

State Budget 2015

Citizen's Guide



GOBIERNO DEL
ESTADO DE MÉXICO



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Introduction

The State of Mexico presents the 2015 State Budget for its citizens to be informed of the State's revenues and expenses, as well as the classification of public expenditures.

The Government of the State of Mexico is aware that its citizens are the boss, hence we strive to deliver the best results.

The Government of the State of Mexico strives for more transparency in all government affairs, because we believe in accountability.

This document includes in detail the approved budget for Fiscal Year 2015.



The 2015 Fiscal Package was approved by the Legislature and published on the State Gazette on November 20th, 2014. The Fiscal Package is composed by:

- State Revenue Act (Decree #330)
- State Expenditure Budget (Decree #333)
- Municipalities Revenue Act (Decree #331)
- Budget Modifications (Decree #332)

Fiscal Year 2015 is comprised from January 1st to December 31st, and is on this period of time that the Government of the State of Mexico must allocate all resources according to the authorized State Expenditure Budget.

* Decree #332.- By that reforms diverse dispositions of the State of Mexico and municipalities Financial Law.

The 2015 State Budget was elaborated with a focus on social welfare, thus considers a Performance-based Budgeting (PbR).



Each year, the Secretariat of Finance and Public Credit (SHCP) establishes the variable that will determine federal revenues and government spending power for the fiscal year.

On September 5th, 2014, the Federal Government presented the 2015 Federal Fiscal Package which includes: The Federal Revenue Act, The Federal Expenditure Budget, and the 2015 Economic Outlook.



Criteria for preparing the State Budget

The State of Mexico receives unconditional transfers, called participaciones federales (Ramo 28), and earmarked transfers, aportaciones federales (Ramo 33).

For Fiscal Year 2015, the Secretariat of Finance and Public Credit (SHCP) established the following Economic Policies:

Gross Domestic Product (GDP):
3.7%



Inflation:
3.0%



Crude Oil Prices:
79 USD*
per barrel



Exchange rate:
13.4*
MXN



* The H. Congress of the Union adjusted the price of oil barrel, originally gaze at 82 USD per barrel, as well as exchange rate of 13.0 pesos MXN per dollar.

- The previously mentioned economic policies will determine most of the expected revenue for the Federal Government. Also, these economic policies will have an effect on the States Budget and the Municipalities Budget, since most of their revenues are accounted from Federal Transfers.

- A growth in GDP means that the economy is doing well, thus business are doing better. This translates in an increase in tax revenues.

- Crude oil price is relevant because it represents more than a third of total Federal Revenue. The revenue of oil sales is distributed among entities in the form of unconditional and earmarked transfers.

- An increase in crude oil price means a higher revenue for both the Federal Government and the State Governments.



Gross Domestic
Product (GDP):
3.7%



Crude Oil
Prices:
79 USD
per barrel



Criteria for preparing the State Budget

Exchange rates are important because it is correlated to crude oil revenue. A higher crude oil price combined with a dollar appreciation means a higher sales revenue.



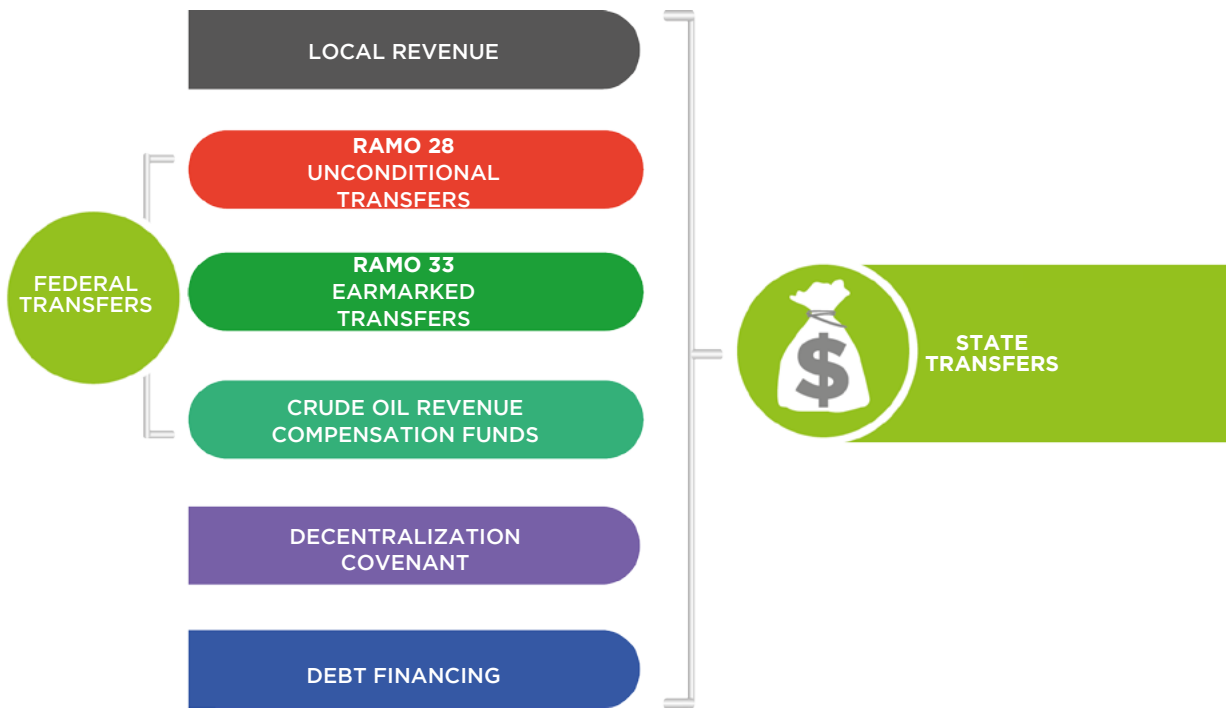
Exchange rate:

13.4
MXN



Where does the money come from?

Local Governments have 4 sources of revenue: local revenue, federal transfers, Decentralization Covenants, and Public Debt.



* Payroll Taxes, Vehicle Taxes, Lottery, Lodging Taxes.



Revenue Act

The amount of money that the State of Mexico gets is established in its Revenue Act for each Fiscal Year, and it must match its State Expenditure Budget.

REVENUE ACT

Concept	Millions MXN*
Total Revenue	211,944.1
State Resources	40,537.2
Taxes	14,182.9
Fees	5,668.1
Receipts	282.7
Products	45.8
Returns	4,261.3
Social Security	16,096.5
Federal Transfers	159,153.2
Unconditional Transfers	75,602.4
Earmarked Transfers	83,550.7
Auxiliary Agencies Revenues	2,898.6
Financing	8,860.7
Yields	494.4

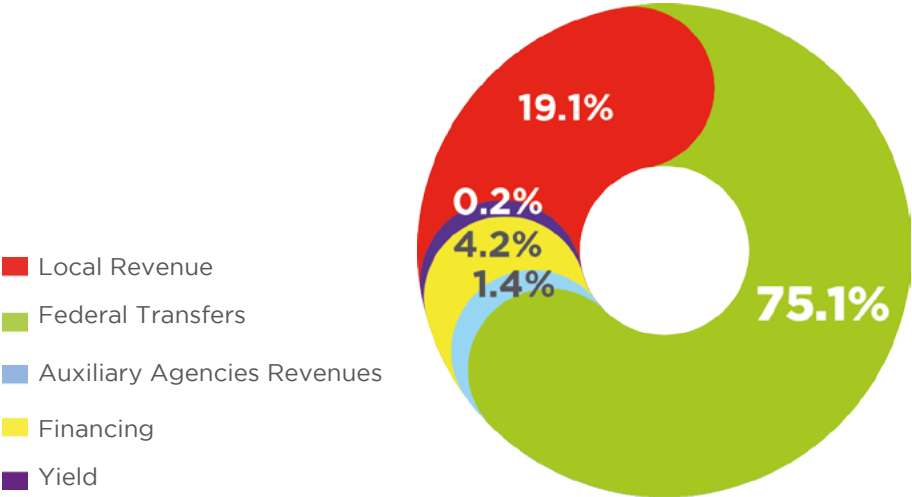
* Millions of pesos MXN.



Revenue Act

Revenue Composition for Fiscal 2015:

2015 Revenue Composition
(Total percentage)



- **Local Revenue:** Taxes, Fees, Receipts, Products, Returns, Social Security.
- **Federal Transfers:** Unconditional (Branch 28) and Earmarked (Branch 33) Transfers.
- **Auxiliary Agencies Revenues:** Revenues from services provided by Auxiliary Agencies.
- **Financing:** Debt and Equity Financing.
- **Yield:** Income Returns on Investments.

The logo consists of three overlapping squares: a red one at the top, a brown one at the bottom left, and a grey one at the bottom right, all arranged in a way that they appear to be part of a single geometric design.

Expenditure Budget



It is the legal instrument where all projected expenses for the Fiscal Year are accounted for. The expenses must match the expected income established in the Revenue Act.

For Fiscal Year 2015, expected expenditure will be:

211,944.1
Mop*

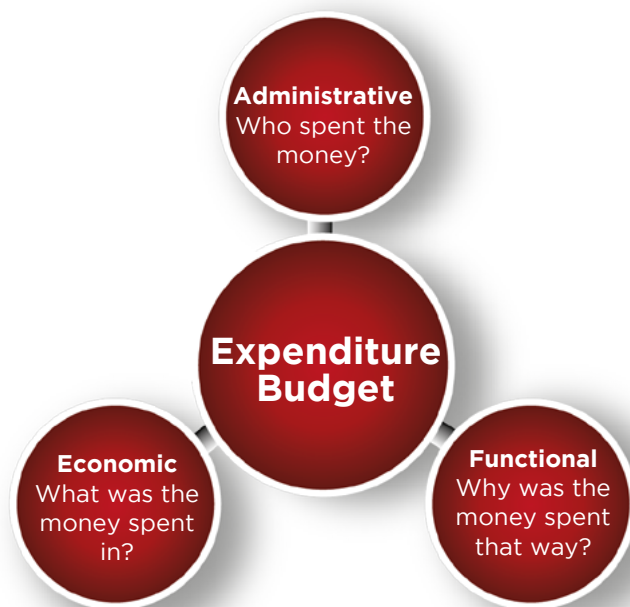
* Mop: Millions of pesos.



Expenditure Classification

The State of Mexico gives its expenses the following classification:

- Administrative: Expenses of each administrative unit.
- Economic: Operating and capital expenses.
- Functional: Money allocated to specific projects, programs, or activities.

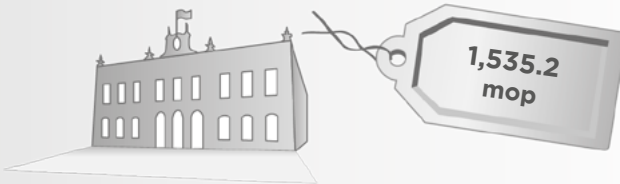
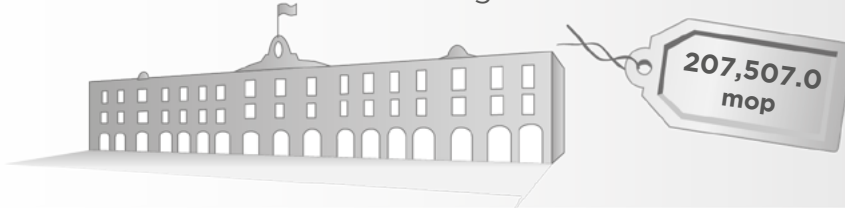




Administrative Classification

The Administrative Expenditure for Fiscal Year 2015 are to be distributed as follows:

Executive and Autonomous Organisms



Legislative

Judicial





Economic Classification

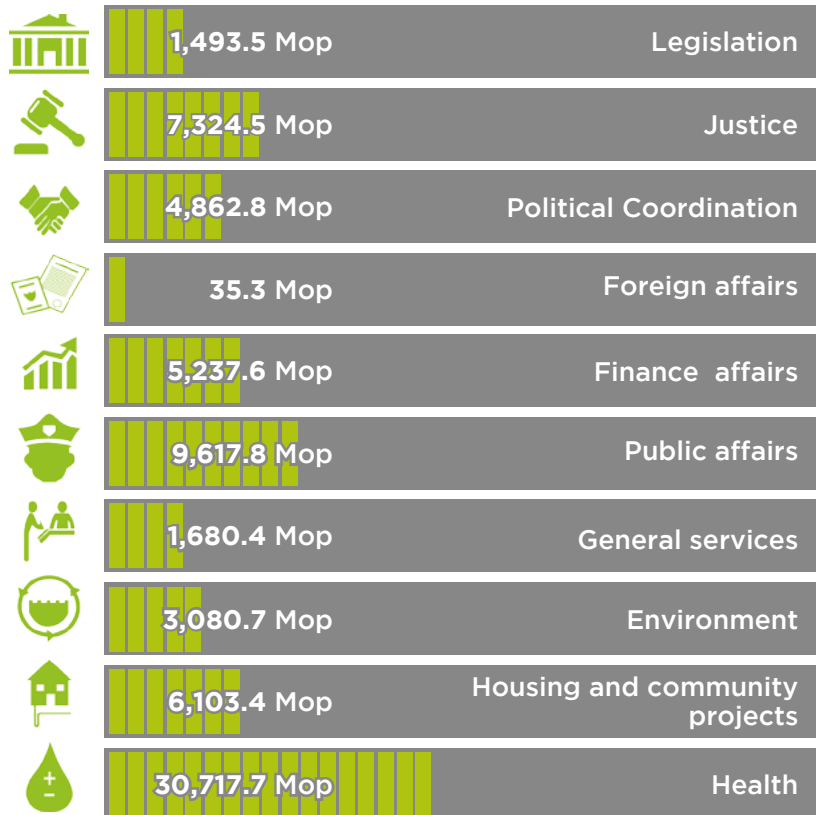
The Economic classification is integrated by the different expenditure chapters, where the most important are Public Investment (Chapter 6000) and Operational Expenditure (Chapters 1000, 2000, and 3000).

Chapter		What does it comprise?	Mop
1000	Personal Services	Salaries, Payroll, Social Security Expenses and Benefits	43,936.3
2000	Materials and Supplies	Materials and Supplies needed for operation	1,377.7
3000	General Services	Hiring of services needed for operation	3,207.7
4000	Transfers and Subsidies	Transfers to Auxiliary Agencies or Autonomous Organisms, Trust Funds, Subsidies and Aid	5,323.1
5000	Movable and Immovable Property	Infrastructure needed for operation	96.4
6000	Public Investment	Infrastructure and social programs	21,702.5
	General Salaries and Economic Fund		2,201.7
	General Payroll Payment Fund		1,896.2
Total			79,741.6



Functional Classification

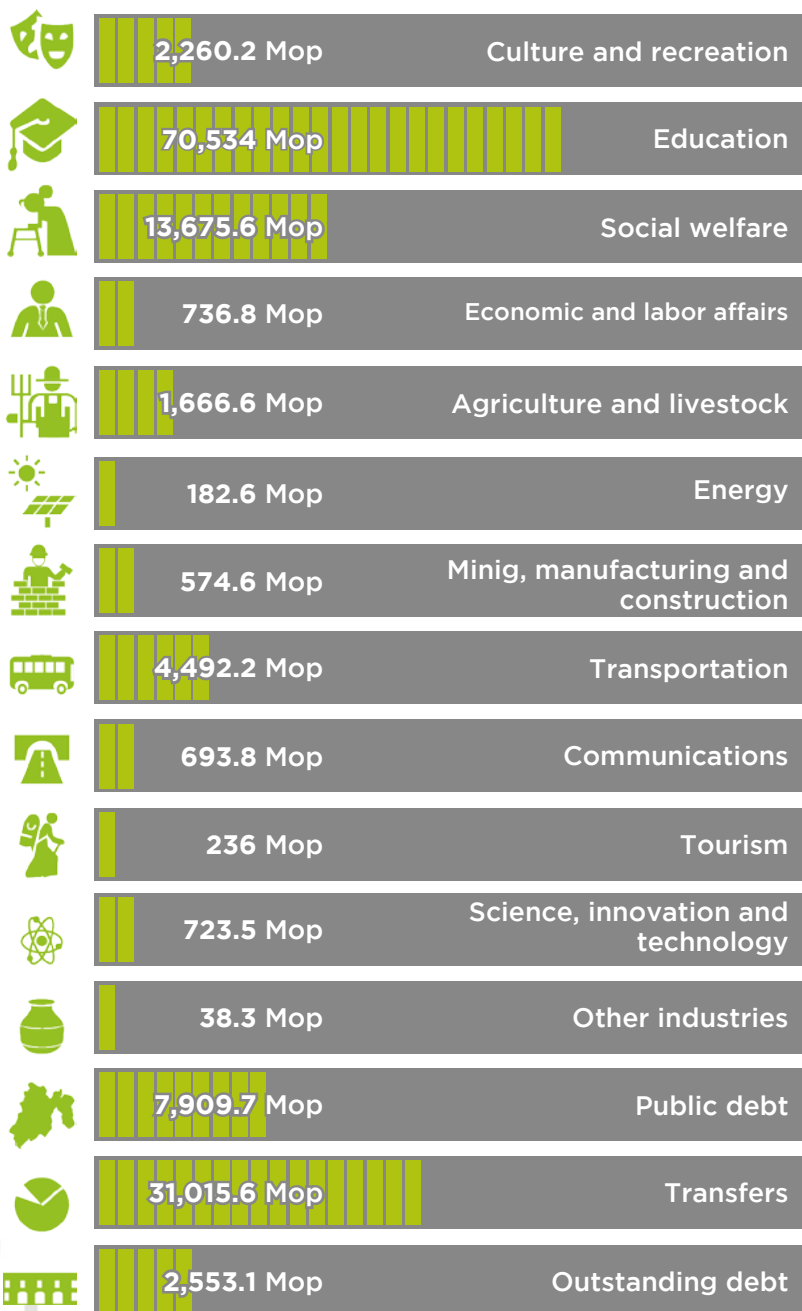
The Government of the State of Mexico will allocate its budget for Fiscal Year 2015 on the following programs:



Not included:

General Salaries and Economic Fund: 2,201.7 mop

General Payroll Payment Fund: 1,896.2 mop





Expenditure by Sector

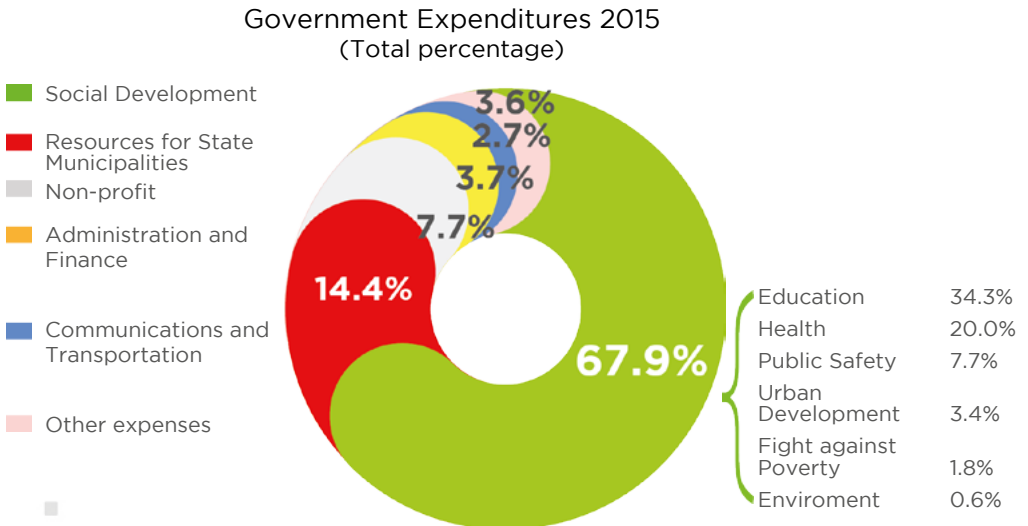
The State of Mexico allocates 68 out of a 100 pesos to Social Programs: Education, Health, Public Safety, and Fight Against Poverty.



Education and Health are the largest sectors and they account more than 54.3% of total state expenditure (34.3% is spent on Education and 20% on Health).

Transfers to Municipalities account for 14.4% of total state expenditure.

After the previously mentioned expenditures, the Government of the State of Mexico is left with only 18 pesos out of a 100 pesos for its operating expenses.



* Due to rounding, numbers may not match.



2011-2017 State Development Plan

The State Development Plan (SDP) is the document where the current government priorities, objectives, strategies, and mainstays are established in order to further the state's sustainable development.

The SDP includes proposals from different advocacy and lobbying groups.

The 2011-2017 State Development Plan mainstays are:

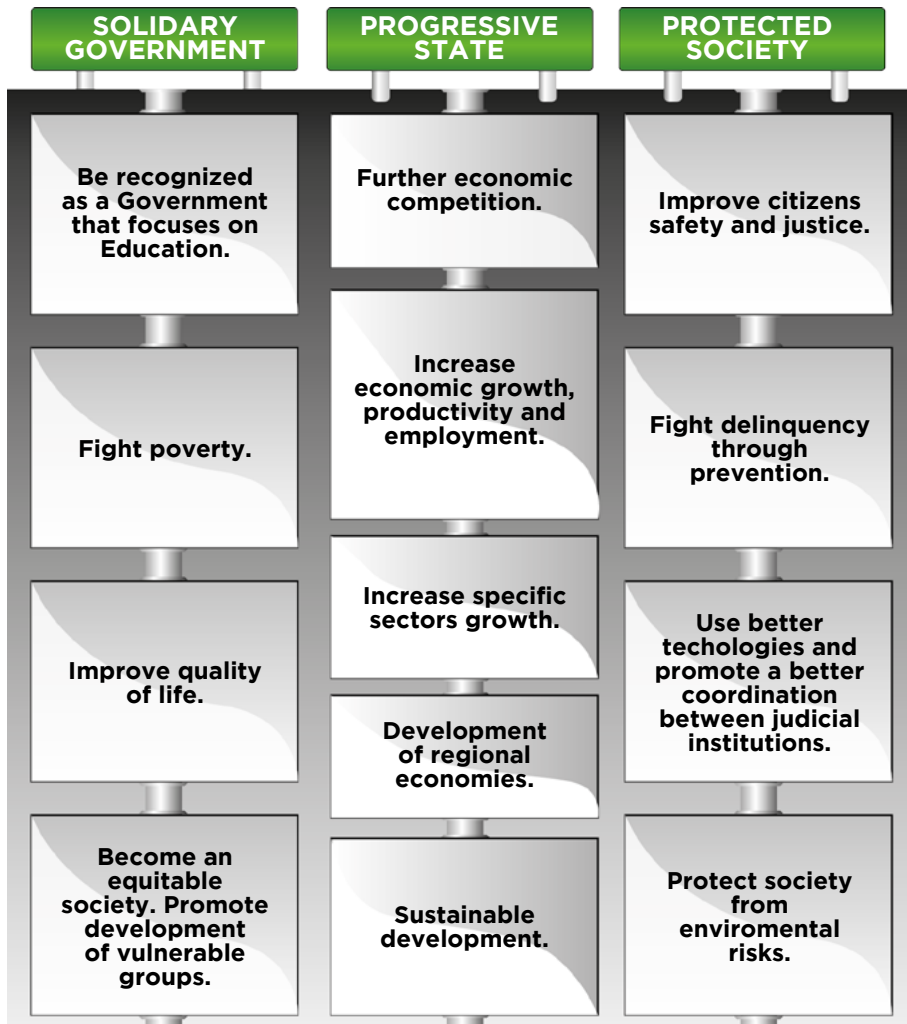
- **Solidary Government.**
- **Progressive State**
- **Protected Society**



2011-2017

State Development Plan

Mainstays





Mainstays Budget

For Fiscal Year 2015, the budget allocated for the Executive is 207.5 billion pesos and is aligned with the 2011-2017 State Development Plan's Mainstays.

The following amount of money will be allocated for each of the 2011-2017 State Development Plan's Mainstays:

Solidary Government
119,049.0 mop



Solidary Government
17,706.9 mop



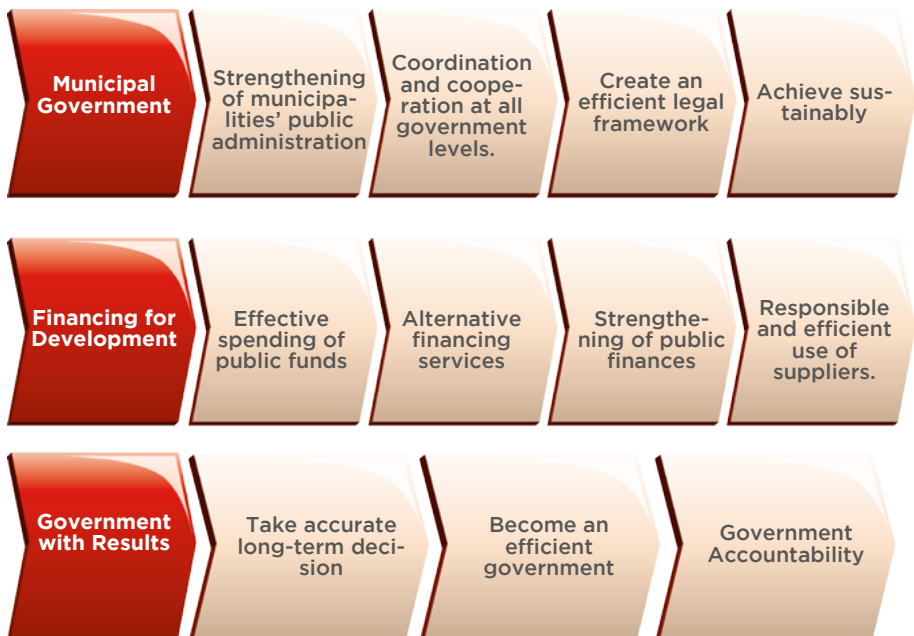
Protected Society
17,259.3 mop





Mainstays Budget

2011-2017 State Development Plan's Mainstays are furthered by 3 axes: Municipal Government, Financing for Development, and Government with Results.

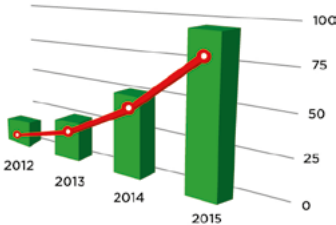


State Development Plan Axes

Municipal Government
31,291.1 mop



Financing for Development
14,716.9 mop



Government with Results
3,386.0 mop

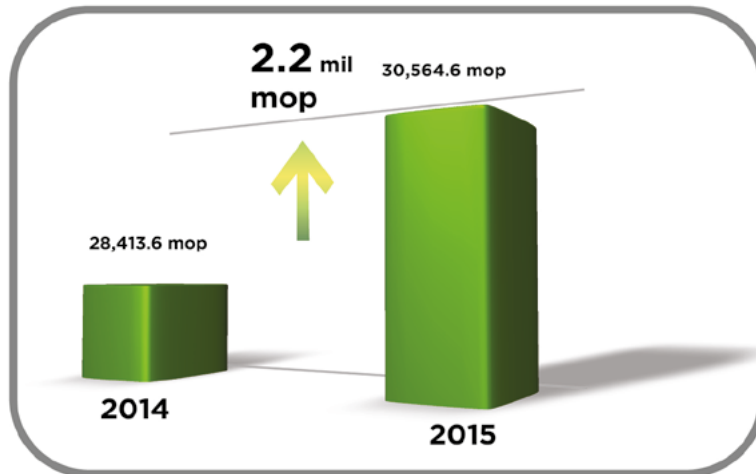


*The following funds are not included:
General Salaries and Economic Fund: 2,201.7 mop
General Payroll Payment Fund: 1,896.2 mop



Transfers to Municipalities

For Fiscal Year 2015, 30.5 billion pesos will be transferred (Ramo 28 and Ramo 33¹) to the State Municipalities, which represents an increase of more than 2 billion pesos compared to Fiscal 2014. (Ramo 28 19,088.3 mop and Ramo 33¹ 11,476.4 mop)



¹ FISM and FORTAMUN-DF funds are included.

Fondo de Infraestructura Social Municipal (FISM).
Fondo de Aportaciones para el Fortalecimiento de
los Municipios y Demarcaciones Territoriales del
Distrito Federal (FORTAMUN-DF).

Additionally, the following funds are distributed to State Municipalities for infrastructure development:



In order to alleviate the financial burdens of Municipalities, up to 50% of FEFOM transfers can be used for the municipality financial recovery.

Transfers to Autonomous Organisms and Auxiliary Agencies

For Fiscal Year 2015, transfers to Autonomous Organisms and Auxiliary Agencies will be of 5,440.7 million pesos and 81,987.3 million pesos, respectively.

For Fiscal Year 2015, transfers to the Autonomous University of the State of Mexico (UAEM) will be of 3,112.1 million pesos.





Important Aspects

Allocations for Fiscal 2015 will focus on attending social issues such as:

- For Fiscal 2015, budget allocated for Social programs is more than 11 billion pesos, where Education and Health will receive an increase of 5 billion pesos and 4.2 billion pesos compared to Fiscal Year 2014, respectively.
- Public Safety and Justice will receive 16.3 billion pesos (1,546 mdp more than last year).
- Environment programs will receive 69.1 billion pesos, which reflects the State's Environmental Responsibility.

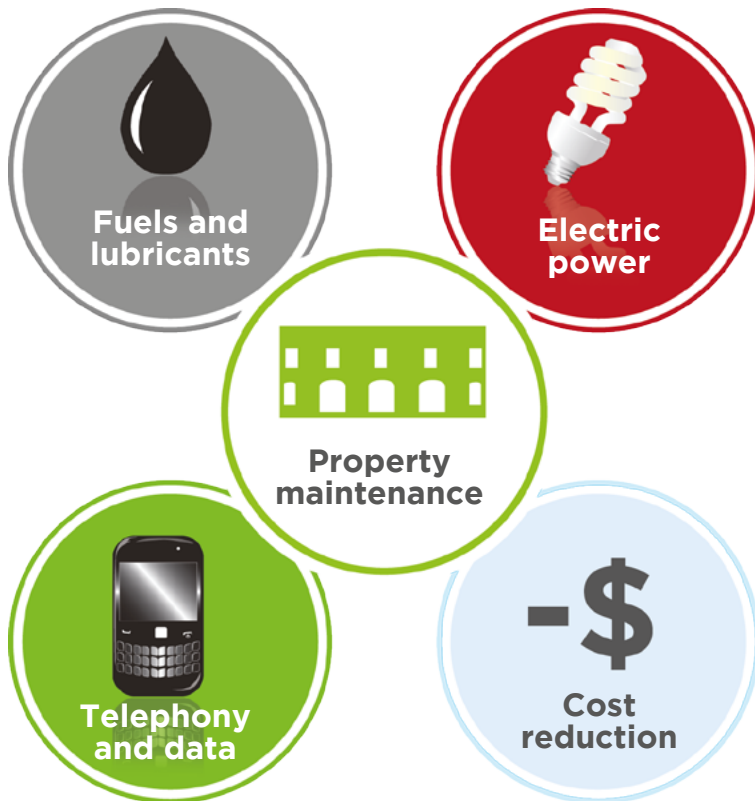


- Resources allocated for public infrastructure works account for 21.7 billion pesos.
- Resources allocated for the Cruzada Nacional Contra el Hambre account for 3.8 billion pesos.
- Resources allocated for gender equality programs account for 3.3 billion pesos, 139.1 mop more than previous year .
- 15 million pesos will be allocated to Shelters for Human Trafficking Victims.
- An allocation of 1.99 billion pesos is considered for the Instituto Electoral del Estado de México and 105 million to the Electoral Tribunal of the State of Mexico, in order to alleviate the 2015 State Election expenses.

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Austerity Program

As on previous fiscal years, the State Mexico will conduct a conservative fiscal policy, that's why on February 5th, 2015 the Government announced a new Austerity Program.








Austerity Program

In order to comply with the announced Austerity Program, the Government of the State of Mexico will reduce 2.3 million pesos from its expenses.

This reduction will not interfere with any infrastructure project or social programs, whatsoever.

The Austerity measures to take place on Fiscal Year 2015 are the following:

-  1. 10% cut on Salaries (Governor of the State, Secretaries, and Deputy Secretaries)
-  2. No more spending on events expenses, travel expenses, food expenses, allowances, etc.
-  3. Cancellation of mobile phone services. Only personnel of public safety, justice and auditors will keep the service.



4. Cancellation of fuel allowances for direct assignment vehicles, except those of public safety, justice and auditors.



5. Cancellation of public procurements for vehicles.



6. 10% cut on Government Public Relations.



7. 90% cut on immovable property maintenance, except when required by Public Safety.



8. Establish austerity measures on all government offices.



9. 50% cuts on Services expenses and immovable property rentals.



10. Strive for a 20% save on electricity expenses.



Access to Public Finance Information

- The State of Mexico is ranked #1 in allowing its citizens access to public finance information.

In order to make all these information accessible, the State of Mexico has made available the following website:

<http://transparencia.edomex.gob.mx/transparencia-fiscal/index.htm>

- Aside of the 2015 State Budget, the following documents have been published:



Additional Information



Adversary System

On February 9th, 2009 the Criminal Procedure Code of the State of Mexico was published on the State Gazette, in this document the established Adversary System as the main tool for justice delivery.

For Fiscal 2015, no budget will be allocated to the CPC, since it responsibility was shifted to the 18 judiciary districts of the State of Mexico.



Action on Climate Change

The Government of the State of Mexico is taking a number of steps to address the challenge of climate change. For Fiscal 2015, the State of Mexico expects revenues from the Fund for Climate Change Alleviation (Article 1, Clause 2.3 of the 2015 Revenue Act), that will be used for establishing a trust fund. This Trust Fund will give landowners an incentives and subsidies to preserve the environment (State of Mexico Fiscal Law, Articles 216-I to 216-O).



Criteria for approving Trust Funds

In order to further development in the State, the Government uses trust funds, which have public body. Trust funds in the State of Mexico must be constituted in compliance with current legislation.

More information:

<http://finanzas.edomex.gob.mx/inicio>

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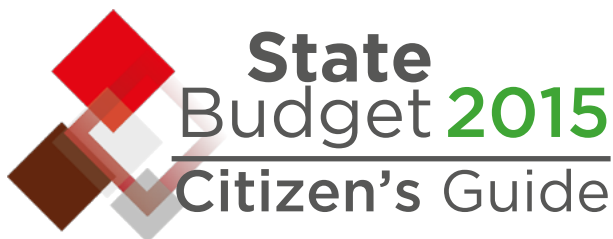


Secretaría de Finanzas

Email us at:



uippe.finanzas@edomex.gob.mx



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