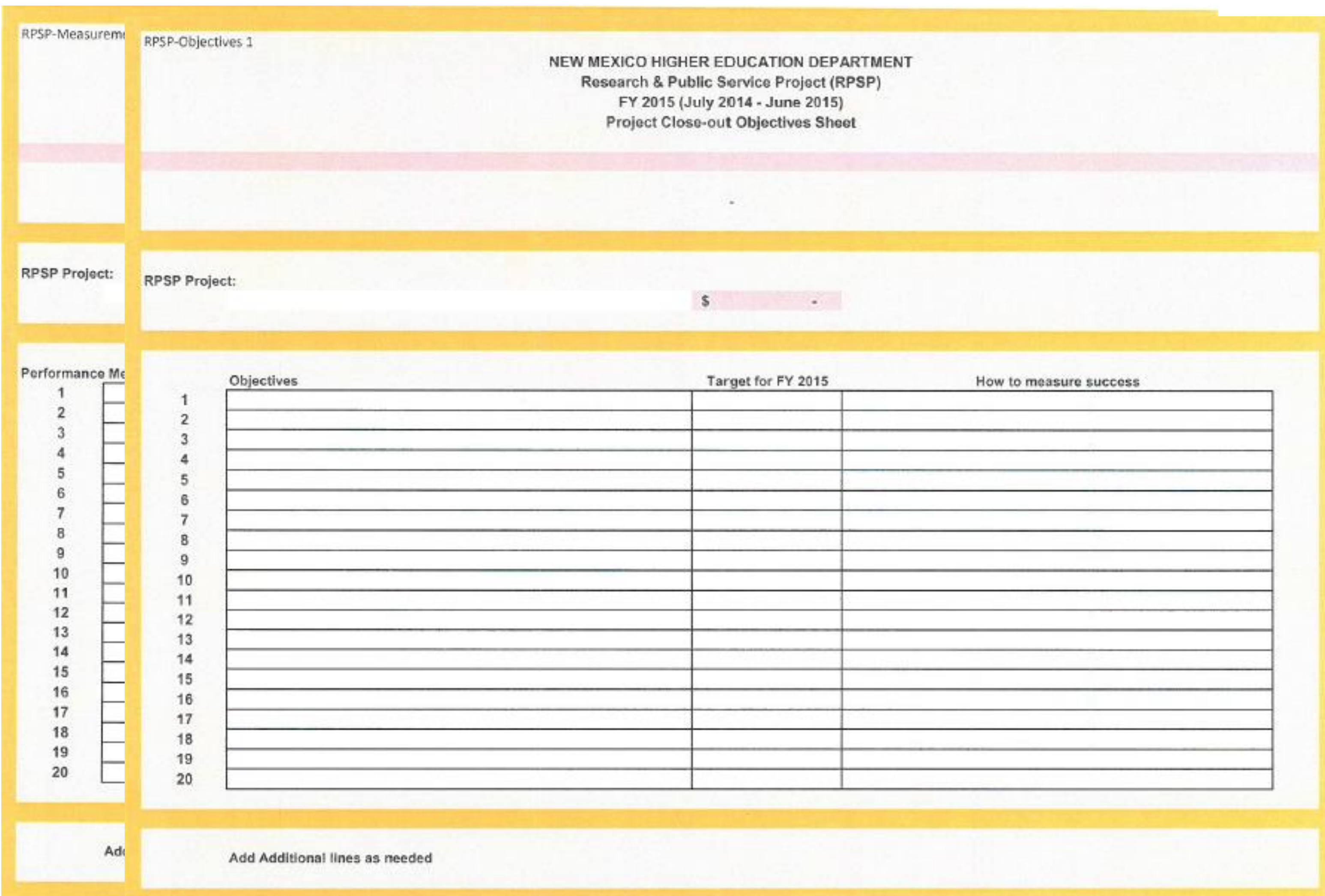
13. **How does your program or special project lead to overall improvements and enhancements for at risk students?**

Next Steps

RESEARCH AND PUBLIC SERVICE PROJECT
FY 2015 Program Close-out Report

14. What steps are needed to close this project?

15. What will happen to any assets owned or generated by this project?



RPSP-Objectives 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2015 (July 2014 - June 2015)
Project Close-out Objectives Sheet

RPSP Project:

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	Objectives	Target for FY 2015	How to measure success
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Add Additional lines as needed

RPSP-Budget 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2015 (July 2014 - June 2015)
Project Close-out Budget Sheet

-

RPSP Project: $ -

If you have this level of detail within your Report of Actuals; do not fill in this sheet, instead attach a copy of your RPSP detail page from your Report of Actuals.

Budget verses Actual

Revenue and Transfers	Budget FY 2015	Change	Actual FY 2015	Comment	Exhibit *
Beginning Fund Balance		0			
Appropriations					
Federal		0			
State plus Tobacco Settlement Fund		0			
Local		0			
Total Appropriations	0	0	0		
Grants and Contracts					
Federal		0			
State		0			
Local		0			
Total Grants and Contracts	0	0	0		
Private Gifts, Grants and Contracts		0			
Land & Permanent Fund or Local Property Taxes		0			
Tuition and Fees		0			
Endowment		0			
Sales and Services		0			
Other Sources		0			
Total Revenues	0	0	0		
Transfers (to) from					
Instruction and General		0			
Student Social and Cultural		0			
Research		0			
Public Service		0			
Internal Service		0			
Student Aid		0			
Auxiliary Enterprises		0			
Athletics		0			
Independent Operations		0			
Capital Outlay		0			
Renewal and Replacement		0			
Total Transfers	0	0	0		

RPSP-Budget 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2015 (July 2014 - June 2015)
Project Close-out Budget Sheet

-

RPSP Project: $ -

If you have this level of detail within your Report of Actuals; do not fill in this sheet, instead attach a copy of your RPSP detail page from your Report of Actuals.

Budget verses Actual

Revenue and Transfers	Budget FY 2015	Change	Actual FY 2015	Comment	Exhibit *
Beginning Fund Balance		0			
Appropriations					
Federal		0			
State plus Tobacco Settlement Fund		0			
Local		0			
Total Appropriations	0	0	0		
Grants and Contracts					
Federal		0			
State		0			
Local		0			
Total Grants and Contracts	0	0	0		
Private Gifts, Grants and Contracts		0			
Land & Permanent Fund or Local Property Taxes		0			
Tuition and Fees		0			
Endowment		0			
Sales and Services		0			
Other Sources		0			
Total Revenues	0	0	0		
Transfers (to) from					
Instruction and General		0			
Student Social and Cultural		0			
Research		0			
Public Service		0			
Internal Service		0			
Student Aid		0			
Auxiliary Enterprises		0			
Athletics		0			
Independent Operations		0			
Capital Outlay		0			
Renewal and Replacement		0			
Total Transfers	0	0	0		

The above is four pages of a twelve page workbook. Contact the HSC Budget Office for the complete form. For HSC, this form comes from the HSC Budget Office. For Main Campus, this form comes from the Government Relations Office

APPENDIX 4- HED OPENING REPORT FY17

RESEARCH AND PUBLIC SERVICE PROJECT
FY 2017 Start Program Overview Report

INSTITUTION: ____

PROJECT TITLE: ______________________________________

PROJECT CONTACT NAME/TITLE: ____________________________

PROJECT CONTACT NUMBER: _________________________________

APPROVAL SIGNATURE: ____________________________________

TITLE: ____

Summary View

1. **Please include an executive summary for this project?**

2. **What impact to the college or university is anticipated for this project?**

Project Details

3. **Project Abstract?**

4. **Project Description in detail?**

5. **Project Justification?**

6. **What impact will this project have State-wide?**

1

RESEARCH AND PUBLIC SERVICE PROJECT
FY 2017 Start Program Overview Report

7. **What obstacles will inhibit this project?**

Success Factors:

8. **Please explain how your program or special project contributes and enhances the total institutional awards granted?**

9. **Define the purpose of the program or special project and how it will affect enrollment and/or degree production and graduation rates?**

10. **Please explain how your program or special project addresses the workforce demand needs especially in the areas of Science, Technology, Engineering, Mathematics and Health?**

11. **Please explain how your program or special project contributes to meeting the workforce demand of the state and overall global workforce demands of the nation and abroad?**

12. **How does your program or special project lead to overall improvements and enhancements for at risk students?**

Summary

13. **What will be the impact if this project is not funded in the future?**

APPENDIX 5- HED OPENING FORM FY17

RPSP-Project 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2017 (July 2016 - June 2017)
Project Start Project Sheet

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RPSP Project:

$ -

Best way to categorize this project

New RPSP - has not been funded before	☐
Expansion - Increased funding for existing RPSP	☐
Continuation - Continue existing RPSP at current levels	☐
Will this project be on-going	☐
If this project is not on-going; how long will the project exist - (stated in months)	

The audience served by this RPSP?

If you select "Other", please explain

Alternate Funding Sources

Name / Type of funding	Amount of Funding Received

General Fund Summary

Number of years the project has received General Fund Support	
General Fund Support	
FY 2016 Appropriation, if applicable	
FY 2017 Expansion Request, if applicable	
FY 2017 Change from FY 2016	0
Total Funding Request for FY 2017	0

RPSP-Objectives 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2017 (July 2016 - June 2017)
Project Start Objectives Sheet

RPSP Project: $ -

	Objectives	Target for FY 2017	How to measure success
1			
2			
3			
4			
5			
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Add Additional lines as needed

RPSP-Measurements 1

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RPSP Project:

	Performance Measures
1	
2	
3	
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16	
17	
18	
19	
20	

Add Additional lines as needed

RPSP-Budget 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2017 (July 2016 - June 2017)
Project Start Budget Sheet

-

RPSP Project: $ -

If you have this level of detail within your Report of Actuals; do not fill in this sheet, instead attach a copy of your RPSP detail page from your Report of Actuals.

Budget verses Actual

Revenue and Transfers	Budget FY 2016	Change	Request FY 2017	Comment	Exhibit *
Beginning Fund Balance		0			
Appropriations					
Federal		0			
State plus Tobacco Settlement Fund		0			
Local		0			
Total Appropriations	0	0	0		
Grants and Contracts					
Federal		0			
State		0			
Local		0			
Total Grants and Contracts	0	0	0		
Private Gifts, Grants and Contracts		0			
Land & Permanent Fund or Local Property Taxes		0			
Tuition and Fees		0			
Endowment		0			
Sales and Services		0			
Other Sources		0			
Total Revenues	0	0	0		
Transfers (to) from					
Instruction and General		0			
Student Social and Cultural		0			
Research		0			
Public Service		0			
Internal Service		0			
Student Aid		0			
Auxiliary Enterprises		0			
Athletics		0			
Independent Operations		0			
Capital Outlay		0			
Renewal and Replacement		0			
Total Transfers	0	0	0		

RPSP-Budget 1

NEW MEXICO HIGHER EDUCATION DEPARTMENT
Research & Public Service Project (RPSP)
FY 2017 (July 2016 - June 2017)
Project Start Budget Sheet

-

RPSP Project:

$ -

If you have this level of detail within your Report of Actuals; do not fill in this sheet, instead attach a copy of your RPSP detail page from your Report of Actuals.

Budget verses Actual

Expenses	FTE	Budget FY 2016	FTE	Change	FTE	Request FY 2017	FTE		
Faculty Salaries				0					
Professional Salaries				0					
Other Staff Salaries				0					
Student Salaries (GA/TA)				0					
Other Salaries				0					
Total All Salaries	0	0	0	0	0	0			
Fringe Benefits				0					
Travel				0					
Utilities				0					
Institutional Support Charges				0					
Plant Operation and Maintenance Charges				0					
Supplies and Expenses				0					
Equipment				0					
Other Expenditures				0					
Total Expenditures	0	0	0	0	0	0			
Ending Fund Balance		0		0		0			

* Indicate in which Exhibit this line item will be found in the Institution's Operating Budget:
Exhibit 10-14 = I&G; 16 = Research; 17 = Public Service; 21 = Athletics; and 22 = Independent Operations

The above is five pages of a thirteen page workbook. Contact the HSC Budget Office for the complete form. For HSC, this form comes from the HSC Budget Office. For Main Campus, this form comes from the Government Relations Office.

APPENDIX 6-HED DEFINITIONS

NEW MEXICO HIGHER EDUCATION DEPARTMENT

Institutional Finance Division

DEFINITIONS

GOALS	Goals are the general ends toward which an institution/program directs its efforts. A goal addresses issues by stating policy intention. Goals are both qualitative and quantifiable, but not quantified. In a strategic planning system, goals are ranked for priority. Goals stretch and challenge an institution/program but they are realistic and
OBJECTIVES	Objectives are clear targets for specific action needed to meet the institution/program goal. More detailed than goals, an objective is achievable, measurable, and sets the direction for strategies. A single goal may be subdivided into multiple objectives.
MEASURES	Performance Measures are indicators of the work performed and the results achieved in an activity, process, organization, or program. Performance measures can generally be divided into outcome measures, output measures, input measures, or efficiency measures.
INPUT	Inputs are the resources that an institution uses to produce services, including human, financial, facility, or material resources (e.g. number of dollars expended or tons of materials used).
OUTPUT	Outputs are the goods and services produced by an institution (e.g. number of personnel trained by a vocational education organization but without qualitative or cost inferences).
OUTPUT MEASURES	Output Measures are tools, or indicators, to count the services and goods produced by an institution. The numbers of people receiving a service, or the number of services delivered, are often used as measures of output.
EFFICIENCY	Efficiency measures are indicators that measure the cost, unit cost or productivity associated with a given outcome or output.
OUTCOME	Outcomes are the quantified results, or impacts, of government action. Progress is assessed by comparing outcomes
OUTCOME MEASURES	Outcome measures are tools, or indicators, to assess the actual impact of an institution's actions. An outcome measure is a means for quantified comparison between the actual result and the intended result.
TARGET	The expected level of performance of a program's performance measures; a quantifiable or otherwise measurable characteristic that tells how well a program must perform to accomplish a performance measure.
STRATEGY	Strategies are methods to achieve goals and objectives. Formulated from goals and objectives, a strategy is the means of transforming inputs into outputs, and ultimately outcomes with the best use of resources.

Financial Control Division Central Accounting System - White Paper

Revised: July 2002 For the latest information, see http://www.dfafcd.state.nm.us

Authority and the Propriety of Expenditures

Table of Contents

DFA Section 6-5-6, NMSA, 1978, as amended, requires the New Mexico Department of Finance and Administration's Financial Control Division (FCD) to determine that all expenditures are for a purpose authorized by law. This white paper delineates the four criteria FCD uses to make that determination.

Financial Control Division DFA

Introduction

The Financial Control Division of the Department of Finance and Administration must determine that all expenditures are for a purpose authorized by law (Section 6-5-6, NMSA 1978). This white paper delineates the four criteria FCD uses to make that determination.
To simplify the information below, this paper uses the term "proper" to describe an expenditure authorized by law. For the same reason, it uses "agency" to refer to state agencies, departments, institutions, boards, bureaus, commissions and committees of the government of the State of New Mexico.

Criteria for Determining the Propriety of an Expenditure

1. Constitutional, Statutory, and Contractual Mission

This criterion mandates that an agency's expenditures be consistent with the agency's mission. The State of New Mexico's constitution and statutes, together with legally authorized contractual commitments, define an agency's mission. They do this by delineating the agency's functions, responsibilities, and duties.

For example, the Department of Finance and Administration's mission includes financial control. Section 6-5-2, NMSA, 1978, as amended, creates a division to carry out that mission and describes the division's functions, responsibilities, and duties as:

The financial control division of the state department of finance and administration shall maintain a central system of state accounts, and shall devise, formulate, approve and control the accounting methods and procedures of all state agencies.

Given this mission, if the division were to publish accounting procedure manuals to distribute to agencies, the expenditure would be “proper.” On the other hand, expenditures to build a highway would not be.

In addition to the legislation that creates an agency, other legislation can contribute to the definition of an agency’s mission. For example, an appropriation act can include a provision that adds to an agency’s mission. Using the same example above, if the Department of Finance and Administration were to receive an appropriation to build a highway, its mission, to the extent of the appropriation, would include building a highway.

Contractual agreements, if authorized by law, can also contribute to the definition of an agency’s mission. Grants from private organizations are one example.

2. Public Benefit and Purpose

This criterion requires expenditures to contribute to an agency achieving its constitutional, statutory, or contractual mission. Expenditures can contribute in two ways: 1) by serving a “public purpose,” and 2) by providing a “public benefit.”

If expenditures aid or promote progress towards an agency achieving its constitutional, statutory, or contractual mission, the expenditures are for a public purpose. If expenditures result in an agency achieving that mission (either in whole or in part), the expenditures provide a public benefit.

For example, if the mission of an agency includes providing social worker services to the needy, expenditures to recruit a social worker are for a public purpose—they aid the agency’s progress toward achieving its mission. On the other hand, expenditures for a social worker’s salary would provide a benefit—they result in the agency achieving its mission.

Expenditures must always be for a public purpose. Expenditures may or may not provide a public benefit. However, if they do not provide a public benefit, FCD may require an agency to document in writing why the expenditures are necessary (see “necessity” criteria below).

Furthermore, if the public purpose, public benefit, or both are not clear to FCD, FCD may require an agency to provide written clarification. It will use this clarification to make a final decision on whether to approve the expenditure.

However, if FCD concludes that an expenditure, by its very nature, does not provide a public purpose or benefit, FCD will not seek clarification and will simply disapprove the expenditure. Examples of this type of expenditure include reimbursement of an employee for alcoholic beverages the employee has consumed, or the cost of items (pictures of the employee, gifts, etc.) that will be used to promote (advertise) the employee.

3. Necessity

This criterion focuses on making the best choice between options. When different means of achieving a mission exist, this criterion requires an agency to choose the means that will still provide, or contribute to providing, the public benefit desired but will do so for the least amount of expenditure possible.

For example, Agency X can either rent a training facility at a hotel for a cost of $2,000 or use a training facility owned by the State for the cost of a $25 cleaning fee. Assuming the Agency can provide the training effectively at either site, this criterion requires Agency X to use the facility costing $25.

4. Appropriation, Budget, and Available Resources

This criterion requires that the purpose of expenditures be consistent with their related appropriation, that total expenditures be within the budget established by law, and that the budget established by law be supported by actual resources, including cash.

Appropriation:

An “appropriation” from the Legislature is the authority for an agency to make expenditures for a given purpose. Depending on an agency’s statutory mission, this purpose usually falls within one of the following broad categories:

- Legislative
- Judicial
- General control
- Regulation, licensing and economic development
- Culture, recreation and natural resources
- Health and human resources
- Public Safety
- Transportation and Highways
- Education
- Higher Education
- Public School Support

The purpose of expenditures must be for the purpose intended by the appropriation. For example, an appropriation made for the purpose of transportation and highways should not be expended on health and human services. In addition to the broad categories above, the Legislature usually divides the purpose of appropriations into the following appropriation units:

- Personal Services and Employee Benefits

- Contractual Services
- Other

When the Legislature provides an appropriation to an agency, unless specifically stated otherwise in the appropriation act, the purpose intended by the appropriation is the constitutional and statutory mission of the agency. If the Legislature restricts the appropriation to the appropriation units listed above, the purpose of the appropriation is also defined by the amount the legislature allocates to those units.

Under this criterion, contractual commitments must be consistent with the authority given an agency by law. There are no exceptions.

Budget and Available Resources:

Budget is the bridge between appropriations and resources. The existence of a budget helps ensure that appropriations are supported by resources (i.e., by cash and earned revenue.) Section 6-3-7, NMSA, 1978 prohibits an agency from making expenditures that are not authorized by an approved budget.

This criterion requires an agency to stay within its budget when making expenditures. In addition, it requires an agency to request a Budget Adjustment Request and reduce its budget if the agency’s projected revenues are not meeting projections.

Conclusion

Unless a proposed expenditure meets all of the four criteria above, it should not be incurred.

Financial Control Division Central Accounting System

White Paper

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Providing Meals and State Owned Vehicles To Employees

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DFA This white paper is a product of the New Mexico Department of Finance and Administration's Financial Control Division. It is a "key" for understanding finance and accounting related issues and does not supersede statute or the rules and regulations of the Department of Finance and Administration and the General Services Department.

Financial Control Division DFA

Introduction

Circumstances can sometimes warrant a state agency[1] providing an employee with a meal or the use of a state owned vehicle. This white paper addresses when it is proper to do so and when it is not.[2]

Depending on the circumstances, when an agency provides a meal to an employee or allows the employee to use a state owned vehicle, the meal or use might be a fringe benefit. A fringe benefit is the equivalent of money.

Giving an employee a fringe benefit increases his or her compensation. The maximum amount an agency may compensate an individual employee—this includes elected officials—is established by law (either by the State's constitution, by statute, or by rule). Depending on the circumstances, an agency that adds a fringe benefit to the maximum compensation allowed by law violates Section 30-23-2, NMSA 1978, which states in part:

Whoever commits paying or receiving public money for services not rendered is guilty of a fourth degree felony.

Therefore, as a general rule, an agency should not provide meals to employees or allow employees to use state owned vehicles, if it results in compensation.

[1] For purposes of this white paper, "agency" means any department, institution, board, bureau, commission, district, or committee of the government of the State of New Mexico.

[2] The Per Diem and Mileage Act, the Transportation and Services Act, and the New Mexico Administrative Code (Title 1, Chapter 5, Part 2 and Title 2, Chapter 42, Part 2) also address the propriety of providing meals and State owned vehicles to employees. To ensure a thorough understanding of this subject, the reader of this white paper should also read the acts and code.

Meals

De Minimis Meals

De minimis meals are meals that have little value, taking into account how frequently an agency provides them to an employee. Examples include the following: 1) coffee, doughnuts, or soft drinks served at a formal training seminar; 2) meals provided by a vendor and included as part of a registration fee for a seminar, forum, conference, etc.; or 3) an occasional meal provided to an employee, at the employee's work place— for the convenience of the agency— to enable the employee to work overtime.

If an agency is providing meals more than four times a fiscal year to an employee, it may be frequent enough that the meals would not qualify as de minimis. Therefore, an agency must obtain written permission from the Financial Control Division of the Department of Finance and Administration to go beyond four meals a fiscal year, even if each individual meal is considered de minimis.

Other Types of Meals

There are limited circumstances under which an agency may purchase a meal for an employee. First, a meal may be provided to an employee who is traveling under the provisions of the Per Diem and Mileage Act.

Second, a meal may be provided to an employee when there are not sufficient eating facilities near the work site, provided that the meal is for the convenience of the agency and is provided during working hours. An example would be a meal provided to an employee who is responding to a disaster or emergency and cannot leave his or her post of duty.

Third, a "business" meal, but only when entertainment expenses are specifically authorized by the Legislature. An example of a business meal would be a meal for an economic development employee using his or her attendance at a luncheon as an opportunity to promote New Mexico as a business location.

An example of a specific authorization by the Legislature would be an appropriation that includes language authorizing entertainment expenses. Absent specific language in an appropriation, specific language in the budget request or recommendation that is the basis for the appropriation will suffice. However, the “intent” of a budget request, a budget recommendation, or an appropriation would not.

An agency should not purchase employees meals as a means of promoting goodwill or boosting employee morale. This also applies to de minimis meals.

State Owned Vehicles

An agency should not allow an employee the personal use of a state owned vehicle. There are no exceptions to this. (This does not mean that an employee cannot render emergency aid or assistance to any person.)

If an employee is traveling, as defined by the Regulations Governing the Per Diem and Mileage Act, use of the vehicle for business purposes would include the employee using the vehicle to reach the destination of the trip and to obtain food, shelter, and the other necessities needed to maintain his or her health while traveling. Use of the vehicle to enjoy the local tourist attractions would not be a business use. Neither would be traveling sixty miles to have dinner when a restaurant is available nearby.

In general, an agency should not allow an employee to use a state owned vehicle to commute between his or her designated post of duty and residence. The three exceptions to this, which are business use of a vehicle, are as follows: 1) a public safety employee commuting in a clearly marked police or fire vehicle, when the commuting is for the convenience of the State (e.g., the officer must have his or her vehicle with him or her at all times to respond immediately to emergency calls); 2) a law enforcement officer commuting in an unmarked vehicle, when the commuting is for the convenience of the State; or 3) an employee commuting in a vehicle to safeguard the vehicle after working hours.

For item 3 in the previous paragraph, whether voluntary or required, the agency must include the value of using the vehicle in the employee's wages. Consistent with the Internal Revenue Service's guidelines, the value is $1.50 one way. However, if the employee is an elected official or highly compensated employee (an employee who received over $90,000 in compensation in the prior calendar year), the agency must instead use the annual lease value from the table below:

Annual
Automobile's Lease
Cost Value

$0 to 999	$600
1,000 to 1,999	850
2,000 to 2,999	1,100
3,000 to 3,999	1,350
4,000 to 4,999	1,600
5,000 to 5,999	1,850
6,000 to 6,999	2,100
7,000 to 7,999	2,350
8,000 to 8,999	2,600
9,000 to 9,999	2,850
10,000 to 10,999	3,100
11,000 to 11,999	3,350
12,000 to 12,999	3,600
13,000 to 13,999	3,850
14,000 to 14,999	4,100
15,000 to 15,999	4,350
16,000 to 16,999	4,600
17,000 to 17,999	4,850
18,000 to 18,999	5,100
19,000 to 19,999	5,350
20,000 to 20,999	5,600
21,000 to 21,999	5,850
22,000 to 22,999	6,100
23,000 to 23,999	6.350
24,000 to 24,999	6,600
25,000 to 25,999	6,850
26,000 to 27,999	7,250
28,000 to 28,999	7,750
30,000 to 31,999	8,250
32,000 to 33,999	8,750
34,000 to 35,999	9,250
36,000 to 37,999	9,750
38,000 to 39,999	10,250
40,000 to 41,999	10,750
42,000 to 43,999	11,250
44,000 to 45,999	11,750
46,000 to 47,999	12,250
48,000 to 49,999	12,750
50,000 to 51,999	13,250
52,000 to 53,999	13,750
54,000 to 55,999	14,250
56,000 to 57,999	14,750
58,000 to 59,999	15,250

The agency may prorate the annual lease value by multiplying the value by a fraction: the numerator being the number of days the vehicle is available to the employee and the denominator being 365. For example, if a vehicle costing $25,000 is available to an employee for 10 days in a given pay period, the prorated annual lease value is $187.67 ($6,850 times 10/365). The agency must include the $187.67 in the employee's wages. (To do this, contact the Central Payroll Bureau, Financial Control Division, for instructions.)

An agency must receive permission, in writing, from the Financial Control Division of the Department of Finance and Administration before requiring or allowing an employee to take an automobile home to safeguard it. The Financial Control Division will require the agency to justify its action in terms of cost effectiveness, given the options available for protecting the vehicle. In order to ensure that protection of the vehicle is in fact the agency's goal, the Division will also scrutinize the agency's choice of the employee who will be taking care of the vehicle.

APPENDIX 9-BUDGET OFFICE CONTACTS

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